



Financial Statements  
June 30, 2019

# Cerritos Community College District

# CERRITOS COMMUNITY COLLEGE DISTRICT

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JUNE 30, 2019

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**FINANCIAL SECTION**



## 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, 2019, 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 misstatements, 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, and the 2018-2019 *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office. 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 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, 2019, 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 5 through 15, and other required supplementary information on pages 65 through 68 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 basic 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 basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2019, 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.

Handwritten signature of Eide Bailly LLP in cursive script.

Rancho Cucamonga, California  
December 5, 2019



# 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, 2019. 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).

# CERRITOS COMMUNITY COLLEGE DISTRICT

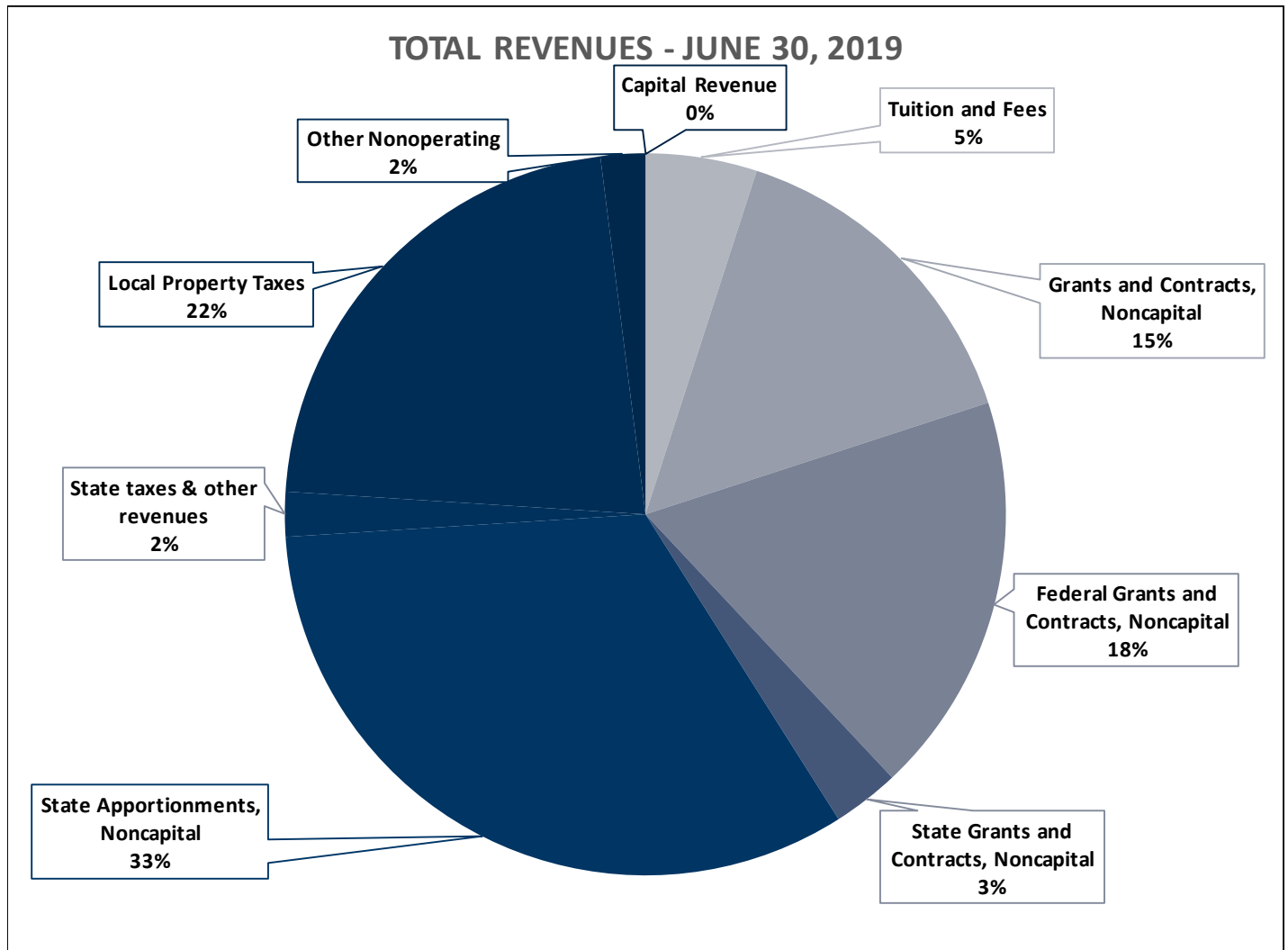
## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

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### FINANCIAL HIGHLIGHTS

#### Revenues

For fiscal year (FY) 2018-2019, the District received total revenues of \$189.3 million, excluding 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.





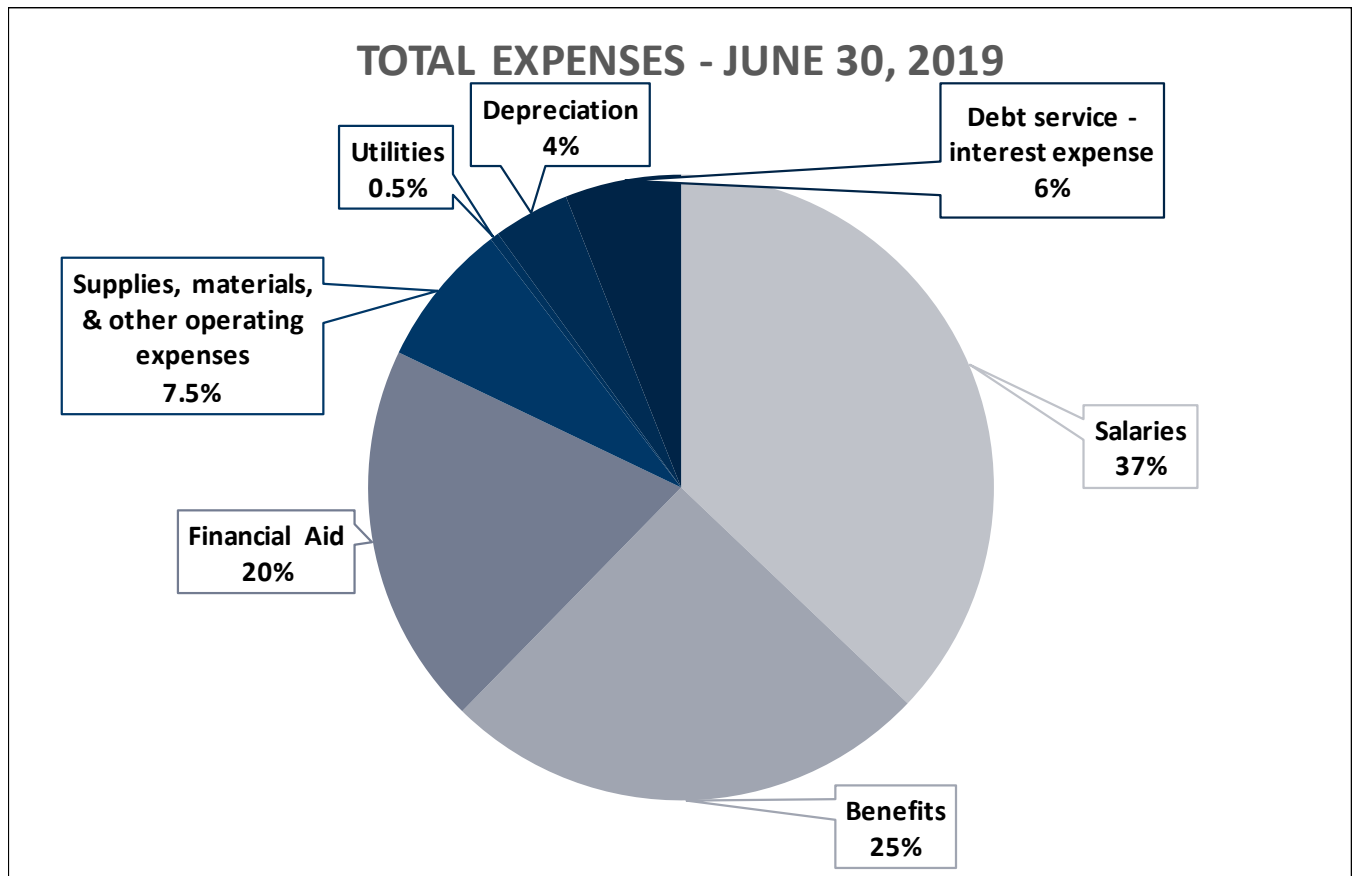
# CERRITOS COMMUNITY COLLEGE DISTRICT

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

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### Expenditures

For FY 2018-2019, the District's total expenditures were \$228.7 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.



# CERRITOS COMMUNITY COLLEGE DISTRICT

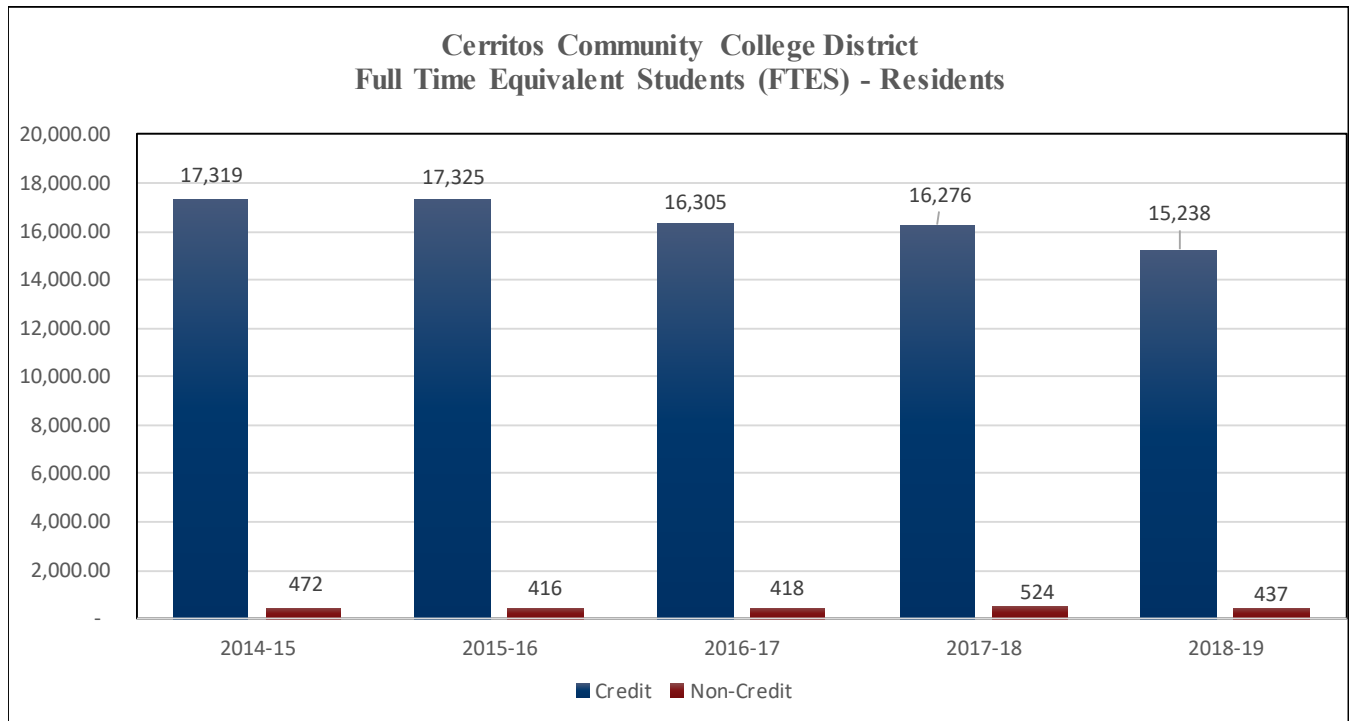
## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

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### 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 2018-2019 the Districts' total actual FTES decreased by 1,125. The following chart shows the trend for credit and non-credit FTES combined for the past five years.



# CERRITOS COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

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### *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.

# CERRITOS COMMUNITY COLLEGE DISTRICT

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

### THE DISTRICT AS A WHOLE

The Statement of Net Position as of June 30, 2019 and 2018, is summarized and presented herein:

**Table 1**

	2019	2018	Change
<b>ASSETS</b>			
Current Assets			
Cash and investments	\$ 238,185,051	\$ 169,509,734	\$ 68,675,317
Accounts receivable (net)	10,507,353	7,549,737	2,957,616
Other current assets	256,080	349,944	(93,864)
Total Current Assets	<u>248,948,484</u>	<u>177,409,415</u>	<u>71,539,069</u>
Capital Assets (net)	<u>382,452,735</u>	<u>351,412,773</u>	<u>31,039,962</u>
Total Assets	<u>631,401,219</u>	<u>528,822,188</u>	<u>102,579,031</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	9,126,618	10,038,992	(912,374)
Deferred outflows of resources related to pensions	44,733,879	48,759,473	(4,025,594)
Deferred outflows of resources related to OPEB	853,438	772,284	81,154
Total Deferred Outflows of Resources	<u>54,713,935</u>	<u>59,570,749</u>	<u>(4,856,814)</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 686,115,154</u>	<u>\$ 588,392,937</u>	<u>\$ 97,722,217</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable and accrued liabilities	\$ 30,462,574	\$ 29,350,127	\$ 1,112,447
Current portion of long-term debt	13,546,744	12,279,319	1,267,425
Total Current Liabilities	<u>44,009,318</u>	<u>41,629,446</u>	<u>2,379,872</u>
Long-Term Obligations	<u>605,825,392</u>	<u>504,048,229</u>	<u>101,777,163</u>
Total Liabilities	<u>649,834,710</u>	<u>545,677,675</u>	<u>104,157,035</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred outflows of resources related to pensions	21,471,291	11,002,059	10,469,232
Deferred outflows of resources related to OPEB	854,454	-	854,454
Total Deferred Inflows of Resources	<u>22,325,745</u>	<u>11,002,059</u>	<u>11,323,686</u>
Total Liabilities and Deferred Inflows of Resources	<u>672,160,455</u>	<u>556,679,734</u>	<u>115,480,721</u>
<b>NET POSITION</b>			
Net investment in capital assets	56,564,800	59,130,312	(2,565,512)
Restricted	48,815,216	44,255,594	4,559,622
Unrestricted deficit	(91,425,317)	(71,672,703)	(19,752,614)
Total Net Position	<u>13,954,699</u>	<u>31,713,203</u>	<u>(17,758,504)</u>
Total Liabilities and Net Position	<u>\$ 686,115,154</u>	<u>\$ 588,392,937</u>	<u>\$ 97,722,217</u>

# CERRITOS COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2019**

### *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, 2019 and 2018, is summarized and presented herein:

**Table 2**

	2019	2018	Change
Operating Revenues			
Tuition and fees, net	\$ 10,493,087	\$ 9,977,780	\$ 515,307
Grants and contracts	30,989,820	33,673,081	(2,683,261)
Total Operating Revenues	<u>41,482,907</u>	<u>43,650,861</u>	<u>(2,167,954)</u>
Operating Expenses			
Salaries and benefits	142,563,314	127,821,778	14,741,536
Supplies, maintenance, and student aid	63,414,557	62,631,339	783,218
Depreciation	9,040,383	8,829,093	211,290
Total Operating Expenses	<u>215,018,254</u>	<u>199,282,210</u>	<u>15,736,044</u>
Loss on Operations	<u>(173,535,347)</u>	<u>(155,631,349)</u>	<u>(17,903,998)</u>
Nonoperating Revenues (Expenses)			
State apportionments	68,836,044	59,412,053	9,423,991
Property taxes	47,523,329	50,911,766	(3,388,437)
Other state revenues	4,718,619	9,158,668	(4,440,049)
Federal and state financial aid grants, noncapital	43,669,830	46,123,820	(2,453,990)
Net interest expense	(10,937,905)	(10,917,110)	(20,795)
Other nonoperating revenues	1,379,416	7,500	1,371,916
Total Nonoperating Revenues (Expenses)	<u>155,189,333</u>	<u>154,696,697</u>	<u>492,636</u>
Other Revenues (Losses)			
State capital income	613,366	972,144	(358,778)
Loss on disposal of capital assets	(25,856)	(45,486)	19,630
Total Other Revenues (Losses)	<u>587,510</u>	<u>926,658</u>	<u>(339,148)</u>
Change in Net Position	<u>\$ (17,758,504)</u>	<u>\$ (7,994)</u>	<u>\$ (17,750,510)</u>

# CERRITOS COMMUNITY COLLEGE DISTRICT

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

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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, 2019:

	Salaries and Employee Benefits	Supplies, Material, and Other Expenses and Services	Equipment, Maintenance, and Repairs	Student Aid	Depreciation	Total
Instructional activities	\$ 81,258,404	\$ 2,634,093	\$ 31,458	\$ -	\$ -	\$ 83,923,955
Academic support	8,408,337	296,039	5,675	-	-	8,710,051
Instructional support services	6,032,177	1,404,208	13,164	-	-	7,449,549
Student services	20,010,151	929,126	5,079	-	-	20,944,356
Plant operations and maintenance	6,702,740	2,863,461	476	-	-	9,566,677
General institutional support services	11,714,201	2,935,135	3,929	-	-	14,653,265
Community services and economic development	423,305	248,655	-	-	-	671,960
Ancillary services and auxiliary operations	8,013,999	3,650,223	11,262	-	-	11,675,484
Student aid	-	-	-	45,233,123	-	45,233,123
Physical property and related acquisitions	-	2,183,323	966,128	-	-	3,149,451
Unallocated depreciation	-	-	-	-	9,040,383	9,040,383
Total	<u>\$ 142,563,314</u>	<u>\$ 17,144,263</u>	<u>\$ 1,037,171</u>	<u>\$ 45,233,123</u>	<u>\$ 9,040,383</u>	<u>\$ 215,018,254</u>

# CERRITOS COMMUNITY COLLEGE DISTRICT

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

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### *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, 2019 and 2018, is summarized and presented herein:

**Table 4**

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Cash Provided by (Used in)			
Operating activities	\$ (142,110,097)	\$ (98,808,581)	\$ (43,301,516)
Noncapital financing activities	148,309,977	95,883,094	52,426,883
Capital financing activities	60,278,587	32,010,870	28,267,717
Investing activities	<u>2,196,850</u>	<u>1,041,291</u>	<u>1,155,559</u>
Net Change in Cash	68,675,317	30,126,674	38,548,643
Cash, Beginning of Year	<u>169,509,734</u>	<u>139,383,060</u>	<u>30,126,674</u>
Cash, End of Year	<u><u>\$ 238,185,051</u></u>	<u><u>\$ 169,509,734</u></u>	<u><u>\$ 68,675,317</u></u>

# CERRITOS COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2019**

### Capital Assets

As of June 30, 2019, the District had \$382.5 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 \$84.6 million. Depreciation expense of \$9.0 million was recorded for the fiscal year. Note 6 to the financial statements provides additional information on capital assets.

**Table 5**

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Land and construction in progress	\$ 92,667,917	\$ 38,678,900	\$ (10,119,816)	\$ 121,227,001
Buildings and improvements	322,911,522	10,119,816	-	333,031,338
Equipment	11,456,648	1,427,301	(83,523)	12,800,426
Subtotal	427,036,087	50,226,017	(10,203,339)	467,058,765
Accumulated depreciation	(75,623,314)	(9,040,383)	57,667	(84,606,030)
	<u>\$ 351,412,773</u>	<u>\$ 41,185,634</u>	<u>\$ (10,145,672)</u>	<u>\$ 382,452,735</u>

### Obligations

At June 30, 2019, the District had \$619.4 million in outstanding long-term obligations, \$458.0 million is related to the General Obligation Bonds. Note 10 to the financial statements provides additional information on long-term obligations.

**Table 6**

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
General obligation bonds	\$ 360,789,767	\$ 109,407,998	\$ (12,245,463)	\$ 457,952,302
Aggregate net OPEB liability	21,233,167	2,344,800	(1,804,175)	21,773,792
Aggregate net pension obligation	128,262,031	5,891,641	-	134,153,672
Other long-term liabilities	6,042,583	360,110	(910,323)	5,492,370
Total Long-Term Obligations	<u>\$ 516,327,548</u>	<u>\$ 118,004,549</u>	<u>\$ (14,959,961)</u>	<u>\$ 619,372,136</u>

Amount due within one year	<u>\$ 13,546,744</u>
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### Aggregate Net Pension Liability (NPL)

At June 30, 2019, the District had an aggregate net pension liability of \$134.2 million versus \$128.3 million last year, an increase of \$5.9 million, or 4.6 percent.



# **CERRITOS COMMUNITY COLLEGE DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2019**

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### ***STATE BUDGET HIGHLIGHTS AND ECONOMIC OUTLOOK***

Since 2011, the State has made significant investments in the CCCs with overall growth of \$2.6 billion Proposition 98 General Fund. The State has also made targeted investments to improve student success. This has included \$285 million for the Student Success and Support Program, which has provided education planning services for matriculated students, and \$155 million to mitigate disproportionate impacts on access and achievement in underrepresented groups. The Budget integrates these programs and the Student Success for Basic Skills Program to give districts enhanced flexibility to support students, eliminate equity gaps, and support implementation of guided pathways programs. Supported by \$150 million one-time funding in the 2017 Budget, colleges are currently developing and implementing guided pathways programs focused on creating clear pathways for students to complete their degrees.

A decades-old community college apportionment formula—which has based funding on the number of students enrolled a particular point in time—is not the most effective way for community colleges to reach their student success goals and close the achievement gap. Instead, the Budget adopts a new student-centered funding formula that provides funding to districts based upon additional factors, including the number of low-income students enrolled and the number of students who meet specified student success metrics, including completion of a degree or certificate.

In 2018-2019, 70 percent of funding will be distributed based on enrollment, 20 percent based on enrollment of low-income students, and 10 percent based on student success metrics.

The District's largest component of revenue coming from the State of California, the most important element of State funding in the total computational revenue (TCR), which accounts for 88.5 percent of the District's 2018-2019 Unrestricted General Fund revenues. Under the new student-centered funding formula, 70 percent of TCR is still tied to the generation and reporting of full-time equivalent students (FTES). Over the last year, total FTES has decreased more than 1,100 and down 2,066 FTES since 2015-2016.

Looking to fiscal year 2019-2020, the District, based on year two of the student centered funding formula; the District anticipates flat revenue growth.

### ***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 - PRIMARY GOVERNMENT JUNE 30, 2019

<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and cash equivalents - unrestricted	\$ 67,618,730
Cash and cash equivalents - restricted	170,566,321
Accounts receivable	5,192,540
Student receivables, net	5,314,813
Prepaid expenses	256,080
<b>Total Current Assets</b>	<u>248,948,484</u>
<b>Noncurrent Assets</b>	
Nondepreciable capital assets	121,227,001
Depreciable capital assets, net of depreciation	261,225,734
<b>Total Noncurrent Assets</b>	<u>382,452,735</u>
<b>TOTAL ASSETS</b>	<u>631,401,219</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charge on refunding	9,126,618
Deferred outflows of resources related to pensions	44,733,879
Deferred outflows of resources related to OPEB	853,438
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>54,713,935</u>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts payable	12,412,789
Interest payable	5,208,000
Unearned revenue	12,841,785
Compensated absences payable	321,421
Bonds payable	12,315,000
Other long-term liabilities	910,323
<b>Total Current Liabilities</b>	<u>44,009,318</u>
<b>Noncurrent Liabilities</b>	
Compensated absences payable	2,439,980
Bonds payable	445,637,302
Aggregate net OPEB liability	21,773,792
Aggregate net pension obligation	134,153,672
Other long-term liabilities	1,820,646
<b>Total Noncurrent Liabilities</b>	<u>605,825,392</u>
<b>TOTAL LIABILITIES</b>	<u>649,834,710</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources related to pensions	21,471,291
Deferred inflows of resources related to OPEB	854,454
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>22,325,745</u>
<b>NET POSITION</b>	
Net investment in capital assets	56,564,800
Restricted for:	
Debt service	24,401,668
Capital projects	14,493,560
Educational programs	9,434,256
Other activities	485,732
Unrestricted deficit	(91,425,317)
<b>TOTAL NET POSITION</b>	<u>\$ 13,954,699</u>

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

**CERRITOS COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION - PRIMARY GOVERNMENT  
FOR THE YEAR ENDED JUNE 30, 2019**

<b>OPERATING REVENUES</b>	
Student Tuition and Fees	\$ 24,081,438
Less: Scholarship discount and allowance	(13,588,351)
Net tuition and fees	<u>10,493,087</u>
Grants and Contracts, Noncapital	
Federal	2,302,864
State	25,750,859
Local	2,936,097
Grants and contracts, noncapital	<u>30,989,820</u>
<b>TOTAL OPERATING REVENUES</b>	<u><u>41,482,907</u></u>
<b>OPERATING EXPENSES</b>	
Salaries	84,893,502
Employee benefits	57,669,812
Supplies, materials, and other operating expenses and services	17,144,263
Student financial aid	45,233,123
Equipment, maintenance, and repairs	1,037,171
Depreciation	9,040,383
<b>TOTAL OPERATING EXPENSES</b>	<u><u>215,018,254</u></u>
<b>OPERATING LOSS</b>	<u><u>(173,535,347)</u></u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
State apportionments, noncapital	68,836,044
Local property taxes, levied for general purposes	26,983,094
Taxes levied for other specific purposes	20,540,235
Federal financial aid grants, noncapital	37,207,811
State financial aid grants, noncapital	6,462,019
State taxes and other revenues	4,718,619
Investment income	2,782,996
Interest expense on capital related debt	(13,720,901)
Other nonoperating revenue	1,379,416
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u><u>155,189,333</u></u>
<b>LOSS BEFORE OTHER REVENUES AND (LOSSES)</b>	<u><u>(18,346,014)</u></u>
<b>OTHER REVENUES AND (LOSSES)</b>	
State revenues, capital	613,366
Loss on disposal of capital assets	(25,856)
<b>TOTAL OTHER REVENUES AND (LOSSES)</b>	<u><u>587,510</u></u>
<b>CHANGE IN NET POSITION</b>	(17,758,504)
<b>NET POSITION, BEGINNING OF YEAR</b>	31,713,203
<b>NET POSITION, END OF YEAR</b>	<u><u>\$ 13,954,699</u></u>

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

# CERRITOS COMMUNITY COLLEGE DISTRICT

## STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT FOR THE YEAR ENDED JUNE 30, 2019

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### CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees	\$ 6,293,493
Federal, state and local grants and contracts, noncapital	38,473,922
Payments to vendors for supplies and services	(23,314,086)
Payments to or on behalf of employees	(118,330,303)
Payments to students for scholarships and grants	(45,233,123)
<b>Net Cash Flows From Operating Activities</b>	<b><u>(142,110,097)</u></b>

### CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State apportionments	69,053,819
Federal and state financial aid	43,669,830
Property taxes - nondebt related	26,983,094
State taxes and other apportionments	3,738,376
Other nonoperating	4,864,858
<b>Net Cash Flows From Noncapital Financing Activities</b>	<b><u>148,309,977</u></b>

### CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Purchase of capital assets	(44,088,925)
Proceeds from capital debt	109,407,998
State revenue, capital projects	613,366
Property taxes - related to capital debt	20,540,235
Principal paid on capital debt	(12,245,463)
Interest paid on capital debt	(13,948,624)
<b>Net Cash Flows From Capital Financing Activities</b>	<b><u>60,278,587</u></b>

### CASH FLOWS FROM INVESTING ACTIVITIES

Interest received from investments	<u>2,196,850</u>
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### NET CHANGE IN CASH AND CASH EQUIVALENTS

68,675,317

### CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR

169,509,734

### CASH AND CASH EQUIVALENTS, END OF YEAR

\$ 238,185,051

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

# CERRITOS COMMUNITY COLLEGE DISTRICT

## STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT, Continued FOR THE YEAR ENDED JUNE 30, 2019

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### RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES

Operating Loss	\$ (173,535,347)
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities	
Depreciation expense	9,040,383
Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows	
Receivables, net	(4,906,669)
Prepaid expenses	93,864
Accounts payable and accrued liabilities	(2,143,684)
Unearned revenue	8,191,177
Compensated absences and SERP	(550,213)
Deferred outflows of resources related to pensions and OPEB	3,944,440
Deferred inflows of resources related to pensions and OPEB	11,323,686
Aggregate net pension obligation	5,891,641
Aggregate net OPEB liability	540,625
<b>Total Adjustments</b>	<u>31,425,250</u>
<b>Net Cash Flows From Operating Activities</b>	<u><u>\$ (142,110,097)</u></u>

### CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:

Cash on hand and in banks	\$ 22,575
Cash in county treasury	238,162,476
<b>Total Cash and Cash Equivalents</b>	<u><u>\$ 238,185,051</u></u>

### NONCASH TRANSACTIONS

California Promise Grants	\$ 13,588,351
On behalf payments for benefits	9,313,964
	<u><u>\$ 22,902,315</u></u>

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

# CERRITOS COMMUNITY COLLEGE DISTRICT

## FIDUCIARY FUNDS STATEMENT OF NET POSITION JUNE 30, 2019

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	<u>Trust Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,606,718
Accounts receivable	146,788
Prepaid expenses	3,256
<b>Total Assets</b>	<u>1,756,762</u>
 <b>LIABILITIES</b>	
Accounts payable	155,547
Due to student groups	518,300
<b>Total Liabilities</b>	<u>673,847</u>
 <b>NET POSITION</b>	
Unrestricted	1,082,915
<b>Total Net Position</b>	<u>\$ 1,082,915</u>

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

**CERRITOS COMMUNITY COLLEGE DISTRICT**

**FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2019**

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	<u>Trust Funds</u>
<b>ADDITIONS</b>	
Federal revenues	\$ 51,379
Local revenues	1,193,286
<b>Total Additions</b>	<u>1,244,665</u>
 <b>DEDUCTIONS</b>	
Classified salaries	276,530
Employee benefits	66,171
Books and supplies	316,463
Services and operating expenditures	449,142
Student aid	246,913
<b>Total Deductions</b>	<u>1,355,219</u>
 <b>Change in Net Position</b>	(110,554)
<b>Net Position - Beginning of Year</b>	<u>1,193,469</u>
<b>Net Position - End of Year</b>	<u><u>\$ 1,082,915</u></u>

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

# CERRITOS COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### ***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 GASB Statement No. 61, *Determining Whether Certain Organizations are Component Units*. This statement amends GASB Statement No. 14, *The Financial Reporting Entity*, to provide additional guidance 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.



# CERRITOS COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### 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, and No. 39. 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.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are classified as operating revenues. These transactions are recorded on the accrual basis when the exchange takes place. 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. 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, certain Federal and State grants, entitlements, 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 and entitlements 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.

# CERRITOS COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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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, and No. 39. 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 unrestricted cash on hand, demand deposits, and short-term unrestricted investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include unrestricted cash with county treasury balances for purposes of the Statement of Cash Flows. Restricted cash and cash equivalents represent balances restricted by external sources such as grants and contracts or specifically restricted for the repayment of capital debt.

### **Investments**

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held at June 30, 2019, are stated at fair value. Fair value is estimated based on quoted market prices at year-end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

### **Restricted Assets**

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets represent cash and cash equivalents designated for acquisition or construction of noncurrent assets or that are segregated for the liquidation of long-term debt.

# CERRITOS COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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### **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 \$1,676,098 for the year ended June 30, 2019.

### **Prepaid Expenses**

Prepaid expenses represent payments made to vendors and others for services that will benefit periods beyond June 30.

### **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 Obligations**

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

### **Debt Premiums on Issuance**

Debt premiums are amortized over the life of the bonds using the straight-line method.

### **Deferred Charge on Refunding**

Deferred charge on refunding is amortized using the straight-line method over the remaining life of the new debt or the remaining life of the old debt, whichever is shorter.

# CERRITOS COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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### **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 or expenditure until then. The District reports deferred outflows of resources for deferred charges on refunding of debt, for pension related items, and for OPEB related items.

In addition to liabilities, the Statement of Net Position 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 pension related items and for OPEB related items.

### **Pensions**

For purposes of measuring the net pension liability and 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 (the 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. Payments for the aggregate net pension liability are made by the fund for which the employee worked.

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

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from MPP's fiduciary net position have been determined on the same basis as they are reported by the District's OPEB Plan and MPP. For this purpose, the District's 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. Payments for the aggregate net OPEB liability are made by the General Fund.

### **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.

# CERRITOS COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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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 school 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.

### **Unearned Revenue**

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and 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 bonds, compensated absences, supplemental early retirement plan (SERP), aggregate net OPEB liability, and aggregate net pension obligation with maturities greater than one year.

### **Net Position**

GASB Statements No. 34 and No. 35 report equity as "Net Position" and represent the difference between assets and liabilities. The net position is classified according to imposed restrictions or availability of assets for satisfaction of District obligations according to the following net asset categories:

**Net Investment in Capital Assets** consists of capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. To the extent debt has been incurred, but not yet expended for capital assets, such accounts are not included as a component invested in capital assets.

**Restricted:** Net position is reported as restricted when there are limitations imposed on their use, either through 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 resources are available.

**Unrestricted:** Net position that is not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

# CERRITOS COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed. The government-wide financial statements report \$48,815,216 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.

# CERRITOS COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### **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, FSEOG Grants, 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 November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

# CERRITOS COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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The District has implemented the provisions of this Statement as of June 30, 2019.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The District has implemented the provisions of this Statement as of June 30, 2019.

### **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.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2018. Early implementation is encouraged.

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.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.



# CERRITOS COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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In August 2018, the GASB issued Statement No. 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.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

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).

# CERRITOS COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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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.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2020. Early implementation is encouraged.

# CERRITOS COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### *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 an 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.

# CERRITOS COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

### General Authorizations

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

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

### 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, 2019, consist of the following:

Primary government	\$ 238,185,051
Fiduciary funds	1,606,718
Total Deposits and Investments	<u>\$ 239,791,769</u>
Cash on hand and in banks	\$ 330,174
Cash in county treasury	239,461,595
Total Deposits and Investments	<u>\$ 239,791,769</u>

# CERRITOS COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### 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.

### Specific Identification

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

<u>Investment Type</u>	<u>Book Value</u>	<u>Fair Value</u>	<u>Weighted Average Days to Maturity</u>
Los Angeles County Investment Pool	<u>\$ 239,461,595</u>	<u>\$ 239,231,901</u>	547

### 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, 2019.

### 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. 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, 2019, the District's bank balance of \$115,591 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.

# CERRITOS COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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### *NOTE 4 - FAIR VALUE MEASUREMENTS*

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

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs, other than Level 1 prices, such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

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

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

The District's fair value measurements are as follows at June 30, 2019:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Uncategorized</u>
Los Angeles County Investment Pool	<u>\$ 239,231,901</u>	<u>\$ 239,231,901</u>

All assets have been valued using a market approach, with quoted market prices.

**CERRITOS COMMUNITY COLLEGE DISTRICT**

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

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**NOTE 5 - ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2019, consisted primarily of intergovernmental grants, entitlements, interest, and other local sources.

The accounts receivable are as follows:

	<u>Primary Government</u>
Federal Government	
Categorical aid	\$ 1,423,561
State Government	
Categorical aid	599,091
Lottery	818,898
Other State sources	161,345
Local Sources	
Interest	586,146
Other local sources	<u>1,603,499</u>
Total	<u>\$ 5,192,540</u>
Student receivables	\$ 6,990,911
Less allowance for bad debt	<u>(1,676,098)</u>
Student receivables, net	<u>\$ 5,314,813</u>
	<u>Fiduciary Funds</u>
Local Sources	
Other local sources	<u>\$ 146,788</u>

**CERRITOS COMMUNITY COLLEGE DISTRICT**

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

**NOTE 6 - CAPITAL ASSETS**

Capital asset activity for the District for the fiscal year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Capital Assets Not Being Depreciated				
Land	\$ 3,570,212	\$ -	\$ -	\$ 3,570,212
Construction in progress	89,097,705	38,678,900	10,119,816	117,656,789
Total Capital Assets Not Being Depreciated	<u>92,667,917</u>	<u>38,678,900</u>	<u>10,119,816</u>	<u>121,227,001</u>
Capital Assets Being Depreciated				
Site improvements	18,493,235	2,473,167	-	20,966,402
Buildings	304,418,287	7,646,649	-	312,064,936
Equipment	11,456,648	1,427,301	83,523	12,800,426
Total Capital Assets Being Depreciated	<u>334,368,170</u>	<u>11,547,117</u>	<u>83,523</u>	<u>345,831,764</u>
Total Capital Assets	<u>427,036,087</u>	<u>50,226,017</u>	<u>10,203,339</u>	<u>467,058,765</u>
Less Accumulated Depreciation				
Site improvements	5,470,055	1,021,985	-	6,492,040
Buildings	63,770,893	7,290,017	-	71,060,910
Equipment	6,382,366	728,381	57,667	7,053,080
Total Accumulated Depreciation	<u>75,623,314</u>	<u>9,040,383</u>	<u>57,667</u>	<u>84,606,030</u>
Net Capital Assets	<u>\$ 351,412,773</u>	<u>\$ 41,185,634</u>	<u>\$ 10,145,672</u>	<u>\$ 382,452,735</u>

Depreciation expense for the year was \$9,040,383.



**CERRITOS COMMUNITY COLLEGE DISTRICT**

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

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**NOTE 7 - ACCOUNTS PAYABLE**

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

	Primary Government
Accrued payroll	\$ 9,479,692
Apportionment	217,775
Construction	1,173,694
Other vendor payables	1,541,628
Total	<u>\$ 12,412,789</u>
	Fiduciary Funds
Other vendor payables	<u>\$ 155,547</u>

**NOTE 8 - UNEARNED REVENUE**

Unearned revenue at June 30, 2019, consisted of the following:

	Primary Government
Federal financial assistance	\$ 103,267
State categorical aid	8,959,212
Enrollment and other student fees	3,233,682
Other local	545,624
Total	<u>\$ 12,841,785</u>

**NOTE 9 - 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 primary government 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, 2019, there were no amount owed between the primary government and the fiduciary funds.

# CERRITOS COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

### 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 2019 fiscal year, no amounts were transferred between the primary government and the fiduciary funds.

### NOTE 10 - LONG-TERM OBLIGATIONS

#### Summary

The changes in the District's long-term obligations during the 2019 fiscal year consisted of the following:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Due in One Year
<b>Bonds and Notes Payable</b>					
<b>Measure CC</b>					
2004 General obligation bonds, Series 2009C	\$ 2,560,000	\$ -	\$ 1,200,000	\$ 1,360,000	\$ 1,360,000
2004 General obligation bonds, Series 2012D	93,473,680	2,500,921	815,000	95,159,601	1,005,000
2014 General Obligation Refunding Bonds, Series A	77,845,000	-	540,000	77,305,000	585,000
2014 General Obligation Refunding Bonds, Series B	13,840,000	-	1,940,000	11,900,000	2,070,000
Unamortized Bond Premiums	9,807,963	-	683,090	9,124,873	-
<b>Measure G</b>					
2012 General obligation bonds, Series 2014A	73,900,000	-	-	73,900,000	-
2012 General obligation bonds, Series 2018B	75,000,000	-	6,570,000	68,430,000	7,295,000
2012 General obligation bonds, Series 2019C	-	100,000,000	-	100,000,000	-
Unamortized Bond Premiums	14,363,124	6,907,077	497,373	20,772,828	-
Total Bonds and Notes Payable	<u>360,789,767</u>	<u>109,407,998</u>	<u>12,245,463</u>	<u>457,952,302</u>	<u>12,315,000</u>
<b>Other Liabilities</b>					
Compensated absences	2,401,291	360,110	-	2,761,401	321,421
Supplemental employee retirement plan	3,641,292	-	910,323	2,730,969	910,323
Aggregate net OPEB liability	21,233,167	2,344,800	1,804,175	21,773,792	-
Aggregate net pension obligation	128,262,031	5,891,641	-	134,153,672	-
Total Other Liabilities	<u>155,537,781</u>	<u>8,596,551</u>	<u>2,714,498</u>	<u>161,419,834</u>	<u>1,231,744</u>
Total Long-Term Obligations	<u>\$ 516,327,548</u>	<u>\$ 118,004,549</u>	<u>\$ 14,959,961</u>	<u>\$ 619,372,136</u>	<u>\$ 13,546,744</u>

# CERRITOS COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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### **Description of Long-Term Obligations**

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 and aggregate net OPEB liability will be paid by the General Fund. Payments related to the aggregate net pension obligation will be paid by the fund for which the employee worked. See Note 11 for further details of the aggregate net pension obligation.

### **Bonded Debt**

#### **Bonds Payable**

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, 2019**

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.

The outstanding general obligation bonded debt was as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2018	Accreted/ Issued	Redeemed	Bonds Outstanding June 30, 2019
5/27/2009	8/1/2019	3.00-5.25%	\$ 55,000,000	\$ 2,560,000	\$ -	\$ 1,200,000	\$ 1,360,000
3/21/2012	8/1/2038	1.97-5.88%	82,825,515	93,473,680	2,500,921	815,000	95,159,601
11/4/2014	8/1/2033	1.75-5.00%	80,395,000	77,845,000	-	540,000	77,305,000
11/4/2014	8/1/2023	0.506-3.121%	17,975,000	13,840,000	-	1,940,000	11,900,000
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	75,000,000	-	6,570,000	68,430,000
6/11/2019	8/1/2044	3.00-5.00%	100,000,000	-	100,000,000	-	100,000,000
				<u>\$ 336,618,680</u>	<u>\$ 102,500,921</u>	<u>\$ 11,065,000</u>	<u>\$ 428,054,601</u>

The 2004 General Obligation Bonds, Series 2009C mature through 2020 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
<u>2020</u>	<u>\$ 1,360,000</u>	<u>\$ 27,200</u>	<u>\$ 1,387,200</u>

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

Fiscal Year	Principal (Including Capitalized Interest to Date)	Accreted Interest	Current Interest to Maturity	Total
2020	\$ 986,397	\$ 18,603	\$ 2,150,719	\$ 3,155,719
2021	1,144,409	70,591	2,150,719	3,365,719
2022	1,284,769	145,231	2,150,719	3,580,719
2023	1,407,725	237,275	2,150,719	3,795,719
2024	1,522,650	357,350	2,150,719	4,030,719
2025-2029	12,138,152	5,776,848	10,753,595	28,668,595
2030-2034	17,739,665	18,870,335	10,753,595	47,363,595
2035-2039	58,935,834	18,344,166	7,225,828	84,505,828
Total	<u>\$ 95,159,601</u>	<u>\$ 43,820,399</u>	<u>\$ 39,486,613</u>	<u>\$ 178,466,613</u>

**CERRITOS COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2020	\$ 585,000	\$ 3,537,025	\$ 4,122,025
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
2025-2029	30,755,000	11,801,125	42,556,125
2030-2034	36,295,000	3,274,800	39,569,800
Total	<u>\$ 77,305,000</u>	<u>\$ 31,829,175</u>	<u>\$ 109,134,175</u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2020	\$ 2,070,000	\$ 305,424	\$ 2,375,424
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	<u>\$ 11,900,000</u>	<u>\$ 918,006</u>	<u>\$ 12,818,006</u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2020	\$ -	\$ -	\$ -
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024	-	-	-
2025-2029	-	16,552,250	16,552,250
2030-2034	7,975,000	15,989,375	23,964,375
2035-2039	21,610,000	12,090,250	33,700,250
2040-2044	35,320,000	6,339,400	41,659,400
2045	8,995,000	179,900	9,174,900
Total	<u>\$ 73,900,000</u>	<u>\$ 51,151,175</u>	<u>\$ 125,051,175</u>

**CERRITOS COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2020	\$ 7,295,000	\$ 2,898,250	\$ 10,193,250
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
2025-2029	8,205,000	10,545,625	18,750,625
2030-2034	10,965,000	7,524,125	18,489,125
2035-2039	12,715,000	5,336,800	18,051,800
2040-2044	19,785,000	2,108,700	21,893,700
Total	<u>\$ 68,430,000</u>	<u>\$ 37,942,775</u>	<u>\$ 106,372,775</u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2020	\$ -	\$ 2,091,791	\$ 2,091,791
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
2025-2029	7,050,000	15,308,225	22,358,225
2030-2034	14,235,000	12,854,300	27,089,300
2035-2039	23,755,000	9,152,300	32,907,300
2040-2044	35,485,000	4,534,125	40,019,125
2045	11,440,000	171,600	11,611,600
Total	<u>\$ 100,000,000</u>	<u>\$ 57,434,641</u>	<u>\$ 157,434,641</u>

**Compensated Absences**

At June 30, 2019, the liability for compensated absences was \$2,761,401.

**CERRITOS COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

**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 \$2,730,969 on behalf of the retirees through 2022 in accordance with the following schedule:

Year Ending June 30,	
2020	\$ 910,323
2021	910,323
2022	910,323
Total	<u><u>\$ 2,730,969</u></u>

**Aggregate Net Other Postemployment Benefit (OPEB) Liability**

For the fiscal year ended June 30, 2019, 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
District Plan	\$ 21,153,208	\$ 853,438	\$ 854,454	\$ 693,341
Medicare Premium Payment (MPP) Program	620,584	-	-	(57,391)
Total	<u><u>\$ 21,773,792</u></u>	<u><u>\$ 853,438</u></u>	<u><u>\$ 854,454</u></u>	<u><u>\$ 635,950</u></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, 2018, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	303
Active employees	668
	<u><u>971</u></u>

# CERRITOS COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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### *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 contribution requirements of Plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually through agreements between the District and the bargaining units. For the fiscal year ended June 30, 2018, the District contributed \$772,284 to the Plan, all of which was used for current premiums.

### **Total OPEB Liability of the District**

The District's total OPEB liability of \$21,153,208 was measured as of June 30, 2018, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of June 30, 2017.

### *Actuarial Assumptions*

The total OPEB liability 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
Investment rate of return	3.80 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, 2017 valuation were based on the results of an actual experience study as of March 2018.



**CERRITOS COMMUNITY COLLEGE DISTRICT**

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

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**Changes in the Total OPEB Liability**

	Total OPEB Liability
Balance at June 30, 2017	\$ 21,233,167
Service cost	858,624
Interest	808,501
Changes of assumptions and other inputs	(974,800)
Benefit payments	(772,284)
Net change in total OPEB liability	(79,959)
Balance at June 30, 2018	<u>\$ 21,153,208</u>

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 3.50 percent to 3.80 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:

<u>Discount Rate</u>	Total OPEB Liability
1% decrease (2.8%)	\$ 24,531,259
Current discount rate (3.8%)	21,153,208
1% increase (4.8%)	18,380,634

*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:

<u>Healthcare Cost Trend Rates</u>	Total OPEB Liability
1% decrease (3.0%)	\$ 18,768,210
Current healthcare cost trend rate (4.0%)	21,153,208
1% increase (5.0%)	24,370,634

# CERRITOS COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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

At June 30, 2018, 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	\$ 853,438	\$ -
Changes of assumptions and other inputs	-	854,454
Total	<u>\$ 853,438</u>	<u>\$ 854,454</u>

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 inflows of resources related to 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 8.1 years and amounts will be recognized as OPEB expense as follows:

Year Ended June 30,	Deferred Inflows of Resources
2020	\$ (120,346)
2021	(120,346)
2022	(120,346)
2023	(120,346)
2024	(120,346)
Thereafter	(252,724)
	<u>\$ (854,454)</u>

### 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, 2017 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>.

# CERRITOS COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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### 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.

### Contributions

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, 2019, the District reported a liability of \$620,584 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. 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, 2018 and June 30, 2017, was 0.1622 percent and 0.1612, respectively, resulting in a net increase in the proportionate share of 0.0010 percent.

For the year ended June 30, 2019, the District recognized OPEB expense of \$(57,391).

### Actuarial Methods and Assumptions

The June 30, 2018 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total OPEB liability to June 30, 2018, using the assumptions listed in the following table:

Measurement Date	June 30, 2018	June 30, 2017
Valuation Date	June 30, 2017	June 30, 2016
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	3.87%	3.58%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

# CERRITOS COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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For the valuation as of June 30, 2017, 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 459 or an average of 0.27 percent of the potentially eligible population (171,593).

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, 2018, 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, 2018, is 3.87 percent. The MPP Program is funded on a pay-as-you-go basis as described in Note 2, and under the pay-as-you-go method, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.87 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2018, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate increased 0.29 percent from 3.58 percent as of June 30, 2017.

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

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

Discount Rate	Net OPEB Liability
1% decrease (2.87%)	\$ 686,729
Current discount rate (3.87%)	620,584
1% increase (4.87%)	561,431

# CERRITOS COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

*Sensitivity of the District's Proportionate Share of the Net OPEB Liability - MPP Program to Changes in the Medicare Costs Trend Rates*

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

Medicare Costs Trend Rates	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	\$ 566,184
Current Medicare costs trend rates (3.7% Part A and 4.1% Part B)	620,584
1% increase (4.7% Part A and 5.1% Part B)	679,713

### Aggregate Net Pension Obligation

At June 30, 2019, the liability for the aggregate net pension obligation amounted to \$134,153,672. See Note 11 for additional information.

### 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, 2019, the District reported the net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	\$ 83,058,280	\$ 31,311,580	\$ 20,288,997	\$ 10,027,661
CalPERS	51,095,392	13,422,299	1,182,294	7,710,397
Total	<u>\$ 134,153,672</u>	<u>\$ 44,733,879</u>	<u>\$ 21,471,291</u>	<u>\$ 17,738,058</u>

# CERRITOS COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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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, 2017, 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, 2019, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
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	16.28%	16.28%
Required State contribution rate	9.828%	9.828%

# CERRITOS COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

### 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, 2019, are presented above, and the District's total contributions were \$8,040,107.

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

At June 30, 2019, 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:

District's proportionate share of net pension liability	\$ 83,058,280
State's proportionate share of net pension liability associated with the District	47,554,750
Total	<u><u>\$ 130,613,030</u></u>

The net pension liability was measured as of June 30, 2018. 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, 2018 and June 30, 2017, was 0.0904 percent and 0.0890 percent, respectively, resulting in a net increase in the proportionate share of 0.0014 percent.

For the year ended June 30, 2019, the District recognized pension expense of \$10,027,661. In addition, the District recognized pension expense and revenue of \$5,586,611 for support provided by the State. At June 30, 2019, 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	\$ 8,040,107	\$ -
Net change in proportionate share of net pension liability	10,110,585	15,884,262
Differences between projected and actual earnings on the pension plan investments	-	3,198,268
Differences between expected and actual experience in the measurement of the total pension liability	257,560	1,206,467
Changes of assumptions	12,903,328	-
Total	<u><u>\$ 31,311,580</u></u>	<u><u>\$ 20,288,997</u></u>

# CERRITOS COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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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:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 694,434
2021	(503,900)
2022	(2,683,222)
2023	(705,580)
Total	<u>\$ (3,198,268)</u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, 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:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 2,121,804
2021	2,121,804
2022	2,121,803
2023	379,537
2024	1,471,396
Thereafter	(2,035,600)
Total	<u>\$ 6,180,744</u>



# CERRITOS COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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### Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
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, 2018, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

# CERRITOS COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### 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%)	\$ 121,670,661
Current discount rate (7.10%)	83,058,280
1% increase (8.10%)	51,044,870

### 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, 2017, 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.

# CERRITOS COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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The CalPERS provisions and benefits in effect at June 30, 2019, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
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%	7.000%
Required employer contribution rate	18.062%	18.062%

### 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, 2019, are presented above, and the total District contributions were \$4,551,925.

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$51,095,392. The net pension liability was measured as of June 30, 2018. 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, 2018 and June 30, 2017, was 0.1916 percent and 0.1925 percent, respectively, resulting in a net decrease in the proportionate share of 0.0009 percent.

# CERRITOS COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

For the year ended June 30, 2019, the District recognized pension expense of \$7,710,397. At June 30, 2019, 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	\$ 4,551,925	\$ -
Net change in proportionate share of net pension liability	-	1,182,294
Differences between projected and actual earnings on the pension plan investments	419,097	-
Differences between expected and actual experience in the measurement of the total pension liability	3,349,627	-
Changes of assumptions	5,101,650	-
Total	<u>\$ 13,422,299</u>	<u>\$ 1,182,294</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
2020	\$ 1,524,348
2021	364,534
2022	(1,168,198)
2023	(301,587)
Total	<u>\$ 419,097</u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the 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 4.0 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 2,729,403
2021	3,477,420
2022	1,062,160
Total	<u>\$ 7,268,983</u>

# CERRITOS COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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### Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
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%

# CERRITOS COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### 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:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.15%)	\$ 74,392,447
Current discount rate (7.15%)	51,095,392
1% increase (8.15%)	31,767,150

### On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal year ended June 30, 2019, which amounted to \$3,974,474 (9.828 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, 2019. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have been reflected in the basic financial statements as a component of operating revenue and employee benefit expense.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated for an additional 2018-2019 contribution on behalf of school employers of \$2.246 billion for CalSTRS and \$904 million for CalPERS. 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.

**CERRITOS COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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:

Year Ending June 30,	The Grove Senior Living	C.A.R Group
2020	\$ 635,126	\$ 426,000
2021	635,126	21,300
2022	681,138	-
2023	681,138	-
2024	681,138	-
2025-2029	3,557,532	-
2030-2034	3,825,785	-
2035-2039	4,120,864	-
2040-2043	2,613,377	-
Total	<u>\$ 17,431,224</u>	<u>\$ 447,300</u>

**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.

# CERRITOS COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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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, 2019.

#### **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, 2019.



**CERRITOS COMMUNITY COLLEGE DISTRICT**

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

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**Construction Commitments**

As of June 30, 2019, the District had the following commitments with respect to the unfinished capital projects:

Measure G Projects	Remaining Construction Commitment	Expected Date of Completion
Electrical Upgrade	\$ 75,560	September 19, 2019
Bond Implementation/Management	518,962	December 19, 2019
Social Science Elevator	130,705	June 1, 2020
Parking Lot 2 Renovation	6,630	June 1, 2020
Stadium ADA Upgrades	4,429	June 1, 2020
Fine Arts	359,983	June 1, 2020
DSA Uncertified Projects	2,816	June 1, 2020
Computer Information Systems/Math	17,880	June 1, 2020
Campus Wide Projects - Security	29,053	June 1, 2020
Field House	350,360	June 1, 2020
Shade Structures	645,725	June 1, 2020
Central Plant Expansion and EMS Upgrade	126,953	June 1, 2020
Health and Wellness Complex	11,613,428	August 1, 2020
Construction Mgmt.	1,154,810	December 1, 2020
Performing Arts Center	69,391,828	May 1, 2022
	<u>\$ 84,429,122</u>	

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



**REQUIRED SUPPLEMENTARY INFORMATION**

**CERRITOS COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY  
AND RELATED RATIOS  
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>		
Service cost	\$ 858,624	\$ 835,644
Interest	808,501	716,068
Changes of assumptions and other inputs	(974,800)	-
Benefit payments	<u>(772,284)</u>	<u>(742,581)</u>
<b>Net changes in total OPEB liability</b>	(79,959)	809,131
<b>Total OPEB Liability - beginning</b>	21,233,167	20,424,036
<b>Total OPEB Liability - ending</b>	<u><u>\$ 21,153,208</u></u>	<u><u>\$ 21,233,167</u></u>
<b>Covered-employee payroll</b>	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>
<b>District's net/total OPEB liability as a percentage of covered-employee payroll</b>	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>

<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.

See accompanying note to required supplementary information.

**CERRITOS COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET  
OPEB LIABILITY - MPP PROGRAM  
FOR THE YEAR ENDED JUNE 30, 2019**

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

<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.

See accompanying note to required supplementary information.

**CERRITOS COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>2019</u>	<u>2018</u>
<b>CalSTRS</b>		
District's proportion of the net pension liability	<u>0.0904%</u>	<u>0.0890%</u>
District's proportionate share of the net pension liability	\$ 83,058,280	\$ 82,307,200
State's proportionate share of the net pension liability associated with the District	<u>47,554,750</u>	<u>48,692,641</u>
Total	<u>\$ 130,613,030</u>	<u>\$ 130,999,841</u>
District's covered-employee payroll	<u>\$ 51,039,986</u>	<u>\$ 49,832,067</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>162.73%</u>	<u>165.17%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>71%</u>	<u>69%</u>
<b>CalPERS</b>		
District's proportion of the net pension liability	<u>0.1916%</u>	<u>0.1925%</u>
District's proportionate share of the net pension liability	<u>\$ 51,095,392</u>	<u>\$ 45,954,831</u>
District's covered-employee payroll	<u>\$ 25,165,566</u>	<u>\$ 24,467,461</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>203.04%</u>	<u>187.82%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>71%</u>	<u>72%</u>

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

See accompanying note to required supplementary information.

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<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>0.0810%</u>	<u>0.0900%</u>	<u>0.0830%</u>
\$ 65,513,610	\$ 60,498,229	\$ 48,502,710
<u>37,301,221</u>	<u>31,996,809</u>	<u>29,565,599</u>
<u>\$ 102,814,831</u>	<u>\$ 92,495,038</u>	<u>\$ 78,068,309</u>
<u>\$ 42,318,462</u>	<u>\$ 41,708,840</u>	<u>\$ 40,964,775</u>
<u>154.81%</u>	<u>145.05%</u>	<u>118.40%</u>
<u>70%</u>	<u>74%</u>	<u>77%</u>
<u>0.1941%</u>	<u>0.1928%</u>	<u>0.1950%</u>
<u>\$ 38,334,870</u>	<u>\$ 28,421,773</u>	<u>\$ 30,106,846</u>
<u>\$ 23,288,866</u>	<u>\$ 19,920,015</u>	<u>\$ 19,931,911</u>
<u>164.61%</u>	<u>142.68%</u>	<u>151.05%</u>
<u>74%</u>	<u>79%</u>	<u>83%</u>

**CERRITOS COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF DISTRICT CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>2019</u>	<u>2018</u>
<b>CalSTRS</b>		
Contractually required contribution	\$ 8,040,107	\$ 7,365,070
Contributions in relation to the contractually required contribution	<u>8,040,107</u>	<u>7,365,070</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 49,386,407</u>	<u>\$ 51,039,986</u>
Contributions as a percentage of covered-employee payroll	<u>16.28%</u>	<u>14.43%</u>
<b>CalPERS</b>		
Contractually required contribution	\$ 4,551,925	\$ 3,908,464
Contributions in relation to the contractually required contribution	<u>4,551,925</u>	<u>3,908,464</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 25,201,666</u>	<u>\$ 25,165,566</u>
Contributions as a percentage of covered-employee payroll	<u>18.062%</u>	<u>15.531%</u>

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

See accompanying note to required supplementary information.

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<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 6,268,874	\$ 4,540,771	\$ 3,703,745
<u>6,268,874</u>	<u>4,540,771</u>	<u>3,703,745</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 49,832,067	\$ 42,318,462	\$ 41,708,840
<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
\$ 3,398,041	\$ 2,759,032	\$ 2,344,785
<u>3,398,041</u>	<u>2,759,032</u>	<u>2,344,785</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 24,467,461	\$ 23,288,866	\$ 19,920,015
<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>



# CERRITOS COMMUNITY COLLEGE DISTRICT

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2019

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### *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 3.50 percent to 3.80 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 3.58 percent to 3.87 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**

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**

# CERRITOS COMMUNITY COLLEGE DISTRICT

## DISTRICT ORGANIZATION JUNE 30, 2019

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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>
Carmen Avalos	President	December 2020
Marisa Perez	Vice President	December 2020
Martha Camacho-Rodriguez	Clerk	December 2020
James Cody Birkey	Member	December 2022
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

See accompanying note to supplementary information.

**CERRITOS COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Identifying Number	Total Program Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Student Financial Assistance Cluster			
Federal Pell Grant Program (PELL)	84.063		\$ 31,754,875
Federal Direct Student Loans (Direct Loans)	84.268		4,731,271
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		721,665
Federal Work-Study Program (FWS)	84.033		669,114
Federal Work-Study Program Administrative Allowance	84.033		49,749
Subtotal Student Financial Assistance Cluster			<u>37,926,674</u>
Passed through from California Department of Education			
Adult Education: English Literacy and Civics Education	84.002A	14109	7,847
Adult Education: Adult Secondary Education	84.002	13978	152,900
Adult Education: Adult Basic Education and ELA	84.002A	14508	168,607
Passed through from California Community Colleges Chancellor's Office			
Career and Technical Education Act (CTEA), Title I, Part C	84.048A	18-C01-006	692,399
Title I, CTEA Transitions	84.048A	18-C01-006	41,173
Total U.S. Department of Education			<u>38,989,600</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through from California Department of Education			
Child and Adult Care Food Program	10.558	04356-CACFP- 19-CC-IC	<u>90,515</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Temporary Assistance to Needy Families (TANF) Cluster			
Passed through from California Community Colleges Chancellor's Office			
Temporary Assistance to Needy Families (TANF)	93.558	[1]	98,859
Passed through from Los Angeles County Department of Public Social Services			
Temporary Assistance to Needy Families (TANF)	93.558	CCCP18002	<u>111,087</u>
Subtotal TANF Cluster			<u>209,946</u>
Passed through from California Community Colleges Chancellor's Office			
Foster and Kinship Care Education	93.658	[1]	72,917
Passed through from California Department of Health Care Services			
Medicaid Cluster			
Family Pact Program - FPP	93.778	C-11309	10,405
Medi-Cal Administrative Activities Program - MAA	93.778	C-11309	26,168
Subtotal Medicaid Cluster			<u>36,573</u>
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	49,380
Child Development: Federal Child Care, Center - based	93.575	15136	22,700
Subtotal CCDF Cluster			<u>72,080</u>
Passed through from the Community College Foundation			
Foster Care Independence Program - PS MAPP	93.674	117-110	16,042
Total U.S. Department of Health and Human Services			<u>407,558</u>

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

See accompanying note to supplementary information.

**CERRITOS COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued  
FOR THE YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Identifying Number	Total Program Expenditures
<b>U.S. DEPARTMENT OF VETERANS AFFAIRS</b>			
Veterans Services	64.117		\$ 4,577
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>			
Americorps - National Service Awards	94.006		51,330
<b>Total Federal Program Expenditures</b>			<b>\$ 39,543,580</b>

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

See accompanying note to supplementary information.

# CERRITOS COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF EXPENDITURES OF STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2019

Program	Program Revenues			Total Revenue	Program Expenditures
	Cash Received	Accounts Receivable	Unearned Revenue		
Veterans Resource Center	\$ 111,636	\$ -	\$ 63,677	\$ 47,959	\$ 47,959
Basic Skills - Funding Year: 2017-18	454,074	-	-	454,074	454,074
Basic Skills Funding Year: 2018-19	838,600	-	705,025	133,575	133,575
CTE Data Unlocked Initiative	11,493	-	-	11,493	11,479
Strong Workforce Program	204,020	-	-	204,020	204,020
Strong Workforce Program - Regional Leap	268,842	-	-	268,842	243,274
SWP - Reg. Career Pathways Specialist	17,733	-	-	17,733	17,733
SWP - Reg. Teacher Preparation Pipeline STEM/CTE	9,790	-	-	9,790	9,790
SWP - Reg. Netlab Hub and Cybersecurity and Reg. Labs	15,206	-	-	15,206	15,206
SWP - Reg. Health Sector Career Pathways	18,525	-	-	18,525	18,525
Senate Bill 1070	8,296	-	-	8,296	8,296
Guided Pathways	1,335,910	-	1,313,332	22,578	22,578
Strong Workforce Program - Local #2	1,457,350	-	706,273	751,077	751,077
Strong Workforce Program - Regional #2 - Career Pathways	33,839	37,979	-	71,818	71,818
Strong Workforce Program - Regional #2 - Non Credit Readiness	59,054	54,592	-	113,646	113,646
Strong Workforce Program - Regional #2 - Teacher Preparation	41,198	32,655	-	73,853	73,853
Strong Workforce Program - Regional #2 - Cloud Computing	615	-	-	615	615
Strong Workforce Program - Regional #2 - Regional Netlab Cybersecurity	9,917	1,988	-	11,905	11,905
Strong Workforce Program - Local #2 Year #2	1,901,187	-	1,837,224	63,963	63,963
SFCC Mentor Program	2,400	-	103	2,297	2,297
Child Development: Prekindergarten and Family Literacy Support	2,500	-	-	2,500	2,500
Prekindergarten and Family Literacy Program/CSPP (Category 00000)	788,549	62,978	-	851,527	851,527
Child Development: General and State Preschool	162,096	-	-	162,096	162,096
Child and Adult Care Food Program	4,375	958	-	5,333	5,333
Instructional Equipment and Library	817,753	-	-	817,753	67,003
BFAP	824,458	-	-	824,458	824,458
2008-09 Apportionment: SB1133	86,730	-	-	86,730	1,419
2006-07 Apportionment: AB1802	311,306	-	-	311,306	-
Hunger Free Campus Support	180,396	-	141,421	38,975	38,975
California College Promise	633,573	-	573,987	59,586	59,586
Financial Aid Technology	218,244	-	218,244	-	-
EOPS	1,306,033	-	-	1,306,033	1,306,033
Instructional Support Program	100,000	-	35,566	64,434	64,434
Advanced Manufacturing and Engineering Technology Linked Learning Consortium (AMETLL)	4,816	-	-	4,816	4,810
AB 104	522,636	-	28,348	494,288	494,288
AEBG Data and Accountability	10,528	-	-	10,528	10,528
Apprenticeship	3,826,749	-	2,652,258	1,174,491	1,174,491
California Apprenticeship Initiative - Pre-Apprenticeship Grant	10,327	13,842	-	24,169	24,169
CalWORKs ==> "State"	491,891	-	-	491,891	491,891
CalWORKs ==> "Work-Study"	117,043	-	-	117,043	117,043
CTE / Chancellor's Pre-Apprenticeship	17,140	-	11,353	5,787	5,787
CARE	131,812	-	-	131,812	131,812
Mental Health Services	148,733	-	148,008	725	725
Student Success (Credit)	2,816,189	-	-	2,816,189	2,816,189
Student Success (Non-Credit)	248,288	-	-	248,288	248,288
Student Equity Plans	2,457,163	-	-	2,457,163	2,457,163

See accompanying note to supplementary information.

**CERRITOS COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF STATE AWARDS, Continued  
FOR THE YEAR ENDED JUNE 30, 2019**

Program	Program Revenues			Total Revenue	Program Expenditures
	Cash Received	Accounts Receivable	Unearned Revenue		
Equal Employment Opportunity	\$ 101,938	\$ -	\$ 39,679	\$ 62,259	\$ 62,259
Campus Safety and Sexual Assaults	29,645	-	11,517	18,128	18,128
CAL OES	-	7,518	-	7,518	7,518
Classified Professional Development	63,614	-	63,614	-	-
Education Futures	179,127	-	52,429	126,698	126,698
Assoc. Degree Nursing Program 2018-19	170,619	-	-	170,619	170,619
Foster and Kinship Care Education (FKCE)	90,010	-	-	90,010	90,010
Faculty Entrepreneurship Champion Mini-Grant	7,500	-	468	7,032	7,032
Deputy Sector Navigator AT&R 2018 Funding SB1402	102,582	-	-	102,582	102,582
Sector Navigator - Advance Transportation and Logistics	152,007	126,813	-	278,820	278,820
Deputy Sector Navigator - Advanced Transportation and Logistics 2018-19	80,000	37,441	-	117,441	117,441
Deputy Sector Navigator - Business and Entrepreneurship 2018-19	80,000	20,460	-	100,460	100,460
ECDV HUBS	23,543	-	23,543	-	-
California Energy Commission - ATTE	181,304	176,814	-	358,118	358,117
DSPS	1,842,008	-	-	1,842,008	1,842,008
Puente	1,500	-	-	1,500	1,333
Kinship Education, Prep and Support	2,300	-	-	2,300	2,300
Physical Plant	439,622	-	-	439,622	426,174
Prop 39 - Clean Energy Act	123,744	-	-	123,744	123,744
Telecommunications and Technology Infrastructure Program	50,000	-	-	50,000	50,000
Cal Grant 2018-19 funding	3,373,406	25,053	-	3,398,459	3,247,907
Full Time Student Success Completion Grant	3,925,719	-	333,143	3,592,576	3,592,576
<b>Total State Programs</b>	<b>\$ 34,059,201</b>	<b>\$ 599,091</b>	<b>\$ 8,959,212</b>	<b>\$ 25,699,080</b>	<b>\$ 24,361,957</b>

See accompanying note to supplementary information.

**CERRITOS COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL  
 APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE  
 FOR THE YEAR ENDED JUNE 30, 2019**

<b>CATEGORIES</b>	<u>*Revised Reported Data</u>	<u>Audit Adjustments</u>	<u>Audited Data</u>
<b>A. Summer Intersession (Summer 2018 only)</b>			
1. Noncredit**	63.61	-	63.61
2. Credit	508.54	-	508.54
<b>B. Summer Intersession (Summer 2019 - Prior to July 1, 2019)</b>			
1. Noncredit**	0.46	-	0.46
2. Credit	895.19	-	895.19
<b>C. Primary Terms (Exclusive of Summer Intersession)</b>			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	9,701.80	-	9,701.80
(b) Daily Census Contact Hours	1,779.02	-	1,779.02
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit**	372.91	-	372.91
(b) Credit	90.68	-	90.68
3. Alternative Attendance Accounting Procedures Courses			
(a) Weekly Census Procedure Courses	894.63	-	894.63
(b) Daily Census Procedure Courses	1,368.08	-	1,368.08
<b>D. Total FTES</b>	<u>15,674.92</u>	<u>-</u>	<u>15,674.92</u>
<b>SUPPLEMENTAL INFORMATION (Subset of Above Information)</b>			
<b>E. In-Service Training Courses (FTES)</b>	-	-	-
<b>H. Basic Skills Courses and Immigrant Education</b>			
1. Noncredit**	199.05	-	199.05
2. Credit	945.02	-	945.02
<b><u>CCFS-320 Addendum</u></b>			
CDCP Noncredit FTES	266.37	-	266.37

\* Annual report revised as of October 3, 2019.

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

See accompanying note to supplementary information.



**CERRITOS COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION  
FOR THE YEAR ENDED JUNE 30, 2019**

	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
<b><u>Academic Salaries</u></b>							
<b>Instructional Salaries</b>							
Contract or Regular	1100	\$ 24,283,656	\$ -	\$ 24,283,656	\$ 24,284,512	\$ -	\$ 24,284,512
Other	1300	16,357,574	-	16,357,574	16,761,540	-	16,761,540
<b>Total Instructional Salaries</b>		<b>40,641,230</b>	<b>-</b>	<b>40,641,230</b>	<b>41,046,052</b>	<b>-</b>	<b>41,046,052</b>
<b>Noninstructional Salaries</b>							
Contract or Regular	1200	-	-	-	5,601,490	-	5,601,490
Other	1400	-	-	-	3,511,339	-	3,511,339
<b>Total Noninstructional Salaries</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>9,112,829</b>	<b>-</b>	<b>9,112,829</b>
<b>Total Academic Salaries</b>		<b>40,641,230</b>	<b>-</b>	<b>40,641,230</b>	<b>50,158,881</b>	<b>-</b>	<b>50,158,881</b>
<b><u>Classified Salaries</u></b>							
<b>Noninstructional Salaries</b>							
Regular Status	2100	-	-	-	18,068,924	-	18,068,924
Other	2300	-	-	-	1,130,635	-	1,130,635
<b>Total Noninstructional Salaries</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>19,199,559</b>	<b>-</b>	<b>19,199,559</b>
<b>Instructional Aides</b>							
Regular Status	2200	365,287	-	365,287	528,554	-	528,554
Other	2400	185,766	-	185,766	628,697	-	628,697
<b>Total Instructional Aides</b>		<b>551,053</b>	<b>-</b>	<b>551,053</b>	<b>1,157,251</b>	<b>-</b>	<b>1,157,251</b>
<b>Total Classified Salaries</b>		<b>551,053</b>	<b>-</b>	<b>551,053</b>	<b>20,356,810</b>	<b>-</b>	<b>20,356,810</b>
Employee Benefits	3000	19,495,843	-	19,495,843	33,430,022	-	33,430,022
Supplies and Material	4000	-	-	-	1,389,015	-	1,389,015
Other Operating Expenses	5000	415,100	-	415,100	6,073,674	-	6,073,674
Equipment Replacement	6420	-	-	-	52,613	-	52,613
<b>Total Expenditures Prior to Exclusions</b>		<b>61,103,226</b>	<b>-</b>	<b>61,103,226</b>	<b>111,461,015</b>	<b>-</b>	<b>111,461,015</b>

See accompanying note to supplementary information.

**CERRITOS COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, Continued  
FOR THE YEAR ENDED JUNE 30, 2019**

	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
<b><u>Exclusions</u></b>							
<b>Activities to Exclude</b>							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	77,893	-	77,893
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	-	-	-
<b>Objects to Exclude</b>							
Rents and Leases	5060	-	-	-	105,135	-	105,135
Lottery Expenditures							
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	1,952,766	-	1,952,766
Employee Benefits	3000	-	-	-	835,970	-	835,970
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	-	-	-
<b>Total Supplies and Materials</b>		-	-	-	-	-	-

See accompanying note to supplementary information.

**CERRITOS COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF EDUCATION CODE SECTION 84362 (50 PERCENT LAW) CALCULATION, Continued  
FOR THE YEAR ENDED JUNE 30, 2019**

	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							
Library Books	6000	-	-	-	-	-	-
Equipment	6300	-	-	-	-	-	-
Equipment - Additional	6400	-	-	-	-	-	-
Equipment - Replacement	6410	-	-	-	-	-	-
<b>Total Equipment</b>		-	-	-	-	-	-
<b>Total Capital Outlay</b>							
Other Outgo	7000	-	-	-	-	-	-
<b>Total Exclusions</b>		-	-	-	2,971,764	-	2,971,764
<b>Total for ECS 84362, 50 Percent Law</b>		\$ 61,103,226	\$ -	\$ 61,103,226	\$ 108,489,251	\$ -	\$ 108,489,251
<b>Percent of CEE (Instructional Salary Cost/Total CEE)</b>		56.32%		56.32%	100.00%		100.00%
<b>50% of Current Expense of Education</b>					\$ 54,244,626		\$ 54,244,626

See accompanying note to supplementary information.

**CERRITOS COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311)  
WITH AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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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, 2019.

See accompanying note to supplementary information.

**CERRITOS COMMUNITY COLLEGE DISTRICT**

**PROPOSITION 30 EDUCATION PROTECTION ACCOUNT (EPA)  
EXPENDITURE REPORT  
FOR THE YEAR ENDED JUNE 30, 2019**

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<b>Activity Classification</b>	<b>Object Code</b>	<b>Unrestricted</b>			
EPA Revenue:	8630				\$ 15,302,950
<b>Activity Classification</b>	<b>Activity Code</b>	<b>Salaries and Benefits (Obj 1000-3000)</b>	<b>Operating Expenses (Obj 4000-5000)</b>	<b>Capital Outlay (Obj 6000)</b>	<b>Total</b>
Instructional Activities	1000-5900	\$ 15,302,950	\$ -	\$ -	\$ 15,302,950
<b>Total Expenditures for EPA</b>		\$ 15,302,950	\$ -	\$ -	\$ 15,302,950
<b>Revenues Less Expenditures</b>					\$ -

See accompanying note to supplementary information.

**CERRITOS COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET POSITION  
JUNE 30, 2019**

---

**Amounts Reported for Governmental Activities in the Statement  
of Net Position are Different Because:**

**Total Fund Balance:**

General Funds	\$ 38,260,706
Special Revenue Funds	7,359,099
Capital Project Funds	122,828,699
Debt Service Funds	29,609,668
Internal Service Funds	25,076,010
Fiduciary Funds	485,732

**Total Fund Balance - All District Funds**

**\$ 223,619,914**

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	467,058,765	
Accumulated depreciation is	(84,606,030)	
Less fixed assets already recorded in the Internal Service funds	<u>(247,425)</u>	382,205,310

In governmental funds, unmatured interest on long-term obligation is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term obligation is recognized when it is incurred.

(5,208,000)

Deferred charges on refunding (the difference between the reacquisition price and net carrying amount of refunded debt) are capitalized and amortized over the remaining life of the new or old debt (whichever is shorter) and are included with governmental activities.

9,126,618

Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year-end consist of:

Pension contributions subsequent to the measurement date	12,592,032
Net change in proportionate share of net pension liability	10,110,585
Differences between projected and actual earnings on the pension plan investments	419,097
Differences between expected and actual experience in the measurement of the total pension liability	3,607,187
Changes in assumptions	<u>18,004,978</u>

**Total Deferred Outflows of Resources Related  
to Pensions**

44,733,879

See accompanying note to supplementary information.

**CERRITOS COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET POSITION, Continued  
JUNE 30, 2019**

---

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

Net change in proportionate share of net pension liability	\$ (17,066,556)	
Differences between projected and actual earnings on the pension plan investments	(3,198,268)	
Differences between expected and actual experience in the measurement of the total pension liability	<u>(1,206,467)</u>	
Total Deferred Outflows of Resources Related to Pensions		\$ (21,471,291)

Deferred outflows of resources related to OPEB represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to OPEB at year-end consist of OPEB contributions subsequent to measurement date.

853,438

Deferred inflows of resources related to OPEB represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year-end consist of changes of assumptions.

(854,454)

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

Long-term obligations at year-end consist of:

Bonds payable	443,349,692	
Compensated absences (vacations)	2,761,401	
Less compensated absences recorded in the General Fund	(321,421)	
Supplemental employee retirement plan	2,730,969	
Aggregate net other postemployment benefits (OPEB) liability	21,773,792	
Aggregate net pension obligation	134,153,672	
In addition, the District issued 'capital appreciation' general obligation bonds. The accretion of interest on those bonds to date is:	<u>14,602,610</u>	<u>(619,050,715)</u>
<b>Total Net Position</b>		<b>\$ <u>13,954,699</u></b>

See accompanying note to supplementary information.

# CERRITOS COMMUNITY COLLEGE DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2019

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### NOTE 1 - PURPOSE OF SCHEDULES

#### District Organization

This schedule provides information about the District's governing board members and administration members as of June 30, 2019.

#### Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (Part 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

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:		\$ 39,562,054
Foster Care Independence Program - PS MAPP	93.674	(9,358)
Family Pact Program - FPP	93.778	(13,716)
Medi-Cal Administrative Activities Program - MAA	93.778	5,473
Veterans Services	64.117	(873)
Total Expenditures of Federal Awards		<u>\$ 39,543,580</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 pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds, including restricted categorical funding, are made to community college districts. This schedule provides information regarding the annual attendance measurements of students throughout the District.



# CERRITOS COMMUNITY COLLEGE DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2019

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### **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 internal fund financial statements.

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

This schedule provides the District's summary of receipts and uses of the monies received through the EPA.

### **Reconciliation of Governmental 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**



**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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the 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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 5, 2019.

**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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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 cursive script that reads "Eide Bailly LLP".

Rancho Cucamonga, California  
December 5, 2019



## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND 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, 2019. 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, 2019.

## **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2019-001. Our opinion on each major Federal program is not modified with respect to this matter.

The District's response to the noncompliance finding identified in our audit is described in the accompanying Corrective Action Plan. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **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 and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2019-001, that we consider to be a significant deficiency.

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying Corrective Action Plan. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

*Eide Bailly LLP*

Rancho Cucamonga, California  
December 5, 2019



## 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 as identified in the 2018-2019 California Community Colleges Chancellor's Office *District Audit Manual* that could have a direct and material effect on each of the District's State programs as noted below for the year ended June 30, 2019.

### Management's Responsibility

Management is responsible for compliance with State laws and regulations, and the terms and conditions of its State awards applicable to its State programs.

### 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 to above. 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 2018-2019 California Community Colleges Chancellor's Office *District Audit Manual*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the applicable programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of the District's compliance with those requirements.

### 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 below that were audited for the year ended June 30, 2019.



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 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Activities Funded From Other Sources
Section 424	State General Apportionment Funding System
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Dual Enrollment (CCAP and Non-CCAP)
Section 430	Schedule 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



Rancho Cucamonga, California  
December 5, 2019



## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**CERRITOS COMMUNITY COLLEGE DISTRICT**

**SUMMARY OF AUDITOR'S RESULTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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**FINANCIAL STATEMENTS**

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

Internal control over major Federal programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>Yes</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	<u>Yes</u>
Identification of major Federal programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.007, 84.033, 84.063, 84.268</u>	<u>Student Financial Assistance Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 1,186,307</u>
Auditee qualified as low-risk auditee?	<u>No</u>

**STATE AWARDS**

Type of auditor's report issued on compliance for State programs:	<u>Unmodified</u>
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**CERRITOS COMMUNITY COLLEGE DISTRICT**

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 2019**

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None reported.

# CERRITOS COMMUNITY COLLEGE DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

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The following finding represents a significant deficiency and an instance of noncompliance that is required to be reported by the Uniform Guidance.

### 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.

# CERRITOS COMMUNITY COLLEGE DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

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### **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.

### **Corrective Action Plan**

The Cerritos College Financial Aid Office has corrected this issue by changing the second disbursement for Pell Grant. The first and second Pell Grant disbursements are no longer over 30 days.

As result of changing the second Pell Grant disbursement date to the fourth week of school, all disbursements are immediately reported to COD. This change was implemented in Fall 2019 for the 2019-2020 school year.

**CERRITOS COMMUNITY COLLEGE DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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None reported.

# CERRITOS COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2019

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

### *Financial Statement Findings*

None reported.

### *Federal Awards Findings*

#### **2018-001 STUDENT FINANCIAL AID CLUSTER: SPECIAL TESTS AND PROVISIONS - RETURN OF FUNDS ON BEHALF OF THE STUDENTS**

**Federal Program:** Student Financial Aid Cluster

**CFDA Number:** Various

**Award Period:** July 1, 2017 through June 30, 2018

**Federal Agency:** Department of Education

#### **Criteria**

The institutional portion of unearned aid is to be returned to the appropriate Title IV Higher Education Act (HEA) program or Federal Family Education Loan ("FFEL") lender no later than 45 days after the date of the institution's determination that the student withdrew (34 CFR Section 668.173 (b)).

#### **Condition**

During our testing we noted that the District did not return four out of forty (ten percent of the students tested) of the institutional and student share to the appropriate program or lender within the 45 day requirement. Days in excess of the 45 day requirement ranged from 8 to 24 calendar days. Two students were for Fall 2017 and two students were from Spring 2018.

#### **Context**

We selected a sample of 40 students who had received Federal aid and had withdrawn from courses offered by the District during the 2017-2018 fiscal year.

#### **Effect**

For the cases identified, the District properly calculated and returned the institutional and student share; however the funds were not returned to the appropriate program or lender within the 45 day requirement.

#### **Cause**

The District's current processes within the Financial Aid software did not result in the return of the institutional and student share to the appropriate program or lender within the 45 day requirement.



# CERRITOS COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2019

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**Total Program Expenditures:** \$40,521,890

### **Questioned Costs and Units**

None. The institutional and student shares were calculated timely and correctly, but not returned within to the appropriate program or lender the 45 day requirement.

### **Recommendation**

Implement controls to ensure the institutional and student share of Title IV funds are returned to the appropriate program or lender in a timely manner.

### **Current Status**

Implemented.

### *State Awards Finding*

#### **2018-002 STATE COMPLIANCE: SECTION 424 STATE GENERAL APPORTIONMENT FUNDING SYSTEM - CALCULATION OF DAILY STUDENT CONTACT HOURS**

##### **Criteria**

State apportionment funding is based on student hours of attendance and must be reported based upon the actual day and time scheduled for each course section. The California Code of Regulations (CCR) 58023 and the Student Attendance Accounting Manual (SAAM) provides guidance on the calculation of contact hours.

##### **Condition**

Our audit identified that certain Daily Student Contact Hours (DSCH) courses where the contact hours calculated by the Student Information System (SIS) and used for apportionment purposes incorrectly included meeting dates the class did not meet over Spring Break.

##### **Questioned Costs**

Decrease of 17.44 FTES for Daily Student Contact Hours for inclusion of Spring Break. The District corrected the Spring calendar within the SIS; therefore, this decrease is not an extrapolation of the courses in our sample. Our audit verified 100 percent of this recalculation.

Estimated effect on apportionment is \$89,832.22, per marginal funding of \$5,150.93 per FTES. However, the District is considered in stability for apportionment purposes.

# CERRITOS COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2019

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### Context

We tested a stratified sample of 40 courses, which included 21 DSCH courses (four Summer 2017, eight Fall 2017 and nine Spring 2018). Our testing identified three out of nine Spring 2018 courses which incorrectly included meeting dates the class did not meet over Spring Break for apportionment purposes.

Total resident contact hours for these three courses were 2,985.60. Of which 219.00 contact hours (0.41 FTES) were over reported and 468 contact hours (0.89 FTES) were under reported.

The overstatement was attributed to how the course sections were scheduled in the SIS. The overstatement was determined to be a systemic problem for Spring 2018 DSCH courses with a week off for Spring Break.

The adjustment was not confirmed in time to report the decrease in FTES on the November 2018 Revised Annual CCFS-320 Apportionment Attendance Report.

### Effect

FTES were over reported due to how the courses were set up on the SIS.

### Recommendation

Correct the course section calculations in SIS and submit a revised CCFS-320 Apportionment Attendance Report. Additionally, evaluate the current process and revise accordingly to ensure any discrepancies do not reoccur.

### Current Status

Implemented.

## **2018-003 STATE COMPLIANCE: SECTION 479 TO BE ARRANGED HOURS (TBA) - ATTENDANCE RECORDS**

### Criteria

The Contracted District Audit Manual (CDAM) defines TBA as "Some courses with regularly scheduled hours of instruction have - hours to be arranged (TBA) as part of the total contact hours for the course. The TBA portion of the course uses an alternate method for regularly scheduling a credit course for purposes of applying either the Weekly or Daily Census Attendance Accounting Procedures pursuant to CCR, Title 5, §58003.1(b) and (c), respectively."

Additionally, the CDAM requires that districts track TBA hour student participation carefully to ensure that apportionment for TBA hours are not claimed for students who have documented zero hours as of the census point for the particular course.

# CERRITOS COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2019

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### **Condition**

Out of a sample of 10, the audit of TBA courses identified four courses that did not have records of attendance.

### **Questioned Costs**

Decrease of 3.93 Full Time Equivalent Student (FTES) Weekly Student Contact Hours (WSCH). Decrease of 1.38 FTES Daily Student Contact Hours (DSCH). Estimated net effect on apportionment is \$27,351.43, per marginal funding of \$5,150.93 per FTES. However, the District is considered in stability for apportionment purposes.

The course identified in our sample is considered isolated; therefore, the decrease in FTES was not extrapolated. The overstatement was not confirmed in time to report the decrease in FTES on the November 2018 Revised Annual CCFS-320 Apportionment Attendance Report.

### **Context**

The District claimed 103 weekly and daily TBA courses during 2017-2018. Our review tested ten courses, including one course from each academic discipline. Total resident contact hours for these three courses were 2,065 WSCH and 729 DSCH.

### **Effect**

The overstatement of contact hours occurred due to unsubmitted attendance records.

### **Recommendation**

Implement procedures to ensure attendance records used for apportionment purposes are kept and submitted to Admissions and Records at the conclusion of the class.

### **Current Status**

Implemented.