



City of Cerritos, California

Comprehensive Annual Financial Report

for the Fiscal Year ended June 30, 2020



CITY OF CERRITOS, CALIFORNIA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**WITH REPORT ON AUDIT
BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**

**Prepared by
Administrative Services Department
Ryan Carey, Finance Manager**

CITY OF CERRITOS, CALIFORNIA
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2020
Table of Contents

	<u>Page Number</u>
INTRODUCTORY SECTION:	
Letter of Transmittal	i
Principal Officials	vii
Organization Chart	viii
Government Finance Officers Association Certificate	ix
FINANCIAL SECTION:	
Independent Auditors' Report	1
Managements' Discussion and Analysis (Required Supplementary Information)	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	17
Statement of Activities	18
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	20
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	21
Statement of Revenues, Expenditures and Changes in Fund Balances	22
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	23
Proprietary Funds:	
Statement of Net Position	24
Statement of Revenues, Expenses and Changes in Net Position	25
Statement of Cash Flows	26
Fiduciary Funds:	
Statement of Net Position	28
Statement of Changes in Net Position	29
Notes to Financial Statements	33

CITY OF CERRITOS, CALIFORNIA
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2020
Table of Contents

	<u>Page Number</u>
Required Supplementary Information:	
CalPERS Pension Plans:	
Miscellaneous Plans:	
Schedule of Proportionate Share of the Net Pension Liability	94
Schedule of Contributions	96
PARS Plan:	
Schedule of Changes in the Net Pension Liability and Related Ratios	98
Schedule of Contributions	100
Other Post-Employment Benefits Plan:	
Schedule of Changes in the Total OPEB Liability and Related Ratios	102
Schedule of Contributions	103
Budgetary Comparison Schedules:	
General Fund	104
Housing Assets Special Revenue Fund	105
Note to Required Supplementary Information	107
Supplementary Information:	
Combining and Individual Fund Statements and Schedules:	
Description of Nonmajor Governmental Funds	111
Other Governmental Funds:	
Combining Balance Sheet	112
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	116
Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
Street Improvements Special Revenue Fund	120
RMRA Special Revenue Fund	121
Drainage Special Revenue Fund	122
Proposition "A" Special Revenue Fund	123
Proposition "C" Special Revenue Fund	124
Measure "M" Special Revenue Fund	125
Assessment District #6 Special Revenue Fund	126
Los Coyotes Lighting District Special Revenue Fund	127
COPS Grant Special Revenue Fund	128
Environmental Grants Special Revenue Fund	129
AQMD Special Revenue Fund	130
Measure "R" Special Revenue Fund	131
Community Development Block Grant ("CDBG") Special Revenue Fund	132

CITY OF CERRITOS, CALIFORNIA
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2020
Table of Contents

	<u>Page Number</u>
STATISTICAL SECTION:	
Description of Statistical Section Contents	133
Financial Trends:	
Net Position by Component - Last Ten Fiscal Years	134
Changes in Net Position - Expenses and Program Revenues - Last Ten Fiscal Years	136
Changes in Net Position - General Revenues -Last Ten Fiscal Years	138
Fund Balances of Governmental Funds - Last Ten Fiscal Years	140
Changes in Fund Balances of Governmental Funds - Last Ten Fiscal Years	142
Governmental Activities Revenues by Sources - Last Ten Fiscal Years	144
Revenue Capacity:	
Assessed Value of Taxable Property - Last Ten Fiscal Years	146
Direct and Overlapping Property Tax Rates - Last Ten Fiscal Years	148
Ten Largest Secured Taxpayers - Current Year and Nine Years Ago	149
Property Tax Levies and Collections - Last Ten Fiscal Years	151
Debt Capacity:	
Ratios of Outstanding Debt by Type - Last Ten Fiscal Years	152
Schedule of Direct and Overlapping Bonded Debt	155
Legal Debt Margin Information - Last Ten Fiscal Years	156
Demographic and Economic Information:	
Demographic and Economic Statistics - Last Ten Fiscal Years	158
Operating Information:	
Full-Time and Part-Time City Employees by Function - Last Ten Fiscal Years	159
Operating Indicators by Function - Last Ten Fiscal Years	160
Capital Assets by Function - Last Ten Fiscal Years	162

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INTRODUCTORY SECTION

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CITY OF CERRITOSSM

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P.O. BOX 3130 • CERRITOS, CALIFORNIA 90703-3130
PHONE: (562) 860-0311 • CERRITOS.US



December 29, 2020

Honorable Mayor, Members of the City Council, and Citizens of the City of Cerritos

It is our pleasure to present the Comprehensive Annual Financial Report (CAFR) of the City of Cerritos (the City) for the fiscal year ended June 30, 2020.

This report consists of management's representations concerning the finances of the City of Cerritos. Management assumes the responsibility for the accuracy of the presented data, the completeness and fairness of the presentation and all disclosures. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft or misuse and to compile sufficiently reliable information for the preparation of the City's financial statements in conformity with generally accepted accounting principles (GAAP). Because the costs of internal controls should not outweigh their benefits, internal controls have been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatements.

The City's financial statements have been audited by the Clifton Larson Allen (CLA), a firm of certified public accountants that was selected via a competitive bid process. The auditors have issued an unmodified opinion on these financial statements. Such an opinion states that the auditors feel the City followed all applicable accounting rules and principles appropriately and that the financial reports are an accurate representation of the City's financial condition. Their report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

As a recipient of federal, state and county grants, the City of Cerritos is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to such grant programs. This internal control structure is subject to periodic evaluation by management.

If over \$750,000 is expended on Federal financial grant programs, the City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the United States Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. For the year ended June 30, 2020, the City expended less than \$750,000 on Federal financial assistance programs; and therefore, no single audit was required.

Profile of the City of Cerritos

The City of Cerritos is located approximately 20 miles southeast of downtown Los Angeles along the border of Orange County. Beginning as an unincorporated area known for its strawberry farms and dairy operations, the City transitioned into a more urban environment beginning in the late 1960s. In 1973 the City Council adopted a unique and innovative General Plan which has guided development within the City in a master planned fashion to create a park-like community with balanced development. Today the City is a progressive, affluent community with a highly educated and ethnically diverse population.

The City is home to over 50,000 residents and several large business organizations. Cerritos supports a robust commercial business environment that generates substantial amounts of sales tax revenue which, in turn, is utilized to support the City's varied operations.

The City, incorporated in 1956 as a charter city under the laws of the State of California, encompasses an area of 8.9 square miles. Under the City's Council-Manager form of government, City Council members are elected at large for four-year staggered terms, and the Mayor is chosen among the elected Council members to serve a one-year term. The City Council appoints the City Manager, who is responsible for the day-to-day administration and management of City business within all City departments.

A commitment to strategic planning and progressive, forward-thinking leadership, combined with a tradition of careful fiscal stewardship, has helped to place the City in a strong fiscal position. From this position of fiscal strength, the City has been able to provide residents and businesses with outstanding infrastructure, facilities, services and programs that have earned the City the well-earned reputation as an attractive place to live, work and play. However, the City is aware that its enviable fiscal position can be maintained only by managing its available resources wisely and monitoring its operating expenditures carefully.

The City provides a full range of municipal services, including community development, public works, recreational activities, state-of-the-art library services, a performing arts center, water, sewer and electric utility services, and general administrative and support services. The City provides police and fire services through contracts with the County of Los Angeles. The City's Sheriff Station serves as the operational headquarters for all County Sheriff's Department personnel assigned to Cerritos, and the Station acts as a stand-alone full-service safety facility for the community. The building's status as an "independent station" has enabled the Sheriff's Department to achieve progressively lower response times in Cerritos, thereby creating an atmosphere of enhanced safety and security for the community.

The annual budget serves as the foundation for the City's financial planning and control. The City Council holds public hearings and adopts an annual budget resolution for all funds. The City Manager is authorized to make changes in departmental operating budget totals as he may from time-to-time deem necessary in order to meet the City's needs. In past years, resources have been allocated to departments based on their work program objectives. Continuing allocations are justified by measurable outputs and the ongoing need for the services provided.

Economic Outlook and Major Initiatives

Like every city in America and most cities around the world, the City of Cerritos has had to contend with the significant impacts of the global COVID-19 pandemic. From a strictly

economic impact perspective, the City has seen a large number of its businesses temporarily closed, while others are struggling with reduced operating hours and restrictions on customer access. This has directly resulted in the critical loss of employment and income for those impacted by the closures and operations reductions. Correspondingly, these impacts have adversely affected vital sales tax revenue that the City utilizes to provide services and programs to the community. The City has also had to defer a significant amount of ground lease revenue that is derived from a number of City-owned properties as the tenants simply are not able to generate sufficient monthly revenue to cover their ground lease expenses. Further, transient occupancy tax (TOT) generated by a major hotel located within the City has significantly declined directly as a result of the COVID-19 pandemic and associated travel and meeting restrictions. Finally, revenue generated through City operated programming at the Cerritos Center for the Performing Arts, the Cerritos Library, the Cerritos Senior Center and the City's Parks and Recreation programming has been greatly reduced and/or eliminated. The City is committed to facing these challenges head on and will continue efforts to identify innovative solutions to support the preservation of jobs and the restoration of revenue streams within the retail, restaurant and hotel industries that have been negatively impacted throughout 2020.

Despite the difficult challenges brought forth by the COVID-19 pandemic, continued investment by private properties owners in the City of Cerritos is a reminder of the City's status as one the premier communities in Southern California to do business. This investment is the foundation for the City's long-term economic stability and provides the potential creation of new jobs and increases in sales tax generation capacity. The list that follows highlights some of the projects that have been recently completed or that are currently in process:

- Target Greatland retail space expansion: This project will provide multi-tenant inline retail/commercial space in the former garden center space of the Target Greatland located on Gridley Road and South Street. This project is currently under construction and is anticipated to be completed in early 2021
- Clarkdale Estate Homes: This project will construct five (5) new single family homes on a currently vacant parcel. The project is completing entitlement and plan review
- Lincoln Station Shopping Center Improvements: This project provided substantial exterior building improvements and landscape refurbishment and has been completed.
- Grocery Store Construction: This project renovated the vacant former Toys R Us building and will provide a new grocery store in the area of Gridley Road and South Street. The project is substantially completed and is anticipated to open in early 2021.
- Penske Jaguar/Land Rover Dealership Improvements: This project provides significant improvements to the exterior, interior and landscaping of the referenced auto dealership and is nearing completion.

Local businesses play a vital role in the City of Cerritos' long-term economic stability and vitality, and the City continues to work towards fostering a supportive business-friendly environment in the midst of the COVID-19 pandemic. The City understands the difficulties that local businesses are facing, and as such has implemented various City initiatives, programs, and services to help in alleviating the burden being experienced by the City's local business community. As the COVID-19 pandemic continues to evolve, the City of

Cerritos will continue its partnerships with local and regional agencies in an effort to continue to support Cerritos-based businesses and to serve the business community during these unprecedented times.

Short-Term and Long-Term Financial Planning

The City of Cerritos has a long history of measured stewardship and management of the community's financial resources, a history that when combined with a visionary, proactive approach to long-term economic development, has placed the City in a position of fiscal security, even in the face of uncertainty brought about by the COVID-19 pandemic. This same fiscal management strategy has provided the funding that will allow the City to continue provide its residents and businesses with outstanding facilities, programs and services as the City moves forward.

In the face of a challenging, rapidly changing and unfamiliar economic landscape, the City continues to take a very conservative approach to the allocation of its expenditures in order to ensure its continued capacity to meet rising service level demands. While the City enjoys a balanced budget in the current fiscal year, it has had to utilize reserve funding in order to meet budgetary demands. Management is concerned that the cyclical nature of a sales tax based revenue budget, combined with the uncertainties brought about by the COVID-19 pandemic, can leave the City exposed to potential revenue fluctuations that could place the City in a position where the use of reserve funds is once again required in order to offset budgetary revenue shortfalls. In an effort to mitigate this concern, the City remains committed to maintaining an austere approach to expenditures and to the identification of alternative revenue sources.

To meet the demands imposed by external factors affecting the budget, including COVID-19 related impacts and continued and unabated increases for the cost of goods and services that are necessary for the City's ongoing operation, the City has continued to critically evaluate the budget in a real-time effort to identify opportunities for cost savings through a streamlining of operations, temporary reduction of non-essential services and increases in organizational efficiency. These efforts have significantly reduced discretionary spending commensurate with reductions in previously referenced revenue streams and have helped the City realize significant cost savings across all budget cost centers.

The City's efforts to maintain program and service levels within the context of concentrated cost-containment have not been without consequence. Over the course of the recent past the City has had to offset revenue shortfalls with the use of reserve funds, while it continues to seek out alternative revenue generation sources. While the City does enjoy a balanced budget for the 2020-21 fiscal year that should not require the use of reserve funds, it remains imperative that the City continue to seek to diversify and expand its revenue streams while continuing to identify ways to further reduce costs and minimize expenditures.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Cerritos for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2019. The Certificate is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports. To be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. The report satisfied both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement from the GFOA is valid for a period of one year. We believe that this 2019-20 CAFR continues to conform to the Certificate of Achievement program requirements, and it will be submitted to GFOA for award consideration.

The preparation and publication of this report would not have been possible without the dedication, professionalism, and teamwork of the entire staff of the Finance Division within the Administrative Services Department and the City's independent auditors, Clifton Larson Allen. We would like to express our appreciation to all staff members who assisted and contributed to the preparation of this report.

The City Council has continued to extend their support to City staff in the planning of responsible and progressive financial operations. We would like to thank the Mayor and City Council for their continued support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,

A handwritten signature in black ink that reads "Art Gallucci". The signature is written in a cursive, flowing style.

Art Gallucci
City Manager

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CITY OF CERRITOS

City Council/Successor Agency

Naresh Solanki, Mayor/Chair
Chuong Vo, Mayor Pro-Tem/Vice Chair
Bruce W. Barrows, Council/Agency Member
Grace Hu, Council/Agency Member
Frank Aurelio Yokoyama, Council/Agency Member

Commissions

Economic Development Commission

Richard Alegria
Riaz Surti
Bipin Morari
Melinda Kimsey
vacant

Fine Arts and Historical Commission

Janet Beach
Michelle H. Guerrero
Matthew S. Kauble
Mansour Meisami
Linda Stauffer

Parks and Recreation Commission

Jennifer Hong
Richard Martinez
Christopher McDaniel
Ashok "Pat" Patnaik
Deven Solanki

Planning Commission

Bhavin Gandhi
Carla Gilhuys
James Giordano
Diana Needham
Milo "Larry" Sagert

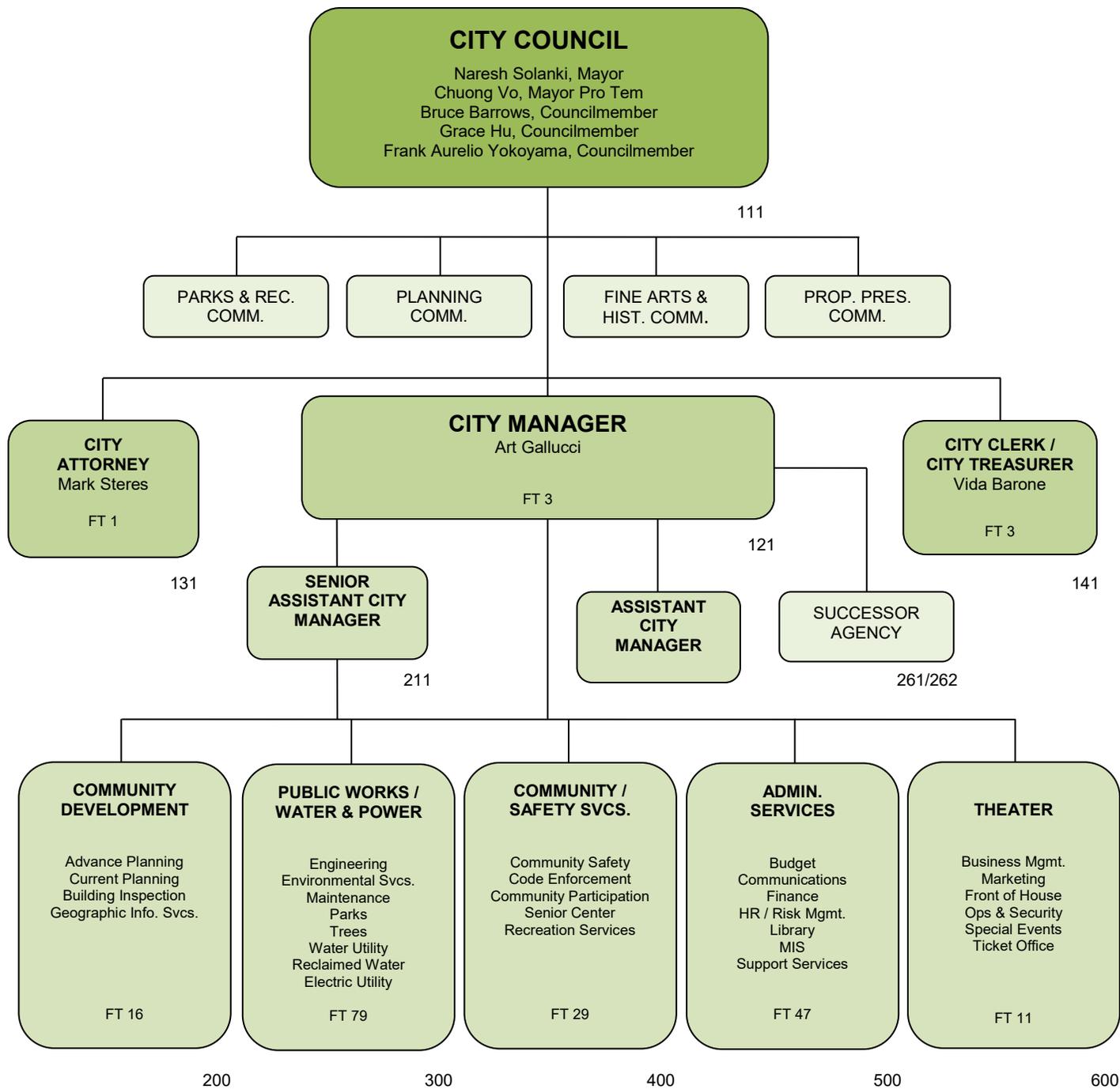
Property Preservation Commission

Bing Hadley
Jeannie Joung
Chan Yong Kim
Celia Spitzer
Latha Vasani

Appointed Officials

Art Gallucci, City Manager
Mark Steres, City Attorney
Vida Barone, City Clerk/City Treasurer

(as of June 30, 2020)





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Cerritos
California**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Honorable City Council
of the City of Cerritos
Cerritos, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cerritos, California (the City), as of and for the year ended June 30, 2020, and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, the auditors consider internal control relevant to the City'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 City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 16 to the financial statements, the net position of the governmental activities, business-type activities, and water and sewer proprietary fund as of July 1, 2019 were restated. Our opinions are not modified with respect to this matter.

Other Matters

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedules - General and Major Special Revenue Funds, the schedules of changes in net pension liability and related ratios, the schedules of plan contributions - pension, the schedule of changes in the net other post-employment benefit (OPEB) liability and related ratios, and the schedule of contributions - OPEB identified as Required Supplementary Information (RSI) in the accompanying table of contents, 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 RSI 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 RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual non-major fund financial statements and schedules (supplementary information), and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Other Matters (Continued)

Other Information (Continued)

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2020, on our consideration of the City'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 City'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 City's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Irvine, California
December 29, 2020

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City of Cerritos, California
Management's Discussion and Analysis
Year Ended June 30, 2020

As Management of the City of Cerritos, California ("City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with the accompanying letter of transmittal at the front of this report, and the basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's assets and deferred outflows exceeded its liabilities and deferred inflows at June 30, 2020 by \$372.3 million, which is referred to as the net position of the City. Of this amount, \$263.3 million is net investment in capital assets, \$29.4 million is restricted, and \$79.6 million is unrestricted. The unrestricted amount may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's net position decreased \$4.7 million.
- Governmental funds for the City reported combined fund balances of \$200.8 million. Of this amount, \$93.4 million is non-spendable, \$29.4 million is restricted by external parties, \$18.0 million has been assigned by City management, and \$60.0 million is unassigned fund balance which is available for future appropriation.
- For the year ended June 30, 2020, General Fund expenditures were \$63.3 million, which represent 106% of the unassigned fund balance.
- As of June 30, 2020, the cash and investments of the General Fund were \$78.4 million, which represents 45.6% of the total fund balance for the Fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which consist of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the basic financial statements. This report also contains supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents information on how the City's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (for example, uncollected taxes and earned but unused employee leaves).

City of Cerritos, California
Management's Discussion and Analysis (Continued)
Year Ended June 30, 2020

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Cerritos include legislative and administration, community development, public works, water and power, community and safety services, administrative services and the theater (Cerritos Center for the Performing Arts). The business-type activities of the City include water and sewer operations, reclaimed water, and electric utility.

The government-wide financial statements include the City of Cerritos itself (known as the primary government) only.

The Successor Agency is presented as a Fiduciary Fund in the financial statements and is considered a separate operating entity from the City of Cerritos.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Cerritos, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

- **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Cerritos maintains seventeen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and Housing Assets Special Revenue Fund. The other fifteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Cerritos adopts an annual appropriated budget for the General Fund and all Special Revenue Funds. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with these budgets.

City of Cerritos, California
Management's Discussion and Analysis (Continued)
Year Ended June 30, 2020

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements (Continued)

- **Proprietary Funds**

The City of Cerritos maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer, reclaimed water, and electric utility activities. *Internal service funds* are accounting devices used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its equipment maintenance and replacement activities. Because the internal service fund provides services that predominantly benefit governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer, Electric Utility, and Reclaimed Water Funds. The internal service fund is shown as a separate reporting category on the Proprietary Funds statements.

- **Fiduciary Funds**

The City maintains one Fiduciary Fund, a Private Purpose Trust Fund, which depicts the Successor Agency's activities.

Fiduciary funds provide the same type of information as the government-wide financial statements, only in more detail. The fiduciary fund financial statements provide separate information for the Successor Agency.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

The combining statements, referred to earlier in connection with other governmental funds and the internal service fund are presented in Supplementary Information.

City of Cerritos, California
Management's Discussion and Analysis (Continued)
Year Ended June 30, 2020

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following table summarizes the Statement of Net Position for fiscal years ending June 30, 2020 and June 30, 2019.

City of Cerritos Net Position
(in millions)

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Cash and investments	\$ 104.6	\$ 101.7	\$ 5.0	\$ 4.3	\$ 109.6	\$ 106.0
Other Assets	117.4	115.4	(41.5)	(40.0)	75.9	75.4
Capital Assets	237.6	241.2	35.7	37.2	273.3	278.4
Total Assets	<u>459.6</u>	<u>458.3</u>	<u>(0.8)</u>	<u>1.5</u>	<u>458.8</u>	<u>459.8</u>
Deferred Outflows	<u>13.3</u>	<u>14.5</u>	<u>1.2</u>	<u>1.4</u>	<u>14.5</u>	<u>15.9</u>
Other Liabilities	9.4	10.4	4.5	5.2	13.9	15.6
Long term liabilities outstanding	<u>67.0</u>	<u>64.7</u>	<u>15.8</u>	<u>15.9</u>	<u>82.9</u>	<u>80.6</u>
Total Liabilities	<u>76.5</u>	<u>75.1</u>	<u>20.3</u>	<u>21.1</u>	<u>96.8</u>	<u>96.2</u>
Deferred Inflows	<u>3.9</u>	<u>3.9</u>	<u>0.4</u>	<u>0.4</u>	<u>4.2</u>	<u>4.3</u>
Net Position						
Net investment in capital assets	237.6	241.2	25.7	26.8	263.3	268.0
Restricted	29.4	25.4	0.0	0.0	29.4	25.4
Unrestricted	<u>125.5</u>	<u>127.2</u>	<u>(45.9)</u>	<u>(45.4)</u>	<u>79.6</u>	<u>81.8</u>
Total Net Position	<u>\$ 392.5</u>	<u>\$ 393.8</u>	<u>\$ (20.2)</u>	<u>\$ (18.6)</u>	<u>\$ 372.3</u>	<u>\$ 375.2</u>

As noted earlier, the City's net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Cerritos, net position was \$372.3 million as of June 30, 2020. The net position decreased \$4.7 million, or 1.25%, during fiscal year 2019-20.

The largest portion of the City's net position at June 30, 2020 (\$263.3 million, or 70.7% of total net position) reflects its net investment in capital assets (e.g., land, infrastructure, buildings, machinery and equipment). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The decrease in governmental activities and enterprise investment in capital assets is attributable to normal depreciation of existing capital assets. The restricted portion of the City's net position of \$29.4 million or 7.9% represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$79.6 million may be used to meet the government's ongoing obligations to citizens and creditors.

City of Cerritos, California
Management's Discussion and Analysis (Continued)
Year Ended June 30, 2020

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

City of Cerritos Change in Net Position
(in millions)

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues:						
Charges for services	\$ 9.8	\$ 11.7	\$ 18.5	\$ 15.8	\$ 28.3	\$ 27.5
Operating grants and contributions	5.9	6.0	-	-	5.9	6.0
Capital grants and contributions	-	0.2	0.3	0.1	0.3	0.3
General revenues:						
Taxes	51.2	52.2	-	-	51.2	52.2
Investment income	12.5	13.1	0.1	0.1	12.6	13.2
Miscellaneous	0.1	0.1	-	-	0.1	0.1
Total revenues	<u>79.3</u>	<u>83.3</u>	<u>18.9</u>	<u>16.0</u>	<u>98.3</u>	<u>99.3</u>
Expenses:						
Legislative and administration	2.5	2.7	-	-	2.5	2.7
Community development	6.0	6.1	-	-	6.0	6.1
Public works	20.5	19.1	-	-	20.5	19.1
Water and power	-	-	-	-	-	-
Community and safety services	28.0	26.8	-	-	28.0	26.8
Administrative services	14.6	14.0	-	-	14.6	14.0
Cerritos Center for the Performing Arts	8.9	9.0	-	-	8.9	9.0
Unallocated infrastructure depreciation	0.9	0.9	-	-	0.9	0.9
Interest expense	-	-	-	-	-	-
Water and Sewer	-	-	13.4	12.8	13.4	12.8
Reclaimed water	-	-	1.2	1.2	1.2	1.2
Electric Utility	-	-	6.9	5.9	6.9	5.9
Total expenses	<u>81.5</u>	<u>78.6</u>	<u>21.5</u>	<u>19.9</u>	<u>103.0</u>	<u>98.5</u>
Change in net position						
before special item and extraordinary loss and transfers	(2.2)	4.7	(2.6)	(3.9)	(4.7)	0.8
Transfers	(0.9)	(0.9)	0.9	0.9	-	-
Special Items	-	-	-	-	-	-
Change in net position	<u>(3.0)</u>	<u>3.8</u>	<u>(1.8)</u>	<u>(3.0)</u>	<u>(4.7)</u>	<u>0.8</u>
Net position, beginning of year (as restated)	<u>395.5</u>	<u>390.0</u>	<u>(18.4)</u>	<u>(15.6)</u>	<u>377.0</u>	<u>374.4</u>
Net position, end of year	<u>\$ 392.4</u>	<u>\$ 393.8</u>	<u>\$ (20.2)</u>	<u>\$ (18.6)</u>	<u>\$ 372.2</u>	<u>\$ 375.2</u>

City of Cerritos, California

Management's Discussion and Analysis (Continued)

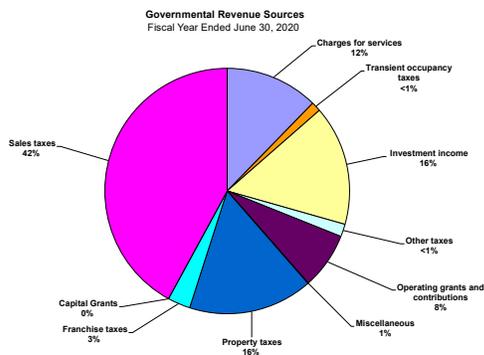
Year Ended June 30, 2020

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The City's total revenues were \$98.3 million in fiscal year 2019-2020, while the total cost of all programs and services was \$103 million. Revenues decreased by \$1 million from the prior year, primarily due to impacts associated with the COVID-19 pandemic, which reduced operating revenues that would otherwise have been derived through program registrations, facility rental and performances at a number of City facilities, including the Cerritos Center for the Performing Art, Library, Senior Center and Recreation Services.

Expenses increased \$4.5 million, or 4.6% when compared to fiscal year 2018-19. The increase is attributed to expenses associated with the City's contract with the Los Angeles County Sheriff's Department for Sheriff's services and increases within the City's water and electric utility operations.

As noted in the previous table (see the previous page), the City's net position decreased by \$4.7 million during the current fiscal year.

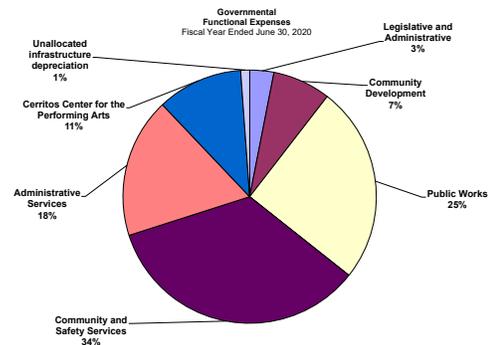


Governmental Activities

Revenues associated with governmental activities for fiscal year 2019-20 were \$3.9 million lower than the prior year. Sales tax decreased by \$1.4 million, and City fees and service revenues were \$1.9 million lower due to decreased enrollment and facility reservations in City Community Services programs and the cancellations of performances at the Cerritos Center for the Performing Arts as a result of the COVID-19 pandemic.

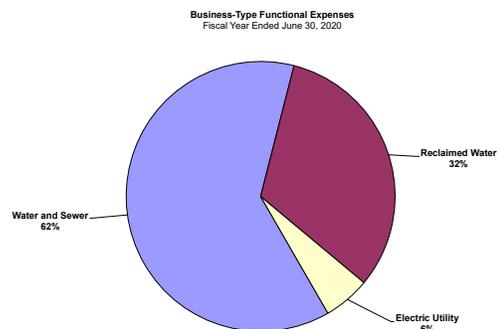
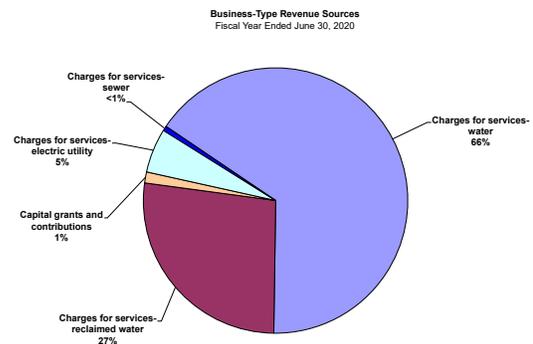
Expenses associated with governmental activities increased \$2.9 million when compared to the previous year.

The majority of this increase (\$1.2 million) is associated with increases in the Community Safety cost center to accommodate increases in the costs of the City's contract with the Los Angeles County Sheriff.



Business-Type Activities

Business-type activities decreased the City's net position by \$1.8 million when compared to fiscal year 2018-19. The decrease is attributable to continuing operating deficits in the Water and Sewer fund and the Electric Utility fund that are associated with user rates that do not provide for full program cost recovery to cover program operating expenditures.



City of Cerritos, California
Management's Discussion and Analysis (Continued)
Year Ended June 30, 2020

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City of Cerritos uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$200.8 million, representing an increase of \$3.6 million from the prior fiscal year. Non-spendable fund balances total \$93.7 million, most of which is for long-term receivables (\$90.2 million) from the Cerritos Auto Dealers Association, Successor Agency, Electric Utility, and Water and Sewer Funds. Restricted fund balances, legally restricted by external parties, total \$29.2 million. An additional \$18.0 million in fund balances have been assigned by City management for such items as art center programs, asset replacement, self-insurance, and advance loan repayment. The remaining fund balances are categorized as unassigned.

The General Fund is the main operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$60.1 million, which represents 35.0% of the total fund balance. The remaining fund balance for the General Fund includes \$93.3 million in non-spendable funds, \$364,000 of restricted funds, and \$18.0 million in assigned funds.

The City's General Fund balance increased \$2.0 million. Revenues were lower by \$3.5 million in comparison to the 2018-19 fiscal year. Reductions in revenue included a reduction of \$1.4 million in fees and service revenues and a \$1.0 million decrease in Sales Tax. Reductions in both of these revenue sources can be directly attributed to impacts associated with the COVID-19 pandemic. Expenditures remained consistent in virtually all areas except for an increase in Public Safety of \$1.2 million relating to increases in the contract expense with the Los Angeles County Sheriff associated with the City's Sheriff's operations.

As a result of the passage of the State of California Assembly Bill 1484 in June 2012, the Housing Assets Special Revenue Fund is considered a governmental fund of the City. The fund consists of advances made to the Successor Agency along with cash and investments that are restricted for the purpose of low and moderate income housing projects. The Housing Asset Fund increased by \$389,000, the majority of which relates to interest income. The increase in fund balance is consistent with increases that the fund has experienced over the past several years.

Proprietary Funds

The City's major proprietary funds are the Water and Sewer, Electric Utility and Reclaimed Water funds. Net position of these funds at the end of the fiscal year totaled (\$20.2) million. The total change in net position for these funds was a decrease of \$1.8 million. The Electric Utility fund had a deficit of \$937,000, while the Water and Sewer Utility fund had a deficit of \$687,000.

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

City of Cerritos, California
Management's Discussion and Analysis (Continued)
Year Ended June 30, 2020

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)

Fiduciary Funds

The City's fiduciary fund provides the same type of information found in the government-wide financial statements, but in more detail.

The City presents one fiduciary fund which is the Private Purpose Trust Fund. At June 30, 2020, the net position maintained a deficit balance in the amount of \$77.4 million.

Operating additions exceeded deductions which resulted in an increase of net position. The major components of the additions were the Successor Agency's share of property taxes from the Redevelopment Property Tax Trust Fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund revenues during the current fiscal year exceeded the final budget projection by \$3.5 million. The largest increase in revenue came from a \$3.1 million increases in Property, Sales and Other Taxes, where actual revenue totaled \$47.6 million, which exceeded the final budgeted projection of \$44.5 million. In addition, revenue from Investment and Rental Income outpaced the final budget projection of \$11.9 million by \$1.3 million, with a year-end actual total of \$13.2 million.

General Fund Expenditures, as noted in the final budget, when compared with actual expenses resulted in a positive variance in the amount of \$3.4 million. The variance is attributed to operational expenditure reductions within all City departments as the City reduced expenditures in response to the onset of the COVID-19 pandemic through facility closures and program and service postponements or cancellations.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City of Cerritos investment in capital assets for its governmental and business-type activities as of June 30, 2020, amounts to \$273.4 million (net of accumulated depreciation) which is a decrease of \$5.1 million from the prior fiscal year. This investment in capital assets includes land, streets, water, sewer and storm drain systems, buildings and improvements, machinery and equipment, vehicles, public works of art, parking structures, water rights and electric rights.

City of Cerritos, California
Management's Discussion and Analysis (Continued)
Year Ended June 30, 2020

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Capital Assets (Continued)

The following table presents the capital assets of the City of Cerritos at June 30, 2020.

City of Cerritos Capital Assets (in millions)						
	Governmental activities		Business-type activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 78.0	\$ 78.0	\$ -	\$ -	\$ 78.0	\$ 78.0
Parking structure rights	3.8	3.8	-	-	3.8	3.8
Right-of-way	49.2	49.2	-	-	49.2	49.2
Public art	4.9	4.9	-	-	4.9	4.9
Trees	1.4	1.4	-	-	1.4	1.4
Construction in progress	0.1	-	-	-	0.1	-
Buildings and structures	77.9	82.6	2.6	2.7	80.5	85.3
Improvements other than buildings	5.9	6.0	-	-	5.9	6.0
Infrastructure/water mains and lines/sewer mains	14.7	13.7	23.7	24.4	38.4	38.1
Water rights	-	-	1.2	1.2	1.2	1.2
Electric Rights	-	-	7.1	7.5	7.1	7.5
Furniture and equipment	1.8	1.8	1.2	1.4	3.0	3.2
Total	<u>\$ 237.6</u>	<u>\$ 241.2</u>	<u>\$ 35.7</u>	<u>\$ 37.2</u>	<u>\$ 273.4</u>	<u>\$ 278.4</u>

The capital assets declined because of \$8.3 million of annual depreciation with about \$3.2 million of capital additions. Detailed information relating to capital assets can be found in Note 6 to the basic financial statements.

Long-term debt

As a result of the dissolution of the City's Redevelopment Agency on February 1, 2012, the City transferred the debt issued by the Cerritos Public Financing Authority to the Successor Agency.

At the end of the 2020 fiscal year, the Successor Agency had total debt outstanding of \$56.7 million.

Successor Agency Long-Term Debt (in millions)		
	2020	2019
Los Cerritos Revenue Bonds	\$ 4.1	\$ 8.1
Los Coyotes Revenue Bonds	51.6	60.5
Add Deferred Amounts	1.0	1.2
Total Long-Term Debt	<u>\$ 56.7</u>	<u>\$ 69.8</u>

At the end of the 2020 fiscal year, the City had total debt outstanding of \$10.0 million which consisted of bonds issued for the development of the Magnolia Power Project. Detailed information relating to long-term debt can be found in Note 8 to the basic financial statements.

City of Cerritos, California
Management's Discussion and Analysis (Continued)
Year Ended June 30, 2020

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Despite the unprecedented challenges brought about by the onset of the COVID-19 pandemic, the City of Cerritos remains well-positioned to sustain the high level of services and programming that have been a hallmark of the City. This fiscal outlook is a testament to the City's shrewd foresight and the tremendous care it places in the stewardship of the community's financial resources. Moving forward, the City remains committed to fostering economic development through investment in the community and to the continued pursuit of a diversified pool of revenue sources.

The City's past success has been defined by innovative and impactful economic development. As the City moves into the 2020-21 fiscal year, it will again rely on the foresight and guidance of the City Council to define the City's priorities and maintain the economic development efforts that will help to facilitate the City's recovery from the fiscal impact of COVID-19. A clear emphasis will be placed on providing support for the City's commercial sector and ultimately in restoring (and ultimately growing) critical sales tax revenue and supporting the growth of property values. Over the past several years the City has experienced remarkable growth throughout both its residential and commercial communities. That growth has been instrumental in providing the City with the benefit of new high-quality tenants, increased employment opportunities and a means for generating additional sales tax revenue. Even through the challenges of the 2019-20 fiscal year, the City continued to attract significant investments from the private business community as many of the City's major retail outlets, including Cerritos Auto Square, Cerritos Towne Center and Lincoln Station experienced expansion and/or site improvements and upgrades. That investment by the private development community serves, even in a challenging economic environment, to affirm that Cerritos continues to remain a highly desirable commercial business location within the extremely competitive Southern California retail market.

The City will continue to take a very conservative approach to the allocation of its expenditures in order to ensure its continued capacity to keep pace with the escalation of operations and infrastructure maintenance expenses – and to remain prepared for the potential for unexpected circumstances and expenses that 2020 has reminded us all are possible. While sales tax remains the City's most significant source of revenue, management remains concerned that the cyclical nature of a sales tax based revenue budget can leave the City exposed to potential revenue fluctuations that could place it in a position where the use of reserve funds is required in order to offset budgetary revenue shortfalls. In an effort to mitigate this concern, the City remains committed to maintaining an austere approach to expenditures and to the identification of alternative revenue sources.

The 2020-21 budget and economic outlook for Cerritos remains focused on the City's tradition of careful stewardship of the community's finances while continuing to expand upon the City's reputation for innovative and progressive community development. The overriding and continuing focus of the City's budget program is on maintaining the City's commitment to its residents, both in terms of providing outstanding programming and events, and in maintaining a high-caliber community infrastructure through the prudent investment of finite economic resources.

REQUESTS FOR INFORMATION

This financial report is designed to provide the City of Cerritos citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to illustrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Finance Division at the City of Cerritos, 18125 Bloomfield Avenue, Cerritos, CA 90703, or call (562) 860-0311 or visit our website at www.cerritos.us.

BASIC FINANCIAL STATEMENTS

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CITY OF CERRITOS

STATEMENT OF NET POSITION

June 30, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current Assets:			
Pooled cash and investments	\$ 104,555,569	\$ 5,018,219	\$ 109,573,788
Accounts receivable	8,652,621	2,257,989	10,910,610
Interest receivable	264,187	-	264,187
Notes receivable	1,095,000	-	1,095,000
Prepaid items	2,163,652	491,723	2,655,375
Inventories	272,374	-	272,374
Internal balances	44,589,503	(44,589,503)	-
Total Current Assets	<u>161,592,906</u>	<u>(36,821,572)</u>	<u>124,771,334</u>
Noncurrent Assets:			
Net OPEB asset	3,367,952	312,870	3,680,822
Advances to Fiduciary Funds	56,950,154	-	56,950,154
Capital assets			
Not being depreciated	137,288,278	-	137,288,278
Being depreciated, net	100,350,994	35,722,500	136,073,494
Total Noncurrent Assets	<u>297,957,378</u>	<u>36,035,370</u>	<u>333,992,748</u>
TOTAL ASSETS	<u>459,550,284</u>	<u>(786,202)</u>	<u>458,764,082</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pension-related items	10,342,859	960,812	11,303,671
OPEB-related items	2,964,362	275,378	3,239,740
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>13,307,221</u>	<u>1,236,190</u>	<u>14,543,411</u>
LIABILITIES:			
Current Liabilities:			
Accounts payable and accrued liabilities	5,693,246	1,648,675	7,341,921
Accrued salaries and benefits	1,050,267	157,369	1,207,636
Unearned revenue	1,088,987	2,227,130	3,316,117
Deposits payable	653,253	42,045	695,298
Settlement payable	210,815	-	210,815
Compensated absences	742,688	52,338	795,026
Long-term debt	-	365,000	365,000
Total Current Liabilities	<u>9,439,256</u>	<u>4,492,557</u>	<u>13,931,813</u>
Noncurrent liabilities:			
Net pension liability	64,821,335	6,021,655	70,842,990
Compensated absences	2,228,062	157,013	2,385,075
Long-term debt	-	9,635,000	9,635,000
	<u>67,049,397</u>	<u>15,813,668</u>	<u>82,863,065</u>
TOTAL LIABILITIES	<u>76,488,653</u>	<u>20,306,225</u>	<u>96,794,878</u>
DEFERRED INFLOWS OF RESOURCES:			
Pension related	2,542,825	236,218	2,779,043
OPEB related	1,308,610	121,565	1,430,175
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>3,851,435</u>	<u>357,783</u>	<u>4,209,218</u>
NET POSITION:			
Net investment in capital assets	237,632,283	25,722,500	263,354,783
Restricted for:			
Housing assets	23,154,191	-	23,154,191
Street improvements	827,933	-	827,933
Transportation	1,735,175	-	1,735,175
Municipal improvements	3,681,441	-	3,681,441
Unrestricted (deficit)	125,486,394	(45,936,520)	79,549,874
TOTAL NET POSITION	<u>\$ 392,517,417</u>	<u>\$ (20,214,020)</u>	<u>\$ 372,303,397</u>

See accompanying notes to basic financial statements.

CITY OF CERRITOS

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2020

Functions/programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Legislative and Administration	\$ 2,509,888	\$ 12,245	\$ 236,334	\$ -
Community Development	6,040,084	2,749,521	1,922,299	-
Public Works	20,534,788	287,193	3,452,908	-
Community and Safety Services	28,017,979	1,878,902	162,529	-
Administrative Services	14,580,868	272,745	-	-
Cerritos Center for the Performing Arts	8,918,564	4,566,056	151,135	-
Unallocated infrastructure depreciation	921,562	-	-	-
Total governmental activities	81,523,733	9,766,662	5,925,205	-
Business-type activities:				
Water and Sewer	13,392,782	12,402,631	-	252,710
Electric Utility	6,892,482	5,077,817	-	-
Reclaimed Water	1,205,028	1,020,833	-	-
Total business-type activities	21,490,292	18,501,281	-	252,710
Total	\$ 103,014,025	\$ 28,267,943	\$ 5,925,205	\$ 252,710

General revenues:

Taxes:

Sales taxes

Property taxes

Franchise taxes

Transient occupancy taxes

Other taxes

Investment income

Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning of year, as restated (Note 16)

Net position - end of year

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (2,261,309)	\$ -	\$ (2,261,309)
(1,368,264)	-	(1,368,264)
(16,794,687)	-	(16,794,687)
(25,976,548)	-	(25,976,548)
(14,308,123)	-	(14,308,123)
(4,201,373)	-	(4,201,373)
<u>(921,562)</u>	<u>-</u>	<u>(921,562)</u>
 (65,831,866)	 -	 (65,831,866)
 -	(737,441)	(737,441)
-	(1,814,665)	(1,814,665)
<u>-</u>	<u>(184,195)</u>	<u>(184,195)</u>
 -	 (2,736,301)	 (2,736,301)
<u>(65,831,866)</u>	<u>(2,736,301)</u>	<u>(68,568,167)</u>
 33,382,067	-	33,382,067
13,040,649	-	13,040,649
2,390,426	-	2,390,426
1,023,825	-	1,023,825
1,319,269	-	1,319,269
12,543,010	104,771	12,647,781
49,818	-	49,818
<u>(859,130)</u>	<u>859,130</u>	<u>-</u>
 62,889,934	 963,901	 63,853,835
<u>(2,941,932)</u>	<u>(1,772,400)</u>	<u>(4,714,332)</u>
 395,459,349	 (18,441,620)	 377,017,729
<u>\$ 392,517,417</u>	<u>\$ (20,214,020)</u>	<u>\$ 372,303,397</u>

CITY OF CERRITOS

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2020

	Major Funds		Nonmajor Governmental Funds	Total Governmental Funds
	General	Housing Assets Special Revenue		
ASSETS				
Cash and investments	\$ 78,361,568	\$ 11,536,520	\$ 5,420,463	\$ 95,318,551
Receivables:				
Accounts	6,868,803	-	1,783,818	8,652,621
Interest	264,187	-	-	264,187
Notes	1,095,000	-	-	1,095,000
Prepaid items	1,963,984	-	179,611	2,143,595
Inventories	42,770	229,604	-	272,374
Advances to other funds	44,589,503	-	-	44,589,503
Advances to fiduciary funds	45,560,123	11,390,031	-	56,950,154
TOTAL ASSETS	\$ 178,745,938	\$ 23,156,155	\$ 7,383,892	\$ 209,285,985
LIABILITIES				
Accounts payable and accrued liabilities	\$ 4,403,605	\$ 1,964	\$ 1,236,900	\$ 5,642,469
Accrued salaries and benefits	977,679	-	72,588	1,050,267
Deposits payable	653,253	-	-	653,253
Settlement payable - current portion	5,858	-	-	5,858
Unearned revenue	1,043,933	-	45,054	1,088,987
TOTAL LIABILITIES	7,084,328	1,964	1,354,542	8,440,834
FUND BALANCES				
Nonspendable	93,251,380	229,604	179,611	93,660,595
Restricted	363,533	22,924,587	5,881,016	29,169,136
Assigned	17,973,511	-	-	17,973,511
Unassigned (deficit)	60,073,186	-	(31,277)	60,041,909
TOTAL FUND BALANCES	171,661,610	23,154,191	6,029,350	200,845,151
TOTAL LIABILITIES AND FUND BALANCES	\$ 178,745,938	\$ 23,156,155	\$ 7,383,892	\$ 209,285,985

CITY OF CERRITOS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

June 30, 2020

Fund balances - total governmental funds		\$ 200,845,151
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets net of depreciation have not been included as financial resources in governmental funds. This does not include internal service fund capital assets of \$2,718,226 and accumulated depreciation of \$1,093,747.</p>		
Capital assets	\$ 400,119,118	
Accumulated depreciation	<u>(164,104,325)</u>	236,014,793
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds. Long-term liabilities consists of the following:</p>		
Compensated absences		(2,970,750)
Settlement payable (net of \$5,858 reported in the General Fund)		(204,957)
<p>Pension-related debt applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Deferred outflows of resources and deferred inflows of resources related to pensions are only reported in the statement of net position, as the changes in these amounts affect only the government-wide statements for governmental activities.</p>		
Deferred outflows of resources related to pension	10,342,859	
Deferred inflows of resources related to pension	(2,542,825)	
Net pension liability	<u>(64,821,335)</u>	(57,021,301)
<p>OPEB-related debt applicable to the City's governmental activities is not due and payable in the current period and accordingly is not reported as fund liabilities. Deferred outflows of resources and deferred inflow of resources related to OPEB are only reported in the statement of net position, as the changes in these amounts affect only the government-wide statements for governmental activities.</p>		
Deferred outflows of resources related to OPEB	2,964,362	
Deferred inflows of resources related to OPEB	(1,308,610)	
Net OPEB asset	<u>3,367,952</u>	5,023,704
<p>Internal service funds are used by management to charge the costs of vehicle replacement to individual funds. The assets and liabilities of the internal service fund are included in the statement of net position.</p>		
		<u>10,830,777</u>
Net position of governmental activities		<u>\$ 392,517,417</u>

CITY OF CERRITOS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2020

	Major Funds		Nonmajor Governmental Funds	Total Governmental Funds
	General	Housing Assets Special Revenue		
REVENUES:				
Property, sales, and other taxes	\$ 47,605,084	\$ -	\$ -	\$ 47,605,084
Franchise	2,390,426	-	84,000	2,474,426
Licenses and permits	3,072,377	-	-	3,072,377
Fines and forfeitures	399,420	-	-	399,420
Investment and rental income	13,204,736	382,684	55,796	13,643,216
Revenues from other agencies	159,895	-	5,568,048	5,727,943
Current fees and services	5,768,527	-	61,617	5,830,144
Other revenues	497,129	24,103	-	521,232
TOTAL REVENUES	<u>73,097,594</u>	<u>406,787</u>	<u>5,769,461</u>	<u>79,273,842</u>
EXPENDITURES:				
Current:				
Legislative and Administration	1,790,890	-	210,929	2,001,819
Community Development	4,002,842	17,605	1,749,743	5,770,190
Public Works	12,973,386	-	6,435,609	19,408,995
Community and Safety Services	25,233,008	-	-	25,233,008
Administrative Services	11,972,098	-	684,560	12,656,658
Cerritos Center for the Performing Arts	6,932,283	-	-	6,932,283
Capital outlay	442,881	-	2,313,745	2,756,626
TOTAL EXPENDITURES	<u>63,347,388</u>	<u>17,605</u>	<u>11,394,586</u>	<u>74,759,579</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>9,750,206</u>	<u>389,182</u>	<u>(5,625,125)</u>	<u>4,514,263</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	185,375	-	7,514,621	7,699,996
Transfers out	(7,909,235)	-	(649,891)	(8,559,126)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(7,723,860)</u>	<u>-</u>	<u>6,864,730</u>	<u>(859,130)</u>
NET CHANGE IN FUND BALANCES	2,026,346	389,182	1,239,605	3,655,133
FUND BALANCES - BEGINNING OF YEAR	<u>169,635,264</u>	<u>22,765,009</u>	<u>4,789,745</u>	<u>197,190,018</u>
FUND BALANCES - END OF YEAR	<u>\$ 171,661,610</u>	<u>\$ 23,154,191</u>	<u>\$ 6,029,350</u>	<u>\$ 200,845,151</u>

See accompanying notes to basic financial statements.

CITY OF CERRITOS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2020

Net change in fund balances - total governmental funds		\$ 3,655,133
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense or allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as follows:</p>		
Depreciation (does not include internal service fund depreciation expense of \$235,459)		
Capital outlay, net of disposals of \$10,955 and acquisitions reported in the internal service fund of \$442,881.	\$ (6,171,865)	
	<u>2,370,541</u>	(3,801,324)
Settlement payable reported on the statement of activities does not require the use of current financial resources and therefore is not reported as expenditures in governmental funds. The net change is reported on the statement of activities.		16,268
Compensated absences reported on the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The net change is reported on the statement of activities.		(378,463)
Pension expense reported in the governmental funds includes the annual required contributions. In the statement of activities, pension expense includes the change in the net pension liability and related change in pension amounts for deferred outflows of resources and deferred inflows of resources.		(3,947,686)
OPEB expense reported in the governmental funds includes the insurance premiums paid. In the statement of activities, OPEB expense includes the change in the net OPEB asset and related change in OPEB amounts for deferred outflows of resources and deferred inflows of resources.		2,127,129
Internal service funds are used by management to charge the costs of vehicle replacement to individual funds. The net revenues of the internal service fund are reported with governmental activities.		<u>(612,989)</u>
Change in net position of governmental activities		<u>\$ (2,941,932)</u>

CITY OF CERRITOS

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

June 30, 2020

	Business-Type Activities - Enterprise Funds				Governmental
	Major Funds		Non-Major	Total Enterprise	Activities -
	Water and Sewer	Electric Utility	Reclaimed Water	Funds	Equipment Replacement Internal Service Funds
ASSETS					
Current Assets:					
Cash and investments	\$ 3,071,546	\$ 195,082	\$ 1,751,591	\$ 5,018,219	\$ 9,237,018
Accounts receivable	1,467,355	570,264	220,370	2,257,989	-
Prepaid items	418,179	3,806	69,738	491,723	20,057
Total Current Assets	<u>4,957,080</u>	<u>769,152</u>	<u>2,041,699</u>	<u>7,767,931</u>	<u>9,257,075</u>
Noncurrent Assets:					
Net OPEB asset	312,870	-	-	312,870	-
Capital assets:					
Building and structures	5,707,673	-	1,315,000	7,022,673	-
Water mains and lines	29,898,633	-	15,654,237	45,552,870	-
Equipment	5,948,069	-	120,278	6,068,347	2,718,226
Water rights acquired	2,259,378	-	-	2,259,378	-
Electric utility rights acquired	-	14,105,000	-	14,105,000	-
Sewer mains	11,760,205	-	-	11,760,205	-
Accumulated depreciation	<u>(33,968,939)</u>	<u>(7,052,500)</u>	<u>(10,024,534)</u>	<u>(51,045,973)</u>	<u>(1,093,747)</u>
Total noncurrent assets	<u>21,917,889</u>	<u>7,052,500</u>	<u>7,064,981</u>	<u>36,035,370</u>	<u>1,624,479</u>
Total Assets	<u>26,874,969</u>	<u>7,821,652</u>	<u>9,106,680</u>	<u>43,803,301</u>	<u>10,881,554</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension related deferred outflows of resources	960,812	-	-	960,812	-
OPEB related deferred outflows of resources	275,378	-	-	275,378	-
Total Deferred Outflows of Resources	<u>1,236,190</u>	<u>-</u>	<u>-</u>	<u>1,236,190</u>	<u>-</u>
LIABILITIES					
Current Liabilities:					
Accounts payable	1,058,712	265,350	324,613	1,648,675	50,777
Accrued salaries and benefits	140,115	8,496	8,758	157,369	-
Deposits payable	42,045	-	-	42,045	-
Unearned revenue	2,227,130	-	-	2,227,130	-
Long-term debt - due within one year	-	365,000	-	365,000	-
Compensated absences - due within one year	52,338	-	-	52,338	-
Total Current Liabilities	<u>3,520,340</u>	<u>638,846</u>	<u>333,371</u>	<u>4,492,557</u>	<u>50,777</u>
Noncurrent Liabilities:					
Advances from other funds	19,739,978	24,849,525	-	44,589,503	-
Net pension liabilities (Note 10)	6,021,655	-	-	6,021,655	-
Long-term debt - due in more than one year	-	9,635,000	-	9,635,000	-
Compensated absences - due in more than one year	157,013	-	-	157,013	-
Total Noncurrent Liabilities	<u>25,918,646</u>	<u>34,484,525</u>	<u>-</u>	<u>60,403,171</u>	<u>-</u>
Total Liabilities	<u>29,438,986</u>	<u>35,123,371</u>	<u>333,371</u>	<u>64,895,728</u>	<u>50,777</u>
DEFERRED INFLOWS OF RESOURCES					
Pension related deferred inflows of resources	236,218	-	-	236,218	-
OPEB related deferred outflows of resources	121,565	-	-	121,565	-
Total deferred inflows of resources	<u>357,783</u>	<u>-</u>	<u>-</u>	<u>357,783</u>	<u>-</u>
NET POSITION					
Net investment in capital assets	21,605,019	(2,947,500)	7,064,981	25,722,500	1,624,479
Unrestricted (deficit)	<u>(23,290,629)</u>	<u>(24,354,219)</u>	<u>1,708,328</u>	<u>(45,936,520)</u>	<u>9,206,298</u>
Total Net Position (Deficit)	<u>\$ (1,685,610)</u>	<u>\$ (27,301,719)</u>	<u>\$ 8,773,309</u>	<u>\$ (20,214,020)</u>	<u>\$ 10,830,777</u>

See accompanying notes to basic financial statements.

CITY OF CERRITOS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

For the Year Ended June 30, 2020

	Business-Type Activities				Governmental Activities - Equipment Replacement Internal Service Fund
	Major Funds		Non-Major Reclaimed Water	Total Enterprise Funds	
	Water and Sewer	Electric Utility			
Operating Revenues:					
Sales of water:					
Regular	\$ 9,178,072	\$ -	\$ 1,020,833	\$ 10,198,905	\$ -
Wholesale	2,684,695	-	-	2,684,695	-
Sales of electricity:					
Regular	-	5,075,778	-	5,075,778	-
Fire lines	453,271	-	-	453,271	-
Charges for services	86,593	-	-	86,593	-
Other revenues	-	2,039	-	2,039	-
Total Operating Revenues	12,402,631	5,077,817	1,020,833	18,501,281	-
Operating Expenses:					
Management	4,167,722	169,519	333,778	4,671,019	-
Production and distribution	5,171,151	-	52,639	5,223,790	-
Operations	1,783,643	5,137,579	474,231	7,395,453	544,619
Inspections	387,709	-	43,079	430,788	-
Billings and collection	331,248	-	-	331,248	-
Depreciation	1,087,533	470,167	301,301	1,859,001	235,459
Total Operating Expenses	12,929,006	5,777,265	1,205,028	19,911,299	780,078
Operating Income (Loss)	(526,375)	(699,448)	(184,195)	(1,410,018)	(780,078)
Nonoperating Revenues (Expenses):					
Investment income/(loss)	50,935	18,585	35,251	104,771	167,089
Interest expense - debt service	-	(509,131)	-	(509,131)	-
Interest expense - advances	(463,776)	(606,086)	-	(1,069,862)	-
Total Nonoperating Revenues (Expenses)	(412,841)	(1,096,632)	35,251	(1,474,222)	167,089
(Loss) before capital contributions and transfers	(939,216)	(1,796,080)	(148,944)	(2,884,240)	(612,989)
Capital Contributions and Transfers					
Capital contributions	252,710	-	-	252,710	-
Transfers in	-	859,130	-	859,130	-
Change in Net Position	(686,506)	(936,950)	(148,944)	(1,772,400)	(612,989)
Net Position, Beginning of Year, as restated (Note 16)	(999,104)	(26,364,769)	8,922,253	(18,441,620)	11,443,766
Net Position, End of Year	\$ (1,685,610)	\$ (27,301,719)	\$ 8,773,309	\$ (20,214,020)	\$ 10,830,777

See accompanying notes to basic financial statements.

CITY OF CERRITOS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the Year Ended June 30, 2020

	Business-Type Activities - Enterprise Funds				Governmental
	Major Funds				Activities -
	Water and Sewer	Electric Utility	Reclaimed Water	Total Enterprise Funds	Equipment Replacement Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	\$ 12,310,462	\$ 5,081,345	\$ 1,106,716	\$ 18,498,523	\$ -
Cash paid to suppliers of goods or services	(7,950,869)	(5,134,437)	(929,049)	(14,014,355)	(506,629)
Cash paid to employers	(3,954,881)	(173,333)	(334,377)	(4,462,591)	-
Net Cash Provided by (Used for)					
Operating Activities	404,712	(226,425)	(156,710)	21,577	(506,629)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Cash advances from other funds	1,188,965	606,086	-	1,795,051	-
Transfers in	-	859,130	-	859,130	-
Net Cash Provided by					
Noncapital Financing Activities	1,188,965	1,465,216	-	2,654,181	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition of capital assets	(130,461)	-	(25,002)	(155,463)	(442,881)
Disposal of capital assets, net	17,681	-	-	17,681	-
Principal paid on debt	-	(350,000)	-	(350,000)	-
Interest paid on debt	(463,776)	(1,115,217)	-	(1,578,993)	-
Net Cash Used for					
Capital and Related Financing Activities	(576,556)	(1,465,217)	(25,002)	(2,066,775)	(442,881)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest income received	50,935	18,585	35,251	104,771	167,089
Net Cash Provided by Investing Activities	50,935	18,585	35,251	104,771	167,089
Net Increase (Decrease) in					
Cash and Cash Equivalents	1,068,056	(207,841)	(146,461)	713,754	(782,421)
Cash and Cash Equivalents, Beginning of Year	2,003,490	402,923	1,898,052	4,304,465	10,019,439
Cash and Cash Equivalents, End of Year	\$ 3,071,546	\$ 195,082	\$ 1,751,591	\$ 5,018,219	\$ 9,237,018

See accompanying notes to basic financial statements.

CITY OF CERRITOS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the Year Ended June 30, 2020
(Continued)

	Business-Type Activities				Governmental Activities
	Water and Sewer	Electric Utility	Non-Major Reclaimed Water	Total	Internal Service Funds
Reconciliation of Operating Loss to Net Cash					
Provided by (Used for) Operating Activities:					
Operating loss	\$ (526,375)	\$ (699,448)	\$ (184,195)	\$ (1,410,018)	\$ (780,078)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:					
Depreciation	1,087,533	470,167	301,301	1,859,001	235,459
Changes in assets and deferred outflows of resources:					
(Increase) decrease in accounts receivable	(92,169)	3,528	85,883	(2,758)	-
(Increase) decrease in prepaid items	41,970	-	5,229	47,199	(10,117)
(Increase) decrease in deferred outflows of resources related to pensions	236,226	-	-	236,226	-
(Increase) decrease in deferred outflows of resources related to OPEB	35,410	-	-	35,410	-
Changes in liabilities and deferred inflows of resources:					
Increase (decrease) in accounts payable	(315,843)	3,142	(364,329)	(677,030)	48,107
Increase (decrease) in accrued salaries and benefits	(2,130)	(3,814)	(599)	(6,543)	-
Increase (decrease) in deposits payable	(3,245)	-	-	(3,245)	-
Increase (decrease) in compensated absences payable	45,849	-	-	45,849	-
Increase (decrease) in total OPEB liability	(354,577)	-	-	(354,577)	-
Increase (decrease) in net pension liability	257,050	-	-	257,050	-
Increase (decrease) in deferred inflows of resources related to pensions	(126,552)	-	-	(126,552)	-
Increase (decrease) in deferred inflows of resources related to OPEB	121,565	-	-	121,565	-
Net Cash Provided by (Used for)					
Operating Activities	<u>\$ 404,712</u>	<u>\$ (226,425)</u>	<u>\$ (156,710)</u>	<u>\$ 21,577</u>	<u>\$ (506,629)</u>

CITY OF CERRITOS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2020

	Successor Agency to the Cerritos Redevelopment Agency
ASSETS:	
Cash and investments	\$ 18,610,739
Cash and investments with fiscal agents	17,695,961
Interest receivable	<u>26,837</u>
TOTAL ASSETS	<u>36,333,537</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred loss on refunding of debt, net	<u>425,346</u>
TOTAL DEFERRED OUTFLOW OF RESOURCES	<u>425,346</u>
LIABILITIES:	
CURRENT LIABILITIES:	
Interest payable	427,647
Long-term debt - due within one year	<u>13,460,000</u>
TOTAL CURRENT LIABILITIES	<u>13,887,647</u>
NONCURRENT LIABILITIES:	
Advances from City of Cerritos (Note 5)	56,950,154
Long-term debt - due in more than one year	<u>43,280,243</u>
TOTAL LONG-TERM LIABILITIES	<u>100,230,397</u>
TOTAL LIABILITIES	<u>114,118,044</u>
NET POSITION:	
Held in trust:	
Held for dissolution of community redevelopment agency (deficit)	<u>(77,359,161)</u>
TOTAL NET POSITION (DEFICIT)	<u>\$ (77,359,161)</u>

CITY OF CERRITOS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

For the Year Ended June 30, 2020

	Successor Agency to the Cerritos Redevelopment Agency
ADDITIONS:	
Redevelopment Property Tax Trust Fund	\$ 17,813,400
Investment income	600,078
	<u>18,413,478</u>
TOTAL ADDITIONS	<u>18,413,478</u>
DEDUCTIONS:	
Administrative expenses	35,000
Interest on long-term debt	3,935,680
Fiscal charges	8,947
	<u>3,979,627</u>
TOTAL DEDUCTIONS	<u>3,979,627</u>
CHANGE IN NET POSITION	14,433,851
NET POSITION (DEFICIT):	
Beginning of Year	<u>(91,793,012)</u>
End of Year	<u>\$ (77,359,161)</u>

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NOTES TO BASIC FINANCIAL STATEMENTS

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CITY OF CERRITOS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Cerritos, California (the City), have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Description of the Financial Reporting Entity

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, and applicable amendments including GASB 61. The basic, but not the only, criterion for including a potential component unit within the City's reporting entity is whether the City Council, as the City's governing body, has financial accountability for the potential component unit. The most significant manifestations of financial accountability include the ability of the Council to appoint a voting majority of the organization's governing body and the ability to impose its will on the organization; or that there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. The City may be deemed to be financially accountable if an organization is fiscally dependent on the City regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government or a jointly appointed board. In addition to those organizations for which the City may be financially accountable, other organizations for which the City is not financially accountable, but for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete, may also be component units. Component units are presented on a "blended" basis when the component unit's governing body is substantially the same as the City's or the component unit provides services almost entirely to the City. In a blended presentation, a component unit's balances and transactions are reported in a manner similar to the balances and transactions of the City. Based upon the application of these criteria, the City has no component units. The following is a brief review of the City's reporting entity.

City of Cerritos

The City was incorporated on April 26, 1956 as a charter city under the laws of the State of California and enjoys all the rights and privileges allowed by its charter. The City is governed by an elected five-member council.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are separately aggregated and reported as non-major funds.

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net position (i.e., fund balances) as presented in these statements to the net position presented in the Government-wide financial statements.

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Fund Net Position, and a Statement of Cash Flows for each proprietary fund and non-major funds aggregated. A column representing internal service funds is also presented in these statements. However, a portion of the internal service balances and activities have been combined with the governmental activities in the Government-wide financial statements.

The following are the major governmental funds of the City:

The **General Fund** is the general operating fund of the City. All general tax revenues and other receipts not allocated by law or contractual agreement to other funds are accounted for in this fund. Expenditures of this fund include general operating costs not paid through other funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements (Continued)

The **Housing Assets Special Revenue Fund** is used to account for activities of the former Redevelopment Agency Low and Moderate Income Housing Fund. These funds are restricted for administrative costs and projects related to low and moderate income housing.

The following are the major proprietary funds of the City:

The **Water and Sewer Enterprise Fund** is used to account for the provision of water and sewer to the residents and businesses of the City and to account for monies received from sewer connection and maintenance fees. All activities necessary to provide such services are accounted for in this fund including, but not limited to, administration, operations, maintenance, construction, and financing.

The **Electric Utility Enterprise Fund** is used to account for retail electricity provided by the City. Initially, major accounts for both the City and the ABC Unified School District were served. Additional accounts have been added since inception to utilize the full output of the Magnolia plant allocated to Cerritos. All activities necessary to provide such services are accounted for in this fund including, but not limited to, administration, operations, maintenance, construction financing and related debt service.

Additionally, the City reports the following fund types:

Governmental Fund Types

Special Revenue Funds account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects), that are restricted to expenditures for special purposes.

Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major facilities other than those financed by Proprietary Funds.

Proprietary Funds

The Reclaimed Water Fund, an **Enterprise Fund**, is used to account for the sale of reclaimed water to the residents and businesses of the City. All activities necessary to provide such services are accounted for in this fund including, but not limited to, administration, operations, maintenance, construction, and financing.

The Equipment Replacement Fund, an **Internal Service Fund**, is used to account for the regular maintenance and replacement of the City's capital equipment and office equipment inventory and to accumulate funds necessary for equipment replacement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements (Continued)

Fiduciary Fund

The **Successor Agency to the Cerritos Redevelopment Agency Fund** is a private purpose trust fund used to account for non-housing activities of the Successor Agency to the Cerritos Redevelopment Agency (“Successor Agency”).

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales tax are recognized when the underlying transactions take place. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the granting agency have been met.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grant funds earned but not received by the end of the fiscal period are recorded as a receivable, and revenue is recognized if collected within 60 days of the end of the current fiscal period. Property and sales taxes, utility users’ taxes, transient occupancy taxes, franchise taxes, licenses and other charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Proprietary, pension and private-purpose trust funds are reported using the economic resources measurement focus and the accrual basis of accounting. Agency funds have no measurement focus but utilizes the accrual basis of accounting for reporting assets and liabilities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits and investments with original maturities of three months or less from the date of acquisition. With respect to cash and investments with fiscal agents, all investments have an original maturity of less than three months and are considered to be cash equivalents.

The City's proprietary fund participates in the pooling of City-wide cash and investments. Amounts held in the City pool are available to the fund on demand and are considered to be cash and cash equivalents for statement of cash flow purposes. Investments not held in the City pool that are short-term investments with original maturities of three months or less from the date of acquisition are considered cash and cash equivalents.

E. Investments

Investments are stated at fair value (quoted market price or best available estimate thereof).

F. Inventories

Inventories are valued at weighted average cost. Inventories in the Governmental Funds are recorded based on the consumption (capitalization) method and are offset by a nonspendable fund balance.

G. Prepaids

Prepaid items are payments made to vendors for services that will benefit periods beyond the fiscal year ended using the consumption method.

H. Capital Assets

Capital assets (including infrastructure) are recorded at historical cost or estimated historical cost if purchased or constructed. Contributed capital assets are valued at their acquisition value at the date of contribution. Generally, capital asset purchases in excess of \$10,000 are capitalized if they have an expected useful life of 1 year or more.

Capital assets include additions to public domain (infrastructure), certain improvements including pavement, curb and gutter, sidewalks, traffic control devices, street lights, sewers, water lines, bridges and right-of-way corridors within the City.

For infrastructure systems, the City elected to use the "Basic Approach" and depreciate over its estimated useful life. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Capital Assets (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of the capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method. The lives used for depreciation purposes of each capital asset class are:

Buildings	40 years
Improvements other than buildings	10 to 40 years
Water mains and lines	65 years
Water rights	40 years
Electricity rights	30 years
Vehicles	5 to 15 years
Machinery and equipment	5 to 15 years
Office furniture, computers and equipment	3 to 15 years
Leased property	5 to 10 years
Infrastructure	20 to 75 years

I. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has the following items that qualify for reporting in this category:

- Deferred outflow related to pensions and OPEB equal to employer contributions made after the measurement date of the net pension liability and net OPEB liability.
- Deferred outflow related to pensions resulting from the net difference in projected and actual earnings on investments of the pension plans' fiduciary net position. These amounts are amortized over five years.
- Deferred outflow from pensions resulting from changes in assumptions. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.
- Deferred outflow related to pensions for differences between expected and actual experience. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The City has the following items that qualify for reporting in this category:

- Deferred inflow related to pensions and OPEB for differences between expected and actual experience. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions and OPEB through the plans.
- Deferred inflow from pensions and OPEB resulting from changes in assumptions. These amounts are amortized over a closed period equal to the average expecting remaining service lives of all employees that are provided with pensions and OPEB through the plans.
- Deferred inflow related to OPEB resulting from the net difference in projected and actual earnings on investments of the OPEB plans' fiduciary net position. These amounts are amortized over five years.

J. Compensated Absences

In governmental funds, vacation and sick leave are recorded as expenditures in the year paid. Accordingly, the entire unpaid liability for the governmental funds is recorded as a long-term obligation in the government-wide financial statements only.

Unpaid compensated absences in proprietary funds are recorded as a liability in those funds as the vested benefits accrue to the employees.

The compensated absences for governmental funds will generally be liquidated through the general fund. The balances in the proprietary funds will generally be liquidated through the individual funds.

K. Claims and Judgments

When it is probable that a claim or judgment liability has been incurred at year end, and the amount of the loss can be reasonably estimated, the City records the estimated loss, net of any insurance coverage. The City is a member of the California Joint Powers Insurance Authority ("CJPIA"). The City believes that its deposits with the CJPIA are adequate to cover all claims, including claims incurred by not reported.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Pensions

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

M. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's Retiree Benefits Plan (OPEB Plan) and additions to/deductions from OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments, which are reported at amortized cost.

N. Property Taxes

Under California law, property taxes are assessed and collected by the counties up to 1% of assessed value, plus other increases approved by the voters. The property taxes go into a pool, with the County, and are then allocated to the cities based on complex formulas. The following are annual dates pertaining to property taxes:

Lien Date	January 1
Levy Date	June 30
Due Dates	November 1 and February 1
Delinquency Dates	December 10 and April 10

O. Fund Balances and Net Position

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable Fund Balance - This amount indicates the portion of funds balances which cannot be spent because they are either not in spendable form, such as prepaid items, inventories or loans receivable, or legally or contractually required to be maintained intact, such as the principal portion of an endowment.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Fund Balances and Net Position (Continued)

Restricted Fund Balance - This amount indicates the portion of fund balances which has been restricted a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; orb) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance - This amount indicates the portion of fund balances which can only be used for specific purposes pursuant to formal resolution of the City Council. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally. The City Council is considered the highest authority for the City. Adoption of a resolution by the City Council is required to commit resources or to rescind the commitment.

Assigned Fund Balance - This amount indicates the portion of fund balances which is constrained by the City's intent to be used for specific purpose, but is neither restricted nor committed. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for that purpose. The City Council adopts a resolution contained within the annual budget that delegates the authority to the City Manager to assign fund balance amounts in the annual financial statements.

Unassigned Fund Balance - Unassigned fund balance represents fund balance that has not been assigned to other funds and that has not been restricted, committed or designated as nonspendable. If expenditures incurred for specific purposes exceed amounts that are restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in a fund.

When expenses are incurred for purposes for which both restricted and unrestricted fund balances are available, the City's policy is to apply restricted fund balances first, then unrestricted fund balances as they are needed.

When expenditures are incurred for purposes where only unrestricted fund balances are available, the City uses the unrestricted resources in the following order: committed, assigned, and unassigned.

In the government-wide financial statements and proprietary fund financial statements, net position is classified as follows:

Net Investment in Capital Assets - This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of those assets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Fund Balances and Net Position (Continued)

Restricted - This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted - This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of investment in capital assets or the restricted component of net position.

When expenses are incurred for purposes for which both restricted and unrestricted components of net position are available, the City's policy is to apply the restricted component of net position first, then the unrestricted component of net position as needed.

P. Estimates

The preparation of 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.

Q. New Accounting Pronouncements

Current Year Standards

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authority Guidance*, which was effective immediately. This Statement provided temporary relief to governments and other stakeholders in light of the COVID-19 pandemic and postponed the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans— an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. Paragraphs 4 and 5 are applicable to fiscal year 2019-2020. This Statement requires that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or an other employee benefit plan (for example, certain Section 457 plans), the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. New Accounting Pronouncements (Continued)

Current Year Standards (Continued)

This Statement also requires that the financial burden criterion in paragraph 7 of Statement No. 84, *Fiduciary Activities*, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, respectively.

The requirements of these paragraphs did not impact the City.

Pending Accounting Standards

GASB has issued the following statements, which may impact the City's financial reporting requirements in the future:

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements.

This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019, early application is encouraged.

In June 2017, GASB issued Statement No. 87, *Leases*. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset for leases with a term of more than 12 months. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. For leases with a term of 12 months or less, lessees and lessors should recognize short-term lease payments as outflows of resources or inflows of resources, respectively, based on the payment provisions of the lease contract. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021, early application is encouraged.

CITY OF CERRITOS, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. New Accounting Pronouncements (Continued)

Pending Accounting Standards (Continued)

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. This Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to leases, fiduciary activities, measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition, reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers, reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature and terminology used to refer to derivative instruments.

The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

NOTE 2 - CASH AND INVESTMENTS

The City maintains a cash and investment pool, which includes cash balances and authorized investments of all funds. The City has the following cash and investments at June 30, 2020:

	Government-Wide Statement of Net Position			Fiduciary Funds	
	Governmental Activities	Business-Type Activities	Total	Statement of Net Position	Total
Cash and investments	\$ 104,555,569	\$ 5,018,219	\$ 109,573,788	\$ 18,610,739	\$ 128,184,527
Restricted cash and investments:					
Investments with fiscal agents	-	-	-	17,695,961	17,695,961
Total cash and investments	<u>\$ 104,555,569</u>	<u>\$ 5,018,219</u>	<u>\$ 109,573,788</u>	<u>\$ 36,306,700</u>	<u>\$ 145,880,488</u>

CITY OF CERRITOS, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2020

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

The City's cash and investments at June 30, 2020 in more detail:

Cash and cash equivalents:	
Petty cash	\$ 10,570
Demand deposits	<u>7,436,963</u>
Total cash and cash equivalents	<u>7,447,533</u>
Investments:	
Local Agency Investment Fund	64,390,634
U.S. Government Sponsored Enterprise Securities	37,778,973
Certificates of Deposit	18,567,387
Investment Contracts	3,206,533
Money Market Mutual Funds	<u>14,489,428</u>
Total investments	<u>138,432,955</u>
Total cash and investments	<u>\$ 145,880,488</u>

All of the City's deposits, except certain cash balances held by fiscal agents, are entirely insured or collateralized. The California Government Code requires California banks and savings and loans to secure the City's deposits by pledging government securities as collateral. The fair value of the pledged securities must equal 110% of the City's deposits. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes equal to 150% of the City's deposits. The City may waive collateral requirements for the portion of cash deposits that are fully insured by the Federal Deposit Insurance Corporation (FDIC), statutorily limited to \$250,000. As of June 30, 2020, the City maintains cash deposits that are partially insured by FDIC insurance. All uninsured cash deposited are fully collateralized.

Investments Authorized by the California Government Code and the City's Investment Policy

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by trustees/fiscal agents that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

CITY OF CERRITOS, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2020

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Investments Authorized by the California Government Code and the City's Investment Policy (Continued)

Authorized Investment Type	Maximum Maturity*	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer
United States Treasury Obligations	5 years	No Limit	No Limit
U.S. Government Sponsored Enterprise Securities	5 years	No Limit	No Limit
Corporate Medium Term Notes	5 years	30%	10%
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	40%	30%
Negotiable Certificates of Deposit	5 years	30%	10%
Investment grade obligations of state, local government and public authorities	5 years	No Limit	No Limit
Repurchase Agreements	1 year	No Limit	No Limit
Money Market Mutual Funds	N/A	20%	No Limit
Local Agency Investment Fund ("LAIF")	N/A	75 Million	No limit

N/A Not Applicable

* Excluding amounts held by bond trustees that are not subject to California Government Code restrictions.

Investments Authorized by Debt Agreements

Investment of debt proceeds held by a bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. Investments authorized for funds held by the bond trustee include U.S. Treasury Obligations, U.S. Government Sponsored Enterprise Securities, Money Market Mutual Funds and Investment Contracts. There are no limitations on the maximum amount that can be invested in one issuer, maximum percentage allowed or the maximum maturity of an investment.

Disclosures Relating to Interest Rate Risk

The City's investment policy manages exposure to interest rate risk by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The policy limits investment maturities as a means of managing its exposure to fair value losses arising from fluctuating interest rates. Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments at maturity:

CITY OF CERRITOS, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2020

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Disclosures Relating to Interest Rate Risk (Continued)

Investment Type	Remaining Maturity (in Months)			Total
	12 Months or Less	13 - 60 Months	Greater Than 60 Months	
Local Agency Investment Fund (LAIF)	\$ 64,390,634	\$ -	\$ -	\$ 64,390,634
Federal Home Loan Bank (FHLB)	3,654,133	-	-	3,654,133
Federal National Mortgage Association (FNMA)	1,000,670	2,013,300	-	3,013,970
Federal Home Loan Mortgage Corporation (FHLMC)	2,020,640	9,025,110	-	11,045,750
Federal Farm Credit Bank (FFCB)	2,023,580	18,041,540	-	20,065,120
Certificates of Deposit	1,895,651	16,671,736	-	18,567,387
Investment Contracts	-	3,206,533	-	3,206,533
Money Market Mutual Funds	14,489,428	-	-	14,489,428
Total	\$ 89,474,736	\$ 48,958,219	\$ -	\$ 138,432,955

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by Moody's, a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government.

Investment Type	Total as of June 30, 2020	Minimum Legal Rating	Not Required to be Rated	
			Aaa	Unrated
LAIF	\$ 64,390,634	N/A	\$ -	\$ 64,390,634
FHLB	3,654,133	N/A	3,654,133	-
FNMA	3,013,970	N/A	3,013,970	-
FHLMC	11,045,750	N/A	11,045,750	-
FFCB	20,065,120	N/A	20,065,120	-
Certificates of Deposits	18,567,387	Aaa	-	18,567,387
Investment Contracts	3,206,533	N/A	3,206,533	-
Money Market Mutual Funds	14,489,428	A	-	14,489,428
Total	\$ 138,432,955		\$ 40,985,506	\$ 97,447,449

CITY OF CERRITOS, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2020

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Fair Value Measurements

The City adopted GASB Statement No. 72, *Fair Value Measurement and Application*, as of July 1, 2015. GASB Statement No. 72 establishes general principles for measuring fair value and standards of accounting and financial reporting for assets and liabilities measured at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

United States Government - Sponsored Agency securities, negotiable certificates of deposit, and investment contracts held by trustees/fiscal agents are classified in level 2 of the fair value hierarchy and are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Investment Type	June 30, 2020	Level		
		1	2	3
FHLB	\$ 2,653,043	\$ -	\$ 2,653,043	\$ -
FNMA	3,013,970	-	3,013,970	-
FHLMC	12,046,840	-	12,046,840	-
FFCB	20,065,120	-	20,065,120	-
Certificates of Deposit	18,567,387	-	18,567,387	-
Held by Trustees/Fiscal Agents:				
Investment Contracts	3,206,533	-	3,206,533	-
Total Investments at Fair Value	<u>59,552,893</u>	<u>-</u>	<u>59,552,893</u>	<u>-</u>
Investments not Subject to Hierarchy				
State Investment Pool (LAIF)	64,390,634			
Held by Trustees/Fiscal Agents:				
Money Market Funds	<u>14,489,428</u>			
	<u>78,880,062</u>			
Total Investments	<u>\$ 138,432,955</u>			

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Disclosure Risk Relating to Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

GASB Statement No. 40 requires that the following disclosure be made with respect to custodial credit risks relating to deposits and investments: none of the City's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. As of June 30, 2020, the deposits were collateralized in accordance with Section 53652 of the California Government Code by the pledging financial institution in the City's name.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

CITY OF CERRITOS, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2020

NOTE 3 -LOANS AND NOTES RECEIVABLE

Residential Assistance and Loan Program

At June 30, 2020, the outstanding balances of the Residential Assistance and Loan Programs are as follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Residential Assistance Program	\$ 2,040,000	\$ -	\$ -	\$ 2,040,000
Residential Loan Program	139,237	-	-	139,237
Subtotal	2,179,237	-	-	2,179,237
Less: Allowance for uncollectible	(2,179,237)	-	-	(2,179,237)
Total	\$ -	\$ -	\$ -	\$ -

The receivables are not included in the accompanying basic financial statements due to the contingent nature of the repayment schedule of these loans.

Notes Receivable

At June 30, 2020, the outstanding balances of the notes receivable are as follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Deferred payment note	\$ 1,095,000	\$ -	\$ -	\$ 1,095,000

In May 2015, the City sold land with a book value of \$8,910,509 (the “RE/MAX property”) for \$2,750,000 cash, \$3,325,000 worth of land (the “GST Building” site, and a deferred payment note receivable for \$1,095,000. The outstanding principal balance of the note bears interest at the Local Agency Investment Fund (“LAIF”) rate provided that, so long as no event of default has occurred, it does not exceed 5%. Simple interest accrues until maturity and shall be paid upon the maturity date. As of June 30, 2020, simple interest of \$41,552 has been accrued. The note is due on May 4, 2028.

CITY OF CERRITOS, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2020

NOTE 4 - INTERFUND TRANSACTIONS

Advances To/From Other Funds

At June 30, 2020, the City had the following advances to/from other funds:

Advances to Other Funds		
Receivable Fund	Payable Fund	Amount
Governmental Funds:	Enterprise Funds:	
	Water and Sewer Fund:	
General Fund	Sewer Operations	\$ 9,809,998
General Fund	Water Operations	9,929,980
	Subtotal	<u>19,739,978</u>
	Electric Utility Enterprise Fund:	
General Fund	Operations	22,344,311
General Fund	Debt service	2,505,214
	Subtotal	<u>24,849,525</u>
		<u>\$ 44,589,503</u>

Advances were made to the Water and Sewer Enterprise Fund from the General Fund during fiscal years 2016- 2017, 2017-2018, 2018-2019, and 2019-2020. The advances were used for water and sewer operations. Interest on the outstanding balance on advances payable is charged at an annual rate of 2.50% to the Water and Sewer Enterprise Fund. For the year ended June 30, 2020, interest of \$242,195 was incurred and added to the outstanding loan balance while an additional \$946,771 was borrowed. At June 30, 2020, the outstanding balance was \$19,739,978.

Advances were made to the Electric Utility Enterprise Fund from the General Fund were used for initial working capital. Prior to July 1, 2012, interest on the outstanding balance on advances payable was charged at an annual rate of 12% to the Electric Utility Enterprise Fund. On June 28, 2012, the City adopted Resolution No. 2012-17 authorizing the interest rate to be reduced from 12% to 2.5% after June 30, 2012. For the year ended June 30, 2020, interest of \$606,086 was incurred and added to the outstanding loan balance. At June 30, 2020, the outstanding balance was \$24,849,525.

CITY OF CERRITOS, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2020

NOTE 4 - INTERFUND TRANSACTIONS (CONTINUED)

Transfers

At June 30, 2020, the City had the following transfers in/out:

Transfers Out	Transfers In			Total
	Governmental Funds		Proprietary Fund	
	General Fund	Nonmajor Governmental Funds	Electric Utility Fund	
Governmental Funds:				
General Fund	\$ -	\$ 7,050,105	\$ 859,130	\$ 7,909,235
Nonmajor Governmental Funds	185,375	464,516	-	649,891
Total	\$ 185,375	\$ 7,514,621	\$ 859,130	\$ 8,559,126

The transfers of \$7,050,105 from the General Fund to the Nonmajor Governmental Funds relate to capital projects costs and administrative costs within the Street Improvements, Drainage, Los Coyotes Lighting City, and Municipal Improvement Funds.

The transfers of \$185,375 from the Nonmajor Governmental Funds to the General Fund relate to the repayment to the General Fund for grant expenditures which had been covered by the General Fund until reimbursements were received by the Nonmajor funds.

The transfers of \$464,516 from the Nonmajor Governmental Funds to the other Nonmajor Governmental Funds relate to the funding of various programs and capital projects.

The transfers of \$859,130 from the General Fund to the Water and Sewer Fund relate to debt service expenditures.

NOTE 5 -ADVANCES TO FIDUCIARY FUNDS

The balance of Advances to Fiduciary Funds at June 30, 2020 is \$56,950,154. Advances from the General Fund to the Successor Agency to the Cerritos Redevelopment Agency Fiduciary Fund were provided to fund capital improvements and land purchases in both the Los Cerritos and Los Coyotes project areas. The State Department of Finance (DOF) approved the City loans, and the loans accrue interest at 4% using simple interest. The loan balance of the General Fund, including accrued interest, is \$45,560,123 at June 30, 2020. The loan balance of the Housing Assets Fund, including accrued interest, is \$11,390,031 at June 30, 2020.

CITY OF CERRITOS, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2020

NOTE 6 - CAPITAL ASSETS

Governmental Activities

The following is a summary of changes in capital assets for the governmental activities for the year ended June 30, 2020:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Capital assets, not being depreciated:				
Land	\$ 77,962,622	\$ -	\$ -	\$ 77,962,622
Parking structure rights	3,760,000	-	-	3,760,000
Right-of-way	49,184,583	-	-	49,184,583
Public art	4,910,417	-	-	4,910,417
Trees	1,355,909	-	-	1,355,909
Construction in progress	45,799	68,948	-	114,747
	<u>137,219,330</u>	<u>68,948</u>	<u>-</u>	<u>137,288,278</u>
Total capital assets, not being depreciated				
Capital assets, being depreciated:				
Buildings	190,114,028	-	-	190,114,028
Improvements other than buildings	9,052,445	365,509	(35,071)	9,382,883
Furniture and equipment	25,604,781	442,880	(314,165)	25,733,496
Infrastructure	38,379,937	1,947,040	(8,318)	40,318,659
	<u>263,151,191</u>	<u>2,755,429</u>	<u>(357,554)</u>	<u>265,549,066</u>
Total capital assets, being depreciated				
Less accumulated depreciation for:				
Buildings	(107,492,865)	(4,707,304)	-	(112,200,169)
Improvements other than buildings	(3,120,588)	(426,219)	34,618	(3,512,189)
Furniture and equipment	(23,849,421)	(352,239)	303,663	(23,897,997)
Infrastructure	(24,674,473)	(921,562)	8,318	(25,587,717)
	<u>(159,137,347)</u>	<u>(6,407,324)</u>	<u>346,599</u>	<u>(165,198,072)</u>
Total accumulated depreciation				
Total capital assets, being depreciated, net	<u>104,013,844</u>	<u>(3,651,895)</u>	<u>(10,955)</u>	<u>100,350,994</u>
Governmental activities capital assets, net	<u>\$ 241,233,174</u>	<u>\$ (3,582,947)</u>	<u>\$ (10,955)</u>	<u>\$ 237,639,272</u>

CITY OF CERRITOS, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2020

NOTE 6 - CAPITAL ASSETS (CONTINUED)

Governmental Activities (Continued)

Depreciation expense was charged to the functions/programs of governmental activities for the year ended June 30, 2020 as follows:

Legislative and Administrative	\$ 424,621
Community Development	74,685
Public Works	86,199
Community and Safety Services	1,642,137
Administrative Services	1,385,969
Cerritos Center for the Performing Arts	1,636,692
Equipment Replacement Internal Service Fund	235,459
Unallocated infrastructure depreciation	<u>921,562</u>
Total depreciation expense	<u><u>\$ 6,407,324</u></u>

CITY OF CERRITOS, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2020

NOTE 6 - CAPITAL ASSETS (CONTINUED)

Business-Type Activities

The following is a summary of changes in capital assets for the business-type activities for the year ended June 30, 2020:

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020
Capital assets, being depreciated:				
Buildings and structures	\$ 7,022,673	\$ -	\$ -	\$ 7,022,673
Water mains and lines	45,261,754	315,845	(24,729)	45,552,870
Equipment	5,976,020	92,327	-	6,068,347
Water rights acquired	2,259,378	-	-	2,259,378
Electric utility rights acquired	14,105,000	-	-	14,105,000
Sewer mains	11,760,205	-	-	11,760,205
				-
Total capital assets, being depreciated	<u>86,385,030</u>	<u>408,172</u>	<u>(24,729)</u>	<u>86,768,473</u>
Less accumulated depreciation for:				
Buildings and structures	(4,305,937)	(141,222)	-	(4,447,159)
Water mains and lines	(25,404,452)	(793,198)	7,049	(26,190,601)
Equipment	(4,649,643)	(241,164)	-	(4,890,807)
Water rights acquired	(960,234)	(56,484)	-	(1,016,718)
Electric utility rights acquired	(6,582,336)	(470,167)	-	(7,052,503)
Sewer mains	(7,291,419)	(156,766)	-	(7,448,185)
				-
Total accumulated depreciation	<u>(49,194,021)</u>	<u>(1,859,001)</u>	<u>7,049</u>	<u>(51,045,973)</u>
Total capital assets, being depreciated, net	<u>37,191,009</u>	<u>(1,450,829)</u>	<u>(17,680)</u>	<u>35,722,500</u>
Business-type activities capital assets, net	<u>\$ 37,191,009</u>	<u>\$ (1,450,829)</u>	<u>\$ (17,680)</u>	<u>\$ 35,722,500</u>

Depreciation expense for business-type activities for the year June 30, 2020 was charged as follows:

Water and Sewer	\$ 1,087,533
Electric Utility	470,167
Reclaimed Water	<u>301,301</u>
Total depreciation expense	<u>\$ 1,859,001</u>

CITY OF CERRITOS, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2020

NOTE 7 - COMPENSATED ABSENCES

This liability represents the total unpaid vacation and compensatory time earned by employees of the City. Since this amount is paid to the employee upon termination of employment, there is no fixed payment schedule for earned but unpaid compensated absences. The compensated absences are predominately associated with the General Fund and Water and Sewer Fund for the governmental and business-type activities, respectively.

Governmental Activities

A summary of changes in compensated absences for governmental activities for the year ended June 30, 2020 is as follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020	Due Within One Year	Due in More Than One Year
Compensated absences	<u>\$ 2,592,287</u>	<u>\$ 1,750,631</u>	<u>\$ (1,372,168)</u>	<u>\$ 2,970,750</u>	<u>\$ 742,688</u>	<u>\$ 2,228,062</u>

Business-Type Activities

A summary of changes in compensated absences for business-type activities for the year ended June 30, 2020 is as follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020	Due Within One Year	Due in More Than One Year
Compensated absences - Water and Sewer Fund	<u>\$ 163,502</u>	<u>\$ 136,043</u>	<u>\$ (90,194)</u>	<u>\$ 209,351</u>	<u>\$ 52,338</u>	<u>\$ 157,013</u>

CITY OF CERRITOS, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2020

NOTE 8 - LONG-TERM DEBT

Business-Type Activities

A summary of changes in long-term debt for the business-type activities for the year ended June 30, 2020 is as follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020	Due Within One Year	Due in More Than One Year
Direct Borrowings:						
Southern California Public Power Authority, Magnolia Project Los Cerritos Revenue Bonds:						
2003 Issue, Series B, \$3,526,250	\$ 2,587,500	\$ -	\$ (87,500)	\$ 2,500,000	\$ 91,250	\$ 2,408,750
 Southern California Public Power Authority, Magnolia Project Los Coyotes Revenue Bonds:						
2003 Issue, Series B, \$10,578,750	7,762,500	-	(262,500)	7,500,000	273,750	7,226,250
 Total Revenue Bonds	10,350,000	-	(350,000)	10,000,000	365,000	9,635,000
 Total long-term liabilities	\$ 10,350,000	\$ -	\$ (350,000)	\$ 10,000,000	\$ 365,000	\$ 9,635,000

SCPPA -Magnolia Power Project B, Series 2003 Revenue Bonds

The Southern California Public Power Authority (“SCPPA”) was created in 1980 under a joint exercise of powers agreement. It was formed for the acquisition and construction of facilities to supply electric energy within the boundaries of its members. Complete financial statements for SCPPA may be obtained at their administrative office located at 225 S. Lake Avenue, Suite 1250, Pasadena, CA 91101.

In 2001, SCPPA entered into an agreement with the Cities of Anaheim, Burbank, Cerritos, Colton, Glendale, and Pasadena to construct a generation facility with a capacity of 242 megawatts to be located on the existing Magnolia generating site in Burbank, California.

CITY OF CERRITOS, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2020

NOTE 8 - LONG-TERM DEBT (CONTINUED)

Business-Type Activities (Continued)

SCPPA -Magnolia Power Project B, Series 2003 Revenue Bonds (Continued)

SCPPA issued \$14,105,000 of lease revenue bonds to finance a portion of the project costs for the facility that was collateralized by the parking structure at City Hall. The City has leased back the parking structure from SCPPA. SCPPA will provide for the payment of a portion of the costs of operation of the Project through the sale of a portion of the capacity and energy of the Project of the member cities pursuant to the Power Sales Agreement. On March 1, 2003, the City entered into this sales agreement with SCPPA, entitling the City to a 4.2% share of the plant output.

The payments are due in annual installments on January 1 and July 1 of each year. The first payment was made January 2006, and the final payment is due at maturity on July 1, 2036.

The debt is payable from the sales of electricity. A loan from the General Fund has been established to cover any shortfall to pay the debt (See Note 4). Principal and interest paid for the current year amounted to \$859,131.

Bonds outstanding at June 30, 2020 amounted to \$2,500,000 for Los Cerritos and \$7,500,000 for Los Coyotes, respectively. Future debt service requirements on the bonds are as follows:

Year Ending June 30,	Los Cerritos			Los Coyotes		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 91,250	\$ 123,455	\$ 214,705	\$ 273,750	\$ 370,364	\$ 644,114
2022	95,000	119,463	214,463	285,000	358,388	643,388
2023	100,000	115,188	215,188	300,000	345,563	645,563
2024	103,750	110,688	214,438	311,250	332,063	643,313
2025	108,750	105,500	214,250	326,250	316,500	642,750
2026-2030	633,750	440,063	1,073,813	1,901,250	1,320,188	3,221,438
2031-2035	807,500	265,000	1,072,500	2,422,500	795,000	3,217,500
2036	560,000	28,000	588,000	1,680,000	84,000	1,764,000
Total	<u>\$ 2,500,000</u>	<u>\$ 1,307,357</u>	<u>\$ 3,807,357</u>	<u>\$ 7,500,000</u>	<u>\$ 3,922,066</u>	<u>\$ 11,422,066</u>

CITY OF CERRITOS, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2020

NOTE 8 - LONG-TERM DEBT (CONTINUED)

Fiduciary Fund

A summary of changes in long-term debt for the Successor Agency to the Cerritos Redevelopment Agency Fiduciary Fund for the year ended June 30, 2020 is as follows:

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020	Due Within One Year	Due in More Than One Year
Los Cerritos Redevelopment						
Project Revenue Bonds:						
2002 Issue, Series A, \$31,550,000	\$ 6,950,000	\$ -	\$ (3,390,000)	\$ 3,560,000	\$ 3,560,000	\$ -
2002 Issue, Series B, \$7,550,000	1,130,000	-	(550,000)	580,000	580,000	-
Los Coyotes Redevelopment						
Project Revenue Bonds:						
1993 Issue, Series A, \$42,155,000	8,000,000	-	-	8,000,000	-	8,000,000
1993 Issue, Series B, \$63,765,000	1,250,000	-	(1,250,000)	-	-	-
2002 Issue, Series A, \$64,710,000	44,470,000	-	(6,605,000)	37,865,000	8,285,000	29,580,000
2002 Issue, Series B, \$12,225,000	6,740,000	-	(985,000)	5,755,000	1,035,000	4,720,000
Subtotal	68,540,000	-	(12,780,000)	55,760,000	13,460,000	42,300,000
Add (less) deferred amounts:						
Bond premium	1,533,482	-	(306,699)	1,226,783	-	1,226,783
Bond discount	(308,175)	-	61,635	(246,540)	-	(246,540)
Total Revenue Bonds	69,765,307	-	(13,025,064)	56,740,243	13,460,000	43,280,243
Total long-term liabilities	\$ 69,765,307	\$ -	\$ (13,025,064)	\$ 56,740,243	\$ 13,460,000	\$ 43,280,243

Los Cerritos Redevelopment Project 2002 Tax Allocation Revenue Bonds, Series A

In June 1993, the former Cerritos Public Financing Authority (“Financing Authority”) issued \$27,555,000 in Revenue Bonds, Series A. In September 2002, the Financing Authority issued \$31,550,000 of Tax Allocation Bonds to provide funds to refund the 1993 Revenue Bonds, Series A. A portion of the proceeds from the Bonds issued in 2002 were placed in an escrow fund to provide the debt service on the 1993 Revenue Bonds, Series A. The advance refunding met the requirements of an in-substance defeasance, therefore, the bonds were not included in the accompanying financial statements.

CITY OF CERRITOS, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2020

NOTE 8 - LONG-TERM DEBT (CONTINUED)

Fiduciary Fund (Continued)

Los Cerritos Redevelopment Project 2002 Tax Allocation Revenue Bonds, Series A (Continued)

The 2002 bonds are broken into two segments:

Term Bonds - \$27,940,000

The Term Bonds are payable in annual installments ranging from \$260,000 to \$3,240,000 until maturity on November 1, 2020. Interest is payable semiannually on May 1 and November 1, with rates ranging from 2.00% to 5.00%. Bonds outstanding at June 30, 2020 were \$3,240,000.

Special Escrow Bonds - \$3,610,000

The Special Escrow bonds are payable in annual installments ranging from \$195,000 to \$320,000 until maturity on November 1, 2020. Interest is payable semiannually on May 1 and November 1, with rates ranging from 3.40% to 4.55%. Bonds outstanding at June 30, 2020 were \$320,000.

The 2002 Los Cerritos Redevelopment Project Tax Allocation Revenue Bonds, Series A, are payable solely from and secured by Redevelopment Property Tax Trust Fund (“RPTTF”) revenues received by the Successor Agency. Annual principal and interest payments on the bonds are expected to require less than 25% of net property tax increment revenues. Principal and interest paid for the current year amounted to \$3,649,443 and total tax revenue (total deposits less total administrative distributions) for the Los Cerritos Project Area was \$4,238,823.

Future debt service requirements on the bonds are as follows:

Year Ending June 30,	Los Cerritos 2002 Issue, Series A		
	Principal	Interest	Total
2021	\$ 3,560,000	\$ 87,880	\$ 3,647,880

Los Cerritos Redevelopment Project 2002 Tax Allocation Revenue Bonds, Series B

In September 2002, the former Financing Authority issued \$7,550,000 in 2002 Series B Tax Allocation Revenue Bonds. The proceeds were loaned to the former Redevelopment Agency and were used to fund projects in the Los Cerritos Project Area and pay for the cost of issuance.

The bonds are payable in annual installments ranging from \$360,000 to \$580,000 until maturity on November 1, 2020. Interest is payable semiannually on May 1 and November 1, with rates ranging from 1.85% to 4.70%.

CITY OF CERRITOS, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2020

NOTE 8 - LONG-TERM DEBT (CONTINUED)

Fiduciary Fund (Continued)

Los Cerritos Redevelopment Project 2002 Tax Allocation Revenue Bonds, Series B (Continued)

The 2002 Los Cerritos Redevelopment Project Tax Allocation Revenue Bonds, Series B, are payable solely from and secured by RPTTF revenues received by the Successor Agency. Annual principal and interest payments on the bonds are expected to require less than 10% of net property tax increment revenues. Principal and interest paid for the current year amounted to \$594,460 and total tax revenue (total deposits less total administrative distributions) for the Los Cerritos Project Area was \$4,238,823.

Bonds outstanding at June 30, 2020 were \$580,000. Future debt service requirements on the bonds are as follows:

Year Ending June 30,	Los Cerritos 2002 Issue, Series B		
	Principal	Interest	Total
2021	\$ 580,000	\$ 15,080	\$ 595,080

Los Coyotes Redevelopment Project 1993 Revenue Bonds, Series A

In June 1993, the former Financing Authority issued \$42,155,000 in 1993 Revenue Bonds, Series A. \$2,594,959 of the \$42,155,000 issue was loaned to the former Redevelopment Agency to advance refund the \$7,500,000 Los Coyotes Redevelopment Project Tax Allocation Bonds, Series A originally issued by the former Redevelopment Agency in 1976, \$6,780,483 was loaned to the former Redevelopment Agency to advance refund the \$15,000,000 Los Coyotes Redevelopment Project Tax Allocation Bonds, Series B originally issued by the Redevelopment Agency in 1977, \$19,669,546 was loaned to repay prior City loans to the former Redevelopment Agency, \$9,000,000 was loaned to fund additional projects in the Los Coyotes Project Area, \$3,206,533 was used to fund a reserve fund for the loans to the former Redevelopment Agency, and the remaining balance was used to pay the cost of issuance of the bonds. Interest rates on the bonds vary from 2.50% to 6.50% with interest payable semiannually on May 1 and November 1, and principal maturing annually on November 1 except for the years 2002 through 2018 in which no principal payments mature.

In September 2002, the former Financing Authority issued 2002 Tax Allocation Bonds, Series A to provide funds to partially refund the 1993 Revenue Bonds (\$24,510,000), Series A. A portion of the proceeds from the Bonds issued in 2002 were placed in an escrow fund to provide the debt service on the 1993 Revenue Bonds, Series A. The advance refunding met the requirements of an in-substance defeasance, therefore, the bonds were not included in the accompanying financial statements.

The 1993 Los Coyotes Redevelopment Project Revenue Bonds, Series A, are payable solely from and secured by RPTTF revenues received from the Successor Agency. Annual principal and interest payments on the bonds are expected to require less than 10% of net property tax increment revenues. Interest paid for the current year was \$520,000 and total tax revenue (total deposits less total administrative distributions) for the Los Coyotes Project Area was \$11,576,528.

CITY OF CERRITOS, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2020

NOTE 8 - LONG-TERM DEBT (CONTINUED)

Fiduciary Fund (Continued)

Los Coyotes Redevelopment Project 1993 Revenue Bonds, Series B (Continued)

Bonds outstanding at June 30, 2020 amounted to \$8,000,000. Future debt service requirements on the bonds are as follows:

Year Ending June 30,	Los Coyotes 1993 Issue, Series A		
	Principal	Interest	Total
2021	\$ -	\$ 520,000	\$ 520,000
2022	-	520,000	520,000
2023	465,000	504,888	969,888
2024	7,535,000	244,887	7,779,887
Total	<u>\$ 8,000,000</u>	<u>\$ 1,789,775</u>	<u>\$ 9,789,775</u>

Los Coyotes Redevelopment Project 1993 Revenue Bonds, Series B

In June 1993, the former Financing Authority issued \$63,765,000 in 1993 Revenue Bonds, Series B. \$57,938,653 of the \$63,765,000 issue was loaned to repay prior City loans to the former Redevelopment Agency, \$4,850,304 was used to fund a reserve fund for the loans to the former Redevelopment Agency, and the remaining balance was used to pay the cost of issuance of the bonds. Interest rates on the bonds vary from 3.50% to 7.80% with interest payable semiannually on May 1 and November 1, and principal maturing annually on November 1.

The 1993 Los Coyotes Redevelopment Project Revenue Bonds, Series B, are payable solely from and secured by RPTTF revenues received from the Successor Agency. Annual principal and interest payments on the bonds are expected to require less than 35% of net property tax increment revenues. Principal and interest paid for the current year was \$1,298,750 and total tax revenue (total deposits less total administrative distributions) for the Los Coyotes Project Area was \$11,576,528.

The Bonds were paid off during fiscal year-ended June 30, 2020.

Los Coyotes Redevelopment Project 2002 Tax Allocation Revenue Bonds, Series A

In June 1993, the former Financing Authority issued \$42,155,000 in Revenue Bonds, Series A. In September 2002, the Authority issued \$64,710,000 of Tax Allocation Bonds to provide funds to refund \$24,510,000 of the remaining \$32,510,000 the 1993 Revenue Bonds, Series A. A portion of the proceeds from the Bonds issued in 2002 were placed in an escrow fund to provide the debt service on the 1993 Revenue Bonds, Series A.

CITY OF CERRITOS, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2020

NOTE 8 - LONG-TERM DEBT (CONTINUED)

Fiduciary Fund (Continued)

Los Coyotes Redevelopment Project 2002 Tax Allocation Revenue Bonds, Series A (Continued)

The bonds were broken into two segments:

Term Bonds - \$53,675,000

The Term Bonds are payable in annual installments ranging from \$775,000 to \$9,345,000 until maturity on November 1, 2024. Interest is payable semiannually on May 1 and November 1, with rates ranging from 2.00% to 5.00%. Bonds outstanding at June 30, 2020 were \$34,060,000.

Special Escrow Bonds - \$11,035,000

The Special Escrow bonds are payable in annual installments ranging from \$435,000 to \$830,000 until maturity on November 1, 2024. Interest is payable semiannually on May 1 and November 1, with rates ranging from 3.40% to 4.55%. Bonds outstanding at June 30, 2020 were \$3,805,000.

The 2002 Los Coyotes Redevelopment Project Tax Allocation Revenue Bonds, Series A, are payable solely from and secured by RPTTF revenues received by the Successor Agency. Annual principal and interest payments on the bonds are expected to require less than 25% of net property tax increment revenues. Principal and interest paid for the current year was \$8,644,768 and total tax revenue (total deposits less total administrative distributions) for the Los Coyotes Project Area was \$11,576,528.

Future debt service requirements on the bonds are as follows:

Year Ending June 30,	Los Coyotes 2002 Issue, Series A		
	Principal	Interest	Total
2021	\$ 8,285,000	\$ 1,670,566	\$ 9,955,566
2022	8,695,000	1,249,261	9,944,261
2023	8,660,000	818,728	9,478,728
2024	2,050,000	554,476	2,604,476
2025	10,175,000	252,508	10,427,508
Total	<u>\$ 37,865,000</u>	<u>\$ 4,545,539</u>	<u>\$ 42,410,539</u>

CITY OF CERRITOS, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2020

NOTE 8 - LONG-TERM DEBT (CONTINUED)

Fiduciary Fund (Continued)

Los Coyotes Redevelopment Project 2002 Tax Allocation Revenue Bonds, Series B

In September 2002, the former Financing Authority issued \$12,225,000 in 2002 Series B Tax Allocation Revenue Bonds. The proceeds were loaned to the former Redevelopment Agency and will be used to fund projects in the Los Coyotes Project Area and to pay for the cost of issuance.

The bonds are payable in annual installments ranging from \$210,000 to \$1,270,000 until maturity on November 1, 2024. Interest is payable semiannually on May 1 and November 1, with rates ranging from 1.85% to 4.70%.

The 2002 Los Coyotes Redevelopment Project Tax Allocation Revenue Bonds, Series B, are payable solely from and secured by RPTTF revenues received from the Successor Agency. Annual principal and interest payments on the bonds are expected to require less than 10% of net property tax increment revenues. Principal and interest paid for the current year was \$1,309,870 and total tax revenue (total deposits less total administrative distributions) for the Los Coyotes Project Area was \$11,576,528.

Bonds outstanding at June 30, 2020 were \$5,755,000. Future debt service requirements on the bonds are as follows:

Year Ending June 30,	Los Coyotes 2002 Issue, Series B		
	Principal	Interest	Total
2021	\$ 1,035,000	\$ 272,350	\$ 1,307,350
2022	1,090,000	217,100	1,307,100
2023	1,150,000	158,860	1,308,860
2024	1,210,000	97,500	1,307,500
2025	1,270,000	33,020	1,303,020
Total	<u>\$ 5,755,000</u>	<u>\$ 778,830</u>	<u>\$ 6,533,830</u>

CITY OF CERRITOS, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2020

NOTE 9 - FUND BALANCE CLASSIFICATIONS

The City's fund balances at June 30, 2020 are tabulated below:

	Major Funds		Nonmajor Governmental Funds	Total Governmental Funds
	General	Housing Assets Special Revenue		
Nonspendable:				
Notes receivable	\$ 1,095,000	\$ -	\$ -	\$ 1,095,000
Prepaid items	1,963,984	-	179,611	2,143,595
Inventories	42,770	229,604	-	272,374
Advances to other funds	44,589,503	-	-	44,589,503
Advances to fiduciary funds	45,560,123	-	-	45,560,123
Total nonspendable	93,251,380	229,604	179,611	93,660,595
Restricted:				
Business License Software	110,001	-	-	110,001
General Plan Update	253,532	-	-	253,532
Housing Assets special revenue	-	22,924,587	-	22,924,587
Street Improvements - street and sewer related purposes	-	-	81,708	81,708
SB 821 - Bicycles/Pedestrians - transportation related purposes	-	-	746,225	746,225
Proposition "A" transportation related purposes	-	-	495,573	495,573
Proposition "C" transportation related purposes	-	-	190,568	190,568
Assessment District #6 - assessment districts	-	-	19,814	19,814
Air Quality Management District - transportation related purposes	-	-	582,221	582,221
Measure "M" transportation related purposes	-	-	408,646	408,646
Measure "R" transportation related purposes	-	-	58,167	58,167
Municipal Improvement - LA County	-	-	3,298,094	3,298,094
Total restricted	363,533	22,924,587	5,881,016	29,169,136
Assigned:				
Asset replacement	700,000	-	-	700,000
Art Center programs	9,673,400	-	-	9,673,400
Earthquake preparedness	3,273,213	-	-	3,273,213
Art in public places	1,326,898	-	-	1,326,898
Self Insurance	3,000,000	-	-	3,000,000
Total assigned	17,973,511	-	-	17,973,511
Unassigned:				
General Fund	60,073,186	-	-	60,073,186
Nonmajor Governmental Funds	-	-	(31,277)	(31,277)
Total unassigned	60,073,186	-	(31,277)	60,041,909
Total	\$171,661,610	\$ 23,154,191	\$ 6,029,350	\$200,845,151

CITY OF CERRITOS, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2020

NOTE 10 - RETIREMENT PLAN

A. Summary

Net Pension Liability

Net pension liability is reported in the accompanying Statement of Net Position as follows:

	Governmental Activities	Business-Type Activities Water and Sewer Fund	Total Primary Government
CalPERS Miscellaneous Plan	\$ 62,577,992	\$ 5,813,256	\$ 68,391,248
PARS	2,243,343	208,399	2,451,742
 Total	 <u>\$ 64,821,335</u>	 <u>\$ 6,021,655</u>	 <u>\$ 70,842,990</u>

Deferred Outflows of Resources

Deferred outflows of resources are reported in the accompanying Statement of Net Position as follows:

	Governmental Activities	Business-Type Activities Water and Sewer Fund	Total Primary Government
Deferred outflows of resources:			
Pension contribution made after measurement date:			
CalPERS Miscellaneous Plan	\$ 5,885,394	\$ 546,731	\$ 6,432,125
PARS	1,580,942	146,863	1,727,805
Difference between projected and actual earnings on pension plan investments:			
PARS	176,582	16,404	192,986
Change in assumptions:			
PARS	745,938	69,295	815,233
Difference between expected and actual experience			
CalPERS Miscellaneous Plan	1,954,003	181,519	2,135,522
Total deferred outflows of resources	<u>\$ 10,342,859</u>	<u>\$ 960,812</u>	<u>\$ 11,303,671</u>

CITY OF CERRITOS, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2020

NOTE 10 - RETIREMENT PLAN (CONTINUED)

A. Summary (Continued)

Deferred Inflows of Resources

Deferred inflows of resources are reported in the accompanying Statement of Net Position as follows:

	Governmental Activities	Business-Type Activities Water and Sewer Fund	Total Primary Government
Deferred inflows of resources:			
Difference between projected and actual earnings			
CalPERS Miscellaneous Plan	\$ 829,398	\$ 77,048	\$ 906,446
Change in assumptions			
CalPERS Miscellaneous Plan	271,314	25,204	296,518
PARS	47,776	4,438	52,214
Difference between expected and actual experience			
CalPERS Miscellaneous Plan	787,261	73,133	860,394
PARS	607,076	56,395	663,471
Total deferred inflows of resources	<u>\$ 2,542,825</u>	<u>\$ 236,218</u>	<u>\$ 2,779,043</u>

Pension Expense

Pension expense/(income) is included in the accompanying Statement of Activities, and Changes in Net Position as follows:

	Governmental Activities	Business-Type Activities Water and Sewer Fund	Total Primary Government
CalPERS Miscellaneous Plan	\$ 10,545,919	\$ 979,676	\$ 11,525,595
PARS	868,145	80,647	948,792
Total	<u>\$ 11,414,064</u>	<u>\$ 1,060,323</u>	<u>\$ 12,474,387</u>

NOTE 10 - RETIREMENT PLAN (CONTINUED)

California Public Employees' Retirement System (CalPERS) Plan

B. General Information about the Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the City's Miscellaneous Plan, agent multiple-employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan is established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

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 credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. All members are eligible for non-industrial disability benefits after five (5) years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at the measurement date ended June 30, 2019, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or After January 1, 2013
Hire date		
Benefit formula	2.5%@55	2%@60
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	55 to 60	55 to 60
Monthly benefits, as a % of eligible compensation	2% to 3%	2% to 3%
Required employee contribution rates	7.899%	7.899%
Required employer contribution rates		
Normal cost rate	9.815%	9.815%
Payment of unfunded liability	\$ 3,961,497	\$ -

NOTE 10 - RETIREMENT PLAN

California Public Employees' Retirement System (CalPERS) Plan (Continued)

B. General Information about the Pension Plan (Continued)

Employees Covered

At the measurement date ended June 30, 2019, the following employees were covered by the benefit terms for each Plan:

	<u>Miscellaneous</u>
Active employees	248
Inactive employees or beneficiaries currently receiving benefits	312
Inactive employees entitled to but not yet receiving benefits	<u>289</u>
 Total	 <u><u>849</u></u>

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through 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 City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. City contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions requirements are classified as plan member contributions.

C. Net Pension Liability

The City's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2019, using an annual actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

NOTE 10 - RETIREMENT PLAN (CONTINUED)

California Public Employees' Retirement System (CalPERS) Plan (Continued)

C. Net Pension Liability (Continued)

Actuarial Assumptions

The total pension liabilities in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	<u>Miscellaneous</u>
Measurement Date	June 30, 2018
Actuarial Cost Method	June 30, 2019
	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Projected Salary Increase	(1)
Mortality Rate Table	(2)
Post Retirement Benefit Increase	(3)

(1) Varies by entry age and service.

(2) The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates includes 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

(3) The less of contract COLA or 2.50% until Purchasing Power Protection Allowance Floor on purchasing power applies, 2.50% thereafter.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

CITY OF CERRITOS, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2020

NOTE 10 - RETIREMENT PLAN (CONTINUED)

California Public Employees' Retirement System (CalPERS) Plan (Continued)

C. Net Pension Liability (Continued)

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 (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The expected real rates of return by asset class are as follows:

Asset Class (a)	Assumed Asset Allocation	Real Return Years 1 - 10 (b)	Real Return Years 11+ (c)
Global Equity	50.00%	4.80%	5.98%
Global Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
	100.00%		

- (a) In the CalPERS CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities
- (b) An expected inflation of 2.0% used for this period
- (c) An expected inflation of 2.92% used for this period

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 that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the 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 plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF CERRITOS, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2020

NOTE 10 - RETIREMENT PLAN (CONTINUED)

California Public Employees' Retirement System (CalPERS) Plan (Continued)

C. Net Pension Liability (Continued)

Subsequent Events

There were no subsequent events that would materially affect the results in this disclosure.

D. Changes in the Net Pension Liability

The changes in the net pension liability for the Miscellaneous Plan are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Position	Net Pension Liability / (Asset)
Balance at June 30, 2018 (Measurement Date)	\$ 234,353,910	\$ 170,786,543	\$ 63,567,367
Changes in the Year:			
Service Cost	3,310,335	-	3,310,335
Interest on the total pension liability	16,751,452	-	16,751,452
Differences between expected and actual experience	3,321,923	-	3,321,923
Contributions from the employer	-	5,624,680	(5,624,680)
Contributions from employees	-	1,837,226	(1,837,226)
Net investment income, net of administrative expense	-	11,219,405	(11,219,405)
Benefit payments including refunds of employee contributions	(10,089,894)	(10,089,894)	-
Administrative expense	-	(121,877)	121,877
Other miscellaneous income/ (expense)	-	395	(395)
Net Changes	13,293,816	8,469,935	4,823,881
Balance at June 30, 2019 (Measurement Date)	\$ 247,647,726	\$ 179,256,478	\$ 68,391,248

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City for each Plan, calculated using the discount rate for each Plan of 7.15%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.15%) or 1-percentage point higher (8.15%) than the current rate:

	Plan's Net Pension Liability (Asset)		
	Discount Rate -1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
CalPERS Miscellaneous Plan	\$ 102,867,773	\$ 68,391,248	\$ 40,040,645

CITY OF CERRITOS, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2020

NOTE 10 - RETIREMENT PLAN (CONTINUED)

California Public Employees' Retirement System (CalPERS) Plan (Continued)

D. Changes in the Net Pension Liability (Continued)

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

E. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions:

For the year ended June 30, 2020, the City recognized pension expense of \$11,525,595. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Contribution made after the measurement date	\$ 6,432,125	\$ -
Difference between expected and actual experience	2,135,522	(860,394)
Changes of assumptions	-	(296,518)
Net difference between projected and actual earning on pension plan investments	-	(906,446)
	<u> </u>	<u> </u>
Total	<u>\$ 8,567,647</u>	<u>\$ (2,063,358)</u>

\$6,432,125 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

CITY OF CERRITOS, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2020

NOTE 10 - RETIREMENT PLAN (CONTINUED)

California Public Employees' Retirement System (CalPERS) Plan (Continued)

E. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions:

Year Ending June 30,	Amount
2021	\$ 667,665
2022	(504,019)
2023	(260,687)
2024	169,205
2025	-
Thereafter	-

F. Payable to the Pension Plan:

At June 30, 2020, the City had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2020.

Public Agency Retirement Services (PARS) Plan

A. General Information about the Pension Plan

Plan Description

The City has adopted, through the Public Agency Retirement Services ("PARS"), a tax qualified governmental agent multiple-employer defined benefit plan for the benefit of eligible City employees to provide supplemental retirement benefits. The plan, which includes exempt and non-exempt employees, conforms to the requirements of Internal Revenue Code Section 401(a) and therefore is entitled to favorable tax treatment.

Members are eligible to receive benefits under the PARS plan if they:

- a) Were a full-time non-exempt employee of the City on or after December 1, 2002 and prior to July 1, 2004;
- b) Are at least fifty years of age;
- c) Have completed five or more years of full-time continuous employment with the City as of the last day of employment with the City. Full-time employees of the City, with the exception of those in elected positions, hired on or after July 1, 2003 in a full-time position, must complete fifteen or more years of full-time continuous employment with the City as of the last day of employment;
- d) Have applied for benefits under the Plan; and
- e) Have terminated employment with the City and concurrently retired under CalPERS.

CITY OF CERRITOS, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2020

NOTE 10 - RETIREMENT PLAN (CONTINUED)

Public Agency Retirement Services (PARS) Plan (Continued)

A. General Information about the Pension Plan (Continued)

Benefits Provided

Members are paid benefits equal to an amount equal to one-twelfth (1/12) of the difference between (1) and (2) described below; and the actuarial equivalent value of a monthly payment of the member's accumulated benefit (if any) under the Plan if such accumulated benefit was converted to the form of a life annuity:

- (1) The number of full and partial years of full-time continuous employment with the City completed as of the member's retirement times the member's final pay, times the PARS benefit factor determined as of the first day of the member's retirement.
- (2) The number of full and partial years of full-time continuous employment with the City completed as of the member's retirement times the member's final pay, times the CalPERS Benefit Factor.

Upon death of a member, the member's monthly allowance will automatically continue to an eligible survivor (if spouse, through spouse's death or if children under the age of eighteen, through the age of eighteen). No pre-retirement disability benefits are provided. Pre-retirement death benefits are provided for employees who die while actively employed with the City and have attained at least fifty years of age and have five years of full-time employment with the City.

Employees Covered by Benefit Terms

At measurement date June 30, 2019, the following employees were covered by the benefit terms:

	PARS
Active employees	87
Inactive employees or beneficiaries currently receiving benefits	45
Total	132

Contributions

Annually, the City contributes the actuarially determined contribution to the PARS plan.

For the measurement period, year ended June 30, 2019, the contributions were:

	PARS
Contributions - employer	\$ 1,727,805
Contributions - employee	-

NOTE 10 - RETIREMENT PLAN (CONTINUED)

Public Agency Retirement Services (PARS) Plan (Continued)

B. Net Pension Liability

Actuarial Assumptions Used to Determine the Total Pension Liability

For the measurement period ended June 30, 2019, the total pension liability was determined by the June 30, 2019 actuarial valuation total pension liability. The June 30, 2019 total pension liabilities were based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	5.75%
Inflation	2.50%
Salary Increases	Graded rates based on years of service, 3.40% after 22 years of service
Investment Rate of Return	5.75%
Mortality Rate Table	Consistent with Non-Industrial rates used to value the Miscellaneous CalPERS Pension Plans
Post-Retirement Benefit Increase	Contract COLA of 2.00%

Discount Rate

The best estimate for the long-term rate of return of 5.75% is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

CITY OF CERRITOS, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2020

NOTE 10 - RETIREMENT PLAN (CONTINUED)

Public Agency Retirement Services (PARS) Plan (Continued)

B. Net Pension Liability (Continued)

Discount Rate (Continued)

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return	Long-Term Expected Geometric Real Rate of Return
US Cash	6.24%	-0.22%	-0.20%
US Core Fixed Income	64.00%	0.92%	0.84%
US Equity Market	22.26%	4.82%	3.52%
Foreign Developed Equity	3.59%	6.32%	4.75%
Emerging Markets Equity	2.54%	8.35%	5.53%
US REITs	1.37%	5.32%	3.62%
Assumed inflation - mean		2.21%	2.20%
Assumed inflation - standard deviation		1.65%	1.65%
Portfolio real mean return		2.16%	2.00%
Portfolio nominal mean return		4.37%	4.24%
Portfolio standard deviation			5.28%
Long-term expected rate of return			5.75%

Sensitivity of the Net Pension Liability to Changes in Discount Rate

The following presents the net pension liability of the PARS Plan as of the measurement date, calculated using the discount rate of 5.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.75%) or 1 percentage point higher (6.75%) than the current rate:

Plan's Net Pension Liability (Asset)		
Discount Rate -1% (4.75%)	Current Discount Rate (5.75%)	Discount Rate +1% (6.75%)
\$ 4,129,680	\$ 2,451,742	\$ 1,091,559

CITY OF CERRITOS, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2020

NOTE 10 - RETIREMENT PLAN (CONTINUED)

Public Agency Retirement Services (PARS) Plan (Continued)

C. Changes in Net Pension Liability

The following tables show the changes in the net pension liability recognized over the measurement period for the PARS Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability / (Asset)
Balance at June 30, 2018 (Measurement Date)	\$ 12,163,113	\$ 7,911,600	\$ 4,251,513
Changes Recognized for the Measurement Period:			
Service Cost	290,763	-	290,763
Interest on the total pension liability	695,382	-	695,382
Differences between expected and actual experience	(499,084)	-	(499,084)
Changes of assumptions	(67,132)	-	(67,132)
Contributions from the employer	-	1,727,805	(1,727,805)
Net investment income, net of administrative expense	-	494,848	(494,848)
Benefit payments including refunds of employee contributions	(730,762)	(730,762)	-
Administrative expense	-	(2,953)	2,953
Net Changes	(310,833)	1,488,938	(1,799,771)
Balance at June 30, 2019 (Measurement Date)	\$ 11,852,280	\$ 9,400,538	\$ 2,451,742

Pension Plan Fiduciary Net Position

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

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

For measurement date June 30, 2019, the City recognized pension expense of \$948,792, for the PARS Plan.

CITY OF CERRITOS, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2020

NOTE 10 - RETIREMENT PLAN (CONTINUED)

Public Agency Retirement Services (PARS) Plan (Continued)

C. Changes in Net Pension Liability (Continued)

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

For measurement date June 30, 2019, the City reported deferred outflows resources and deferred inflows of resources related to PARS pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contribution made after the measurement date	\$ 1,727,805	\$ -
Difference between expected and actual experience		(663,471)
Changes of assumptions	815,233	(52,214)
Net difference between projected and actual earning on pension plan investments	192,986	-
Total	<u>\$ 2,736,024</u>	<u>\$ (715,685)</u>

\$1,727,805 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources related to PARS pensions will be recognized as pension expense as follows:

Measurement Period Ended June 30,	Deferred Outflows / (Inflows) of Resources
2021	\$ 333,766
2022	121,301
2023	(90,719)
2024	(71,814)
Thereafter	-
	<u>\$ 292,534</u>

CITY OF CERRITOS, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2020

NOTE 11 - POSTEMPLOYMENT HEALTHCARE BENEFITS

A. General Information about the Pension Plan

Plan Description

In addition to the pension benefits described in Note 10, the City provides other post-employment benefits (“OPEB”) through the California Employer’s Retiree Benefit Trust Fund (the “CERBT”), an agent multiple-employer defined benefit healthcare plan administered by CalPERS, by contributing an approximate amount for each eligible retiree and spouse toward health insurance. These benefits are provided per contract between the City and the City’s management, professional and general employees. Health insurance premiums for the City Manager, City Attorney and City Council are fully covered per Council decision. As of June 30, 2019, there were 165 participants receiving these healthcare benefits.

Separate financial statements for the CERBT may be obtained by writing to CalPERS at Lincoln Plaza North 400 Q Street, Sacramento, CA 95814, or by visiting the CalPERS website at www.calpers.ca.gov.

Employees Covered

As of the July 1, 2019 actuarial valuation, the following current and former employees were covered by the benefit terms:

Active employees	179
Inactive employees or beneficiaries currently receiving benefits	165
Inactive employees entitled to but not yet receiving benefits	<u>-</u>
Total	<u><u>344</u></u>

Contribution

The obligation of the City to contribute to the plan is established and may be amended by the City Council. The contribution required to be made is based on an Actuarially Determined Contributions (i.e., as medical insurance premiums become due). For fiscal year 2020, a contribution of \$1,330,523 was made to the trust, \$1,587,647 was contributed as insurance premiums, and an implicit subsidy \$269,886 totaling \$3,188,056.

B. Net OPEB Liability

The City’s net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2019.

CITY OF CERRITOS, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2020

NOTE 11 - POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

B. Net OPEB Liability (Continued)

Actuarial Assumptions

The total OPEB liability, measured as of June 30, 2019, was determined using the following actuarial assumptions:

Actuarial Valuation Date	July 1, 2019
Actuarial Cost Method	Early Age Normal, Level Percentage of Pay
Amortization Method	
Level Percent or Level Dollar	Level Percent
Closed, Open, or Layered Periods	Closed
Amortization Period as of July 1, 2015	18 Years
Amortization Growth Rate	2.50%
Asset Valuation Method	Market Value
Inflation	2.30%
Payroll Growth	2.50%
Discount Rate	5.75%

The long-term expected rate of return on OPEB 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 OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. 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	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return	Long-Term Expected Geometric Real Rate of Return
Inflation-Indexed Bonds	16.00%	0.88%	0.79%
Long Credit Bonds	49.00%	3.31%	2.98%
Global Equity	22.00%	5.55%	4.27%
Global Real Estate REITs	8.00%	5.77%	4.07%
Commodities	5.00%	2.83%	1.25%
Assumed inflation		2.40%	2.39%
Assumed inflation - standard deviation		1.65%	1.65%
Portfolio real mean return		3.59%	3.28%
Portfolio nominal mean return		5.99%	5.75%
Portfolio standard deviation			7.25%
Long-term expected rate of return			5.75%

CITY OF CERRITOS, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2020

NOTE 11 - POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

B. Net OPEB Liability (Continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 5.75 percent. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the City plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. 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.

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

The following presents the total OPEB liability of the City, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for the measurement period ended June 30, 2019:

	Plan's Net OPEB Liability (Asset)		
	Discount Rate -1%	Current Discount Rate	Discount Rate +1%
	(4.75%)	(5.75%)	(6.75%)
Net OPEB Liability (Asset)	\$ 2,679,455	\$ (3,680,822)	\$ (8,923,798)

Sensitivity of the Net OPEB Liability to Changes in Healthcare Cost Trend Rates

The following presents the net OPEB liability of the City, as well as what the net OPEB liability would be if it were calculated using a health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates, for the measurement period ended June 30, 2019:

	Plan's Net OPEB Liability (Asset)		
	Healthcare Cost		
	Trend Rate -1%	Current Trend Rate	Trend Rate +1%
Net OPEB Liability (Asset)	\$ (8,819,463)	\$ (3,680,822)	\$ 2,709,217

CITY OF CERRITOS, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2020

NOTE 11 - POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

C. Change in Net OPEB Liability

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2018 (Measurement Date)	\$ 46,193,636	\$ 45,702,962	\$ 490,674
Changes in the Year:			
Service cost	1,240,483	-	1,240,483
Interest on the total OPEB liability	2,768,729	-	2,768,729
Differences between actual and expected experience	(373,403)	-	(373,403)
Changes in assumptions	(1,263,816)	-	(1,263,816)
Contribution - employer	-	3,188,056	(3,188,056)
Net investment income	-	3,378,685	(3,378,685)
Administrative expenses	-	(23,252)	23,252
Benefit payments	(1,857,533)	(1,857,533)	-
Net Changes	514,460	4,685,956	(4,171,496)
Balance at June 30, 2019 (Measurement Date)	\$ 46,708,096	\$ 50,388,918	\$ (3,680,822)

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2020, OPEB expense in the amount of \$915,008 is included in the accompanying statement of activities.

At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made after measurement date	\$ 3,239,740	\$ -
Differences between expected and actual experience	-	(297,198)
Changes of assumptions	-	(1,005,894)
Net difference between projected and actual earnings of OPEB Plan investments	-	(127,083)
Total	\$ 3,239,740	\$ (1,430,175)

NOTE 11 - POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB (Continued)

The \$3,239,740 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the subsequent fiscal period. Amounts reported as deferred outflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ending June 30,	Amount
2021	\$ (336,631)
2022	(336,631)
2023	(336,630)
2024	(420,283)
2025	-
Thereafter	-
Total	<u>\$ (1,430,175)</u>

NOTE 12 - LIABILITY, PROPERTY AND WORKERS' COMPENSATION PROTECTION

A. Description of Self-Insurance Pool Pursuant to Joint Powers Agreement

The City is a member of the California Joint Powers Insurance Authority ("CJPIA"). The CJPIA is composed of 116 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the CJPIA is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The CJPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

B. Self-Insurance Programs of the CJPIA

Each member pays an annual contribution at the beginning of the coverage period. A retrospective adjustment is then conducted annually thereafter, for coverage years 2012-13 and prior. Coverage years 2013-14 and forward are not subject to routine annual retrospective adjustment. The total funding requirement for self-insurance programs is based on an actuarial analysis. Costs are allocated to individual agencies based on payroll and claims history, relative to other members of the risk-sharing pool.

**NOTE 12 - LIABILITY, PROPERTY AND WORKERS' COMPENSATION PROTECTION
(CONTINUED)**

B. Self-Insurance Programs of the CJPIA (Continued)

Liability

In the liability program claims are pooled separately between police and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$750,000 to \$50 million, are distributed based on the outcome of cost allocation within the first and second loss layers.

The overall coverage limit for each member, including all layers of coverage, is \$50 million per occurrence. Subsidence losses have a sub-limit of \$40 million per occurrence. The coverage structure includes retained risk that is pooled among members, reinsurance, and excess insurance. More detailed information about the various layers of coverage is available on the following website: <https://cjpia.org/protection/coverage-programs>.

Workers' Compensation

In the workers' compensation program claims are pooled separately between public safety (police and fire) and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$50,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$50,000 to \$100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$100,000 to statutory limits are distributed based on the outcome of cost allocation within the first and second loss layers.

For 2019-20, the CJPIA's pooled retention is \$2 million per occurrence, with reinsurance to statutory limits under California Workers' Compensation Law. Employer's Liability losses are pooled among members to \$2 million. Coverage from \$2 million to \$5 million is purchased as part of a reinsurance policy, and Employer's Liability losses from \$5 million to \$10 million are pooled among members.

CITY OF CERRITOS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2020

**NOTE 12 - LIABILITY, PROPERTY AND WORKERS' COMPENSATION PROTECTION
(CONTINUED)**

C. Purchased Insurance

Pollution Legal Liability Insurance

The City participates in the pollution legal liability insurance program which is available through the CJPIA. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City. Coverage is on a claims-made basis. There is a \$50,000 deductible. The CJPIA has a limit of \$50 million for the 3-year period from July 1, 2017 through July 1, 2020. Each member of the CJPIA has a \$10 million sub-limit during the 3-year term of the policy.

Property Insurance

The City participates in the all-risk property protection program of the CJPIA. This insurance protection is underwritten by several insurance companies. City property is currently insured according to a schedule of covered property submitted by the City to the CJPIA. City property currently has all-risk property insurance protection in the amount of \$289,962,366. There is a \$10,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$2,500 deductible.

Crime Insurance

The City purchases crime insurance coverage in the amount of \$1,000,000 with a \$2,500 deductible. The fidelity coverage is provided through the CJPIA.

Special Event Tenant User Liability Insurance

The City further protects against liability damages by requiring tenant users of certain property to purchase low-cost tenant user liability insurance for certain activities on agency property. The insurance premium is paid by the tenant user and is paid to the City according to a schedule. The City then pays for the insurance. The insurance is facilitated by the CJPIA.

D. Adequacy of Protection

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in fiscal year 2019-20.

CITY OF CERRITOS, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2020

NOTE 13 - OTHER REQUIRED DISCLOSURES

A. Deficit Net Position

At June 30, 2020, the following funds had a (deficit) fund balance/net position:

Fund	Deficit
Enterprise Funds:	
Water and Sewer	\$ (1,685,610)
Electric Utility Fund	(27,301,719)
Fiduciary Fund:	
Successor Agency to the Cerritos Redevelopment Agency	(77,359,161)

Electric Utility Enterprise Fund - The Electric Utility Fund has a deficit net position of (\$27,301,719) as a result of operating expenses exceeding operating revenues and the assumption of the Magnolia debt. In addition, there is a (deficit) net investment in capital assets of (\$2,947,500), which is included in the total deficit of (\$27,301,719), as the outstanding debt associated with the electric rights exceeds the net capital assets. The deficit is expected to be eliminated with the City entering into long-term contracts with vendors related to expenses incurred by the operations and through sale of the electric energy output. The General Fund has a nonspendable fund balance in the amount \$24,849,525 for the advances to the Electric Utility Fund to account for this deficit.

Water and Sewer Fund - The Water and Sewer Fund has a (deficit) net position of (\$1,685,610) as a result of operating expenses exceeding its operating revenues. The City is actively considering potential options to address the current operating deficit in the water and sewer funds and expects to have a comprehensive plan in place for the resolution of the deficit within the next two years.

Successor Agency to the Cerritos Redevelopment Agency Private-Purpose Trust Fund - The Successor Agency to the Cerritos Redevelopment Agency Fund has a deficit net position of (\$77,359,161) as a result of its long-term debt exceeding its total assets. The deficit is expected to be eliminated with future repayments by the Successor Agency for its long-term debt from the receipt of future property tax revenues from the County of Los Angeles; with the final payment occurring in fiscal year 2029.

CITY OF CERRITOS, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2020

NOTE 13 - OTHER REQUIRED DISCLOSURES

B. Excess of Expenditures over Appropriations

Excess of expenditures over appropriations occurred in individual funds during the year ended June 30, 2020 as follows:

Fund	Expenditures	Appropriations	Excess Expenditures over Appropriations
Special Revenue Funds:			
Proposition "C"	\$ 1,330,000	\$ 100,000	\$ (1,230,000)
Measure "M"	128,150	-	(128,150)
Measure "R"	546,031	546,000	(31)
Housing Assets	17,605	-	(17,605)

Special revenue fund actual expenditures exceeded budgeted expenditures for the Proposition "C", Measure "M", Measure "R" and Housing Assets funds.

NOTE 14 - LEASE INCOME UNDER OPERATING LEASES

Land in the amount of \$54,527,351 is owned by the City and held for lease. In connection with certain ground leases of the Cerritos Towne Center property, the Lincoln Station Property, Kia Auto Dealership property and the Jaguar/Land Rover property, the City had entered into cooperation agreements. For the year ended June 30, 2020, the City's lease income was \$8,026,882. Projected minimum lease payments to be received by the City as of June 30, 2020 are as follows:

Year Ending June 30,	Amount
2021	\$ 7,832,164
2022	7,869,806
2023	8,016,210
2024	8,096,426
2025	8,135,135
2026-2088	404,072,696
Total	<u>\$ 444,022,437</u>

NOTE 15 - COMMITMENTS AND CONTINGENCIES

A. Lawsuits

Numerous claims and suits have been filed against the City in the normal course of conducting City business. Based upon information received from the City Attorney and the self-insurance administrator, the estimated liability under such claims would be adequately covered by the deposits paid to CJPIA for self-insurance and insurance coverage (See Note 12).

B. Contract with Los Angeles County Sheriff's Department

The City contracts for policing services through the Los Angeles County Sheriff's Department. As part of the agreement for services, the City is required to pay an additional 9.5% premium over the contract price to the Sheriff's Department for liability insurance. This amount is held by the County in a Liability Trust Fund and provides for the payment of claims brought against the Sheriff's Department. During the fiscal year ended June 30, 2020, the results of an actuarial study of both existing open claims and claims not yet reported are not able to be estimated at this time. In order to fund these past obligations of the Liability Trust Fund, the premium paid by the City may increase in future periods. The precise amount and timing of any contingencies or commitments resulting from the shortfall in the County's Liability Trust Fund cannot be determined at this time.

C. Electric Utility

The City's Electric Utility is a member of the Magnolia Power Project that is financed and owned by the Southern California Public Power Authority ("SCPPA"). Member cities of the Magnolia Power Project include the Cities of Anaheim, Burbank, Colton, Glendale and Pasadena (the Project "A" Participants) and the City of Cerritos (the Project "B" Participant). All Magnolia Participants have a "Take or Pay" contract with SCPPA and are obligated to pay their share of the indebtedness regardless of the ability of the contracting agency to provide electricity. See Note 8 for debt related to the Magnolia Power Project. This contract provides for generating capacity of 4.2% of the output generated from the plant. During the fiscal year, the City's take or pay payment was approximately \$4,200,000.

D. Grants

Amounts received or receivable from federal and state granting agencies are subject to audit and adjustment by grantor agencies. While no matters of noncompliance were disclosed by the audit of the financial statements or Single Audit of the Federal grant programs, grantor agencies may subject grant programs to additional compliance tests, which may result in disallowed costs. In the opinion of management, future disallowances of current or prior grant expenditures, if any, would not have a material adverse effect on the financial position of the City.

CITY OF CERRITOS, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2020

NOTE 15 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

E. Liability for Future Environmental Response Costs

As of April 17, 2014, the City of Cerritos has entered a settlement agreement with MGP IX Lincoln Station (“MGP”) related to the financial responsibility for cleaning up contamination located at the property and, more specifically, for performing environmental work. In the settlement, the city may be obligated to pay up to \$3.1 million in potential future costs. At June 30, 2020, settlement payable reflected in the general fund is \$5,858 and statement of activities is \$210,815.

F. COVID-19

In December 2019, a novel strain of coronavirus has spread around the world resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of the City could potentially be adversely affected by this global pandemic. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. However, the related financial impact on the City and the duration cannot be estimated at this time.

On June 29, 2020, the State approved the budget and authorized the Department of Finance to allocate \$1,289,065,000 to address the public health and public safety impacts of COVID-19 including homelessness. Pursuant to the provisions of Control Section 11.90, cities with populations between 300,000 and 500,000 were allocated \$225 million and cities with populations of less than 300,000 were allocated \$275 million. Based on the City’s population, the City is allocated \$617,283 and will be received in six installments starting July 2020.

NOTE 16 – RESTATEMENTS OF NET POSITION

Restatement of the governmental, business-type activities, and Water and Sewer proprietary fund net position as of July 1, 2019, is as follows:

	Governmental Activities	Business-Type Activities	Water & Sewer Enterprise Fund
Net Position, as originally reported	\$ 393,759,706	\$ (18,599,511)	\$ (1,156,995)
Restatement to adjust the balance of deferred outflows for OPEB contributions made subsequent to measurement date	1,699,643	157,891	157,891
Net Position, as restated	<u>\$ 395,459,349</u>	<u>\$ (18,441,620)</u>	<u>\$ (999,104)</u>

CITY OF CERRITOS, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2020

NOTE 17 – SUBSEQUENT EVENTS

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through December 29, 2020, the date the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CERRITOS

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
CITY MISCELLANEOUS PLAN

Last Ten Fiscal Years*

Fiscal Year Ended	<u>June 30, 2020</u>
Measurement Period Ended	<u>June 30, 2019</u>
Total Pension Liability:	
Service cost	\$ 3,310,335
Interest on total pension liability	16,751,452
Differences between expected and actual experience	3,321,923
Changes in assumptions	-
Changes in benefits	-
Benefit payments, including refunds of employee contributions	<u>(10,089,894)</u>
Net Change in Total Pension Liability	13,293,816
Total Pension Liability - Beginning of Year	<u>234,353,910</u>
Total Pension Liability - End of Year (a)	<u>\$ 247,647,726</u>
Plan Fiduciary Net Position:	
Contributions - employer	\$ 5,624,680
Contributions - employee	1,837,226
Net investment income	11,219,405
Benefit payments	(10,089,894)
Net plan to plan resource movement	-
Other miscellaneous income (expense)	<u>(121,482)</u>
Net Change in Plan Fiduciary Net Position	8,469,935
Plan Fiduciary Net Position - Beginning of Year	<u>170,786,543</u>
Plan Fiduciary Net Position - End of Year (b)	<u>\$ 179,256,478</u>
Net Pension Liability - Ending (a)-(b)	<u>\$ 68,391,248</u>
Plan fiduciary net position as a percentage of the total pension liability	72.38%
Covered payroll	\$ 17,871,364
Net pension liability as percentage of covered payroll	382.69%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

From fiscal year June 30, 2018 to June 30, 2019:

There were no significant changes in assumptions.

From fiscal year June 30, 2019 to June 30, 2020:

There were no changes in assumptions.

* Fiscal year 2015 was the first year of implementation and therefore only six years are shown.

CITY OF CERRITOS

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
CITY MISCELLANEOUS PLAN (CONTINUED)

Last Ten Fiscal Years*

Fiscal Year Ended	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement Period Ended	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Total Pension Liability:					
Service cost	\$ 3,211,358	\$ 3,170,426	\$ 2,965,498	\$ 3,020,515	\$ 3,240,470
Interest on total pension liability	15,850,378	15,418,751	15,062,482	14,487,605	13,949,974
Differences between expected and actual experience	(2,581,182)	(4,370,245)	(1,769,960)	(2,262,020)	-
Changes in assumptions	(889,556)	13,544,952	-	(3,806,191)	-
Changes in benefits	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(9,571,522)	(8,632,827)	(8,474,088)	(7,917,777)	(7,345,114)
Net Change in Total Pension Liability	6,019,476	19,131,057	7,783,932	3,522,132	9,845,330
Total Pension Liability - Beginning of Year	228,334,434	209,203,377	201,419,445	197,897,313	188,051,983
Total Pension Liability - End of Year (a)	<u>\$ 234,353,910</u>	<u>\$ 228,334,434</u>	<u>\$ 209,203,377</u>	<u>\$ 201,419,445</u>	<u>\$ 197,897,313</u>
Plan Fiduciary Net Position:					
Contributions - employer	\$ 4,966,169	\$ 5,465,459	\$ 4,472,467	\$ 3,524,782	\$ 3,515,860
Contributions - employee	1,438,480	1,361,130	1,521,739	1,430,858	1,544,713
Net investment income	13,482,704	16,331,253	744,239	3,275,852	22,074,825
Benefit payments	(9,571,522)	(8,632,827)	(8,474,088)	(7,917,777)	(7,345,114)
Net plan to plan resource movement	(395)	-	-	-	-
Other miscellaneous income (expense)	(728,213)	(216,875)	(90,636)	(167,515)	-
Net Change in Plan Fiduciary Net Position	9,587,223	14,308,140	(1,826,279)	146,200	19,790,284
Plan Fiduciary Net Position - Beginning of Year	161,199,320	146,891,180	148,717,459	148,571,259	128,780,975
Plan Fiduciary Net Position - End of Year (b)	<u>\$ 170,786,543</u>	<u>\$ 161,199,320</u>	<u>\$ 146,891,180</u>	<u>\$ 148,717,459</u>	<u>\$ 148,571,259</u>
Net Pension Liability - Ending (a)-(b)	<u>\$ 63,567,367</u>	<u>\$ 67,135,114</u>	<u>\$ 62,312,197</u>	<u>\$ 52,701,986</u>	<u>\$ 49,326,054</u>
Plan fiduciary net position as a percentage of the total pension liability	72.88%	70.60%	70.21%	73.83%	75.07%
Covered payroll	\$ 16,892,992	\$ 16,925,189	\$ 17,606,708	\$ 17,978,187	\$ 18,404,441
Net pension liability as percentage of covered payroll	376.29%	396.66%	353.91%	293.14%	268.01%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

From fiscal year June 30, 2018 to June 30, 2019:

There were no significant changes in assumptions.

From fiscal year June 30, 2019 to June 30, 2020:

There were no changes in assumptions.

* Fiscal year 2015 was the first year of implementation and therefore only six years are shown.

CITY OF CERRITOS

SCHEDULE OF CONTRIBUTIONS
CalPERS MISCELLANEOUS PENSION PLAN

Last Ten Fiscal Years*

Fiscal year ended	<u>June 30, 2020</u>
Actuarially determined contribution	\$ 6,432,125
Contributions in relation to the actuarially determined contributions	<u>(6,432,125)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered payroll	\$ 17,900,052
Contributions as a percentage of covered payroll	35.93%

Notes to Schedule:

Valuation Date	6/30/2017
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Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age
Amortization method	(1)
Asset valuation method	Fair Value
Inflation	2.625%
Salary increases	(2)
Investment rate of return	7.25% (3)
Retirement age	(4)
Mortality	(5)

- (1) Level percentage of payroll, closed.
- (2) Depending on age, service and type of employment.
- (3) Net of pension plan investment expense, including inflation.
- (4) The probabilities of retirement are based on the 2010 CalPERS Experience Study report.
- (5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

* Fiscal year 2015 was the first year of implementation and therefore only six years are shown.

CITY OF CERRITOS

SCHEDULE OF CONTRIBUTIONS
CalPERS MISCELLANEOUS PENSION PLAN (CONTINUED)

Last Ten Fiscal Years*

Fiscal year ended	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Actuarially determined contribution	\$ 5,624,634	\$ 4,966,169	\$ 4,129,819	\$ 3,803,155	\$ 4,472,467
Contributions in relation to the actuarially determined contributions	(5,624,634)	(4,966,169)	(5,472,464)	(4,474,477)	(4,472,467)
Contribution deficiency (excess)	\$ -	\$ -	\$ (1,342,645)	\$ (671,322)	\$ -
Covered payroll	\$ 17,871,364	\$ 16,892,992	\$ 16,925,184	\$ 17,606,708	\$ 17,978,187
Contributions as a percentage of covered payroll	31.47%	29.40%	32.33%	25.41%	24.88%

Notes to Schedule:

Valuation Date	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
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Methods and Assumptions Used to Determine Contribution Rates:

	Entry age				
Actuarial cost method	Entry age				
Amortization method	(1)	(1)	(1)	(1)	(1)
Asset valuation method	Fair Value	Fair Value	Fair Value	Fair Value	15-Year Smoothed Market Method
Inflation	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	(2)	(2)	(2)	(2)	(2)
Investment rate of return	7.375% (3)	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement age	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)

- (1) Level percentage of payroll, closed.
- (2) Depending on age, service and type of employment.
- (3) Net of pension plan investment expense, including inflation.
- (4) The probabilities of retirement are based on the 2010 CalPERS Experience Study report.
- (5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

* Fiscal year 2015 was the first year of implementation and therefore only six years are shown.

CITY OF CERRITOS

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
 PARS PENSION PLAN

Last Ten Fiscal Years*

Fiscal Year Ended	<u>June 30, 2020</u>
Measurement Period Ended	June 30, 2019
Total Pension Liability:	
Service cost	\$ 290,763
Interest on total pension liability	695,382
Differences between expected and actual experience	(499,084)
Changes in assumptions	(67,132)
Benefit payments, including refunds of employee contributions	(730,762)
Net Change in Total Pension Liability	<u>(310,833)</u>
Total Pension Liability - Beginning of Year	<u>12,163,113</u>
Total Pension Liability - End of Year (a)	<u>\$ 11,852,280</u>
Plan Fiduciary Net Position:	
Contributions - employer	\$ 1,727,805
Contributions - employee	-
Net investment income	494,848
Benefit payments	(730,762)
Administrative expense	(2,953)
Other miscellaneous income (expense)	-
Net Change in Plan Fiduciary Net Position	<u>1,488,938</u>
Plan Fiduciary Net Position - Beginning of Year	<u>7,911,600</u>
Plan Fiduciary Net Position - End of Year (b)	<u>\$ 9,400,538</u>
Net Pension Liability - Ending (a)-(b)	<u>\$ 2,451,742</u>
Plan fiduciary net position as a percentage of the total pension liability	79.31%
Covered payroll	\$ 8,076,033
Net pension liability as percentage of covered payroll	30.36%

Notes to Schedule:

* Fiscal year 2015 was the first year of implementation and therefore only six years are shown. When the City first implemented GASB 68, in fiscal year 2015, the City used a measurement period that is the same as the reporting period. In fiscal year 2019, the City changed the measurement period to June 30, 2018, therefore information related to measurement period ending June 30, 2014 is not available.

CITY OF CERRITOS

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
 PARS PENSION PLAN (CONTINUED)

Last Ten Fiscal Years*

Fiscal Year Ended	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement Period Ended	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Total Pension Liability:					
Service cost	\$ 282,294	\$ 284,923	\$ 276,624	\$ 212,170	Not Available
Interest on total pension liability	693,839	688,464	586,984	653,773	
Differences between expected and actual experience	-	-	(603,157)	-	
Changes in assumptions	(217,374)	765,852	1,959,820	-	
Benefit payments, including refunds of employee contributions	(749,742)	(621,846)	(588,456)	(523,749)	
Net Change in Total Pension Liability	9,017	1,117,393	1,631,815	342,194	
Total Pension Liability - Beginning of Year	12,154,096	11,036,703	9,404,888	9,062,694	
Total Pension Liability - End of Year (a)	<u>\$ 12,163,113</u>	<u>\$ 12,154,096</u>	<u>\$ 11,036,703</u>	<u>\$ 9,404,888</u>	
Plan Fiduciary Net Position:					
Contributions - employer	\$ 1,331,501	\$ 1,450,583	\$ 847,840	\$ 868,240	Not Available
Contributions - employee	-	-	-	-	
Net investment income	184,573	267,203	(588,456)	14,398	
Benefit payments	(749,742)	(621,846)	151,244	(523,749)	
Administrative expense	-	-	-	-	
Other miscellaneous income (expense)	(2,420)	(3,174)	(1,427)	(2,289)	
Net Change in Plan Fiduciary Net Position	763,912	1,092,766	409,201	356,600	
Plan Fiduciary Net Position - Beginning of Year	7,147,688	6,054,922	5,645,721	5,289,121	
Plan Fiduciary Net Position - End of Year (b)	<u>\$ 7,911,600</u>	<u>\$ 7,147,688</u>	<u>\$ 6,054,922</u>	<u>\$ 5,645,721</u>	
Net Pension Liability - Ending (a)-(b)	<u>\$ 4,251,513</u>	<u>\$ 5,006,408</u>	<u>\$ 4,981,781</u>	<u>\$ 3,759,167</u>	
Plan fiduciary net position as a percentage of the total pension liability	65.05%	58.81%	54.86%	60.03%	
Covered payroll	\$ 8,797,761	\$ 9,905,146	\$ 9,616,647	\$ 9,336,558	
Net pension liability as percentage of covered payroll	48.32%	50.54%	51.80%	40.26%	

Notes to Schedule:

CITY OF CERRITOS

SCHEDULE OF CONTRIBUTIONS
PARS PENSION PLAN

Last Ten Fiscal Years*

Fiscal year ended	<u>June 30, 2020</u>
Actuarially determined contribution	\$ 1,727,805
Contributions in relation to the actuarially determined contributions	<u>(1,727,805)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered payroll	\$ 8,298,119
Contributions as a percentage of covered payroll	20.82%

Notes to Schedule:

Valuation Date	6/30/2019
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Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age
Amortization method	(1)
Asset valuation method	Fair Value
Inflation	2.625%
Salary increases	(2)
Investment rate of return	5.75% (3)
Retirement age	(4)
Mortality	(5)

- (1) Level percent, closed for 7 years with 3.00% amortization growth rate.
- (2) Graded rates based on years of service, 3.50% after 30 years of service.
- (3) Net of pension plan investment and administrative expenses, including inflation
- (4) The probabilities of retirement are based on the 2010 CalPERS Experience Study report.
- (5) Pre-retirement: consistent with the non-industrial rates used to value the Miscellaneous CalPERS Pension Plans.
Post-retirement - CalPERS 1997-2011 Healthy Retiree Tables with an assumed base year of 2008 and full generational projection using Scale AA.

* Fiscal year 2015 was the first year of implementation and therefore only six years are shown.

CITY OF CERRITOS

SCHEDULE OF CONTRIBUTIONS
PARS PENSION PLAN (CONTINUED)

Last Ten Fiscal Years*

Fiscal year ended	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Actuarially determined contribution	\$ 1,727,805	\$ 1,204,857	\$ 1,331,294	\$ 774,085	\$ 847,590
Contributions in relation to the actuarially determined contributions	<u>(1,727,805)</u>	<u>(1,331,501)</u>	<u>(1,450,583)</u>	<u>(847,840)</u>	<u>(868,240)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (126,644)</u>	<u>\$ (119,289)</u>	<u>\$ (73,755)</u>	<u>\$ (20,650)</u>
Covered payroll	\$ 8,076,033	\$ 8,797,761	\$ 9,905,146	\$ 9,616,647	\$ 9,336,558
Contributions as a percentage of covered payroll	21.39%	15.13%	14.64%	8.82%	9.30%

Notes to Schedule:

Valuation Date	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013
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Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age				
Amortization method	(1)	(1)	(1)	(1)	(1)
Asset valuation method	Fair Value	Fair Value	Fair Value	Fair Value	15-Year Smoothed Market Method
Inflation	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	(2)	(2)	(2)	(2)	(2)
Investment rate of return	5.75% (3)	5.75% (3)	5.75% (3)	5.75% (3)	5.75% (3)
Retirement age	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)

- (1) Level percent, closed for 7 years with 3.00% amortization growth rate.
- (2) Graded rates based on years of service, 3.50% after 30 years of service.
- (3) Net of pension plan investment and administrative expenses, including inflation
- (4) The probabilities of retirement are based on the 2010 CalPERS Experience Study report.
- (5) Pre-retirement: consistent with the non-industrial rates used to value the Miscellaneous CalPERS Pension Plans.
Post-retirement - CalPERS 1997-2011 Healthy Retiree Tables with an assumed base year of 2008 and full generational projection using Scale AA.

* Fiscal year 2015 was the first year of implementation and therefore only six years are shown.

CITY OF CERRITOS

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

Last Ten Fiscal Years*

Fiscal Year Ended	June 30, 2020	June 30, 2019	June 30, 2018
Measurement Period Ended	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB Liability:			
Service cost	\$ 1,240,483	\$ 1,152,240	Not Available
Interest on total OPEB liability	2,768,729	2,662,314	
Differences between expected and actual experience	(373,403)	-	
Changes in assumptions	(1,263,816)	-	
Benefit payments, including refunds of employee contributions	(1,857,533)	(1,657,007)	
Net Change in Total OPEB Liability	514,460	2,157,547	
Total OPEB Liability - Beginning of Year	46,193,636	44,036,089	
Total OPEB Liability - End of Year (a)	<u>\$ 46,708,096</u>	<u>\$ 46,193,636</u>	
Plan Fiduciary Net Position:			
Contributions - employer	\$ 3,188,056	\$ 4,115,834	Not Available
Contributions - employee	-	-	
Net investment income	3,378,685	1,964,761	
Benefit payments	(1,857,533)	(1,657,007)	
Other miscellaneous income (expense)	(23,252)	(21,346)	
Net Change in Fiduciary Net Position	4,685,956	4,402,242	
Plan Fiduciary Net Position - Beginning of Year	45,702,962	41,300,720	
Plan Fiduciary Net Position - End of Year (a)	<u>\$ 50,388,918</u>	<u>\$ 45,702,962</u>	
Net OPEB Liability (Asset)	<u>\$ (3,680,822)</u>	<u>\$ 490,674</u>	
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	92.70%	101.07%	
Covered payroll	\$ 17,871,364	\$ 16,096,388	
Net OPEB liability (asset) as percentage of covered payroll	-20.60%	3.05%	

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2019 to June 30, 2020:

Discount rate was changed from 6.00% to 5.75%.

* Fiscal year 2018 was the first year of implementation and therefore only three years are shown. When the City implemented GASB 75, in fiscal year 2018, the City used a measurement period that is the same as the reporting period. In fiscal year 2019, the City changed the measurement period to June 30, 2018, therefore information related to measurement period ending June 30, 2017 is not available.

CITY OF CERRITOS

SCHEDULE OF CONTRIBUTIONS
OPEB PLAN

Last Ten Fiscal Years*

Fiscal year ended	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Actuarially determined contribution	\$ 3,279,305	\$ 2,458,827	\$ 2,458,827
Contributions in relation to the actuarially determined contributions	<u>(3,239,740)</u>	<u>(3,188,056)</u>	<u>(4,115,834)</u>
Contribution deficiency (excess)	<u>\$ 39,565</u>	<u>\$ (729,229)</u>	<u>\$ (1,657,007)</u>
Covered-employee payroll	\$ 17,900,052	\$ 17,871,364	\$ 16,096,388
Contributions as a percentage of covered-employee payroll	18.10%	17.84%	25.57%

Notes to Schedule:

Valuation Date	6/30/2019	6/30/2017	6/30/2017
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* Fiscal year 2018 was the first year of implementation and therefore only three years are shown. During fiscal year 2018-2019 the City had a restatement for a change in measurement date of the OPEB plan, therefore the balances related to fiscal 2017-2018 and 2018-2019 include the same information, additional information not available prior to fiscal year 2018-2019 after the restatement.

CITY OF CERRITOS

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
REVENUES:				
Property, sales, and other taxes	\$ 48,298,060	\$ 44,482,484	\$ 47,605,084	\$ 3,122,600
Franchise	2,461,100	2,461,100	2,390,426	(70,674)
Licenses and permits	3,034,500	3,082,000	3,072,377	(9,623)
Fines and forfeitures	596,600	596,600	399,420	(197,180)
Investment and rental income	12,183,330	11,913,822	13,204,736	1,290,914
Revenues from other agencies	245,000	246,000	159,895	(86,105)
Current fees and services	7,232,320	6,406,445	5,768,527	(637,918)
Other revenues	441,650	437,700	497,129	59,429
TOTAL REVENUES	<u>74,492,560</u>	<u>69,626,151</u>	<u>73,097,594</u>	<u>3,471,443</u>
EXPENDITURES:				
Current:				
Legislative and Administration	2,181,080	2,174,655	1,790,890	383,765
Community Development	4,679,590	4,689,395	4,002,842	686,553
Public Works	13,644,220	13,655,019	12,973,386	681,633
Community and Safety Services	27,382,000	26,182,672	25,233,008	949,664
Administrative Services	13,769,280	13,006,267	11,972,098	1,034,169
Cerritos Center for the Performing Arts	7,085,120	7,023,556	6,932,283	91,273
Capital outlay	-	-	442,881	(442,881)
TOTAL EXPENDITURES	<u>68,741,290</u>	<u>66,731,564</u>	<u>63,347,388</u>	<u>3,384,176</u>
EXCESS OF REVENUES OVER EXPENDITURES	5,751,270	2,894,587	9,750,206	6,855,619
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	301,295	(301,295)
Transfers out	-	-	(8,025,155)	(8,025,155)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(7,723,860)</u>	<u>(8,326,450)</u>
NET CHANGE IN FUND BALANCE	5,751,270	2,894,587	2,026,346	(1,470,831)
FUND BALANCE - BEGINNING OF YEAR	<u>169,635,264</u>	<u>169,635,264</u>	<u>169,635,264</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 175,386,534</u>	<u>\$ 172,529,851</u>	<u>\$ 171,661,610</u>	<u>\$ (1,470,831)</u>

See note to required supplementary information.

CITY OF CERRITOS

BUDGETARY COMPARISON SCHEDULE

HOUSING ASSETS SPECIAL REVENUE FUND

For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
REVENUES:				
Investment and rental income	\$ 301,830	\$ 382,700	\$ 382,684	\$ (16)
Other revenues	-	-	24,103	24,103
TOTAL REVENUES	<u>301,830</u>	<u>382,700</u>	<u>406,787</u>	<u>24,087</u>
EXPENDITURES:				
Current:				
Community Development	-	-	17,605	(17,605)
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>17,605</u>	<u>(17,605)</u>
EXCESS OF REVENUES OVER EXPENDITURES	301,830	382,700	389,182	6,482
FUND BALANCE - BEGINNING OF YEAR	<u>22,765,009</u>	<u>22,765,009</u>	<u>22,765,009</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 23,066,839</u>	<u>\$ 23,147,709</u>	<u>\$ 23,154,191</u>	<u>\$ 6,482</u>

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CITY OF CERRITOS, CALIFORNIA
Notes to Required Supplementary Information (Unaudited)
June 30, 2020

NOTE 1 - BUDGET AND BUDGETARY ACCOUNTING

The annual budget adopted by the City Council provides for the general operation of the City. It includes proposed expenditures and the means of financing them.

The City Council approves total budgeted appropriations and any amendments to appropriations throughout the year. This “appropriated budget” covers substantially all City expenditures, with the exception of debt service on bond issues and capital improvement projects carried forward from prior years, which expenditures constitute legally-authorized “non-appropriated budget.”

There were no significant non-budgeted financial activities. Actual expenditures may not exceed budgeted appropriations at the fund level. However, the City Manager is authorized to transfer budgeted amounts between funds. There were no significant supplementary budget appropriations during the year ended June 30, 2020.

Formal budgetary integration is employed as a management control. Commitments for materials and services, such as purchase orders and contracts, are recorded during the year as encumbrances to assist in controlling expenditures. Encumbrances at year end lapse, unless appropriations are made for certain capital projects in the subsequent fiscal year.

Annual budgets for the General and Special Revenue Funds are adopted on a basis substantially consistent with accounting principles generally accepted in the United States of America. Accordingly, actual revenues and expenditures can be compared with related budgeted amounts without any significant reconciling items. Budgets for the Capital Projects and Debt Service Funds are long-term in nature. Accordingly, no budgetary comparisons are reflected for these funds in the accompanying financial statements. No budgetary comparisons are presented for Proprietary Funds, as the City is not legally required to adopt a budget for these types of funds.

Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller, returned to the taxpayers through revised tax rates or revised fee schedules, or an excess in one year may be offset against a deficit in the following year. For the fiscal year ended June 30, 2020 based on calculations by City Management, proceeds of taxes did not exceed appropriations. Further, Section 5 of Article XIII B allows the City to designate a portion of fund balance for general contingencies, to be used for any purpose.

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SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds are used to account for taxes and other revenues set aside in accordance with law or administrative regulations for a specific purpose.

Street Improvements Fund - to account for allocation of state gasoline taxes received by the City. These funds may be used for street maintenance, right-of-way acquisition and street construction.

RMRA Fund - to account for allocations of State taxes under the Road Maintenance and Rehabilitation Account received by the City. These funds may be used for street maintenance, right-of-way acquisition, and street construction.

Drainage Fund - to account for monies received from development fees. The funds are used for the maintenance of the drainage system.

Proposition "A" Fund - to account for Los Angeles County special 1/2 cent transportation sales tax, which became effective July 1, 1982. These funds may only be used for certain transportation purposes.

Proposition "C" Fund - to account for a Los Angeles County special 1/2 cent transit sales tax, which was approved by the voters in November 1990. These funds may only be used for public transit projects.

Measure "M" Fund - to account for Los Angeles County special one-half cent transportation sales tax, which became effective July 1, 2017. These funds may only be used for transportation purposes.

Assessment District #6 Fund - to account for monies received from the special assessment tax levied from the areas benefited. These funds are restricted for covering the expenses of maintaining the improvements in the area.

Los Coyotes Lighting District Fund - to account for monies secured from the State of California under the provision of Division 14, Part I, Street and Highways Code, State of California as amended, referred to as the "Street Lighting Act of 1919". These funds are restricted for the installation, maintenance of, and furnishing of electrical currents for the lighting of a street lighting system on certain public streets within the City.

Public Safety Grant Fund - COPS Grant - to account for non-recurring grant monies received from the State of California under the following laws: COPS SB3229 and COPS Ahead. These funds are restricted for public safety programs.

Environmental Grants Fund - to account for non-recurring grant monies received from the State of California for increased recycling efforts within the City.

Air Quality Management District ("AQMD") Fund - to account for monies received from the South Coast Air Quality Management District. These funds are restricted for the City's rideshare program.

Measure "R" Fund - to account for a Los Angeles County 1/2 cent sales tax which was approved by voters in November 2008 for transportation purposes.

Community Development Block Grant (CDBG) Fund - to account for Federal grant monies received and expended for the removal of material and architectural barriers that restrict the mobility and accessibility of elderly or severely disabled persons to public facilities and improvements.

The **Capital Projects Fund** is used to account for resources used for the construction and acquisition of capital facilities.

Municipal Improvement Fund - to account for the monies received from General Fund and other grant monies for the construction of major capital facilities, which generally require more than one budgetary cycle to complete.

CITY OF CERRITOS
 COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS

June 30, 2020

		Special Revenue Funds		
		Street Improvements	RMRA	Drainage
ASSETS				
Cash and investments		\$ 750,246	\$ 612,102	\$ 160
Accounts receivable		26,271	134,123	-
Prepaid items		148,334	-	378
TOTAL ASSETS		\$ 924,851	\$ 746,225	\$ 538
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable and accrued liabilities		\$ 628,216	\$ -	\$ 99
Accrued salaries and benefits		66,593	-	439
Unearned revenues		-	-	-
TOTAL LIABILITIES		694,809	-	538
FUND BALANCES (DEFICITS):				
Restricted		81,708	746,225	-
Nonspendable		148,334	-	378
Unassigned		-	-	(378)
TOTAL FUND BALANCES		230,042	746,225	-
TOTAL LIABILITIES AND FUND BALANCES		\$ 924,851	\$ 746,225	\$ 538

Special Revenue Funds (Continued)

Proposition "A"	Proposition "C"	Measure "M"	Assessment District #6	Los Coyotes Lighting District
\$ 580,324	\$ 190,568	\$ 408,646	\$ 17,878	\$ 46,006
-	-	-	1,936	-
-	-	-	-	30,899
<u>\$ 580,324</u>	<u>\$ 190,568</u>	<u>\$ 408,646</u>	<u>\$ 19,814</u>	<u>\$ 76,905</u>
\$ 84,751	\$ -	\$ -	\$ -	\$ 71,349
-	-	-	-	5,556
-	-	-	-	-
<u>84,751</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>76,905</u>
495,573	190,568	408,646	19,814	-
-	-	-	-	30,899
-	-	-	-	(30,899)
<u>495,573</u>	<u>190,568</u>	<u>408,646</u>	<u>19,814</u>	<u>-</u>
<u>\$ 580,324</u>	<u>\$ 190,568</u>	<u>\$ 408,646</u>	<u>\$ 19,814</u>	<u>\$ 76,905</u>

(Continued)

CITY OF CERRITOS

COMBINING BALANCE SHEET

OTHER GOVERNMENTAL FUNDS
(CONTINUED)

June 30, 2020

ASSETS	Special Revenue Funds		
	Public Safety Grant Fund	Environmental Grants	AQMD
	COPS Grant		
Cash and investments	\$ -	\$ 45,054	\$ 567,221
Accounts receivable	-	-	15,000
Prepaid items	-	-	-
TOTAL ASSETS	\$ -	\$ 45,054	\$ 582,221
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -
Accrued salaries and benefits	-	-	-
Due to other funds	-	45,054	-
TOTAL LIABILITIES	-	45,054	-
FUND BALANCES:			
Restricted	-	-	582,221
Nonspendable	-	-	-
Assigned	-	-	-
TOTAL FUND BALANCES	-	-	582,221
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 45,054	\$ 582,221

(Continued)

Special Revenue Funds (Continued)		Capital Projects Fund	Total Other Governmental Funds
Measure "R"	Community Development Block Grant	Municipal Improvement	
\$ 58,167	\$ -	\$ 2,144,091	\$ 5,420,463
-	-	1,606,488	1,783,818
-	-	-	179,611
<u>\$ 58,167</u>	<u>\$ -</u>	<u>\$ 3,750,579</u>	<u>\$ 7,383,892</u>
\$ -	\$ -	\$ 452,485	\$ 1,236,900
-	-	-	72,588
-	-	-	45,054
-	-	452,485	1,354,542
58,167	-	3,298,094	5,881,016
-	-	-	179,611
-	-	-	(31,277)
<u>58,167</u>	<u>-</u>	<u>3,298,094</u>	<u>6,029,350</u>
<u>\$ 58,167</u>	<u>\$ -</u>	<u>\$ 3,750,579</u>	<u>\$ 7,383,892</u>

CITY OF CERRITOS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS

For the Year Ended June 30, 2020

	Special Revenue Funds		
	Street Improvements	RMRA	Drainage
REVENUES:			
Investment and rental income (loss)	\$ -	\$ 8,606	\$ -
Revenues from other agencies	1,175,869	878,309	-
Current fees and services	-	-	3,298
Franchise	84,000	-	-
TOTAL REVENUES	1,259,869	886,915	3,298
EXPENDITURES:			
Current:			
Legislative and Administration	174,198	-	445
Community Development	-	-	-
Public Works	3,095,332	-	11,784
Administrative Services	565,348	-	1,442
Capital outlay	469,258	-	-
TOTAL EXPENDITURES	4,304,136	-	13,671
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,044,267)	886,915	(10,373)
OTHER FINANCING SOURCES (USES):			
Transfers in	3,127,728	-	10,373
Transfers out	(71,245)	(193,271)	-
TOTAL OTHER FINANCING SOURCES (USES)	3,056,483	(193,271)	10,373
NET CHANGE IN FUND BALANCES	12,216	693,644	-
FUND BALANCES - BEGINNING OF YEAR	217,826	52,581	-
FUND BALANCES - END OF YEAR	\$ 230,042	\$ 746,225	\$ -

Special Revenue Funds (Continued)

Proposition "A"	Proposition "C"	Measure "M"	Assessment District #6	Los Coyotes Lighting District
\$ 14,281	\$ 13,909	\$ 7,487	\$ 186	\$ -
971,485	805,849	680,264	101,891	98,612
57,285	-	-	-	-
-	-	-	-	-
<u>1,043,051</u>	<u>819,758</u>	<u>687,751</u>	<u>102,077</u>	<u>98,612</u>
-	-	-	-	36,286
1,611,162	30,000	-	-	-
-	-	8,231	100,000	1,147,988
-	-	-	-	117,770
-	1,300,000	119,919	-	-
<u>1,611,162</u>	<u>1,330,000</u>	<u>128,150</u>	<u>100,000</u>	<u>1,302,044</u>
<u>(568,111)</u>	<u>(510,242)</u>	<u>559,601</u>	<u>2,077</u>	<u>(1,203,432)</u>
-	-	-	-	1,203,432
-	-	(200,000)	-	-
-	-	(200,000)	-	1,203,432
(568,111)	(510,242)	359,601	2,077	-
<u>1,063,684</u>	<u>700,810</u>	<u>49,045</u>	<u>17,737</u>	<u>-</u>
<u>\$ 495,573</u>	<u>\$ 190,568</u>	<u>\$ 408,646</u>	<u>\$ 19,814</u>	<u>\$ -</u>

(Continued)

CITY OF CERRITOS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS
(CONTINUED)

For the Year Ended June 30, 2020

	Special Revenue Funds		
	Public Safety Grant Fund	Environmental Grants	AQMD
	COPS Grant		
REVENUES:			
Investment and rental income/(loss)	\$ -	\$ 958	\$ 9,693
Revenues from other agencies	155,948	26,012	63,706
Current fees and services	-	-	-
Franchise	-	-	-
TOTAL REVENUES	155,948	26,970	73,399
EXPENDITURES:			
Current:			
Legislative and Administration	-	-	-
Community Development	-	-	37,336
Public Works	-	-	-
Administrative Services	-	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	-	-	37,336
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	155,948	26,970	36,063
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers out	(155,948)	(29,427)	-
TOTAL OTHER FINANCING SOURCES (USES)	(155,948)	(29,427)	-
NET CHANGE IN FUND BALANCES	-	(2,457)	36,063
FUND BALANCES - BEGINNING OF YEAR	-	2,457	546,158
FUND BALANCES - END OF YEAR	\$ -	\$ -	\$ 582,221

(Continued)

Special Revenue Funds (Continued)		Capital Projects Fund	Total Other Governmental Funds
Measure "R"	Community Development Block Grant	Municipal Improvement	
\$ 676	\$ -	\$ -	\$ 55,796
603,522	-	6,581	5,568,048
-	-	1,034	61,617
-	-	-	84,000
604,198	-	7,615	5,769,461
-	-	-	210,929
-	71,245	-	1,749,743
546,031	-	1,526,243	6,435,609
-	-	-	684,560
-	-	424,568	2,313,745
546,031	71,245	1,950,811	11,394,586
58,167	(71,245)	(1,943,196)	(5,625,125)
-	71,245	3,101,843	7,514,621
-	-	-	(649,891)
-	71,245	3,101,843	6,864,730
58,167	-	1,158,647	1,239,605
-	-	2,139,447	4,789,745
\$ 58,167	\$ -	\$ 3,298,094	\$ 6,029,350

CITY OF CERRITOS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

STREET IMPROVEMENTS SPECIAL REVENUE FUND

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Revenues from other agencies	\$ 2,729,280	\$ 2,021,757	\$ 1,175,869	\$ (845,888)
Franchise	84,000	84,000	84,000	-
TOTAL REVENUES	2,813,280	2,105,757	1,259,869	(845,888)
EXPENDITURES:				
Current:				
Legislative and Administrative	138,640	180,908	174,198	6,710
Public Works	2,547,630	2,643,588	3,095,332	(451,744)
Administrative Services	510,110	612,352	565,348	47,004
Capital outlay	2,658,000	4,127,557	469,258	3,658,299
TOTAL EXPENDITURES	5,854,380	7,564,405	4,304,136	3,260,269
REVENUES OVER (UNDER) EXPENDITURES	(3,041,100)	(5,458,648)	(3,044,267)	2,414,381
OTHER FINANCING SOURCES:				
Transfers in	3,047,100	5,368,531	3,127,728	(2,240,803)
Transfers out	-	-	(71,245)	(71,245)
TOTAL OTHER FINANCING SOURCES	3,047,100	5,368,531	3,056,483	(2,312,048)
NET CHANGE IN FUND BALANCE	6,000	(90,117)	12,216	102,333
FUND BALANCE - BEGINNING OF YEAR	217,826	217,826	217,826	-
FUND BALANCE - END OF YEAR	\$ 223,826	\$ 127,709	\$ 230,042	\$ 102,333

CITY OF CERRITOS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

RMRA SPECIAL REVENUE FUND

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Investment and rental income (loss)	\$ -	\$ -	\$ 8,606	\$ 8,606
Revenues from other agencies	884,990	991,000	878,309	(112,691)
TOTAL REVENUES	884,990	991,000	886,915	(104,085)
EXPENDITURES:				
Capital outlay	650,000	-	-	-
TOTAL EXPENDITURES	650,000	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	234,990	991,000	886,915	(104,085)
OTHER FINANCING SOURCES:				
Transfers out	-	(650,000)	(193,271)	456,729
TOTAL OTHER FINANCING SOURCES	-	(650,000)	(193,271)	456,729
NET CHANGE IN FUND BALANCE	234,990	341,000	693,644	352,644
FUND BALANCE - BEGINNING OF YEAR	52,581	52,581	52,581	-
FUND BALANCE - END OF YEAR	\$ 287,571	\$ 393,581	\$ 746,225	\$ 352,644

CITY OF CERRITOS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

DRAINAGE SPECIAL REVENUE FUND

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Current fees and services	\$ 10,000	\$ 10,000	\$ 3,298	\$ (6,702)
TOTAL REVENUES	<u>10,000</u>	<u>10,000</u>	<u>3,298</u>	<u>(6,702)</u>
EXPENDITURES:				
Current:				
Legislative and Administrative	460	461	445	16
Public Works	12,100	11,898	11,784	114
Administrative Services	1,710	1,562	1,442	120
TOTAL EXPENDITURES	<u>14,270</u>	<u>13,921</u>	<u>13,671</u>	<u>250</u>
REVENUES OVER (UNDER) EXPENDITURES	(4,270)	(3,921)	(10,373)	(6,452)
OTHER FINANCING SOURCES:				
Transfers in	3,440	3,671	10,373	6,702
TOTAL OTHER FINANCING SOURCES	<u>3,440</u>	<u>3,671</u>	<u>10,373</u>	<u>6,702</u>
NET CHANGE IN FUND BALANCE	<u>(830)</u>	<u>(250)</u>	<u>-</u>	<u>250</u>
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ (830)</u></u>	<u><u>\$ (250)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 250</u></u>

CITY OF CERRITOS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

PROPOSITION "A" SPECIAL REVENUE FUND

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Investment and rental income (loss)	\$ 28,230	\$ 15,000	\$ 14,281	\$ (719)
Revenues from other agencies	1,070,000	1,070,000	971,485	(98,515)
Current fees and services	-	-	57,285	57,285
TOTAL REVENUES	1,098,230	1,085,000	1,043,051	(41,949)
EXPENDITURES:				
Current:				
Community Development	1,700,000	1,700,000	1,611,162	88,838
TOTAL EXPENDITURES	1,700,000	1,700,000	1,611,162	88,838
REVENUES OVER (UNDER) EXPENDITURES	(601,770)	(615,000)	(568,111)	46,889
FUND BALANCE - BEGINNING OF YEAR	1,063,684	1,063,684	1,063,684	-
FUND BALANCE - END OF YEAR	\$ 461,914	\$ 448,684	\$ 495,573	\$ 46,889

CITY OF CERRITOS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

PROPOSITION "C" SPECIAL REVENUE FUND

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Investment and rental income (loss)	\$ -	\$ 14,000	\$ 13,909	\$ (91)
Revenues from other agencies	835,000	835,000	805,849	(29,151)
TOTAL REVENUES	835,000	849,000	819,758	(29,242)
EXPENDITURES:				
Current:				
Community Development	100,000	100,000	30,000	70,000
Capital outlay	1,300,000	-	1,300,000	(1,300,000)
TOTAL EXPENDITURES	1,400,000	100,000	1,330,000	(1,230,000)
REVENUES OVER (UNDER) EXPENDITURES	(565,000)	749,000	(510,242)	(1,259,242)
FUND BALANCE - BEGINNING OF YEAR	700,810	700,810	700,810	-
FUND BALANCE - END OF YEAR	\$ 135,810	\$ 1,449,810	\$ 190,568	\$ (1,259,242)

CITY OF CERRITOS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

MEASURE "M" SPECIAL REVENUE FUND

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Investment and rental income (loss)	\$ -	\$ -	\$ 7,487	\$ 7,487
Revenues from other agencies	711,250	711,250	680,264	(30,986)
TOTAL REVENUES	711,250	711,250	687,751	(23,499)
EXPENDITURES:				
Current:				
Public Works	-	-	8,231	(8,231)
Capital outlay	-	-	119,919	(119,919)
TOTAL EXPENDITURES	-	-	128,150	(128,150)
REVENUES OVER (UNDER) EXPENDITURES	711,250	711,250	559,601	(151,649)
OTHER FINANCING SOURCES:				
Transfers out	(200,000)	(200,000)	(200,000)	-
TOTAL OTHER FINANCING SOURCES	(200,000)	(200,000)	(200,000)	-
NET CHANGE IN FUND BALANCE	511,250	511,250	359,601	(151,649)
FUND BALANCE - BEGINNING OF YEAR	49,045	49,045	49,045	-
FUND BALANCE - END OF YEAR	\$ 560,295	\$ 560,295	\$ 408,646	\$ (151,649)

CITY OF CERRITOS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

ASSESSMENT DISTRICT #6 SPECIAL REVENUE FUND

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Investment and rental income (loss)	\$ 280	\$ 150	\$ 186	\$ 36
Revenues from other agencies	120,000	100,000	101,891	1,891
TOTAL REVENUES	120,280	100,150	102,077	1,927
EXPENDITURES:				
Current:				
Public Works	120,280	100,000	100,000	-
TOTAL EXPENDITURES	120,280	100,000	100,000	-
REVENUES OVER (UNDER) EXPENDITURES	-	150	2,077	1,927
NET CHANGE IN FUND BALANCE	-	150	2,077	1,927
FUND BALANCE - BEGINNING OF YEAR	17,737	17,737	17,737	-
FUND BALANCE - END OF YEAR	<u>\$ 17,737</u>	<u>\$ 17,887</u>	<u>\$ 19,814</u>	<u>\$ 1,927</u>

CITY OF CERRITOS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

LOS COYOTES LIGHTING DISTRICT SPECIAL REVENUE FUND

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Revenues from other agencies	\$ 98,600	\$ 98,600	\$ 98,612	\$ 12
TOTAL REVENUES	98,600	98,600	98,612	12
EXPENDITURES:				
Current:				
Legislative and Administration	39,830	37,685	36,286	1,399
Public Works	1,030,730	1,148,459	1,147,988	471
Administrative Services	146,540	127,559	117,770	9,789
TOTAL EXPENDITURES	1,217,100	1,313,703	1,302,044	11,659
REVENUES OVER (UNDER) EXPENDITURES	(1,118,500)	(1,215,103)	(1,203,432)	11,671
OTHER FINANCING SOURCES:				
Transfers in	1,118,500	1,213,317	1,203,432	(9,885)
TOTAL OTHER FINANCING SOURCES	1,118,500	1,213,317	1,203,432	(9,885)
NET CHANGE IN FUND BALANCE	-	(1,786)	-	1,786
FUND BALANCE - BEGINNING OF YEAR	-	-	-	-
FUND BALANCE - END OF YEAR	\$ -	\$ (1,786)	\$ -	\$ 1,786

CITY OF CERRITOS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

COPS GRANT SPECIAL REVENUE FUND

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Revenues from other agencies	\$ 100,000	\$ 100,000	\$ 155,948	\$ 55,948
TOTAL REVENUES	<u>100,000</u>	<u>100,000</u>	<u>155,948</u>	<u>55,948</u>
OTHER FINANCING SOURCES:				
Transfers out	<u>(100,000)</u>	<u>(100,000)</u>	<u>(155,948)</u>	<u>(55,948)</u>
TOTAL OTHER FINANCING SOURCES	<u>(100,000)</u>	<u>(100,000)</u>	<u>(155,948)</u>	<u>(55,948)</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF CERRITOS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

ENVIRONMENTAL GRANTS SPECIAL REVENUE FUND

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Investment and rental income (loss)	\$ 380	\$ 380	\$ 958	\$ 578
Revenues from other agencies	26,000	26,000	26,012	12
TOTAL REVENUES	26,380	26,380	26,970	590
OTHER FINANCING SOURCES:				
Transfers out	(26,380)	(26,380)	(29,427)	(3,047)
TOTAL OTHER FINANCING SOURCES	(26,380)	(26,380)	(29,427)	(3,047)
NET CHANGE IN FUND BALANCE	-	-	(2,457)	(2,457)
FUND BALANCE - BEGINNING OF YEAR	2,457	2,457	2,457	-
FUND BALANCE - END OF YEAR	<u>\$ 2,457</u>	<u>\$ 2,457</u>	<u>\$ -</u>	<u>\$ (2,457)</u>

CITY OF CERRITOS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

AQMD SPECIAL REVENUE FUND

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Investment and rental income (loss)	\$ 7,400	\$ 7,400	\$ 9,693	\$ 2,293
Revenues from other agencies	55,000	55,000	63,706	8,706
TOTAL REVENUES	62,400	62,400	73,399	10,999
EXPENDITURES:				
Current:				
Community Development	58,440	58,440	37,336	21,104
TOTAL EXPENDITURES	58,440	58,440	37,336	21,104
REVENUES OVER (UNDER) EXPENDITURES	3,960	3,960	36,063	32,103
OTHER FINANCING SOURCES:				
Transfers out	(290,000)	-	-	-
TOTAL OTHER FINANCING SOURCES	(290,000)	-	-	-
NET CHANGE IN FUND BALANCE	(286,040)	3,960	36,063	32,103
FUND BALANCE - BEGINNING OF YEAR	546,158	546,158	546,158	-
FUND BALANCE - END OF YEAR	\$ 260,118	\$ 550,118	\$ 582,221	\$ 32,103

CITY OF CERRITOS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

MEASURE "R" SPECIAL REVENUE FUND

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Investment and rental income (loss)	\$ -	\$ -	\$ 676	\$ 676
Revenues from other agencies	627,580	627,580	603,522	(24,058)
TOTAL REVENUES	627,580	627,580	604,198	(23,382)
EXPENDITURES:				
Current:				
Public Works	627,580	546,000	546,031	(31)
TOTAL EXPENDITURES	627,580	546,000	546,031	(31)
REVENUES OVER (UNDER) EXPENDITURES	-	81,580	58,167	(23,413)
NET CHANGE IN FUND BALANCE	-	81,580	58,167	(23,413)
FUND BALANCE - BEGINNING OF YEAR	-	-	-	-
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 81,580</u>	<u>\$ 58,167</u>	<u>\$ (23,413)</u>

CITY OF CERRITOS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

CDBG SPECIAL REVENUE FUND

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Revenues from other agencies	\$ 130,000	\$ 200,000	\$ -	\$ (200,000)
TOTAL REVENUES	130,000	200,000	-	(200,000)
EXPENDITURES:				
Current:				
Community Development	130,000	130,000	71,245	58,755
TOTAL EXPENDITURES	130,000	130,000	71,245	58,755
REVENUES OVER (UNDER) EXPENDITURES	-	70,000	(71,245)	(141,245)
OTHER FINANCING SOURCES:				
Transfers in	-	-	71,245	71,245
Transfers out	-	(70,000)	-	70,000
TOTAL OTHER FINANCING SOURCES	-	(70,000)	71,245	141,245
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE - BEGINNING OF YEAR	-	-	-	-
FUND BALANCE - END OF YEAR	\$ -	\$ -	\$ -	\$ -

STATISTICAL SECTION

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DESCRIPTION OF STATISTICAL SECTION CONTENTS

June 30, 2020

This part of the City of Cerritos's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the government's overall financial health.

<u>Contents:</u>	<u>Pages</u>
Financial Trends These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	134 - 143
Revenue Capacity These tables contain information to help the reader assess the City's most significant local revenue source, the property tax.	144 - 151
Debt Capacity These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	152 - 157
Demographic and Economic Information These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	158
Operating Information These tables contain service and infrastructure data to help the reader understand how the information in the City's financial report related to the services that the City provides and the activities it performs.	159 - 163
Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year.	

City of Cerritos
Net Position By Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2010-11	2011-12	2012-13	2013-14	2014-15
Governmental Activities:					
Net investment in capital assets	\$ 128,288,812	\$ 283,412,755	\$ 278,297,578	\$ 272,713,095	\$ 262,647,222
Restricted For:					
Special revenue	1,473,481	759,964	1,312,017	-	-
Street and sewer related purposes	-	-	103,610	164,676	107,002
Transportation related purposes	-	-	-	1,081,590	1,477,308
Assessment districts	-	-	-	134,111	127,306
Miscellaneous grants	-	-	-	10,165	10,458
Asset replacement	-	-	-	-	-
Other post employment benefits	10,441,444	-	-	-	-
Debt Service	16,598,679	-	-	-	-
Housing Assets Special Revenue Fund	17,012,352	10,134,889	1,452,108	1,489,009	4,406,831
Municipal improvements	-	-	-	-	-
Unrestricted	<u>123,689,932</u>	<u>181,493,275</u>	<u>183,279,880</u>	<u>184,788,078</u>	<u>138,360,180</u>
Total governmental activities net position	<u>297,504,700</u>	<u>475,800,883</u>	<u>464,445,193</u>	<u>460,380,724</u>	<u>407,136,307</u>
Business-type Activities:					
Net investment in capital assets	44,962,820	44,152,806	42,472,279	31,238,684	28,383,010
Unrestricted	<u>(7,690,616)</u>	<u>(12,029,929)</u>	<u>(13,401,066)</u>	<u>(23,655,581)</u>	<u>(29,675,894)</u>
Total business-type activities net position	<u>37,272,204</u>	<u>32,122,877</u>	<u>29,071,213</u>	<u>7,583,103</u>	<u>(1,292,884)</u>
Primary Government:					
Net investment in capital assets	173,251,632	327,565,561	320,769,857	303,951,779	291,030,232
Restricted For:					
Special revenue	1,473,481	759,964	1,312,017	-	-
Street and sewer related purposes	-	-	103,610	164,676	107,002
Transportation related purposes	-	-	-	1,081,590	1,477,308
Assessment districts	-	-	-	134,111	127,306
Miscellaneous grants	-	-	-	10,165	10,458
Asset replacement	-	-	-	-	-
Other post employment benefits	10,441,444	-	-	-	-
Debt Service	16,598,679	-	-	-	-
Housing Assets Special Revenue Fund	17,012,352	10,134,889	1,452,108	1,489,009	4,406,831
Municipal improvements	-	-	-	-	-
Unrestricted	<u>115,999,316</u>	<u>169,463,346</u>	<u>169,878,814</u>	<u>161,132,497</u>	<u>108,684,286</u>
Total primary government net position	<u>\$ 334,776,904</u>	<u>\$ 507,923,760</u>	<u>\$ 493,516,406</u>	<u>\$ 467,963,827</u>	<u>\$ 405,843,423</u>

City of Cerritos
Net Position By Component (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2015-16	2016-17	2017-18	2018-19	2019-20
Governmental Activities:					
Net investment in capital assets	\$ 257,355,170	\$ 253,017,104	\$ 246,518,511	\$ 241,233,174	\$ 237,632,283
Restricted For:					
Special revenue	-	-	-	-	-
Street and sewer related purposes	105,332	190,120	202,392	87,816	827,933
Transportation related purposes	1,703,058	1,733,016	1,511,593	1,063,684	1,735,175
Assessment districts	84,023	19,625	-	-	-
Miscellaneous grants	1,210	1,396	677,241	816,046	-
Asset replacement	-	-	-	-	-
Other post employment benefits	-	-	-	-	-
Debt Service	-	-	-	-	-
Housing Assets Special Revenue Fund	9,462,617	20,447,575	22,359,381	22,765,009	23,154,191
Municipal improvements	-	-	623,506	589,480	3,681,441
Unrestricted	97,927,171	131,068,266	115,756,640	127,204,497	125,486,394
Total governmental activities net position	366,638,581	406,477,102	387,649,264	393,759,706	392,517,417
Business-type Activities:					
Net investment in capital assets	30,140,590	29,586,939	28,179,466	26,841,009	25,722,500
Unrestricted	(35,033,489)	(40,994,526)	(44,018,815)	(45,440,520)	(45,936,520)
Total business-type activities net position	(4,892,899)	(11,407,587)	(15,839,349)	(18,599,511)	(20,214,020)
Primary Government:					
Net investment in capital assets	287,495,760	282,604,043	274,697,977	268,074,183	263,354,783
Restricted For:					
Special revenue	-	-	-	-	-
Street and sewer related purposes	105,332	190,120	202,392	87,816	827,933
Transportation related purposes	1,703,058	1,733,016	1,511,593	1,063,684	1,735,175
Assessment districts	84,023	19,625	-	-	-
Miscellaneous grants	1,210	1,396	677,241	816,046	-
Asset replacement	-	-	-	-	-
Other post employment benefits	-	-	-	-	-
Debt Service	-	-	-	-	-
Housing Assets Special Revenue Fund	9,462,617	20,447,575	22,359,381	22,765,009	23,154,191
Municipal Improvements	-	-	623,506	589,480	3,681,441
Unrestricted	62,893,682	90,073,740	71,737,825	81,763,977	79,549,874
Total primary government net position	\$ 361,745,682	\$ 395,069,515	\$ 371,809,915	\$ 375,160,195	\$ 372,303,397

City of Cerritos
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2010-11	2011-12	2012-13	2013-14	2014-15
Expenses:					
Legislative and administration	\$ 11,895,682	\$ 6,419,681	\$ 2,529,809	\$ 4,264,280	\$ 4,883,485
Community development	5,995,050	5,475,674	5,203,327	4,991,092	7,085,991
Public works	14,271,031	14,954,988	14,303,051	18,261,026	16,714,186
Water and power	180,845	254,155	22,232	3,431	2,180
Community and safety services	22,595,702	22,894,351	22,299,612	22,432,108	24,290,009
Administrative services	13,033,543	13,102,290	12,112,586	11,123,229	11,173,285
Cerritos Center for the Performing Arts	9,697,750	8,922,981	7,420,483	6,934,822	6,891,247
Unallocated infrastructure depreciation	908,341	918,541	938,514	895,164	917,259
Land transferred to developer	-	-	-	-	-
Interest expense	16,654,681	8,151,223	-	-	-
Total governmental activities expenses	<u>95,232,625</u>	<u>81,093,884</u>	<u>64,829,614</u>	<u>68,905,152</u>	<u>71,957,642</u>
Water and Sewer	11,575,152	9,448,471	7,886,861	10,764,211	12,015,738
Reclaimed water	1,086,647	895,664	1,001,303	976,476	1,361,003
Electric utility	11,428,662	8,720,028	6,966,208	6,872,487	7,264,654
Total business-type activities expenses	<u>24,090,461</u>	<u>19,064,163</u>	<u>15,854,372</u>	<u>18,613,174</u>	<u>20,641,395</u>
Total primary government expenses	<u>\$ 119,323,086</u>	<u>\$ 100,158,047</u>	<u>\$ 80,683,986</u>	<u>\$ 87,518,326</u>	<u>\$ 92,599,037</u>
Program revenues:					
Governmental activities:					
Charges for services:					
Legislative and administration	\$ 7,623	\$ 142,846	\$ 18,057	\$ 4,682	\$ 12,817
Community development	1,055,373	1,268,682	935,105	2,756,838	2,350,352
Public works	767,444	130,209	139,144	175,944	146,802
Water and power	66,788	-	-	-	-
Community and safety services	3,864,946	3,526,634	3,857,319	3,587,773	3,416,288
Administrative services	1,237,313	1,259,756	1,237,470	191,295	268,741
Cerritos Center for the Performing Arts	4,558,285	4,058,413	3,473,035	3,707,910	3,705,534
Operating grants and contributions	8,711,464	8,279,618	6,120,017	4,931,724	5,390,206
Capital grants and contributions	-	-	-	155,321	163,464
Total governmental activities program revenues	<u>20,269,236</u>	<u>18,666,158</u>	<u>15,780,147</u>	<u>15,511,487</u>	<u>15,454,204</u>
Business-type activities:					
Charges for services:					
Water and Sewer	7,828,759	7,863,166	7,548,709	7,639,804	9,039,367
Reclaimed water	838,548	890,786	885,922	1,177,437	1,213,014
Electric utility	4,556,861	5,012,358	4,260,721	5,343,831	6,274,036
Capital grants and contributions	95,360	125,956	78,771	113,913	282,624
Total business-type activities program revenues	<u>13,319,528</u>	<u>13,892,266</u>	<u>12,774,123</u>	<u>14,274,985</u>	<u>16,809,041</u>
Total primary government program revenues	<u>\$ 33,588,764</u>	<u>\$ 32,558,424</u>	<u>\$ 28,554,270</u>	<u>\$ 29,786,472</u>	<u>\$ 32,263,245</u>
Net revenue (expense):					
Governmental activities	\$ (74,963,389)	\$ (62,427,726)	\$ (49,049,467)	\$ (53,393,665)	\$ (56,503,438)
Business-type activities	<u>(10,770,933)</u>	<u>(5,171,897)</u>	<u>(3,080,249)</u>	<u>(4,338,189)</u>	<u>(3,832,354)</u>
Total primary government net expense	<u>\$ (85,734,322)</u>	<u>\$ (67,599,623)</u>	<u>\$ (52,129,716)</u>	<u>\$ (57,731,854)</u>	<u>\$ (60,335,792)</u>

City of Cerritos
Changes in Net Position (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2015-16	2016-17	2017-18	2018-19	2019-20
Expenses:					
Governmental activities:					
Legislative and administration	\$ 2,465,291	\$ 2,378,754	\$ 2,518,689	\$ 2,713,829	\$ 2,509,888
Community development	7,917,327	6,622,743	5,917,823	6,097,709	6,040,084
Public works	17,268,089	15,966,555	21,639,916	19,110,998	20,534,788
Water and power	142,503	196,486	14,177	19,465	-
Community and safety services	23,633,551	22,361,018	26,170,530	26,799,680	28,017,979
Administrative services	12,390,186	11,933,909	13,636,432	14,048,665	14,580,868
Cerritos Center for the Performing Arts	6,821,863	6,928,938	9,142,656	9,041,953	8,918,564
Unallocated infrastructure depreciation	934,773	932,215	851,011	861,392	921,562
Land transferred to developer	-	-	-	-	-
Interest expense	-	-	-	-	-
Total governmental activities expenses	<u>71,573,583</u>	<u>67,320,618</u>	<u>79,891,234</u>	<u>78,693,691</u>	<u>81,523,733</u>
Water and Sewer	12,318,355	14,418,126	12,685,248	12,778,281	13,392,782
Reclaimed water	1,222,306	1,182,692	1,265,363	1,178,977	6,892,482
Electric utility	6,573,374	5,785,529	6,685,111	5,857,811	1,205,028
Total business-type activities expenses	<u>20,114,035</u>	<u>21,386,347</u>	<u>20,635,722</u>	<u>19,815,069</u>	<u>21,490,292</u>
Total primary government expenses	<u>\$ 91,687,618</u>	<u>\$ 88,706,965</u>	<u>\$ 100,526,956</u>	<u>\$ 98,508,760</u>	<u>\$ 103,014,025</u>
Program revenues:					
Governmental activities:					
Charges for services:					
Legislative and administration	\$ 9,582	\$ 10,691	\$ 5,451	\$ 4,207	\$ 12,245
Community development	1,982,017	1,464,701	2,456,567	2,742,819	2,749,521
Public works	199,911	212,402	605,302	269,137	287,193
Water and power	-	-	-	-	-
Community and safety services	3,192,486	2,646,060	2,553,410	2,358,219	1,878,902
Administrative services	318,424	305,357	283,063	270,528	272,745
Cerritos Center for the Performing Arts	3,407,864	4,320,222	5,739,821	6,088,635	4,566,056
Operating grants and contributions	5,085,014	6,211,435	6,124,018	5,983,320	5,925,205
Capital grants and contributions	2,730,681	66,852	237,883	187,606	-
Total governmental activities program revenues	<u>16,925,979</u>	<u>15,237,720</u>	<u>18,005,515</u>	<u>17,904,471</u>	<u>15,691,867</u>
Business-type activities:					
Charges for services:					
Water and Sewer	7,652,183	8,750,301	9,820,648	10,190,126	12,402,631
Reclaimed water	3,282,140	1,087,403	1,173,266	945,186	5,077,817
Electric utility	5,262,263	4,357,671	5,347,675	4,627,162	1,020,833
Capital grants and contributions	320,264	662,073	55,658	139,161	252,710
Total business-type activities program revenues	<u>16,516,850</u>	<u>14,857,448</u>	<u>16,397,247</u>	<u>15,901,635</u>	<u>18,753,991</u>
Total primary government program revenues	<u>\$ 33,442,829</u>	<u>\$ 30,095,168</u>	<u>\$ 34,402,762</u>	<u>\$ 33,806,106</u>	<u>\$ 34,445,858</u>
Net revenue (expense):					
Governmental activities	\$ (54,647,604)	\$ (52,082,898)	\$ (61,885,719)	\$ (60,789,220)	\$ (65,831,866)
Business-type activities	<u>(3,597,185)</u>	<u>(6,528,899)</u>	<u>(4,238,475)</u>	<u>(3,913,434)</u>	<u>(2,736,301)</u>
Total primary government net expense	<u>\$ (58,244,789)</u>	<u>\$ (58,611,797)</u>	<u>\$ (66,124,194)</u>	<u>\$ (64,702,654)</u>	<u>\$ (68,568,167)</u>

City of Cerritos
Changes in Net Position (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2010-11	2011-12	2012-13	2013-14	2014-15
General revenues and other changes in net position:					
Governmental Activities:					
Taxes:					
Sales taxes	\$ 20,486,099	\$ 23,036,906	\$ 26,306,965	\$ 26,719,271	\$ 27,071,289
Property taxes	35,034,773	18,611,602	6,756,462	5,179,470	10,279,496
Motor vehicle taxes	4,451,226	4,336,940	4,451,795	4,585,486	-
Franchise taxes	1,487,320	1,547,794	1,531,153	1,642,819	1,711,848
Transient occupancy taxes	398,620	445,413	460,809	504,289	697,835
Other taxes	262,970	385,743	473,120	326,668	1,336,488
Gain (Loss) on disposal of capital assets	-	-	-	-	-
Investment and rental income	19,458,284	13,473,853	7,767,576	10,327,623	9,596,362
Miscellaneous	621,736	125,248	54,991	43,570	321,260
Gain on dissolution of the former Cerritos Redevelopment Agency	-	170,091,874	-	-	-
Settlement disbursement from the City due to the dissolution of Cerritos Redevelopment Agency	-	-	(10,109,094)	-	-
Adjustment to amount due from Successor Agency	-	-	-	-	-
Gain due to payment of Long Range Property Management Plan	-	-	-	-	-
Loss due to elimination of pension obligation due from Successor Agency	-	-	-	-	-
Transfers	242,091	8,668,536	-	-	-
Total governmental activities	82,443,119	240,723,909	37,693,777	49,329,196	51,014,578
Business-type activities:					
Investment and rental income	71,130	22,570	28,585	14,366	16,312
Gain (loss) on sale of assets	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Transfers	(242,091)	-	-	-	-
Special Item and Extraordinary Item:					
Special item - Water assessment payment	-	-	-	(4,908,733)	-
Extraordinary item - Transfer of Magnolia debt from Successor Agency to the City	-	-	-	(12,255,554)	-
Total business-type activities	(170,961)	22,570	28,585	(17,149,921)	16,312
Total primary government	\$ 82,272,158	\$ 240,746,479	\$ 37,722,362	\$ 32,179,275	\$ 51,030,890
Changes in net position:					
Governmental activities	\$ 7,479,730	\$ 178,296,183	\$ (11,355,690)	\$ (4,064,469)	\$ (5,488,860)
Business-type activities	(10,941,894)	(5,149,327)	(3,051,664)	(21,488,110)	(3,816,042)
Total primary government	\$ (3,462,164)	\$ 173,146,856	\$ (14,407,354)	\$ (25,552,579)	\$ (9,304,902)

City of Cerritos
Changes in Net Position (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2015-16	2016-17	2017-18	2018-19	2019-20
General revenues and other changes in net position:					
Governmental Activities:					
Taxes:					
Sales taxes	\$ 32,846,913	\$ 33,689,474	\$ 33,607,144	\$ 34,780,357	\$ 33,382,067
Property taxes	11,278,384	11,986,780	11,894,249	12,419,886	13,040,649
Motor vehicle taxes	-	-	-	-	-
Franchise taxes	1,717,909	2,570,777	2,565,011	2,410,064	2,390,426
Transient occupancy taxes	1,129,526	1,187,002	1,214,387	1,045,417	1,023,825
Other taxes	1,392,520	1,310,269	1,481,476	1,566,031	1,319,269
Gain (Loss) on disposal of capital assets	-	-	(1,741,736)	-	-
Investment and rental income	10,020,263	9,482,419	10,151,736	13,120,657	12,543,010
Miscellaneous	1,668,528	234,179	60,031	108,425	49,818
Gain on dissolution of the former Cerritos Redevelopment Agency	-	-	-	-	-
Settlement disbursement from the City due to the dissolution of Cerritos Redevelopment Agency	-	-	-	-	-
Adjustment to amount due from Successor Agency	(45,904,165)	7,425,305	7,685,002	-	-
Gain due to payment of Long Range Property Management Plan	-	28,734,470	-	-	-
Loss due to elimination of pension obligation due from Successor Agency	-	(4,699,256)	-	-	-
Transfers	-	-	(19,201)	(858,370)	(859,130)
Total governmental activities	14,149,878	91,921,419	66,898,099	64,592,467	62,889,934
Business-type activities:					
Investment and rental income	(2,830)	14,211	20,018	80,570	104,771
Gain (loss) on sale of assets	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Transfers	-	-	19,201	858,370	859,130
Special Item and Extraordinary Item:					
Special item - Water assessment payment	-	-	-	-	-
Extraordinary item - Transfer of Magnolia debt from Successor Agency to the City	-	-	-	-	-
Total business-type activities	(2,830)	14,211	39,219	938,940	963,901
Total primary government	\$ 14,147,048	\$ 91,935,630	\$ 66,937,318	\$ 65,531,407	\$ 63,853,835
Changes in net position:					
Governmental activities	\$ (40,497,726)	\$ 39,838,521	\$ 5,012,380	\$ 3,803,247	\$ (2,941,932)
Business-type activities	(3,600,015)	(6,514,688)	(4,199,256)	(2,974,494)	(1,772,400)
Total primary government	\$ (44,097,741)	\$ 33,323,833	\$ 813,124	\$ 828,753	\$ (4,714,332)

City of Cerritos
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	2010-11	2011-12	2012-13	2013-14	2014-15
General fund:					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-
Nonspendable	90,135,195	57,906,335	60,663,598	65,838,456	68,888,425
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	14,150,052	21,941,464	22,203,228	24,017,566	24,372,415
Unassigned	71,056,060	67,305,842	63,903,057	57,595,524	61,925,251
Total general fund	<u>\$ 175,341,307</u>	<u>\$ 147,153,641</u>	<u>\$ 146,769,883</u>	<u>\$ 147,451,546</u>	<u>\$ 155,186,091</u>
All other governmental funds:					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:	-	-	-	-	-
Special revenue funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Nonspendable	-	-	-	-	-
Restricted	46,965,999	20,046,362	10,538,217	10,550,033	10,984,798
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	(75,915,744)	(118,798)	-	(15,000)	-
Total all other governmental funds	<u>\$ (28,949,745)</u>	<u>\$ 19,927,564</u>	<u>\$ 10,538,217</u>	<u>\$ 10,535,033</u>	<u>\$ 10,984,798</u>
	(a)				

(a) The City implemented GASB Statement 54 in Fiscal Year 2010-2011 which changed the Fund Balance categories to Restricted, Committed, Assigned or Unassigned.

City of Cerritos
Fund Balances of Governmental Funds (Continued)
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	2015-16	2016-17	2017-18	2018-19	2019-20
General fund:					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-
Nonspendable	80,996,354	85,283,586	92,244,370	93,926,824	93,251,380
Restricted	-	-	145,795	249,694	363,533
Committed	-	-	-	-	-
Assigned	21,416,153	23,113,474	16,804,229	17,378,130	17,973,511
Unassigned	57,367,241	42,477,041	50,739,188	58,080,616	60,073,186
Total general fund	<u>\$ 159,779,748</u>	<u>\$ 150,874,101</u>	<u>\$ 159,933,582</u>	<u>\$ 169,635,264</u>	<u>\$ 171,661,610</u>
All other governmental funds:					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:	-	-	-	-	-
Special revenue funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Nonspendable	-	-	-	167,794	409,215
Restricted	11,356,240	22,391,732	25,228,318	25,874,777	28,805,603
Committed	-	-	-	-	-
Assigned	-	-	1,549,968	1,549,967	-
Unassigned	-	-	-	(37,784)	(31,277)
Total all other governmental funds	<u>\$ 11,356,240</u>	<u>\$ 22,391,732</u>	<u>\$ 26,778,286</u>	<u>\$ 27,554,754</u>	<u>\$ 29,183,541</u>

City of Cerritos
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	2010-11	2011-12	2012-13	2013-14	2014-15
Revenues:					
Property, sales, and other taxes	\$ 55,981,782	\$ 42,406,274	\$ 32,956,476	\$ 32,729,379	\$ 38,334,188
Licenses and permits	1,869,739	1,836,228	1,876,262	2,776,265	3,299,686
Fines and forfeitures	1,305,871	1,048,029	1,161,194	1,032,869	947,802
Investment and rental income	18,625,601	12,279,439	7,759,099	10,678,378	10,295,743
Revenues from other agencies	15,708,684	42,497,203	10,184,713	9,494,456	5,590,887
Current fees and services	6,989,711	6,889,141	6,303,623	5,912,674	5,683,067
Franchise	1,566,675	1,629,285	1,601,601	1,724,318	1,792,320
Other revenues	789,502	978,588	1,522,350	492,344	525,089
Total revenues	<u>102,837,565</u>	<u>109,564,187</u>	<u>63,365,318</u>	<u>64,840,683</u>	<u>66,468,782</u>
Expenditures:					
Current:					
Legislative and administration	11,348,362	5,920,780	2,093,625	4,078,994	1,891,392
Community development	7,723,995	34,261,653	5,233,924	5,128,714	5,217,726
Public works	14,111,947	15,049,370	14,825,564	16,303,401	16,304,994
Water and power	175,593	288,595	17,140	-	-
Community and safety services	21,157,439	21,797,914	22,150,378	22,265,436	22,266,516
Administrative services	11,300,202	11,557,115	11,005,650	10,063,366	9,274,520
Cerritos Center for the Performing Arts	8,054,469	7,413,896	6,168,778	5,614,248	5,123,608
Land transferred to developer	-	-	-	-	-
Capital outlay	14,717,173	913,455	1,534,270	708,045	2,050,716
Prefund other post employment benefits obligation	-	-	-	-	-
Debt service:					
Principal retirement	7,712,500	8,095,000	-	-	-
Interest	16,736,956	7,816,850	-	-	-
Bond issuance costs	-	-	-	-	-
Total expenditures	<u>113,038,636</u>	<u>113,114,628</u>	<u>63,029,329</u>	<u>64,162,204</u>	<u>62,129,472</u>
Excess of revenues over (under) expenditures	<u>(10,201,071)</u>	<u>(3,550,441)</u>	<u>335,989</u>	<u>678,479</u>	<u>4,339,310</u>
Other Financing Sources (Uses):					
Transfers in	3,207,464	6,044,861	3,495,893	2,538,165	4,011,926
Transfers out	(2,965,373)	(6,044,861)	(3,495,893)	(2,538,165)	(4,011,926)
Transfers in/(from) fiduciary funds	-	8,668,536	-	-	-
Settlement payment from City of Cerritos for the dissolution of the former Cerritos Redevelopment Agency	-	-	(10,109,094)	-	-
Issuance of debt	-	-	-	-	-
Proceeds from sale of assets	11,000,000	-	-	-	3,845,000
Total other financing sources (uses)	<u>11,242,091</u>	<u>8,668,536</u>	<u>(10,109,094)</u>	<u>-</u>	<u>3,845,000</u>
Net change in fund balances before extraordinary item	1,041,020	5,118,095	(9,773,105)	678,479	8,184,310
SPECIAL ITEM					
Adjustment to amount due from Successor Agency	-	-	-	-	-
Payments to Successor Agency	-	-	-	-	-
Gain (loss) on dissolution of the former Cerritos Redevelopment Agency	-	15,571,548	-	-	-
Net Change in fund balances	<u>\$ 1,041,020</u>	<u>\$ 20,689,643</u>	<u>\$ (9,773,105)</u>	<u>\$ 678,479</u>	<u>\$ 8,184,310</u>
Debt service as a percentage of noncapital expenditures	24.87%	14.18%	0.00%	0.00%	0.00%

(a)

(a) Long-term debt was transferred to the Successor Agency on February 1, 2012. The Successor Agency is not considered a component unit for the City, thus the debt payments are disclosed in the Fiduciary Funds section of this report.

City of Cerritos
Changes in Fund Balances of Governmental Funds (Continued)
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	2015-16	2016-17	2017-18	2018-2019	2019-2020
Revenues:					
Property, sales, and other taxes	\$ 45,498,217	\$ 47,087,509	\$ 47,005,564	\$ 48,597,758	\$ 47,605,084
Licenses and permits	3,118,986	2,497,839	3,560,686	2,934,132	3,072,377
Fines and forfeitures	845,664	591,148	571,017	530,924	399,420
Investment and rental income	10,659,119	10,272,458	11,288,748	15,003,339	13,643,216
Revenues from other agencies	4,621,525	5,989,277	5,925,146	5,977,632	5,727,943
Current fees and services	5,313,010	5,897,715	6,858,320	7,187,142	5,830,144
Franchise	1,811,958	2,666,159	2,649,011	2,494,064	2,474,426
Other revenues	2,540,878	653,766	814,690	621,282	521,232
Total revenues	<u>74,409,357</u>	<u>75,655,871</u>	<u>78,673,182</u>	<u>83,346,273</u>	<u>79,273,842</u>
Expenditures:					
Current:					
Legislative and administration	1,899,115	2,054,772	1,956,223	1,902,399	2,001,819
Community development	6,274,695	7,261,751	5,796,124	5,937,964	5,770,190
Public works	17,953,430	18,980,316	20,983,741	18,679,980	19,408,995
Water and power	-	-	-	-	-
Community and safety services	22,494,774	23,276,405	24,343,700	24,790,812	25,233,008
Administrative services	10,608,147	11,281,082	12,140,106	12,321,143	12,656,658
Cerritos Center for the Performing Arts	5,321,948	6,062,322	7,448,010	7,316,611	6,932,283
Land transferred to developer	-	-	-	-	-
Capital outlay	2,113,290	1,034,683	2,787,119	1,060,844	2,756,626
Prerefund other post employment benefits obligation	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest	-	-	-	-	-
Bond issuance costs	-	-	-	-	-
Total expenditures	<u>66,665,399</u>	<u>69,951,331</u>	<u>75,455,023</u>	<u>72,009,753</u>	<u>74,759,579</u>
Excess of revenues over (under) expenditures	<u>7,743,958</u>	<u>5,704,540</u>	<u>3,218,159</u>	<u>11,336,520</u>	<u>4,514,263</u>
Other Financing Sources (Uses):					
Transfers in	6,693,682	5,759,097	10,632,340	5,116,101	7,699,996
Transfers out	(6,693,682)	(5,759,097)	(9,187,181)	(5,974,471)	(8,559,126)
Transfers in/(from) fiduciary funds	-	-	-	-	-
Settlement payment from City of Cerritos for the dissolution of the former Cerritos Redevelopment Agency	-	-	-	-	-
Issuance of debt	-	-	-	-	-
Proceeds from sale of assets	3,390,836	-	1,097,715	-	-
Total other financing sources (uses)	<u>3,390,836</u>	<u>-</u>	<u>2,542,874</u>	<u>(858,370)</u>	<u>(859,130)</u>
Net change in fund balances before extraordinary item	11,134,794	5,704,540	5,761,033	10,478,150	3,655,133
EXTRAORDINARY ITEM					
Adjustment to amount due from Successor Agency	(6,169,695)	7,425,305	7,685,002	-	-
Payments to Successor Agency	-	(11,000,000)	-	-	-
Gain (loss) on dissolution of the former Cerritos Redevelopment Agency	-	-	-	-	-
Net Change in fund balances	<u>\$ 4,965,099</u>	<u>\$ 2,129,845</u>	<u>\$ 13,446,035</u>	<u>\$ 10,478,150</u>	<u>\$ 3,655,133</u>
Debt service as a percentage of noncapital expenditures	0.00%	0.00%	0.00%	0.00%	0.00%

City of Cerritos
Governmental Activities (1) Revenues by Sources
Last Ten Fiscal Years

Fiscal Year	Sales Tax	Franchise	Other Taxes	Business Licenses	Building Permits	Other Licenses and Permits
2010-11	20,285,419	1,566,675	35,696,363	902,240	950,874	16,625
2011-12	22,963,706	1,629,285	19,442,568	914,548	906,265	15,415
2012-13	26,089,265	1,601,601	6,867,211	926,774	922,389	27,099
2013-14	26,719,271	1,724,318	6,010,108	1,019,504	1,723,137	33,624
2014-15	27,071,289	1,792,320	11,262,899	1,027,101	2,240,780	31,805
2015-16	32,846,913	1,811,958	12,651,304	1,128,964	1,948,542	41,480
2016-17	33,689,474	2,666,159	13,398,035	1,063,850	1,397,633	36,356
2017-18	33,607,144	2,565,011	13,375,725	1,165,354	2,085,196	310,136
2018-19	34,780,357	2,494,064	13,817,401	1,190,631	1,673,590	69,911
2019-20	33,382,067	2,474,426	14,223,017	1,113,565	1,625,994	332,818

(1) Includes General, Special Revenue, Debt Service, and Capital Projects funds.

City of Cerritos
Governmental Activities (1) Revenues by Sources (Continued)
Last Ten Fiscal Years

Fiscal Year	Fines and Forfeitures	Investment and Rental Income	Charges For Services	From Other Agencies	Other	Totals
2010-11	1,305,871	18,625,600	6,989,712	13,810,180	895,396	101,044,955
2011-12	1,048,029	12,279,439	6,889,141	42,497,203	978,588	109,564,187
2012-13	1,161,194	7,759,099	6,303,623	10,184,713	1,522,350	63,365,318
2013-14	1,032,869	10,678,378	5,912,674	9,494,456	492,344	64,840,683
2014-15	947,802	10,295,743	5,683,067	5,590,887	525,089	66,468,782
2015-16	845,664	10,659,119	5,313,010	4,621,525	2,540,878	74,409,357
2016-17	591,148	10,272,458	5,897,715	5,989,277	653,766	75,655,871
2017-18	571,017	11,288,748	6,858,320	5,925,146	921,385	78,673,182
2018-19	530,924	15,003,339	7,187,142	5,977,632	621,282	83,346,273
2019-20	399,420	13,643,216	5,830,144	5,727,943	521,232	79,273,842

(1) Includes General, Special Revenue, Debt Service, and Capital Projects funds.

City of Cerritos
Assessed Value of Taxable Property
Last Ten Fiscal Years

Category	Fiscal Year				
	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Residential	\$ 4,580,132,941	\$ 4,729,519,127	\$ 4,853,973,263	\$ 4,977,340,010	\$ 5,198,430,172
Commercial	1,323,612,342	1,319,237,463	1,328,300,323	1,375,986,165	1,451,612,802
Industrial	948,998,591	956,167,409	998,702,972	1,059,593,438	1,039,888,633
Government	-	-	-	-	-
Institutional	19,001,598	21,387,674	22,968,422	33,259,181	24,120,806
Irrigated	338	340	346	352	352
Miscellaneous	-	-	-	-	-
Recreational	6,770,857	6,821,840	6,958,275	7,097,438	7,129,658
Vacant land	3,313,710	8,219,218	7,626,840	9,771,184	10,108,450
SBE nonunitary	2,597,624	2,597,624	2,597,624	2,597,624	2,597,624
Possessory interest	11,602,663	36,268,951	41,094,458	39,836,710	39,800,342
Unsecured	283,995,026	288,845,948	301,477,458	295,052,199	302,637,567
Exempt	(32,985,082)	(44,055,369)	(38,989,358)	(38,989,210)	(38,720,924)
Unknown	-	-	-	-	-
Subtotal	7,147,040,608	7,325,010,225	7,524,710,623	7,761,545,091	8,037,605,482
Add back exempt	32,985,082	44,055,369	38,989,358	38,989,210	38,720,924
Grand Total	<u>\$ 7,180,025,690</u>	<u>\$ 7,369,065,594</u>	<u>\$ 7,563,699,981</u>	<u>\$ 7,800,534,301</u>	<u>\$ 8,076,326,406</u>
Total Direct Rate	0.48117%	0.48243%	0.48023%	0.08552%	0.08558%

City of Cerritos
Assessed Value of Taxable Property (Continued)
Last Ten Fiscal Years

Category	Fiscal Year				
	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
Residential	\$ 5,452,662,517	\$ 5,664,862,220	\$ 5,985,120,470	\$ 6,262,589,166	\$ 6,558,161,474
Commercial	1,461,715,583	1,564,664,100	1,608,072,241	1,653,321,928	1,723,699,070
Industrial	1,064,647,720	1,136,434,293	1,204,290,890	1,250,629,963	1,299,456,065
Government	-	-	-	-	-
Institutional	24,598,861	38,647,793	29,800,634	45,245,961	49,914,765
Irrigated	358	362	368	374	380
Miscellaneous	-	-	-	-	-
Recreational	7,272,107	9,778,502	9,974,070	10,173,550	10,377,019
Vacant land	7,847,824	7,874,148	8,866,218	10,498,383	24,759,544
SBE nonunitary	2,597,624	2,597,624	1,090,020	1,090,020	1,090,020
Possessory interest	41,108,313	41,346,564	42,421,550	44,897,673	49,889,122
Unsecured	304,132,822	328,708,158	348,141,264	358,754,897	378,475,475
Exempt	(44,654,722)	(41,020,226)	(38,894,002)	(38,740,873)	(38,740,873)
Unknown	-	44	-	-	-
Subtotal	8,321,929,007	8,753,893,582	9,198,883,723	9,598,461,042	10,057,082,061
Add back exempt	44,654,722	41,020,226	38,894,002	38,740,873	38,740,873
Grand Total	<u>\$ 8,366,583,729</u>	<u>\$ 8,794,913,808</u>	<u>\$ 9,237,777,725</u>	<u>\$ 9,637,201,915</u>	<u>\$ 10,095,822,934</u>
Total Direct Rate	0.08565%	0.08572%	0.08572%	0.08575%	0.08613%

City of Cerritos
Direct and Overlapping Property Tax Rates
(Per \$100 of Taxable Value)
Last Ten Fiscal Years

Fiscal Year	Basic Tax Levy	Los Angeles County	School District	Sanitation/ Flood Control	Water District	Totals	Total Direct Rate (a)
2011	1.0000	.0000	.0560	.0000	.0037	1.0597	0.48117
2012	1.0000	.0000	.0464	.0000	.0037	1.0501	0.48243
2013	1.0000	.0000	.0505	.0000	.0035	1.0540	0.48023
2014	1.0000	.0000	.0875	.0000	.0035	1.0910	0.08552
2015	1.0000	.0000	.1236	.0000	.0035	1.1271	0.08558
2016	1.0000	.0000	.1232	.0000	.0035	1.1267	0.08730
2017	1.0000	.0000	.1293	.0000	.0035	1.1328	0.08572
2018	1.0000	.0000	.1253	.0000	.0035	1.1288	0.08572
2019	1.0000	.0000	.1252	.0000	.0035	1.1287	0.08609
2020	1.0000	.0000	.1768	.0000	.0035	1.1803	0.08613

(a) Because basic and debt rates vary by tax rate area, individual rates cannot be summed.
The Total Direct Rate is the weighted average of all individual direct rates applied by the government.

City of Cerritos
Ten Largest Secured Taxpayers
Current Year and Nine Years Ago

Property Owner	Property Description	2019-20		2010-2011	
		Assessed Valuations	Percentage of Total (1)	Assessed Valuations	Percentage of Total (1)
Macerich Cerritos, LLC	Commercial	\$ 362,171,331	3.73%	\$ -	0.00%
City of Cerritos	Commercial	272,958,897	2.81%	-	0.00%
ICON Owner Pool 1	Industrial	161,220,345	1.66%	-	0.00%
Teachers Insurance and Annuity Assn.	Industrial	92,184,909	0.95%		0.00%
TPG Cerritos Acquisitions	Residential	90,528,006	0.93%	-	0.00%
Cerritos Corporate Center Property Owners	Commercial	86,265,036	0.89%	-	0.00%
Cerritos Retail Centercal, LLC	Commercial	76,200,122	0.78%	-	0.00%
AVB Cerritos, LLC	Residential	60,534,919	0.62%	-	0.00%
Crown Jewel of Pacifica, LLC	Commercial	56,615,446	0.58%		0.00%
SBMC Cerritos	Industrial	53,840,699	0.55%	-	0.00%
Macerich Cerritos LLC	Commercial			\$ 254,693,952	3.55%
City of Cerritos	Commercial			159,587,132	2.22%
Walton CWCA O'Donnell Cerritos	Industrial			131,817,639	1.84%
Cerritos Office Center I LLC	Commercial			91,519,076	1.27%
TA Western LLC	Industrial			60,042,428	0.84%
Cerritos Best Plaza, LLC	Commercial			55,000,000	0.77%
Cerritos Towne Center LLC	Commercial			47,358,643	0.66%
Cerritos Corporate Tower LLP	Commercial			37,060,000	0.52%
Cerritos Promenade LLC	Commercial			36,800,000	0.51%
Realty Associates Fund VIII LP	Industrial			32,023,923	0.45%
		<u>\$ 1,312,519,710</u>	<u>13.51%</u>	<u>\$ 905,902,793</u>	<u>12.62%</u>
(1) 2019-20 and 2010-11 total secured assessed valuation is:		<u>\$ 9,717,347,459</u>		<u>\$ 7,180,025,690</u>	

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City of Cerritos
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Property Tax Collections
2010-11	32,346,242
2011-12	14,732,189
2012-13	-
2013-14	-
2014-15	-
2015-16	-
2016-17	-
2017-18	-
2018-19	-
2019-2020	-

Note: Through fiscal year 2011-2012, this table represents tax increment revenues received by the Cerritos Redevelopment Agency representing the increase in valuation of the redevelopment project areas over the base year, 1969-70. The City of Cerritos does not levy a direct property tax. Detailed information regarding the property tax collection specifically the amount of each year's levy, collections as of the end of the levy year, collections as of the end of the levy year as a percentage of the levy, collections in subsequent years, and total collections to date are unavailable as disclosed by the taxing agency.

On February 1, 2012, the Cerritos Redevelopment Agency was dissolved, the information listed above is related to property tax collections for the period July 1, 2012 to January 31, 2012. Property tax collections received by the Successor Agency to the Cerritos Redevelopment Agency (SA) for the period after February 1, 2012 are not reflected due to the fact that it is not a component unit of the City.

City of Cerritos
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities					
	Los Cerritos Redevelopment Project Revenue Bonds	Los Coyotes Redevelopment Project Revenue Bonds	Los Cerritos Redevelopment Project Note Payable	Add (Less) Deferred Amounts		
				Bond Premium	Bond Discount	Deferred Charge on Refunding
2010-11	37,086,250	122,353,750	1,025,000	3,987,076	(801,256)	(1,701,411)
2011-12	-	-	-	-	-	-
2012-13	-	-	-	-	-	-
2013-14	-	-	-	-	-	-
2014-15	-	-	-	-	-	-
2015-16	-	-	-	-	-	-
2016-17	-	-	-	-	-	-
2017-18	-	-	-	-	-	-
2018-19	-	-	-	-	-	-
2019-20	-	-	-	-	-	-

Note: Details regarding the outstanding debt can be found in the notes to the basic financial statements.

(a) Not available.

City of Cerritos
Ratios of Outstanding Debt by Type (Continued)
Last Ten Fiscal Years

Fiscal Year	Business-Type Activities		Total Primary Government	Population	Total Debt per Capita	% of Personal Income
	SCPPA - Los Cerritos Project 2003 Issue, Series B Revenue Bonds	SCPPA - Los Coyotes Project 2003 Issue, Series B Revenue Bonds				
2010-11	-	-	161,949,409	49,041	3,302	7.758%
2011-12	-	-	- (b)	49,223	-	(a)
2012-13	-	-	- (b)	49,470	-	(a)
2013-14	2,976,250 (c)	8,928,750 (c)	11,905,000	49,741	239	(a)
2014-15	2,903,750 (c)	8,711,250 (c)	11,615,000	49,968	232	(a)
2015-16	2,828,750 (c)	8,486,250 (c)	11,315,000	49,412	229	(a)
2016-17	2,751,250 (c)	8,253,750 (c)	11,005,000	50,039	220	(a)
2017-18	2,671,250 (c)	8,013,750 (c)	10,685,000	50,058	213	(a)
2018-19	2,587,500 (c)	7,762,500 (c)	10,350,000	50,711	204	(a)
2019-20	2,500,000 (c)	7,500,000 (c)	10,000,000	49,994	200	(a)

Note: Details regarding the outstanding debt can be found in the notes to the basic financial statements.

- (a) Not available.
- (b) Long-term debt was transferred to the Successor Agency on February 1, 2012. The Successor Agency is not considered a component unit for the City, thus the debt is disclosed in the Fiduciary Funds section of this report.
- (c) On August 14, 2013, the State of California Department of Finance submitted a final determination that the Magnolia Bonds, 2003 Issue - Series B was denied as an enforceable obligation of the Successor Agency. The Magnolia debt was transferred to the City's Electric Fund as of July 1, 2013.

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City of Cerritos
Schedule of Direct and Overlapping Bonded Debt
June 30, 2020

2019-20 Assessed Valuation: \$10,095,822,934

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	Total Debt (3) 6/30/2020	% Applicable (1)	City's Share of Debt 6/30/20
Los Angeles County Flood Control District	\$ 37,300,000	0.327%	\$ 121,971
Cerritos Community College District	406,967,547	20.070	81,678,387
ABC Unified School District	88,286,135	60.533	53,442,246
Bellflower Unified School District	76,060,000	3.937	2,994,482
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 138,237,086
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Los Angeles County General Fund Obligations	\$2,317,550,679	0.626%	\$14,507,867
Los Angeles County Superintendent of Schools Certificates of Participation	5,182,434	0.626	32,442
Bellflower Unified School District Certificates of Participation	12,810,000	3.937	504,330
City of Cerritos General Fund Obligations	-	100	-
Los Angeles County Sanitation District No. 2 Authority	5,647,944	0.889	50,210
Los Angeles County Sanitation District No. 3 Authority	4,291,548	0.035	14,806
Los Angeles County Sanitation District No. 18 Authority	3,157,512	7.139	225,415
Los Angeles County Sanitation District No. 19 Authority	1,017,297	44.462	452,311
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$15,787,381
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u>	\$55,760,000	100%	\$55,760,000
TOTAL DIRECT DEBT			\$0
TOTAL OVERLAPPING DEBT			\$209,784,467
COMBINED TOTAL DEBT			\$209,784,467 (2)

- (1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.
- (2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2019-20 Assessed Valuation:

Overlapping Tax and Assessment Debt	1.37%
Total Direct Debt	0.00%
Combined Total Debt	2.08%

Ratios to Redevelopment Successor Agency Incremental Valuation (\$4,567,541,650):

Total Overlapping Tax Increment Debt	1.22%
--------------------------------------	-------

Source: California Municipal Statistics, Inc.

City of Cerritos
Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year				
	2010-11	2011-12	2012-13	2013-14	2014-15
Debt Limit	\$ 1,084,570,960	\$ 1,112,986,620	\$ 1,142,098,479	\$ 1,176,293,833	\$ 1,219,571,424
Total net debt applicable to limit	-	-	-	-	-
Legal debt margin	<u>\$ 1,084,570,960</u>	<u>\$ 1,112,986,620</u>	<u>\$ 1,142,098,479</u>	<u>\$ 1,176,293,833</u>	<u>\$ 1,219,571,424</u>
Total net debt applicable to the limit as a percent of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%

Note Section 43605 of the Government Code of the State of California limits the amount of indebtedness for public improvements to 15% of the assessed valuation of all real and personal property of 165-168

City of Cerritos
Legal Debt Margin Information (Continued)
Last Ten Fiscal Years

	Fiscal Year				
	2015-16	2016-17	2017-18	2018-19	2019-20
Debt Limit	\$ 1,263,255,833	\$ 1,326,564,282	\$ 1,394,812,766	\$ 1,523,688,647	\$ 1,523,688,647
Total net debt applicable to limit	-	-	-	-	-
Legal debt margin	<u>\$ 1,263,255,833</u>	<u>\$ 1,326,564,282</u>	<u>\$ 1,394,812,766</u>	<u>\$ 1,523,688,647</u>	<u>\$ 1,523,688,647</u>
Total net debt applicable to the limit as a percent of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%

Legal Debt Margin Calculation for Fiscal Year 2019-20:

Assessed value	\$ 10,095,822,934
Add back: exempt real property	<u>62,101,382</u>
Total assessed value	<u>\$ 10,157,924,316</u>
Debt limit (15% of total assessed value)	\$ 1,523,688,647
Debt applicable to limit	<u>-</u>
Legal debt margin	<u>\$ 1,523,688,647</u>

Note Section 43605 of the Government Code of the State of California limits the amount of indebtedness for public improvements to 15% of the assessed valuation of all real and personal property of the City.

City of Cerritos
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population (1)	Per Capita Personal Income (in thousands)	Personal Income (2) *	City Unemployment Rate (3)
2010-11	49,041	42,564	2,087,381	6.80%
2011-12	49,223	47,743	2,350,054	6.00%
2012-13	49,470	48,425	2,395,585	5.90%
2013-14	49,741	50,751	2,524,405	5.40%
2014-15	49,968	54,526	2,724,555	5.20%
2015-16	49,412	57,160	2,824,390	3.90%
2016-17	50,039	(a)	(a)	3.60%
2017-18	50,058	(a)	(a)	4.50%
2018-19	50,711	(a)	(a)	3.90%
2019-20	49,994	(a)	(a)	3.60%

*Based on Los Angeles County personal income data
(a) Not Available

Sources: (1) City of Cerritos
(2) Bureau of Economic Analysis
(3) State of California, Labor Market Information, Data Library

City of Cerritos
Full-Time and Part-Time City Employees
By Function
Last Ten Fiscal Years

Department	2010-11	2011-12	2012-13	2013-14 (a)	2014-15 (a)	2015-16 (a)	2016-17 (a)	2017-18 (a)	2018-19 (a)	2019-20(a)
Legislative and administration	9	8	8	7	7	7	6	7	6	7
Community Development	20	19	18	17	17	18	17	19	17	16
Public Works	90	84	78	71	69	67	68	72	65	65
Water and Power	17	17	15	14	13	15	13	16	14	12
Community and safety services	296	292	294	246	248	253	234	307	248	235
Administrative services	150		129	121	115	118	119	132	116	123
Cerritos Center for the Performing Arts	200	198	197	76	71	87	84	92	78	76
Total	782	618	739	552	540	565	541	645	544	534
Full-Time employees	239	230	214	209	189	181	186	175	174	174
Part-Time employees	554	552	544	530	363	359	379	366	370	360
Total	793	782	758	739	552	540	565	541	544	534

(a) Beginning in fiscal year 2013-2014, the amount represents the number of filled positions by departments. Prior to fiscal year 2013-14, the amounts noted represent budgeted positions.

City of Cerritos
Operating Indicators By Function
Last Ten Fiscal Years

Function	Fiscal Year				
	2010-11	2011-12	2012-13	2013-14	2014-15
Public Works					
Maintenance:					
Graffiti removal (average incidence)	7,000	7,500	5,500	6,000	5,500
Streetsweeping miles	7,100	7,100	7,100	7,100	7,100
Trees maintained	28,500	28,500	28,700	28,900	28,000
Trees trimmed	4,000	7,500	4,000	4,000	2,700
Water and Power					
Water:					
Number of customer accounts	15,668	15,714	15,676	15,655	15,792
Average daily consumption (millions of gallons)	8.16	8.17	8.26	8.10	7.55
Water samples taken (annual)	2,076	2,052	2,702	2,130	2,061
Community and Safety Services					
Police (1):					
Number of sworn officers	63	62	67	68	65
Community Service officers (non-sworn)	17	15	16	3	3
Calls dispatched	14,738	14,469	15,110	15,798	16,469
Crime reports	4,900	4,887	5,725	4,990	4,747
Moving citations	6,376	6,518	7,372	7,336	6,351
Parking citations	1,923	509	413	463	664
Culture and Recreation:					
Leisure classes attendance	51,423	47,317	49,957	47,583	43,636
Indoor park reservation attendance	91,813	79,264	76,953	78,284	69,264
Picnic shelter attendance	77,475	80,785	76,376	65,953	48,869
Swim lessons attendance	265,800	252,221	250,341	237,457	213,559
Recreational swim attendance	49,182	54,695	55,330	55,656	48,162
Volunteer hours	13,158	13,760	15,599	15,855	14,948
Administrative Services					
Library:					
Number of patrons	1,066,492	1,035,263	964,412	935,480	912,852

(1) Services are contracted with the County of Los Angeles

City of Cerritos
Operating Indicators By Function (Continued)
Last Ten Fiscal Years

Function	Fiscal Year				
	2015-16	2016-17	2017-18	2018-19	2019-20
Public Works					
Maintenance:					
Graffiti removal (average incidence)	4,750	6,270	4,600	2,100	2,622
Streetsweeping miles	7,100	7,100	7,100	7,100	7,100
Trees maintained	28,000	28,000	28,000	28,400	28,500
Trees trimmed	5,255	5,284	7,900	8,000	6,500
Water and Power					
Water:					
Number of customer accounts	15,752	15,714	15,567	15,403	15,809
Average daily consumption (millions of gallons)	6.07	7.72	6.16	6.30	7.07
Water samples taken (annual)	2,086	2,111	2,088	2,151	2,107
Community and Safety Services					
Police (1):					
Number of sworn officers	63	66	66	65	65
Community Service officers (non-sworn)	3	3	3	3	3
Calls dispatched	11,608	20,067	18,378	17,696	15,787
Crime reports	3,467	6,145	5,457	5,487	4,699
Moving citations	2,857	3,941	6,031	6,397	4,821
Parking citations	412	645	856	1,316	7,723
Culture and Recreation:					
Leisure classes attendance	40,613	38,262	36,228	31,856	17,894
Indoor park reservation attendance	71,224	65,618	64,723	66,585	39,846
Picnic shelter attendance	60,013	73,409	70,988	59,416	32,444
Swim lessons attendance	218,618	202,077	157,908	140,147	103,577
Recreational swim attendance	42,294	44,842	42,000	42,810	10,439
Volunteer hours	13,902	12,027	10,021	10,566	7,330
Administrative Services					
Library:					
Number of patrons	1,955,332	2,652,290	2,781,673	552,212	376,010

(1) Services are contracted with the County of Los Angeles

City of Cerritos
Capital Assets By Function
Last Ten Fiscal Years

Function	Fiscal Year				
	2010-11	2011-12	2012-13	2013-14	2014-15
Public Works					
Sewers:					
Miles of sanitary sewers	124	124	124	124	124
Sewer lines (miles)	109.32	109.32	109.32	109.32	109.32
Streets and Highways:					
Streets (miles)	136.33	136.33	136.33	136.33	136.33
Sidewalks (miles)	242.16	242.16	242.16	242.16	242.16
Curb & gutter (miles)	255.75	255.75	255.75	255.75	255.75
Traffic signals (intersections)	90	90	90	90	90
Community and Safety Services					
Number of Sheriff Stations	1	1	1	1	1
Number of parks	24	24	24	24	24
Number of swimming pool	2	2	2	2	2
Administrative Services					
Number of libraries	1	1	1	1	1
Number of volumes	245,942	269,926	265,789	252,108	266,647

City of Cerritos
Capital Assets By Function (Continued)
Last Ten Fiscal Years

Function	Fiscal Year				
	2015-16	2016-17	2017-18	2018-19	2019-20
Public Works					
Sewers:					
Miles of sanitary sewers	124	124	124	124	124
Sewer lines (miles)	109.32	109.32	109.32	109.32	109.32
Streets and Highways:					
Streets (miles)	136.33	136.33	136.33	136.33	136.33
Sidewalks (miles)	242.16	242.16	242.16	242.16	242.16
Curb & gutter (miles)	255.75	255.75	255.75	255.75	255.75
Traffic signals (intersections)	90	90	90	90	90
Community and Safety Services					
Number of Sheriff Stations	1	1	1	1	1
Number of parks	24	24	24	24	24
Number of swimming pool	2	2	2	2	2
Administrative Services					
Number of libraries	1	1	1	1	1
Number of volumes	264,316	265,507	268,772	247,091	284,849

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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*

The Honorable City Council
of the City of Cerritos
Cerritos, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Cerritos, California (the City), as of and for the year ended June 30, 2020, and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 29, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 City's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Deferred Outflows

Auditors' Comment and Recommendation

The City is required to produce financial statements that are free of material misstatements. During our review of Net Other Post-Employment Benefit (OPEB) Liability, we noted that the calculation of deferred outflows related to contributions made subsequent to measurement date during the reporting period ended June 30, 2019 was not correct. This occurred because the City did not include insurance premiums paid for retirees in the calculation. This resulted in a restatement of beginning net position in the governmental activities, business-type activities, and the Water and Sewer proprietary fund. We recommend the City implement procedures to ensure all contributions related to OPEB are included in the financial statements.

Management's Response

The City concurs with the auditor regarding the correction of the amount reported in the deferred outflows of resources relating to contributions made subsequent to the measurement date. During the audit, an amount was identified in the actuarial valuation report for the insurance premiums paid for retirees but was not reimbursed from the Section 115 trust. Therefore, the deferred outflows of resources and the total net position were understated as June 30, 2019. Finance Division will work closely with the Human Resources Division and Payroll to determine in the future whether the insurance premiums paid for retirees are reimbursed from the Section 115 trust and will ensure that the information is reported properly in the financial statements.

Pass-through transaction

Auditors' Comment and Recommendation

When acting in the capacity of a pass-through entity, receipts and disbursements should not be recorded as revenues and expenditures in the general ledger. During our audit, we noted a transaction in which the City is a pass-through entity and the City recorded revenues, expenditures, and deferred inflows of resources for unavailable revenues. This resulted in the overstatement of revenues, expenditures and deferred inflows of resources for unavailable revenues related to the pass-through transaction. This error was caused by the City's misunderstanding of the unusual nature of this unique transaction and the proper manner in which the transaction details should have been recorded. We recommend that the City implement procedures and processes to document unusual and/or significant transactions. Detailed documentation for unusual and/or significant transactions should include a conclusion on how such transactions are to be recorded and disclosed in the financial statements.

Management's Response

The City has reviewed the details of the transaction in question and has made the necessary corrections to accurately record the transaction. In future instances where unique or unusual transactions present themselves, the City will consult with the City's contracted professional accounting firm to review the accounting treatment in order to ensure the transaction is correctly presented and recorded within the City's financial statements.

Deficit Net Position

Auditors' Comment and Recommendation

When the operations of a fund are not anticipated to eliminate a deficit net position, management should make appropriate requests to transfer the necessary funds from the General Fund to eliminate the deficit. While management is exploring options to reduce deficits in the Water and Sewer and Electric Utility Funds, the deficits in these Funds continue to increase. These deficits resulted from total expenses exceeding revenues. In addition, the General Fund has a significant receivable from these Funds for which repayment is uncertain. This could have a significant impact on the General Fund's fund balance if the General Fund ends up absorbing these deficits. We recommend that each of these funds be analyzed to determine whether future revenue sources will be sufficient to eliminate the fund balance deficits. If future revenue funding will not be available to cover the costs being incurred, we recommend that management make appropriation requests to transfer the necessary funds from the General Fund to eliminate the deficits.

Management's Response

The City remains aware of the deficit position that the Water, Sewer and Electric Utility proprietary funds continue to maintain. The City Council continues to actively consider options to alleviate the deficit positions of all the referenced funds. Among the options under consideration are a fee increase within the sewer fund and the expansion of service provision within the electric utility to provide service to residential customers. Decisions regarding the implementation of both of these options are expected within the upcoming calendar year.

Budget

Auditors' Comment and Recommendation

The City adopts an annual budget which includes revenue, expenditures, and transfers. The general ledger system has budgeted amounts entered for the General Fund only but not for all other Funds. In addition, budget amounts for interfund transfers are not entered into the general ledger for any fund. We recommend the City implement procedures to have all revenues, expenditures, and transfers budgeted input into the general ledger system to allow management to effectively track the performance of the City in comparison to the budgeted expectation by fund.

Management's Response

The City is aware of the inherent deficiencies associated with a General Fund based budgeting approach and is currently reviewing potential alternatives that would facilitate a transition to a fund-based budgeting approach.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 the following instance of noncompliance or other matter that are required to be reported under *Government Auditing Standards* and which is described below.

Investment Policy and Reports

Auditors' Comment and Recommendation

The City investment policy should be specific related to each type of allowable investment for the maximum investment with each issuer, maximum allowable percentage of the overall investment portfolio by investment type, and minimum ratings by investment type. Additionally, the investment policy requires submission of a monthly treasury report to Council but does not specify the time in which the report needs to be submitted to Council. The report is required to include a listing of individual securities held at the end of the reporting period, realized and unrealized gains and losses, average weighted yield to maturity of the portfolio compared to benchmarks, listing of investments by maturity date, and percentage of the portfolio which each type of investment represents. From September 2019 to June 2020 the City provided the Council with a listing of cash and investment totals by fund but did not provide the required comprehensive investment report. We recommend the City adopt a detailed investment policy and comply with requirements established in the policy for timely submission of investment reports to City Council.

Management's Response

The review and update of the City's investment policy is currently being considered by a City Council-appointed policy sub-committee. The sub-committee is currently considering a comprehensive update of the City's finance and budget operations and procedures and will be presenting recommendations to the City Council in the 2021 calendar year. It is expected that the investment policy will be updated to comply with current industry standards. The lapse in the provision of the detailed investment report was caused by an oversight related to significant staff turnover within the Finance Division. The oversight has been cured and the City Council has been receiving the detailed investment report on monthly intervals since the commencement of the current fiscal year.

City's Responses to Findings

The City's responses to the findings identified in our audit is described above. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Irvine, California
December 29, 2020



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To the Honorable City Council
of the City of Cerritos
Cerritos, California

We have audited the financial statements of the governmental activities, business-type activities, each major fund and aggregate remaining fund information of the City of Cerritos, California (the City), for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated May 8, 2020 and our letter on planning matters dated May 12, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year ended 2020. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the City's financial statements were as follows:

- a. The annual required contributions, pension expense, net pension liability and corresponding deferred outflows of resources and deferred inflows of resources for the City's public defined benefit plans with CalPERS are based on actuarial valuations provided by CalPERS.

Significant Audit Findings (Continued)

Qualitative Aspects of Accounting Practices (Continued)

- b. The annual required contributions, pension expense, net pension liability and corresponding deferred outflows of resources and deferred inflows of resources for the City's public defined benefit plans with PARS are based on actuarial valuations provided by a third-party consultant.
- c. The actuarially determined contribution, OPEB expense, net OPEB asset, and corresponding deferred outflows of resources and deferred inflows of resources for the City's OPEB plan are based on actuarial valuations provided by a third-party consultant.

We evaluated the key factors and assumptions used to develop these estimates in determining that they were reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were reported in Note 10 regarding CalPERS and PARS defined benefit plans, Note 11 regarding the City's other post-employment benefit plan, and Note 16 regarding restatements of net position.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. As a result of our audit-related work, the following material misstatements were corrected by management:

- Adjustments to the governmental activities, business-type activities, and Water and Sewer proprietary fund net position for a correction to fiscal year 2018-2019 subsequent contributions for the OPEB plan.
- Adjustment to correct deferred inflow, revenues, and expenditures in the City Capital Project fund for a transaction in which the City is a pass through.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Significant Audit Findings (Continued)

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 29, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the City’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management’s discussion and analysis, the budgetary comparison schedules - general and major special revenue funds, the schedules of changes in net pension liability and related ratios and the schedules of plan contributions - miscellaneous and PARS plans, and the schedules of changes in net OPEB asset and related ratios and the schedule of contributions - OPEB, which are required supplementary information (RSI) that supplements the financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information, which accompanies the financial statements but is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory and statistical sections, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance.

Restriction on Use

This information is intended solely for the information and use of City Council and management of the City and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Irvine, California
December 29, 2020

City of Cerritos
Fiscal Year 2019-2020 Passed Adjusting Journal Entries
June 30, 2020

DESCRIPTION	<u>DEBIT (CREDIT)</u>				
	ASSET	LIABILITY	EQUITY	REVENUE	EXPENSE
Current Year Deferred Revenue Accounts Receivable <i>To adjust receivables for FY 2021 leases</i>	(320,322)	320,322			
Total Passed Adjusting Journal Entries	(320,322)	320,322	-	-	-
Overall Fund Balance Effect					-

CITY OF CERRITOS, CALIFORNIA

APPROPRIATIONS LIMIT WORKSHEET NO. 6

WITH INDEPENDENT ACCOUNTANTS' REPORT
ON AGREED-UPON PROCEDURES
APPLIED TO APPROPRIATIONS LIMIT WORKSHEET NO. 6

FOR THE YEAR ENDED JUNE 30, 2020



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INDEPENDENT ACCOUNTANTS' REPORT
ON AGREED-UPON PROCEDURES APPLIED
TO APPROPRIATIONS LIMIT WORKSHEET NO. 6

Honorable City Council
of the City of Cerritos
Cerritos, California

We have performed the procedures enumerated below to the accompanying Appropriations Limit Worksheet No. 6 of the City of Cerritos, California for the year ended June 30, 2020. These procedures, which were agreed to by the City of Cerritos, California and the League of California Cities (as presented in the League publication entitled "Article XIII-B Appropriations Limit Uniform Guidelines") were performed solely to assist the City of Cerritos, California in meeting the requirements of Section 1.5 of Article XIII B of the California Constitution. The City of Cerritos' management is responsible for the Appropriations Limit Worksheet No. 6.

The sufficiency of the procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and our findings were as follows:

1. We obtained the completed Worksheet No. 6 for the year ended June 30, 2020, and compared the limit and annual adjustment factors included in that worksheet to the limit and annual adjustment factors that were adopted by resolution of the City Council. We also compared the population and inflation options included in the aforementioned worksheet to those that were selected by a recorded vote of the City Council.

No exceptions were noted as a result of our performing this procedure.

2. For the accompanying Appropriations Limit Worksheet No. 6, we added last year's limit to the total adjustments, and compared the resulting amount to this year's limit. We also recalculated the adjustment factor and the adjustment for inflation and population, and compared the results to the amounts on Worksheet No. 6.

No exceptions were noted as a result of our performing this procedure.

3. We compared the prior year appropriations limit presented in the accompanying Appropriations Limit Worksheet No. 6 to the prior year appropriations limit adopted by the City Council for the prior year.

No exceptions were noted as a result of our performing this procedure.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not, conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the accompanying Appropriations Limit Worksheet No. 6. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. No procedures have been performed with respect to the determination of the appropriation limit for the base year, as defined by the League publication entitled "Article XIII-B Appropriations Limit Uniform Guidelines."

This report is intended solely for the information and use of the City Council and management of the City of Cerritos, California and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Irvine, California
December 29, 2020

CITY OF CERRITOS

APPROPRIATIONS LIMIT WORKSHEET NO. 6

For the year ended June 30, 2020

Appropriations limit for fiscal year ended June 30, 2019 (see Note 2) \$ 191,688,471

Adjustment factors for the fiscal year ended June 30, 2020 (see Note 2):

	Inflation Factor <u>(Note 3)</u>	Population Factor <u>(Note 4)</u>	Combined Factor <u>Factor</u>	
	1.03850000	1.00860000	1.047473110	<u>x 0.047400000</u>
Adjustment for inflation and population				9,086,034
Other adjustments (Note 5)				<u>-</u>
Total adjustments				<u>9,086,034</u>
Appropriations limit for fiscal year ended June 30, 2020				<u>\$ 200,774,505</u>

See accompanying Notes to Appropriations Limit Worksheet No. 6

CITY OF CERRITOS

NOTES TO APPROPRIATIONS LIMIT WORKSHEET NO. 6

For the year ended June 30, 2020

1. PURPOSE OF LIMITED PROCEDURES REVIEW:

Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), California governmental agencies are restricted as to the amount of annual appropriations from proceeds of taxes. Effective for years beginning on or after July 1, 1990, under Section 1.5 of Article XIII B, the annual calculation of the appropriations limit is subject to a limited procedures review in connection with the annual audit.

2. METHOD OF CALCULATION:

Under Section 10.5 of Article XIII B, for fiscal years beginning on or after July 1, 1990, the appropriations limit is required to be calculated based on the limit for the fiscal year 1986-87, adjusted for the inflation and population factors discussed at Notes 3 and 4 below.

3. INFLATION FACTORS:

A California governmental agency may adjust its appropriations limit by either the annual percentage change in the 4th quarter per capita personal income (which percentages are supplied by the State Department of Finance), or the percentage change in the local assessment roll from the preceding year due to the change in local nonresidential construction. The factor adopted by the City of Cerritos (the City) for the fiscal year 2019-2020 represents the annual percentage change in the 4th quarter per capita personal income.

4. POPULATION FACTORS:

A California governmental agency may adjust its appropriations limit by either the annual percentage change of the jurisdiction's own population, or the annual percentage change in population in the County where the jurisdiction is located. The factor adopted by the City for fiscal year 2019-2020 represents the annual percentage change in population for the City.

5. OTHER ADJUSTMENTS:

A California government agency may be required to adjust its appropriations limit when certain events occur, such as the transfer of responsibility for municipal services to, or from, another government agency or private entity. The City had no such adjustments for the year ended June 30, 2020.