

**CERRITOS COMMUNITY COLLEGE DISTRICT  
LOS ANGELES COUNTY**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
INCLUDING REPORTS ON COMPLIANCE  
June 30, 2017**

**CERRITOS COMMUNITY COLLEGE DISTRICT**

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**June 30, 2017**

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**CliftonLarsonAllen**

CliftonLarsonAllen LLP  
2210 East Route 66  
Glendora, CA 91740  
626-857-7300 | fax 626-857-7302  
CLAconnect.com

## **INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Cerritos Community College District  
Norwalk, California

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

We have audited the accompanying financial statements of the Cerritos Community College District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain 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, we consider 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.

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 in the aforementioned table of contents present fairly, in all material respects, the financial position of the District as of June 30, 2017, and the results of its operations, changes in net position and cash flows 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 management's discussion and analysis, schedule of the District's proportionate share of the net pension liability (CalSTRS-STRP and CalPERS-Schools Pool Plan), schedule of the District's pension contributions (CalSTRS-STRP and CalPERS-Schools Pool Plan), and schedule of postemployment healthcare benefits funding progress, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the District's financial statements as a whole. The supplementary schedules and the schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (and the continuing disclosure information) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary section, including the schedule of expenditures of federal awards, 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 section, including the schedule of expenditures of federal awards, is fairly stated in all material respects in relation to the basic financial statements as a whole.

The continuing disclosure information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**  
Glendora, California  
December 5, 2017

# **CERRITOS COMMUNITY COLLEGE DISTRICT**

## **MANAGEMENT’S DISCUSSION AND ANALYSIS For the Fiscal Year Ended June 30, 2017**

### **INTRODUCTION**

The purpose of this management's discussion and analysis (MD&A) is to provide readers with information about the activities, programs, and financial condition of the Cerritos Community College District (the “District”) as of June 30, 2017. The following discussion and analysis provides an overview of the financial position and activities of the District. 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**

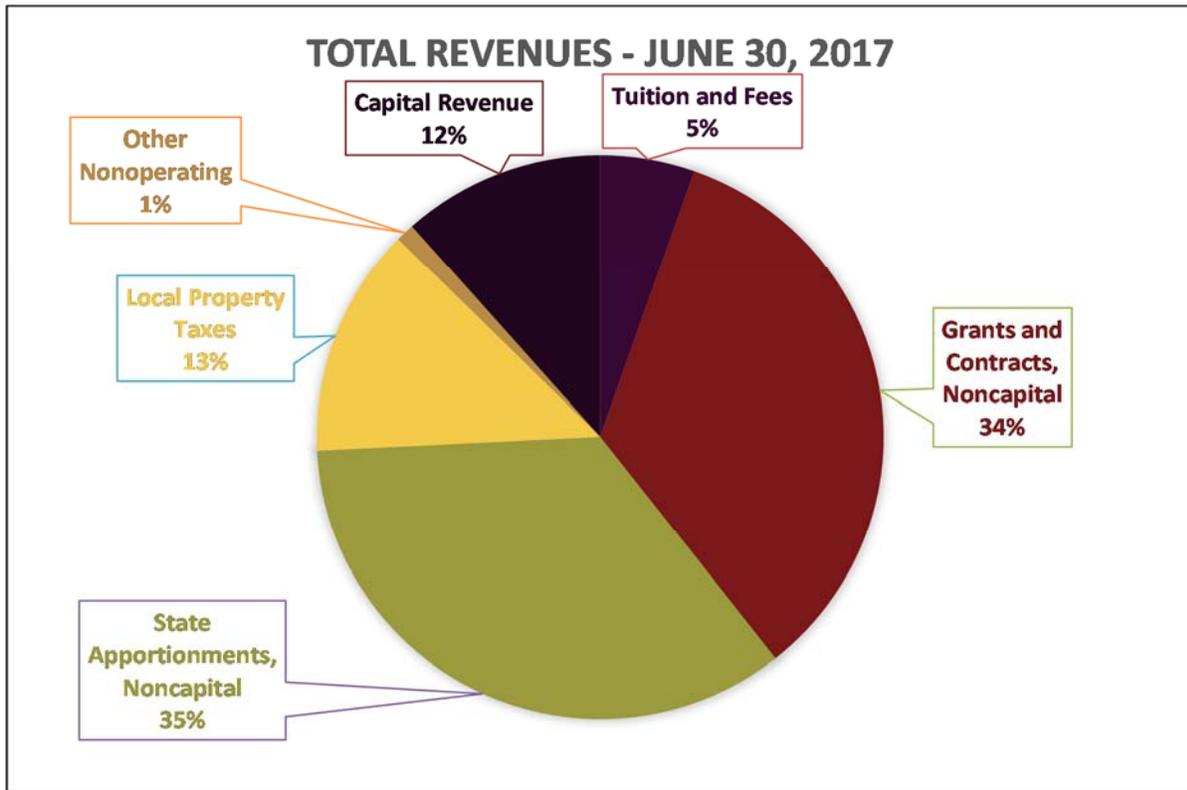
Cerritos College is the preeminent educational, cultural, and economic development institution in the cities of Artesia, Bellflower, Cerritos, Downey, Hawaiian Gardens, La Mirada, Norwalk, and portions of Bell Gardens, Lakewood, Long Beach, Santa Fe Springs, and South Gate. We offer programs of the highest 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**  
**For the Fiscal Year Ended June 30, 2017**

**FINANCIAL HIGHLIGHTS**

**Revenues**

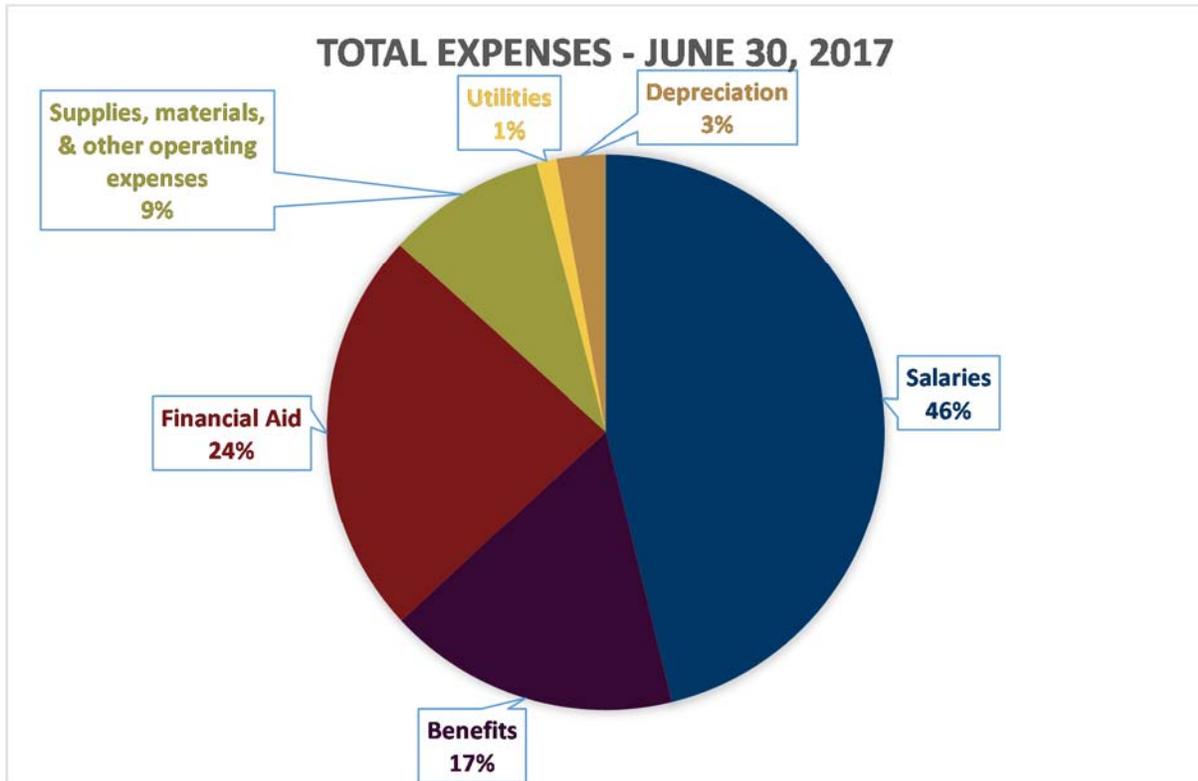
For fiscal year (FY) 2016-17, the District received total revenues of \$190.5 million, excluding pass-through financial aid revenues that are to be distributed to students. The following chart depicts each source of revenue with its relevant percentage to total revenues.



**CERRITOS COMMUNITY COLLEGE DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2017**

**Expenditures**

For FY 2016-17, the District's total expenditures were \$181.4 million, excluding pass-through financial aid funds that were distributed to students. The following chart depicts each expenditure category with its relevant percentage to total expenditures.



# CERRITOS COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2017

### Capital Assets

As of June 30, 2017, the District had \$295.88 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 \$63.2 million. Depreciation expense of 5.1 million was recorded for the fiscal year. Note 5 to the financial statements provides additional information on capital assets.

	<u>2017</u>	<u>2016*</u>	<u>Net Change</u>
Land and construction in progress	\$ 108,863,962	\$ 107,249,002	\$ 1,614,960
Buildings and equipment	250,162,244	205,108,685	45,053,559
Accumulated depreciation	<u>(63,183,934)</u>	<u>(58,050,220)</u>	<u>(5,133,714)</u>
<b>Total Capital Assets</b>	<b><u>\$ 295,842,272</u></b>	<b><u>\$ 254,307,467</u></b>	<b><u>\$ 41,534,805</u></b>

\* Certain reclassifications have been made to the 2016 amounts to conform with the 2017 presentation.

### Debt

At June 30, 2017, the District had \$399.5 million in debt, \$287.9 million is related to the General Obligation Bonds. Note 7 to the financial statements provides additional information on long-term liabilities.

	<u>2017</u>	<u>2016*</u>	<u>Net Change</u>
Compensated absences	\$ 2,632,681	\$ 2,403,910	\$ 228,771
2004, Measure CC General Obligation Bonds	199,899,528	201,931,151	(2,031,623)
2012, Measure G General Obligation Bonds	87,988,954	98,424,656	(10,435,702)
Net pension liability	103,848,480	88,920,003	14,928,477
Other postemployment benefits (OPEB)	4,714,961	3,892,101	822,860
Supplemental employee retirement plan (SERP)	<u>408,617</u>	<u>817,234</u>	<u>(408,617)</u>
<b>Total Long-Term Liabilities</b>	<b><u>\$ 399,493,221</u></b>	<b><u>\$ 396,389,055</u></b>	<b><u>\$ 3,104,166</u></b>

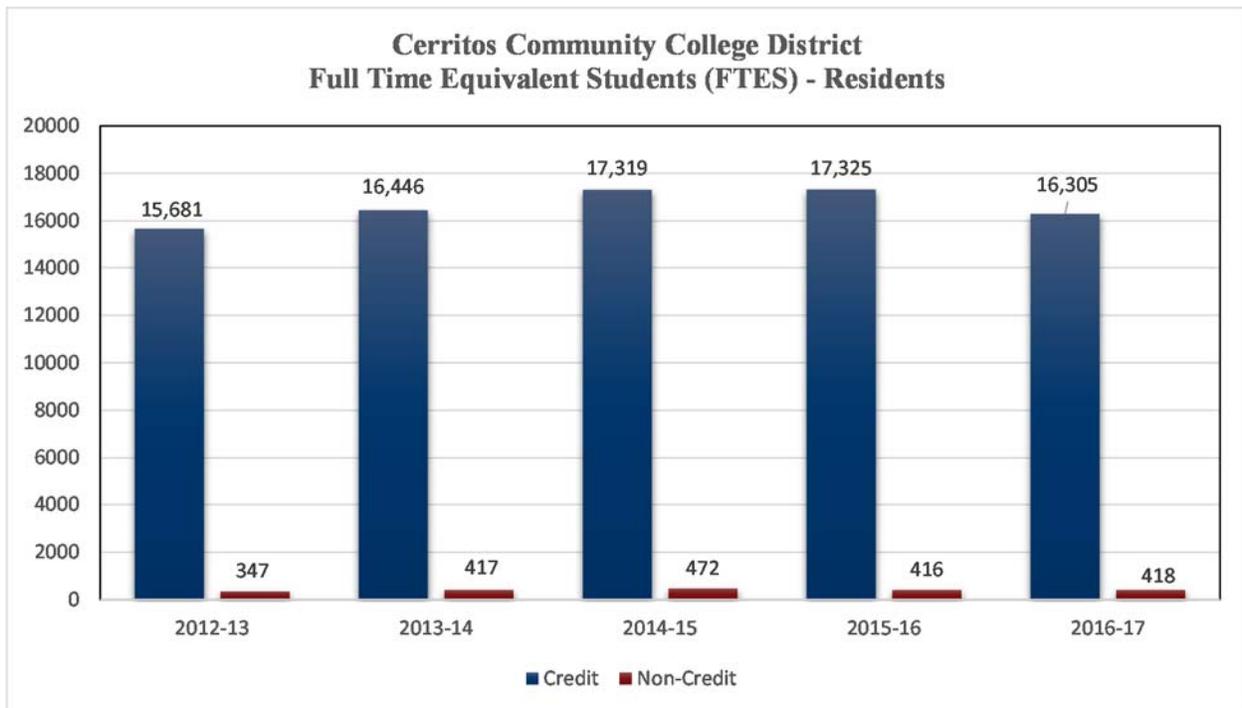
\* Certain reclassifications have been made to the 2016 amounts to conform with the 2017 presentation.

# CERRITOS COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended June 30, 2017

### 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 2016-17 the Districts' total actual FTES remains 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 5 years.



## **CERRITOS COMMUNITY COLLEGE DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended June 30, 2017**

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

The major economic factors that impact the District and all California Community College District's 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.

According to California's Fiscal Outlook released by the Legislative Analyst's Office (LAO), the state budget is better prepared for an economic downturn than it has been at any point in decades. In 2015–16, the LAO project that the state's "Big Three" General Fund revenues—principally the personal income tax—will exceed June 2015 budget assumptions by \$3.6 billion, with most of that gain to be deposited into the Proposition 2 rainy day fund. In 2016–17, the LAO project that revenues will exceed spending under current policies, resulting in even further improvement in the state's fiscal situation. Assuming no new budget commitments are made, the LAO estimates 2016–17 would end with reserves of \$11.5 billion. Of this total, the Legislature would have control over \$4.3 billion in the Special Fund for Economic Uncertainties, the state's traditional budget reserve, with the rest of the reserves held for future budget emergencies by Proposition 2.

In addition to state funding uncertainties, a major concern for all districts continues to be the significant rate increases to the California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) pension contribution rates, which are expected to increase to 19% and 20% respectively. If the economy were to weaken, revenues could be billions of dollars below our main scenario estimates. If the state's two key pension boards lower their assumptions concerning future investment returns, state contributions to the CalPERS and CalSTRS could be billions of dollars higher than our main estimates by 2019–20.

With the District's largest component of revenue coming from the State of California, the most important element of the State funding is the total computational revenue (TCR), which accounts for 88 percent of the District's 2016-17 Unrestricted General Fund revenues. Apportionment revenue is directly tied to the generation and reporting of full-time equivalent students (FTES). Over the last year, the District has suffered a significant decrease (1,017) in FTES, ending the year with 16,723 FTES. However, the District's 2016-17 funded apportionment reflects funded FTES in excess of the District's actual FTES count (17,741), and for which the District received "stability" funding under CCR Section 58776. During the initial year of a decline in FTES, community college districts are eligible to receive "stability" funding, in an amount equal to the revenue loss associated with a decline in FTES for that year.

Looking to fiscal year 2017-18, the District, based on the State proposed funding, anticipates very modest growth in actual FTES climbing from 16,723 reported in 2016-17 to 16,800 in 2017-18, an increase of 77 FTES.

# **CERRITOS COMMUNITY COLLEGE DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended June 30, 2017**

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

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operation of the District. Readers are also able to determine how much the District owes vendors and employees. Finally, the Statement of Net Position provides a picture of the net position availability for expenditure by the District. The difference between total assets 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, Invested in Capital Assets net of related debt, provides the equity amount in property, plant, and equipment owned by the District with the debt related to those amounts subtracted. The second category is Restricted; this net position are available for expenditure by the District, but must be spent for purposes as determined by external entities and/or donors that have placed time or purpose restrictions on the use of the assets. The final category is Unrestricted; this net position is available to the District for any lawful purpose of the District.

# CERRITOS COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2017

The Statement of Net Position as of June 30, 2017 and 2016 is summarized and presented herein:

	<u>2017</u>	<u>2016*</u>	<u>Net Change</u>
<b>Assets</b>			
Current assets	\$ 89,262,635	\$ 182,297,858	\$ (93,035,223)
Non-current assets	<u>354,449,667</u>	<u>254,670,347</u>	<u>99,779,320</u>
<b>Total Assets</b>	<u>443,712,302</u>	<u>436,968,205</u>	<u>6,744,097</u>
<b>Deferred Outflows of Resources</b>	<u>43,130,282</u>	<u>32,260,883</u>	<u>10,869,399</u>
<b>Liabilities</b>			
Current liabilities	44,269,880	37,287,351	6,982,529
Non-current liabilities	<u>387,257,781</u>	<u>381,900,129</u>	<u>5,357,652</u>
<b>Total Liabilities</b>	<u>431,527,661</u>	<u>419,187,480</u>	<u>12,340,181</u>
<b>Deferred Inflows of Resources</b>	<u>12,495,771</u>	<u>14,965,847</u>	<u>(2,470,076)</u>
<b>Net Position</b>			
Net investment in capital assets	36,844,646	25,198,664	11,645,982
Restricted	36,728,573	40,468,337	(3,739,764)
Unrestricted	<u>(30,754,067)</u>	<u>(30,591,240)</u>	<u>(162,827)</u>
<b>Total Net Position</b>	<u>\$ 42,819,152</u>	<u>\$ 35,075,761</u>	<u>\$ 7,743,391</u>

\* Certain reclassifications have been made to the 2016 amounts to conform with the 2017 presentation.

This schedule has been prepared from the Statement of Net Position presented on page 2.

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

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

Generally, operating revenues, including tuition and fees and grants and contracts, non-capital, are earned for providing goods and services to the various customers and constituencies of the District. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues earned and to fulfill the mission of the District. Nonoperating revenues are those received or pledged for which goods and services are not provided; for example, state appropriations are non-operating because they are provided by

## CERRITOS COMMUNITY COLLEGE DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2017

the legislature to the District without the legislature directly receiving commensurate goods and services for those revenues.

The Statement of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2017 and 2016 is summarized and presented herein:

<b>Operating Revenues</b>	<b>2017</b>	<b>2016*</b>	<b>\$ Change</b>
Net student tuition & fees	\$ 10,212,486	\$ 10,072,856	\$ 139,630
Grants and contracts, noncapital	64,429,215	68,626,435	(4,211,756)
<b>Total Operating Revenues</b>	<u>74,641,701</u>	<u>78,699,291</u>	<u>(4,072,126)</u>
<b>Total Operating Expenses</b>	<u>181,740,824</u>	<u>170,243,055</u>	<u>797,194</u>
<b>Operating Loss</b>	(107,099,123)	(91,543,764)	(15,555,359)
<b>Total Nonoperating Revenues (Expenses)</b>	<u>92,925,562</u>	<u>99,017,374</u>	<u>(5,944,140)</u>
<b>Gain Before Other Revenues and Losses</b>	(14,173,561)	7,473,610	(21,647,171)
<b>Total Other Revenues and Losses</b>	<u>21,916,952</u>	<u>21,950,493</u>	<u>(33,541)</u>
<b>Change in Net Position</b>	7,743,391	29,424,103	(21,680,712)
<b>Net Position - Beginning</b>	<u>35,075,761</u>	<u>5,651,658</u>	<u>29,424,103</u>
<b>Net Position - Ending</b>	<u>\$ 42,819,152</u>	<u>\$ 35,075,761</u>	<u>\$ 7,743,391</u>

\* Certain reclassifications have been made to the 2016 amounts to conform with the 2017 presentation.

This schedule has been prepared from the Statement of Revenue, Expenses and Changes in Net Position presented on page 3.

### STATEMENT OF CASH FLOWS

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

## CERRITOS COMMUNITY COLLEGE DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended June 30, 2017

The Statement of Cash Flows for the year ended June 30, 2017 and 2016 is summarized and presented herein:

	<u>2017</u>	<u>2016</u>	<u>\$ Change</u>
<b>Cash provided by (used by)</b>			
Operating activities	\$(101,046,077)	\$ (81,495,397)	\$ (19,550,680)
Non-capital financing activities	110,600,585	112,680,150	(2,079,565)
Capital and related financing activities	(42,283,941)	(58,140,846)	15,856,905
Grants and contracts, noncapital	<u>648,302</u>	<u>1,401,594</u>	<u>(753,292)</u>
<b>Net increase in cash and cash equivalents</b>	<u>(32,081,131)</u>	<u>(25,554,499)</u>	<u>(6,526,632)</u>
<b>Cash balance, beginning of year</b>	<u>171,464,191</u>	<u>197,018,690</u>	<u>(25,554,499)</u>
<b>Cash balance, end of year</b>	<u>\$ 139,383,060</u>	<u>\$ 171,464,191</u>	<u>\$ (32,081,131)</u>

#### 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 Vice President of Business Services/Assistant Superintendent, 11110 Alondra Blvd., Norwalk, CA 90650.

**BASIC FINANCIAL STATEMENTS**

# CERRITOS COMMUNITY COLLEGE DISTRICT

## STATEMENT OF NET POSITION

June 30, 2017

### Assets

#### Current assets:

Cash and cash equivalents	\$ 80,775,665
Accounts receivable, net	8,368,965
Due from fiduciary funds	51,085
Prepaid expenses	66,920

Total Current Assets 89,262,635

#### Non-Current Assets:

Restricted cash and cash equivalents	58,607,395
Capital assets, net of accumulated depreciation	295,842,272

Total Non-Current Assets 354,449,667

**Total Assets** 443,712,302

### Deferred Outflows of Resources

Deferred outflows - refunded bonds	10,951,366
Deferred outflows - pension	32,178,916

**Total Deferred Outflows of Resources** 43,130,282

**Total Assets and Deferred Outflows of Resources** \$ 486,842,584

### Liabilities

#### Current Liabilities:

Accounts payable	\$ 16,778,427
Accrued interest payable	5,204,817
Accrued liabilities	6,556,551
Unearned revenue	3,494,645
Current portion of long term liabilities	12,235,440

Total Current Liabilities 44,269,880

#### Non-Current Liabilities

Non-current portion of long term liabilities	387,257,781
----------------------------------------------	-------------

Total Non-Current Liabilities 387,257,781

**Total Liabilities** 431,527,661

### Deferred Inflows of Resources

Deferred inflows - pensions	12,495,771
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### Net Position

Net investment in capital assets	36,844,646
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#### Restricted for:

Capital projects	16,150,214
Debt service	13,380,312
Scholarship and loans	(73,304)
Restricted - expendable	7,271,351
Unrestricted	(30,754,067)

**Total Net Position** 42,819,152

**Total Liabilities, Deferred Inflows of Resources and Net Position** \$ 486,842,584

See accompanying notes to the financial statements.

# CERRITOS COMMUNITY COLLEGE DISTRICT

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION For the Fiscal Year Ended June 30, 2017

<b>Operating Revenues</b>	
Tuition and fees (gross)	\$ 23,205,741
Less: Scholarship discounts and allowances	<u>(12,993,255)</u>
Net tuition and fees	10,212,486
Grants and contracts, non-capital:	
Federal	39,667,203
State	21,458,522
Local	<u>3,303,490</u>
<b>Total Operating Revenues</b>	<u>74,641,701</u>
<b>Operating Expenses</b>	
Salaries	83,939,337
Employee benefits	30,709,493
Supplies, materials, and other operating expenses and services	16,802,518
Financial aid	43,050,947
Utilities	2,102,161
Depreciation	<u>5,136,368</u>
<b>Total Operating Expenses</b>	<u>181,740,824</u>
<b>Operating Loss</b>	<u>(107,099,123)</u>
<b>Non-Operating Revenues (Expenses)</b>	
State apportionments, non-capital	65,986,180
Local property taxes	24,932,980
States taxes and other revenue	10,354,046
Interest and investment income, non-capital	765,080
Other local revenues	1,000
Debt service - interest expense	<u>(9,113,724)</u>
<b>Total Non-Operating Revenues (Expenses)</b>	<u>92,925,562</u>
<b>Loss Before Other Revenues, Expenses, Gains and Losses</b>	<u>(14,173,561)</u>
<b>Other Revenues, Expenses, Gains and Losses</b>	
State apportionments, capital	841,760
Local property taxes and revenues, capital	20,338,815
Gain on disposal of equipment	637
Interest and investment income, capital	<u>735,740</u>
<b>Total Other Revenues, Expenses, Gains and Losses</b>	<u>21,916,952</u>
<b>Changes in Net Position</b>	7,743,391
<b>Net Position, Beginning of Year</b>	<u>35,075,761</u>
<b>Net Position, End of Year</b>	<u>\$ 42,819,152</u>

See accompanying notes to the financial statements.

# CERRITOS COMMUNITY COLLEGE DISTRICT

## STATEMENT OF CASH FLOWS For the Fiscal Year Ended June 30, 2017

### CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees (net)	\$ 9,741,734
Federal grants and contracts	40,348,799
State grants and contracts	23,401,053
Local grants and contracts	2,789,439
Payments to suppliers	(21,735,245)
Payments to/on-behalf of employees	(112,540,159)
Payments to/on-behalf of students	<u>(43,051,698)</u>
Net cash used by operating activities	<u>(101,046,077)</u>

### CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

State apportionments and receipts	74,727,195
Local property taxes	24,932,980
State taxes and other revenue	<u>10,940,410</u>
Net cash provided by non-capital financing activities	<u>110,600,585</u>

### CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

State apportionment for capital purposes	841,760
Local revenue for capital purposes	21,068,987
Interest on investments, capital funds	1,113,356
Net purchase and sale of capital assets	(41,434,209)
Principal and interest paid on capital related debt	<u>(23,873,835)</u>
Net cash used by capital and related financing activities	<u>(42,283,941)</u>

### CASH FLOWS FROM INVESTING ACTIVITIES

Interest on investments	<u>648,302</u>
Net cash used by investing activities	<u>648,302</u>

**NET DECREASE IN CASH AND CASH EQUIVALENTS** (32,081,131)

**CASH BALANCE - Beginning of Year** 171,464,191

**CASH BALANCE - End of Year** \$ 139,383,060

See accompanying notes to the financial statements.

**CERRITOS COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF CASH FLOWS  
For the Fiscal Year Ended June 30, 2017**

**Reconciliation of Operating Loss to  
Net Cash Used by Operating Activities**

**CASH USED BY OPERATING ACTIVITIES**

Operating loss	\$(107,099,123)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation expense	5,136,368
Changes in assets and liabilities:	
Receivables, net	899,946
Prepaid expenses	39,752
Deferred outflows of resources - pensions	(11,781,773)
Accounts payable	(2,871,069)
Accrued liabilities	789,016
Unearned revenue	739,391
Compensated absences	228,771
Supplemental employee retirement plan	(408,617)
Net pension liabilities	14,928,477
Other postemployment retiree benefits (OPEB)	822,860
Deferred inflows of resources - pensions	<u>(2,470,076)</u>
Net cash used by operating activities	<u><u>\$(101,046,077)</u></u>
 Breakdown of ending cash balance:	
Cash and cash equivalents	\$ 80,775,665
Restricted cash and cash equivalents	<u>58,607,395</u>
Total	<u><u>\$ 139,383,060</u></u>

See accompanying notes to the financial statements.

**CERRITOS COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF FIDUCIARY NET POSITION**

**June 30, 2017**

	<u>Associated Students of Cerritos College</u>
<b><u>Assets</u></b>	
Cash and cash equivalents	\$ 2,216,414
Accounts receivable	57,449
Prepaid expenses	18,826
<b>Total Assets</b>	<u>\$ 2,292,689</u>
<b><u>Liabilities</u></b>	
Accounts payable	\$ 42,430
Due to governmental funds	51,085
Funds held in trust	807,913
<b>Total Liabilities</b>	<u>901,428</u>
<b><u>Net Position</u></b>	
Unrestricted	<u>1,391,261</u>
<b>Total Net Position</b>	<u>1,391,261</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 2,292,689</u>

See accompanying notes to the financial statements.

**CERRITOS COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
For the Fiscal Year Ended June 30, 2017**

	<u>Associated Students of Cerritos College</u>
<b>Additions</b>	
Grants and contracts, non-capital:	
Federal	\$ 41,219
Local	147,077
Sales and other local revenues	958,401
Interest and investment income, non-capital	<u>15,682</u>
<b>Total Additions</b>	<u>1,162,379</u>
<b>Deductions</b>	
Salaries	283,981
Employee benefits	78,665
Supplies, materials, and other operating expenses and services	911,123
Financial aid	<u>194,650</u>
<b>Total Deductions</b>	<u>1,468,419</u>
Net changes in net position	(306,040)
<b>Net Position, Beginning of Year</b>	<u>1,697,301</u>
<b>Net Position, End of Year</b>	<u>\$ 1,391,261</u>

See accompanying notes to the financial statements.

# CERRITOS COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2017

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Reporting Entity**

The District is the level of government primarily accountable for activities related to public education. The governing authority consists of elected officials who, together, constitute the Board of Trustees.

The District considered its financial and operational relationships with potential component units under the reporting entity definition of Governmental Accounting Standards Board (GASB). The basic, but not the only, criterion for including another organization in the District's reporting entity for financial reports is the ability of the District's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one entity is dependent on another and a financial benefit or burden relationship is present and that the dependent unit should be reported as part of the other.

Oversight responsibility is derived from the District's power and includes, but is not limited to: financial interdependency; selection of governing authority; designation of management; ability to significantly influence operations; and accountability for fiscal matters.

Due to the nature and significance of their relationship with the District, including ongoing financial support of the District or its other component units, certain organizations warrant inclusion as part of the financial reporting entity. A legally separate, tax-exempt organization should be reported as a component unit of the District if all of the following criteria are met:

- The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the District, its component units, or its constituents.
- The District, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
- The economic resources received or held by an individual organization that the District, or its component units, is entitled to, or has the ability to otherwise access, are significant to the District.

Based upon the application of the criteria listed above, the following potential component unit has not been included in the District's reporting entity:

**The Cerritos College Foundation:** The Foundation is a separate not-for-profit corporation formed to promote and assist the educational programs of the District. The Foundation is not included as a component unit because the third criterion was not met. Separate financial statements for the Foundation may be obtained through the District.

# CERRITOS COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2017

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Financial Statement Presentation**

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the GASB. The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of the District's financial activities. The entity-wide perspective replaces the fund-group perspective previously required. Fiduciary activities, with the exception of the Student Financial Aid Fund and the Retiree Benefits Fund, are excluded from the basic financial statements.

The District operates a Warrant Pass-Through agency fund as a holding account for amounts collected from employees for Federal taxes, state taxes and other contributions. The District had cash in the County Treasury amounting to \$183,532 on June 30, 2017, which represents withholdings payable. The Warrant Pass-Through Fund is not reported in the basic financial statements.

#### **Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

For financial reporting purposes, the District is considered a special-purpose government engaged in business-type activities. Accordingly, the District's basic financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

For internal accounting purposes, the budgetary and financial accounts of the District have been recorded and maintained in accordance with the Chancellor's Office of the California Community College's *Budget and Accounting Manual*.

To ensure compliance with the California Education Code, the financial resources of the District are divided into separate funds for which separate accounts are maintained for recording cash, other resources and all related liabilities, obligations and equities.

By state law, the District's Governing Board must approve a budget no later than September 15. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements. Budgets for all governmental funds were adopted on a basis consistent with generally accepted accounting principles (GAAP).

# CERRITOS COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2017

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These budgets are revised by the District's Governing Board during the year to give consideration to unanticipated income and expenditures. Formal budgetary integration was employed as a management control device during the year for all budgeted funds. Expenditures cannot legally exceed appropriations by major object account.

#### **Cash and Cash Equivalents**

The District's cash and cash equivalents, are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash in the County Treasury is recorded at cost, which approximates fair value, in accordance with the requirements of GASB.

#### **Accounts Receivables**

Accounts receivable consists primarily of amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grant and contracts. Material receivables are considered fully collectible. The District recognized for budgetary and financial reporting purposes any amount of state appropriations deferred from the current fiscal year and appropriated from the subsequent fiscal year for payment of current year costs as a receivable in the current year.

Accounts receivable from students for tuition and fees is recorded net of a provision for uncollectable amounts.

#### **Prepaid Expenses**

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2017, 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 expenditure/expense is reported in the year in which goods or services are consumed.

#### **Restricted Cash and Cash Equivalents**

Restricted cash and cash equivalents are those amounts designated for acquisition or construction of non-current assets or that are segregated for the liquidation of long-term debt.

#### **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

**CERRITOS COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

policy includes all items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year. Buildings valued at \$5,000 or more 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.

Interest costs are capitalized as part of the historical cost of acquiring certain assets. To qualify for interest capitalization, assets must require a period of time before they are ready for their intended purpose. In determining the amount to be capitalized, interest costs are offset by interest earned on proceeds of the District's tax exempt debt restricted to the acquisition of qualifying assets.

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 as an operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method with a half-year convention 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 technology.

**Deferred Outflows of Resources**

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The District has the following deferred outflows:

***Deferred Charge on Refunding:*** A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

***Deferred Outflows – Pensions:*** The deferred outflows of resources related to pensions resulted from District contributions to employee pension plans subsequent to the measurement date of the actuarial valuations for the pension plans and the effects of actuarially-determined changes to the pension plan. The deferred outflows – pensions will be deferred and amortized as detailed in Note 10 to the financial statements.

**Accounts Payable and Accrued Liabilities**

Accounts payable consists of amounts due to vendors for goods and services received prior to June 30. Accrued liabilities consist of salaries and benefits payable.

**Unearned Revenue**

Cash received for Federal and state special projects, and programs is recognized as revenue to

## CERRITOS COMMUNITY COLLEGE DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2017

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

the extent that qualified expenditures have been incurred. Unearned revenue is recorded to the extent cash received on specific projects and programs exceeds qualified expenditures. Unearned revenue also includes summer enrollment fees received but not earned.

#### **Compensated Absences**

Accumulated unpaid employee vacation benefits are recognized as a liability in the statement of net position when incurred.

Sick leave benefits are accumulated without limit for each employee. The employees do not gain a vested right to accumulated sick leave; therefore, 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.

#### **Net Pension Liability**

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

#### **Deferred Inflows of Resources**

Deferred inflows of resources represent an acquisition of net assets by the District that is applicable to a future reporting period. The deferred inflows of resources results from the effects of actuarially-determined changes to the pension plan. These amounts are deferred and amortized as detailed in Note 10 to the financial statements.

#### **Net Position**

***Net Investment in Capital Assets:*** This represents the District's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

# CERRITOS COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2017

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Restricted Net Position – Expendable:*** Restricted expendable net position includes resources in which the District is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties or by enabling legislation adopted by the District. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

***Restricted Net Position – Nonexpendable:*** Nonexpendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The District had no net position designated in this category at June 30, 2017.

***Unrestricted Net Position:*** Unrestricted net position represents resources available to be used for transactions relating to the general operations of the District, and may be used at the discretion of the governing board, as designated, to meet current expenses for specific future purposes.

#### **State Apportionments**

Certain current year apportionments from the state are based upon various financial and statistical information of the previous year. Any prior year corrections due to the recalculation in February will be recorded in the year computed by the State.

#### **Property Taxes**

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1. Unsecured property taxes are payable in one installment on or before August 31.

Real and personal property tax revenues are reported in the same manner in which the County auditor records and reports actual property tax receipts to the Department of Education. This is generally on a cash basis. A receivable has not been accrued in these financial statements because it is not material. Property taxes for debt service purposes have been accrued in the basic financial statements. (Property taxes for debt service purposes are not material and have therefore not been accrued in the basic financial statements.) (Property taxes for debt service purposes cannot be estimated and have therefore not been accrued in the basic financial statements.)

#### **Classification of Revenues**

The District has classified its revenues as either operating or nonoperating revenues according to

# CERRITOS COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2017

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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 Federal and most state and local grants and contracts.

***Nonoperating Revenues:*** Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as State apportionments, taxes, and other revenue sources that are defined as nonoperating revenues by GASB.

#### **Scholarship Discounts 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 assets. 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, such as Pell 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.

#### **Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles 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.

### **NOTE 2: DEPOSITS AND INVESTMENTS**

#### **Deposits - Custodial Credit Risk**

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 has established a policy for custodial risk that follows requirements as set forth in Government Code Section 53600 et seq. As of June 30, 2017, the District's bank balance of \$895,042 was not exposed to custodial credit risk.

#### **Cash in County Treasury**

In accordance with the *Budget and Accounting Manual*, the District maintains substantially all of

**CERRITOS COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 2: DEPOSITS AND INVESTMENTS**

its cash in the Los Angeles County Treasury as part of the common investment pool. The District is considered an involuntary participant in the investment pool. These pooled funds are recorded at amortized cost which approximates fair value. Fair value of the pooled investments at June 30, 2017 is measured at 99.4047% of amortized cost. The District's investments in the fund are considered to be highly liquid and reflected in the financial statements as cash and cash equivalents in the statement of net position.

The County is authorized to deposit cash and invest excess funds by California Government Code Sections 53601, 53635, 53534 and 53648. The county is restricted to invest time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The funds maintained by the county are either secured by federal depository insurance or are collateralized. The county investment pool is not required to be rated. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The county investment pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7-like pool. California Government Code statutes and the County Board of Supervisors set forth the various investment policies that the Country Treasurer follow. The method used to determine the value of the participant's equity withdrawn is based on the book value, which is amortized cost, of the participant's percentage participation on the date of such withdrawals.

The pool sponsor's annual financial report may be obtained from the Los Angeles County Public Affairs Office, Kenneth Hahn Hall of Administration, 500 W. Temple St, Room 358, Los Angeles, CA 90012.

**NOTE 3: ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2017 consists of the amounts shown herein.

<u>Accounts Receivable</u>	<u>June 30, 2017</u>
Federal and state	\$ 1,910,701
Property taxes	1,527,348
Miscellaneous	2,686,874
Tuition and fees, net of allowance for doubtful accounts of \$725,516	2,244,042
Total accounts receivable	<u>\$ 8,368,965</u>

**NOTE 4: INTERFUND TRANSACTIONS**

Interfund transfers consist of operating transfers from funds receiving resources to funds through

**CERRITOS COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 4: INTERFUND TRANSACTIONS**

which the resources are to be expended. Interfund receivables and payables result when the interfund transfer is transacted after the close of the fiscal year. Interfund activity within the government funds has been eliminated in the basic financial statements.

**NOTE 5: CAPITAL ASSETS AND DEPRECIATION – SCHEDULE OF CHANGES**

A summary of changes in capital assets for the year ended June 30, 2017 is shown herein.

	Balance July 1, 2016*	Additions	Retirements	Balance June 30, 2017
Capital assets not being depreciated:				
Land	\$ 3,570,212	\$	\$	\$ 3,570,212
Construction in progress	103,678,790	45,441,398	(43,826,438)	105,293,750
Total capital assets not being depreciated	<u>107,249,002</u>	<u>45,441,398</u>	<u>(43,826,438)</u>	<u>108,863,962</u>
Capital assets being depreciated:				
Site improvements	11,954,800			11,954,800
Buildings	183,784,242	44,189,318		227,973,560
Equipment	9,369,643	870,876	(6,635)	10,233,884
Total capital assets being depreciated	<u>205,108,685</u>	<u>45,060,194</u>	<u>(6,635)</u>	<u>250,162,244</u>
Less accumulated depreciation for:				
Site improvements	4,110,859	514,846		4,625,705
Buildings	48,458,655	4,076,625		52,535,280
Equipment	5,480,706	544,897	(2,654)	6,022,949
Total accumulated depreciation	<u>58,050,220</u>	<u>5,136,368</u>	<u>(2,654)</u>	<u>63,183,934</u>
Depreciable assets, net	<u>147,058,465</u>	<u>39,923,826</u>	<u>(3,981)</u>	<u>186,978,310</u>
Governmental activities capital assets, net	<u>\$ 254,307,467</u>	<u>\$ 85,365,224</u>	<u>\$ (43,830,419)</u>	<u>\$ 295,842,272</u>

\* Certain reclassifications have been made to the 2016 amounts to conform with the 2017 presentation.

Interest cost for the year ended June 30, 2017 was \$14,481,455 of which \$4,317,823 was capitalized. Interest earned on proceeds of the District's tax exempt debt used to offset capitalized interest was \$466,188.

**NOTE 6: OPERATING LEASES**

The District has entered into various operating leases for equipment with lease terms in excess of one year. None of these agreements contain purchase options. Future minimum lease payments under these agreements are as follows:

**CERRITOS COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 6: OPERATING LEASES**

<u>Year Ending June 30,</u>	
2018	\$ 169,953
2019	138,199
2020	99,074
2021	<u>16,512</u>
Total	<u>\$ 423,738</u>

Current year expenditures for operating leases is approximately \$170 thousand. The District will receive no sublease rental revenues nor pay any contingent rentals for these properties.

**NOTE 7: GENERAL OBLIGATION BONDS – MEASURE CC (2004)**

On March 2, 2004, \$210 million in general obligation bonds were authorized by an election (Measure CC) held within the District. The bonds were authorized to finance the repair deteriorating roofs, wiring, plumbing, inefficient heating/cooling systems; renovate aging classrooms, science/computer labs; repair, acquire, construct, equip college buildings, sites; improve parking/campus safety; upgrade job training/technology facilities

Between 2004-05 and 2014-15, the District issued bonds, Series A – D, totaling \$210 million. In 2004-05 and 2014-15, the District issued refunding bonds to refund outstanding balances or portions of Series A, B and C.

The balance of the bonds refunded was \$14 million less than the amount paid into the escrow account. This amount is recorded as a deferred charge on the statement of net position and amortized to interest expense over the life of the new debt. Amortization of \$912 thousand was recognized during the year ended June 30, 2017.

**CERRITOS COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 7: GENERAL OBLIGATION BONDS – MEASURE CC (2004)**

The outstanding general obligation bonded debt of the District at June 30, 2017 is:

General Obligation Bonds	Date of Issue	Date of Maturity	Interest Rate %	Amount of Original Issue	Outstanding June 30, 2017
2004 Series A	7/1/2004	8/1/2028	4.00-5.00%	\$ 37,325,000	\$
Refunding 2005 Series A (1)	5/19/2005	8/1/2023	3.00-5.00%	27,135,994	
2006 Series B	9/6/2006	8/1/2031	4.50-5.00%	34,845,000	
2009 Series C	5/27/2009	8/1/2033	3.00-5.25%	55,000,000	3,610,000
2012 Series D	3/21/2012	8/1/2038	1.97-5.88%	82,825,515	81,752,021
Refunding 2014 Series A (2)	11/4/2014	8/1/2033	1.75-5.00%	80,395,000	78,350,000
Refunding 2014 Series B (2)	11/4/2014	8/1/2023	0.506-3.121%	17,975,000	15,670,000
<b>Total</b>					<b><u>\$ 179,382,021</u></b>

(1) Refunding 2005 Series A - refunded portions of 2004 Series A.

(2) Refunding 2014 Series A and B - refunded the outstanding 2004 Series A, Refunding 2005 Series A, 2006 Series B and portions of 2009 Series C.

The annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30,	Accreted		
	Principal	Interest	Interest
2018	\$ 3,926,033	\$ 93,967	\$ 8,608,299
2019	4,333,997	161,003	8,515,023
2020	4,779,443	240,557	8,398,093
2021	5,131,605	343,395	5,876,366
2022	5,614,058	470,942	5,706,460
2023-2027	34,497,094	6,192,907	25,316,588
2028-2032	49,079,791	13,450,208	17,608,545
2033-2037	40,105,000	37,725,000	9,892,682
2038-2039	31,915,000		764,625
<b>Total</b>	<b><u>\$ 179,382,021</u></b>	<b><u>\$ 58,677,979</u></b>	<b><u>\$ 90,686,681</u></b>

**NOTE 8: GENERAL OBLIGATION BONDS – MEASURE G (2012)**

On November 6, 2012, \$350 million in general obligation bonds were authorized by an election (Measure G) held within the District. The bonds were authorized to finance the update of classrooms, technology, math, science and computer labs, upgrade of job-training facilities, provide classrooms and labs to accommodate growing demand, replace leaky roofs, aging and unsafe buildings, facilities/equipment, and acquire, construct, repair buildings, classrooms, sites/facilities/equipment.

**CERRITOS COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 8: GENERAL OBLIGATION BONDS – MEASURE G (2012)**

In 2014-15, the District issued bonds, Series A, totaling \$100 million.

The outstanding general obligation bonded debt of the District at June 30, 2017 is:

General Obligation Bonds	Date of Issue	Date of Maturity	Interest Rate %	Amount of Original Issue	Outstanding June 30, 2017
2014 Series A	11/4/2014	8/1/2044	1.50-5.00%	\$ 100,000,000	\$ 81,355,000
Total					<u>\$ 81,355,000</u>

The annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30,	Principal	Interest
2018	\$ 7,455,000	\$ 3,459,550
2019		3,310,450
2020		3,310,450
2021		3,310,450
2022		3,310,450
2023-2027		16,552,250
2028-2032	2,310,000	16,494,500
2033-2037	17,200,000	14,029,750
2038-2042	29,435,000	8,411,975
2043-2045	24,955,000	1,550,900
Total	<u>\$ 81,355,000</u>	<u>\$ 73,740,725</u>

**NOTE 9: SUPPLEMENTAL EMPLOYEE RETIREMENT PLAN**

The District has a Supplemental Employee Retirement Plans for faculty, classified and management/confidential employees. The accumulated future liability for the District at June 30, 2017 is \$408,617.

In 2013-14 the Board of Trustees approved the implementation of the District’s Supplemental Employee Retirement Plan for faculty, classified and management/confidential employees.

A total of 14 faculty, 12 classified and 3 management/confidential employees participated in the plan. A total of 29 employees are participating in the plan. The total cost to the District is approximately \$2 million. The District will pay benefits of \$408,617 annually through 2017-18. The total remaining liability of \$408,617 has been reflected in these financial statements.

**CERRITOS COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 10: EMPLOYEE RETIREMENT PLANS**

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

As of June 30, 2017, the District's proportionate share of the net pension liabilities, pension expense, and deferred inflows of resources and deferred outflows of resources for each of the retirement plans is as follows:

Pension Plan	Proportionate	Deferred	Proportionate	Proportionate
	Share of Net	Outflows of	Share of Deferred	Share of
	Pension Liability	Resources	Inflows of	Pension Expense
			Resources	
CalSTRS - STRP	\$ 65,513,610	\$ 21,038,002	\$ 7,213,947	\$ 7,308,776
CalPERS - Schools Pool Plan	38,334,870	11,140,914	5,281,824	2,837,696
Total	<u>\$ 103,848,480</u>	<u>\$ 32,178,916</u>	<u>\$ 12,495,771</u>	<u>\$ 10,146,472</u>

The details of each plan are as follows:

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

**Plan Description**

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

**Benefits Provided**

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and

**CERRITOS COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 10: EMPLOYEE RETIREMENT PLANS**

obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

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

The STRP provisions and benefits in effect at June 30, 2017, are summarized herein.

Provisions and Benefits	CalSTRS-STRP Defined Benefit Program and Supplement Program	
	On or Before December 31, 2012	On or after January 1, 2013
Hire date	On or Before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0%-2.4%	2.0%-2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	12.58%	12.58%
Required state contribution rate	8.828%	8.828%

**Contributions**

Required member, District and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. The contribution rates for each plan for the year ended June 30, 2017 are presented above and the total District contributions were \$6,268,874.

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

At June 30, 2017, 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 shown herein.

	Balance June 30, 2017
Proportionate Share of Net Pension Liability	
District proportionate share of net pension liability	\$ 65,513,610
State's proportionate share of the net pension liability associated with the District	37,301,221
Total	\$ 102,814,831

**CERRITOS COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 10: EMPLOYEE RETIREMENT PLANS**

The net pension liability was measured as of June 30, 2016. 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 and the State, actuarially determined. At June 30, 2016, the District's proportion was 0.0810%.

For the year ended June 30, 2017, the District recognized pension expense of \$7,308,776 including on-half expense and revenue of \$3,839,875 for support provided by the state. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources herein.

Pension Deferred Outflows and Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 6,268,874	\$
Difference between expected and actual experience		1,598,130
Difference in proportion	9,560,828	5,615,817
Net differences between projected and actual earnings on plan investments	<u>5,208,300</u>	
Total	<u>\$ 21,038,002</u>	<u>\$ 7,213,947</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. The net differences between projected and actual earnings on the plan investments is amortized over a five year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and the remaining amount is deferred and will be amortized over the remaining four-year period. All other deferred inflows of resources and deferred outflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSP for the CalSTRS-STRP for the June 30, 2016 measurement date is 7 years. The first year of amortization is recognized in pension expense for the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods not to exceed 6 years.

**CERRITOS COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 10: EMPLOYEE RETIREMENT PLANS**

The remaining amounts will be recognized to pension expense as shown herein.

Year Ending June 30,	Amortization
2018	\$ 2,011,916
2019	2,011,916
2020	2,011,916
2021	2,011,916
2022	709,839
2023	(1,202,322)
Total	\$ 7,555,181

**Actuarial Methods and Assumptions**

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015 used the following methods and assumptions, applied to all prior periods included in the measurement:

Actuarial Methods and Assumptions	
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Experience Study	July 1, 2006 through June 30, 2010
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.60%
Investment Rate of Return	7.60%
Consumer Price Inflation	3.00%
Wage Growth	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 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. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop an expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation 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 20-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

**CERRITOS COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 10: EMPLOYEE RETIREMENT PLANS**

in the table herein.

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

**Discount Rate**

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

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

Discount rate	Net Pension Liability
1% decrease (6.60%)	\$ 94,288,860
Current discount rate (7.60%)	65,513,610
1% increase (8.60%)	41,614,560

**Plan Fiduciary Net Position**

Detailed information about the STRP's plan fiduciary net position is available in a separate comprehensive annual financial report for CalSTRS. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7667 Folsom Boulevard, Sacramento, CA 95826.

**CERRITOS COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 10: EMPLOYEE RETIREMENT PLANS**

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

**Plan Description**

Qualified employees are eligible to participate in the Schools Pool Plan 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 Law.

**Benefits Provided**

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least 5 years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2017, are summarized herein.

Provisions and Benefits	CalPERS-Schools Pool Plan	
	On or Before December 31, 2012	On or after January 1, 2013
Hire date	On or Before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1%-2.5%	1.0%-2.5%
Required employee contribution rate	6.974%	6.000%
Required employer contribution rate	13.888%	13.888%

**Contributions**

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer

**CERRITOS COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 10: EMPLOYEE RETIREMENT PLANS**

contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are determined through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2017 are as presented above and the total District contributions were \$3,398,041.

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$38,334,870. The net pension liability was measured as of June 30, 2016. The total pension liability for CalPERS was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015 and rolling forward the total pension liability to June 30, 2016. 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, 2016, the District's proportion was 0.1941%.

For the year ended June 30, 2017, the District recognized pension expense of \$2,837,696. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources herein.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 3,398,041	\$
Difference between expected and actual experience	1,648,767	
Changes of assumptions		1,151,735
Difference in proportion	145,767	4,130,089
Net differences between projected and actual earnings on plan investments	5,948,339	
Total	\$ 11,140,914	\$ 5,281,824

The deferred outflows of resources 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, 2018. The net differences between projected and actual earnings on the plan investments is amortized over a five year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and the remaining amount is deferred and

**CERRITOS COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 10: EMPLOYEE RETIREMENT PLANS**

will be amortized over the remaining four-year period. The remaining net differences between projected and actual earnings on plan investments shown above represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

All other deferred inflows of resources and deferred outflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the CalPERS Plan for the June 30, 2016 measurement date is 3.9 years. The first year of amortization is recognized in pension expense for the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods not to exceed 2.9 years.

The remaining amounts will be recognized to pension expense as shown herein.

<u>Year Ending June 30,</u>	<u>Amortization</u>
2018	\$ (1,132,342)
2019	(910,735)
2020	2,951,663
2021	1,552,463
Total	<u>\$ 2,461,049</u>

**Actuarial Methods and Assumptions**

Total pension liability for the Schools Pool Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015 used the following methods and assumptions, applied to all prior periods included in the measurement:

<u>Actuarial Methods and Assumptions</u>	
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Experience Study	July 1, 1997 through June 30, 2011
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.65%
Investment Rate of Return	7.50%
Consumer Price Inflation	2.75%
Wage Growth	Varies by entry age and service

Mortality assumptions are based on CalPERS specific membership data and mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

**CERRITOS COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 10: EMPLOYEE RETIREMENT PLANS**

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 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 target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the table herein.

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	51%	5.71%
Global debt securities	20%	2.43%
Inflation assets	6%	3.36%
Private equity	10%	6.95%
Real estate	10%	5.13%
Infrastructure and forestland	2%	5.09%
Liquidity	1%	-1.05%

**Discount Rate**

The discount rate used to measure the total pension liability was 7.65%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the Schools Pool Plan fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

**CERRITOS COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 10: EMPLOYEE RETIREMENT PLANS**

	Net Pension Liability
Discount rate	
1% decrease (6.65%)	\$ 57,195,840
Current discount rate (7.65%)	38,334,870
1% increase (8.65%)	22,629,401

**Plan Fiduciary Net Position**

Detailed information about CalPERS Schools Pool Plan fiduciary net position is available in a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

**NOTE 11: POST EMPLOYMENT HEALTHCARE BENEFITS**

**Plan Description and Eligibility**

The District administers a single-employer defined benefit healthcare plan (the Retiree Health Plan). The plan provides health, dental and vision benefits to all full-time and part-time Certificated, Administrative and Classified employees who have reached age 50 and retire with at least 10 years of service, however, District-paid retiree benefits begin at age 55 and terminate on the June 30<sup>th</sup> for the fiscal year during which the retiree reaches age 65. Retirees and spouses covered under AB-528 have lifetime benefits. Benefit provisions are established through negotiations between the District and the bargaining unions representing employees and are renegotiated each three-year bargaining period. The Retiree Health Plan does not issue a separate financial report.

**Funding Policy**

The District currently finances benefits on a pay-as-you-go basis. The District contributes 100 percent of the cost of current year premiums for eligible retired plan members and their spouses as applicable. For part-time employees who were covered under the health plans prior to retirement, the District pays 60% of the cost of the coverage. For the year ended June 30, 2017, the District contributed \$573,804 to the plan.

**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. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following

**CERRITOS COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 11: POST EMPLOYMENT HEALTHCARE BENEFITS**

table shows the components of the District’s annual OPEB cost for the year, the amount actually contributed, and changes in the OPEB obligation:

	Balance June 30, 2017
Annual OPEB Cost and Net OPEB Obligation	
Annual required contribution (ARC)	\$ 1,413,996
Interest on net OPEB obligation	175,145
Adjustment to ARC	<u>(192,476)</u>
Annual OPEB cost	1,396,665
Contributions made, including implicit rate subsidy	<u>(573,804)</u>
Change in net OPEB obligation	822,861
Net OPEB obligation - beginning of year	<u>3,892,100</u>
Net OPEB obligation - end of year	<u><u>\$ 4,714,961</u></u>

The District’s annual OPEB cost for the year, the percentage of annual OPEB cost contributed, and the net OPEB obligation for fiscal year ended 2017 was as shown herein.

Year Ending June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 1,239,906	58.6%	\$ 3,223,922
2016	1,357,292	50.8%	3,892,100
2017	1,396,665	41.1%	4,714,961

**Funding Status and Funding Progress**

As of March 1, 2016, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability (AAL) for benefits was \$16,194,524. The covered payroll (annual payroll of active employees covered by the plan) was \$68,555,072 and the ratio of the AAL to the covered payroll was 23.6%. Although the plan has no segregated assets, the District does maintain a retiree benefits fund to designate resources for retiree health care costs. At June 30, 2017, the fund’s designated balance was \$14,727,611.

Actuarial valuations of an ongoing benefit plan involve estimates of the value of 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. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of postemployment healthcare benefits funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information

**CERRITOS COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 11: POST EMPLOYMENT HEALTHCARE BENEFITS**

about whether the actuarial value of plan assets, if any, is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the 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 designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, if any, consistent with the long-term perspective of the calculations.

In the March 1, 2016 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return using the “Building Block Method” as described in ASOP 27 paragraph 3.6.2. A 2.75 percent inflation assumption was used for purposes of applying the level percentage of payroll method. The initial UAAL is amortized using level percent, closed 30 year amortization.

**NOTE 12: LONG-TERM DEBT – SCHEDULE OF CHANGES**

A schedule of changes in long-term debt for the year ended June 30, 2017 is shown herein.

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Amount Due in One Year
Compensated absences	\$ 2,403,910	\$ 228,771	\$	\$ 2,632,681	\$ 351,823
General obligation bonds (2004, Measure CC):					
Bonds payable	182,902,224		(3,520,203)	179,382,021	3,926,033
Accreted interest	7,726,952	2,285,383	(49,797)	9,962,538	93,967
Bond premium	11,301,975		(747,006)	10,554,969	
General obligation bonds (2012, Measure G):					
Bonds payable	91,545,000		(10,190,000)	81,355,000	7,455,000
Bond premium	6,879,656		(245,702)	6,633,954	
Net pension liability	88,920,003	14,928,477		103,848,480	
Other postemployment benefits other than pension (OPEB)	3,892,101	822,860		4,714,961	
Supplemental employee retirement plan (SERP)	817,234	-	(408,617)	408,617	408,617
<b>Total</b>	<b>\$ 396,389,055</b>	<b>\$ 18,265,491</b>	<b>\$ (15,161,325)</b>	<b>\$ 399,493,221</b>	<b>\$ 12,235,440</b>

**CERRITOS COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 12: LONG-TERM DEBT – SCHEDULE OF CHANGES**

Liabilities are liquidated by the General Fund for governmental activities, including compensated absences, net pension liability, net OPEB obligations and supplemental employee retirement plan. General obligation bond liabilities are liquidated through property tax collections as administered by the County Controller’s office through the Bond Interest and Redemption Fund.

**NOTE 13: LEASE REVENUES**

A ground lease has been entered into with The Grove Senior Living for the 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:

<u>Year Ending June 30,</u>	
2018	\$ 635,126
2019	635,126
2020	635,126
2021	635,126
2022	635,126
2023-2027	3,405,691
2028-2032	3,658,760
2033-2037	3,937,136
2038-2042	4,243,349
2043	916,037
Total	<u>\$ 19,336,603</u>

**NOTE 14: JOINT POWERS AGREEMENTS**

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

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

**CERRITOS COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 14: JOINT POWERS AGREEMENTS**

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

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

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

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

Each JPA is independently accountable for its fiscal matters. All JPAs maintains its own accounting records. Budgets are not subject to any approval other than that of the respective governing boards. Member districts share surpluses and deficits proportionately to their participation in the JPA.

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

Condensed financial information for the year ended June 30, 2017 is as follows:

	SCCCD-JPA 6/30/2016 (Audited)				
	SWACC 6/30/2017 (Audited)	SAFER 6/30/17 (Audited)	Workers Compensation Insurance Fund	Retiree Health Insurance Fund	PIPS 6/30/17 (Audited)
Total assets	\$ 52,910,567	\$ 25,697,058	\$ 17,943,648	\$ 18,549,197	\$ 129,260,118
Total liabilities	27,810,540	25,277,081	666,273	-	111,815,654
Fund balance	<u>\$ 25,100,027</u>	<u>\$ 419,977</u>	<u>\$ 17,277,375</u>	<u>\$ 18,549,197</u>	<u>\$ 17,444,464</u>
Total revenues	18,167,288	55,437,230	10,231,930	2,074,647	301,089,852
Total expenditures	21,474,655	56,889,019	9,747,910	1,500	296,996,362
Change in fund balance	<u>\$ (3,307,367)</u>	<u>\$ (1,451,789)</u>	<u>\$ 484,020</u>	<u>\$ 2,073,147</u>	<u>\$ 4,093,490</u>

**CERRITOS COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 15: FUNCTIONAL EXPENSE**

Operating expenses are reported by natural classification in the statement of revenues, expenses and change in net position. A schedule of expenses by function is shown below:

Functional Expense	Salaries	Employee Benefits	Supplies, materials, and other operating expenses and services	Financial Aid	Depreciation	Total
Instructional activities	\$ 50,450,113	\$ 16,847,546	\$ 3,545,683	\$	\$	\$ 70,843,342
Academic support	5,981,915	3,002,071	2,468,974			11,452,960
Student services	13,200,762	4,349,098	1,353,860			18,903,720
Operation and maintenance of plant	3,544,564	1,698,941	4,484,464			9,727,969
Instructional support services	7,493,451	3,552,650	3,581,920			14,628,021
Community services and economic development	748,699	232,832	831,186			1,812,717
Ancillary services and auxiliary operations	2,519,833	1,026,355	460,555			4,006,743
Physical property and related acquisitions			2,178,037			2,178,037
Transfers, student aid and other outgo				43,050,947		43,050,947
Depreciation expense					5,136,368	5,136,368
<b>Total</b>	<b>\$ 83,939,337</b>	<b>\$ 30,709,493</b>	<b>\$ 18,904,679</b>	<b>\$ 43,050,947</b>	<b>\$ 5,136,368</b>	<b>\$ 181,740,824</b>

**NOTE 16: DEFICIT FUND BALANCE**

**Student Financial Aid**

The Student Financial Aid Fund beginning fund balance was \$659,696; due to the timing of distributions and draw down of funds, the fund ended the year with a \$(73,304) deficit fund balance.

**NOTE 17: COMMITMENTS AND CONTINGENCIES**

**Litigation**

The District is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the District's financial statements.

**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.

**CERRITOS COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 17: COMMITMENTS AND CONTINGENCIES**

**Purchase Commitments**

As of June 30, 2017, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$51.2 million. Projects will be funded through bond proceeds.

**NOTE 18: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS  
ISSUED, NOT YET EFFECTIVE**

The Governmental Accounting Standards Board (GASB) has issued pronouncements prior to June 30, 2017, that have effective dates that impact future financial presentations; however, the impact of the implementation of each of the statements below to the District's financial statements has not been assessed at this time.

***Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions***

This statement was issued in June 2015 and establishes standards for governmental employer recognition, measurement, and presentation of information about OPEB. The statement also establishes requirements for reporting information about financial support provided by certain non-employer entities for OPEB that is provided to the employees of other entities. This statement is closely related in some areas to Statement No. 74. The statement is effective for the fiscal year 2017-18.

***Statement No. 83 – Certain Asset Retirement Obligations***

This statement addresses accounting and financial reporting for certain asset retirement obligations when a legally enforceable liability is associated with the retirement of a tangible capital asset. The statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources. The statement is effective for the fiscal year 2018-19.

***Statement No. 84 – Fiduciary Activities***

The objective of the statement is to improve guidance regarding the recognition of fiduciary activities for accounting and financial reporting purposes by establishing criteria for identifying fiduciary activities of all state and local governments. The statement is effective for the fiscal year 2019-20.

**CERRITOS COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the Fiscal Year Ended June 30, 2017**

**NOTE 18: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS  
ISSUED, NOT YET EFFECTIVE**

**Statement No. 85 – *Omnibus 2017***

The objective of the statement is to address practice issues that have been identified during implementation and application of certain GASB statements. Specific topics addressed in this statement are related to blended component units, goodwill, fair value measurement and application, and postemployment benefits (OPEB). The statement is effective for the fiscal year 2017-18.

**Statement No. 86 – *Certain Debt Extinguishment Issues***

The objective of the statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial report for prepaid insurance on debt that is extinguished and notes to the financial statements for debt that is in-substance defeased. The statement is effective for the fiscal year 2017-18.

**Statement No. 87 – *Leases***

The objective of the statement is to improve the accounting and financial reporting for leases by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. Inflows of resources or outflows of resources will be recognized based on the payment provisions of the contract. The statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The statement is effective for the fiscal year 2020-21.

**NOTE 19: SUBSEQUENT EVENTS**

**General Obligation Bonds**

On November 15, 2017, the Board of Trustees authorized the issuance of \$75 million of the Election of 2012 General Obligation Bonds, Series 2018B. The bonds were authorized to finance the update of classrooms, technology, math, science and computer labs, upgrade of job-training facilities, provide classrooms and labs to accommodate growing demand, replace leaky roofs, aging and unsafe buildings, facilities/ equipment, and acquire, construct, repair buildings, classrooms, sites/facilities/equipment. The District anticipates the bonds will be issued in January 2018.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CERRITOS COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
For the Fiscal Year Ended June 30, 2017**

<u>California State Teachers' Retirement System - State Teachers' Retirement Plan</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
District's proportion of the net pension liability (assets)	0.0830%	0.0900%	0.0810%
District's proportionate share of the net pension liability (asset)	\$ 48,502,710	\$ 60,498,229	\$ 65,513,610
State's proportionate share of the net pension liability (asset) associated with the I	29,565,599	31,996,809	37,301,221
Total	<u>\$ 78,068,309</u>	<u>\$ 92,495,038</u>	<u>\$ 102,814,831</u>
District's covered payroll	\$ 40,964,775	\$ 51,768,604	\$ 45,266,203
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	118.40%	116.86%	144.73%
Plan fiduciary net position as a percentage of the total pension liability	77.00%	74.02%	70.04%
<u>California Public Employees' Retirement System - Schools Pool Plan</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
District's proportion of the net pension liability (assets)	0.1950%	0.1928%	0.1941%
District's proportionate share of the net pension liability (asset)	<u>\$ 30,106,846</u>	<u>\$ 28,421,773</u>	<u>\$ 38,334,870</u>
District's covered payroll	\$ 19,931,911	\$ 24,223,720	\$ 23,288,869
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	151.05%	117.33%	164.61%
Plan fiduciary net position as a percentage of the total pension liability	83.37%	83.37%	73.90%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

The amounts for covered payroll are reported as of the previous fiscal year to align with the measurement date of the net pension liability.

See the accompanying notes to the required supplementary information.

**CERRITOS COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS  
For the Fiscal Year Ended June 30, 2017**

<u>California State Teachers' Retirement System - State Teachers' Retirement System</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 12,075,831	\$ 4,540,771	\$ 6,268,874
Contributions in relation to the contractually required contribution	<u>12,075,831</u>	<u>4,540,771</u>	<u>6,268,874</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 51,768,604	\$ 45,266,203	\$ 49,832,067
Contributions as a percentage of covered payroll	23.33%	10.03%	12.58%
<u>California Public Employees' Retirement System - Schools Pool Plan</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 2,344,785	\$ 2,759,032	\$ 3,398,041
Contributions in relation to the contractually required contribution	<u>2,344,785</u>	<u>2,759,032</u>	<u>3,398,041</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 24,223,720	\$ 23,288,869	\$ 24,481,563
Contributions as a percentage of covered payroll	9.68%	11.85%	13.88%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

See the accompanying notes to the required supplementary information.

**CERRITOS COMMUNITY COLLEGE DISTRICT**  
**SCHEDULE OF POSTEMPLOYMENT HEALTHCARE**  
**BENEFITS FUNDING PROGRESS**  
**For the Fiscal Year Ended June 30, 2017**

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (Unit Credit 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	14,283,221	0%	54,670,818	26%
3/1/2014	-	15,494,306	15,494,306	0%	56,857,651	27%
3/1/2016	-	16,194,524	16,194,524	0%	68,555,072	24%

Although the plan has no segregated assets, the District does maintain a retiree benefits fund to designate resources for future retiree health care costs. At June 30, 2017, the fund's ending balance was \$14,727,611.

See the accompanying notes to the required supplementary information.

**CERRITOS COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
For the Fiscal Year Ended June 30, 2017**

**NOTE 1: PURPOSE OF SCHEDULES**

**Schedules of District's Proportionate Share of the Net Pension Liability – CalSTRS-STRP and CalPERS-Schools Pool Plan**

The schedule presents information on the District's proportionate share of the net pension liability, the plans' fiduciary net position and, when applicable, the State's proportionate share of the net pension liability associated with the District. In the future, as data becomes available, 10 years of information will be presented.

**Schedules of District Contributions – CalSTRS-STRP and CalPERS-Schools Pool Plan**

The schedule presents information on the District's required contribution, the amounts actually contributed and any excess or deficiency related to the required contribution. In the future, as data becomes available, 10 years of information will be presented.

**Schedule of Postemployment Healthcare Benefits Funding Progress**

The schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

**SUPPLEMENTARY INFORMATION**

# **CERRITOS COMMUNITY COLLEGE DISTRICT**

## **HISTORY AND ORGANIZATION For the Fiscal Year Ended June 30, 2017**

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 (WASC), which is one of six regional associations that accredit public and private schools, colleges, and universities in the United States.

### **BOARD OF TRUSTEES**

<b><u>Member</u></b>	<b><u>Office</u></b>	<b><u>Term Expires</u></b>
Lewis Zurich	President	December 2018
Carmen Avaols	Vice President	December 2020
Dr. Shin Lui	Clerk	December 2018
James Cody Birkey	Member	December 2018
Marisa Perez	Member	December 2020
Martha Camacho-Rodriguez	Member	December 2020
Dr. Sandra Salazar	Member	December 2018
Raul Avalos	Student Representative	May 2018

### **DISTRICT ADMINISTRATORS**

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

### **AUXILIARY ORGANIZATIONS IN GOOD STANDING**

Cerritos College Foundation	Organized as an independent organization and has a signed master agreement.
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**CERRITOS COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2017**

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
<b>U.S. Department of Education</b>			
Direct:			
Student Financial Aid Cluster:			
Supplemental Educational Opportunity Grant (FSEOG)	84.007	(1)	\$ 540,250
Federal Work-Study (FWS)	84.033	(1)	507,753
Pell Grant	84.063	(1)	31,588,991
Student Financial Aid Administrative Cost Allowance	84.063	(1)	25,752
William D. Ford Direct Loans - Subsidized	84.268	(1)	2,380,190
William D. Ford Direct Loans - Unsubsidized	84.268	(1)	<u>2,712,964</u>
Total Student Financial Aid Cluster			<u>37,755,900</u>
Higher Education Act: Improving Pathways to Degrees and Transfers in Emerging and High-Need Science Technology Engineering and Math (STEM) Professions	84.031C	P031C110164	239,880
Pass-Through Program From California Community College Chancellor's Office:			
Career and Technical Education Act:			
Perkins Title I-C - Career and Technical Education	84.048	16-C01-006	868,066
Perkins CTE Transitions	84.048A	16-112-006	35,778
Pass-Through Program From California Department of Education:			
Adult Education and Family Literacy Act:			
Workforce Investment Act, Title II: ESL	84.002	19-6436	151,272
Workforce Investment Act, Title II: GED	84.002	19-6436	38,097
Workforce Investment Act, Title II: Civics	84.002	19-6436	<u>5,988</u>
Total U.S. Department of Education			<u>39,094,981</u>
<b>U.S. Department of Agriculture</b>			
Pass-Through Program From California Department of Education:			
Child and Adult Care Food Program	10.558	04356- CACFP-19- CC-IC	<u>26,997</u>
<b>U.S. Department of Labor Employment Training Administration</b>			
Pass-Through Program From Tyler Junior College			
ACT-ON Retail Management Careers Consortium	17.282	TC-23812-12- 60-A-48	<u>105,644</u>
<b>U.S. Department of Veterans Affairs</b>			
Veterans Education Representative Fee	64.000	(1)	<u>6,748</u>

See the accompanying notes to the supplementary information.

**CERRITOS COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2017**

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
<b>U.S. Department of Health and Human Services</b>			
Pass-Through Program From California Community College Chancellor's Office:			
Temporary Assistance for Needy Families (TANF)	93.558	(1)	101,261
Pass-Through Program from California Department of Social Services		CCCP15002	
Los Angeles DPSS (County CALWORKS)	93.558	0600D00000-	127,121
Foster and Kinship Care Education (FKCE)	93.658	00	72,225
Pass- Through Program from California Department of Health Care Services			
Family Pact Program -- FPP	93.778	C-11309	17,962
Medi-Cal Administrative Activities Program (MAA)	93.778	C-11309	14,827
Pass-Through Program From California Department of Education:			
Development Fund: General Childcare & Development Programs	93.596	CCTR-6071	49,226
General Childcare & Development Programs	93.575	CCTR-6071	22,611
Pass-Through Program From Community College Foundation			
Foster Care Independence Program - PS MAPP	93.674	847-120	<u>27,600</u>
Total U.S. Department of Health and Human Services			<u>432,833</u>
<b>Corporation For National and Community Services</b>			
Americorps - National Service Awards	94.006	(1)	<u>41,219</u>
<b>Total Federal Programs</b>			<u><u>\$ 39,708,422</u></u>
 Governmental Funds			 \$ 39,667,203
Fiduciary Funds			<u>41,219</u>
<b>Total Federal Programs</b>			<u><u>\$ 39,708,422</u></u>

(1) Pass-Through Entity Identifying Number not readily available or not applicable

**CERRITOS COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF STATE FINANCIAL ASSISTANCE - GRANTS  
For the Fiscal Year Ended June 30, 2017**

Program Name	Program Revenues			Total	Total Program Expenditures
	Cash Received	Accounts Receivable	Deferred Revenue		
<b>State Categorical Aid Programs:</b>					
Assembly Bill 1802 (2006-07)	\$ 311,306	\$	\$	\$ 311,306	\$ -
Assembly Bill 104	569,312		15,488	553,824	553,824
Advanced Manufacturing & Engineering Technology Linked Learning Consortium	492,633	168,012		660,645	660,375
Adult Education Block Grant (AEBG) - Data and Accountability	281,665		253,079	28,586	28,586
Apprenticeship	2,048,027		515,201	1,532,826	1,532,826
Associate Degree Nursing Program	157,320	13,680		171,000	171,000
Basic Skills	597,354		172,459	424,895	424,895
Board Financial Assistance Administration (BFAP)	828,709			828,709	828,709
Cal Grant	3,455,830			3,455,830	3,439,225
California Apprenticeship Initiative - Pre-Apprenticeship	183,450	47,690		231,140	231,140
CalWorks	444,641			444,641	444,641
CalWorks - Work-Study	123,495			123,495	123,495
Cooperative Agencies Resources for Education (CARE)	114,302			114,302	114,302
Child and Adult Care Food Program	3,191	737		3,928	3,928
Career Technical Education (CTE):					
Data Unlocked Initiative	50,000		36,273	13,727	13,727
Enhancements	31,560			31,560	31,560
Deputy Sector Navigator Advanced Transportation and Renewable Energy (AT&R)	160,000	141,895	2,764	299,131	299,131
Disabled Student Programs and Services (DSPS)	1,802,798			1,802,798	1,802,798
Extended Opportunity Programs and Services (EOPS)	1,158,168			1,158,168	1,158,168
Equal Employment Opportunity	60,713		30,104	30,609	30,609
Foster and Kinship Care Education	67,365	21,669		89,034	89,034
Foster Parent Training CSEC	4,050	2,700		6,750	6,750
Full Time Student Success Grant	931,477			931,477	858,192
General Childcare & Development Program	92,441	8,864		101,305	101,305
Instructional Equipment and Library	817,753			817,753	-
Instructional Support Program	1,419,239			1,419,239	1,419,239
Lottery Prop 20	4,693,604	382,990		5,076,594	74,971
Physical Plant	1,419,239		577,479	841,760	841,760
Pre-kindergarten and Family Literacy Program	640,683	197,969		838,652	838,652
Senate Bill 1133 (2008-09)	101,956			101,956	4,524
Strong Workforce Program	1,572,942	69,892	1,131,459	511,376	511,376
Student Equity Plans	2,507,309			2,507,309	2,507,309
Student Success and Support Program (SSSP):					
Credit	2,964,409			2,964,409	2,964,409
Non-Credit	225,149			225,149	225,149
Teacher Prep Pipeline	71,117	36,320		107,438	107,438
West Valley Advanced Transportation Technology and Energy (ATTE)	182			182	182
<b>Total State Categorical Aid Programs</b>	<b>\$ 30,403,389</b>	<b>\$ 1,092,419</b>	<b>\$ 2,734,306</b>	<b>\$ 28,761,501</b>	<b>\$ 22,443,227</b>

Note: Certain programs use resources from the prior year ending balance and/or carry over balances into the subsequent fiscal year beginning fund balance; for these situations, total revenues will not equal total expenditures.

See the accompanying notes to the supplementary information.

**CERRITOS COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL  
APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE  
For the Fiscal Year Ended June 30, 2017**

<u>Categories</u>	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Revised Data</u>
A. Summer Intersession (Summer 2016 only)			
1. Noncredit <sup>1</sup>	33.43		33.43
2. Credit <sup>1</sup>	813.29		813.29
B. Summer Intersession (Summer 2017 - Prior to July 1, 2017)			
1. Noncredit <sup>1</sup>	10.15		10.15
2. Credit <sup>1</sup>	1,089.63		1,089.63
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	10,633.84	(1.67)	10,632.17
(b) Daily Census Contact Hours	1,910.66		1,910.66
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit <sup>1</sup>	374.68		374.68
(b) Credit <sup>1</sup>	73.79		73.79
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	791.88		791.88
(b) Daily Census Contact Hours	992.01		992.01
(c) Noncredit Independent Study/Distance Education Courses	-		-
D. Total FTES	<u>16,723.36</u>	<u>(1.67)</u>	<u>16,721.69</u>
Supplemental Information (subset of above information)			
E. In-service Training Courses (FTES)	-		-
H. Basic Skills courses and Immigrant Education			
(a) Noncredit <sup>1</sup>	283.96		283.96
(b) Credit <sup>1</sup>	1,693.57		1,693.57
<b><u>CCFS 320 Addendum</u></b>			
CDCP Noncredit FTES	279.76		279.76
Centers FTES			
(a) Noncredit (1)	-		-
(b) Credit (1)	-		-

(1) Including Career Development and College Preparation (CDCP) FTES

**CERRITOS COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET  
REPORT WITH AUDITED FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

The audit resulted in the following adjustments to the fund balances reported on the June 30, 2016 Annual Financial and Budget Report (CCFS-311) based upon governmental accounting principles. In accordance with Governmental Accounting Standards Board Statements No. 34 and No. 35, the financial statements have been prepared under the full accrual basis of accounting which requires that revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Additional entries were made to comply with the governmental reporting requirements. These entries are not considered audit adjustments for purposes of this reconciliation.

The audit resulted in no adjustments to the fund balances reported on the June 30, 2017 Annual Financial and Budget Report (CCFS-311) based upon governmental accounting principles. In accordance with Governmental Accounting Standards Board Statements No. 34 and No. 35, the financial statements have been prepared under the full accrual basis of accounting which requires that revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Additional entries were made to comply with the governmental reporting requirements. These entries are not considered audit adjustments for purposes of this reconciliation.

A reconciliation between the fund balances reported on the June 30, 2017 Annual Financial and Budget Report (CCFS-311), based upon the modified accrual basis of accounting, and total net position recorded on the full accrual basis of accounting is shown below and on the following page:

Unrestricted Fund Balance	\$ 28,748,071
Restricted Fund Balance	7,271,351
Bond Interest and Redemption Fund Balance	17,057,782
Other Special Purpose Fund Balance	6,704,374
Capital Outlay Fund Balance	16,150,218
Bond Construction Fund Balance	17,939,490
Self-insurance Fund Balance	1,056,309
Other Internal Services Fund Balance	24,669,835
Student Financial Aid Fund Balance	<u>(73,304)</u>
Total fund balances as reported on the Annual Financial and Budget Report (CCFS-311)	<u>\$ 119,524,126</u>

See the accompanying notes to the supplementary information.

# CERRITOS COMMUNITY COLLEGE DISTRICT

## RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2017

Total fund balances as reported on the Annual Financial and Budget Report (CCFS-311)	\$ 119,524,126
Amounts for 2016-17 property taxes levied for debt service not received as of June 30, 2017 are accrued on the statement of net position which increases the total net assets reported.	1,527,348
Capital assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets, net of accumulated depreciation are added to total net assets. \$362,890 is already recorded in the Health Services Fund.	295,479,382
Deferred outflows associated with the advanced refunding of debt increased total net position reported.	10,951,366
Deferred outflows associated with pension costs result from pension contributions made during the fiscal year and from actuarially determined adjustments. These amounts will be recognized as a reduction of the net pension liability or amortized to pension expense, as applicable, in subsequent periods.	32,178,916
Compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds. The short term portion of compensated absences and load banking of \$351,823 is already recorded in the Unrestricted General Fund.	(2,280,858)
Long-term liabilities for the supplemental employee retirement plan liability is not due and payable in the current period, and therefore is not report as a liability in the governmental funds.	(408,617)
Long-term liabilities related to bonds are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Bond related liabilities are added to the statement of net position which reduces the total net assets reported.	(287,888,482)
The liability of employers and nonemployers contributing to employees for benefits provided through a defined benefit pension plan is recorded as net pension liabilities.	(103,848,480)
Deferred inflows of resources associated with pensions result from actuarially determined adjustments. These amounts will be amortized to pension expense in subsequent periods.	(12,495,771)
The liability associated with other post employment retirement benefits, is recognized as a liability, which reduces the total net position reported.	(4,714,961)
Interest costs related to bonds incurred through June 30, 2017 is accrued as a current liability on the statement of net position which reduces the total net assets reported.	<u>(5,204,817)</u>
Total net position	<u>\$ 42,819,152</u>

See the accompanying notes to the supplementary information.

**CERRITOS COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF 50 PERCENT LAW CALCULATION  
For the Fiscal Year Ended June 30, 2017**

Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>						
Instructional Salaries - Contract or Regular	1100	25,822,471		25,822,471	25,822,471	25,822,471
Instructional Salaries - Other	1300	15,074,011		15,074,011	15,447,813	15,447,813
Total Instructional Salaries		40,896,482	-	40,896,482	41,270,284	41,270,284
Non-Instructional Salaries - Contract or Regular	1200			-	6,122,874	6,122,874
Non-Instructional Salaries - Other	1400			-	3,376,248	3,376,248
Total Non-Instructional Salaries		-	-	-	9,499,122	9,499,122
Total Academic Salaries		40,896,482	-	40,896,482	50,769,406	50,769,406
<u>Classified Salaries</u>						
Non-Instructional Salaries - Regular Status	2100			-	17,584,243	17,584,243
Non-Instructional Salaries - Other	2300			-	1,013,330	1,013,330
Total Non-Instructional Salaries		-	-	-	18,597,573	18,597,573
Instructional Aides - Regular Status	2200	387,306		387,306	536,407	536,407
Instructional Aides - Other	2400	147,798		147,798	391,260	391,260
Total Instructional Aides		535,104	-	535,104	927,667	927,667
Total Classified Salaries		535,104	-	535,104	19,525,240	19,525,240
Employee Benefits	3000	12,768,146		12,768,146	24,679,814	24,679,814
Supplies and Materials	4000			-	1,401,705	1,401,705
Other Operating Expenses	5000	471,656		471,656	6,823,706	6,823,706
Equipment Replacement	6420			-	-	-
Total Expenditures Prior to Exclusions		54,671,388	-	54,671,388	103,199,871	103,199,871
<u>Exclusions</u>						
<u>Activities to Exclude</u>						
Instructional Staff-Retirees' Benefits & Retirement Incentives	5900			-	-	-
Student Health Services Above Amount Collected	6441			-	64,847	64,847
Student Transportation	6491			-	-	-
Non-instructional Staff-Retirees' Benefits & Retirement Incentives	6740			-	-	-
<u>Objects to Exclude</u>						
Rents and Leases	5060			-	86,048	86,048
Lottery Expenditures				-	-	-
Academic Salaries	1000			-	-	-
Classified Salaries	2000			-	1,859,114	1,859,114
Employee Benefits	3000			-	735,431	735,431
Software	4100			-	-	-
Books, Magazines, & Periodicals	4200			-	-	-
Instructional Supplies & Materials	4300			-	-	-
Noninstructional, Supplies & Materials	4400			-	-	-
Other Operating Expenses and Services	5000			-	-	-
Capital Outlay	6000			-	-	-
Library Books	6300			-	-	-
Equipment - Additional	6410			-	-	-
Equipment - Replacement	6420			-	-	-
Other Outgo	7000			-	-	-
Total Exclusions		-	-	-	2,745,440	2,745,440
Total for ECS 84362, 50% Law		54,671,388	-	54,671,388	100,454,431	100,454,431
Percent of CEE (Instructional Salary Cost/Total CEE)		54.42%	0%	54.42%	100%	0%
50% of Current Expense of Education					50,227,216	50,227,216

See the accompanying notes to the supplementary information.

**CERRITOS COMMUNITY COLLEGE DISTRICT**  
**PROPOSITION 30 AND 55 EDUCATION PROTECTION**  
**ACCOUNT EXPENDITURE REPORT**

**For the Fiscal Year Ended June 30, 2017**

Activity Classification	Object Code				Unrestricted
EPA Proceeds:	8630				\$ 13,692,853
Activity Classification	Object Code	Salaries and Benefits (1000-3000)	Operating Expenses (4000-5000)	Capital Outlay (6000)	Total
Instructional Activities	0100-5900	\$ 13,692,853	\$	\$	\$ 13,692,853
<b>Total Expenditures for EPA*</b>		\$ 13,692,853	\$ -	\$ -	13,692,853
<b>Revenue less Expenditures</b>					
*Total Expenditures for EPA may not include Administrator Salaries and Benefits or other administrative costs.					

See the accompanying notes to the supplementary information.

**CERRITOS COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE SUPPLEMENTARY INFORMATION  
For the Fiscal Year Ended June 30, 2017**

**NOTE 1: PURPOSE OF SCHEDULES**

**Schedule of Expenditures of Federal Awards**

**Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the District under programs of the federal governmental for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

**Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the full accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected to use the 10-percent de minimus indirect cost rate as allowed under the Uniform Guidance.

**Schedule of State Financial Assistance - Grants**

The Schedule of State Financial Assistance was prepared on the full accrual basis of accounting.

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

The Schedule of Workload Measures for State General Apportionment represents the basis of apportionment of the District's annual source of funding.

**Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

This schedule reports any audit adjustments made to the fund balances reported on the June 30, 2017 Annual Financial and Budget Report (CCFS- 311). This schedule is prepared to show a reconciliation between the governmental fund balances reported on the June 30, 2017 Annual Financial and Budget Report (CCFS- 311), based upon the modified accrual basis of accounting, and total net position recorded on the full accrual basis of accounting is shown.

**CERRITOS COMMUNITY COLLEGE DISTRICT**  
**NOTES TO THE SUPPLEMENTARY INFORMATION**  
**For the Fiscal Year Ended June 30, 2017**

**NOTE 1: PURPOSE OF SCHEDULES**

**Reconciliation of 50 Percent Law Calculation**

This schedule reports any audit adjustments made to the 50 percent law calculation (Education Code Section 84362).

**Proposition 30 and 55 Education Protection Account Expenditure Report**

This schedule reports how funds received from the passage of Proposition 30 and 55 Education Protection Act were expended.

**OTHER INDEPENDENT AUDITOR'S REPORT**



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees  
Cerritos Community College District  
Norwalk, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of the Cerritos Community College District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 5, 2017.

**Internal Control Over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the 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.

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance 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.



**CliftonLarsonAllen LLP**

Glendora, California

December 5, 2017



## CliftonLarsonAllen

### INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Trustees  
Cerritos Community College District  
Norwalk, California

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

We have audited Cerritos Community College District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

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

#### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

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

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

**Report on Internal Control Over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance, for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a 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, 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.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

**Purpose of this Report**

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

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**  
Glendora, California  
December 5, 2017

## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees  
Cerritos Community College District  
Norwalk, California

We have audited the Cerritos Community College District's (the District) compliance with the types of compliance requirements described in the *2016-17 Contracted District Audit Manual*, published by the California Community Colleges Chancellor's Office for the year ended June 30, 2017. The District's state compliance requirements are identified in the table provided.

### **Management's Responsibility**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the District's compliance based on our audit of the types of compliance requirements referred to below.

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 *2016-17 Contracted District Audit Manual*, published 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 specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on state compliance. However, our audit does not provide a legal determination of the District's compliance.

# INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

## Compliance Requirements Tested

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

<u>Section</u>	<u>Description</u>	<u>Procedures Performed</u>
421	Salaries of Classroom Instructors (50 Percent Law)	Yes
423	Apportionment for Instructional Service Agreements/Contracts	Not applicable
424	State General Apportionment Funding System	Yes
425	Residency Determination for Credit Courses	Yes
426	Students Actively Enrolled	Yes
427	Dual Enrollment of K-12 Students in Community College Credit Courses	Yes
428	Student Equity	Yes
429	Student Success and Support Program (SSSP)	Yes
430	Scheduled Maintenance Program	Yes
431	Gann Limit Calculation	Yes
435	Open Enrollment	Yes
439	Proposition 39 Clean Energy Funds	Yes
440	Intersession Extension Program	Not applicable
475	Disabled Student Programs and Services (DSPS)	Yes
479	To Be Arranged Hours (TBA)	Yes
490	Proposition 1D State Bond Funded Projects	Not applicable
491	Proposition 30 and 55 Education Protection Account (EPA) Funds	Yes

## Opinion on State Compliance

In our opinion, the District complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2017.

## **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *2016-17 Contracted District Audit Manual*, published by the California Community Colleges Chancellor's Office, and which are described in the accompanying schedule of findings and questioned costs as item 2017-01. Our opinion on each state program is not modified with respect to these matters.

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

## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

### **Purpose of this Report**

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2016-17 Contracted District Audit Manual*. Accordingly, this report is not suitable for any other purpose.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Glendora, California

December 5, 2017

**FINDINGS AND QUESTIONED COSTS**

**CERRITOS COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
SUMMARY OF AUDITOR RESULTS  
June 30, 2017**

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?        Yes   X   No  
Significant deficiency(ies) identified?        Yes   X   None Reported

Noncompliance material to financial statements noted?        Yes   X   No

**Federal Awards**

Internal control over major federal awards:

Material weakness(es) identified?        Yes   X   No  
Significant deficiency(ies) identified?        Yes   X   None Reported

Type of auditor’s report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?        Yes   X   No

**Identification of Major Federal Programs:**

CFDA Number(s)    Name of Federal Program or Cluster  
84.007, 84.033,     Student Financial Aid Cluster  
84.063, 84.268

Dollar threshold used to distinguish between type A and type B programs: \$1,191,253

Auditee qualified as low-risk auditee?   X   Yes        No

**State Awards**

Internal control over state awards:

Material weakness(es) identified?        Yes   X   No  
Significant deficiency(ies) identified?        Yes   X   None Reported

Type of auditor’s report issued on compliance for state programs: Unmodified

**CERRITOS COMMUNITY COLLEGE DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**RELATED TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

There were no findings and questioned costs related to basic financial statements for the year ended June 30, 2017.

**CERRITOS COMMUNITY COLLEGE DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**RELATED TO FEDERAL AWARDS**  
**June 30, 2017**

There were no findings and questioned costs related to federal awards for June 30, 2017.

**CERRITOS COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
RELATED TO STATE AWARDS**

**June 30, 2017**

**2017-01      STATE COMPLIANCE: SECTION 479 TO BE ARRANGED HOURS  
(TBA) – PROPER ACCOUNTING METHOD**

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

**Condition:** Courses not meeting the definition of a daily or weekly census should be claimed as positive attendance for apportionment purposes. During 2016-17, the District offered 290 weekly and daily TBA courses. Our review identified one course with a lab/field trip portion of the course claimed as weekly TBA that did not meet on a weekly basis. Additional testing was performed on all courses with field trips which confirmed other courses claiming field trips were not claimed as TBA and appropriately met the definition of a weekly or daily census courses.

**Questioned Costs:** Decrease of 1.67 Full Time Equivalent Student (FTES) Weekly Census Contact Hours. Estimated effect on apportionment is \$8,359.60, per marginal funding of \$5,005.75 per FTES. The course identified in our sample is considered isolated; therefore, the decrease in FTES was extrapolated. The overstatement was not confirmed in time to report the decrease in FTES on the November 2017 Revised Annual CCFS-320 Apportionment Attendance Report.

**Context:** The District claimed 290 weekly and daily TBA courses during 2016-17. Our review tested nine courses, including one course from each academic discipline.

**Effect:** The overstatement of contact hours occurred due to a miscoding of the course in the student information system.

**Recommendation:** Implement procedures to identify courses classified as requiring TBA hours and ensure they meet the definition of weekly or daily census courses.

**District Response:** District agrees with the recommendation. The District will development procedures to ensure TBA hours follow the appropriate attendance accounting procedures.

**CERRITOS COMMUNITY COLLEGE DISTRICT**

**STATUS OF PRIOR YEAR  
FINDINGS AND QUESTIONED COSTS  
June 30, 2017**

There were no findings and questioned costs related to the basic financial statements, federal awards or state awards for the prior year.