

**CERRITOS COMMUNITY  
COLLEGE DISTRICT**

**AUDIT REPORT**

**JUNE 30, 2016**

**San Diego**

**Los Angeles**

**San Francisco  
Bay Area**

**christywhite**  
A PROFESSIONAL  
ACCOUNTANCY CORPORATION *associates*

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# FINANCIAL SECTION

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## INDEPENDENT AUDITORS' REPORT

The Board of Trustees  
Cerritos Community College District  
Norwalk, California

### **Report on the Financial Statements**

We have audited the accompanying basic financial statements of the business-type activity, and the aggregate discretely presented component units and the fiduciary funds of the Cerritos Community College District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Cerritos Community College District's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

Christy White, CPA

Michael Ash, CPA

Heather Rubio

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*Licensed by the California  
State Board of Accountancy*

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activity, the aggregate discretely presented component units and the fiduciary funds of the Cerritos Community College District, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis and the schedule of postemployment healthcare benefits funding progress be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cerritos Community College District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards, which is required by U.S. Office of Management and Budget Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, *Audits of State, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2016 on our consideration of the Cerritos Community College District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Cerritos Community College District's internal control over financial reporting and compliance.

*Christy White Associates*

San Diego, California  
December 16, 2016

**CERRITOS COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016**

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**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, 2016. This discussion has been prepared by college administration and should be read in conjunction with the financial statements and notes thereto which follow this section.

The District is using the Business Type Activity (BTA) model in which financial reports are generated using the full accrual basis of accounting. The California Community College Chancellor's Office, through its Fiscal Standards and Accountability Committee, recommended that all community college districts implement the reporting standards of the BTA model. To comply with the recommendation of the Chancellor's Office and to report in a manner consistent with other California Community College Districts, the District has adopted the BTA reporting model for these financial statements.

**THE COLLEGE**

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

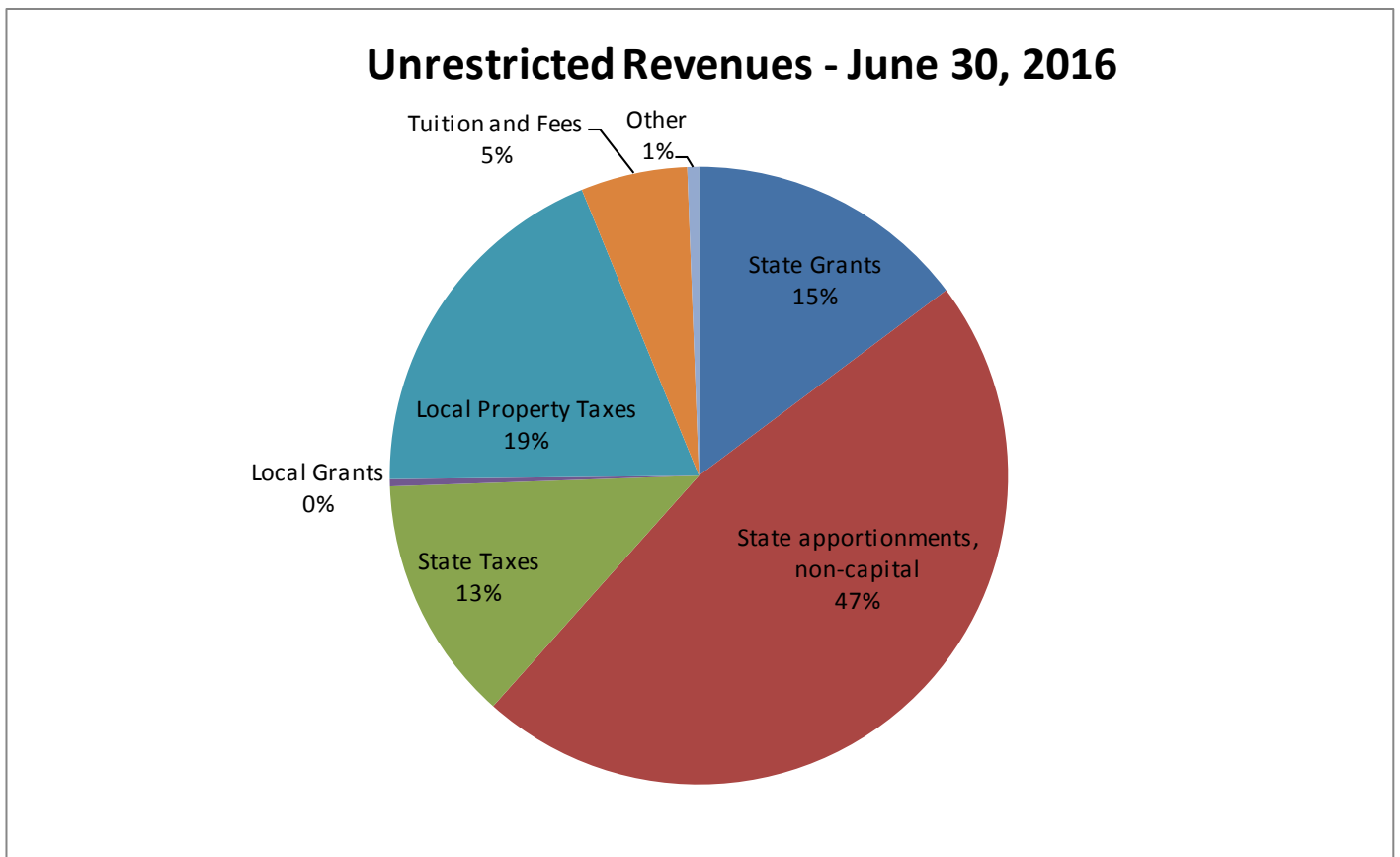
**CERRITOS COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2016**

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**FINANCIAL AND ENROLLMENT HIGHLIGHTS**

**Unrestricted General Fund Revenues**

For fiscal year (FY) 2015-16, Cerritos College received total revenues of \$207,234,863 excluding pass-through financial aid revenues that are to be distributed to students. Unrestricted Revenues of the District totaled \$111,747,554. The following chart depicts each source of Unrestricted Revenue with its relevant percentage to total revenues.



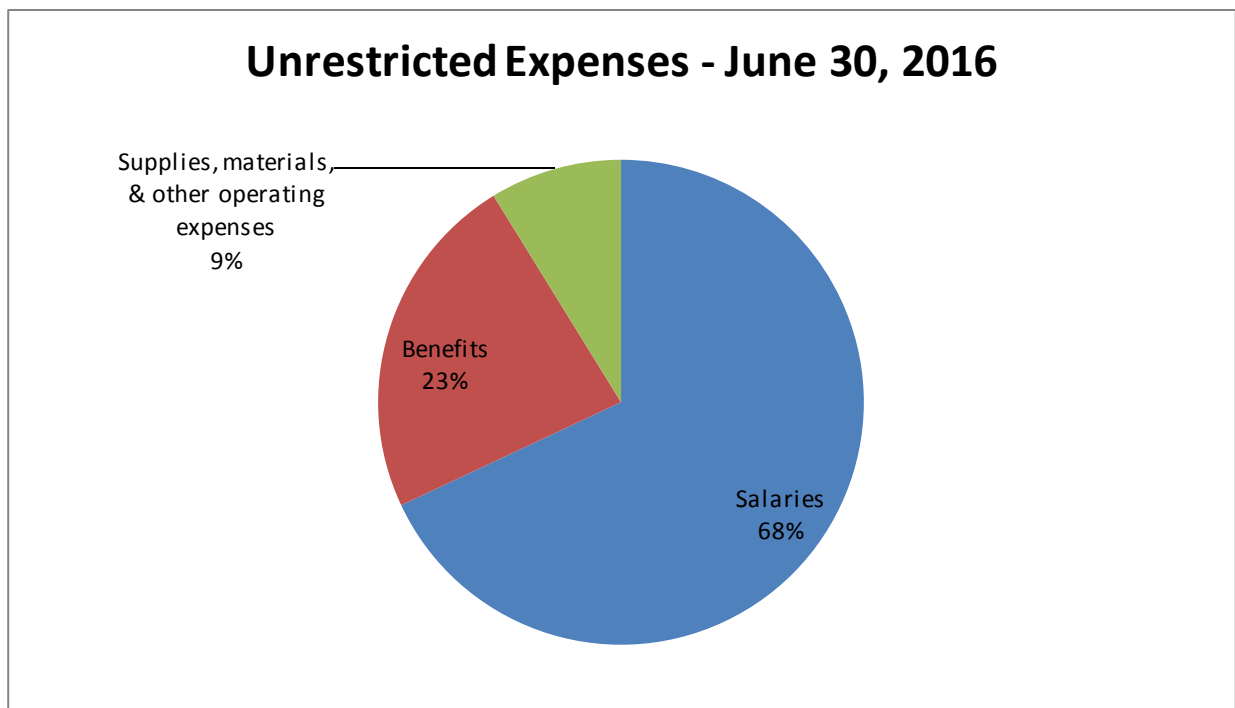
**CERRITOS COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2016**

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**FINANCIAL AND ENROLLMENT HIGHLIGHTS (continued)**

**Unrestricted General Fund Expenditures**

For FY 2015-16, the college's total expenditures were \$177,810,752, excluding pass-through financial aid funds that were distributed to students. Unrestricted Expenses totaled \$90,900,144. The following chart depicts each Unrestricted expenditure category with its relevant percentage to total expenditures.



**CERRITOS COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2016**

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**Capital Assets**

As of June 30, 2016, the District had \$254.3 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 \$56,121,239 million. Depreciation expense of \$4,364,341 million was recorded for the fiscal year. Note 8 to the financial statements provides additional information on capital assets.

**Changes in Capital Assets**

	<b>2016</b>	<b>2015</b>	<b>Net Change</b>
Land and construction in progress	\$ 105,220,627	\$ 64,337,890	\$ 40,882,737
Buildings, improvements, and equipment	205,208,079	204,243,034	965,045
Accumulated depreciation	(56,121,239)	(51,771,042)	(4,350,197)
<b>Total Capital Assets</b>	<b>\$ 254,307,467</b>	<b>\$ 216,809,882</b>	<b>\$ 37,497,585</b>

**Debt**

At June 30, 2016, the District had \$381 million in debt, \$273 million is related to the General Obligation Bonds and \$88.9 million related to pension liabilities. Note 7 to the financial statements on pages 34 through-36, provides additional information on long-term liabilities.

**Changes in Long-Term Debt**

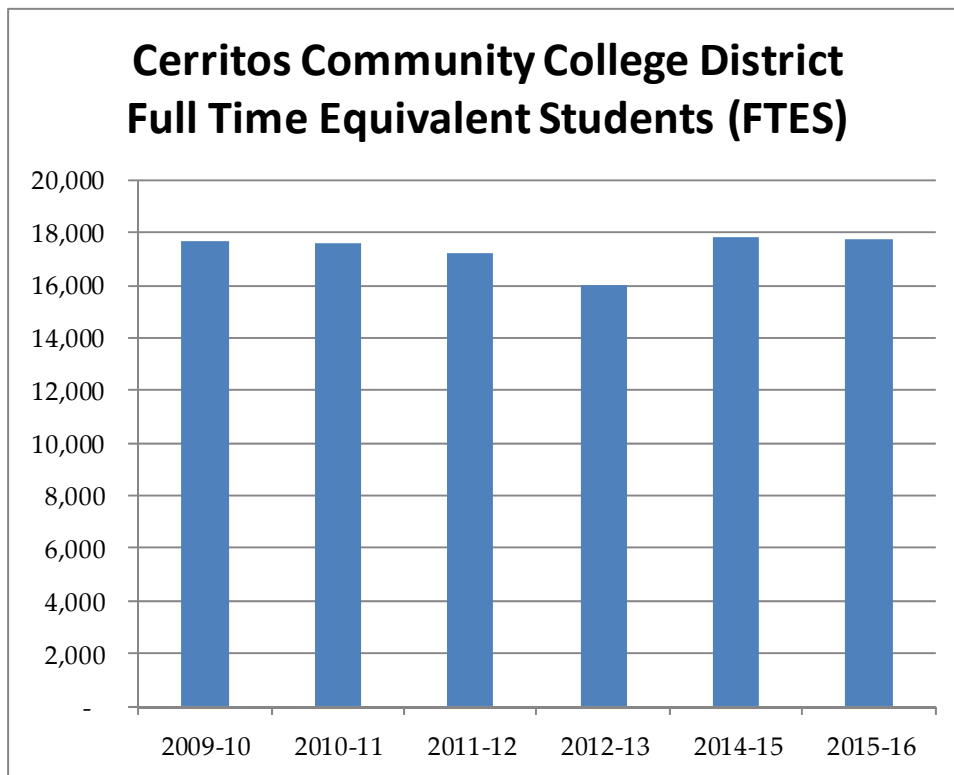
	<b>2016</b>	<b>2015</b>	<b>Net Change</b>
GO Bonds	\$ 273,959,245	\$ 290,041,262	\$ (16,082,017)
Premium on issuance of bonds	11,077,152	11,077,152	-
SERP	817,234	2,348,342	(1,531,108)
Compensated absences	2,403,910	2,335,720	68,190
OPEB Obligation	3,892,101	3,223,922	668,179
Pension liabilities	88,920,003	78,609,557	10,310,446
<b>Total Long-term Liabilities</b>	<b>\$ 381,069,645</b>	<b>\$ 387,635,955</b>	<b>\$ (6,566,310)</b>

**CERRITOS COMMUNITY COLLEGE DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2016**

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**Enrollment**

Enrollment can fluctuate due to factors such as population growth, competition from private institutions, economic conditions and housing values. Losses in enrollment will cause a district to lose operating revenues without necessarily permitting the district to make adjustments in fixed operating costs. For FY 2015-16 the Districts’ total actual FTES remained flat. A District’s “CAP” (maximum funded FTES) for a fiscal year represents a benchmark for growth that the State has determined it would fund each college/district throughout the Community College system in a given fiscal year. The following chart shows the trend for credit and non-credit FTES combined for the past 6 years.



**CERRITOS COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2016**

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**STATE BUDGET HIGHLIGHTS AND ECONOMIC OUTLOOK**

The major economic factors that impact the District and all California Community College Districts' financial condition are directly related to the overall economic, budgetary, and fiscal condition of the State of California and any legislation that impacts the funding of all community colleges in the state. According to an Annual Outlook Report released by the Legislative Analyst's Office (LAO) the state budget is perceived to be better prepared to address an economic downturn than it has ever been in decades. In addition, the LAO projects that the state's economic growth will continue through FY 2019-20. The state projected growth is assumed to generate significant annual operating surpluses and budget reserves. However, the LAO report cautions the Legislature about the fundamental trade-off between the benefits of new commitments now versus fewer difficult budget decisions in the future emphasizing the fact that sizeable reserves is the key to making it through the next state economic downturn with minimum disruption to public programs.

In addition to state funding uncertainties, a major concern for all districts continues to be the significant rate increases to the CalSTRS and CalPERS employer pension contribution rates, which are expected to increase to 19% and 20% respectively based upon employee payroll for each of the pension systems, more than doubling the cost of employer contributions by FY 2020-21 for each community college district in California.

Other than the information indicated above, the District is not presently aware of any facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during the fiscal year beyond those unknown variations having a global effect on virtually all types of business operations. Management will maintain a close watch over resources to maintain the ability to react to internal and external issues if and when they arise to ensure the fiscal stability of the District.

**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
- The Statements of Revenue, Expenses, and Changes in Net Position
- The Statement of Cash Flows

**STATEMENT OF NET POSITION**

The *Statement of Net Position* presents the assets, liabilities, 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), liabilities (current and non-current), and net position (assets minus liabilities).

**CERRITOS COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2016**

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**STATEMENT OF NET POSITION (continued)**

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 and total liabilities (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 and liabilities 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 are available for expenditure by the District, but must be spent for purposes as determined by external entities and/or donors that have placed time or purpose restrictions on the use of the assets. The final category is *Unrestricted*; this net position is available to the District for any lawful purpose of the District.

A Statement of Net Position for the year ended June 30, 2016 and 2015 is summarized and presented below:

<b><u>Statement of Net Position</u></b>	<b>2016</b>	<b>2015</b>	<b>Net Change</b>
<b>ASSETS</b>			
Current assets	\$ 180,624,053	\$ 203,928,767	\$ (23,304,714)
Non-current assets	254,670,347	217,172,772	37,497,575
<b>Total Assets</b>	<b>435,294,400</b>	<b>421,101,539</b>	<b>14,192,861</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>20,397,143</b>	<b>14,420,616</b>	<b>14,717,278</b>
Deficit cash			
Current liabilities	30,146,297	44,623,776	(14,477,479)
Non-current liabilities	375,503,638	365,996,986	9,506,652
<b>Total Liabilities</b>	<b>405,649,935</b>	<b>410,620,762</b>	<b>(4,970,827)</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>14,965,847</b>	<b>19,546,405</b>	<b>19,546,405</b>
<b>NET POSITION</b>			
Net investment in capital assets	28,291,453	36,090,909	(7,799,456)
Restricted	35,978,787	29,884,710	6,094,077
Unrestricted	(29,194,479)	(60,323,969)	31,129,490
<b>Total Net Position</b>	<b>\$ 35,075,761</b>	<b>\$ 5,651,650</b>	<b>\$ 29,424,111</b>

**CERRITOS COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2016**

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**STATEMENT OF ACTIVITIES, 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 Activities, 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. A Statement of Activities and Changes in Net Position for the year ended June 30, 2016 and 2014 is summarized and presented below:

**CERRITOS COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2016**

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**STATEMENT OF CASH FLOWS**

The Statement of Cash Flows provides information about cash receipts and cash payments during the fiscal year. This Statement also helps users assess the District's ability to generate positive cash flows, meet obligations as they come due and determine the need for external financing.

The Statement of Cash Flows is divided into five parts. The first part reflects operating cash flows and shows the net cash provided by the operating activities of the District. The second part details cash received for nonoperating, non-investing, and non-capital financing purposes. The third part shows cash flows from capital and related financing activities. This deals with the cash used for the acquisition and construction of capital and related items. The fourth section provides information from investing activities and the amount of interest received. The fifth and final section reconciles the net cash provided by operating activities to the operating loss reflected on the Statement of Activities, and Changes in Net Position.

A Statement of Cash Flows for the year ended June 30, 2016 and 2015 is summarized and presented below:

**Changes in Cash Flow**

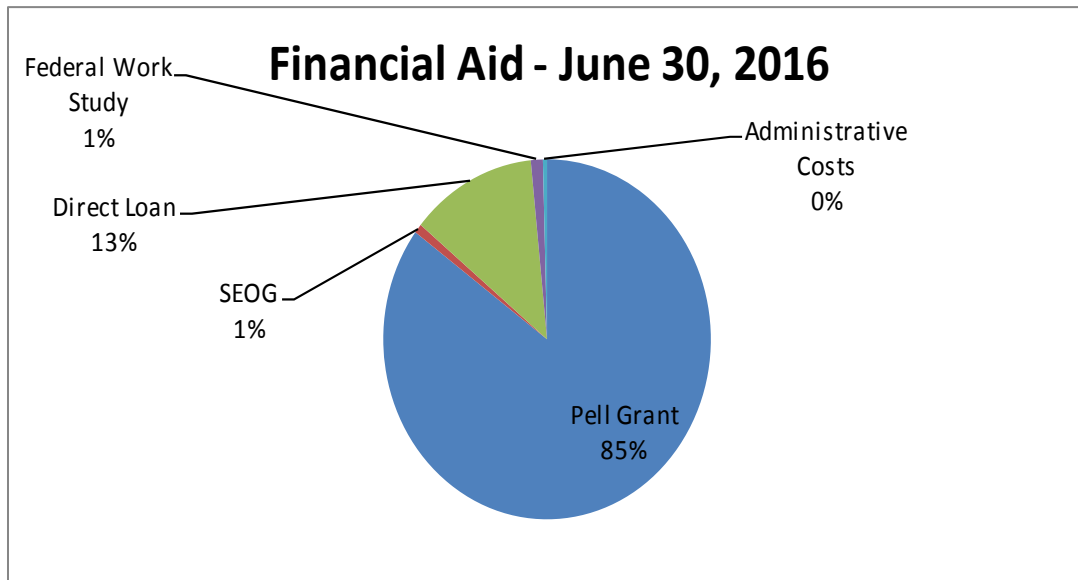
	<b>2016</b>	<b>2015</b>	<b>Net Change</b>
Net cash provided(used) by:			
Operating activities	\$ (81,495,397)	\$ (127,908,494)	\$ 46,413,097
Non-capital financing activities	112,680,150	166,024,873	(53,344,723)
Capital and related financing activities	(58,140,846)	62,138,811	(120,279,657)
Investment activities	1,401,594	1,111,702	289,892
Net increase in cash	(25,554,499)	101,366,892	(126,921,391)
Cash - beginning of the year	197,018,690	95,651,778	101,366,912
Cash - end of the year	<u>\$ 171,464,191</u>	<u>\$ 197,018,670</u>	<u>\$ (25,554,479)</u>

**CERRITOS COMMUNITY COLLEGE DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2016**

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**FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

The following chart depicts the various areas of financial aid through which the District participates. Total federal financial aid expenditures amounted to \$44,889,254.



**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.

**REQUEST FOR INFORMATION**

The financial report is designed to provide a general overview of the District’s finances. Questions concerning this report or requests for additional financial information should be addressed to the Cerritos Community College District, Office of the Director of Fiscal Services, 11190 Alondra Blvd; Norwalk, CA 90650.

**CERRITOS COMMUNITY COLLEGE DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2016**

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<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and investments	\$ 171,464,191
Accounts receivable	8,243,082
Prepaid expenses	916,780
<b>Total Current Assets</b>	<u>180,624,053</u>
<b>NONCURRENT ASSETS</b>	
Capital assets, net of accumulated depreciation	<u>254,670,347</u>
<b>Total Noncurrent Assets</b>	<u>254,670,347</u>
<b>TOTAL ASSETS</b>	<u>435,294,400</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	<u>20,397,143</u>
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Accounts payable and accrued liabilities	16,652,199
Accrued interest payable	5,651,642
Deferred revenue	2,276,449
Current Portion - Long-term debt	5,566,007
<b>Total Current Liabilities</b>	<u>30,146,297</u>
<b>NONCURRENT LIABILITIES</b>	
Noncurrent portion - Long-term debt	<u>375,503,638</u>
<b>TOTAL LIABILITIES</b>	<u>405,649,935</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	<u>14,965,847</u>
<b>NET POSITION</b>	
Net investment in capital assets	28,291,453
Restricted for:	
Debt service	20,188,146
Capital projects	15,790,641
Unrestricted	(29,194,479)
<b>TOTAL NET POSITION</b>	<u>\$ 35,075,761</u>

See accompanying notes to the financial statements.

**CERRITOS COMMUNITY COLLEGE DISTRICT  
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2016**

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<b>OPERATING REVENUES</b>	
Student Tuition and Fees	\$ 20,771,953
Less: Scholarship discount & allowance	(14,536,569)
Net tuition & fees	<u>6,235,384</u>
Grants and Contracts, noncapital:	
Federal	44,724,806
State	<u>36,176,091</u>
Subtotal	<u>80,900,897</u>
TOTAL OPERATING REVENUES	<u>87,136,281</u>
<b>OPERATING EXPENSES</b>	
Salaries	73,605,905
Benefits	24,576,081
Financial Aid	44,889,254
Supplies, materials, & other operating expenses and services	25,560,438
Depreciation	<u>4,364,341</u>
TOTAL OPERATING EXPENSES	<u>172,996,019</u>
<b>OPERATING LOSS</b>	<u>(85,859,738)</u>
<b>NONOPERATING REVENUES/(EXPENSES)</b>	
State apportionments, non-capital	53,845,193
Local property taxes	41,182,289
State taxes & other revenues	17,652,668
Investment income - Non-capital	2,221,340
Other local revenues	5,197,092
Interest expense	<u>(4,814,733)</u>
TOTAL NONOPERATING REVENUES	<u>115,283,849</u>
<b>CHANGE IN NET POSITION</b>	29,424,111
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>5,651,650</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 35,075,761</u>

See accompanying notes to the financial statements.

**CERRITOS COMMUNITY COLLEGE DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2016**

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Tuition and fees	\$ 6,235,384
Grants and contracts	80,900,897
Payments to or on behalf of employees	(98,181,986)
Payments to vendors for supplies and services	(25,560,438)
Payments to students for scholarships and grants	(44,889,254)
Net Cash Flows From Operating Activities	<u>(81,495,397)</u>

**CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES**

State apportionments	53,845,193
Property taxes	41,182,289
State taxes and other revenue	17,652,668
Net Cash Flows From Non-capital Financing Activities	<u>112,680,150</u>

**CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES**

Acquisition and construction of capital assets	(26,886,832)
Proceeds from issuance of capital debt	2,682,482
Principal and interest paid on capital debt	(34,756,242)
Interest received on capital debt	819,746
Net Cash Flows From Capital Financing Activities	<u>(58,140,846)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Investment income	1,401,594
Net Cash Flows From Investing Activities	<u>1,401,594</u>

**NET CHANGE IN CASH AND CASH EQUIVALENTS** (25,554,499)

**CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR** 197,018,690

**CASH AND CASH EQUIVALENTS, END OF YEAR** \$ 171,464,191

**CERRITOS COMMUNITY COLLEGE DISTRICT**  
**STATEMENT OF CASH FLOWS, continued**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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**FLOWS FROM OPERATING ACTIVITIES**

Operating Loss	\$ (85,859,738)
Adjustments to Reconcile Operating Loss to Net Cash Flows from Operating Activities:	
Depreciation expense	4,364,341
Changes in Assets and Liabilities:	
Receivables, net	(2,143,350)
Inventory and prepaid expenditures	135,579
Accounts payable and accrued liabilities	(686,119)
Pension liability	7,596,934
Deferred revenue	1,117,331
Deferred inflows and outflows of resources	(13,008,654)
Total Adjustments	(2,623,938)
<b>Net Cash Flows From Operating Activities</b>	<b>\$ (88,483,676)</b>

**CASH AND CASH EQUIVALENTS CONSIST  
OF THE FOLLOWING**

Cash in banks	\$ 7,832,041
Cash with fiscal agent	5,220,073
Cash in county treasury	158,412,077
<b>Total Cash and Cash Equivalents</b>	<b>\$ 171,464,191</b>

See accompanying notes to the financial statements.

**CERRITOS COMMUNITY COLLEGE DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2016**

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	<b>Associated Students Trust Fund</b>	<b>Investment Trust Fund</b>	<b>Total Trust Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,444,102	\$ 186,067	\$ 2,630,169
Accounts receivable	117,252	870	118,122
Prepaid expenses	389	-	389
<b>Total Assets</b>	<b>\$ 2,561,743</b>	<b>\$ 186,937</b>	<b>\$ 2,748,680</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 92,983	\$ 186,937	\$ 279,920
Due to student groups	2,468,760	-	2,468,760
<b>Total Liabilities</b>	<b>\$ 2,561,743</b>	<b>\$ 186,937</b>	<b>\$ 2,748,680</b>

See accompanying notes to the financial statements.

**CERRITOS COLLEGE FOUNDATION  
DISCRETELY PRESENTED COMPONENT UNIT – STATEMENT OF FINANCIAL POSITION  
FOR THE YEAR ENDED JUNE 30, 2016**

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<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 987,659
Contributions receivable	320,297
Prepaid expense	10,049
Total current assets	<u>1,318,005</u>
Other assets	
Investments	2,827,553
Investments with the Foundation for California Community Colleges	246,611
Total other assets	<u>3,074,164</u>
<b>Total Assets</b>	<u>\$ 4,392,169</u>
<b>LIABILITIES AND NET ASSETS</b>	
Current liabilities	
Accrued liabilities	\$ 58,340
Deferred revenues	66,874
Total current liabilities	<u>125,214</u>
Total liabilities	<u>125,214</u>
Net assets	
Unrestricted	569,454
Temporarily restricted	2,758,385
Permanently restricted	939,116
Total net assets	<u>4,266,955</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 4,392,169</u>

See accompanying notes to the financial statements.

**CERRITOS COLLEGE FOUNDATION  
DISCRETELY PRESENTED COMPONENT UNIT – STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>SUPPORT AND REVENUES</b>				
Contributions	\$ -	\$ 268,321	\$ 65,175	\$ 333,496
Administrative Fees	48,208	-	-	48,208
Corporate Program Support	-	8,000	-	8,000
Private Program Support	3,034	989,320	-	992,354
Special events - fundraisers	121,571	48,404	-	169,975
Donated Services (Note 6)	364,263	-	-	364,263
Grants	-	473,088	150	473,238
Investment income (Note 3)	52,381	(900)	-	51,481
Other income	1,040	15,059	-	16,099
Net assets released from restrictions				
Purpose restrictions satisfied	1,697,928	(1,697,928)	-	-
<b>Total Support and Revenues</b>	<b>2,288,425</b>	<b>103,364</b>	<b>65,325</b>	<b>2,457,114</b>
<b>EXPENSES</b>				
Program services	2,090,141	-	-	2,090,141
Supporting services				
Management and general activities	98,569	-	-	98,569
Fundraising (Note 8)	126,545	-	-	126,545
<b>Total Expenses</b>	<b>2,315,255</b>	<b>-</b>	<b>-</b>	<b>2,315,255</b>
<b>CHANGE IN NET ASSETS</b>	<b>(26,830)</b>	<b>103,364</b>	<b>65,325</b>	<b>141,859</b>
<b>Net Assets - Beginning</b>	<b>596,284</b>	<b>2,655,021</b>	<b>873,791</b>	<b>4,125,096</b>
<b>Net Assets - Ending</b>	<b>\$ 569,454</b>	<b>\$ 2,758,385</b>	<b>\$ 939,116</b>	<b>\$ 4,266,955</b>

See accompanying notes to the financial statements.

**CERRITOS COLLEGE FOUNDATION  
DISCRETELY PRESENTED COMPONENT UNIT – STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2016**

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<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ 141,859
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Unrealized loss/(gain) on investments	(118,045)
Changes in operating assets and liabilities	
Contributions receivable (Note 4)	(202,964)
Prepaid expense	(2,955)
Deferred revenues	11,779
Accrued liabilities	56,916
<b>Net cash provided by (used in) operating activities</b>	<u>(113,410)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	(113,410)
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	<u>1,101,069</u>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<u>\$ 987,659</u>

**CERRITOS COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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**NOTE 1 – ORGANIZATION**

The Cerritos Community College District (the District) was established on June 10, 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, capital project funds, and proprietary funds, but these budgets are managed at the department level. Currently, the District operates one college located 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. 39.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The District has adopted GASB Statement No. 39, Determining Whether Certain Organizations are Component Units. This statement amends GASB Statement No. 14, The Financial Reporting Entity, to provide additional guidance to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District. The three components used to determine the presentation are: providing a "direct benefit", the "environment and ability to access/influence reporting", and the "significance" criterion. As defined by accounting principles generally accepted in the United States of America and established by the Governmental Accounting Standards Board, the financial reporting entity consists of the primary government, the District, and the following component unit:

*Cerritos College Foundation*

The Cerritos College Foundation (the Foundation) is a legally separate, tax-exempt component unit of the District. The Foundation acts primarily as a fundraising organization to provide grants and scholarships to students and support to employees, programs, and departments of the District. The 23 member board of the Foundation consists of community members, alumni, and other supporters of the Foundation. Although the District does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests, are restricted to the activities of the District by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the District, the Foundation is considered a component unit of the District with the inclusion of the statements as a discretely presented component unit. The Foundation is reported in separate financial statements because of the difference in its reporting model, as further described below.

**CERRITOS COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**A. Reporting Entity (continued)**

The Foundation is a not-for-profit organization under Internal Revenue Code (IRC) Section 501(c)(3) that reports its financial results in accordance with Financial Accounting Standards Codifications. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the District's financial reporting entity for these differences; however, significant note disclosures to the Foundation's financial statements have been incorporated into the District's notes to the financial statements.

Complete financial statements for the Foundation can be obtained from the Foundation's Business Office at (562) 860-2451 ext. 2536, 11110 Alondra Boulevard; Norwalk, California 90650.

**B. Measurement Focus**

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37 and No. 38. This presentation provides a comprehensive entity-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office Budget and Accounting Manual. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

**C. Basis of Accounting**

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are classified as operating revenues. These transactions are recorded on the accrual basis when the exchange takes place. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, operating revenues consist primarily of student fees and auxiliary activities through the bookstore and cafeteria commissions.

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

**CERRITOS COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Basis of Accounting (continued)**

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

The District reports are based on all applicable GASB pronouncements, as well as applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. The District has not elected to apply FASB pronouncements after that date.

**D. Financial Statement Presentation**

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

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

**E. Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be unrestricted cash on hand, demand deposits, and short-term unrestricted investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include unrestricted cash with County Treasury balances for purposes of the statement of cash flows. Restricted cash and cash equivalents represent balances restricted by external sources such as grants and contracts or specifically restricted for the repayment of capital debt.

**F. Investments**

In accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and External Investment Pools, investments held at June 30, 2016 and 2014, are stated at fair value. Fair value is estimated based on quoted market prices at year-end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

**CERRITOS COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**G. Accounts Receivable**

Accounts receivable consists primarily of amounts due from the federal government, state, and local governments, or private sources, in connection with reimbursement of allowable expenses made pursuant to the District's grant and contracts.

**H. Inventory**

Inventories are presented at the lower of cost or market using the average cost method and are expensed when used. Inventory consists of expandable instructional, custodial, health and other supplies held for consumption.

**I. Prepaid Expenses**

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2016, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which goods or services are consumed.

**J. Restricted Cash and Cash Equivalents**

Restricted cash and cash equivalents are those amounts externally restricted as to use pursuant to the requirements of the District's grants, contracts, and debt service requirements.

**K. Capital Assets**

Capital assets are recorded at cost at the date of acquisition. Donated capital assets are recorded at their estimated fair value at the date of donation. For equipment, the District's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year. Buildings as well as renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized.

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend the asset's life is recorded in operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 25-50 years for buildings, 15-20 years for site improvements, 5-15 years for equipment and vehicle.

**L. Accounts Payable**

Accounts payable consists of amounts due to vendors.

**CERRITOS COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**M. Accrued Liabilities**

Accrued liabilities consist of salaries and benefits payable.

**N. Unearned Revenue**

Tuition and fees received prior to June 30 for classes and programs offered in the subsequent fiscal year are reported as unearned revenue.

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenses have been incurred. Unearned revenue is recorded to the extent cash received on specific projects and programs exceed qualified expenses.

**O. Deferred Outflows/Deferred Inflows of Resources**

In addition to assets, the District will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the District will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

**P. Compensated Absences**

In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, accumulated unpaid employee vacation benefits are recognized as a liability of the District as compensated absences in the Statement of Net Position.

Sick leave benefits are accumulated without limit for each employee. Accumulated employee sick leave benefits are not recognized as a liability of the District. The District's policy is to record sick leave as an operating expense in the period taken; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires and within the constraints of the appropriate retirement systems.

**CERRITOS COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Q. Net Position**

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

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

Restricted: Net position is reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the District, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

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

**R. 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 and are recorded in the District's financial records when received.

**S. Property Taxes**

Property taxes are assessed and levied by the County of Los Angeles. Secured property taxes attach as an enforceable lien on property as of January 1. These taxes are payable in two installments on November 1 and February 1. Secured property taxes are considered delinquent after December 10 for the 1<sup>st</sup> installment and April 10 for the 2<sup>nd</sup> installment. Unsecured property taxes are payable in one installment on or before August 31 and are delinquent after August 31.

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 Bonds, property taxes are assessed on the property within the District specifically for the repayment of the debt incurred. The taxes are billed and collected as noted above.

**CERRITOS COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**T. On-Behalf Payments**

GASB Statement No. 24, Accounting and Financial Reporting for Certain Grants and Other Financial Assistance, requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditure by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers Retirement Systems (STRS) on behalf of all Community Colleges in California. The amount of on-behalf payments made for the District is estimated at \$2,742,553 for STRS for the year ended June 30, 2016. This amount has been reflected in the basic financial statements as a component of non-operating revenue and employee benefit expense.

**U. Classification of Revenues**

The District has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as student fees, net of scholarship discounts and allowances, and most federal, state and local grants and contracts.

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as state apportionment, property taxes, state taxes, non-capital federal grants and contracts investment income, and other revenue sources.

**V. Scholarship Discount and Allowances**

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the District, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants and other federal, state or nongovernmental programs are recorded as operating revenues in the District's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the District has recorded a scholarship discount and allowance, included in the Board of Governors (BOG) waivers.

**W. Federal Financial Assistance Programs**

The District participates in federally funded Pell Grants, FSEOG Grants, Federal Work-Study, and Stafford Direct Loan programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. These programs are audited in accordance with the Single Audit Act Amendments of 1996, and U.S. Office of Management and Budget Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, *Audits of State, Local Governments, and Non-Profit Organizations*.

**CERRITOS COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**X. 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.

**Y. Foundation Financial Statement Presentation**

The Cerritos College Foundation presents its financial statements in accordance with Statement of Financial Accounting Codifications. Under these reporting requirements, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by the codification, the Foundation does not use fund accounting.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that will be met by actions of the Foundation and/or the passage of time.

Unrestricted Net Assets - Net assets not subject to donor-imposed restrictions.

Revenues and expenses are recorded when incurred in accordance with the accrual basis of accounting. Revenues are reported as increases in the unrestricted net assets classification unless use of the related assets is limited by donor-imposed restrictions. Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met. Contributions for in-kind gifts from outside sources are recorded at their fair market value on the date of the donation.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Investments are reported at fair value in accordance with FASB Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures.

**Z. Interfund Activity**

Interfund transfers and interfund receivables and payables for governmental activities are eliminated during the consolidation process in the governmental funds entity-wide financial statements.

**CERRITOS COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 3 – CASH 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.

**Custodial Credit Risk - Deposits**

Custodial credit risk 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 deposit policy for custodial credit risk, however, the *California Government Code* requires California banks and savings and loan associations to secure the District's deposits by pledging government securities as collateral. The market value of pledged securities must be equal to 110 percent of an agency's deposits. California law also allows financial institutions to secure an agency's deposits by pledging first trust deed mortgage notes having a value of 150 percent of an agency's total deposits and collateral is considered to be held in the name of the District. As of June 30, 2016, the District's bank balance of \$2,652,744 was not exposed to custodial credit risk.

**Investment in County Treasury**

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section (ECS) 41001). 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.

The pool is managed by the Los Angeles County Treasurer and is not registered as an investment company with the U.S. Securities and Exchange Commission. Oversight of the pool is the responsibility of the County Treasury Oversight Committee. California Government Code statutes and the County Treasury Oversight Committee set forth the various investment policies that the Treasurer follows.

As provided by the Government Code, the cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing interest earnings through investment activities. Interest earned on pooled investments is deposited to the participating funds based upon the funds' average daily deposit balance during the allocation period.

**CERRITOS COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2016**

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**NOTE 3 – CASH AND INVESTMENTS (continued)**

**General Authorizations**

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

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>
Local Agency bonds, Notes, Warrants	5 years	None
Registered State Bonds, Notes, Warrants	5 years	None
U.S. Treasury Obligations	5 years	0.19%
U.S. Agency Securities	5 years	59.36%
Banker's Acceptance	180 days	None
Commercial Paper	270 days	28%
Negotiable Certificates of Deposit	5 years	11%
Repurchase Agreements	1 year	None
Reverse Repurchase Agreements	92 days	None
Medium-Term Corporate Notes	5 years	None
Mutual Funds	N/A	None
Money Market Mutual Funds	N/A	None
Mortgage Pass-Through Securities	5 years	None
County Pooled Investment Funds	N/A	None
Local Agency Investment Fund (LAIF)	N/A	None
Joint Powers Authority Pools	N/A	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 Cash and Investments**

Cash and investments as of June 30, 2016, consist of the following:

Primary Government	\$ 171,464,191
Fiduciary Funds	2,630,169
Total Deposits and Investments	\$ 174,094,360
Cash on hand and in banks	\$ 21,237,256
Cash in county treasury	152,857,104
Total Deposits and Investments	\$ 174,094,360

**CERRITOS COMMUNITY COLLEGE DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2016**

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**NOTE 3 – CASH AND INVESTMENTS (continued)**

**Interest Rate Risk**

Interest rate risk is the risk that changes in 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. Information about the exposure of the District’s investments to this risk is provided above.

**Specific Identification**

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

Investment or Deposit Type	Fair Market Value	Maturity Date
Los Angeles County Treasury	\$ 153,035,681	608*

*\*Weighted average days to maturity*

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligations. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. The District follows Government Code to reduce exposure to investment credit risk.

**NOTE 4 – ACCOUNTS RECEIVABLE**

Receivables for the District consisted primarily of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

The accounts receivable balance as of June 30, 2016 is as follows:

	2016	
	Primary Government	Fiduciary Funds
Federal	\$ 1,267,252	\$ -
State	2,424,771	-
Local	4,551,059	11,545
Total	\$ 8,243,082	\$ 11,545

**CERRITOS COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 5 – INTERFUND TRANSACTIONS**

Interfund receivables and payables result when the interfund transfer is transacted after the close of the fiscal year. Interfund activity within the funds has been eliminated in the basic financial statements, except for balances that are reflected between the business-type activity and fiduciary funds.

**NOTE 6 – CAPITAL ASSETS**

The following provides a summary of changes in capital assets for the year ended June 30, 2016:

	<b>Balance</b>				<b>Balance</b>
	<b>July 01, 2015</b>	<b>Additions</b>	<b>Deductions</b>		<b>June 30, 2016</b>
<b>Governmental Activities</b>					
Capital assets not being depreciated					
Land	\$ 3,570,212	\$ -	\$ -		\$ 3,570,212
Construction in Progress	60,767,678	40,882,737	-		101,650,415
Total capital assets not being depreciated	64,337,890	40,882,737	-		105,220,627
Capital assets being depreciated					
Land improvements	11,821,104	42,630	-		11,863,734
Buildings & improvements	184,153,706	-	-		184,153,706
Furniture & equipment	8,268,224	936,559	14,144		9,190,639
Total capital assets being depreciated	204,243,034	979,189	14,144		205,208,079
Less accumulated depreciation					
Land improvements	3,596,941	513,780	-		4,110,721
Buildings & improvements	43,184,353	3,356,808	-		46,541,161
Furniture & equipment	4,989,748	493,753	14,144		5,469,357
Total accumulated depreciation	51,771,042	4,364,341	14,144		56,121,239
<b>Total Governmental Activities Capital</b>					
<b>Assets, net</b>	<b>\$ 216,809,882</b>	<b>\$ 37,497,585</b>	<b>\$ -</b>		<b>\$ 254,307,467</b>

Depreciation expense for the year ended June 30, 2016 is \$4,364,341.

**CERRITOS COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 7 – LONG TERM OBLIGATIONS**

A schedule of changes in long-term obligations for the year ended June 30, 2016 is shown below:

	Balance		Balance		Due Within
	June 30, 2015	Additions	Deductions	June 30, 2016	One Year
GO Bonds	\$ 290,041,262	\$ -	\$ 16,082,017	\$ 273,959,245	\$ 14,200,000
Premium on issuance of bonds	11,077,152	-	-	11,077,152	1,137,200
SERP	2,348,342	-	1,531,108	817,234	408,617
Compensated absences	2,335,720	68,190	-	2,403,910	-
OPEB Obligation	3,223,922	668,179	-	3,892,101	-
Pension liabilities	78,609,557	10,310,446	-	88,920,003	-
Totals	\$ 387,635,955	\$ 11,046,815	\$ 17,613,125	\$ 381,069,645	\$ 15,745,817

On March 2, 2004, the District's voters approved by more than the required 55% favorable vote, Measure CC, authorizing the issuance and sale of General Obligation Bonds, not to exceed \$210,000,000. Measure CC was designed to provide funds to address the urgent and critical needs of Cerritos College, including the repair and renovation of aging facilities as well as the construction of new facilities to relieve overcrowding and meet demand due to growth in student enrollment. In addition, the proceeds were used to prepay certain of the District's outstanding Certificates of Participation, Series 2002.

On July 1, 2004, \$37,325,000 of Measure CC General Obligation Bonds were sold (Series 2004A). The issuance consisted of serial bonds with interest rates ranging from 4.00 percent to 5.00 percent and maturing through August 1, 2028.

On May 19, 2005, \$27,135,994 of Measure CC General Obligation Refunding Bonds were sold (Series 2005 Refunding Series A). The issuance consisted of current interest bonds and capital appreciation bonds with interest rates ranging from 3.00 percent to 5.00 percent and maturing through August 1, 2023. The proceeds were issued to pay off portions of the 2004 Election, Series A General Obligation Bonds. The proceeds were placed into an irrevocable escrow account and will be used to fund the future required principal and interest payments of the refunded bonds. The refunded portions of the bonds are considered in-substance defeased and are not recorded on the financial statements.

On September 6, 2006, \$34,845,000 of Measure CC General Obligation Bonds were sold (Series 2006B). The issuance consisted of serial bonds and term bonds with interest rates ranging from 4.50 percent to 5.00 percent and maturing through August 1, 2031.

On May 27, 2009, \$55,000,000 of Measure CC General Obligation Bonds were sold (Series 2009C). The issuance consisted of serial bonds and term bonds with interest rates ranging from 3.00 percent to 5.25 percent and maturing through August 1, 2033.

On March 21, 2012, \$82,825,515 of Measure CC General Obligation Bonds were sold (Series 2012D). The issuance consisted of serial bonds, term bonds and capital appreciation bonds with interest rates ranging from 1.97 percent to 5.88 percent and maturing through August 1, 2038.

**CERRITOS COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2016**

**NOTE 7 – LONG TERM OBLIGATIONS (continued)**

On November 4, 2014 the district issued Refunding Bonds for Series A \$80,395,000 and Series B \$17,975,000. The interest rates range from on the 2014 Series A Refunding from 1.75-5.00% and maturing through 2033. These bonds were issued to refund the election 2004 Series A. The interest rate range for the 2014 Series B Refunding is from 0.507-3.121% and maturing through 2023. These bonds were issued to refund the Election 2004 Series B. The issuance consisted of current interest serial bonds. Also on November 4, 2014, \$100,000 of Measure G General Obligation Bonds were sold (Series 2014 A). The issuance consisted of serial bonds with interest rates ranging from 1.50-5.00% and maturing through August 1, 2044.

Series	Issuance Date	Interest Rate	Maturity Date	Amount of Original Issue	Balance July 1, 2015	Additions	Redeemed Current Year	Balance June 30, 2016	Due Within One Year
2004 Series 2004A	7/1/2004	4.00-5.00%	8/1/2028	\$ 37,325,000	\$ 1,840,000		\$ 50,000	\$ 1,790,000	\$ 60,000
2005 Refunding Bond Series A	5/19/2005	3.00-5.00%	8/1/2023	27,135,994	3,659,747		1,590,000	\$ 2,069,747	1,695,000
2004 Series 2009C	5/27/2009	3.00-5.25%	8/1/2033	55,000,000	640,000		595,000	\$ 45,000	45,000
2004 Series 2012D	3/21/2012	1.97-5.88%	8/1/2038	82,825,515	85,531,515		439,209	\$ 85,092,306	-
2004 Series A Refunding	11/4/2015	1.75-5.00%	8/1/2033	80,395,000	80,395,000		4,095,428	\$ 76,299,572	1,730,000
2004 Series B Refunding	11/4/2015	.506-3.121%	8/1/2023	17,975,000	17,975,000		857,380	\$ 17,117,620	480,000
2012 Series 2014A	4/1/2014	1.50-5.00%	8/1/2044	100,000,000	100,000,000		8,455,000	\$ 91,545,000	10,190,000
			Total	\$ 400,656,509	\$ 290,041,262	\$ -	\$ 16,082,017	\$ 273,959,245	\$ 14,200,000

The annual requirements to amortize Measure CC bonds payable as of June 30, 2016 are as follows:

Fiscal Year	Principal	Interest	Total
2017	3,620,203	6,876,060	10,496,263
2018	4,416,033	7,319,580	11,735,613
2019	5,038,997	7,601,216	12,640,213
2020	9,675,070	10,095,893	19,770,963
2021	4,260,000	-	4,260,000
2022-2026	45,171,752	45,208,529	90,380,281
2027-2031	40,107,650	33,120,368	73,228,018
2032-2036	39,759,683	92,031,004	131,790,687
2037-2041	33,586,992	100,000,000	133,586,992
2042-2045	1,730,673	-	1,730,673
	<u>\$ 187,367,053</u>	<u>\$ 302,252,650</u>	<u>\$ 489,619,703</u>

The annual requirements to amortize Measure G bonds payable as of June 30, 2016 are as follows:

Fiscal Year	Principal	Interest	Total
2017	10,190,000	4,016,250	14,206,250
2018	7,455,000	3,608,650	11,063,650
2019	-	3,310,450	3,310,450
2020	-	3,310,450	3,310,450
2021	-	3,310,450	3,310,450
2022-2026	-	16,552,250	16,552,250
2027-2031	-	16,552,250	16,552,250
2032-2036	11,385,000	15,220,750	26,605,750
2037-2041	24,060,000	10,350,000	34,410,000
2042-2045	38,455,000	3,329,800	41,784,800
Total	<u>\$ 91,545,000</u>	<u>\$ 79,561,300</u>	<u>\$ 171,106,300</u>

**CERRITOS COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 8 – EMPLOYEE PENSION PLANS**

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS). The District reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows:

	<u>Net pension liability</u>	<u>Deferred outflows related to pensions</u>	<u>Deferred inflows related to pensions</u>	<u>Pension expense</u>
STRS Pension	\$ 60,498,229	\$ 16,013,765	\$ 5,942,528	\$ 6,597,184
PERS Pension	28,421,773	4,383,378	9,023,319	455,980
	<u>\$ 88,920,002</u>	<u>\$ 20,397,143</u>	<u>\$ 14,965,847</u>	<u>\$ 7,053,164</u>

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

**Plan Description**

The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits to plan members and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

**Benefits provided**

The CalSTRS defined benefit plan has two benefit formulas:

CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS

CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS

***CalSTRS 2% at 62***

CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

**CERRITOS COMMUNITY COLLEGE DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2016**

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**NOTE 8 – EMPLOYEE PENSION PLANS**

**California State Teachers’ Retirement System (CalSTRS) (continued)**

**Contributions**

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 9.20% and 8.56% of their salary for fiscal year 2016, respectively, and the District is required to contribute an amount established in State statute. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers’ Retirement Board. The required employer contribution rate for fiscal year 2016 was 10.73% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$3,687,559 for the year ended June 30, 2016.

**On-Behalf Payments**

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-14 education. These payments consist of state general fund contributions of approximately \$2,742,553 to CalSTRS (7.126% of 2013-14 creditable compensation subject to CalSTRS).

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

At June 30, 2016, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 60,498,229
States's proportionate share of the net pension liability associated with the District	31,996,809
Total	<u>\$ 92,495,038</u>

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, an amount established in State statute. At June 30, 2016, the District’s proportion was .129% percent, which was an increase of from its proportion measured as of June 30, 2015.

**CERRITOS COMMUNITY COLLEGE DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2016**

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**NOTE 8 – EMPLOYEE PENSION PLANS (continued)**

**California State Teachers’ Retirement System (CalSTRS) (continued)**

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

For the year ended June 30, 2016, the District recognized pension expense of \$6,597,184. In addition, the District recognized pension expense and revenue of \$2,477,852 for support provided by the State. At June 30, 2016, 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>
Differences between projected and actual earnings on plan investments	\$ -	\$ 4,931,589
Differences between expected and actual experience	-	1,010,939
Changes in proportion and differences between District contributions and proportionate share of contributions	11,472,994	-
District contributions subsequent to the measurement date	4,540,771	-
	<u>\$ 16,013,765</u>	<u>\$ 5,942,528</u>

The \$16,013,765 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>
2017	\$ 1,912,166
2018	1,912,166
2019	1,912,166
2020	1,912,166
2021	1,912,166
2022	1,912,164
	<u>\$ 11,472,994</u>

**CERRITOS COMMUNITY COLLEGE DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2016**

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**NOTE 8 – EMPLOYEE PENSION PLANS (continued)**

**California State Teachers’ Retirement System (CalSTRS) (continued)**

**Actuarial assumptions**

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	3.00%
Investment Yield (Net of Expenses)	7.60%
Wage Inflation	3.75%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2006–June 30, 2010.

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. Based on the model from CalSTRS consulting actuary’s (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term* Expected Real Rate of Return</u>
Global Equity	47%	4.50%
Private Equity	12%	6.20%
Real Estate	15%	4.35%
Inflation Sensitivie	5%	3.20%
Fixed Income	20%	20.00%
Cash/Liquidity	1%	0.00%
	<u>100%</u>	

\*10-year geometric average

**CERRITOS COMMUNITY COLLEGE DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2016**

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**NOTE 8 – EMPLOYEE PENSION PLANS (continued)**

**California State Teachers’ Retirement System (CalSTRS) (continued)**

**Discount rate**

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate**

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.60 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60 percent) or 1-percentage-point higher (8.60 percent) than the current rate:

	<b>1% Decrease -6.60%</b>	<b>Current Discount Rate -7.60%</b>	<b>1% Increase -8.60%</b>
District's proportionate share of the net pension liability	\$14,152,517	\$ 60,498,229	\$2,983,148

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

**CERRITOS COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2016**

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**NOTE 8 – EMPLOYEE PENSION PLANS (continued)**

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

**Plan Description**

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

**Benefits provided**

The benefits for the defined benefit plan are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for retirement and disability for eligible members, and death benefits for survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years of credited service.

**Pension plan fiduciary net position**

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

**Contributions**

Active plan members who entered into the plan prior to January 1, 2013, are required to contribute 7.0% of their salary. The California Public Employees' Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 6.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member's contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2016 was 11.847% of annual payroll. Contributions to the plan from the District were \$5,424,269 for the year ended June 30, 2016.

**CERRITOS COMMUNITY COLLEGE DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2016**

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**NOTE 8 – EMPLOYEE PENSION PLANS (continued)**

**California Public Employees’ Retirement System (CalPERS) (continued)**

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

At June 30, 2016, the District reported a liability of \$28,421,773 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District’s proportion was .377 percent, which was a decrease of .001% percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$2,759,032. At June 30, 2016, 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>
Differences between projected and actual earnings on plan investments	\$ -	\$ 973,186
Differences between expected and actual experience	1,624,346	-
Changes in assumptions	-	1,746,313
Changes in proportion and differences between District contributions and proportionate share of contributions	-	6,303,820
District contributions subsequent to the measurement date	2,759,032	-
	<u>\$ 4,383,378</u>	<u>\$ 9,023,319</u>

The \$4,383,378 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**CERRITOS COMMUNITY COLLEGE DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2016**

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**NOTE 8 – EMPLOYEE PENSION PLANS (continued)**

**California Public Employees’ Retirement System (CalPERS) (continued)**

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2017	\$ 560,119	\$ 3,019,204
2018	560,119	3,019,204
2019	504,108	2,741,614
2020	-	243,297
	<u>\$ 1,624,346</u>	<u>\$ 9,023,319</u>

**Actuarial assumptions**

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Yield (Net of Expenses)	7.65%
Wage Inflation	Varies by Entry Age and Service

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are derived using CalPERS’ membership data for all funds. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

The actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the period from 1997 to 2011.

**CERRITOS COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 8 – EMPLOYEE PENSION PLANS (continued)**

**California Public Employees’ Retirement System (CalPERS) (continued)**

**Actuarial assumptions (continued)**

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1-10*</u>	<u>Real Return Years 11+**</u>
Global Equity	51%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	10%	6.83%	6.95%
Real Estate	10%	4.50%	5.13%
Infrastructure and Forestland	2%	4.50%	5.09%
Liquidity	2%	-0.55%	-1.05%
	<u>100%</u>		

\* An expected inflation of 2.5% used for this period

\*\* An expected inflation of 3.0% used for this period

**CERRITOS COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 8 – EMPLOYEE PENSION PLANS (continued)**

**California Public Employees’ Retirement System (CalPERS) (continued)**

**Actuarial assumptions (continued)**

**Discount rate**

The discount rate used to measure the total pension liability was 7.65 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS’ website.

**Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate**

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.65 percent) or 1-percentage-point higher (8.65 percent) than the current rate:

	<b>1% Decrease -6.60%</b>	<b>Current Discount Rate -7.60%</b>	<b>1% Increase -8.60%</b>
District's proportionate share of the net pension liability	\$14,152,517	28,421,773	\$2,983,148

**Pension plan fiduciary net position**

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

**CERRITOS COMMUNITY COLLEGE DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2016**

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**NOTE 9 – EMPLOYEE RETIREMENT PLANS**

**Social Security Alternative Plan**

The Social Security Alternative Plan is a defined contribution plan covering most employees of the San Diego Community College District who are not eligible for membership in CalPERS, CalSTRS or an alternative plan. Upon employment and any re-employment, part-time employees may become a member of the Social Security Alternative Plan. The Social Security Alternative Plan is an alternative plan to social security, and unit members would not contribute to social security under the Omnibus Budget Reconciliation Act of 1991.

*Funding Policy*

Contributions to the Social Security Alternative Plan are shared between the employee and the District. The District contributes 3.75% of eligible wages as defined under IRS regulations, and 3.75% of eligible wages are withheld from the employee’s checks for deposit under the plan. The District’s contribution to the Social Security Alternative Plan for the fiscal year ended June 30, 2016, was \$75,936.

The Social Security Alternative Plan is a qualified pension plan under the Internal Revenue Code 401 and is thereby exempt from all federal income and California franchise taxes.

**NOTE 10 – POSTEMPLOYMENT HEALTHCARE BENEFITS**

**Plan Description**

The Cerritos Community College District Health Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the District. The Plan offers medical, dental, and vision insurance benefits to eligible retirees and their spouses. The District reports the financial activity of the plan as a trust fund in these financial statements and no separate financial report is prepared. Membership of the plan consisted of the following at July 23, 2016, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	309
Active plan members	628
Total	<u>937</u>

**Funding Policy**

The contribution requirements are established and may be amended by the District. The required contribution is based on projected pay-as-you-go financing requirements, with an annual adjustment to fully fund the actuarially determined annual required contribution. For fiscal year 2015-16, the District contributed \$689,113 to the plan for current year premiums, all of which was used for current premiums.

**CERRITOS COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 10 – POSTEMPLOYMENT HEALTHCARE BENEFITS (continued)**

**Annual OPEB Cost and Net OPEB Obligation**

The District’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize an unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District’s annual OPEB cost for the year, the amount actually contributed, and changes in the District’s net OPEB obligation:

Annual required contribution (ARC)	\$ 1,398,131
Interest on net OPEB obligation	60,142
Adjustment to annual required contribution	<u>(100,981)</u>
Annual OPEB cost	1,357,292
Contributions made	<u>(689,113)</u>
Changes in net OPEB obligation	668,179
Net OPEB obligation, beginning of year	<u>3,223,922</u>
Net OPEB obligation, end of year	<u>\$ 3,892,101</u>

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed, and the net OPEB obligation was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2016	\$ 1,357,292	51%	\$ 3,223,922

Actuarial valuations of an ongoing plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**CERRITOS COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 10 – POSTEMPLOYMENT HEALTHCARE BENEFITS (continued)**

The accompanying schedules of employer contributions present trend information about the amounts contributed to the plan by the employer in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designated to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**NOTE 11 – LEASE REVENUES**

A ground lease has been entered into with Vintage at Cerritos, Welltower Victory II Landlord LP for terms that exceed 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 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 this agreement are as follows:

2017	\$	380,268
2018		380,268
2019		380,268
2020		380,268
2021		380,268
2022-2026		1,901,340
2027-2031		1,901,340
2032-2036		1,901,340
2037-2041		1,901,340
2042		253,512
	\$	<u>9,760,212</u>

**CERRITOS COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 12 – JOINT POWERS AGREEMENT**

The District participates in four joint powers authorities: the Statewide Association of Community Colleges (SWACC), the Schools Association for Excess Risk (SAFER), the Southern California Community College District Joint Powers Agency (SCCCD-JPA), Protected Insurance Program for Schools and Community Colleges (PIPS), and the California Statewide Delinquent Finance Tax Authority. The relationship between the District and the JPAs is such that none of the JPAs are a component unit of the District for financial reporting purposes as explained below.

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

The District's share of year-end assets, liabilities, or fund equity has not been calculated.

**NOTE 13 – RISK MANAGEMENT**

**Insurance Coverages**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year ending June 30, 2013, the District contracted with the Statewide Association of Community Colleges (SWACC) and the Schools Association for Excess Risk (SAFER) Joint Powers Authorities (JPAs) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. Employee health coverage benefits are covered by a commercial insurance policy purchased by the District. The District provides health insurance benefits to District employees, their families, and retired employees of the District. There has not been a significant reduction in coverage from the prior year.

**CERRITOS COMMUNITY COLLEGE DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2016**

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**NOTE 13 – RISK MANAGEMENT (continued)**

**Joint Powers Authority Risk Pools**

During fiscal year ending June 30, 2016, the District contracted with various joint powers authorities for property and liability insurance coverage. Coverage provided by Southern California Community College District Joint Powers Authority (SCCCD-JPA), SAFER, PIPS, and SWACC for property and liability and workers' compensation is as follows:

Insurance Program/Company Name	Type of Coverage	Limits
SAFER (JPA)	Property	\$ 249,750,000
SWACC (JPA)	Property	\$ 250,000
SAFER (JPA)	Liability	\$ 20,000,000
SAFER (JPA)	Liability	\$ 4,000,000
SWACC (JPA)	Liability	\$ 1,000,000
Protected Insurance Program for Schools and Community Colleges (PIPS)	Workers' Compensation	\$ 1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

**Workers' Compensation**

For fiscal year 2015-16, the District participated in the Southern California Community College District Joint Powers Authority (SCCCD-JPA), an insurance purchasing pool, and the Protected Insurance Program for Schools and Community Colleges (PIPS), a workers' compensation reinsurance protection. The intent of the JPAs are to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPAs. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity-pooling" arrangement ensures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to K-12 and community college districts that can meet the JPA's selection criteria.

**CERRITOS COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2016**

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**NOTE 14 – COMMITMENTS AND CONTINGENCIES**

**A. State and Federal Allowances, Awards, and Grants**

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

**B. Purchase Commitments**

As of June 30, 2016, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$2.4 million. Projects will be funded by Measure CC and Measure G Proposition 39 Bond funds as well as State matching funds, where applicable.

**C. Litigation**

The District is a defendant in various pending liability lawsuits arising in the ordinary course of business. The outcome of the litigation is unknown at the present time; however, in the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the District's financial statements.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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**CERRITOS COMMUNITY COLLEGE  
SCHEDULE OF POSTEMPLOYMENT HEALTHCARE BENEFITS FUNDING PROGRESS  
FOR THE YEAR ENDED JUNE 30, 2016**

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Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (Entry Age Normal Cost Method) (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funding Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
3/1/2012	\$ -	\$ 14,283,221	\$ 14,347,766	0%	\$ 54,670,818	26%
3/1/2014	\$ -	\$ 15,494,306	\$ 15,084,325	0%	\$ 56,857,651	27%
5/16/2016	\$ -	\$ 16,194,524	\$ 14,978,379	0%	\$ 68,555,072	22%

See accompanying note to required supplementary information.

**CERRITOS COMMUNITY COLLEGE**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -**  
**STRS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.090%	0.083%
District's proportionate share of the net pension liability	\$ 60,498,229	\$ 48,502,710
States's proportionate share of the net pension liability associated with the District	31,996,809	29,565,599
Total	<u>\$ 92,495,038</u>	<u>\$ 78,068,309</u>
District's covered-employee payroll	\$ 45,266,203	\$ 51,768,604
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	133.6%	93.7%
Plan fiduciary net position as a percentage of the total pension liability.	76.5%	76.5%

See accompanying note to required supplementary information.

**CERRITOS COMMUNITY COLLEGE  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -  
PERS  
FOR THE YEAR ENDED JUNE 30, 2016**

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	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.193%	0.195%
District's proportionate share of the net pension liability	\$ 28,421,773	\$ 30,106,846
District's covered-employee payroll	\$ 23,288,869	\$ 24,223,720
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	122.0%	124.3%
Plan fiduciary net position as a percentage of the total pension liability.	83.4%	83.4%

See accompanying note to required supplementary information.

**CERRITOS COMMUNITY COLLEGE  
SCHEDULE OF DISTRICT CONTRIBUTIONS – STRS  
FOR THE YEAR ENDED JUNE 30, 2016**

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	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 4,540,771	\$ 12,075,831
Contributions in relation to the contractually required contribution*	(4,540,771)	(12,075,831)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 45,266,203	\$ 51,768,604
Contributions as a percentage of covered-employee payroll	10.03%	23.33%

\*Amounts do not include on behalf contributions

**CERRITOS COMMUNITY COLLEGE  
SCHEDULE OF DISTRICT CONTRIBUTIONS – PERS  
FOR THE YEAR ENDED JUNE 30, 2016**

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	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 2,759,032	\$ 2,344,785
Contributions in relation to the contractually required contribution	(2,759,032)	(2,344,785)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 23,288,869	\$ 24,223,720
Contributions as a percentage of covered-employee payroll	11.85%	9.68%

See accompanying note to required supplementary information.

**CERRITOS COMMUNITY COLLEGE  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2016**

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**NOTE 1 - PURPOSE OF SCHEDULE**

**A. Schedule of Postemployment Healthcare Benefits Funding Progress**

This schedule is prepared to show information for the most recent actuarial valuation and from the three most recent actuarial valuations in accordance with Statement No. 45 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The schedule is intended to show trends about the funding progress of the District's actuarially determined liability for post-employment benefits other than pensions.

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

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's proportion (percentage) of the collective net pension liability, the District's proportionate share (amount) of the collective net pension liability, the District's covered-employee payroll, the District's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered-employee payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

**C. Schedule of District Contributions**

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's statutorily or contractually required employer contribution, the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the District's covered-employee payroll, and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the District's covered-employee payroll.

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**SUPPLEMENTARY  
INFORMATION**

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**CERRITOS COMMUNITY COLLEGE DISTRICT  
HISTORY AND ORGANIZATION  
JUNE 30, 2016**

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Cerritos Community College District is a public community college district that has been serving the people of Artesia, Bellflower, Cerritos, Downey, Hawaiian Gardens, La Mirada, Norwalk, and portions of Bell Gardens, Lakewood, Long Beach, Santa Fe Springs, South Gate 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 (WASC), which is one of six regional associations that accredit public and private schools, colleges, and universities in the United States.

**Board of Trustees**

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<b>NAME</b>	<b>OFFICE</b>	<b>TERM EXPIRES</b>
Dr. Shin Liu	President	December 2018
Ms. Marisa Perez	Vice President	December 2016
Mr. Zurich Lewis	Secretary	December 2018
Dr. Sandra Salazar	Member	December 2016
Mr. Bob Arthur	Member	December 2016
Mr. John Paul Drayer	Member	December 2018
Ms. Carmen Avalos	Member	December 2016
Ms. Karen F. Patron D	Student	May 2017

**District Executive Officers**

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<b>Name</b>	<b>Title</b>
Dr. Jose Fierro	President/Superintendent
Mr. Noorali Delawalla	Acting Vice President of Business Services/Assistant Superintendent
Mr. Edmund R Miranda Jr	Acting Vice President of Academic Affairs/Assistant Superintendent
Dr. Stephen Johnson	Vice President of Student Services/Assistant Superintendent
Mr. Joel Harry	Acting Vice President of Human Resources/Assistant Superintendent

**CERRITOS COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016**

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<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>CFDA Number</b>	<b>Federal Expenditure</b>
<b>CAREER AND TECHNICAL EDUCATION ACT</b>		
<b>Passed through from California Community College Chancellor's Office</b>		
Perkins Title I-C - Career and Technical Education	84.048	\$ 888,675
Perkins CTE Transitions	84.048A	45,119
<b>ADULT EDUCATION AND FAMILY LITERACY ACT</b>		
<b>Passed through from California Department of Education</b>		
Workforce Investment Act, Title II: ESL	84.002	74,343
Workforce Investment Act, Title II: Civics	84.002	4,087
Workforce Investment Act, Title II: GED	84.002	108,559
<b>HIGHER EDUCATION ACT</b>		
Title V, Part A, Hispanic-Serving Institutions - Habits of Mind iFalcon - Year Five Funding Ending 09/30/2015	84.031S	-
Improving Pathways to Degrees & Transfers in Emerging and High-Need STEM Professions Year Three Funding Ending 09/30/2015	84.031C	511,028
<b>STUDENT FINANCIAL ASSISTANCE CLUSTER</b>		
Federal Supplemental Educational Opportunity Grant (FSEOG)	84.007	345,226
Federal Direct Student Loans (Direct Loans) - Subsidized	84.268	10,813
Federal Direct Student Loans (Direct Loans) - Subsidized	84.268	2,606,929
Federal Direct Student Loans (Direct Loans) - Un-Subsidized	84.268	7,217
Federal Direct Student Loans (Direct Loans) - Un-Subsidized	84.268	2,577,380
Federal Work-Study (FWS)	84.033	492,824
Federal Pell Grant (PELL) / 2015-16 draw-down / 2014-15 funding year	84.063	723,270
Federal Pell Grant (PELL) / 2015-16 draw-down / 2015-16 funding year	84.063	34,872,315
Student Financial Aid Administrative Cost Allowance C/O from 2014-1	84.063	170,544
<b>U.S. DEPARTMENT OF AGRICULTURE</b>		
<b>Passed through the Department of Education</b>		
Child and Adult Care Food Program (2014-15 new deposits)	10.558	76,288

*(Continued on next page)*

**CERRITOS COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, continued  
FOR THE YEAR ENDED JUNE 30, 2016**

*(Continued from previous page)*

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>CFDA Number</b>	<b>Federal Expenditure</b>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		
<b>TANF CLUSTER</b>		
<b>Passed through from California Community College Chancellor's Office</b>		
Temporary Assistance for Needy Families (TANF)	93.558	110,008
<b>Passed through from California Department of Social Services</b>		
Los Angeles DPSS (County CALWORKS)	93.558	108,049
Foster and Kinship Care Education (FKCE)	93.658	151,550
<b>Passed through from California Dept of Health Care Services</b>		
Medical Assistance Program - Coordinated by LACOE		
Family Pact Program -- FPP	93.778	(1,259)
Medical Assistance Program - Coordinated by LACOE		
Medi-Cal Administrative Activities Prog -- MAA	93.778	23,139
<b>Passed through from the California Department of Education</b>		
Child Care Mandatory & Matching Funds of the Childcare and Child Care and Development Block Grant:		
Child Care Mandatory & Matching Funds of the Childcare and Development Fund: General Childcare & Development Programs	93.596	16,662
Child Care and Development Block Grant:		
General Childcare & Development Programs	93.575	9,167
<b>Passed through from the Community College Foundation</b>		
Foster Care Independence Program - PS MAPP	93.674	124,718
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>		
Americorps - National Service Awards	94.006	31,103
<b>U.S. DEPARTMENT OF VETERANS AFFAIRS</b>		
Veterans Education Representative Fee	64	2,631
<b>DEPARTMENT OF LABOR EMPLOYMENT TRAINING ADMINISTRATION</b>		
<b>Passed through from Tyler Junior College</b>		
ACT-ON Retail Management Careers Consortium - (2014-15)	17.282	645,678
<b>Passed through from El Camino College District</b>		
El Camino HIB #2		55,141
El Camino CCD H1B / Electrical Engineer		79,763
<b>Grand Total</b>		<b>\$ 44,870,967</b>

See accompanying note to supplementary information.

**CERRITOS COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED JUNE 30, 2016**

Program Name	Beginning Balance	Cash Received	Accounts Receivable	Deferred Revenue	Total Revenue	Program Expenditures
Basic Skills funding year: 2014/15	\$ 317,993	\$ -	\$ -	\$ -	\$ 317,993	\$ 317,993
Basic Skills funding year: 2015/16	-	333,987	-	252,040	81,947	81,947
CTE Enhancements	42,280	125,672	436,710	-	604,662	604,662
Prekindergarten & Family Literacy Program (Category 00100)	-	943	1,557	-	2,500	2,500
Prekindergarten & Family Literacy Program (Category 00000)	-	484,787	88,860	-	573,647	573,647
General Childcare & Dev. Prog./CSPP	-	107,181	31,673	-	138,854	138,854
Child and Adult Care Food Program (2014-15 new deposits)	-	2,690	-	-	2,690	2,690
Instructional Equipment and Library	868,088	-	-	-	868,088	50,335
BFAP	-	855,600	-	-	855,600	855,600
2008-09 Apportionment: SB1133	123,432	-	-	-	123,432	21,476
Lottery Prop_20 (carryover from 2012-13 and older)	3,291,110	996,016	-	-	4,287,125	74,984
EOPS	-	1,082,211	-	-	1,082,211	1,082,211
2006-07 Apportionment: AB1802	311,306	-	-	-	311,306	-
Instructional Support Program	-	1,153,792	-	-	1,153,792	1,153,792
Physical Plant	-	1,153,792	-	-	1,153,792	1,153,792
El Camino CCD CAA (Career Advancement Academy)	-	7,149	-	-	7,149	7,149
Advanced Manufacturing & Engineering Technology Linked Learnin	-	1,234,202	94,412	-	1,328,614	1,328,344
Rio Hondo CCD - SB1070 CTE Pathways	-	8,747	-	-	8,747	8,747
Prop 39 Clean Energy Workforce	50,811	50,046	-	-	100,857	100,857
AB86 - Adult Education Consortium	5,363	27,471	-	-	32,834	32,834
AB 104	-	1,989,264	-	359,165	1,630,099	1,630,099
CalWorks ==> "State"	-	369,943	-	-	369,943	369,943
CalWorks ==> "Work-Study"	-	108,031	-	-	108,031	108,031
CARE	-	105,559	-	-	105,559	105,559
Student Success (Credit)	-	3,397,760	300,000	-	3,697,760	3,697,760
Student Success (Non-Credit)	-	212,017	-	-	212,017	212,017
Student Equity Plans	-	2,971,606	107,300	461,382	2,617,524	2,617,524
Equal Employment Opportunity	20,943	9,793	-	-	30,736	30,736
Teacher Prep Pipeline 2014 funding	2,951	72,000	-	-	74,951	74,952
Teacher Prep Pipeline 2015 funding	-	96,000	-	71,117	24,883	24,883
Assoc Degree Nursing Prgm 2016	-	157,320	13,680	-	171,000	171,000
KEPS	29,389	-	-	-	29,389	29,389
West Valley ATTE	31,947	-	-	-	31,947	31,765
Deputy Sector Nav AT&R 2015	-	-	17,288	-	17,288	17,288
Deputy Sector Navigator AT&R	-	-	95,359	-	95,359	95,359
Deputy Sector Navigator AT&R (2015-16)	-	80,000	112,314	-	192,314	192,314
Deputy Sector Navigator AT&R (2015-16)	-	40,000	-	40,000	-	-
DSPS apportionment schedule prior yr adj	-	2,990	-	-	2,990	2,990
DSPS apportionment schedule 2016 Funding	-	1,718,805	-	-	1,718,805	1,718,805
Cal Grant 2015 funding	-	2,914,727	-	-	2,914,727	2,855,414
Full Time Student Success Grant	-	768,204	-	-	768,204	668,700
<b>Grand Total</b>	<b>\$ 5,095,614</b>	<b>\$ 22,638,306</b>	<b>\$ 1,299,154</b>	<b>\$ 1,183,704</b>	<b>\$ 27,849,370</b>	<b>\$ 22,246,945</b>

See accompanying note to supplementary information.

**CERRITOS COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF WORKLOAD MEASURE FOR STATE GENERAL APPORTIONMENT ANNUAL  
(ACTUAL) ATTENDANCE  
FOR THE YEAR ENDED JUNE 30, 2016**

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	<u>Reported Data</u>	<u>Audit Adjustment</u>	<u>Revised Data</u>
<b>A. Summer Intersession (Summer 2015 Only)</b>			
1. Noncredit	42.19	-	42.19
2. Credit	1,202.36	-	1,202.36
<b>B. Summer Intersession (Summer 2016 - Prior to July 1, 2016)</b>			
1. Noncredit	14.60	-	14.60
2. Credit	987.45	-	987.45
<b>C. Primary Terms (Exclusive of Summer Intersession)</b>			
1. Census Procedures Courses			
(a) Weekly Census Contact Hours	11,634.28	-	11,634.28
(b) Daily Census Contact Hours	1,745.60	-	1,745.60
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	359.00	-	359.00
(b) Credit	24.73	-	24.73
3. Alternative Attendance Accounting Procedure			
(a) Weekly Census Procedure Courses	755.80	-	755.80
(b) Daily Census Procedure Courses	974.75	-	974.75
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
<b>D. Total FTES</b>	<u>17,740.76</u>	<u>-</u>	<u>17,740.76</u>
<b>Supplemental Information (subset of information above)</b>			
Basic Skills Courses and Immigrant Education			
1. Noncredit	314.99	-	314.99
2. Credit	1,899.07	-	1,899.07

See accompanying note to supplementary information.

**CERRITOS COMMUNITY COLLEGE DISTRICT  
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH  
DISTRICT ACCOUNTING RECORDS  
FOR THE YEAR ENDED JUNE 30, 2016**

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*There were no adjustments necessary to reconcile the annual CCFS-311 report with the District accounting records for the fiscal year 2015-16.*

**CERRITOS COMMUNITY COLLEGE DISTRICT  
RECONCILIATION OF THE ECS 84362 (50 PERCENT LAW) CALCULATION  
FOR THE YEAR ENDED JUNE 30, 2016**

	Object/ TOP Codes	Activity (ESCA) ECS 84362 A Instructional Salary Cost AC 0100-5900 &			Activity (ESCB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustment s	Revised Data	Reported Data	Audit Adjustment s	Revised Data
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	21,988,383	-	21,988,383	21,988,851	-	21,988,851
Other	1300	12,029,023	-	12,029,023	12,335,616	-	12,335,616
Total Instructional Salaries		34,017,406	-	34,017,406	34,324,467	-	34,324,467
Non-Instructional Salaries							
Contract or Regular	1200	-	-	-	4,335,406	-	4,335,406
Other	1400	-	-	-	3,256,631	-	3,256,631
Total Non-Instructional Salaries		34,017,406	-	34,017,406	7,592,037	-	7,592,037
Total Academic Salaries					41,916,504	-	41,916,504
<u>Classified Salaries</u>							
Non-Instructional Salaries							
Regular Status	2100	-	-	-	17,238,397	-	17,238,397
Other	2300	-	-	-	1,055,355	-	1,055,355
Total Non-Instructional Salaries		-	-	-	18,293,752	-	18,293,752
Instructional Aides							
Regular Status	2200	368,340	-	368,340	511,870	-	511,870
Other	2400	194,343	-	194,343	368,267	-	368,267
Total Instructional Aides		562,683	-	562,683	880,137	-	880,137
Total Classified Salaries		562,683	-	562,683	19,173,889	-	19,173,889
Employee Benefits	3000	12,995,507	-	12,995,507	20,727,291	-	20,727,291
Supplies and Materials	4000	-	-	-	1,333,143	-	1,333,143
Other Operating Expenses	5000	620,477	-	620,477	5,967,676	-	5,967,676
Equipment Replacement	6420	-	-	-	133,311	-	133,311
Total Expenditures Prior to Exclusions		48,196,073	-	48,196,073	89,251,814	-	89,251,814
<u>Exclusions</u>							
Activities to Exclude							
Instructional Staff-Retirees' Benefits and Retirement Incentives	5900	2,555,479	-	2,555,479	2,555,479	-	2,555,479
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	73,891	-	73,891
Non-instructional Staff-Retirees' Benefits and Retirement Incent	6740	-	-	-	695,593	-	695,593
Object to Exclude							
Rents and Leases	5060	-	-	-	85,490	-	85,490
Lottery Expenditures		-	-	-	-	-	-
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	2,256,558	-	2,256,558
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines & Periodicals	4200	-	-	-	-	-	-
Instructional Supplies & Materials	4300	-	-	-	-	-	-
Non-instructional Supplies & Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-
Other Operating Expenses and Services	5000	-	-	-	-	-	-
Capital Outlay	6000	-	-	-	-	-	-
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment	6420	-	-	-	-	-	-
Total Capital Outlay		-	-	-	-	-	-
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		2,555,479	-	2,555,479	5,667,011	-	5,667,011
Total for ECS 84362, 50% Law		45,640,594	-	45,640,594	83,584,803	-	83,584,803
Percent of CEE (Instructional Salary Cost/Total CEE)		54.60%	0.00%	54.60%	100.00%	0.00%	100.00%
50% of Current Expense of Education					41,792,402		41,792,402

See accompanying note to supplementary information.

**CERRITOS COMMUNITY COLLEGE DISTRICT  
 DETAILS OF EDUCATION PROTECTION ACCOUNT  
 FOR THE YEAR ENDED JUNE 30, 2016**

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EPA Revenue	\$ 14,317,490
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Activity Classification	Activity Code	Salaries and Benefits	Operating Expenses	Capital Outlay	Total
		(Obj 1000-3000)	(Obj 4000-5000)	(Obj 6000)	
Instructional Activities	0100-5900	\$ 14,317,490	\$ -	\$ -	\$ 14,317,490
Total		\$ 14,317,490	\$ -	\$ -	\$ 14,317,490

See accompanying note to supplementary information.

**CERRITOS COMMUNITY COLLEGE DISTRICT  
NOTES TO SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2016**

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**NOTE 1- PURPOSE OF SCHEDULES**

**A. Schedules of Expenditures of Federal Awards and State Financial Assistance**

The accompanying schedule of expenditures of Federal Awards includes the federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

**B. Schedule of Workload Measures for State General Apportionment**

The Schedule of Workload Measures for State General Apportionment represents the basis of apportionment of the Cerritos Community College District's annual calculation of funding.

**C. Reconciliation of Annual Financial and Budget Report with Audited Fund Balances**

This schedule reports any audit adjustments made to the fund balances of all funds as reported on the Form CCFS-311.

**D. Reconciliation of the ECS 84362 (50 percent law) Calculation**

This schedule reports any audit adjustments made to the reported data to ensure that a minimum of 50 percent of the District's current expense of education is expended for salaries of classroom instructors.

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**OTHER INDEPENDENT  
AUDITORS' REPORTS**

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**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**

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Independent Auditors' Report

Governing Board  
Cerritos Community College District  
Norwalk, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cerritos Community College District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Cerritos Community College District's basic financial statements, and have issued our report thereon dated December 12, 2016.

**Internal Control over Financial Reporting**

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

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

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

### **Purpose of this Report**

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

*Christy White Associates*

San Diego, California  
December 12, 2016

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT  
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
UNIFORM GUIDANCE

Independent Auditors' Report

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Governing Board  
Cerritos Community College District  
Norwalk, California

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

We have audited Cerrito Community College District's compliance with the types of compliance requirements described in the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, that could have a direct and material effect on each of Cerrito Community College District's major federal programs for the year ended June 30, 2016. Cerrito Community College District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

*Management's Responsibility*

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

*Auditors' Responsibility*

Our responsibility is to express an opinion on compliance for each of Cerrito Community College District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, *Audits of States, Local Governments, and Non-Profit Organizations*.

Those standards and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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 Cerrito Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Cerrito Community College District's compliance.

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

In our opinion, Cerrito Community College District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

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

Management of Cerrito Community College 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 Cerrito Community College District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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 Cerrito Community College 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Accordingly, this report is not suitable for any other purpose.

*Christy White Associates*

San Diego, California  
December 12, 2016

## REPORT ON STATE COMPLIANCE

### Independent Auditors' Report

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Governing Board  
Cerritos Community College District  
Norwalk, California

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

We have audited Cerritos Community College District's compliance with the types of compliance requirements described in the *California Community Colleges Contracted District Audit Manual (CDAM) 2015-16*, issued by the California Community Colleges Chancellor's Office for the year ended June 30, 2016.

#### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on Cerritos Community College District's compliance with the 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 *California Community Colleges Contracted District Audit Manual (CDAM) 2015-16*, issued by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below. An audit includes examining, on a test basis, evidence about compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the requirements referred to above. However, our audit does not provide a legal determination of Cerritos Community College District compliance with those requirements.

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### *Opinion on State Compliance*

In our opinion, Cerritos Community College District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2016.

### *Procedures Performed*

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

- Section 421 – Salaries of Classroom Instructors (50 Percent Law)
- Section 423 - Apportionment for Instructional Service Agreements/Contracts
- Section 424 - State General Apportionment Funding System
- Section 425 - Residency Determination for Credit Courses
- Section 426 - Students Actively Enrolled
- Section 427 - Concurrent Enrollment of K-12 Students in Community College Credit Courses
- Section 429 – Student Success and Support Program (SSSP)
- Section 430 – Scheduled Maintenance Program
- Section 431 - Gann Limit Calculation
- Section 435 - Open Enrollment
- Section 438 - Student Fees – Health Fees and Use of Health Fee Funds
- Section 439 – Proposition 39 Clean Energy
- Section 440 – Intercession Extension Program
- Section 474 - Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
- Section 475 - Disabled Student Programs and Services (DSPS)
- Section 479 - To Be Arranged Hours (TBA)
- Section 490 - Proposition 1D State Bond Funded Projects
- Section 491- Proposition 30 Education Protection Account Funds

### *Purpose of this Report*

The purpose of this report is solely to describe the scope of our testing over state laws and regulations based on the requirements described in the *California Community Colleges Contracted District Audit Manual (CDAM) 2015-16*. Accordingly, this report is not suitable for any other purpose.

*Christy White Associates*

San Diego, California  
December 12, 2016

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**SCHEDULE OF FINDINGS  
AND QUESTIONED COSTS**

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**CERRITOS COMMUNITY COLLEGE DISTRICT  
SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>No</u>
Non-compliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>No</u>
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Compliance	<u>No</u>
Identification of major programs:	

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

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 1,341,744</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

**STATE AWARDS**

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>No</u>
Type of auditors' report issued on compliance for State programs:	<u>Unmodified</u>

**CERRITOS COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS RELATED TO THE FINANCIAL  
STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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*There were no findings or questioned costs related to the financial statements for the year ended June 30, 2016.*

**CERRITOS COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016**

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*There were no findings or questioned costs related to the federal awards for the year ended June 30, 2016.*

**CERRITOS COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS RELATED TO STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016**

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*There were no findings or questioned costs related to the state awards for the year ended June 30, 2016.*

**CERRITOS COMMUNITY COLLEGE DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2016**

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*There were no findings or questioned costs for the District for the 2014-15 fiscal year.*