CERRITOS COMMUNITY COLLEGE DISTRICT
LOS ANGELES COUNTY

REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
INCLUDING REPORTS ON COMPLIANCE
June 30, 2018

CERRITOS COMMUNITY COLLEGE DISTRICT

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INDEPENDENT AUDITORS' 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, 2018, 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.

Auditors' 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 auditors' 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.

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Cerritos Community College District
Norwalk, California

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

Opinion

In our opinion, the financial statements referred to in the aforementioned table of contents present fairly, in all material respects, the financial position of the District as of June 30, 2018, 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.

Emphasis of a Matter

Changes in Accounting Principles

During fiscal year ended June 30, 2018, the District adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* and No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period.* As a result of the implementation of Statement No. 75, the District reported a restatement for the change in accounting principle (see Note 16). Our auditors' opinion was not modified with respect to the restatement.

Correction of Errors

As described in Note 16 to the financial statements, the District identified errors in amounts recorded for capital assets. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require 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 pension contributions (CalSTRS-STRP and CalPERS-Schools Pool Plan), and schedule of changes in the net postemployment healthcare benefits liability and related ratios, 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* 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2018 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

CliftonLarsonAllen LLP
Glendora, California
November 26, 2018

CERRITOS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018

INTRODUCTION

The following discussion and analysis provides an overview of the financial position and activities of the Cerritos Community College District (the "District") for the year ended June 30, 2018. This discussion has been prepared by college administration and should be read in conjunction with the financial statements and notes thereto which follow this section. The District is using the Business Type Activity (BTA) model in which financial reports are generated using the full accrual basis of accounting. The California Community College Chancellor's Office, through its Fiscal Standards and Accountability Committee, recommended that all community college districts implement the reporting standards of the BTA model. To comply with the recommendation of the Chancellor's Office and to report in a manner consistent with other California Community College Districts, the District has adopted the BTA reporting model for these financial statements.

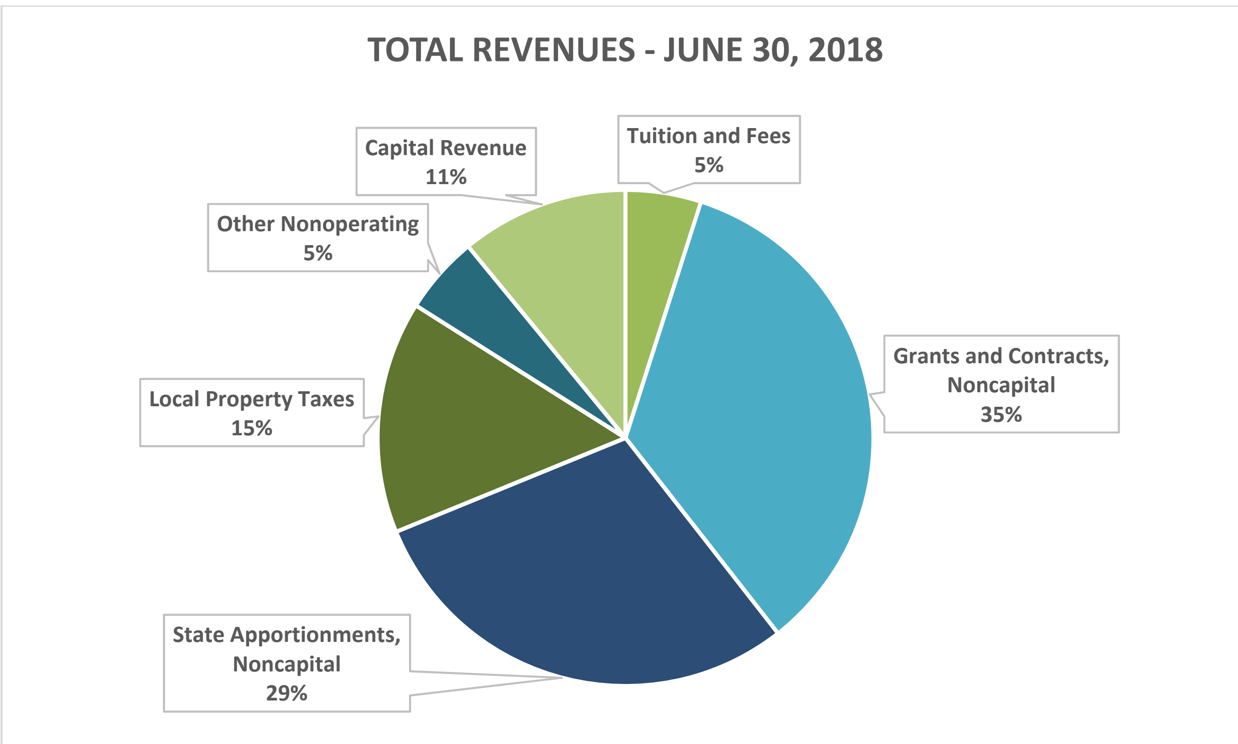
THE COLLEGE

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

FINANCIAL HIGHLIGHTS

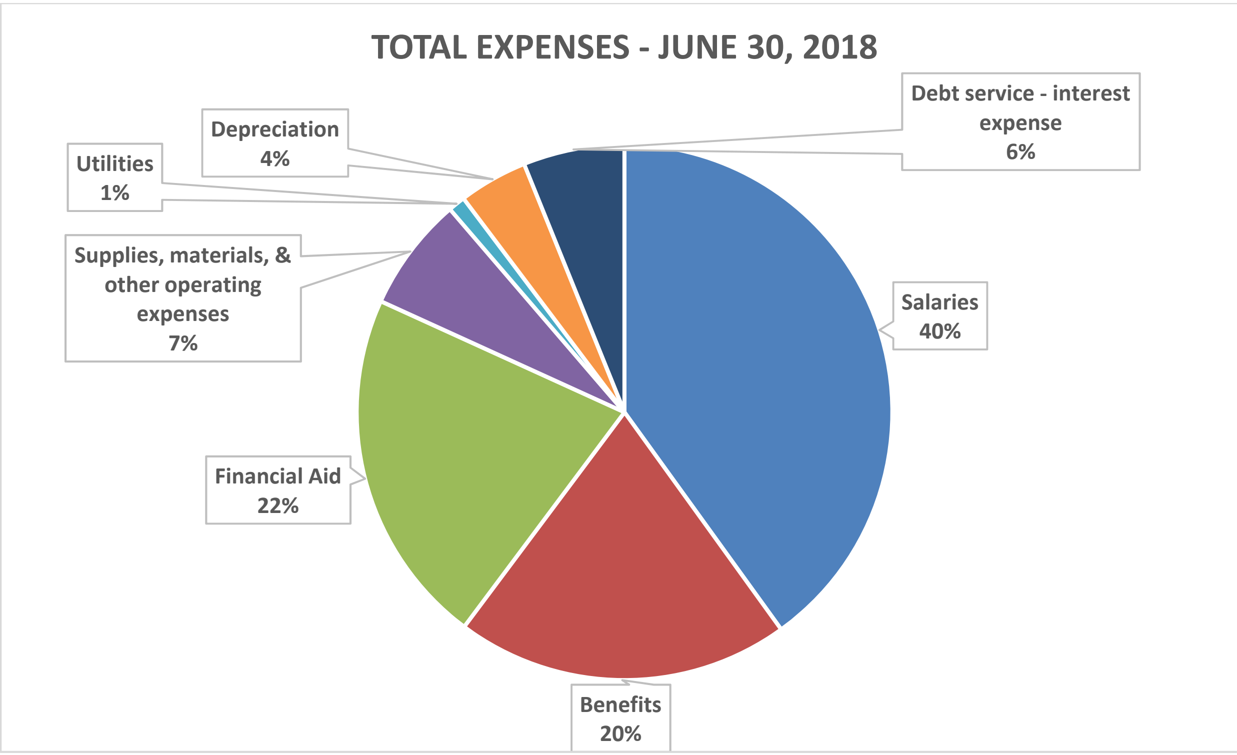
Revenues

For fiscal year (FY) 2017-18, the District received total revenues of $161.6 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.



Expenditures

For FY 2017-18, the District's total expenditures were $171.7 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.



Capital Assets

As of June 30, 2018, the District had $351.4 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 $75.6 million. Depreciation expense of $8.8 million was recorded for the fiscal year. Note 6 to the financial statements provides additional information on capital assets.

	2018	2017*	Net Change
Land and construction in progress	$ 92,667,917	$ 108,863,962	$ (16,196,045)
Buildings and equipment	334,368,170	250,162,244	84,205,926
Accumulated depreciation	(75,623,314)	(63,183,934)	(12,439,380)
Total Capital Assets	$ 351,412,773	$ 295,842,272	$ 55,570,501

* Prior year amounts have not been restated for restatement of $14,015,096 for construction costs not capitalized and accumulated depreciation costs not recognized for assets placed in service in the period in which costs were incurred. See note 16.

Debt

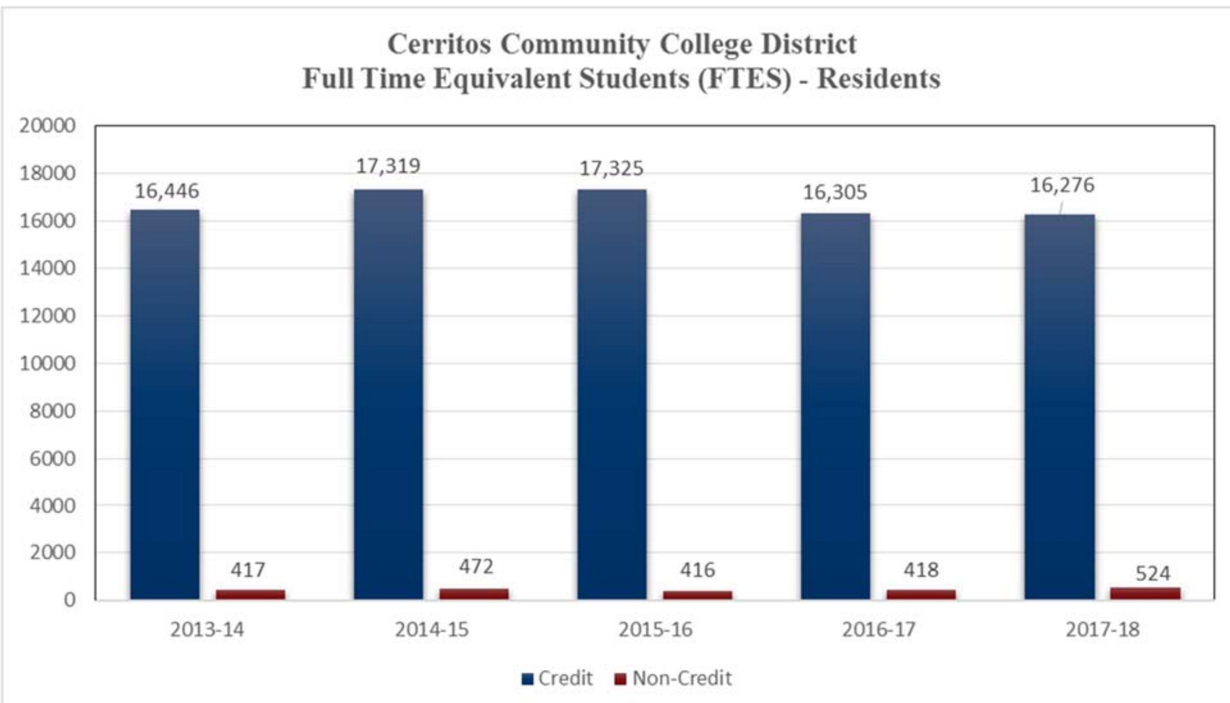
At June 30, 2018, the District had $516.3 million in debt, $360.8 million is related to the General Obligation Bonds. Note 12 to the financial statements provides additional information on long-term liabilities.

	2018	2017 *	Net Change
Compensated absences	$ 2,401,291	$ 2,632,681	$ (231,390)
2004, Measure CC General Obligation Bonds	197,526,643	199,899,528	(2,372,885)
2012, Measure G General Obligation Bonds	163,263,124	87,988,954	75,274,170
Net pension liability	128,262,031	103,848,480	24,413,551
Other postemployment benefits (OPEB)	21,233,167	20,424,036	809,131
Supplemental employee retirement plan (SERP)	3,641,292	408,617	3,232,675
Total Long-Term Liabilities	$ 516,327,548	$ 415,202,296	$ 101,125,252

* Prior year amounts have been restated for adoption of GASB Statements No. 75. See note 16.

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 2017-18 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.



STATE BUDGET HIGHLIGHTS AND ECONOMIC OUTLOOK

The major economic factors that influence 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.

The condition of the state's budget depends on many volatile and unpredictable economic conditions, including fluctuations in the stock market. Even in the short term, these conditions cannot be predicted with precision. They are even more difficult to anticipate years in the future. As such, the Legislative Analyst's Office (LAO) has reasonable confidence in the expectations about the economy's performance in 2017-18.

For the near term, under our current economic projections and assuming the state makes no additional budget commitments, the LAO estimates a positive outlook with the state would end the 2017-18 fiscal year with $11.5 billion in total reserves. This total includes $2.8 billion in discretionary reserves, which the Legislature can appropriate for any purpose, and $8.7 billion in required reserves, which will be available for a future budget emergency. These reserve levels reflect the continued progress California has made in improving its budget situation.

For the longer term, the LAO estimates the condition of the state budget under two different economic scenarios. They are: (1) an economic growth scenario, which assumes the economy continues to grow, and (2) a mild recession scenario, which assumes the state experiences a mild economic downturn beginning in the middle of 2018. Under the growth scenario, the LAO estimates the budget remains in surplus over the outlook period. Under the recession scenario, the LAO finds that the state would have enough reserves to cover almost all of its operating deficits through 2020-21. This means, under the LAO's assumptions, the state could weather a mild recession without cutting spending or raising taxes through 2020-21.

The District's largest component of revenue coming from the State of California, the most important element of State funding in the total computational revenue (TCR), which accounts for 88.8 percent of the District's 2017-18 Unrestricted General Fund revenues. TCR is directly tied to the generation and reporting of full-time equivalent students (FTES). Over the last year, total FTES has increased slightly however is still down 941 FTES since 2015-16.

Looking to fiscal year 2018-19, the District, based on the new student centered funding formula, anticipates receiving approximately $11.1 million more in total computational revenue compared to 2017-18.

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), deferred outflows, liabilities (current and non-current), deferred inflows and net position (assets minus liabilities).

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

The Statement of Net Position as of June 30, 2018 and 2017 is summarized and presented herein:

	2018	2017*	Net Change
Assets			
Current assets	$ 86,633,882	$ 89,262,635	$ (2,628,753)
Non-current assets	442,188,306	354,449,667	87,738,639
Total Assets	528,822,188	443,712,302	85,109,886
Deferred Outflows of Resources	59,570,749	43,130,282	16,440,467
Liabilities			
Current liabilities	41,629,446	44,269,880	(2,640,434)
Non-current liabilities	504,048,229	387,257,781	116,790,448
Total Liabilities	545,677,675	431,527,661	114,150,014
Deferred Inflows of Resources	11,002,059	12,495,771	(1,493,712)
Net Position			
Net investment in capital assets	46,867,620	36,844,646	10,022,974
Restricted	44,255,594	36,728,573	7,527,021
Unrestricted	(59,410,011)	(30,754,067)	(28,655,944)
Total Net Position	$ 31,713,203	$ 42,819,152	$ (11,105,949)

* Prior year amounts have not been restated for adoption of GASB Statements No. 75. See note 16.

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 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, 2018 and 2017 is summarized and presented herein:

Operating Revenues	2018	2017 *	$ Change
Net student tuition & fees	$ 9,977,780	$ 10,212,486	$ (234,706)
Grants and contracts, noncapital	69,819,121	64,429,215	5,389,906
Total Operating Revenues	79,796,901	74,641,701	5,155,200
Total Operating Expenses	199,282,210	181,740,824	17,541,386
Operating Loss	(119,485,309)	(107,099,123)	(12,386,186)
Total Nonoperating Revenues (Expenses)	87,352,318	92,925,562	(5,573,244)
Gain Before Other Revenues and Losses	(32,132,991)	(14,173,561)	(17,959,430)
Total Other Revenues and Losses	22,147,217	21,916,952	230,265
Change in Net Position	(9,985,774)	7,743,391	(17,729,165)
Net Position - Beginning	42,819,152	35,075,761	6,623,216
Cumulative Effect of Restatement	14,015,096		
Cumulative Effect of Change in Accounting Principle	(15,135,271)		
Net Position, Beginning of Year After Restatements	41,698,977	35,075,761	6,623,216
Net Position - Ending	$ 31,713,203	$ 42,819,152	$ (11,105,949)

* Prior year amounts have not been restated for adoption of GASB Statements No. 75. See note 16.

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.

The Statement of Cash Flows for the year ended June 30, 2018 and 2017 is summarized and presented herein:

	2018	2017	$ Change
Cash provided by (used by)			
Operating activities	$ (98,808,581)	$ (101,046,077)	$ 2,237,496
Non-capital financing activities	95,883,094	110,600,585	(14,717,491)
Capital and related financing activities	32,010,870	(42,283,941)	74,294,811
Investing activities	1,041,291	648,302	392,989
Net increase (decrease) in cash and cash equivalents	30,126,674	(32,081,131)	62,207,805
Cash balance, beginning of year	139,383,060	171,464,191	(32,081,131)
Cash balance, end of year	$ 169,509,734	$ 139,383,060	$ 30,126,674

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, 2018

Assets	
Current assets:	
Cash and cash equivalents	$ 78,734,201
Accounts receivable, net	7,549,737
Prepaid expenses	349,944
Total Current Assets	86,633,882
Non-Current Assets:	
Restricted cash and cash equivalents	90,775,533
Capital assets, net of accumulated depreciation	351,412,773
Total Non-Current Assets	442,188,306
Total Assets	528,822,188
Deferred Outflows of Resources	
Deferred outflows - refunded bonds	10,038,992
Deferred outflows - pension	48,759,473
Deferred outflows - other postemployment benefits (OPEB)	772,284
Total Deferred Outflows of Resources	59,570,749
Total Assets and Deferred Outflows of Resources	$ 588,392,937
Liabilities	
Current Liabilities:	
Accounts payable	$ 10,808,045
Accrued interest payable	6,348,097
Accrued liabilities	7,513,377
Unearned revenue	4,680,608
Current portion of long term liabilities	12,279,319
Total Current Liabilities	41,629,446
Non-Current Liabilities	
Non-current portion of long term liabilities	504,048,229
Total Non-Current Liabilities	504,048,229
Total Liabilities	545,677,675
Deferred Inflows of Resources	
Deferred inflows - pensions	11,002,059
Net Position	
Net investment in capital assets	46,867,620
Restricted for:	
Capital projects	15,178,919
Debt service	19,601,910
Scholarship and loans	1,116,846
Restricted - expendable	8,357,919
Unrestricted	(59,410,011)
Total Net Position	31,713,203
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 588,392,937

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, 2018

Operating Revenues	
Tuition and fees (gross)	$ 24,275,268
Less: Scholarship discounts and allowances	(14,297,488)
Net tuition and fees	9,977,780
Grants and contracts, non-capital:	
Federal	42,412,504
State	24,310,302
Local	3,096,315
Total Operating Revenues	79,796,901
Operating Expenses	
Salaries	85,015,334
Employee benefits	42,806,444
Supplies, materials, and other operating expenses and services	14,639,886
Financial aid	45,816,647
Utilities	2,174,806
Depreciation	8,829,093
Total Operating Expenses	199,282,210
Operating Loss	(119,485,309)
Non-Operating Revenues (Expenses)	
State apportionments, non-capital	59,412,053
Local property taxes	30,632,257
States taxes and other revenue	9,158,668
Interest and investment income, non-capital	1,126,278
Other local revenues	7,500
Debt service - interest expense	(12,984,438)
Total Non-Operating Revenues (Expenses)	87,352,318
Loss Before Other Revenues, Expenses, Gains and Losses	(32,132,991)
Other Revenues, Expenses, Gains and Losses	
State apportionments, capital	972,144
Local property taxes and revenues, capital	20,279,509
Loss on disposal of assets	(45,486)
Interest and investment income, capital	941,050
Total Other Revenues, Expenses, Gains and Losses	22,147,217
Changes in Net Position	(9,985,774)
Net Position, Beginning of Year as Previously Reported	42,819,152
Cumulative Effect of Restatement	14,015,096
Cumulative Effect of Change in Accounting Principle	(15,135,271)
Net Position, Beginning of Year After Restatements	41,698,977
Net Position, End of Year	$ 31,713,203

See accompanying notes to the financial statements.

CERRITOS COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees (net)	$ 11,077,761
Federal grants and contracts	42,344,578
State grants and contracts	25,864,246
Local grants and contracts	2,122,830
Payments to suppliers	(17,487,718)
Payments to/on-behalf of employees	(116,913,734)
Payments to/on-behalf of students	(45,816,544)
Net cash used by operating activities	(98,808,581)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State apportionments and receipts	55,683,642
Local property taxes	30,632,257
State taxes and other revenue	9,567,195
Net cash provided by non-capital financing activities	95,883,094
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State apportionment for capital purposes	972,144
Local revenue for capital purposes	20,650,133
Interest on investments, capital funds	698,148
Net purchase and sale of capital assets	(52,282,056)
Principal and interest paid on capital related debt	(21,165,124)
Proceeds from debt issuance, net	83,137,625
Net cash provided by capital and related financing activities	32,010,870
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	1,041,291
Net cash provided by investing activities	1,041,291
NET INCREASE IN CASH AND CASH EQUIVALENTS	30,126,674
CASH BALANCE - Beginning of Year	139,383,060
CASH BALANCE - End of Year	$ 169,509,734

See accompanying notes to the financial statements.

CERRITOS COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2018

	Reconciliation of Operating Loss to Net Cash Used by Operating Activities
CASH USED BY OPERATING ACTIVITIES	
Operating loss	$ (119,485,309)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation expense	8,829,093
Changes in assets and liabilities:	
Receivables, net	37,078
Prepaid expenses	(283,024)
Deferred outflows of resources - pensions	(16,977,517)
Deferred outflows of resources - OPEB	198,480
Accounts payable	(389,899)
Accrued liabilities	956,826
Unearned revenue	1,575,436
Compensated absences	(231,390)
Supplemental employee retirement plan	3,232,675
Net pension liabilities	24,413,551
Other postemployment retiree benefits (OPEB)	809,131
Deferred inflows of resources - pensions	(1,493,712)
Net cash used by operating activities	$ (98,808,581)
Breakdown of ending cash balance:	
Cash and cash equivalents	$ 78,734,201
Restricted cash and cash equivalents	90,775,533
Total	$ 169,509,734

See accompanying notes to the financial statements.

CERRITOS COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
June 30, 2018

	Associated Students of Cerritos College
Assets	
Cash and cash equivalents	$ 1,740,729
Accounts receivable	207,741
Total Assets	$ 1,948,470
Liabilities	
Accounts payable	$ 135,310
Funds held in trust	619,691
Total Liabilities	755,001
Net Position	
Unrestricted	1,193,469
Total Net Position	1,193,469
Total Liabilities and Net Position	$ 1,948,470

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, 2018

	Associated Students of Cerritos College
Additions	
Student fees	$ 599,534
Grants and contracts, non-capital:	
Federal	52,902
Local	204,244
Sales and other local revenues	452,870
Interest and investment income, non-capital	21,929
Total Additions	1,331,479
Deductions	
Salaries	270,381
Employee benefits	76,453
Supplies, materials, and other operating expenses and services	926,230
Financial aid	256,207
Total Deductions	1,529,271
Net changes in net position	(197,792)
Net Position, Beginning of Year	1,391,261
Net Position, End of Year	$ 1,193,469

See accompanying notes to the financial statements.

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.

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 $128,469 on June 30, 2018, 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).

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, 2018, 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 acquisition value at the date of donation. For equipment, the District's capitalization

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.

Prior to June 30, 2017, interest costs were 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 were offset by interest earned on proceeds of the District's tax exempt debt restricted to the acquisition of qualifying assets. During the fiscal year ending June 30, 2018, accounting standards determined this is no longer required and the interest cost incurred before the end of a construction period will no longer be included in the historical cost of a capital asset reported, prospectively. In 2017-18, the District implemented GASB Statement No. 89 *Accounting for Interest Cost Incurred before the End of a Construction Period*.

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.

Deferred Outflows – OPEB: The deferred outflows of resources related to OPEB benefits results from District contributions to employee plans subsequent to the measurement date of the actuarial valuations for the plan. The deferred outflows – OPEB will recognized in the subsequent year.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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 restricted net position – nonexpendable.

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 of 2019 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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 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, 2018, the District's bank balance of $226,544 was exposed to custodial credit risk.

District's Bank Balance	June 30, 2018
Uninsured and uncollateralized	$ 226,544
Total	$ 226,544

Cash in County Treasury

In accordance with the *Budget and Accounting Manual*, the District maintains substantially all of 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, 2018 is measured at 97.1668% 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, 2018 consists of the amounts shown herein.

Accounts Receivable	June 30, 2018
Federal and state	$ 1,444,512
Property taxes	1,567,278
Miscellaneous	3,521,663
Tuition and fees, net of allowance for doubtful accounts of $1,457,716	1,016,284
Total accounts receivable	$ 7,549,737

NOTE 4: INTERFUND TRANSACTIONS

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

Year Ending June 30,	
2019	$ 138,199
2020	99,074
2021	16,512
Total	$ 253,785

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.

NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

NOTE 6: CAPITAL ASSETS AND DEPRECIATION – SCHEDULE OF CHANGES

A summary of changes in capital assets for the year ended June 30, 2018 is shown herein.

	Balance as Previously Reported at June 30, 2017	Restatement*	Balance as Restated for June 30, 2017	Additions	Retirements	Balance June 30, 2018
Capital assets not being depreciated:						
Land	$ 3,570,212	$	$ 3,570,212	$	$	$ 3,570,212
Construction in progress	105,293,750	(58,024,011)	47,269,739	47,304,253	(5,476,287)	89,097,705
Total capital assets not being depreciated	108,863,962	(58,208,557)	50,839,951	47,304,253	(5,476,287)	92,667,917
Capital assets being depreciated:						
Site improvements	11,954,800	2,881,640	14,836,440	3,656,795		18,493,235
Buildings	227,973,560	73,033,935	301,007,495	3,410,792		304,418,287
Equipment	10,233,884		10,233,884	1,534,431	(311,667)	11,456,648
Total capital assets being depreciated	250,162,244	75,915,575	326,077,819	8,602,018	(311,667)	334,368,170
Less accumulated depreciation for:						
Site improvements	4,625,705	89,723	4,715,428	754,627		5,470,055
Buildings	52,535,280	3,786,745	56,322,025	7,448,868		63,770,893
Equipment	6,022,949		6,022,949	625,598	(266,181)	6,382,366
Total accumulated depreciation	63,183,934	3,876,468	67,060,402	8,829,093	(266,181)	75,623,314
Depreciable assets, net	186,978,310	72,223,653	259,017,417	(227,075)	(45,486)	258,744,856
Governmental activities capital assets, net	$ 295,842,272	$ 14,015,096	$ 309,857,368	$ 47,077,178	$ (5,521,773)	$ 351,412,773

** The June 30, 2017 balance has been restated by $14,015,096 for construction costs not capitalized and accumulated depreciation costs not recognized for assets placed in service in the period in which costs were incurred. See note 16.*

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 through 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, 2018.

The outstanding general obligation bonded debt of the District at June 30, 2018 is:

General Obligation Bonds	Date of Issue	Date of Maturity	Interest Rate %	Amount of Original Issue	Outstanding June 30, 2018
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	2,560,000
2012 Series D	3/21/2012	8/1/2038	1.97-5.88%	82,825,515	81,210,989
Refunding 2014 Series A (2)	11/4/2014	8/1/2033	1.75-5.00%	80,395,000	77,845,000
Refunding 2014 Series B (2)	11/4/2014	8/1/2023	0.506-3.121%	17,975,000	13,840,000
Total					$ 175,455,989

(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.

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

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

Year Ending June 30,	Principal	Accreted Interest	Interest
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	6,113,998	606,002	5,523,292
2024-2028	36,850,209	7,699,792	24,963,365
2029-2033	48,886,623	18,718,377	14,794,595
2034-2038	47,421,056	30,343,944	8,994,235
2039	16,325,000		382,313
Total	$ 175,455,989	$ 58,584,012	$ 83,153,742

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.

Between 2014-15 and 2017-18, the District issued bonds, Series A and B, totaling $175 million.

The outstanding general obligation bonded debt of the District at June 30, 2018 is:

General Obligation Bonds	Date of Issue	Date of Maturity	Interest Rate %	Amount of Original Issue	Outstanding June 30, 2018
2014 Series A	11/4/2014	8/1/2044	1.50-5.00%	$ 100,000,000	$ 73,900,000
2018 Series B	1/23/2018	8/1/2043	2.00-5.00%	75,000,000	75,000,000
Total					$ 148,900,000

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

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

Year Ending June 30,	Principal	Interest
2019	$ 6,570,000	$ 6,490,868
2020	7,295,000	6,208,700
2021	7,720,000	5,869,800
2022	645,000	5,660,675
2023	420,000	5,634,050
2024-2028	6,515,000	27,465,875
2029-2033	16,455,000	24,671,375
2034-2038	30,835,000	18,967,725
2039-2043	50,515,000	9,909,900
2044-2045	21,930,000	798,400
Total	$ 148,900,000	$ 111,677,368

NOTE 9: SUPPLEMENTAL EMPLOYEE RETIREMENT PLAN

The District has Supplemental Employee Retirement Plans for faculty, classified and management/confidential employees. The accumulated future liability for the District at June 30, 2018 is $3,641,292.

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 29 employees participated in the plan. Participants included 14 faculty, 12 classified and 3 management/confidential employees. The total cost savings to the District was approximately $2 million. The District paid benefits of $408,617 annually through 2017-18. There is no remaining liability for this plan.

In 2017-18, 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 71 employees participated in the plan. Participants included 34 faculty, 32 classified and 5 management/confidential employees. The total cost savings to the District is approximately $9 million. The District will pay benefits of $910,323 annually through 2021-22. The total remaining liability of $3,641,292 has been reflected in these financial statements.

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).

NOTE 10: EMPLOYEE RETIREMENT PLANS

As of June 30, 2018, 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 Share of Net Pension Liability	Deferred Outflows of Resources	Proportionate Share of Deferred Inflows of Resources	Proportionate Share of Pension Expense
CalSTRS - STRP	$ 82,307,200	$ 35,806,985	$ 8,307,487	$ 10,134,623
CalPERS - Schools Pool Plan	45,954,831	12,952,488	2,694,572	6,165,251
Total	$ 128,262,031	$ 48,759,473	$ 11,002,059	$ 16,299,874

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

NOTE 10: EMPLOYEE RETIREMENT PLANS

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, 2018, are summarized herein.

Provisions and Benefits	CalSTRS-STRP Defined Benefit Program and Supplement Program	
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	14.43%	14.43%
Required state contribution rate	9.328%	9.328%

Contributions

Required member, District and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The 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, 2018 are presented above and the total District contributions were $7,365,070.

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

At June 30, 2018, 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.

Proportionate Share of Net Pension Liability	Balance June 30, 2018
District proportionate share of net pension liability	$ 82,307,200
State's proportionate share of the net pension liability associated with the District	48,692,641
Total	$ 130,999,841

NOTE 10: EMPLOYEE RETIREMENT PLANS

The net pension liability was measured as of June 30, 2017. 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, 2017, the District's proportion was 0.0890%.

For the year ended June 30, 2018, the District recognized pension expense of $10,134,623 including on-half expense and revenue of $3,960,287 for support provided by the state. At June 30, 2018, 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	$ 7,365,070	$ -
Difference between expected and actual experience	304,380	1,435,570
Changes of assumptions	15,248,370	-
Difference in proportion	12,889,165	4,679,847
Net differences between projected and actual earnings on plan investments	-	2,192,070
Total	$ 35,806,985	$ 8,307,487

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, 2019. 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 EARSL for the CalSTRS-STRP for the June 30, 2017 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.

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

NOTE 10: EMPLOYEE RETIREMENT PLANS

Year Ending June 30,	Amortization
2019	$ 2,298,899
2020	5,500,229
2021	4,320,090
2022	2,173,706
2023	2,375,961
2024	3,465,543
Total	$ 20,134,428

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, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016 used the following methods and assumptions, applied to all prior periods included in the measurement:

Actuarial Methods and Assumptions	
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.10%
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant and adopted by the CalSTRS Board in February 2017. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2017, 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 in the following table:

NOTE 10: EMPLOYEE RETIREMENT PLANS

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	6.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Fixed income	12%	0.30%
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 7.10%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10%) and assuming that contributions, benefit payments, and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount rate	Net Pension Liability
1% decrease (6.10%)	$ 120,853,100
Current discount rate (7.10%)	82,307,200
1% increase (8.10%)	51,024,590

Changes of Assumptions

During the fiscal year of the measurement date of June 30, 2017, CalSTRS completed an experience study for the period starting July 1, 2010 and ending June 30, 2015. The experience study was adopted by the CalSTRS Board in February 2017. As a result of the study, certain assumptions used in determining the net pension liability of the STRP changed, including the discount rate, price inflation, wage growth, mortality assumptions and the mortality tables used in the actuarial valuation of the net pension liability. The changes to the assumptions as a result of the experience study follow:

NOTE 10: EMPLOYEE RETIREMENT PLANS

Assumptions:	As of June 30, 2017	As of June 30, 2016
Investment Rate of Return	7.10%	7.60%
Consumer Price Inflation	2.75%	3.00%
Wage Growth	3.50%	3.75%

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.

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, 2018, are summarized herein.

NOTE 10: EMPLOYEE RETIREMENT PLANS

Provisions and Benefits	CalPERS-Schools Pool Plan	
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	7.00%	6.00%
Required employer contribution rate	15.531%	15.531%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on 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, 2018 are as presented above and the total District contributions were $2,908,464.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $45,954,831. The net pension liability was measured as of June 30, 2017. The total pension liability for CalPERS was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016 and rolling forward the total pension liability to June 30, 2017. 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, 2017, the District's proportion was 0.1925%.

For the year ended June 30, 2018, the District recognized pension expense of $6,165,251. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources herein.

NOTE 10: EMPLOYEE RETIREMENT PLANS

Pension Deferred Outflows and Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 2,908,464	$ -
Difference between expected and actual experience	1,646,372	-
Changes of assumptions	6,712,426	541,061
Difference in proportion	95,503	2,153,511
Net differences between projected and actual earnings on plan investments	1,589,723	-
Total	$ 12,952,488	$ 2,694,572

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, 2019. 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. 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, 2017 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.

Year Ending June 30,	Amortization
2019	$ 638,243
2020	4,484,888
2021	3,096,852
2022	(870,531)
Total	$ 7,349,452

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, 2016, and rolling forward the total pension liability to June 30, 2017. 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:

NOTE 10: EMPLOYEE RETIREMENT PLANS

Actuarial Methods and Assumptions	
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Experience Study	July 1, 1997 through June 30, 2011
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.15%
Investment Rate of Return	7.50%
Consumer Price Inflation	2.75%
Wage Growth	Varies by entry age and service

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include 20 years of mortality improvements using Scale BB published by the Society of Actuaries.

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 adjusted to account for assumed administrative expenses. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	5.38%
Fixed income	19%	2.27%
Inflation assets	6%	1.39%
Private equity	12%	6.63%
Real estate	11%	5.21%
Infrastructure and forestland	3%	5.39%
Liquidity	2%	-0.90%

Discount Rate

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

NOTE 10: EMPLOYEE RETIREMENT PLANS

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:

Discount rate	Net Pension Liability
1% decrease (6.15%)	$ 67,614,282
Current discount rate (7.15%)	45,954,831
1% increase (8.15%)	27,986,502

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

The District provides postemployment health care benefits for retired employees in accordance with negotiated contracts with the various bargaining units of the District.

Plan Description and Eligibility

The District administers a single-employer defined benefit healthcare plan (the Retiree Health Plan). The plan provides postemployment health care, 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 30th 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.

NOTE 11: POST EMPLOYMENT HEALTHCARE BENEFITS

Participant Type:	Number of Participants
Inactive participants currently receiving benefits	303
Inactive participants entitled to but not yet receiving benefit payments	-
Active employees	668
Total	971

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually through agreements between the District and the bargaining units. For the fiscal years ended June 30, 2018 and 2017, the District contributed $772,284 and $742,581, respectively, to the plan including the implicit rate subsidy.

Net OPEB Liability

The table herein shows the components of the net OPEB liability of the District:

	Balance June 30, 2018
Total OPEB liability	$ 21,233,167
Plan fiduciary net position	-
District's net OPEB liability	$ 21,233,167
Plan fiduciary net position as a percentage of the total OPEE	0%

Actuarial Methods and Assumptions

The District's net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. Liabilities in this report were calculated as of the valuation date.

Actuarial Assumptions - The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, using the actuarial assumptions shown herein, applied to all periods included in the measurement, unless otherwise specified.

NOTE 11: POST EMPLOYMENT HEALTHCARE BENEFITS

Actuarial Methods and Assumptions	
Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Inflation	2.75%
Salary Increases	2.75%
Investment Rate of Return	3.50%
Health Care Trend Rate	4.00%

Mortality rates were based on the 2014 rates used by CalPERS and the 2009 rates used by STRS for the pension valuations.

Discount Rate - The discount rate used to measure the total OPEB liability was 3.50 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Since the most recent GASB 45 valuation, the following changes have been made:

- The discount rate and expected rate of return on assets was changed from 4.50% to 3.50%
- The initial healthcare trend rate remained unchanged from at 4.0%

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2016	$ 20,424,036	$ -	$ 20,424,036
Changes for the year:			
Service cost	835,644		835,644
Interest	716,068		716,068
Employer contributions		742,581	(742,581)
Benefit payments	(742,581)	(742,581)	-
Net changes	809,131	-	809,131
Balances at June 30, 2017	$ 21,233,167	$ -	$ 21,233,167

NOTE 11: POST EMPLOYMENT HEALTHCARE BENEFITS

The following presents the District's net OPEB liability calculated using the discount rate of 3.50 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current rate:

Discount rate	Net OPEB Liability
1% decrease (2.5%)	$ 24,711,695
Current discount rate (3.5%)	21,233,167
1% increase (4.5%)	18,441,381

The following presents the District's net OPEB liability calculated using the current healthcare cost trend rate of 4.0 percent, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (3.0 percent) or 1-percentage-point higher (5.0 percent) than the current rate:

Healthcare trend rate	Net OPEB Liability
1% decrease (3.0%)	$ 19,055,420
Current healthcare trend rate (4.0%)	21,233,167
1% increase (5.0%)	24,130,610

OPEB Expense

For the year ended June 30, 2017, the District recognized OPEB expense of $1,382,935.

NOTE 12: LONG-TERM DEBT – SCHEDULE OF CHANGES

A schedule of changes in long-term debt for the year ended June 30, 2018 is shown herein.

NOTE 12: LONG-TERM DEBT – SCHEDULE OF CHANGES

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Amount Due in One Year
Compensated absences	$ 2,632,681	$	$ (231,390)	2,401,291	$ 303,996
General obligation bonds (2004, Measure CC):					
Bonds payable	179,382,021		(3,926,032)	175,455,989	4,333,997
Accreted interest	9,962,538	2,394,120	(93,967)	12,262,691	161,003
Bond premium	10,554,969		(747,006)	9,807,963	
General obligation bonds (2012, Measure G):					
Bonds payable	81,355,000	75,000,000	(7,455,000)	148,900,000	6,570,000
Bond premium	6,633,954	8,137,625	(408,455)	14,363,124	
Net pension liability	103,848,480	24,413,551		128,262,031	
Other postemployment benefits other than pension (OPEB)*	20,424,036	809,131		21,233,167	
Supplemental employee retirement plan (SERP)	408,617	4,551,615	(1,318,940)	3,641,292	910,323
Total	$ 415,202,296	$ 115,306,042	$ (14,180,790)	$ 516,327,548	$ 12,279,319

** The July 1, 2017 balance has been restated by $15,709,075 for the cumulative effect of the adoption of Accounting Standard Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. See note 16.*

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:

NOTE 13: LEASE REVENUES

Year Ending June 30,		
2019	$	635,126
2020		635,126
2021		635,126
2022		635,126
2023		681,138
2024-2028		3,456,305
2029-2033		3,714,435
2034-2038		3,998,378
2039-2043		4,310,715
Total	$	18,701,475

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.

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. SCCCD 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.

NOTE 14: JOINT POWERS AGREEMENTS

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, 2018 is as follows:

			SCCCD-JPA 6/30/2018 (Audited)		
	SWACC 6/30/2018 (Audited)	SAFER 6/30/18 (Audited)	Workers Compensation Insurance Fund	Retiree Health Insurance Fund	PIPS 6/30/17 (Audited)
Total assets	$ 52,332,118	$ 39,841,694	$ 21,457,818	$ 468,814	$ 129,260,118
Total liabilities	34,316,883	38,695,867	1,973,560	-	111,815,654
Fund balance	$ 18,015,235	$ 1,145,827	$ 19,484,258	$ 468,814	$ 17,444,464
Total revenues	$ 22,350,383	$ 59,869,098	$ 11,664,622	$ 3,039,204	$ 59,869,098
Total expenditures	29,435,155	59,413,248	10,964,550	14,251,500	59,413,248
Change in fund balance	$ (7,084,772)	$ 455,850	$ 700,072	$ (11,212,296)	$ 455,850

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:

NOTE 15: FUNCTIONAL EXPENSE

Functional Expense	Salaries	Employee Benefits	Supplies, materials, and other operating expenses and services	Financial Aid	Depreciation	Total
Instructional activities	$ 50,389,186	$ 22,824,255	$ 2,687,389	$ 275,853	$	$ 76,176,683
Academic support	6,073,843	4,619,645	1,417,591	54,458		12,165,537
Student services	13,666,900	6,213,218	968,164	241,653		21,089,935
Operation and maintenance of plant	3,511,797	2,279,049	4,298,884			10,089,730
Instructional support services	7,905,735	5,171,812	4,487,326	8,370		17,573,243
Community services and economic development	811,255	318,108	890,230	493		2,020,086
Ancillary services and auxiliary operations	2,656,618	1,380,357	558,415	28,650		4,624,040
Student aid				44,926,336		44,926,336
Transfers and other outgo			1,506,693	280,834		1,787,527
Depreciation expense					8,829,093	8,829,093
Total	$ 85,015,334	$ 42,806,444	$ 16,814,692	$ 45,816,647	$ 8,829,093	$ 199,282,210

NOTE 16: CUMULATIVE EFFECT OF ACCOUNTING CHANGES AND RESTATEMENT TO BEGINNING NET POSITION

OPEB Liability

The beginning net position of the basic financial statements has been restated by of a net reduction $15,135,271 in the governmental funds resulting from the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The net reduction recognizes the beginning OPEB liability of $20,424,036 less the liability recorded as of June 30, 2017 of $4,714,961 under the previous standards, offset by OPEB deferred outflows of $573,804 at June 30, 2017.

Capital Assets

The beginning net position of the basic financial statements has been restated by a net increase of $14,015,096 in the governmental funds to recognize construction costs not capitalized and accumulated depreciation costs not recognized for assets placed in service in the period in which costs were incurred.

Had the error not been made, the change in net position would have decreased by approximately $1.5m for additional depreciation expense for the year ended June 30, 2017.

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.

NOTE 17: COMMITMENTS AND CONTINGENCIES

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.

Purchase Commitments

As of June 30, 2018, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately $22.3 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, 2018, 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. 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.

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

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

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.

Statement No. 88 – *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*

The objective of the statement is to improve the consistency in the information that is disclosed in the notes to government financial statements related to debt, including direct borrowings and direct placements. The statement requires disclosure of additional essential information about debt. The statement is effective for the fiscal year 2018-19.

Statement No. 90 – *Majority Equity Interests – an amendment of GASB Statement No. 14 and No. 61*

The statement modifies previous guidance for reporting a majority equity interest in a legally separate organization and provide guidance for reporting a component unit if 100 percent equity interest is acquired in the component unit. The statement is effective for the fiscal year 2019-20.

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, 2018

California State Teachers' Retirement System - State Teachers' Retirement Plan	2015	2016	2017	2018
District's proportion of the net pension liability (assets)	0.0830%	0.0900%	0.0810%	0.0890%
District's proportionate share of the net pension liability (asset)	$ 48,502,710	$ 60,498,229	$ 65,513,610	$ 82,307,200
State's proportionate share of the net pension liability (asset) associated with the District	29,565,599	31,996,809	37,301,221	48,692,641
Total	$ 78,068,309	$ 92,495,038	$102,814,831	$130,999,841
District's covered payroll	$ 40,964,775	$ 51,768,604	$ 45,266,203	$ 49,832,067
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	118.40%	116.86%	144.73%	165.17%
Plan fiduciary net position as a percentage of the total pension liability	77.00%	74.02%	70.04%	69.00%

California Public Employees' Retirement System - Schools Pool Plan	2015	2016	2017	2018
District's proportion of the net pension liability (assets)	0.1950%	0.1928%	0.1941%	0.1925%
District's proportionate share of the net pension liability (asset)	$ 30,106,846	$ 28,421,773	$ 38,334,870	$ 45,954,831
District's covered payroll	$ 19,931,911	$ 24,223,720	$ 23,288,869	$ 24,481,563
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	151.05%	117.33%	164.61%	187.71%
Plan fiduciary net position as a percentage of the total pension liability	83.37%	83.37%	73.90%	72.00%

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, 2018

California State Teachers' Retirement System - State Teachers' Retirement Plan	2015	2016	2017	2018
Contractually required contribution	$ 12,075,831	$ 4,540,771	$ 6,268,874	$ 7,365,070
Contributions in relation to the contractually required contribution	12,075,831	4,540,771	6,268,874	7,365,070
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 51,768,604	$ 45,266,203	$ 49,832,067	$ 51,039,986
Contributions as a percentage of covered payroll	23.33%	10.03%	12.58%	14.43%

California Public Employees' Retirement System - Schools Pool Plan	2015	2016	2017	2018
Contractually required contribution	$ 2,344,785	$ 2,759,032	$ 3,398,041	$ 2,908,464
Contributions in relation to the contractually required contribution	2,344,785	2,759,032	3,398,041	2,908,464
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 24,223,720	$ 23,288,869	$ 24,481,563	$ 25,167,186
Contributions as a percentage of covered payroll	9.68%	11.85%	13.88%	15.53%

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 CHANGES IN THE NET POSTEMPLOYMENT HEALTHCARE BENEFITS LIABILITY AND RELATED RATIOS
For the Fiscal Year Ended June 30, 2018

Total OPEB Liability	2018
Service Cost	$ 835,644
Interest	716,068
Benefit Payments	(742,581)
Net Change in Total OPEB Liability	809,131
Total OPEB Liability - beginning	20,424,036
Total OPEB Liability - ending (a)	$ 21,233,167

Plan Fiduciary Net Position	2018
Contributions - Employer	$ 742,581
Benefit Payments	(742,581)
Net Change in Plan Fiduciary Net Position	-
Plan Fiduciary Net Position - beginning	-
Plan Fiduciary Net Position - ending (b)	$ -
Net OPEB Liability (Asset) - ending (a) - (b)	$ 21,233,167
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%
Covered-employee payroll	$ 66,599,899
Net OPEB liability (asset) as a percentage of covered-employee payroll	31.88%

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.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2018

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 Changes in the Net OPEB Liability and Related Ratios

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

Benefit changes –None.

Changes of Assumptions - The discount rate and expected rate of return on assets was changed from 4.50% to 3.50%.

SUPPLEMENTARY INFORMATION

HISTORY AND ORGANIZATION
For the Fiscal Year Ended June 30, 2018

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

Member	Office	Term Expires
Zurich Lewis	President	December 2018
Dr. Shin Liu	Vice President	December 2018
Martha Camacho-Rodriguez	Clerk	December 2020
Carmen Avaols	Member	December 2020
James Cody Birkey	Member	December 2018
Marisa Perez	Member	December 2020
Dr. Sandra Salazar	Member	December 2018
Phil Herrera	Student Representative	May 2019

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 ORGANZAITONS IN GOOD STANDING

Cerritos College Foundation	Organized as an independent organization and has a signed master agreement.

* Effective July 1, 2018, Kimberly Westby is the Acting Vice President of Student Services/Assistant Superintendent

CERRITOS COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2018

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
U.S. Department of Education			
Direct:			
Student Financial Aid Cluster:			
Supplemental Educational Opportunity Grant (FSEOG)	84.007	n/a	$ 640,953
Federal Work-Study (FWS)	84.033	n/a	519,459
Pell Grant	84.063	n/a	34,607,725
Student Financial Aid Administrative Cost Allowance	84.063	n/a	33,533
William D. Ford Direct Loans - Subsidized	84.268	n/a	2,053,887
William D. Ford Direct Loans - Unsubsidized	84.268	n/a	2,666,333
Total Student Financial Aid Cluster			40,521,890
Pass-Through Program From California Department of Education:			
Adult Education and Family Literacy Act Title II, Workforce Investment Act (WIA): Adult Education - State Grant Program	84.002	19-6436	306,983
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	854,752
Perkins CTE Transitions	84.048A	16-112-006	40,791
Total U.S. Department of Education			41,724,416
U.S. Department of Agriculture			
Pass-Through Program From California Department of Education:			
Child and Adult Care Food Program	10.558	04356-CACFP-19-CC-IC	74,997
U.S. Department of Labor			
Direct:			
H-1B TechHire Partnership Grant	17.268	n/a	136,433
U.S. Department of Veterans Affairs			
Direct:			
Veterans Education Representative Fee	64.000	n/a	8,821
Corporation For National and Community Services			
Direct:			
Americorps - National Service Awards	94.006	n/a	52,902

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, 2018

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
U.S. Department of Health and Human Services			
Pass-Through Program From California Department of Education:			
General Childcare & Development Programs	93.575	CCTR-6071	23,039
Development Fund: General Childcare & Development Programs	93.596	CCTR-6071	50,123
Pass-Through Program From California Community College Chancellor's Office:			
Temporary Assistance for Needy Families (TANF)	93.558	(1)	101,249
Pass-Through Program from Los Angeles Department of Public Social Services:			
TANF - California Work Opportunity and Responsibility to Kids (CalWORKs) Program	93.558	CCCP15002	113,958
Pass-Through Program from California Department of Social Services:			
Foster and Kinship Care Education (FKCE)	93.658	0600D00000-00	77,239
Pass-Through Program From Foundation for Community Colleges:			
Foster Care Independence Program - Partnering for Safety and Permanence - Model Approach to Partnerships in Parenting (PS MAPP)	93.674	847-120	15,144
Pass- Through Program from California Department of Health Care Services:			
Family Pact Program (FPP)	93.778	C-11309	12,896
Medi-Cal Administrative Activities Program (MAA)	93.778	C-11309	16,110
Total U.S. Department of Health and Human Services			409,758
Total Federal Programs			$ 42,407,327
Reconciliation to Federal Revenue			
Total Federal Expenditures			
Revenues in excess of (less than) expenditures related to Federal Grants:			$ 42,407,327
Family Pact Program (FPP)			16,838
Medi-Cal Administrative Activities Program (MAA)			40,365
Foster Care Independence Program - PS MAPP			8,572
Veterans Education Representative Fee			(7,696)
Total Federal Programs Revenue			$ 42,465,406
Governmental Funds			$ 42,412,504
Fiduciary Funds			52,902
Total Federal Programs Revenue			$ 42,465,406

(1) Pass-Through Entity Identifying Number not readily available
n/a - Pass-Through Entity Identifying Number not applicable

See the accompanying notes to the supplementary information.

CERRITOS COMMUNITY COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL ASSISTANCE - GRANTS
For the Fiscal Year Ended June 30, 2018

	Program Revenues					
Program Name	Beginning Balance From Prior Year	Cash Received	Accounts Receivable	Deferred Revenue	Total	Total Program Expenditures
State Categorical Aid Programs:						
Assembly Bill 1802 (2006-07)	$ 311,306	$	$	$ 311,306	$ -	$ -
Assembly Bill 104	15,488	491,812		9,616	497,684	497,684
Advanced Manufacturing & Engineering Technology						
Linked Learning Consortium		513,048		4,816	508,232	508,232
Adult Education Block Grant (AEBG) - Data						
and Accountability	253,079			10,528	242,551	242,551
Apprenticeship	515,201	1,313,442		979,058	849,585	849,585
Associate Degree Nursing Program		100,250	70,750		171,000	171,000
Auto Quickstart				72,000		
Basic Skills	172,459	831,918		423,053	581,324	581,324
Board Financial Assistance Administration (BFAP)		831,329			831,329	831,329
Cal Grant	16,605	3,559,943		103,106	3,473,442	3,473,442
California Apprenticeship Initiative - Pre-Apprenticeship		148,641			148,641	148,641
California Energy Commission (ATTE)	23,543			23,543		
CalWORKs		474,635			474,635	474,635
CalWORKs - Work-Study		132,574			132,574	132,574
Campus Safety & Sexual Assaults		29,645		29,645		
Community College Completion Grant		801,000		368,121	432,879	432,879
Cooperative Agencies Resources for Education (CARE)		118,886			118,886	118,886
Child and Adult Care Food Program		4,118	600		4,718	4,718
Career Technical Education (CTE)						
Chancellor's Pre-Apprenticeship	25,635			17,140	8,495	8,495
Data Unlocked Initiative	36,273			11,493	24,780	24,780
Deputy Sector Navigator Advanced Transportation						
and Renewable Energy (AT&R)	2,764	164,236	108,973		275,973	275,973
Disabled Student Programs and Services (DSPS)		1,932,496			1,932,496	1,932,496
Education Futures			17,753		17,753	17,753
Extended Opportunity Programs and Services (EOPS)		1,246,725			1,246,725	1,246,725
Equal Employment Opportunity	30,104	50,000		51,938	28,166	28,166
Faculty Entrepreneurship Champion Mini-Grant			7,500		7,500	7,500
Foster and Kinship Care Education		95,351			95,351	95,351
Foster Parent Training CSEC		5,550	3,700		9,250	9,250
Full Time Student Success Grant	73,285	1,636,600		165,949	1,543,936	1,543,936
General Childcare & Development Program		122,548			122,548	122,548
Guided Pathways		607,232		607,232		
Hunger Free Campus Support		38,202		31,000	7,202	7,202
Instructional Equipment and Library	817,753			817,753		
Instructional Support Program		515,491			515,491	515,491
Lottery Prop 20	5,001,623	620,039	360,238	5,906,932	74,968	74,968
Physical Plant	577,479	515,491		120,825	972,145	972,145
Pre-kindergarten and Family Literacy Program		838,319		106,305	732,014	732,014
Prop 39 - Clean Energy Act	56,563	607,665		123,744	540,484	540,484
Senate Bill 1070		8,581	123		8,704	8,704
Senate Bill 1133 (2008-09)	97,433			86,730	10,703	10,703
SFCC Mentor Program		1,000		400	600	600
Strong Workforce Program	1,131,459	2,379,532	200,837	1,661,370	2,050,458	2,050,458
Student Equity Plans		2,457,163			2,457,163	2,457,163
Student Success and Support Program (SSSP):						
Credit		2,816,189			2,816,189	2,816,189
Non-Credit		248,288			248,288	248,288
Teacher Prep Pipeline		36,300	71,380		107,680	107,680
Title IV Admin Cost Allowance		600			600	600
Veterans Resource Center		58,805		58,435	370	370
Total State Categorical Aid Programs	$ 9,158,052	$26,353,644	$ 841,854	$12,102,038	$24,323,512	$ 24,323,512

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, 2018

Categories	Reported Data	Audit Adjustments	Revised Data
A. Summer Intersession (Summer 2017 only)			
1. Noncredit[1]	71.67		71.67
2. Credit[1]	844.29		844.29
B. Summer Intersession (Summer 2018 - Prior to July 1, 2018)			
1. Noncredit[1]	23.21		23.21
2. Credit[1]	1,326.36		1,326.36
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	10,036.92	(3.93)	10,032.99
(b) Daily Census Contact Hours	1,992.80	(18.82)	1,973.98
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit[1]	428.80		428.80
(b) Credit[1]	81.48		81.48
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	890.45		890.45
(b) Daily Census Contact Hours	1,103.50		1,103.50
(c) Noncredit Independent Study/Distance Education Courses	-		-
D. Total FTES	16,799.48	(22.75)	16,776.73
Supplemental Information (subset of above information)			
E. In-service Training Courses (FTES)	-		-
H. Basic Skills courses and Immigrant Education			
(a) Noncredit[1]	228.14		228.14
(b) Credit[1]	1,534.42		1,534.42
CCFS 320 Addendum			
CDCP Noncredit FTES	249.77		249.77
Centers FTES			
(a) Noncredit (1)	-		-
(b) Credit (1)	-		-

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

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, 2018

The audit resulted in the following adjustments to the fund balances reported on the June 30, 2018 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, 2018 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	$ 24,823,276
Restricted Fund Balance	8,357,919
Bond Interest and Redemption Fund Balance	24,382,729
Other Special Purpose Fund Balance	7,354,540
Capital Outlay Fund Balance	15,178,918
Bond Construction Fund Balance	46,205,622
Self-insurance Fund Balance	1,071,684
Other Internal Services Fund Balance	24,308,496
Student Financial Aid Fund Balance	1,116,847
Total fund balances as reported on the Annual Financial and Budget Report (CCFS-311)	$ 152,800,031

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, 2018

Total fund balances as reported on the Annual Financial and Budget Report (CCFS-311)	$ 152,800,031
Amounts reported for governmental activities in the statement of net position are different because:	
Amounts for 2017-18 property taxes levied for debt service not received as of June 30, 2018 are accrued on the statement of net position which increases the total net assets reported.	1,567,278
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. $263,920 is already recorded in the Health Services Fund.	351,148,853
Deferred outflows associated with the advanced refunding of debt increased total net position reported.	10,038,992
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.	48,759,473
Deferred outflows associated with other postemployment benefits cost from contributions made during the fiscal year and from actuarially determined adjustments. These amounts will be recognized as a reduction of the other postemployee benefits liability in subsequent periods.	772,284
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 $303,996 is already recorded in the Unrestricted General Fund.	(2,097,295)
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.	(3,641,292)
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.	(360,789,767)
The liability of employers and nonemployers contributing to employees for benefits provided through a defined benefit pension plan is recorded as net pension liabilities.	(128,262,031)
Deferred inflows of resources associated with pensions result from actuarially determined adjustments. These amounts will be amortized to pension expense in subsequent periods.	(11,002,059)
The liability associated with other post employment retirement benefits, is recognized as a liability, which reduces the total net position reported.	(21,233,167)
Interest costs related to bonds incurred through June 30, 2018 is accrued as a current lability on the statement of net position which reduces the total net assets reported.	(6,348,097)
Total net position	$ 31,713,203

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, 2018

		Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional Salaries - Contract or Regular	1100	26,925,746		26,925,746	26,925,746		26,925,746
Instructional Salaries - Other	1300	14,076,512		14,076,512	14,426,781		14,426,781
Total Instructional Salaries		41,002,258	-	41,002,258	41,352,527	-	41,352,527
Non-Instructional Salaries - Contract or Regular	1200			-	5,873,852		5,873,852
Non-Instructional Salaries - Other	1400			-	3,821,640		3,821,640
Total Non-Instructional Salaries		-	-	-	9,695,492	-	9,695,492
Total Academic Salaries		41,002,258	-	41,002,258	51,048,019	-	51,048,019
Classified Salaries							
Non-Instructional Salaries - Regular Status	2100			-	18,015,222		18,015,222
Non-Instructional Salaries - Other	2300			-	891,937		891,937
Total Non-Instructional Salaries		-	-	-	18,907,159	-	18,907,159
Instructional Aides - Regular Status	2200	411,587		411,587	564,494		564,494
Instructional Aides - Other	2400	167,712		167,712	522,064		522,064
Total Instructional Aides		579,299	-	579,299	1,086,558		1,086,558
Total Classified Salaries		579,299	-	579,299	19,993,717	-	19,993,717
Employee Benefits	3000	13,865,837		13,865,837	27,695,624		27,695,624
Supplies and Materials	4000			-	1,483,915		1,483,915
Other Operating Expenses	5000	455,182		455,182	5,764,752		5,764,752
Equipment Replacement	6420			-			-
Total Expenditures Prior to Exclusions		55,902,576	-	55,902,576	105,986,027	-	105,986,027
Exclusions							
Activities to Exclude							
Instructional Staff–Retirees' Benefits & Retirement Incentives	5900			-			-
Student Health Services Above Amount Collected	6441			-			-
Student Transportation	6491			-	69,910		69,910
Non-instructional Staff-Retirees' Benefits & Retirement Incentives	6740			-			-
Objects to Exclude							
Rents and Leases	5060			-	114,450		114,450
Lottery Expenditures							
Academic Salaries	1000			-			-
Classified Salaries	2000			-	1,716,704		1,716,704
Employee Benefits	3000			-	802,080		802,080
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		-	-	-	2,703,144	-	2,703,144
Total for ECS 84362, 50% Law		55,902,576	-	55,902,576	103,282,883	-	103,282,883
Percent of CEE (Instructional Salary Cost/Total CEE)		54.13%	0%	54.13%	100%	0%	100%
50% of Current Expense of Education					51,641,442	-	51,641,442

See the accompanying notes to the supplementary information.

CERRITOS COMMUNITY COLLEGE DISTRICT
EDUCATION PROTECTION ACCOUNT
EXPENDITURE REPORT
For the Fiscal Year Ended June 30, 2018

Activity Classification	**Object Code**				**Unrestricted**
EPA Proceeds:	8630				$ 13,024,798
Activity Classification	**Object Code**	**Salaries and Benefits (1000-3000)**	**Operating Expenses (4000-5000)**	**Capital Outlay (6000)**	**Total**
Instructional Activities	0100-5900	$ 13,024,798	$	$	$ 13,024,798
Total Expenditures for EPA*		$ 13,024,798	$ -	$ -	13,024,798
Revenue less Expenditures					
*Total Expenditures for EPA may not include Administrator Salaries and Benefits or other administrative costs.					

See the accompanying notes to the supplementary information.

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, 2018. 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, 2018 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, 2018 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.

NOTES TO THE SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2018

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).

Education Protection Account Expenditure Report

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

OTHER INDEPENDENT AUDITORS' REPORT

CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' 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*, the basic financial statements of the Cerritos Community College District (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 26, 2018.

<u>Internal Control Over Financial Reporting</u>

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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

CliftonLarsonAllen LLP
Glendora, California
November 26, 2018

CliftonLarsonAllen

CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
Cerritos Community College District
Norwalk, California

<u>Report on Compliance for Each Major Federal Program</u>

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, 2018. The District's major federal programs are identified in the summary of auditors' 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.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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, 2018.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2018-001. Our opinion on each major federal 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.

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.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a significant deficiency.

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying 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.

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
November 26, 2018

CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' 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 *2017-18 Contracted District Audit Manual,* published by the California Community Colleges Chancellor's Office for the year ended June 30, 2018. 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.

Auditors' 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 *2017-18 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.

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:

Section	Description	Procedures Performed
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 (CCAP and Non-CCAP) 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
444	Apprenticeship Related and Supplemental Instruction (RSI) Funds	Yes
475	Disabled Student Programs and Services (DSPS)	Yes
479	To Be Arranged Hours (TBA)	Yes
490	Proposition 1D and 51 State Bond Funded Projects	Not applicable
491	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, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *2017-18 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 items 2018-002 and 2018-003. 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 AUDITORS' 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 *2017-18 Contracted District Audit Manual.* Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
Glendora, California
November 26, 2018

FINDINGS AND QUESTIONED COSTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS
June 30, 2018

SECTION I – SUMMARY OF AUDITORS' 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?	X	*Yes*		*None Reported*

Type of auditors' 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)?	X	*Yes*		*No*

Identification of Major Federal Programs:

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

Dollar threshold used to distinguish between type A and type B programs: $1,272,220

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?	X	*Yes*		*None Reported*

Type of auditors' 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, 2018

There were no findings and questioned costs related to basic financial statements for the year ended June 30, 2018.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS
June 30, 2018

FEDERAL AWARDS FINDINGS

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

Federal Program: Student Financial Aid Cluster
CFDA Number: Various
Award Period: July 1, 2017 through June 30, 2018
Federal Agency: Department of Education

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

Condition: During our testing we noted that the District did not return 4 out of 40 (10% of the students tested) of the institutional and student share to the appropriate program or lender within the 45 day requirement. Days in excess of the 45 day requirement ranged from 8 to 24 calendar days. Two students were for Fall 2017 and two students were from Spring 2018.

Context: We selected a sample of 40 students who had received Federal aid and had withdrawn from courses offered by the District during the 2017-18 fiscal year.

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

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

Total Program Expenditures: $40,521,890

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

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

Corrective Action Plan: A corrective action plan has been implemented to address the issue of the return of federal funds within the 45-day requirement.

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

There was a technical issue that began during fall 2017 after a system update that impacted an isolated number of records. When we first became aware of the issue, we were manually fixing the records as we came across them.

We have resolved the issue by developing a population update process within PeopleSoft using a query to identify the records. When a record fails validation for no enrollment, we override a flag so that the record will validate and be included on the COD disbursement file sent to the Department of Education. We implemented this automated process on November 5, 2018 and the process will be run nightly to catch any records that are being excluded in the file generation.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS RELATED TO STATE AWARDS June 30, 2018

2018-002: <u>STATE COMPLIANCE: SECTION 424 STATE GENERAL APPORTIONMENT FUNDING SYSTEM – CALCULATION OF DAILY STUDENT CONTACT HOURS</u>

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

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

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

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

Context: We tested a stratified sample of 40 courses, which included 21 DSCH courses (4 Summer 2017, 8 Fall 2017 and 9 Spring 2018). Our testing identified 3 out of 9 Spring 2018 courses which incorrectly included meeting dates the class did not meet over Spring Break for apportionment purposes.

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

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

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

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

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

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

Corrective Action Plan: The District will development procedures to ensure the MIS College Daily Calendar is reviewed annually and reflects the approved holiday schedule in ensure accurate attendance reporting.

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

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

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

Condition: Out of a sample of 10, the audit of TBA courses identified 4 courses that did not have records of attendance.

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

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

Context: The District claimed 103 weekly and daily TBA courses during 2017-18. Our review tested ten courses, including one course from each academic discipline. Total resident contact hours for these three courses were 2,065 WSCH and 729 DSCH.

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

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

CERRITOS COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO STATE AWARDS
June 30, 2018

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

Corrective Action Plan: The District will development procedures to ensure TBA hours follow the appropriate attendance accounting procedures. Additionally, the District will create TBA rosters with instruction sheets for instructors teaching TBA courses to ensure proper records maintained, support actual hours, and submitted at end of term with grades and other attendance records.

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2018

2017-001: 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 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 not 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.

Status: Implemented.