



Financial Statements
June 30, 2021

Cerritos Community College District

| | |
|---|----|
| Independent Auditor’s Report | 1 |
| Management’s Discussion and Analysis | 4 |
| Basic Financial Statements | |
| Primary Government | |
| Statement of Net Position | 15 |
| Statement of Revenues, Expenses and Changes in Net Position..... | 16 |
| Statement of Cash Flows | 17 |
| Notes to Financial Statements | 19 |
| Required Supplementary Information | |
| Schedule of Changes in the District’s Total OPEB Liability and Related Ratios | 55 |
| Schedule of the District’s Proportionate Share of the Net OPEB Liability – MPP Program | 56 |
| Schedule of the District’s Proportionate Share of the Net Pension Liability | 57 |
| Schedule of the District Contributions for Pensions..... | 59 |
| Notes to Required Supplementary Information | 61 |
| Supplementary Information | |
| District Organization | 62 |
| Schedule of Expenditures of Federal Awards | 63 |
| Schedule of Expenditures of State Awards | 65 |
| Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance | 68 |
| Reconciliation of <i>Education Code</i> Section 84362 (50 Percent Law) Calculation..... | 69 |
| Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Financial Statements..... | 72 |
| Proposition 30 Education Protection Account (EPA) Expenditure Report..... | 73 |
| Reconciliation of Governmental Funds to the Statement of Net Position | 74 |
| Notes to Supplementary Information..... | 76 |
| 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 <i>Government Auditing Standards</i> | 78 |
| Independent Auditor’s Report on Compliance for the Major Federal Program; Report on Internal Control over Compliance Required by the Uniform Guidance | 80 |
| Independent Auditor’s Report on State Compliance..... | 82 |
| Schedule of Findings and Questioned Costs | |
| Summary of Auditor’s Results..... | 84 |
| Financial Statement Findings and Recommendations..... | 85 |
| Federal Awards Findings and Questioned Costs..... | 86 |
| State Compliance Findings and Questioned Costs..... | 87 |
| Summary Schedule of Prior Audit Findings..... | 88 |



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 of Cerritos Community College District (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 2 and Note 13 to the financial statements, the District adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which resulted in a restatement of net position as of July 1, 2020. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the management's discussion and analysis on pages 4 through 14, and other required supplementary schedules on pages 55 through 60 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 an opinion on the financial statements that collectively comprise the District's financial statements. The accompanying supplementary information, including the Schedule of Expenditures of Federal Awards, as required by the audit requirements of 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 other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The Schedule of Expenditures of Federal Awards and other supplementary information listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of

Expenditures of Federal Awards and other supplementary information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Rancho Cucamonga, California
December 8, 2021



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, 2021. 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.

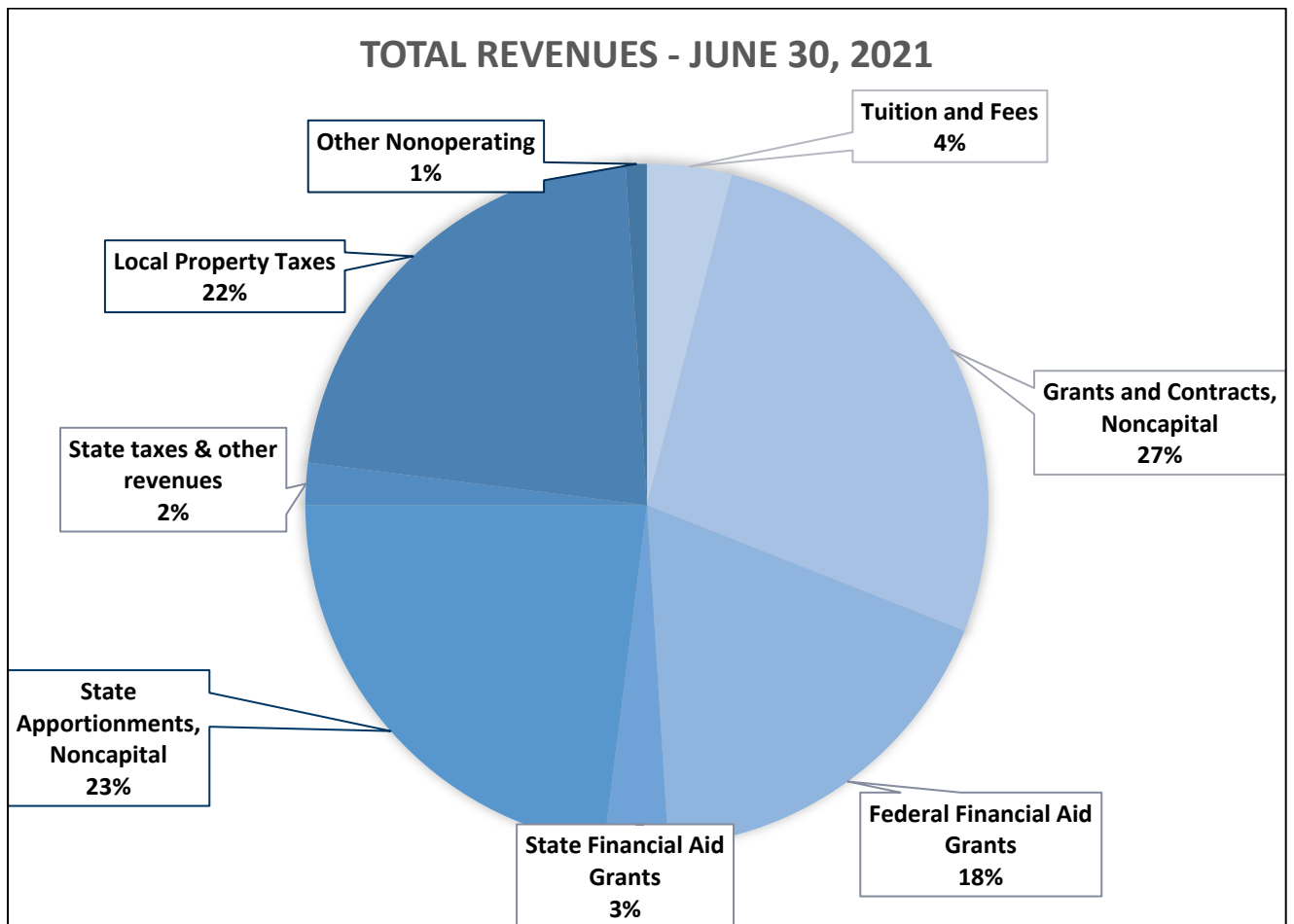
THE COLLEGE

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.

FINANCIAL HIGHLIGHTS

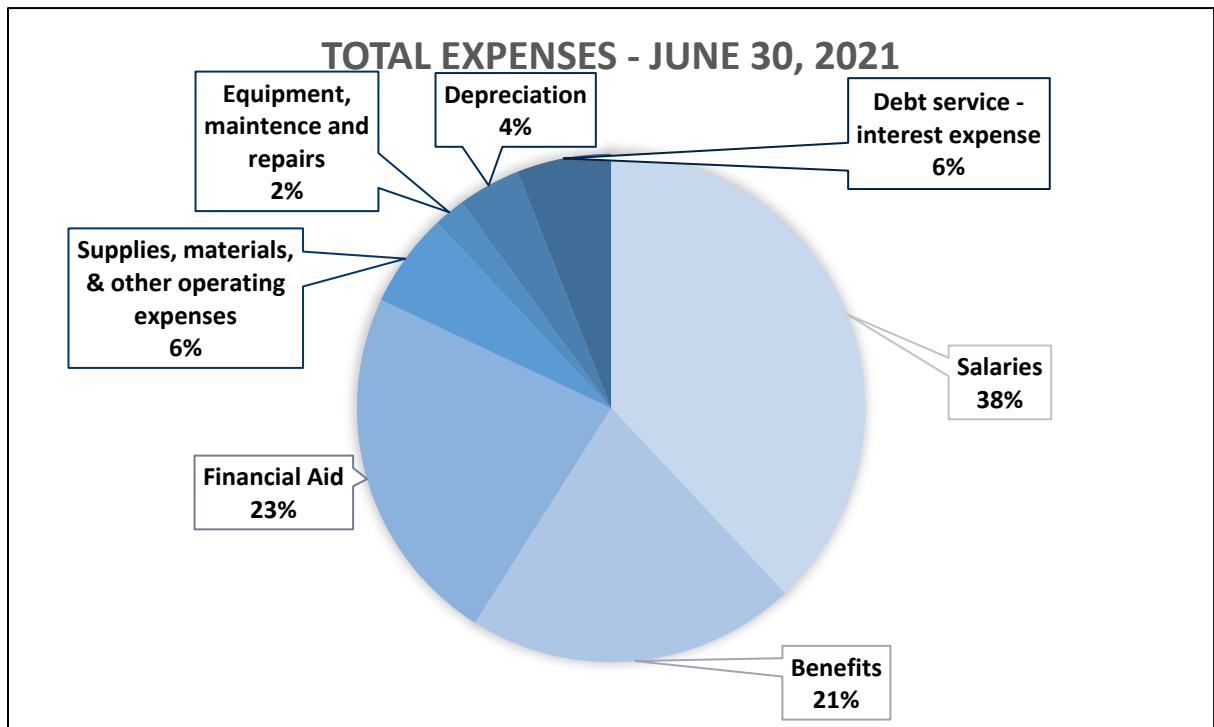
Revenues

For fiscal year (FY) 2020-2021, the District received total revenues of \$238.6 million, including pass-through financial aid revenues that are to be distributed to students. The following chart depicts each source of revenue with its relevant percentage to total revenues.



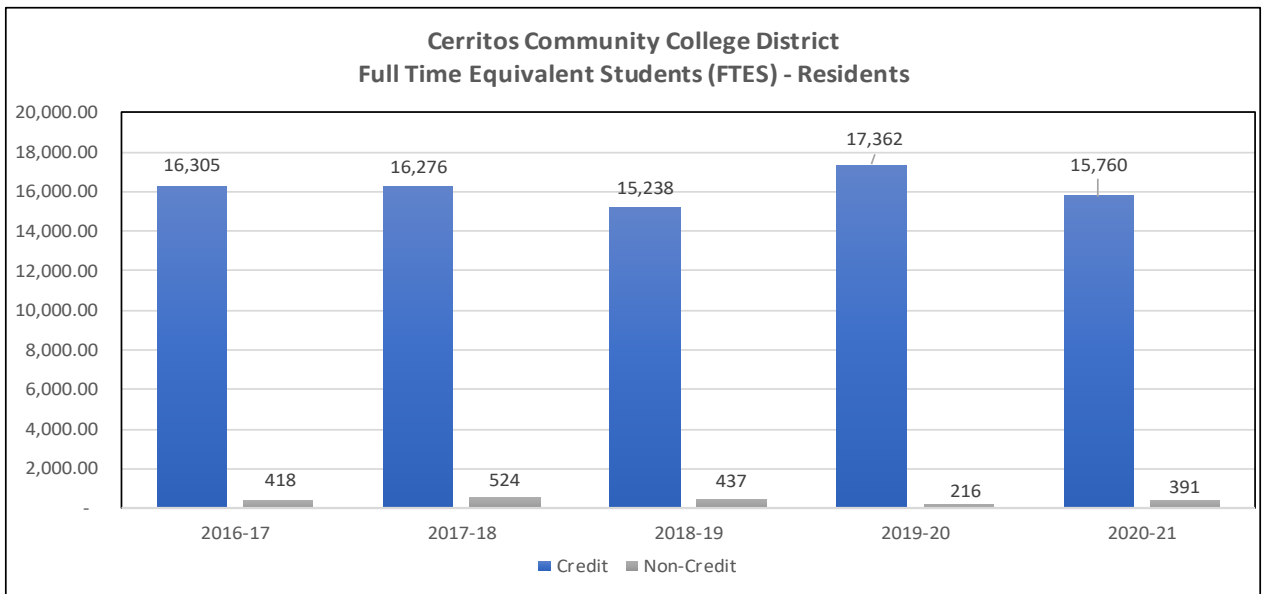
Expenditures

For FY 2020-2021, the District's total expenditures were \$237.7 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.



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 2020-2021 the Districts' total actual FTES decreased by 1,427. The following chart shows the trend for credit and non-credit FTES combined for the past five years.



GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) REPORTING STANDARDS

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

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

STATEMENT OF NET POSITION

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

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

THE DISTRICT AS A WHOLE

The Statement of Net Position as of June 30, 2021 and 2020, is summarized and presented herein:

Table 1

| | 2021 | 2020, as restated | Change |
|---|----------------------|----------------------|--------------------|
| Assets | | | |
| Cash and investments | \$ 155,163,955 | \$ 190,455,277 | \$ (35,291,322) |
| Receivables, net | 34,825,277 | 17,453,880 | 17,371,397 |
| Other current assets | 348,409 | 222,548 | 125,861 |
| Capital assets, net | 459,721,687 | 425,085,883 | 34,635,804 |
| Total assets | <u>650,059,328</u> | <u>633,217,588</u> | <u>16,841,740</u> |
| Deferred Outflows of Resources | <u>59,194,898</u> | <u>53,213,913</u> | <u>5,980,985</u> |
| Liabilities | | | |
| Accounts payable and accrued liabilities | 57,038,621 | 38,037,836 | 19,000,785 |
| Current portion of long-term liabilities | 14,261,006 | 16,274,283 | (2,013,277) |
| Noncurrent portion of long-term liabilities | 602,970,415 | 590,054,649 | 12,915,766 |
| Total liabilities | <u>674,270,042</u> | <u>644,366,768</u> | <u>29,903,274</u> |
| Deferred Inflows of Resources | <u>19,243,386</u> | <u>27,168,424</u> | <u>(7,925,038)</u> |
| Net Position | | | |
| Net investment in capital assets | 68,522,756 | 61,998,898 | 6,523,858 |
| Restricted | 41,325,211 | 46,589,401 | (5,264,190) |
| Unrestricted deficit | (94,107,169) | (93,691,990) | (415,179) |
| Total net position | <u>\$ 15,740,798</u> | <u>\$ 14,896,309</u> | <u>\$ 844,489</u> |

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

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

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

Operating Results for the Year

The Statement of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2021 and 2020, is summarized and presented herein:

Table 2

| | 2021 | 2020, as restated | Change |
|--|----------------------|----------------------|---------------------|
| Operating Revenues | | | |
| Tuition and fees | \$ 8,853,157 | \$ 9,457,372 | \$ (604,215) |
| Grants and contracts, noncapital | 41,042,069 | 34,067,399 | 6,974,670 |
| Total operating revenues | <u>49,895,226</u> | <u>43,524,771</u> | <u>6,370,455</u> |
| Operating Expenses | | | |
| Salaries and benefits | 139,165,189 | 133,660,490 | 5,504,699 |
| Supplies, services, equipment, and maintenance | 17,038,314 | 24,243,798 | (7,205,484) |
| Student financial aid | 54,983,070 | 54,331,069 | 652,001 |
| Depreciation | 9,797,266 | 10,314,913 | (517,647) |
| Total operating expenses | <u>220,983,839</u> | <u>222,550,270</u> | <u>(1,566,431)</u> |
| Loss on operations | <u>(171,088,613)</u> | <u>(179,025,499)</u> | <u>7,936,886</u> |
| Nonoperating Revenues (Expenses) | | | |
| State apportionments | 79,443,840 | 81,801,755 | (2,357,915) |
| Property taxes | 52,711,205 | 50,671,067 | 2,040,138 |
| Student financial aid grants | 49,010,938 | 52,969,662 | (3,958,724) |
| State revenues | 5,188,122 | 3,767,062 | 1,421,060 |
| Net interest expense | (16,418,279) | (13,363,146) | (3,055,133) |
| Other nonoperating revenues | 2,037,450 | 2,336,542 | (299,092) |
| Total nonoperating revenue (expenses) | <u>171,973,276</u> | <u>178,182,942</u> | <u>(6,209,666)</u> |
| Other Revenues (Losses) | | | |
| State capital income | - | 197,229 | (197,229) |
| Loss on disposal of capital assets | (40,174) | - | (40,174) |
| Change in net position | <u>\$ 844,489</u> | <u>\$ (842,557)</u> | <u>\$ 1,687,046</u> |

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

Table 3

Year ended June 30, 2021:

| | Salaries and Employee Benefits | Supplies, Material, and Other Expenses and Services | Student Financial Aid | Equipment, Maintenance, and Repairs | Depreciation | Total |
|--|--------------------------------------|--|--------------------------|---|---------------------|-----------------------|
| Instructional activities | \$ 84,297,117 | \$ 1,862,380 | \$ - | \$ 139,097 | \$ - | \$ 86,298,594 |
| Instructional administration | 5,057,491 | 140,985 | - | 18,941 | - | 5,217,417 |
| Instructional support services | 6,907,069 | 1,906,087 | - | 192,699 | - | 9,005,855 |
| Student services | 18,289,439 | 434,337 | - | 10,628 | - | 18,734,404 |
| Plant operations and maintenance | 6,058,495 | 3,133,243 | - | 3,828 | - | 9,195,566 |
| Instructional support services | 13,559,367 | 3,453,270 | - | 11,975 | - | 17,024,612 |
| Community services | 799,120 | 246,634 | - | - | - | 1,045,754 |
| Ancillary services and auxiliary operations | 4,196,076 | 628,473 | - | 166 | - | 4,824,715 |
| Student aid | - | - | 54,983,070 | - | - | 54,983,070 |
| Physical property and related acquisitions | 1,015 | 1,227,899 | - | 3,627,672 | - | 4,856,586 |
| Unallocated depreciation | - | - | - | - | 9,797,266 | 9,797,266 |
| Total | \$ 139,165,189 | \$ 13,033,308 | \$ 54,983,070 | \$ 4,005,006 | \$ 9,797,266 | \$ 220,983,839 |

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, 2021 and 2020, is summarized and presented herein:

Table 4

| | 2021 | 2020, as restated | Change |
|---------------------------------|-----------------------|-----------------------|------------------------|
| Net Cash Flows from | | | |
| Operating activities | \$ (154,461,780) | \$ (164,544,994) | \$ 10,083,214 |
| Noncapital financing activities | 173,019,264 | 160,829,714 | 12,189,550 |
| Capital financing activities | (54,304,596) | (49,032,624) | (5,271,972) |
| Investing activities | 455,790 | 3,411,412 | (2,955,622) |
| Net Increase (Decrease) in Cash | (35,291,322) | (49,336,492) | 14,045,170 |
| Cash, Beginning of Year | 190,455,277 | 239,791,769 | (49,336,492) |
| Cash, End of Year | <u>\$ 155,163,955</u> | <u>\$ 190,455,277</u> | <u>\$ (35,291,322)</u> |

Capital Assets

As of June 30, 2021, the District had \$459.7 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 \$104.7 million. Depreciation expense of \$9.8 million was recorded for the fiscal year. Note 5 to the financial statements provides additional information on capital assets.

Table 5

| | Balance, Beginning of Year | Additions | Deletions | Balance, End of Year |
|-----------------------------------|----------------------------------|----------------------|--------------------|-------------------------|
| Land and construction in progress | \$ 159,731,658 | \$ 42,980,517 | \$ (47,000) | \$ 202,665,175 |
| Buildings and improvements | 345,555,945 | 47,000 | - | 345,602,945 |
| Equipment and vehicles | 14,719,223 | 1,492,727 | (101,740) | 16,110,210 |
| Subtotal | 520,006,826 | 44,520,244 | (148,740) | 564,378,330 |
| Accumulated depreciation | (94,920,943) | (9,797,266) | 61,566 | (104,656,643) |
| Total | <u>\$ 425,085,883</u> | <u>\$ 34,722,978</u> | <u>\$ (87,174)</u> | <u>\$ 459,721,687</u> |

Long-Term Liabilities Other than OPEB and Pensions

At June 30, 2021, the District had \$443.4 million in outstanding long-term liabilities compared to \$457.3 million at June 30, 2020. We present more detailed information regarding our long-term liabilities in Note 7 to the financial statements.

Table 6

| | Balance Beginning of Year | Additions | Deletions | Balance End of Year |
|-----------------------------|---------------------------------|---------------------|------------------------|------------------------|
| General obligation bonds | \$ 452,373,796 | \$ 2,706,434 | \$ (16,329,908) | \$ 438,750,322 |
| Other liabilities | 4,928,013 | 584,096 | (910,323) | 4,601,786 |
| Total long-term liabilities | <u>\$ 457,301,809</u> | <u>\$ 3,290,530</u> | <u>\$ (17,240,231)</u> | <u>\$ 443,352,108</u> |
| Amount due within one year | | | | <u>\$ 14,261,006</u> |

OPEB and Pension Liabilities

At June 30, 2021, the District has an aggregate other postemployment benefit liability (OPEB) of \$30,568,005 compared to \$24,338,162 at June 30 2020, a net increase of \$6,229,843 or 25.6%.

At June 30, 2021, the District has an aggregate net pension liability of \$143,311,308 compared to \$124,688,961 at June 30, 2020, a net increase of \$18,622,347 or 14.9%.

STATE BUDGET HIGHLIGHTS AND ECONOMIC OUTLOOK

The Budget Act includes components of the Governor's May Revision and additions or modifications adopted by the Legislature on June 14, along with other agreed upon changes between the Legislature and Governor. The 2021-2022 budget provides total additional resources of \$3.5 billion to California Community Colleges apportionments and categorical programs, including full repayment of the \$1.5 billion in deferrals of system funding in 2020-2021.

The budget outlook has greatly improved since the initial release of the Governor's Budget on January 8. The state's primary revenue sources—the personal income tax, sales tax, and corporate tax—have been coming in ahead of projections, bringing in significantly more revenues than anticipated in the Governor's Budget. The enacted budget now projects total revenues of \$203.6 billion and total reserves of \$25.2 billion (equal to nearly 13% of General Fund expenditures). The budget includes overall state General Fund spending of \$196.4 billion, an increase of approximately 18% compared to 2020-2021.

The Budget Act increases overall funding for community colleges by more than \$3.5 billion over 2020-2021 levels through a combination of ongoing and one-time funds. It fully pays off the deferral from 2020-2021, and makes a number of investments, including in deferred maintenance, student basic needs, and support for faculty. Many of the new investments are one-time, focused on needs revealed or exacerbated by the pandemic.

Proposition 98 funding for the California Community Colleges decreases about half a percent in 2021-2022, but funding from the substantial upward adjustment to 2020-2021 funding carries forward into the current year. The share of Proposition 98 funding for the system is at or above the traditional share of 10.93% in each of these years.

The Budget Act includes \$765 million in ongoing policy adjustments compared with revised 2020-2021 expenditure levels. Most notably, the proposal includes a COLA of 5.07% for the Student-Centered Funding Formula (SCFF), matching the COLA provided for the K-12 Local Control Funding Formula. As described in the May Revise, the COLA is intended to cover the unfunded statutory COLA from 2020-2021 of 2.31% plus the statutory COLA from 2021-2022 of 1.70% along with an additional approximately 1% increase that was provided to K-12. It also includes a 1.7% COLA for certain categorical programs, provides substantial one-time funding to address deferred maintenance, and increases both ongoing and one-time funding for a variety of student support needs.

Looking to fiscal year 2021-2022, the District, based on year four of the student-centered funding formula; the District anticipates flat revenue growth and flat enrollment will continue.

DISTRICT'S FIDUCIARY RESPONSIBILITY

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Cerritos Community College District, Office of the Vice President of Business/Assistant Superintendent, 11110 Alondra Boulevard, Norwalk, California 90650.

Cerritos Community College District
Statement of Net Position
June 30, 2021

| | |
|---|----------------------|
| Assets | |
| Cash and cash equivalents | \$ 707,996 |
| Investments | 154,455,959 |
| Accounts receivable | 27,761,385 |
| Student receivables, net | 7,063,892 |
| Prepaid expenses | 322,782 |
| Other assets | 25,627 |
| Capital assets | |
| Nondepreciable capital assets | 202,665,175 |
| Depreciable capital assets, net of depreciation | 257,056,512 |
| Total capital assets | <u>459,721,687</u> |
| Total assets | <u>650,059,328</u> |
| Deferred Outflows of Resources | |
| Deferred outflows of resources related to debt refunding | 12,166,600 |
| Deferred outflows of resources related to OPEB | 6,888,587 |
| Deferred outflows of resources related to pensions | 40,139,711 |
| Total deferred outflows of resources | <u>59,194,898</u> |
| Liabilities | |
| Accounts payable | 16,371,304 |
| Tax and revenue anticipation notes payable | 16,300,000 |
| Accrued interest payable | 5,944,448 |
| Unearned revenue | 18,422,869 |
| Long-term liabilities | |
| Long-term liabilities other than OPEB and pensions, due within one year | 14,261,006 |
| Long-term liabilities other than OPEB and pensions, due in more than one year | 429,091,102 |
| Aggregate net other postemployment benefits (OPEB) liability | 30,568,005 |
| Aggregate net pension liability | 143,311,308 |
| Total liabilities | <u>674,270,042</u> |
| Deferred Inflows of Resources | |
| Deferred inflows of resources related to OPEB | 654,245 |
| Deferred inflows of resources related to pensions | 18,589,141 |
| Total deferred inflows of resources | <u>19,243,386</u> |
| Net Position | |
| Net investment in capital assets | 68,522,756 |
| Restricted for | |
| Debt service | 15,079,333 |
| Capital projects | 11,944,983 |
| Educational programs | 11,426,493 |
| Other activities | 2,874,402 |
| Unrestricted deficit | (94,107,169) |
| Total Net Position | <u>\$ 15,740,798</u> |

Cerritos Community College District
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2021

| | |
|--|-----------------------------|
| Operating Revenues | |
| Tuition and fees | \$ 21,925,575 |
| Less: Scholarship discounts and allowances | (13,072,418) |
| Net tuition and fees | <u>8,853,157</u> |
| Grants and contracts, noncapital | |
| Federal | 14,793,913 |
| State | 25,909,793 |
| Local | 338,363 |
| Total grants and contracts, noncapital | <u>41,042,069</u> |
| Total operating revenues | <u>49,895,226</u> |
| Operating Expenses | |
| Salaries | 90,892,076 |
| Employee benefits | 48,273,113 |
| Supplies, materials, and other operating expenses and services | 13,033,308 |
| Student financial aid | 54,983,070 |
| Equipment, maintenance, and repairs | 4,005,006 |
| Depreciation | 9,797,266 |
| Total operating expenses | <u>220,983,839</u> |
| Operating Loss | <u>(171,088,613)</u> |
| Nonoperating Revenues (Expenses) | |
| State apportionments, noncapital | 79,443,840 |
| Local property taxes, levied for general purposes | 29,222,685 |
| Taxes levied for other specific purposes | 23,488,520 |
| Federal and State financial aid grants | 49,010,938 |
| State taxes and other revenues | 5,188,122 |
| Investment income | 310,252 |
| Interest expense on capital related debt | (16,728,531) |
| Other nonoperating revenue | 2,037,450 |
| Total nonoperating revenues (expenses) | <u>171,973,276</u> |
| Income Before Other Losses | <u>884,663</u> |
| Other Losses | |
| Loss on disposal of capital assets | (40,174) |
| Change In Net Position | 844,489 |
| Net Position, Beginning of Year, as Restated | <u>14,896,309</u> |
| Net Position, End of Year | <u><u>\$ 15,740,798</u></u> |

Cerritos Community College District
Statement of Cash Flows
Year Ended June 30, 2021

| | |
|--|------------------------------|
| Cash Flows from Operating Activities | |
| Tuition and fees | \$ 6,921,357 |
| Federal, state, and local grants and contracts, noncapital | 39,070,397 |
| Payments to or on behalf of employees | (129,736,121) |
| Payments to vendors for supplies and services | (15,734,343) |
| Payments to students for scholarships and grants | (54,983,070) |
| Net cash flows from operating activities | <u>(154,461,780)</u> |
| Cash Flows from Noncapital Financing Activities | |
| State apportionments | 70,268,244 |
| Federal and state financial aid grants | 49,010,938 |
| Property taxes - nondebt related | 29,222,685 |
| State taxes and other apportionments | 5,786,037 |
| Proceeds from issuance of tax revenue anticipation notes | 16,300,000 |
| Other nonoperating | 2,431,360 |
| Net cash flows from noncapital financing activities | <u>173,019,264</u> |
| Cash Flows from Capital Financing Activities | |
| Purchase of capital assets | (48,924,597) |
| Property taxes - related to capital debt | 23,488,520 |
| Principal paid on capital debt | (14,895,000) |
| Interest paid on capital debt | (13,973,519) |
| Net cash flows from capital financing activities | <u>(54,304,596)</u> |
| Cash Flows from Investing Activities | |
| Interest received from investments | 455,790 |
| Change In Cash and Cash Equivalents | <u>(35,291,322)</u> |
| Cash and Cash Equivalents, Beginning of Year, as Restated | <u>190,455,277</u> |
| Cash and Cash Equivalents, End of Year | <u><u>\$ 155,163,955</u></u> |

Cerritos Community College District
Statement of Cash Flows
Year Ended June 30, 2021

| | |
|---|--------------------------------|
| Reconciliation of Net Operating Loss to Net Cash Flows from Operating Activities | |
| Operating Loss | <u>\$ (171,088,613)</u> |
| Adjustments to reconcile operating loss to net cash flows from operating activities | |
| Depreciation expense | 9,797,266 |
| Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources | |
| Receivables, net | (9,333,164) |
| Other assets | (25,627) |
| Prepaid expenses | (100,234) |
| Deferred outflows of resources related to OPEB | (4,412,413) |
| Deferred outflows of resources related to pensions | (2,805,261) |
| Accounts payable | 1,475,649 |
| Unearned revenue | 5,429,692 |
| Compensated absences | 584,096 |
| Supplemental employee retirement plan | (910,323) |
| Aggregate net OPEB liability | 6,229,843 |
| Aggregate net pension liability | 18,622,347 |
| Deferred inflows of resources related to OPEB | (79,863) |
| Deferred inflows of resources related to pensions | <u>(7,845,175)</u> |
| Total adjustments | <u>16,626,833</u> |
| Net cash flows from operating activities | <u><u>\$ (154,461,780)</u></u> |
| Cash and Cash Equivalents Consist of the Following: | |
| Cash in banks | \$ 707,996 |
| Cash in county treasury | <u>154,455,959</u> |
| Total cash and cash equivalents | <u><u>\$ 155,163,955</u></u> |
| Noncash Transactions | |
| Amortization of deferred outflows of resources related to debt refunding | \$ 1,236,689 |
| Amortization of debt premiums | \$ 1,434,908 |
| Accretion of interest on capital appreciation bonds | \$ 2,706,434 |

Note 1 - Organization

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

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

The District has adopted policies to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District, as defined by accounting principles generally accepted in the United States of America and established by the Governmental Accounting Standards Board (GASB). The financial reporting entity consists of the primary government (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.

Basis of Accounting

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB. This presentation provides a comprehensive government-wide perspective of the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, activities, and cash flows and replaces the fund group perspective previously required. 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 promulgated by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office *Budget and Accounting Manual*. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. The District considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, 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 are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements may include time and/or purpose requirements.

Expenses are recorded on the accrual basis as they are incurred, when goods are received, or services are rendered.

Cash and Cash Equivalents

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

Investments

Investments are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value, including money market investments and participating interest-earning investment contracts with original maturities greater than one year, are stated at cost or amortized cost.

The District's investment in the County treasury is measured at fair value on a recurring basis, which is determined by the fair value per share of the underlying portfolio determined by the program sponsor. Positions in this investment pool is not required to be categorized within the fair value hierarchy.

Accounts Receivable

Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. This allowance is based upon management's estimates and analysis. The allowance was estimated at \$2,763,449 for the year ended June 30, 2021.

Prepaid Expenses

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

Capital Assets and Depreciation

Capital assets are long-lived assets of the District as a whole and include land, construction in progress, buildings, building and land 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.

The District records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2021.

Compensated Absences

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

Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, retirement credit for unused sick leave is applicable to all classified members who retire after January 1, 1999. At retirement, each member will receive 0.004 year of service credit for each day of unused sick leave. Retirement credit for unused sick leave is applicable to all academic employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full time.

Debt Premiums

Debt premiums are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. All other bond issuance costs are expensed when incurred.

Deferred Outflows of Resources and Deferred Inflows of Resources

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

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 OPEB and pension related items.

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Unearned Revenue

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

Tax and Revenue Anticipation Notes

The Tax and Revenue Anticipation Notes are current liabilities outstanding at June 30, 2021 and were issued as short-term obligations to provide cash flow needs. The liability is offset with future cash deposits from State general apportionment funding, which will be set aside with the trustee to repay the notes.

Noncurrent Liabilities

Noncurrent liabilities include bonds and notes payable, compensated absences, and supplemental employee retirement plan, with maturities greater than one year.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position related to net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government wide financial statements report \$41,325,211 of restricted net position.

Operating and Nonoperating 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. Classifications are as follows:

- **Operating revenues** - Operating revenues include activities that have the characteristics of exchange transactions such as 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, and other revenue sources defined by GASB.

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

- **Operating expenses** - Operating expenses are necessary costs to provide the services of the District and include employee salaries and benefits, supplies, operating expenses, and student financial aid.
- **Nonoperating expenses** - Nonoperating expenses include interest expense and other expenses not directly related to the services of the District.

State Apportionments

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

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. The County Assessor is responsible for assessment of all taxable real property. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Los Angeles bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

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

Scholarships Discounts and Allowances

Tuition and fee revenue is reported net of scholarships, discounts, and allowances. Fee waivers approved by the California Community College 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.

Financial Assistance Programs

The District participates in federally funded Pell Grants, Supplemental Educational Opportunity Grants (SEOG), and Federal Work-Study programs, as well as other programs funded by the Federal government and State of California. Financial aid provided to the student in the form of cash is reported as an operating expense in the Statement of Revenues, Expenses, and Changes in Net Position. Federal financial assistance 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, and those difference could be material.

Interfund Activity

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 has been eliminated in the consolidation process of the basic financial statements.

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 primary government have been eliminated in the consolidation process of the basic financial statements.

Change in Accounting Principles

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 impact to the primary government and fiduciary funds resulted in a restatement of their respective beginning net positions as of July 1, 2020 due to the reclassification of associated students and student representation fee funds into the financial statements of the primary government. The effect of the implementation of this standard on beginning net position is disclosed in Note 13. The provisions of the Statement have been implemented as of June 30, 2021.

New Accounting Pronouncements

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 for this Statement are effective for the reporting periods beginning after June 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

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 - The District deposits substantially all receipts and collections of monies with their County Treasurer. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

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

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

Authorized Under Debt Agreements

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

Summary of Deposits and Investments

Deposits and investments as of June 30, 2021, consist of the following:

| | Primary Government |
|--------------------------------|-----------------------|
| Cash on hand and in banks | \$ 684,321 |
| Cash in revolving | 23,675 |
| Investments | 154,455,959 |
| Total deposits and investments | \$ 155,163,955 |

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the Los Angeles County Investment Pool.

| Investment Type | Fair Value | Weighted Average Days to Maturity |
|------------------------------------|---------------|---|
| Los Angeles County investment pool | 154,455,959 | 1,045 |

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, 2021.

Custodial Credit Risk

Deposits

This is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% 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% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2021, the District's bank balance of approximately \$477,065 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

Note 4 - Accounts Receivable

Accounts receivable as of June 30, 2021, consisted of the following:

| | Primary Government |
|------------------------------|-----------------------|
| Federal Government | |
| Categorical aid | \$ 4,132,442 |
| State Government | |
| Apportionment | 15,528,435 |
| Categorical aid | 5,556,916 |
| Lottery | 1,163,663 |
| Local Sources | |
| Interest | 196,566 |
| Other local sources | 1,183,363 |
| Total | \$ 27,761,385 |
| Student receivables | \$ 9,827,341 |
| Less: allowance for bad debt | (2,763,449) |
| Student receivables, net | \$ 7,063,892 |

Note 5 - Capital Assets

Capital asset activity for the District for the year ended June 30, 2021, was as follows:

| | Balance, Beginning of Year | Additions | Deductions | Balance, End of Year |
|---|----------------------------------|----------------------|--------------------|-------------------------|
| Capital Assets Not Being Depreciated | | | | |
| Land | \$ 3,570,212 | \$ - | \$ - | \$ 3,570,212 |
| Construction in progress | 156,161,446 | 42,980,517 | (47,000) | 199,094,963 |
| Total capital assets not being depreciated | <u>159,731,658</u> | <u>42,980,517</u> | <u>(47,000)</u> | <u>202,665,175</u> |
| Capital Assets Being Depreciated | | | | |
| Land improvements | 20,966,402 | - | - | 20,966,402 |
| Buildings and improvements | 324,589,543 | 47,000 | - | 324,636,543 |
| Equipment | 14,719,223 | 1,492,727 | (101,740) | 16,110,210 |
| Total capital assets being depreciated | <u>360,275,168</u> | <u>1,539,727</u> | <u>(101,740)</u> | <u>361,713,155</u> |
| Total capital assets | <u>520,006,826</u> | <u>44,520,244</u> | <u>(148,740)</u> | <u>564,378,330</u> |
| Less Accumulated Depreciation | | | | |
| Land improvements | (7,461,745) | (969,706) | - | (8,431,451) |
| Buildings and improvements | (79,558,295) | (7,874,084) | - | (87,432,379) |
| Equipment | (7,900,903) | (953,476) | 61,566 | (8,792,813) |
| Total accumulated depreciation | <u>(94,920,943)</u> | <u>(9,797,266)</u> | <u>61,566</u> | <u>(104,656,643)</u> |
| Net capital assets | <u>\$ 425,085,883</u> | <u>\$ 34,722,978</u> | <u>\$ (87,174)</u> | <u>\$ 459,721,687</u> |

Note 6 - Tax and Revenue Anticipation Notes

At June 30, 2021, the District had outstanding Tax and Revenue Anticipation Notes (TRANS) in the amount of \$16,300,000, which matures on January 31, 2022. The notes were issued bearing interest at 2.00%. The notes were issued to supplement cash flows and will be repaid from future general apportionment revenues.

| | Balance, Beginning of Year | Additions | Deductions | Balance, End of Year |
|------------------|----------------------------------|----------------------|-------------|----------------------------|
| 2021 2.00% TRANS | <u>\$ -</u> | <u>\$ 16,300,000</u> | <u>\$ -</u> | <u>\$ 16,300,000</u> |

Note 7 - Long-Term Liabilities other than OPEB and Pensions

Summary

The changes in the District's long-term liabilities other than OPEB and pensions during the year ended June 30, 2021 consisted of the following:

| | Balance, Beginning of Year | Additions | Deductions | Balance, End of Year | Due in One Year |
|--|----------------------------------|---------------------|------------------------|----------------------------|----------------------|
| Measure CC | | | | | |
| General obligation bonds | \$ 188,899,223 | \$ 2,706,434 | \$ (6,300,000) | \$ 185,305,657 | \$ 6,565,000 |
| Bond premium | 8,465,013 | - | (636,640) | 7,828,373 | - |
| Measure G | | | | | |
| General obligation bonds | 235,035,000 | - | (8,595,000) | 226,440,000 | 6,445,000 |
| Bond premium | 19,974,560 | - | (798,268) | 19,176,292 | - |
| Compensated absences | 3,107,367 | 584,096 | - | 3,691,463 | 340,683 |
| Supplemental employee retirement plan | 1,820,646 | - | (910,323) | 910,323 | 910,323 |
| Total | \$ 457,301,809 | \$ 3,290,530 | \$ (17,240,231) | \$ 443,352,108 | \$ 14,261,006 |

Description of Long-Term Liabilities

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

General Obligation Bonds

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% to 5.25% 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% to 5.88% 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% to 5.00% 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% to 5.00% 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% to 5.00% payable semi-annually on February 1 and August 1.

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% to 5.00% payable semi-annually on February 1 and August 1.

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

Debt Maturity

General Obligation Bonds

| Issue Date | Maturity Date | Interest Rate | Original Issue | Bonds Outstanding | | | Bonds Outstanding End of Year | |
|------------|---------------|---------------|----------------|-----------------------|-------------|---------------------|-------------------------------|-----------------------|
| | | | | Beginning of Year | Issued | Accreted Interest | | |
| 3/21/2012 | 8/1/2038 | 1.97-5.88% | \$ 82,825,515 | \$ 49,694,223 | \$ - | \$ 2,706,434 | \$ (1,215,000) | \$ 51,185,657 |
| 11/4/2014 | 8/1/2033 | 1.75-5.00% | 80,395,000 | 76,720,000 | - | - | (2,050,000) | 74,670,000 |
| 11/4/2014 | 8/1/2023 | 0.506-3.121% | 17,975,000 | 9,830,000 | - | - | (2,210,000) | 7,620,000 |
| 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 | 61,135,000 | - | - | (7,720,000) | 53,415,000 |
| 6/11/2019 | 8/1/2044 | 3.00-5.00% | 100,000,000 | 100,000,000 | - | - | (875,000) | 99,125,000 |
| 6/4/2020 | 8/1/2038 | 0.744-2.998% | 52,655,000 | 52,655,000 | - | - | (825,000) | 51,830,000 |
| | | | | <u>\$ 423,934,223</u> | <u>\$ -</u> | <u>\$ 2,706,434</u> | <u>\$ (14,895,000)</u> | <u>\$ 411,745,657</u> |

Debt Service Requirement to Maturity

The Measure CC General Obligation Bonds mature through 2039 as follows:

| Fiscal Year | Principal (Including Capitalized Accreted Interest to Date) | Accreted Interest | Current Interest to Maturity | Total |
|-------------|---|----------------------|------------------------------|-----------------------|
| 2022 | \$ 6,534,684 | \$ 30,316 | \$ 5,013,692 | \$ 11,578,692 |
| 2023 | 7,098,766 | 106,234 | 4,825,968 | 12,030,968 |
| 2024 | 7,672,222 | 207,778 | 4,623,006 | 12,503,006 |
| 2025 | 8,011,374 | 458,626 | 4,386,636 | 12,856,636 |
| 2026 | 8,730,067 | 669,933 | 4,115,238 | 13,515,238 |
| 2027-2031 | 53,529,017 | 6,870,983 | 15,476,918 | 75,876,918 |
| 2032-2036 | 54,751,827 | 24,238,173 | 7,532,084 | 86,522,084 |
| 2037-2039 | 38,977,700 | 5,927,300 | 1,856,887 | 46,761,887 |
| | <u>\$ 185,305,657</u> | <u>\$ 38,509,343</u> | <u>\$ 47,830,429</u> | <u>\$ 271,645,429</u> |

Debt Service Requirement to Maturity

The Measure G General Obligation Bonds mature through 2045 as follows:

| Fiscal Year | Principal | Current Interest to Maturity | Total |
|-------------|-----------------------|------------------------------------|-----------------------|
| 2022 | \$ 6,445,000 | \$ 9,028,575 | \$ 15,473,575 |
| 2023 | 1,010,000 | 8,874,150 | 9,884,150 |
| 2024 | 1,450,000 | 8,819,450 | 10,269,450 |
| 2025 | 1,925,000 | 8,743,725 | 10,668,725 |
| 2026 | 2,440,000 | 8,645,225 | 11,085,225 |
| 2027-2031 | 21,640,000 | 40,590,000 | 62,230,000 |
| 2032-2036 | 42,240,000 | 32,886,725 | 75,126,725 |
| 2037-2041 | 70,175,000 | 21,335,575 | 91,510,575 |
| 2042-2045 | 79,115,000 | 5,750,025 | 84,865,025 |
| Total | <u>\$ 226,440,000</u> | <u>\$ 144,673,450</u> | <u>\$ 371,113,450</u> |

Supplemental Employee Retirement Plan

The District has entered into agreements for a Supplemental Employee Retirement Plan (SERP) to provide certain benefits to employees participating in the early retirement incentive program. The District will pay \$910,323 on behalf of the retirees through 2022 in accordance with the following schedule:

| Year Ending June 30, | SERP Payment |
|-------------------------|-------------------|
| 2022 | <u>\$ 910,323</u> |

Note 8 - Aggregate Net Other Postemployment Benefit (OPEB) Liability

For the year ended June 30, 2021, 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 | \$ 29,910,771 | \$ 6,888,587 | \$ 654,245 | \$ 1,622,529 |
| Medicare Premium Payment (MPP) Program | 657,234 | - | - | 115,038 |
| Total | <u>\$ 30,568,005</u> | <u>\$ 6,888,587</u> | <u>\$ 654,245</u> | <u>\$ 1,737,567</u> |

The details of each plan are as follows:

District Plan

Plan Administration

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

Plan Membership

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

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

Benefits Provided

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

Contributions

The benefit payment requirements of the Plan members and the District are established and may be amended by the District, the Cerritos College Faculty Federation (CCFF), the local California Service Employees Association (CSEA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, CCFF, CSEA, and the unrepresented groups. For the measurement period of June 30, 2020, the District paid \$836,735 in benefits.

Total OPEB Liability of the District

The District's total OPEB liability of \$29,910,771 was measured as of June 30, 2020, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of June 30, 2019.

Actuarial Assumptions

The total OPEB liability as of June 30, 2020 was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2019 and rolling forward the total OPEB liability to June 30, 2020. The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

| | |
|-----------------------------|-------|
| Inflation | 2.63% |
| Salary increases | 2.75% |
| Discount rate | 2.20% |
| Healthcare cost trend rates | 4.00% |

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

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

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

Changes in the Total OPEB Liability

| | Total OPEB Liability |
|--|-------------------------|
| Balance, June 30, 2019 | \$ 23,795,966 |
| Service cost | 779,530 |
| Interest | 831,044 |
| Differences between expected and actual experience | (46,526) |
| Changes of assumptions | 5,387,492 |
| Benefit payments | (836,735) |
| Net change in total OPEB liability | 6,114,805 |
| Balance, June 30, 2020 | \$ 29,910,771 |

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

Changes of assumptions reflect a change in the discount rate from 3.50% to 2.20% since the previous valuation.

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

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

| Discount Rate | Total OPEB Liability |
|-------------------------------|-------------------------|
| 1% decrease (1.20%) | \$ 34,912,837 |
| Current discount rate (2.20%) | 29,910,771 |
| 1% increase (3.20%) | 25,595,440 |

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

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

| Healthcare Cost Trend Rates | Total OPEB Liability |
|--|-------------------------|
| 1% decrease (3.00%) | \$ 25,892,157 |
| Current healthcare cost trend rate (4.00%) | 29,910,771 |
| 1% increase (2.00%) | 37,134,607 |

Deferred Outflows/Inflows of Resources Related to OPEB

At June 30, 2021, 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 | \$ 806,024 | \$ - |
| Differences between expected and actual experience | 677,980 | 40,483 |
| Changes of assumptions | 5,404,583 | 613,762 |
| Total | \$ 6,888,587 | \$ 654,245 |

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.

The deferred outflows/(inflows) of resources related to differences between expected and actual experience in the measurement of the total OPEB liability and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits as of the beginning of the measurement period. The EARSL for the measurement period is 7.7 years and will be recognized in OPEB expense as follows:

| Year Ended June 30, | Deferred Outflows/(Inflows) of Resources |
|------------------------|--|
| 2022 | \$ 817,979 |
| 2023 | 817,979 |
| 2024 | 817,979 |
| 2025 | 817,979 |
| 2026 | 817,979 |
| Thereafter | 1,338,423 |
| Total | \$ 5,428,318 |

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, 2019 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at:

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

Benefits Provided

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

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

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

Net OPEB Liability and OPEB Expense

At June 30, 2021, the District reported a liability of \$657,234 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. 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, 2020 and June 30, 2019, was 0.1551% and 0.1456%, respectively, resulting in a net increase in the proportionate share of 0.0095%.

For the year ended June 30, 2021, the District recognized OPEB expense of \$115,038.

Actuarial Methods and Assumptions

The June 30, 2020 total OPEB liability was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total OPEB liability to June 30, 2020, using the assumptions listed in the following table:

| | |
|---|---------------------------------------|
| Measurement Date | June 30, 2020 |
| Valuation Date | June 30, 2019 |
| Experience Study | July 1, 2014 through June 30, 2018 |
| Actuarial Cost Method | Entry age normal |
| Investment Rate of Return | 2.21% |
| Medicare Part A Premium Cost Trend Rate | 4.50% |
| Medicare Part B Premium Cost Trend Rate | 5.40% |

For the valuation as of June 30, 2019, 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% of the ultimate improvement factor from the Mortality Improvement Scale (MP 2019) 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 294 or an average of 0.18% of the potentially eligible population (159,339).

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, 2020, 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, 2020, is 2.21%. As the MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 2.21%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2020, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 1.29% from 3.50% as of June 30, 2019.

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

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

| <u>Discount Rate</u> | <u>Net OPEB Liability</u> |
|-------------------------------|-------------------------------|
| 1% decrease (1.21%) | \$ 726,755 |
| Current discount rate (2.21%) | 657,234 |
| 1% increase (3.21%) | 598,076 |

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

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

| <u>Medicare Costs Trend Rate</u> | <u>Net OPEB Liability</u> |
|---|-------------------------------|
| 1% decrease (3.5% Part A and 4.4% Part B) | \$ 595,936 |
| Current Medicare costs trend rate (4.5% Part A and 5.4% Part B) | 657,234 |
| 1% increase (5.5% Part A and 6.4% Part B) | 727,799 |

Note 9 - 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, 2021, the District reported its proportionate share of the aggregate net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

| <u>Pension Plan</u> | <u>Aggregate Net Pension Liability</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> | <u>Pension Expense</u> |
|---------------------|--|---|--|------------------------|
| CalSTRS | \$ 86,253,456 | \$ 29,013,117 | \$ 16,537,812 | \$ 11,284,107 |
| CalPERS | 57,057,852 | 11,126,594 | 2,051,329 | 10,951,130 |
| Total | <u>\$ 143,311,308</u> | <u>\$ 40,139,711</u> | <u>\$ 18,589,141</u> | <u>\$ 22,235,237</u> |

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, 2019, 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% 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, 2021, are summarized as follows:

| | On or before <u>December 31, 2012</u> | On or after <u>January 1, 2013</u> |
|---|--|---------------------------------------|
| Hire date | | |
| 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 | 16.15% | 16.15% |
| Required State contribution rate | 10.328% | 10.328% |

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with California Assembly Bill 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2021, are presented above, and the District's total contributions were \$8,616,209.

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

At June 30, 2021, 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 | \$ 86,253,456 |
| State's proportionate share of net pension liability associated with the District | <u>44,463,667</u> |
| Total | <u><u>\$ 130,717,123</u></u> |

The net pension liability was measured as of June 30, 2020. 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, 2020 and June 30, 2019, was 0.0890% and 0.0823%, respectively, resulting in a net increase in the proportionate share of 0.0067%.

For the year ended June 30, 2021, the District recognized pension expense of \$11,284,107. In addition, the District recognized pension expense and revenue of \$6,228,923 for support provided by the State. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Pension contributions subsequent to measurement date | \$ 8,616,209 | \$ - |
| Change in proportion and differences between contributions made and District's proportionate share of contributions | 9,784,891 | 14,105,315 |
| Differences between projected and actual earnings on pension plan investments | 2,048,886 | - |
| Differences between expected and actual experience in the measurement of the total pension liability | 152,198 | 2,432,497 |
| Changes of assumptions | <u>8,410,933</u> | <u>-</u> |
| Total | <u>\$ 29,013,117</u> | <u>\$ 16,537,812</u> |

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

| <u>Year Ended June 30,</u> | <u>Deferred Outflows/(Inflows) of Resources</u> |
|--------------------------------|---|
| 2022 | \$ (1,250,218) |
| 2023 | 698,092 |
| 2024 | 1,392,774 |
| 2025 | <u>1,208,238</u> |
| Total | <u>\$ 2,048,886</u> |

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

| Year Ended June 30, | Deferred Outflows/(Inflows) of Resources |
|------------------------|--|
| 2022 | \$ 1,906,303 |
| 2023 | 163,246 |
| 2024 | 1,252,302 |
| 2025 | (2,215,221) |
| 2026 | (179,585) |
| Thereafter | 883,165 |
| Total | \$ 1,810,210 |

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2019 and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

| | |
|---------------------------|------------------------------------|
| Valuation date | June 30, 2019 |
| Measurement date | June 30, 2020 |
| Experience study | July 1, 2015 through June 30, 2018 |
| 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% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) 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 January 2020 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, 2020, are summarized in the following table:

| Asset Class | Assumed Asset Allocation | Long-Term Expected Real Rate of Return |
|----------------------------|--------------------------|--|
| Public equity | 42.0% | 4.8% |
| Private equity | 13.0% | 6.3% |
| Real estate | 15.0% | 3.6% |
| Inflation sensitive | 6.0% | 3.3% |
| Fixed income | 12.0% | 1.3% |
| Risk mitigating strategies | 10.0% | 1.8% |
| Cash/liquidity | 2.0% | -0.4% |

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. 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%) 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:

| Discount Rate | Net Pension Liability |
|-------------------------------|-----------------------|
| 1% decrease (6.10%) | \$ 130,316,957 |
| Current discount rate (7.10%) | 86,253,456 |
| 1% increase (8.10%) | 49,872,831 |

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, 2019, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at:

<https://www.calpers.ca.gov/page/forms-publications>

Benefits Provided

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

The CalPERS School Employer Plan provisions and benefits in effect at June 30, 2021, are summarized as follows:

| | On or before December 31, 2012 | On or after January 1, 2013 |
|---|-----------------------------------|--------------------------------|
| Hire date | | |
| Benefit formula | 2% at 55 | 2% at 62 |
| Benefit vesting schedule | 5 years of service | 5 years of service |
| Benefit payments | Monthly for life | Monthly for life |
| Retirement age | 55 | 62 |
| Monthly benefits as a percentage of eligible compensation | 1.1% - 2.5% | 1.0% - 2.5% |
| Required employee contribution rate | 7.00% | 7.00% |
| Required employer contribution rate | 20.70% | 20.70% |

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, 2021, are presented above, and the total District contributions were \$5,647,117.

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

As of June 30, 2021, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$57,057,852. The net pension liability was measured as of June 30, 2020. 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, 2020 and 2019, was 0.1860% and 0.1728%, respectively, resulting in a net increase in the proportionate share of 0.0132%.

For the year ended June 30, 2021, the District recognized pension expense of \$10,951,130. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Pension contributions subsequent to measurement date | \$ 5,647,117 | \$ - |
| Change in proportion and differences between contributions made and District's proportionate share of contributions | 1,252,588 | 2,051,329 |
| Differences between projected and actual earnings on pension plan investments | 1,187,762 | - |
| Differences between expected and actual experience in the measurement of the total pension liability | 2,829,894 | - |
| Changes of assumptions | 209,233 | - |
| | <u>11,126,594</u> | <u>2,051,329</u> |
| Total | <u>\$ 11,126,594</u> | <u>\$ 2,051,329</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:

| <u>Year Ended June 30,</u> | <u>Deferred Outflows/(Inflows) of Resources</u> |
|--------------------------------|---|
| 2022 | \$ (444,486) |
| 2023 | 396,465 |
| 2024 | 689,121 |
| 2025 | <u>546,662</u> |
| Total | <u>\$ 1,187,762</u> |

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

| <u>Year Ended June 30,</u> | <u>Deferred Outflows/(Inflows) of Resources</u> |
|--------------------------------|---|
| 2022 | \$ 1,315,975 |
| 2023 | 286,485 |
| 2024 | 576,999 |
| 2025 | <u>60,927</u> |
| Total | <u>\$ 2,240,386</u> |

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

| | |
|---------------------------|------------------------------------|
| Valuation date | June 30, 2019 |
| Measurement date | June 30, 2020 |
| 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 service |

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations, as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. 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%) | \$ 82,031,068 |
| Current discount rate (7.15%) | 57,057,852 |
| 1% increase (8.15%) | 36,331,337 |

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal year ended June 30, 2021, which amounted to \$5,031,968 (10.328%) 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, 2021. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Note 10 - 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.

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

| Year Ending June 30, | Lease Revenue |
|-------------------------|------------------|
| 2022 | \$ 635,126 |
| 2023 | 681,138 |
| 2024 | 681,138 |
| 2025 | 681,138 |
| 2026 | 681,138 |
| 2027-2031 | 3,608,146 |
| 2032-2036 | 3,881,461 |
| 2037-2041 | 4,182,107 |
| 2042-2043 | 1,764,707 |
| Total | \$ 16,796,099 |

Note 11 - Participation in Public Entity Risk Pools and Joint Powers Authorities

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

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

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

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

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

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

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

Note 12 - 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, 2021.

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, 2021.

Construction Commitments

As of June 30, 2021, the District had approximately \$32.1 million in commitments with respect to unfinished capital projects.

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

Note 13 - Restatement of Prior Year Net Position

The District adopted GASB Statement No. 84, *Fiduciary Activities*, in the current year. As a result, the effect on the current fiscal year is as follows:

| Primary Government | |
|--|---------------|
| Net Position - Beginning | \$ 13,126,525 |
| Inclusion of assets and liabilities of funds previously identified as fiduciary in nature from the adoption of GASB Statement No. 84 | 1,769,784 |
| | 1,769,784 |
| Net Position - Beginning, as Restated | \$ 14,896,309 |
| | 14,896,309 |
| Fiduciary Funds | |
| Net Position - Beginning | \$ 1,265,761 |
| Exclusion of assets and liabilities of funds previously identified as fiduciary in nature from the adoption of GASB Statement No. 84 | (1,265,761) |
| | (1,265,761) |
| Net Position - Beginning, as Restated | \$ - |
| | - |

Note 14 - Subsequent Events

In November 2021, the District issued \$75,000,000 of Election of 2012 General Obligation Bonds, Series 2021D. The Bonds mature through August 1, 2044 with interest rates ranging between 2.125% - 5.00%. The Bonds are being issued to finance the repair, upgrading, acquisition, construction, modernization, and equipping of District sites and facilities, and to pay the costs of issuing the Bonds.



Required Supplementary Information
June 30, 2021

Cerritos Community College District

Cerritos Community College District
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Year Ended June 30, 2021

| | 2021 | 2020 | 2019 | 2018 |
|---|----------------------|----------------------|----------------------|----------------------|
| Total OPEB Liability | | | | |
| Service cost | \$ 779,530 | \$ 807,825 | \$ 858,624 | \$ 835,644 |
| Interest | 831,044 | 804,239 | 808,501 | 716,068 |
| Difference between expected and actual experience | (46,526) | 915,868 | - | - |
| Changes of assumptions | 5,387,492 | 968,264 | (974,800) | - |
| Benefit payments | (836,735) | (853,438) | (772,284) | (742,581) |
| Net change in total OPEB liability | 6,114,805 | 2,642,758 | (79,959) | 809,131 |
| Total OPEB Liability - Beginning | 23,795,966 | 21,153,208 | 21,233,167 | 20,424,036 |
| Total OPEB Liability - Ending | <u>\$ 29,910,771</u> | <u>\$ 23,795,966</u> | <u>\$ 21,153,208</u> | <u>\$ 21,233,167</u> |
| Covered Payroll | N/A ¹ | N/A ¹ | N/A ¹ | N/A ¹ |
| Total OPEB Liability as a Percentage of Covered Payroll | N/A ¹ | N/A ¹ | N/A ¹ | N/A ¹ |
| Measurement Date | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 |

¹ The OPEB Plan is not administered through a trust and contributions are not made based on a measure of pay. Therefore, no measure of payroll is presented.

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

Cerritos Community College District
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program
Year Ended June 30, 2021

| Year ended June 30, | 2021 | 2020 | 2019 | 2018 |
|--|------------------|------------------|------------------|------------------|
| Proportion of the net OPEB liability | 0.1551% | 0.1456% | 0.1622% | 0.1612% |
| Proportionate share of the net OPEB liability | \$ 657,234 | \$ 542,196 | \$ 620,584 | \$ 677,975 |
| Covered payroll | N/A ¹ | N/A ¹ | N/A ¹ | N/A ¹ |
| Proportionate share of the net OPEB liability as a percentage of it's covered payroll | N/A ¹ | N/A ¹ | N/A ¹ | N/A ¹ |
| Plan fiduciary net position as a percentage of the total OPEB liability | -0.71% | -0.81% | -0.40% | 0.01% |
| Measurement Date | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 |

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

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

Cerritos Community College District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2021

| | 2021 | 2020 | 2019 | 2018 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| CalSTRS | | | | |
| Proportion of the net pension liability | 0.0890% | 0.0823% | 0.0904% | 0.0890% |
| Proportionate share of the net pension liability | \$ 86,253,456 | \$ 74,333,331 | \$ 83,058,280 | \$ 82,307,200 |
| State's proportionate share of the net pension liability associated with the District | 44,463,667 | 40,553,795 | 47,554,750 | 48,692,641 |
| Total | <u>\$ 130,717,123</u> | <u>\$ 114,887,126</u> | <u>\$ 130,613,030</u> | <u>\$ 130,999,841</u> |
| Covered payroll | \$ 53,572,456 | \$ 49,386,407 | \$ 51,039,986 | \$ 49,832,067 |
| Proportionate share of the net pension liability as a percentage of its covered payroll | 161.00% | 150.51% | 162.73% | 165.17% |
| Plan fiduciary net position as a percentage of the total pension liability | 72% | 73% | 71% | 69% |
| Measurement Date | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 |
| CalPERS | | | | |
| Proportion of the net pension liability | 0.1860% | 0.1728% | 0.1916% | 0.1925% |
| Proportionate share of the net pension liability | \$ 57,057,852 | \$ 50,355,630 | \$ 51,095,392 | \$ 45,954,831 |
| Covered payroll | \$ 26,397,439 | \$ 25,201,666 | \$ 25,165,566 | \$ 24,467,461 |
| Proportionate share of the net pension liability as a percentage of its covered payroll | 216.15% | 199.81% | 203.04% | 187.82% |
| Plan fiduciary net position as a percentage of the total pension liability | 70% | 70% | 71% | 72% |
| Measurement Date | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 |

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

Cerritos Community College District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2021

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|-----------------------|----------------------|----------------------|
| CalSTRS | | | |
| Proportion of the net pension liability | <u>0.0810%</u> | <u>0.0900%</u> | <u>0.0830%</u> |
| Proportionate share of the net pension liability | <u>\$ 65,513,610</u> | <u>\$ 60,498,229</u> | <u>\$ 48,502,710</u> |
| State's proportionate share of the net pension liability associated with the District | <u>37,301,221</u> | <u>31,996,809</u> | <u>29,565,599</u> |
| Total | <u>\$ 102,814,831</u> | <u>\$ 92,495,038</u> | <u>\$ 78,068,309</u> |
| Covered payroll | <u>\$ 42,318,462</u> | <u>\$ 41,708,840</u> | <u>\$ 40,964,775</u> |
| Proportionate share of the net pension liability as a percentage of its covered payroll | <u>154.81%</u> | <u>145.05%</u> | <u>118.40%</u> |
| Plan fiduciary net position as a percentage of the total pension liability | <u>70%</u> | <u>74%</u> | <u>77%</u> |
| Measurement Date | June 30, 2016 | June 30, 2015 | June 30, 2014 |
| CalPERS | | | |
| Proportion of the net pension liability | <u>0.1941%</u> | <u>0.1928%</u> | <u>0.1950%</u> |
| Proportionate share of the net pension liability | <u>\$ 38,334,870</u> | <u>\$ 28,421,773</u> | <u>\$ 30,106,846</u> |
| Covered payroll | <u>\$ 23,288,866</u> | <u>\$ 19,920,015</u> | <u>\$ 19,931,911</u> |
| Proportionate share of the net pension liability as a percentage of its covered payroll | <u>164.61%</u> | <u>142.68%</u> | <u>151.05%</u> |
| Plan fiduciary net position as a percentage of the total pension liability | <u>74%</u> | <u>79%</u> | <u>83%</u> |
| Measurement Date | June 30, 2016 | June 30, 2015 | June 30, 2014 |

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

Cerritos Community College District
Schedule of the District Contributions for Pensions
Year Ended June 30, 2021

| | 2021 | 2020 | 2019 | 2018 |
|--|---------------|---------------|---------------|---------------|
| CalSTRS | | | | |
| Contractually required contribution | \$ 8,616,209 | \$ 9,160,890 | \$ 8,040,107 | \$ 7,365,070 |
| Contributions in relation to the contractually required contribution | (8,616,209) | 9,160,890 | 8,040,107 | 7,365,070 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - |
| Covered payroll | \$ 53,351,139 | \$ 53,572,456 | \$ 49,386,407 | \$ 51,039,986 |
| Contributions as a percentage of covered payroll | 16.15% | 17.10% | 16.28% | 14.43% |
| CalPERS | | | | |
| Contractually required contribution | \$ 5,647,117 | \$ 5,205,839 | \$ 4,551,925 | \$ 3,908,464 |
| Contributions in relation to the contractually required contribution | (5,647,117) | 5,205,839 | 4,551,925 | 3,908,464 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - |
| Covered payroll | \$ 27,280,758 | \$ 26,397,439 | \$ 25,201,666 | \$ 25,165,566 |
| Contributions as a percentage of covered payroll | 20.700% | 19.721% | 18.062% | 15.531% |

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

Cerritos Community College District
Schedule of the District Contributions for pensions
Year Ended June 30, 2021

| | 2017 | 2016 | 2015 |
|--|----------------------|----------------------|----------------------|
| CaSTRS | | | |
| Contractually required contribution | \$ 6,268,874 | \$ 4,540,771 | \$ 3,703,745 |
| Contributions in relation to the contractually required contribution | <u>6,268,874</u> | <u>4,540,771</u> | <u>3,703,745</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | <u>\$ 49,832,067</u> | <u>\$ 42,318,462</u> | <u>\$ 41,708,840</u> |
| Contributions as a percentage of covered payroll | <u>12.58%</u> | <u>10.73%</u> | <u>8.88%</u> |
| CaIPERS | | | |
| Contractually required contribution | \$ 3,398,041 | \$ 2,759,032 | \$ 2,344,785 |
| Contributions in relation to the contractually required contribution | <u>3,398,041</u> | <u>2,759,032</u> | <u>2,344,785</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | <u>\$ 24,467,461</u> | <u>\$ 23,288,866</u> | <u>\$ 19,920,015</u> |
| Contributions as a percentage of covered payroll | <u>13.888%</u> | <u>11.847%</u> | <u>11.771%</u> |

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

Note 1 - Purpose of Schedules

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

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

- *Changes in Benefit Terms* - There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* - Changes of assumptions and other inputs reflect a change in the discount rate from 3.50% to 2.20% 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 3.50% to 2.21% 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 either CalSTRS or CalPERS.
- *Changes in Assumptions* - There were no changes in economic assumptions since the previous valuations for either CalSTRS or CalPERS.

Schedule of District Contributions for Pensions

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



Supplementary Information
June 30, 2021

Cerritos Community College District

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

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

Board of Trustees as of June 30, 2021

| Member | Office | Term Expires |
|--------------------|-----------------|--------------|
| James Cody Birkey | President | 2022 |
| Dr. Shin Liu | Vice President | 2022 |
| Carmen Avalos | Clerk | 2024 |
| Mariana Pacheco | Trustee | 2024 |
| Zurich Lewis | Trustee | 2022 |
| Marisa Perez | Trustee | 2024 |
| Dr. Sandra Salazar | Trustee | 2022 |
| Ninel Sutherland | Student Trustee | 2021 |

Administration as of June 30, 2021

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

Auxiliary Organizations in Good Standing

Cerritos College Foundation, established 1979
 Master Agreement revised June 25, 2020
 Carol Krumach, Executive Director

Cerritos Community College District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal Financial Assistance Listing/Federal CFDA Number | Pass-Through Entity Identifying Number | Federal Expenditures |
|--|---|---|-------------------------|
| U.S. Department of Education | | | |
| Student Financial Assistance Cluster | | | |
| Federal Pell Grant Program | 84.063 | | \$ 32,180,377 |
| Federal Pell Grant Program Administrative Allowance | 84.063 | | 54,795 |
| Federal Direct Student Loans | 84.268 | | 4,199,168 |
| Federal Supplemental Educational Opportunity Grants (FSEOG) | 84.007 | | 732,977 |
| Federal Work-Study Program | 84.033 | | 656,448 |
| Subtotal Student Financial Assistance Cluster | | | <u>37,823,765</u> |
| Passed through California Department of Education (CDE) | | | |
| Adult Education: English Literacy and Civics Education | 84.002A | 14109 | 206,782 |
| Adult Education: Adult Secondary Education | 84.002 | 13978 | 140,307 |
| Adult Education: Adult Basic Education and ELA | 84.002A | 14508 | 51,531 |
| Subtotal | | | <u>398,620</u> |
| COVID-19: Higher Education Emergency Relief Funds, Student Aid Portion | | | |
| | 84.425E | | 3,776,658 |
| COVID-19: Higher Education Emergency Relief Funds, Institutional Portion | | | |
| | 84.425F | | 9,126,453 |
| COVID-19: Higher Education Emergency Relief Funds, Minority Serving Institutions | | | |
| | 84.425L | | 2,181,051 |
| Subtotal | | | <u>15,084,162</u> |
| Passed through California Community Colleges Chancellor's Office Career and Technical Education Act (CTEA), Title I, Part C | | | |
| | 84.048A | 20-C01-006 | 970,514 |
| Total U.S. Department of Education | | | <u>54,277,061</u> |
| Corporation for National and Community Service Awards | | | |
| Americorps - National Service Awards | 94.006 | | <u>35,502</u> |
| U.S. Department of the Treasury | | | |
| Passed through California Community Colleges Chancellor's Office | | | |
| COVID-19: Coronavirus Relief Fund | 21.019 | [1] | 766,128 |
| Total U.S. Department of the Treasury | | | <u>766,128</u> |
| National Science Foundation | | | |
| Research and Development Cluster | | | |
| Education and Human Resources | 47.076 | | 26,287 |
| Subtotal Research and Development Cluster | | | <u>26,287</u> |
| U.S. Department of Justice | | | |
| Passed through California Office of Emergency Services | | | |
| Crime Victim Assistance | 16.575 | CT19-02-1311 | 80,117 |
| Violence Against Women Formula Grants | 16.588 | CT19-02-1311 | 86,000 |
| Total U.S. Department of Justice | | | <u>166,117</u> |

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

Cerritos Community College District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal Financial Assistance Listing/Federal CFDA Number | Pass-Through Entity Identifying Number | Federal Expenditures |
|---|---|---|-------------------------|
| U.S. Department of Agriculture | | | |
| Passed through CDE | | | |
| Child and Adult Care Food Program | 10.558 | 04356-CACFP- 19-CC-IC | \$ 12,777 |
| SNAP Cluster | | | |
| Supplemental Nutrition Assistance Program (State Administrative Match) | 10.561 | 18-7015 | 44,793 |
| Subtotal SNAP Cluster | | | <u>44,793</u> |
| Total U.S. Department of Agriculture | | | <u>57,570</u> |
| U.S. Department of Health and Human Services | | | |
| Passed through Community College Foundation | | | |
| Foster Care Independence Program - PS MAPP | 93.674 | 847-120 | 3,091 |
| Passed through CDE | | | |
| Child Care and Development Fund (CCDF) Cluster | | | |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 93.596 | 13609 | 47,961 |
| Child Care and Development Block Grant | 93.575 | 15136 | 22,030 |
| Child Care and Development Block Grant | 93.575 | 15549 | 1,511 |
| Subtotal CCDF Cluster | | | <u>71,502</u> |
| Passed through California Community Colleges Chancellor's Office | | | |
| Foster and Kinship Care Education | 93.658 | [1] | 68,878 |
| Temporary Assistance for Needy Families (TANF) | 93.558 | [1] | 94,574 |
| Passed through Los Angeles County Department of Public Social Services | | | |
| Temporary Assistance for Needy Families (TANF) | 93.558 | [1] | 111,750 |
| Subtotal | | | <u>206,324</u> |
| Total U.S. Department of Health and Human Services | | | <u>349,795</u> |
| Total Federal Financial Assistance | | | <u>\$ 55,678,460</u> |

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

Cerritos Community College District
Schedule of Expenditures of State Awards
Year Ended June 30, 2021

| Program | Program Revenues | | | Total Revenue | Program Expenditures |
|--|------------------|---------------------|------------------|---------------|----------------------|
| | Cash Received | Accounts Receivable | Unearned Revenue | | |
| AAC&U Service Learning Grant | \$ - | \$ - | \$ - | \$ 38 | \$ 38 |
| AB 104 | 529,449 | - | - | 529,449 | 529,449 |
| Access to Print and Electronic Info | 11,404 | - | - | 11,404 | 11,404 |
| Apprenticeship | 2,234,118 | - | 4,623,969 | 773,731 | 773,731 |
| Assoc Degree Nursing Prgm 2020-21 | 170,619 | - | - | 170,619 | 170,619 |
| Basic Skills | 51,358 | - | 1,063,288 | 230,466 | 230,466 |
| BFAP | 748,499 | - | - | 748,499 | 748,499 |
| Cal Grant funding | 4,453,122 | 66,640 | - | 4,519,762 | 4,519,762 |
| CalFresh Outreach - SB 85 | 50,078 | - | 50,078 | - | - |
| California College Promise | 918,769 | - | 449,422 | 1,107,425 | 1,107,425 |
| California Energy Commission - ATTE | 230,433 | 98,752 | - | 329,185 | 329,185 |
| Califorr Total state programs | - | 97,876 | - | 97,876 | 97,876 |
| CalWorks - State | 522,851 | - | 68,682 | 487,979 | 487,979 |
| CalWorks - Work-Study | 53,745 | - | - | 53,745 | 53,745 |
| Campus Safety & Sexual Assaults | - | - | 4,098 | 2,075 | 2,075 |
| CARE | 157,976 | - | - | 157,976 | 157,976 |
| Career Pathways Specialists Project - AT&L #2 | 64,679 | - | - | 64,679 | 64,679 |
| Career Pathways Specialists Project - B&E #2 | 45,129 | - | - | 45,129 | 45,129 |
| Child and Adult Care Food Program | 528 | 110 | - | 638 | 638 |
| Classified Professiona Development | - | - | 63,614 | - | - |
| College Homeless and Housing Insecure | 700,000 | - | 1,094,615 | 305,385 | 305,385 |
| COVID-19 Block Grant | 940,432 | - | 940,432 | - | - |
| CTE / Chancellor's Pre-Apprenticeship | - | - | 11,353 | - | - |
| Deaf and Hard of Hearing | 266,350 | - | - | 266,350 | 266,350 |
| Disaster Relief Emergency Student Financial Aid | 165,334 | - | - | 165,334 | 165,334 |
| Deputy Sector Navigator-Adv. Transp. & Logistics | 227,939 | - | 50,553 | 177,386 | 177,386 |
| Deputy Sector Navigator-Bus. & Entrepreneurship | 235,081 | - | 47,607 | 187,474 | 187,474 |
| DSPS | 1,606,310 | - | - | 1,606,310 | 1,606,310 |
| ECDV HUBS | - | - | 23,543 | - | - |
| Emergency Financial Assistance (SB 85) | 1,929,088 | - | 1,929,088 | - | - |

See Notes to Supplementary Information

Cerritos Community College District
 Schedule of Expenditures of State Awards
 Year Ended June 30, 2021

| Program | Program Revenues | | | | Program Expenditures |
|--|------------------|---------------------|------------------|---------------|----------------------|
| | Cash Received | Accounts Receivable | Unearned Revenue | Total Revenue | |
| EOPS | \$ 1,278,774 | \$ - | \$ - | \$ 1,278,774 | \$ 1,278,774 |
| Equal Employment Opportunity | 50,000 | - | 12,969 | 107,246 | 107,246 |
| Equity Community Impact Census Grant | 2,700 | - | 159 | 2,541 | 2,541 |
| Faculty Entrepreneurship Champion Mini-Grant | - | - | 42 | 426 | 426 |
| Financial Aid Technology | 60,611 | - | - | 60,611 | 60,611 |
| Foster and Kinship Care Education (FKCE) | 108,873 | - | - | 108,873 | 108,873 |
| Full Time Student Success Completion Grant | 4,000,513 | - | 607,544 | 3,436,663 | 3,436,663 |
| General Childcare & Dev. Prog./CCTR | 188,109 | - | 51,131 | 136,978 | 136,978 |
| Guided Pathways | 242,893 | - | 1,456,467 | 375,316 | 375,316 |
| Hunger Free Campus Support | - | - | 94,663 | 44,695 | 44,695 |
| Instructional Support Program | - | - | 16,012 | 19,554 | 19,554 |
| Kinship Educ, Prep & Support | 1,200 | - | - | 1,200 | 1,200 |
| Mental Health Services | - | - | - | 121,100 | 121,100 |
| Prekindergarten & Family Literacy Program/CPKS | 625 | 1,875 | - | 2,500 | 2,500 |
| Prekindergarten & Family Literacy Program/CSPP | 1,045,295 | - | 38,409 | 1,006,886 | 970,484 |
| Puente | 2,500 | - | - | 2,500 | - |
| Sector Navigator - AT&L | 294,750 | - | 54,098 | 240,652 | 240,652 |
| Strong Workforce Program | 1,637,881 | - | 1,637,881 | - | - |
| Strong Workforce Program - Local #2 Year #2 | - | - | - | 475,372 | 475,372 |
| Strong Workforce Program - Regional #2, Year 2 - Career Pathways | 25,038 | 39,891 | - | 64,929 | 64,929 |
| Student Equity Plans | 222,548 | 1,816,334 | - | 2,038,882 | 2,038,882 |
| Student Retention & Enrollment - SB 85 | 242,982 | - | 242,982 | - | - |
| Student Success (Credit) | 273,905 | 2,917,508 | - | 3,191,413 | 3,191,413 |
| Student Success (Non-Credit) | 22,825 | 225,463 | - | 248,288 | 248,288 |
| Strong Workforce Program Local - Rd #2 Year #3 | - | - | 548,222 | 1,067,580 | 1,067,580 |
| Strong Workforce Program Reg#2-2 Netlab Cybersecurity | 1,239 | - | - | 1,239 | 1,239 |
| Strong Workforce Program Reg#2-2 Teacher Prep. | 14,510 | 72,125 | - | 86,636 | 86,636 |
| Strong Workforce Program Reg-19/20 CA Cloud Workforce | - | 898 | - | 898 | 898 |
| Strong Workforce Program Reg-19/20 Career Pathways | - | 58,463 | - | 58,463 | 58,463 |
| Strong Workforce Program Reg-19/20 Improving Regional Outcomes | - | 4,883 | - | 4,883 | 4,883 |

See Notes to Supplementary Information

Cerritos Community College District
 Schedule of Expenditures of State Awards
 Year Ended June 30, 2021

| Program | Program Revenues | | | Total Revenue | Program Expenditures |
|---|------------------|---------------------|------------------|---------------|----------------------|
| | Cash Received | Accounts Receivable | Unearned Revenue | | |
| Strong Workforce Program Reg-19/20 LA Nursing Curriculum Consortium | \$ 50,335 | \$ 1,826 | \$ - | \$ 52,161 | \$ 52,161 |
| Strong Workforce Program Reg-19/20 Netlab CyberSecrty | - | 6,194 | - | 6,194 | 6,194 |
| Strong Workforce Program Reg-20/21 LA Nursing Curriculum Consortium | - | 44,838 | - | 44,838 | 44,838 |
| Strong Workforce Program Reg-20/21 Marketing | - | 75,000 | - | 75,000 | 75,000 |
| Strong Workforce Program Reg-20/21 Teacher Prep Pre-Apprenticeship | - | 500 | - | 500 | 500 |
| Tobacco Grant Program - DOJ Prop 56 | - | 27,740 | - | 27,740 | 27,740 |
| Umoja Grant | 13,136 | - | 15,853 | 29,691 | 29,691 |
| Undocumented Resources Liaisons | 66,640 | - | 66,640 | - | - |
| Veterans Resource Center | 141,765 | - | 299,014 | 32 | 32 |
| Total state programs | \$ 26,302,938 | \$ 5,556,916 | \$ 15,562,428 | \$ 26,460,168 | \$ 26,421,266 |

Cerritos Community College District
 Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance
 Year Ended June 30, 2021

| CATEGORIES | Reported Data | Audit Adjustments | Audited Data |
|---|------------------|----------------------|------------------|
| A. Summer Intersession (Summer 2020 only) | | | |
| 1. Noncredit* | 90.48 | - | 90.48 |
| 2. Credit | 838.56 | - | 838.56 |
| B. Summer Intersession (Summer 2021 - Prior to July 1, 2021) | | | |
| 1. Noncredit* | 0.98 | - | 0.98 |
| 2. Credit | 1,432.17 | - | 1,432.17 |
| C. Primary Terms (Exclusive of Summer Intersession) | | | |
| 1. Census Procedure Courses | | | |
| (a) Weekly Census Contact Hours | 3,002.41 | - | 3,002.41 |
| (b) Daily Census Contact Hours | 703.22 | - | 703.22 |
| 2. Actual Hours of Attendance Procedure Courses | | | |
| (a) Noncredit* | 299.20 | - | 299.20 |
| (b) Credit | 20.86 | - | 20.86 |
| | | | - |
| 3. Alternative Attendance Accounting Procedure Courses | | | |
| (a) Weekly Census Procedure Courses | 6,134.88 | - | 6,134.88 |
| (b) Daily Census Procedure Courses | 3,628.31 | - | 3,628.31 |
| (c) Noncredit Independent Study/Distance Education Courses | - | - | - |
| D. Total FTES | 16,151.07 | - | 16,151.07 |
| SUPPLEMENTAL INFORMATION (Subset of Above Information) | | | |
| E. In-Service Training Courses (FTES) | - | - | - |
| F. Basic Skills Courses and Immigrant Education | | | |
| 1. Noncredit* | 241.42 | - | 241.42 |
| 2. Credit | 90.78 | - | 90.78 |
| CCFS-320 Addendum | | | |
| CDCP Noncredit FTES | 284.66 | - | 284.66 |

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

Cerritos Community College District
 Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation
 Year Ended June 30, 2021

| | Object/TOP | ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110 | | | ECS 84362 B Total CEE AC 0100 - 6799 | | |
|---------------------------------|------------|--|-------|---------------|--|-------|---------------|
| | | Reported | Audit | Revised | Reported | Audit | Revised |
| <u>Academic Salaries</u> | | | | | | | |
| Instructional Salaries | | | | | | | |
| Contract or Regular | 1100 | \$ 25,930,291 | \$ - | \$ 25,930,291 | \$ 25,930,291 | \$ - | \$ 25,930,291 |
| Other | 1300 | 18,338,250 | - | 18,338,250 | 18,338,250 | - | 18,338,250 |
| Total Instructional Salaries | | 44,268,541 | - | 44,268,541 | 44,268,541 | - | 44,268,541 |
| Noninstructional Salaries | | | | | | | |
| Contract or Regular | 1200 | - | - | - | 5,739,480 | - | 5,739,480 |
| Other | 1400 | - | - | - | 4,151,862 | - | 4,151,862 |
| Total Noninstructional Salaries | | - | - | - | 9,891,342 | - | 9,891,342 |
| Total Academic Salaries | | 44,268,541 | - | 44,268,541 | 54,159,883 | - | 54,159,883 |
| <u>Classified Salaries</u> | | | | | | | |
| Noninstructional Salaries | | | | | | | |
| Regular Status | 2100 | - | - | - | 19,025,008 | - | 19,025,008 |
| Other | 2300 | - | - | - | 663,006 | - | 663,006 |
| Total Noninstructional Salaries | | - | - | - | 19,688,014 | - | 19,688,014 |
| Instructional Aides | | | | | | | |
| Regular Status | 2200 | 566,249 | - | 566,249 | 566,249 | - | 566,249 |
| Other | 2400 | 704,272 | - | 704,272 | 704,272 | - | 704,272 |
| Total Instructional Aides | | 1,270,521 | - | 1,270,521 | 1,270,521 | - | 1,270,521 |
| Total Classified Salaries | | 1,270,521 | - | 1,270,521 | 20,958,535 | - | 20,958,535 |
| Employee Benefits | 3000 | 20,417,047 | - | 20,417,047 | 32,330,674 | - | 32,330,674 |
| Supplies and Material | 4000 | - | - | - | 841,613 | - | 841,613 |
| Other Operating Expenses | 5000 | 255,476 | - | 255,476 | 5,742,811 | - | 5,742,811 |
| Equipment Replacement | 6420 | - | - | - | - | - | - |
| Total Expenditures | | 66,211,585 | - | 66,211,585 | 114,033,516 | - | 114,033,516 |

Cerritos Community College District
 Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation
 Year Ended June 30, 2021

| | Object/TOP | ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110 | | | ECS 84362 B Total CEE AC 0100 - 6799 | | |
|--|------------|--|-------|---------|--|-------|-----------|
| | | Reported | Audit | Revised | Reported | Audit | Revised |
| <u>Exclusions</u> | | | | | | | |
| Activities to Exclude | | | | | | | |
| Instructional Staff - Retirees' Benefits and Retirement Incentives | 5900 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Student Health Services Above Amount Collected | 6441 | - | - | - | - | - | - |
| Student Transportation | 6491 | - | - | - | 72,347 | - | 72,347 |
| Noninstructional Staff - Retirees' Benefits | 6740 | - | - | - | - | - | - |
| Objects to Exclude | | | | | | | |
| Rents and Leases | 5060 | - | - | - | 100,423 | - | 100,423 |
| Lottery Expenditures | | | | | | | |
| Academic Salaries | 1000 | - | - | - | - | - | - |
| Classified Salaries | 2000 | - | - | - | 2,044,380 | - | 2,044,380 |
| Employee Benefits | 3000 | - | - | - | 1,127,498 | - | 1,127,498 |
| Supplies and Materials | 4000 | - | - | - | - | - | - |
| Software | 4100 | - | - | - | - | - | - |
| Books, Magazines, and Periodicals | 4200 | - | - | - | - | - | - |
| Instructional Supplies and Materials | 4300 | - | - | - | - | - | - |
| Noninstructional Supplies and Materials | 4400 | - | - | - | - | - | - |
| Total Supplies and Materials | | - | - | - | - | - | - |

Cerritos Community College District
 Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation
 Year Ended June 30, 2021

| | Object/TOP | ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110 | | | ECS 84362 B Total CEE AC 0100 - 6799 | | |
|---|------------|--|-------|---------------|--|-------|----------------|
| | | Reported | Audit | Revised | Reported | Audit | Revised |
| Other Operating Expenses and Services | 5000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Capital Outlay | 6000 | | | | | | |
| Library Books | 6300 | - | - | - | - | - | - |
| Equipment | 6400 | - | - | - | - | - | - |
| Equipment - Additional | 6410 | - | - | - | - | - | - |
| Equipment - Replacement | 6420 | - | - | - | - | - | - |
| Total Equipment | | - | - | - | - | - | - |
| Total Capital Outlay | | | | | | | |
| Other Outgo | 7000 | - | - | - | - | - | - |
| Total Exclusions | | - | - | - | 3,344,648 | - | 3,344,648 |
| Total for ECS 84362, 50 % Law | | \$ 66,211,585 | \$ - | \$ 66,211,585 | \$ 110,688,868 | \$ - | \$ 110,688,868 |
| Percent of CEE (Instructional Salary Cost/Total CEE) | | 59.82% | | 59.82% | 100.00% | | 100.00% |
| 50% of Current Expense of Education | | | | | \$ 55,344,434 | | \$ 55,344,434 |

Cerritos Community College District
Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Financial Statements
Year Ended June 30, 2021

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2021.

Cerritos Community College District
 Proposition 30 Education Protection Account (EPA) Expenditure Report
 Year Ended June 30, 2021

| Activity Classification | Object Code | Unrestricted | | | |
|----------------------------|---------------|--|---------------------------------------|------------------------------|---------------|
| EPA Revenue: | 8630 | \$ 22,622,759 | | | |
| Activity Classification | Activity Code | Salaries and Benefits (Obj 1000-3000) | Operating Expenses (Obj 4000-5000) | Capital Outlay (Obj 6000) | Total |
| Instructional Activities | 1000-5900 | \$ 22,622,759 | \$ - | \$ - | \$ 22,622,759 |
| Total Expenditures for EPA | | \$ 22,622,759 | \$ - | \$ - | \$ 22,622,759 |
| Revenues Less Expenditures | | | | | \$ - |

Cerritos Community College District
 Reconciliation of Governmental Funds to the Statement of Net Position
 Year Ended June 30, 2021

Amounts reported for governmental activities in the Statement of Net Position are different because

| | | |
|---|----|-------------------|
| Total fund balance | | |
| General Funds | \$ | 53,225,545 |
| Special Revenue Funds | | 13,156,349 |
| Capital Project Funds | | 28,000,060 |
| Debt Service Funds | | 21,023,781 |
| Internal Service Funds | | <u>23,727,980</u> |
| Total fund balance - all District funds | \$ | 139,133,715 |

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 | | 564,378,330 |
| Accumulated depreciation is | | (104,656,643) |
| Less: fixed assets already recorded in proprietary funds | | <u>(230,930)</u> |
| Total capital assets, net | | 459,490,757 |

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

Deferred outflows of resources at year-end consist of:

| | | |
|--|--|-------------------|
| Deferred outflows of resources related to debt refunding | | 12,166,600 |
| Deferred outflows of resources related to OPEB | | 6,888,587 |
| Deferred outflows of resources related to pensions | | <u>40,139,711</u> |
| Total deferred outflows of resources | | 59,194,898 |

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

(5,944,448)

Cerritos Community College District
 Reconciliation of Governmental Funds to the Statement of Net Position
 Year Ended June 30, 2021

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

Long-term liabilities at year end consist of:

| | |
|--|------------------|
| General obligation bonds | \$ (419,420,608) |
| Compensated absences | (3,691,463) |
| Less: compensated absences recorded in the General Fund | 340,683 |
| Early retirement incentive | (910,323) |
| Aggregate net other postemployment benefits (OPEB) liability | (30,568,005) |
| Aggregate net pension liability | (143,311,308) |
| In addition, the District has issued 'capital appreciation' general obligation bonds. The accretion of interest unmatured on the general obligation bonds to date is | (19,329,714) |

| | | |
|-----------------------------|--|------------------|
| Total long-term liabilities | | \$ (616,890,738) |
|-----------------------------|--|------------------|

Deferred inflows of resources represent an acquisition of net position in a future period and is not reported in the District's funds.

Deferred inflows of resources amount to and related to

| | |
|---|--------------|
| Deferred inflows of resources related to OPEB | (654,245) |
| Deferred inflows of resources related to pensions | (18,589,141) |

| | | |
|-------------------------------------|--|--------------|
| Total deferred inflows of resources | | (19,243,386) |
|-------------------------------------|--|--------------|

| | | |
|--------------------|--|---------------|
| Total net position | | \$ 15,740,798 |
|--------------------|--|---------------|

Note 1 - Purpose of Schedules

District Organization

This schedule provides information about the District's governing board members, administration members, and auxiliary organizations in good standing.

Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2021. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

Summary of Significant Accounting Policies

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

Indirect Cost Rate

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

Donated Personal Protective Equipment (PPE) (unaudited)

Nonmonetary assistance of PPE received during the emergency period of the COVID-19 pandemic was approximately \$294 thousand and is based on the estimated fair market value of the PPE received. The donated PPE was generally provided by donors without information about compliance or reporting requirements associated with federal financial assisting listings or Assistance Listing numbers. The donated PPE is not included in the Schedule of Expenditure of Federal Awards.

Schedule of Expenditures of State Awards

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

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

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

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

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

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

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

Proposition 30 Education Protection Account (EPA) Expenditure Report

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

Reconciliation of Government Funds to the Statement of Net Position

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



Independent Auditor's Reports
June 30, 2021

Cerritos Community College District



Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees
Cerritos Community College District
Norwalk, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of Cerritos Community College District (the District) as of and for the year ended June 30, 2021, 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 8, 2021.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 2 and Note 13 to the financial statements, the District adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which resulted in a restatement of net position as of July 1, 2020. Our opinion is not modified with respect to this matter.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Rancho Cucamonga, California
December 8, 2021



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

Board of Trustees
Cerritos Community College District
Norwalk, California

Report on Compliance for the 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 the District's major federal program for the year ended June 30, 2021. The District's major federal program is 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 the District's major federal program 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 the major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the 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 the major federal programs for the year ended June 30, 2021.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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



Rancho Cucamonga, California
December 8, 2021



Independent Auditor's Report on State Compliance

Board of Trustees
Cerritos Community College District
Norwalk, California

Report on State Compliance

We have audited Cerritos Community College District's (the District) compliance with the types of compliance requirements described in the 2020-2021 California Community Colleges Chancellor's Office *Contracted District Audit Manual* applicable to the state laws and regulations listed in the table below for the year ended June 30, 2021.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the District's State programs based on our audit of the types of compliance requirements referred in the table below. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the standards and procedures identified in the 2020-2021 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed in the table below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on state compliance. However, our audit does not provide a legal determination of the District's compliance.

Compliance Requirements Tested

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

| | |
|-------------|---|
| Section 411 | SCFF Data Management Control Environment |
| Section 412 | SCFF Supplemental Allocation Metrics |
| Section 413 | SCFF Success Allocation Metrics |
| Section 421 | Salaries of Classroom Instructors (50 Percent Law) |
| Section 423 | Apportionment for Activities Funded From Other Sources |
| Section 424 | Student Centered Funding Formula Base Allocation: FTES |
| Section 425 | Residency Determination for Credit Courses |
| Section 426 | Students Actively Enrolled |
| Section 427 | Dual Enrollment (CCAP and Non-CCAP) |
| Section 430 | Scheduled Maintenance Program |
| Section 431 | Gann Limit Calculation |
| Section 435 | Open Enrollment |
| Section 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 |
| Section 499 | COVID-19 Response Block Grant Expenditures |

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

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

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

Unmodified Opinion

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the state programs noted in the table above that were audited for the year ended June 30, 2021.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the 2020-2021 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Accordingly, this report is not suitable for any other purpose.



Rancho Cucamonga, California
December 8, 2021



Schedule of Findings and Questioned Costs
June 30, 2021

Cerritos Community College District

Financial Statements

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

Federal Awards

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

Identification of major programs

| Name of Federal Program or Cluster | Federal Financial Assistance Listing/ Federal CFDA Number |
|--|--|
| COVID-19: Higher Education Emergency Relief Funds, Student Aid Portion | 84.425E |
| COVID-19: Higher Education Emergency Relief Funds, Institutional Portion | 84.425F |
| COVID-19: Higher Education Emergency Relief Funds, Minority Serving Institutions | 84.425L |
| Dollar threshold used to distinguish between type A and type B programs | \$1,670,354 |
| Auditee qualified as low-risk auditee? | Yes |

State Compliance

| | |
|--|------------|
| Type of auditor's report issued on compliance for state programs | Unmodified |
|--|------------|

None reported.

None reported.

None reported.

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