



City of Cerritos, California

Comprehensive Annual Financial Report

for the Fiscal Year ended June 30, 2018



CITY OF CERRITOS, CALIFORNIA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FOR THE YEAR ENDED JUNE 30, 2018

Prepared by:

Administrative Services Department

Ryan Carey, Finance Manager

City of Cerritos
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

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CITY OF CERRITOSSM

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December 5, 2018

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, 2018.

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 Pun Group, a firm of certified public accountants that was selected via a competitive bid process. The auditors have issued an unqualified 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, 2018, 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 general law city, and later adopting its own charter and becoming a charter city in 1959 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. Adoption of the annual budget must occur prior to the conclusion of the fiscal year. 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

A continued focus on the reinvention of the City through an aggressive program of economic development has come to define the City's ongoing community development efforts and has been a critical driver in helping to maintain the City's success in providing jobs, generating sales tax revenue and increasing property values. The past several years have been remarkable in terms of the growth the City has experienced, both in terms of commercial and residential development. That growth affirms that Cerritos continues to remain a highly desirable location for the private development community within the extremely competitive Southern California retail market.

Over the last year major commercial developments have been completed at several of the City's key shopping centers, including the Cerritos Auto Square, Los Cerritos Center, Plaza 183, Cerritos Towne Center, College Square and Lincoln Station. With the continuation of its aggressive economic development efforts, the City continues to evolve to meet the changing dynamics of the consumer retail market and place itself in a position of strength to attract and retain patrons from throughout the region.

As one of the City's primary sales tax generators, the Cerritos Auto Square continues to produce a tremendous volume of sales as part of its prolonged recovery from the Great Recession. The continued marketing and development efforts of the Auto Square and its dealers helped produce a near all-time high sales total of 59,322 cars in 2017, and 2018 sales data indicate that vehicle sales are on track to exceed 60,000.

In addition to continued investment in Cerritos' commercial properties, the City has seen substantial growth in the construction of new residential developments. The northeast corner of Artesia Boulevard and Bloomfield Avenue is home to two major residential luxury apartment projects. The first, Aria, is a 197-unit luxury apartment community that was completed in December, 2016 features upscale recreation facilities and amenities. The second community, Sage, is a 132-unit luxury apartment complex, that is designed to complement the massing of the Aria project, and includes a clubhouse, fitness area and a courtyard featuring a swimming pool and recreation facilities. Construction of the new residential community was completed in late 2017, and, as of March 2018, was already 90% occupied.

Despite an encouraging economic outlook, 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 recent years in order to meet budgetary demands. Management is concerned that the cyclical nature of a sales tax based revenue budget can leave the City exposed to potential revenue fluctuations that could place the City in a position where the use of reserve funds is regularly 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.

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. This same fiscal management strategy has provided the funding that has allowed the City to provide its residents and businesses with outstanding facilities, programs and services.

Despite the City's commitment to a conservative fiscal strategy, a series of external factors and events over the past 10 years have presented significant challenges to the City's ability to maintain existing programming and service levels. The challenges faced by the City began with the onset of a major global economic recession in 2008 and were compounded by the dissolution of redevelopment in California beginning in 2011. In addition, the budget has had to incorporate continued and unabated increases for costs that are necessary for the continued operation of the City. These costs include everything from personnel and contract services expenditures to increases in the costs of insurance, goods and materials.

To meet the demands imposed by the external factors affecting the budget, the City has continued to critically evaluate the annual budget in an effort to identify opportunities for cost savings through a streamlining of operations and increases in organizational efficiency. These efforts have significantly reduced discretionary spending 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. The financial impacts associated with the recession, coupled with the loss of redevelopment, have placed the City in a position where revenues needed for the ongoing operation of the City have struggled to keep pace with expenditures. That reality has required the City to offset the revenue shortfall with reserve funds, while it continues to seek out alternative revenue generation sources. 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, 2017. 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 2017-18 CAFR continues to conform to the Certificate of Achievement program requirements, and it will be submitted to GFOA for award consideration.

December 5, 2018

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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, The Pun Group. 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, appearing to read "Art Gallucci", with a horizontal line extending to the right.

Art Gallucci
City Manager

CITY OF CERRITOS

City Council

Mark Pulido, Mayor
Naresh Solanki, Mayor Pro Tem
Jim Edwards
Grace Hu
Frank Aurelio Yokoyama

Economic Development Commission

Carmelita Lampino, Chair
Brian Hews, Vice Chair
Richard Alegria
Robert D. Buell
Riaz Surti

Fine Arts and Historical Commission

Anna Titus, Chair
Tracy Winkler, Vice Chair
Janet L. Beach
Nora T. Benson
Smita Das

Parks and Recreation Commission

Kit Snider, Chair
Diana Needham, Vice Chair
Joe Frontino Jr.
Richard Martinez
Pat Patnaik

Planning Commission

Jennifer Hong, Chair
James Giordano, Vice Chair
Deepak Jhaveri
Larry Sagert
Tatiana Yokoyama Bui

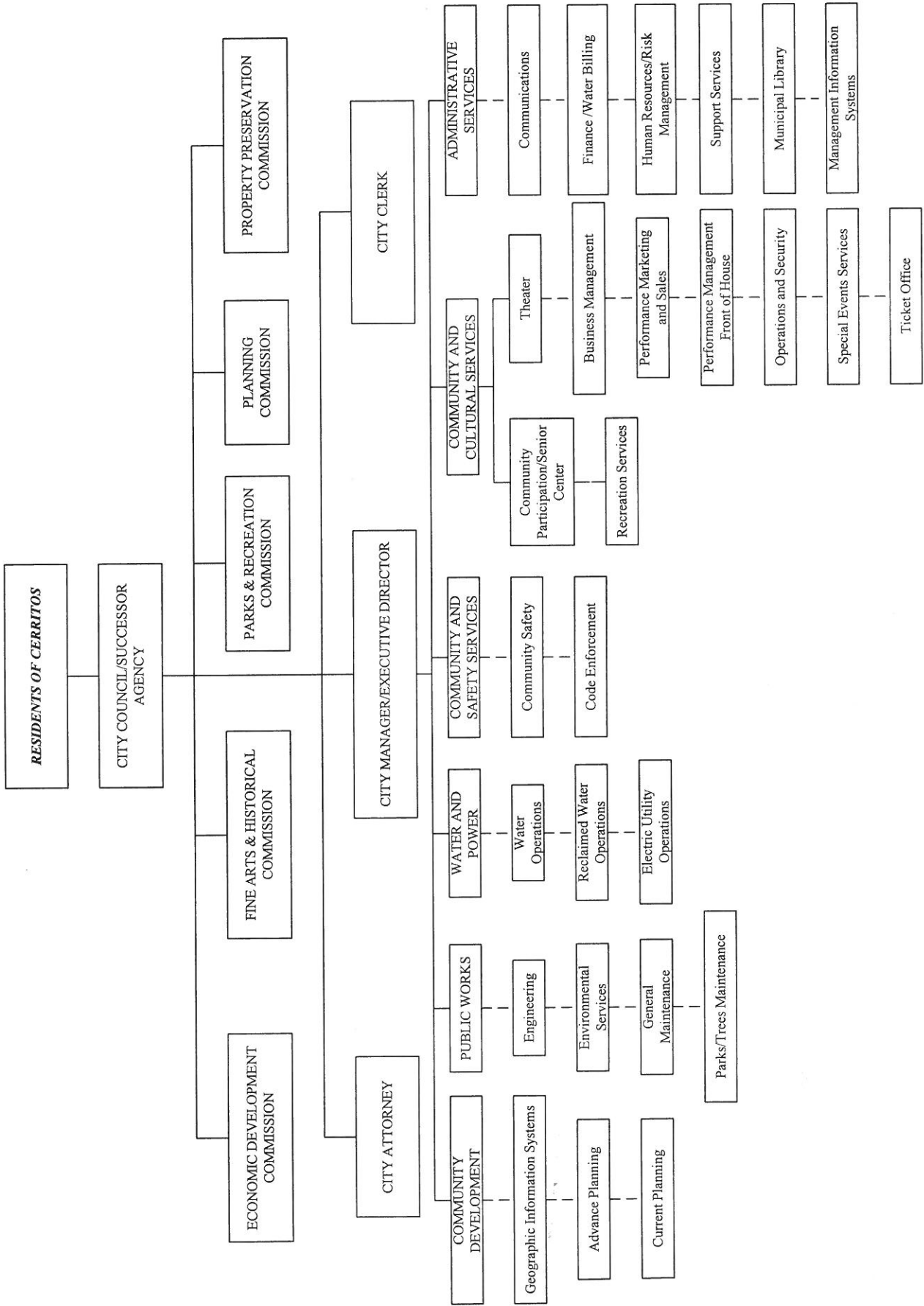
Property Preservation Commission

Chan-Yong Kim, Chair
Celia Spitzer, Vice Chair
John K. Dawson
Levi A. Javier
Mansour Meisami

Charter Employees

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

ORGANIZATIONAL CHART





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, 2017

Christopher P. Morill

Executive Director/CEO



INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
of the City of Cerritos
Cerritos, California

Report on 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, 2018, 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2018, 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.

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Emphasis of Matters

Implementation of GASB Statement No. 75

As discussed in Note 2 to the basic financial statements, in 2018, the City adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The adoption of this statement requires retrospective application of previously reported net position at July 1, 2017 as described in Note 2 to the basic financial statements. In addition, Net OPEB Liability is reported in the Statement of Net Position in the amount of \$490,074 as of June 30, 2018, the measurement date. This Net OPEB Liability is calculated by actuaries using estimates and actuarial techniques from an actuarial valuation as of July 1, 2017. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedule – General Fund, Schedules of Changes in Net Pension Liability and Related Ratios, Schedules of Contributions - Pensions, and Schedule of Funding Progress of the Other Post Employment Benefits on pages 7 through 17 and 101 through 110 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Introductory Section, Combining and Individual Nonmajor Fund Financial Statements, Budgetary Comparison Schedules, and Statistical Section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Supplementary Information

The Combining and Individual Nonmajor Fund Financial Statements and the Budgetary Comparison Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining and Individual Nonmajor Fund Financial Statements and the Budgetary Comparison Schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Honorable Mayor and Members of the City Council
of the City of Cerritos
Cerritos, California
Page 3

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 do not express an 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 05, 2018 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 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 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.

The PwC Group, LLP

Santa Ana, California
December 05, 2018

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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***

To the Honorable Mayor and Members of the 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, 2018, 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 05, 2018.

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 opinions 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

To the Honorable Mayor and Members of the City Council
of the City of Cerritos
Cerritos, California
Page 2

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.

The PwC Group, LLP

Santa Ana, California
December 05, 2018

City of Cerritos, California
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2018

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, 2018. 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, 2018 by \$371.8 million, which is referred to as the net position of the City. Of this amount, \$274.7 million is net investment in capital assets, \$25.4 million is restricted, and \$71.7 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 increased \$813 thousand which is mainly attributable to the \$7.7 million special item which is a result of the winding down of the Redevelopment Agency.
- Governmental funds for the City reported combined fund balances of \$186.7 million. Of this amount, \$92.2 million is non-spendable, \$25.4 million is restricted by external parties, \$18.4 million has been assigned by City management, and \$50.7 million is unassigned fund balance which is available for future appropriation.
- For the year ended June 30, 2018, General Fund expenditures were \$63.9 million, which represent 126% of the unassigned fund balance.
- As of June 30, 2018, the cash and investments of the General Fund were \$68.5 million, which represents 42.8% 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 (Unaudited) (Continued)
Year Ended June 30, 2018

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 (Unaudited) (Continued)
Year Ended June 30, 2018

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 (Unaudited) (Continued)
Year Ended June 30, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following table summarizes the Statement of Net Position for fiscal years ending June 30, 2018 and June 30, 2017.

City of Cerritos Net Position
(in millions)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Cash and investments	\$ 93.6	\$ 92.2	\$ 1.1	\$ 1.5	\$ 94.7	\$ 93.7
Other Assets	113.2	124.9	(38.0)	(35.2)	75.2	89.7
Capital Assets	246.5	253	38.9	40.6	285.4	293.6
Total Assets	<u>453.3</u>	<u>470.1</u>	<u>2.0</u>	<u>6.9</u>	<u>455.3</u>	<u>477.0</u>
Deferred Outflows	<u>16.8</u>	<u>13.2</u>	<u>1.6</u>	<u>1.2</u>	<u>18.4</u>	<u>14.4</u>
Other Liabilities	11.1	11.0	2.4	2.7	13.5	13.7
Long term liabilities outstanding	<u>67.1</u>	<u>62.1</u>	<u>16.6</u>	<u>16.5</u>	<u>83.7</u>	<u>78.6</u>
Total Liabilities	<u>78.2</u>	<u>73.1</u>	<u>19</u>	<u>19.2</u>	<u>97.2</u>	<u>92.3</u>
Deferred Inflows	<u>4.3</u>	<u>3.7</u>	<u>0.4</u>	<u>0.3</u>	<u>4.7</u>	<u>4.0</u>
Net Position						
Net investment in capital assets	246.5	253.0	28.2	29.6	274.7	282.6
Restricted	25.3	22.4	0.0	0.0	25.3	22.4
Unrestricted	<u>115.8</u>	<u>131.1</u>	<u>(44.0)</u>	<u>(41.0)</u>	<u>71.8</u>	<u>90.1</u>
Total Net Position	<u>\$ 387.6</u>	<u>\$ 406.5</u>	<u>\$ (15.8)</u>	<u>\$ (11.4)</u>	<u>\$ 371.8</u>	<u>\$ 395.1</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 \$371.8 million as of June 30, 2018. The beginning net position at July 1, 2017 was reduced when the City implemented GASB Statement 75. The net position increased \$813 thousand, or 0.2%, during fiscal year 2017-18. The main reason for the increase in net position was the special item relating to the dissolution of the former Cerritos Redevelopment Agency totaling \$7.7 million. Additionally, total assets decreased by \$16.8 million or 3.5% and liabilities increased \$5.1 million or 5.5% when compared to June 30, 2017.

The largest portion of the City's net position at June 30, 2018 (\$274.7 million, or 73.8% 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 \$25.3 million or 6.8% represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$71.8 million may be used to meet the government's ongoing obligations to citizens and creditors.

City of Cerritos, California
Management's Discussion and Analysis (Unaudited) (Continued)
Year Ended June 30, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Cash and investments increased 1.1%, or \$1.4 million when compared to the previous fiscal year. The deferred inflows and deferred outflows are related to the City's pension and post-employment healthcare plans.

City of Cerritos Change in Net Position
(in millions)

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues:						
Charges for services	\$ 11.6	\$ 9.0	\$ 16.3	\$ 14.2	\$ 27.9	\$ 23.2
Operating grants and contributions	6.1	6.2	-	-	6.1	6.2
Capital grants and contributions	0.2	0.1	0.1	0.7	0.3	0.8
General revenues:						
Taxes	50.8	50.7	-	-	50.8	50.7
Investment income	10.2	9.5	-	-	10.2	9.5
Miscellaneous	(1.7)	0.2	-	-	(1.7)	0.2
Total revenues	<u>77.2</u>	<u>75.7</u>	<u>16.4</u>	<u>14.9</u>	<u>93.6</u>	<u>90.6</u>
Expenses:						
Legislative and administration	2.5	2.4	-	-	2.5	2.4
Community development	5.9	6.6	-	-	5.9	6.6
Public works	21.7	16.0	-	-	21.7	16.0
Water and power	-	0.2	-	-	-	0.2
Community and safety services	26.2	22.4	-	-	26.2	22.4
Administrative services	13.6	11.9	-	-	13.6	11.9
Cerritos Center for the Performing Arts	9.1	6.9	-	-	9.1	6.9
Unallocated infrastructure depreciation	0.9	0.9	-	-	0.9	0.9
Interest expense	-	-	-	-	-	-
Water and Sewer	-	-	12.7	14.4	12.7	14.4
Reclaimed water	-	-	1.3	1.2	1.3	1.2
Electric Utility	-	-	6.6	5.8	6.6	5.8
Total expenses	<u>79.9</u>	<u>67.3</u>	<u>20.6</u>	<u>21.4</u>	<u>100.5</u>	<u>88.7</u>
Change in net position						
before special item and	(2.7)	8.4	(4.2)	(6.5)	(6.9)	1.9
extraordinary loss and transfers						
Special Items	<u>7.7</u>	<u>31.5</u>	<u>-</u>	<u>-</u>	<u>7.7</u>	<u>31.5</u>
Change in net position	5.0	39.9	(4.2)	(6.5)	0.8	33.4
Net position, beginning of year (as restated)	<u>382.6</u>	<u>366.6</u>	<u>(11.6)</u>	<u>(4.9)</u>	<u>371.0</u>	<u>361.7</u>
Net position, end of year	<u>\$ 387.6</u>	<u>\$ 406.5</u>	<u>\$ (15.8)</u>	<u>\$ (11.4)</u>	<u>\$ 371.8</u>	<u>\$ 395.1</u>

City of Cerritos, California
Management’s Discussion and Analysis (Unaudited) (Continued)
Year Ended June 30, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The City’s total revenues were \$93.6 million in fiscal year 2017-2018, while the total cost of all programs and services was \$100.5 million. Revenues increased by \$3.0 million from the prior year, primarily due to \$1.5 million more in revenue from CCPA ticket sales, and an additional \$1 million in revenue from both the Water and Sewer fund and the Electric Utility fund. Miscellaneous revenue declined due to the \$1.7 million loss on disposal of assets.

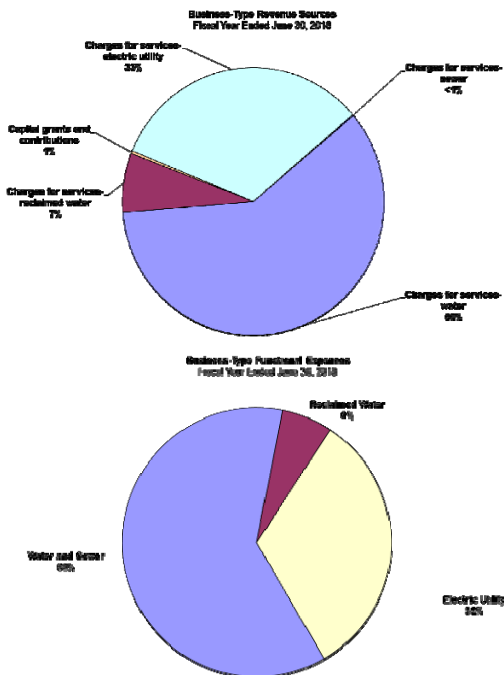
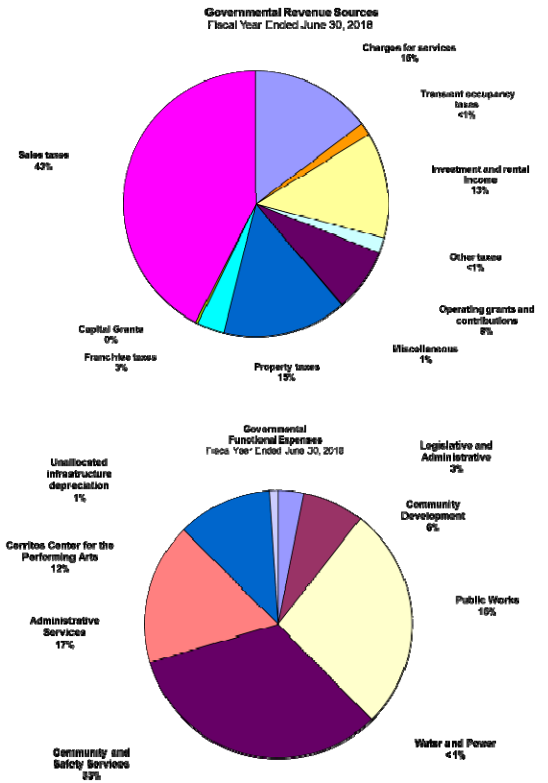
Expenses increased \$11.8 million, or 13.3% when compared to fiscal year 2016-17. The City increased the amount paid to LA County for Sherriff services by \$700 thousand. The CalPERS investment assumptions caused an additional expense of \$4.5M to be recognized during the current year. Prior to the implementation of GASB 75, which was implemented in FY 2017-18, the earnings on the OPEB assets reduced the expenses; with the implementation of GASB 75, the resulting expenses are \$4 million higher. Also, the CCPA costs increased \$2 million due to an expanded season.

As noted in the previous table (see the previous page), the City’s net position decreased by \$33.4 million during the current fiscal year.

Governmental Activities

Revenues associated with governmental activities for fiscal year 2017-18 were \$1.5 million higher than the prior year. The miscellaneous revenue was negative due to a loss on disposal of capital assets, but investment earnings were up about \$700 thousand, and CCPA ticket sales were up about \$1.5 million due to an expanded season.

Expenses associated with governmental activities increased \$12.6 million when compared to the previous year. The increases are a result of several factors including \$700 thousand more spend on Sherriff services; pension expenses due to actuarial changes; OPEB cost increased due to the implementation of GASB 75; and increased CCPA costs due to an expanded season.



Business-Type Activities

Business-type activities decreased the City’s net position by \$4.2 million when compared to fiscal year 2016-17. The decrease is attributable to the operating deficits in the Water and Sewer fund and the Electric Utility fund.

Expenses decreased \$800 thousand primarily because the prior year included over \$2 million in settlement costs associated with an environmental cleanup in the Water and Sewer fund. The City anticipates conclusion of this environmental clean-up effort in the 2018-2019 fiscal year.

City of Cerritos, California
Management's Discussion and Analysis (Unaudited) (Continued)
Year Ended June 30, 2018

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 \$186.7 million, representing an increase of \$13.4 million from the prior fiscal year. Non-spendable fund balances total \$92.2 million, most of which is for long-term receivables (\$89.5 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 \$25.4 million. An additional \$18.4 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 \$50.7 million, which represents 27.2% of the total fund balance. The remaining fund balance for the General Fund includes \$92.2 million in non-spendable funds, \$146 thousand of restricted funds, and \$16.8 million in assigned funds.

The City's General Fund balance increased \$9.1 million due primarily to the \$6.1 million special item relating to the dissolution of the Redevelopment Agency.

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.

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 (\$15.8) million. The total change in net position for these funds was a decrease of \$4.2 million. The Electric Utility fund had an operating deficit of \$250,000.

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

Fiduciary Funds

The City's fiduciary fund provides 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 (Unaudited) (Continued)
Year Ended June 30, 2018

The City presents one fiduciary fund which is the Private Purpose Trust Fund. At June 30, 2018, the net position maintained a deficit balance in the amount of \$107.7 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 and the special items relating to the dissolution of the Redevelopment Agency.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, additional budget appropriations of \$2.9 million were made due to various departmental adjustments. Additionally, for the eighth consecutive year, all line items were reviewed with special emphasis on necessary expenditures, while items such as travel, training, and supplies were reduced.

General Fund revenues remained steady with a reduction of \$5.2 million during the current fiscal year. The largest budget reduction was due to the delay of a \$3.3 million land sale which is anticipated for 2018-19. Sales taxes, property taxes, and transient occupancy taxes were quite similar to the prior year. The prior year included a one-time \$1 million franchise payment. The fund balance of the General Fund increased due to the loan adjustment associated with the dissolution of the redevelopment agency. After receiving a last and final ROPS, the interest rates on the loans were increased to 4% pursuant to State law.

General Fund Expenditures, as noted in the final budget, when compared with actual expenses resulted in a positive variance in the amount of \$6.0 million. The variance is attributed to lower than anticipated expenditures in the Administrative Services, Community and Public Safety, and CCPA departments.

City of Cerritos, California
Management's Discussion and Analysis (Unaudited) (Continued)
Year Ended June 30, 2018

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, 2018, amounts to \$285.4 million (net of accumulated depreciation) which is a decrease of \$8.2 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.

The following table presents the capital assets of the City of Cerritos at June 30, 2018.

City of Cerritos Capital Assets						
(in millions)						
	Governmental activities		Business-type activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 78.0	\$ 78.0	\$ -	\$ -	\$ 78.0	\$ 78.0
Parking structure rights	3.8	3.8	-	-	3.8	3.8
Right-of-way	49.1	49.1	-	-	49.1	49.1
Public art	4.9	7.4	-	-	4.9	7.4
Trees	1.4	1.4	-	-	1.4	1.4
Construction in progress	-	0.3	-	-	-	0.3
Buildings and structures	87.4	92.2	2.8	3.0	90.2	95.2
Improvements other than buildings	6.0	6.1	-	-	6.0	6.1
Infrastructure/water mains and lines/sewer mains	14.1	12.9	25.2	26.0	39.3	38.9
Water rights	-	-	1.3	1.4	1.3	1.4
Electric Rights	-	-	8.0	8.5	8.0	8.5
Furniture and equipment	1.9	1.9	1.6	1.7	3.5	3.6
Total	\$ 246.5	\$ 253.0	\$ 38.9	\$ 40.6	\$ 285.4	\$ 293.6

The most significant capital asset transaction during the fiscal year included the disposal of \$2.5 million of public art, and the reduction of capital assets is a result of annual depreciation of over \$6 million in the governmental activities.

Detailed information relating to capital assets can be found in Note 6 to the basic financial statements.

City of Cerritos, California
Management's Discussion and Analysis (Unaudited) (Continued)
Year Ended June 30, 2018

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

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 current fiscal year, the Successor Agency had total debt outstanding of \$82.1 million.

Successor Agency Long-Term Debt (in millions)		
	2018	2017
Los Cerritos Revenue Bonds	\$ 11.8	\$ 15.4
Los Coyotes Revenue Bonds	68.8	76.5
Add Deferred Amounts	1.5	1.7
Total Long-Term Debt	<u>\$ 82.1</u>	<u>\$ 93.6</u>

At the end of the current fiscal year, the City had total debt outstanding of \$10.7 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.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City has weathered a prolonged period of economic challenges brought about by the impacts of both the Great Recession and the dissolution of redevelopment throughout California. While both events have left a lasting impact, the City is well-positioned for a bright fiscal outlook thanks to a continuing commitment to investing in the community and the dedicated pursuit of a diversified pool of revenue sources that will serve to benefit the community for years to come.

A continued focus on the reinvention of the City through an aggressive program of economic development has come to define the City's community development efforts and has been a critical driver in helping to maintain the City's success in providing jobs, generating sales and increasing property values. The past several years have been remarkable in terms of the growth the City has experienced, both in terms of commercial and residential development. That growth has been critical in providing the City with the benefit of new high-quality tenants, increased employment opportunities and a means for generating additional sales tax revenue. Major developments have been recently completed at several of the City's shopping centers, including Los Cerritos Center, Cerritos Auto Square, Plaza 183, Cerritos Towne Center, College Square and Lincoln Station. Overall, the growth that the City has experienced serves to affirm that Cerritos continues to remain a highly desirable location for the private development community within the extremely competitive Southern California retail market.

In addition to continued investment in Cerritos' commercial properties, the City has seen substantial growth in the construction of new residential developments. The northeast corner of Artesia Boulevard and Bloomfield Avenue is home to two major residential luxury apartment projects. The first, Aria, is a 197-unit luxury apartment community that was completed in December, 2016 features upscale recreation facilities and amenities. The second community, Sage, is a 132-unit luxury apartment complex, that is designed to complement the Aria project, was completed in late 2017, and, as of March 2018, was already 90% occupied. Together the two projects have provided the City with an influx of new residents with additional spending capacity that will help to support the City's sales tax base.

City of Cerritos, California
Management's Discussion and Analysis (Unaudited) (Continued)
Year Ended June 30, 2018

Despite an encouraging economic outlook, the City continues 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. As the City continues to provide residents with a high level of services and programs, the referenced expenses have increased at a pace that has challenged the City to identify alternative revenue sources to offset the increase in expenditures. While Cerritos enjoys a balanced budget in the current fiscal year, it has had to utilize reserve funding in order to meet budgetary demands in the recent past. Management is 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 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.

The 2018-2019 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.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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City of Cerritos
Statement of Net Position
June 30, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 93,593,806	\$ 1,100,789	\$ 94,694,595
Accounts receivable	8,287,147	2,253,607	10,540,754
Interest receivable	240,597	-	240,597
Internal balances	40,857,767	(40,857,767)	-
Loans receivable	83,353	-	83,353
Notes receivable	1,095,000	-	1,095,000
Prepaid items	1,673,898	630,745	2,304,643
Inventories	33,931	-	33,931
Advances to Fiduciary Funds (Note 5)	60,992,079	-	60,992,079
Capital assets:			
Nondepreciable	137,219,329	-	137,219,329
Depreciable, net	109,299,182	38,864,466	148,163,648
Total capital assets, net	246,518,511	38,864,466	285,382,977
Total assets	453,376,089	1,991,840	455,367,929
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows of resources (Note 10)	16,361,787	1,519,947	17,881,734
OPEB related deferred outflows of resources (Notes XX)	428,470	39,803	468,273
Total deferred outflows of resources	16,790,257	1,559,750	18,350,007
LIABILITIES			
Accounts payable and accrued liabilities	6,259,723	1,202,624	7,462,347
Accrued salaries and benefits	1,062,815	265,290	1,328,105
Unearned revenue	1,931,918	488,239	2,420,157
Deposits payable	505,705	42,664	548,369
Settlement payable	236,022	-	236,022
Compensated absences:			
Due within one year	614,160	49,605	663,765
Due in more than one year	1,842,481	148,814	1,991,295
Aggregate net pension liabilities (Note 10)	65,318,763	6,067,864	71,386,627
Net OPEB liability	448,967	41,707	490,674
Long-term debt:			
Due within one year	-	335,000	335,000
Due in more than one year	-	10,350,000	10,350,000
Total liabilities	78,220,554	18,991,807	97,212,361
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows of resources (Note 10)	4,296,528	399,132	4,695,660
Total deferred inflows of resources	4,296,528	399,132	4,695,660
NET POSITION			
Net investment in capital assets	246,518,511	28,179,466	274,697,977
Restricted for:			
Housing assets	22,359,381	-	22,359,381
Street improvements	202,392	-	202,392
Transportation	1,511,593	-	1,511,593
Municipal improvements	623,506	-	623,506
Miscellaneous grants	677,241	-	677,241
Unrestricted (deficit)	115,756,640	(44,018,815)	71,737,825
Total net position	\$ 387,649,264	\$ (15,839,349)	\$ 371,809,915

See accompanying Notes to the Basic Financial Statements.

City of Cerritos
Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Legislative and Administration	\$ 2,518,689	\$ 5,451	\$ 971,891	\$ -
Community Development	5,917,823	2,456,567	1,922,407	237,883
Public Works	21,639,916	605,302	2,796,196	-
Water and Power	14,177	-	-	-
Community and Safety Services	26,170,530	2,553,410	185,216	-
Administrative Services	13,636,432	283,063	-	-
Cerritos Center for the Performing Arts	9,142,656	5,739,821	248,308	-
Unallocated infrastructure depreciation	851,011	-	-	-
Total Governmental Activities	<u>79,891,234</u>	<u>11,643,614</u>	<u>6,124,018</u>	<u>237,883</u>
Business-Type Activities:				
Water and Sewer	12,685,248	9,820,648	-	55,658
Reclaimed Water	1,265,363	1,173,266	-	-
Electric Utility	6,685,111	5,347,675	-	-
Total Business-Type Activities	<u>20,635,722</u>	<u>16,341,589</u>	<u>-</u>	<u>55,658</u>
Total	<u><u>\$ 100,526,956</u></u>	<u><u>\$ 27,985,203</u></u>	<u><u>\$ 6,124,018</u></u>	<u><u>\$ 293,541</u></u>

City of Cerritos
Statement of Activities (Continued)
For the Year Ended June 30, 2018

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Governmental Activities:			
Legislative and Administration	\$ (1,541,347)	\$ -	\$ (1,541,347)
Community Development	(1,300,966)	-	(1,300,966)
Public Works	(18,238,418)	-	(18,238,418)
Water and Power	(14,177)	-	(14,177)
Community and Safety Services	(23,431,904)	-	(23,431,904)
Administrative Services	(13,353,369)	-	(13,353,369)
Cerritos Center for the Performing Arts	(3,154,527)	-	(3,154,527)
Unallocated infrastructure depreciation	(851,011)	-	(851,011)
Total Governmental Activities	(61,885,719)	-	(61,885,719)
Business-Type Activities:			
Water and Sewer	-	(2,808,942)	(2,808,942)
Reclaimed Water	-	(92,097)	(92,097)
Electric Utility	-	(1,337,436)	(1,337,436)
Total Business-Type Activities	-	(4,238,475)	(4,238,475)
Total	(61,885,719)	(4,238,475)	(66,124,194)
 General Revenues and Transfers:			
Taxes:			
Sales taxes	33,607,144	-	33,607,144
Property taxes	11,894,249	-	11,894,249
Franchise taxes	2,565,011	-	2,565,011
Transient occupancy taxes	1,214,387	-	1,214,387
Other taxes	1,481,476	-	1,481,476
(Loss) on disposal of capital assets	(1,741,736)	-	(1,741,736)
Investment and rental income	10,151,736	20,018	10,171,754
Miscellaneous	60,031	-	60,031
Transfers	(19,201)	19,201	-
Total General Revenues	59,213,097	39,219	59,252,316
Special Items:			
Adjustment to amount due from Successor Agency (Note 13)	7,685,002	-	7,685,002
Total Special Items	7,685,002	-	7,685,002
Changes in Net Position	5,012,380	(4,199,256)	813,124
Net Position - Beginning of Year, as restated (Note 16)	382,636,884	(11,640,093)	370,996,791
Net Position - End of Year	\$ 387,649,264	\$ (15,839,349)	\$ 371,809,915

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

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City of Cerritos
Balance Sheet
Governmental Funds
June 30, 2018

	Major Funds		Nonmajor Governmental Funds	Total Governmental Funds
	General	Housing Assets Special Revenue		
ASSETS				
Cash and investments	\$ 68,563,155	\$ 10,160,965	\$ 4,343,776	\$ 83,067,896
Receivables:				
Accounts	7,520,565	-	766,582	8,287,147
Interest	240,597	-	-	240,597
Loans	83,353	-	-	83,353
Notes	1,095,000	-	-	1,095,000
Prepaid items	1,503,113	-	170,785	1,673,898
Inventories	33,931	-	-	33,931
Due from other funds	229,314	-	-	229,314
Advances to other funds	40,735,310	-	-	40,735,310
Advances to fiduciary funds	48,793,663	12,198,416	-	60,992,079
Total Assets	\$ 168,798,001	\$ 22,359,381	\$ 5,281,143	\$ 196,438,525
LIABILITIES				
Accounts payable and accrued liabilities	\$ 5,465,617	\$ -	\$ 647,981	\$ 6,113,598
Accrued salaries and benefits	981,590	-	81,225	1,062,815
Deposits payable	505,705	-	-	505,705
Settlement payable - current portion	5,764	-	-	5,764
Unearned revenue	1,905,743	-	26,175	1,931,918
Due to other funds	-	-	106,857	106,857
Total liabilities	8,864,419	-	862,238	9,726,657
FUND BALANCES				
Nonspendable	92,244,370	-	-	92,244,370
Restricted	145,795	22,359,381	2,868,937	25,374,113
Assigned	16,804,229	-	1,549,968	18,354,197
Unassigned	50,739,188	-	-	50,739,188
Total fund balances	159,933,582	22,359,381	4,418,905	186,711,868
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 168,798,001	\$ 22,359,381	\$ 5,281,143	\$ 196,438,525

City of Cerritos
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2018

Total Fund Balances - Total Governmental Funds \$ 186,711,868

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. Internal service funds' capital assets are already accounted for in the reconciling item below for total assets and liabilities of the internal service funds.

Amount reported in Government-Wide Statement of Net Position	246,518,511	
Less: amount reported in Internal Service Funds	<u>(1,417,500)</u>	245,101,011

Internal service funds are used by management to charge the costs of various city activities to individual funds. The assets and liabilities of the internal service funds are included in the statement of net position. 11,797,285

Long-term liabilities applicable to the City governmental activities, excluding net pension liabilities, are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Position:

Settlement payable	(230,258)	
Compensated absences payable	<u>(2,456,641)</u>	(2,686,899)

Aggregate net pension liability is not due and payable in the current period and therefore is not required to be reported in the governmental funds. (65,318,763)

Net OPEB liability is not due and payable in the current period and therefore is not required to be reported in the governmental funds. (448,967)

Deferred outflows of resources related to OPEB and Pensions are not available for current period and, therefore, are deferred and not recorded. in the governmental funds.

Pensions related deferred outflows of resources	16,361,787	
OPEB related deferred outflows of resources	<u>428,470</u>	16,790,257

Deferred inflows of resources related to Pensions are not available for current period and, therefore, are deferred and not recorded. in the governmental funds. (4,296,528)

Net Position of Governmental Activities \$ 387,649,264

City of Cerritos
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	Major Funds		Nonmajor Governmental Funds	Total Governmental Funds
	General	Housing Assets Special Revenue		
REVENUES:				
Property, sales, and other taxes	\$ 47,005,564	\$ -	\$ -	\$ 47,005,564
Franchise	2,565,011	-	84,000	2,649,011
Licenses and permits	3,560,686	-	-	3,560,686
Fines and forfeitures	571,017	-	-	571,017
Investment and rental income	10,888,328	366,738	33,682	11,288,748
Revenues from other agencies	771,580	-	5,153,566	5,925,146
Current fees and services	6,787,501	-	70,819	6,858,320
Other revenues	806,622	8,068	-	814,690
Total Revenues	72,956,309	374,806	5,342,067	78,673,182
EXPENDITURES:				
Current:				
Legislative and Administration	1,778,162	-	178,061	1,956,223
Community Development	4,159,927	-	1,636,197	5,796,124
Public Works	14,296,896	-	6,686,845	20,983,741
Community and Safety Services	24,343,700	-	-	24,343,700
Administrative Services	11,470,134	-	669,972	12,140,106
Cerritos Center for the Performing Arts	7,448,010	-	-	7,448,010
Capital outlay	463,548	-	2,323,571	2,787,119
Total Expenditures	63,960,377	-	11,494,646	75,455,023
REVENUES OVER (UNDER) EXPENDITURES	8,995,932	374,806	(6,152,579)	3,218,159
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of City property	1,097,715	-	-	1,097,715
Transfers in	1,677,071	-	8,955,269	10,632,340
Transfers out	(8,859,239)	-	(327,942)	(9,187,181)
Total Other Financing Sources (Uses)	(6,084,453)	-	8,627,327	2,542,874
SPECIAL ITEMS:				
Adjustment to amount due from Successor Agency (Note 13)	6,148,002	1,537,000	-	7,685,002
	6,148,002	1,537,000	-	7,685,002
Net change in fund balances	9,059,481	1,911,806	2,474,748	13,446,035
FUND BALANCES:				
Beginning of Year	150,874,101	20,447,575	1,944,157	173,265,833
End of Year	\$ 159,933,582	\$ 22,359,381	\$ 4,418,905	\$ 186,711,868

City of Cerritos
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes
in Fund Balances to the Government-Wide Statement of Activities
For the Year Ended June 30, 2018

Net Change in Fund Balance - Total Governmental Funds: \$ 13,446,035

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay (net of \$463,548 of additions from Internal Service Funds)	\$ 2,343,090	
Depreciation expense (net of \$233,398 in Internal Service Funds)	<u>(6,232,382)</u>	(3,889,292)

The net effect of transactions involving capital assets was as follows (Note 6):

Loss on sale of capital assets		<u>(1,741,736)</u>
--------------------------------	--	--------------------

Internal service funds are used by management to charge the costs of certain activities, such as equipment replacement and inventory usage fees to individual funds. The change in net position of internal service funds is reported within governmental activities.

(1,992,448)

Changes in the net pension liability and related deferred outflows and inflows of resources reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.

(2,464,580)

Changes in the settlement payable reported in the Statement of Activities was an expenditure in the governmental funds but lowered the liability recorded on the Statement of Activities.

306,367

Changes in the net OPEB liability and related deferred outflows and inflows of resources reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.

2,482,366

The issuance of long-term liabilities provides current financial resources to governmental funds, while the repayment of the principal of long-term liabilities consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Change in compensated absences payable		<u>(36,617)</u>
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Change in Net Position of Governmental Activities \$ 5,012,380

PROPRIETARY FUND FINANCIAL STATEMENTS

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City of Cerritos
Statement of Net Position
Proprietary Funds
June 30, 2018

	Business-Type Activities - Enterprise Funds				Governmental Activities - Equipment Replacement Internal Service Fund
	Major Funds		Non-Major Reclaimed Water	Total Enterprise Funds	
	Water and Sewer	Electric Utility			
ASSETS					
Current Assets:					
Cash and investments	\$ -	\$ 32,496	\$ 1,068,293	\$ 1,100,789	\$ 10,525,910
Accounts receivable	1,340,188	535,919	377,500	2,253,607	-
Prepaid items	482,619	81,858	66,268	630,745	-
Total current assets	1,822,807	650,273	1,512,061	3,985,141	10,525,910
Noncurrent Assets:					
Capital assets:					
Building and structures	5,707,673	-	1,315,000	7,022,673	-
Water mains and lines	29,474,986	-	15,629,237	45,104,223	-
Equipment	5,846,344	-	120,278	5,966,622	2,027,311
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	(31,819,285)	(6,112,167)	(9,422,183)	(47,353,635)	(609,811)
Total noncurrent assets	23,229,301	7,992,833	7,642,332	38,864,466	1,417,500
Total assets	25,052,108	8,643,106	9,154,393	42,849,607	11,943,410
DEFERRED OUTFLOWS OF RESOURCES					
Pension related deferred outflows of resources	1,519,947	-	-	1,519,947	-
OPEB related deferred outflows of resources	39,803	-	-	39,803	-
Total deferred outflows of resources	1,559,750	-	-	1,559,750	-
LIABILITIES					
Current Liabilities:					
Accounts payable	880,602	303,490	18,532	1,202,624	146,125
Accrued salaries and benefits	239,241	11,783	14,266	265,290	-
Due to other funds	122,457	-	-	122,457	-
Deposits payable	42,664	-	-	42,664	-
Unearned revenue	488,239	-	-	488,239	-
Long-term debt - due within one year	-	335,000	-	335,000	-
Compensated absences - due within one year	49,605	-	-	49,605	-
Total current liabilities	1,822,808	650,273	32,798	2,505,879	146,125
Noncurrent Liabilities:					
Advances from other funds	17,083,174	23,652,136	-	40,735,310	-
Net pension liabilities (Note 10)	6,067,864	-	-	6,067,864	-
Net OPEB liabilities	41,707	-	-	41,707	-
Long-term debt - due in more than one year	-	10,350,000	-	10,350,000	-
Compensated absences - due in more than one year	148,814	-	-	148,814	-
Total noncurrent liabilities	23,341,559	34,002,136	-	57,343,695	-
Total liabilities	25,164,367	34,652,409	32,798	59,849,574	146,125
DEFERRED INFLOWS OF RESOURCES					
Pension related deferred inflows of resources	399,132	-	-	399,132	-
Total deferred inflows of resources	399,132	-	-	399,132	-
NET POSITION					
Net investment in capital assets	23,229,301	(2,692,167)	7,642,332	28,179,466	1,417,500
Unrestricted (deficit)	(22,180,942)	(23,317,136)	1,479,263	(44,018,815)	10,379,785
Total Net Position (Deficit)	\$ 1,048,359	\$ (26,009,303)	\$ 9,121,595	\$ (15,839,349)	\$ 11,797,285

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City of Cerritos
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2018

	Business-Type Activities - Enterprise Funds				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	\$ 7,907,858	\$ -	\$ 1,119,902	\$ 9,027,760	\$ -
Wholesale	1,332,346	-	-	1,332,346	-
Sales of electricity:					
Regular	-	4,488,905	-	4,488,905	-
Fire lines	361,824	-	-	361,824	-
Charges for services	85,719	-	-	85,719	-
Other agency contribution	115,401	856,569	53,364	1,025,334	-
Other revenues	17,500	2,201	-	19,701	-
Total Operating Revenues	9,820,648	5,347,675	1,173,266	16,341,589	-
OPERATING EXPENSES:					
Management	3,929,140	212,514	327,090	4,468,744	-
Production and distribution	5,377,609	-	52,458	5,430,067	-
Operations	1,326,800	4,910,283	549,279	6,786,362	453,361
Inspections	319,369	-	35,485	354,854	-
Billings and collection	273,971	-	-	273,971	-
Depreciation	1,076,630	470,167	301,051	1,847,848	233,398
Total Operating Expenses	12,303,519	5,592,964	1,265,363	19,161,846	686,759
OPERATING INCOME (LOSS)	(2,482,871)	(245,289)	(92,097)	(2,820,257)	(686,759)
NONOPERATING REVENUES (EXPENSES):					
Investment income/(loss)	-	-	20,018	20,018	158,671
Interest expense - debt service	-	(536,569)	-	(536,569)	-
Interest expense - advances	(381,729)	(555,578)	-	(937,307)	-
Total Nonoperating Revenues (Expenses)	(381,729)	(1,092,147)	20,018	(1,453,858)	158,671
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(2,864,600)	(1,337,436)	(72,079)	(4,274,115)	(528,088)
CAPITAL CONTRIBUTIONS AND TRANSFERS:					
Capital contributions	55,658	-	-	55,658	-
Transfers in	19,201	-	-	19,201	-
Transfers out	-	-	-	-	(1,464,360)
CHANGES IN NET POSITION	(2,789,741)	(1,337,436)	(72,079)	(4,199,256)	(1,992,448)
NET POSITION:					
Beginning of the Year, As Restated	3,838,100	(24,671,867)	9,193,674	(11,640,093)	13,789,733
End of the Year	<u>\$ 1,048,359</u>	<u>\$ (26,009,303)</u>	<u>\$ 9,121,595</u>	<u>\$ (15,839,349)</u>	<u>\$ 11,797,285</u>

City of Cerritos
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

	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	\$ 9,940,130	\$ 5,465,612	\$ 1,087,196	\$ 16,492,938	\$ -
Cash paid to suppliers of goods or services	(7,796,224)	(4,915,900)	(1,010,254)	(13,722,378)	(593,682)
Cash paid to employees	(4,005,032)	(204,887)	(326,243)	(4,536,162)	-
Cash paid to other funds	122,457	(104,652)	-	17,805	-
Cash received from other revenues	17,500	2,201	-	19,701	-
Net Cash Provided by (Used in) Operating Activities	(1,721,169)	242,374	(249,301)	(1,728,096)	(593,682)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Cash advances from other funds	1,919,272	1,202,269	-	3,121,541	-
Transfers in	19,201	-	-	19,201	-
Transfers out	-	-	-	-	(1,464,360)
Net Cash Provided by Noncapital Financing Activities	1,938,473	1,202,269	-	3,140,742	(1,464,360)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition of capital assets	(64,716)	-	-	(64,716)	(463,548)
Proceeds from sale of capital assets	-	-	-	-	-
Principal paid on debt	-	(320,000)	-	(320,000)	-
Interest paid on debt	(381,729)	(1,092,147)	-	(1,473,876)	-
Net Cash (Used in) Capital and Related Financing Activities	(446,445)	(1,412,147)	-	(1,858,592)	(463,548)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest income received (loss from investments)	-	-	20,018	20,018	158,671
Net Cash Provided by Investing Activities	-	-	20,018	20,018	158,671
Net Increase (Decrease) in Cash and Cash Equivalents	(229,141)	32,496	(229,283)	(425,928)	(2,362,919)
CASH AND CASH EQUIVALENTS:					
Beginning of Year	229,141	-	1,297,576	1,526,717	12,888,829
End of Year	\$ -	32,496	\$ 1,068,293	\$ 1,100,789	\$ 10,525,910

City of Cerritos
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2018

	Business-Type Activities - Enterprise Funds				Governmental Activities - Equipment Replacement Internal Service Fund
	Major Funds			Total Enterprise Funds	
	Water and Sewer	Electric Utility	Reclaimed Water		
RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:					
Operating (loss)	\$ (2,482,871)	\$ (245,289)	\$ (92,097)	\$ (2,820,257)	\$ (686,759)
Adjustments to reconcile operating (loss) to net cash provided by (used in) operating activities:					
Depreciation	1,076,630	470,167	301,051	1,847,848	233,398
Changes in operating assets, deferred outflows of resources, liabilities, and deferred inflows of resources:					
(Increase) decrease in accounts receivable	135,547	120,138	(58,168)	197,517	-
(Increase) decrease in prepaid items	(437,723)	(81,858)	(34,837)	(554,418)	-
Increase (decrease) pension deferred outflows	(293,427)	-	-	(293,427)	-
Increase (decrease) OPEB deferred outflows	(39,803)	-	-	(39,803)	-
Increase (decrease) in accounts payable	(60,752)	76,241	(338,195)	(322,706)	(140,321)
Increase (decrease) in accrued salaries and benefits	5,758	7,627	847	14,232	-
Increase (decrease) in due to other funds	122,457	(104,652)	-	17,805	-
(Increase) decrease in deposits payable	1,435	-	-	1,435	-
Increase (decrease) in unearned revenue	-	-	(27,901)	(27,901)	-
Increase (decrease) in compensated absences	44,726	-	-	44,726	-
Increase (decrease) in pension deferred inflows	51,871	-	-	51,871	-
Increase (decrease) in net OPEB liability	(190,799)	-	-	(190,799)	-
Increase (decrease) in net pension liabilities	345,782	-	-	345,782	-
Net Cash Provided by (Used in) Operating Activities	<u>(1,721,169)</u>	<u>\$ 242,374</u>	<u>\$ (249,300)</u>	<u>\$ (1,728,095)</u>	<u>\$ (593,682)</u>
NON-CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Contribution of capital assets	<u>\$ 55,658</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,658</u>	<u>\$ -</u>

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FIDUCIARY FUND FINANCIAL STATEMENTS

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City of Cerritos
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	Successor Agency to the Cerritos Redevelopment Agency
ASSETS	
Cash and investments	\$ 18,617,050
Cash and investments with fiscal agents	16,978,644
Interest receivable	50,307
Total assets	<u>35,646,001</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on refunding of debt, net	708,916
Total deferred outflow of resources	<u>708,916</u>
LIABILITIES	
Current liabilities:	
Accounts payable	308,622
Interest payable	657,921
Long-term debt - due within one year	12,040,000
Total current liabilities	<u>13,006,543</u>
Noncurrent liabilities:	
Advances from City of Cerritos (Note 5)	60,992,079
Long-term debt - due in more than one year	70,010,371
Total noncurrent liabilities	<u>131,002,450</u>
Total liabilities	<u>144,008,993</u>
NET POSITION	
Unrestricted (deficit)	(107,654,076)
Total Net Position (Deficit)	<u>\$ (107,654,076)</u>

City of Cerritos
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2018

	Successor Agency to the Cerritos Redevelopment Agency
ADDITIONS:	
Redevelopment Property Tax Trust Fund	\$ 18,968,373
Investment income	467,291
Total additions	<u>19,435,664</u>
DEDUCTIONS:	
Administrative expenses	626,356
Interest on long-term debt	5,602,473
Fiscal charges	10,322
Total deductions	<u>6,239,151</u>
SPECIAL ITEMS:	
Adjustment to amount due to City (Note 13)	<u>(7,685,002)</u>
Total special items	<u>(7,685,002)</u>
Change in net position	5,511,511
NET POSITION (DEFICIT):	
Beginning of Year	<u>(113,165,587)</u>
End of Year	<u>\$ (107,654,076)</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

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City of Cerritos
Index to the Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

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City of Cerritos
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For the Year Ended June 30, 2018

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City of Cerritos
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies

The basic financial statements of the City of Cerritos, California, (the “City”) have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. 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 following is a summary of the significant policies:

A. Financial Reporting Entity

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.

Component units are legally separate entities that meet any one of the following tests:

- The City appoints the voting majority of the board of the potential component unit and:
 - is able to impose its will on the component unit and/or
 - is in a relationship of financial benefit or burden with the potential component unit.
- The potential component unit is fiscally dependent upon the City.
- The financial statements of the City would be misleading if data from the potential component units were omitted.

The City had no blended or discretely presented component units.

B. Basis of Accounting and Measurement Focus

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. City resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

The Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as revenue until that time.

Government-Wide Financial Statements

The government-wide financial statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of the City’s assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying statement of net position. The statement of activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which the liability is incurred. Fiduciary activities are not included in these statements.

City of Cerritos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Government-Wide Financial Statements (Continued)

The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made in regards to interfund activities, payables and receivables. All internal balances in the statement of net position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the statement of activities, internal service fund transactions have been eliminated. However, transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated:

- Advances to and from other funds
- Transfers in and out

Governmental Fund Financial Statements

All governmental funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheet. The statement of revenues, expenditures and changes in fund balance presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balances. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

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 these purposes, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property taxes, sales taxes, taxpayer-assessed tax revenues (transient occupancy taxes, franchise taxes, etc.), certain grant revenues and earnings on investments. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Reconciliations of the fund financial statements to the government-wide financial statements are provided to explain the differences.

The City reports the following major governmental funds:

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.

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.

City of Cerritos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Proprietary Fund Financial Statements

Proprietary funds are accounted for using the "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City reports the following major proprietary funds:

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.

The Reclaimed Water Enterprise Fund is used to account for the construction, operation, and maintenance of the City owned reclaimed wastewater system.

Additionally, the City reports the following fund:

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.

City of Cerritos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Fiduciary Fund Financial Statements

The Fiduciary funds are reported using the accrual basis of accounting.

The City reports the following 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. Cash and Cash Equivalents

A substantial portion of the City’s investments are in short-term liquid instruments, with original maturities of three months or less (excluding fiscal agent investments). The Enterprise and Internal Service Funds participate in the pooling of City-wide cash and investments. Amounts from the pool are available to these funds on demand. The fair value of the position in the pool is the same as the value of the pool shares. As a result, the cash and investments of the Enterprise and Internal Service Funds are considered to be cash and cash equivalents for statement of cash flow purposes.

D. Investments

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

E. Fair Value Measurement

U.S. GAAP defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the Statements of Net Position/Balance Sheet, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

Level 1 – Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.

Level 2 – Inputs, other than quoted prices included in Level 1, which are observable for the assets or liabilities through corroboration with market data at the measurement date.

Level 3 – Unobservable inputs that reflect management’s best estimate of what market participants would use in pricing the assets or liabilities at the measurement date.

F. Inventories

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

City of Cerritos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

G. 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 estimated fair market 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.

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 equipmen	3 to 15 years
Leased property	5 to 10 years
Infrastructure	20 to 75 years

H. Compensated Absences Payable

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.

I. 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.

City of Cerritos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

J. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans (Note 10). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The following timeframes are used for pension reporting:

CalPERS

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

PARS

Valuation Date	July 1, 2017
Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 to June 30, 2018

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

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.

The following timeframes are used for OPEB reporting:

OPEB

For the Year Ended	June 30, 2018
Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Measurement Period	July 1, 2017 to June 30, 2018

City of Cerritos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

J. Pensions (Continued)

Other Postemployment Benefits (“OPEB”) (Continued)

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over 5 years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

K. 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

L. 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.

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; or b) 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.

City of Cerritos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

L. Fund Balances and Net Position (Continued)

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.

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.

M. Estimates

The preparation of the basic financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

City of Cerritos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

N. Accounting Changes

GASB Statement No. 75

GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This statement had an impact on the City's financial statements for the year ended June 30, 2018.

GASB Statement No. 81

GASB Statement No. 81, *Irrevocable Split-Interest Agreement* (GASB 81) This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This statement did not have a significant impact on the City's financial statements for the year ended June 30, 2018.

GASB Statement No. 85

GASB Statement NO. 85, *Omnibus 2017* (GASB 85). 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 blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). This statement did not have a significant impact on the City's financial statements for the year ended June 30, 2018.

GASB Statement No. 86

GASB Statement No. 86, *Certain Debt Extinguishment Issues* (GASB 86). Statement No. 7, *Advance Refundings Resulting in Defeasance of Debt*, requires that debt be considered defeased in substance when the debtor irrevocably places cash or other monetary assets acquired with refunding debt proceeds in a trust to be used solely for satisfying scheduled payments of both principal and interest of the defeased debt. The trust also is required to meet certain conditions for the transaction to qualify as an in-substance defeasance. This Statement establishes essentially the same requirements for when a government places cash and other monetary assets acquired with only existing resources in an irrevocable trust to extinguish the debt. However, in financial statements using the economic resources measurement focus, governments should recognize any difference between the reacquisition price (the amount required to be placed in the trust) and the net carrying amount of the debt defeased in substance using only existing resources as a separately identified gain or loss in the period of the defeasance. This statement did not have a significant impact on the City's financial statements for the year ended June 30, 2018.

City of Cerritos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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, 2018:

	<u>Government-Wide Statement of Net Position</u>			<u>Fiduciary Fund Statement of Net Position</u>	
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Net Position</u>	<u>Total</u>
Cash and investments	\$ 93,593,806	\$ 1,100,789	\$ 94,694,595	\$ 18,617,050	\$ 113,311,645
Restricted cash and investments:					
Investments with fiscal agents	-	-	-	16,978,644	16,978,644
Total cash and investments	<u>\$ 93,593,806</u>	<u>\$ 1,100,789</u>	<u>\$ 94,694,595</u>	<u>\$ 35,595,694</u>	<u>\$ 130,290,289</u>

The City's cash and investments at June 30, 2018 in more detail:

Cash and cash equivalents:	
Petty cash	\$ 10,470
Demand deposits	4,731,639
Total cash and cash equivalents	<u>4,742,109</u>
Investments:	
Local Agency Investment Fund	31,112,599
U.S. Government Sponsored Enterprise Securities	67,858,925
Certificates of Deposit	9,598,012
Investment Contracts	3,206,533
Money Market Mutual Funds	13,772,111
Total investments	<u>125,548,180</u>
Total cash and investments	<u>\$ 130,290,289</u>

At June 30, 2018, cash and investments, excluding restricted cash and investments held by fiscal agent, are reported at fair value based on quoted market prices. The following table represents the fair value measurements of investments recognized in the accompanying Statement of Net Position measured at fair value on a recurring basis and the level within GASB 72 fair value hierarchy in which the fair value measurements fall at June 30, 2018:

<u>Investment Type</u>	<u>Total as of June 30, 2018</u>	<u>Percentage of Investments</u>	<u>Measurement Input</u>
LAIF	\$ 31,112,599	24.78%	Uncategorized
FHLB	16,571,710	13.20%	Level 2
FNMA	9,736,800	7.76%	Level 2
FHLMC	18,541,050	14.77%	Level 2
FFCB	23,009,365	18.33%	Level 2
Certificates of Deposits	9,598,012	7.64%	Level 2
Investment Contracts	3,206,533	2.55%	Level 2
MMkt Mutual Funds	13,772,111	10.97%	Uncategorized
Total	<u>\$ 125,548,180</u>		

City of Cerritos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 2 – Cash and Investments (Continued)

A. Deposits

The carrying amounts of the City’s demand deposits were \$4,731,639 at June 30, 2018. Bank balances were \$5,077,060 at that date, the total amount of which was collateralized or insured with securities held by the pledging financial institutions in the City’s name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the City’s cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City’s deposits by pledging first trust deed mortgage notes having a value of 150% of the City’s total cash deposits. The City may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (“FDIC”). The City, however, has not waived the collateralization requirements.

B. Investments

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 bond trustees 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.

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	40%	10%
Banker's Acceptances	180 days	40%	10%
Commercial Paper	270 days	40%	10%
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	No Limit	No Limit

N/A - Not Applicable

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

City of Cerritos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 2 – Cash and Investments (Continued)

C. 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.

D. Risk Disclosures

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:

Investment Type	Remaining Maturity (in Months)			Total
	12 Months or Less	13 - 60 Months	Greater than 60 Months	
Local Agency Investment Fund (LAIF)	\$ 31,112,599	\$ -	\$ -	\$ 31,112,599
Federal Home Loan Bank (FHLB)	-	16,571,710	-	16,571,710
Federal National Mortgage Association (FNMA)	-	9,736,800	-	9,736,800
Federal Home Loan Mortgage Corporation (FHLMC)	995,470	17,545,580	-	18,541,050
Federal Farm Credit Bank (FFCB)	-	23,009,365	-	23,009,365
Certificates of Deposit	940,763	8,657,249	-	9,598,012
Investment Contracts	-	-	3,206,533	3,206,533
Money Market (MMkt) Mutual Funds	13,772,111	-	-	13,772,111
Total	\$ 46,820,943	\$ 75,520,704	\$ 3,206,533	\$ 125,548,180

City of Cerritos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 2 – Cash and Investments (Continued)

D. Risk Disclosures (Continued)

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 a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City’s investment policy, or debt agreements, and the actual rating at time of purchase for each investment type:

Investment Type	Total as of June 30, 2018	Minimum Legal Rating	Aaa	Unrated	Not Required to be Rated
LAIF	\$ 31,112,599	N/A	\$ -	\$ -	\$ 31,112,599
FHLB	16,571,710	N/A	16,571,710	-	-
FNMA	9,736,800	N/A	9,736,800	-	-
FHLMC	18,541,050	N/A	18,541,050	-	-
FFCB	23,009,365	N/A	23,009,365	-	-
Certificates of Deposits	9,598,012	N/A	-	9,598,012	-
Investment Contracts	3,206,533	N/A	3,206,533	-	-
MMkt Mutual Funds	13,772,111	N/A	-	13,772,111	-
Total	<u>\$ 125,548,180</u>		<u>\$ 71,065,458</u>	<u>\$ 23,370,123</u>	<u>\$ 31,112,599</u>

Custodial Credit Risk – For deposits, custodial credit risk is the risk that, in the event of the failure of a deposit 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. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City’s investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the provision for deposits stated in Note 2A. At June 30, 2018, City’s deposits with financial institutions are fully insured by FDIC.

E. Investments in State Investment Pool

The City is a participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City’s investments with LAIF at June 30, 2018, included a portion of pool funds invested in Structured Notes and Asset-Backed Securities:

Structured Notes: debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities: generally mortgage-backed securities that entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (for example, Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2018, the City had \$31,112,599 invested in LAIF, which had invested 2.67% of the pool investment funds in Structured Notes and Asset-Backed securities. The LAIF fair value factor of 0.9981268690 was used to calculate the fair value of the investment in LAIF. The book value of LAIF is the same as the value of the City’s share of the pool. The carrying amount is the proportionate share of the market value of the underlying investments held by LAIF.

City of Cerritos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 3 –Loans and Notes Receivable

A. Loans Receivable

At June 30, 2018, the outstanding balance of loans receivable was as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Auto Square Loan	\$ 183,377	\$ -	(100,024)	\$ 83,353
Total	\$ 183,377	\$ -	\$ (100,024)	\$ 83,353

In November 2013, the City approved funding for the renovation and improvement to the Cerritos Auto Square Freeway Sign (“Sign”). Upon completion of the Sign, the City provided funds to the Cerritos Auto Square Dealer’s Association (“Association”) for the total cost of the Sign in the amount of \$927,761. The Association entered into a Loan Agreement with the City for 50 percent of the Sign’s cost, which amounted to \$463,881 payable monthly over 60 months at an annual rate of 3%. Payments towards the Loan Receivable commenced on June 1, 2014 and are due monthly until May 1, 2019. Payments received during the fiscal year for principal and interest totaled \$100,024. At June 30, 2018, the outstanding principal balance on the Loan was \$83,353.

B. Residential Assistance and Loan Program

At June 30, 2018, the outstanding balances of the Residential Assistance and Loan Programs are as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Residential Assistance Program	\$ 2,040,000	\$ -	\$ -	\$ 2,040,000
Residential Loan Program	150,888	-	(11,651)	139,237
Subtotal	2,190,888	\$ -	\$ (11,651)	2,179,237
Less: Allowance for uncollectible	(2,190,888)			(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.

C. Notes Receivable

At June 30, 2018, the outstanding balances of the notes receivable are as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Deferred payment note	\$ 1,095,000	\$ -	\$ -	\$ 1,095,000
Total	\$ 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. The note is due on May 4, 2028.

City of Cerritos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 4 – Interfund Transactions

A. Government-Wide Financial Statements

At June 30, 2018, the City had the following internal receivable and payable:

	Internal Receivable
	Governmental
	Activities
Internal Payable	
Business-Type Activities	\$ 40,857,767

B. Fund Financial Statements

Due To/From Other Funds – At June 30, 2018, the City had the following amounts due to/from other funds:

	Due from Other Funds
	Governmental Funds
	General Fund
Due to Other Funds	
Enterprise Funds:	
Water and Sewer Fund	\$ 122,457
Governmental Funds:	
Nonmajor Governmental Funds	106,857
	\$ 229,314

The General Fund provided a short-term loan to the Water and Sewer fund and select Nonmajor Governmental funds in order to cover negative cash balances.

Advances To/From Other Funds - At June 30, 2018, the City had the following advances to/from other funds:

	Advances to Other Funds
	Governmental Funds
	General Fund
Advances from Other Funds	
Enterprise Funds:	
Water and Sewer Fund:	
Sewer - Operations	\$ 7,820,492
Water - Operations	9,262,682
Subtotal	17,083,174
Electric Utility Enterprise Fund:	
Operations	21,267,637
Debt service	2,384,499
Subtotal	23,652,136
	\$ 40,735,310

City of Cerritos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 4 – Interfund Transactions (Continued)

B. Fund Financial Statements (Continued)

Advances were made to the Water and Sewer Enterprise Fund from the General Fund during fiscal years 2016-2017 and 2017-2018. 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, 2018, interest of \$378,294 was incurred and added to the outstanding loan balance while an additional \$1,637,178 was borrowed. At June 30, 2018, the outstanding balance was \$17,083,174.

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, 2018, interest of \$561,247 was incurred and added to the outstanding loan balance. At June 30, 2018, the outstanding balance was \$23,652,136.

Transfers – At June 30, 2018, the City had the following transfers in/out:

Transfers Out	Transfers In			Total
	Governmental Funds		Proprietary Fund	
	General Fund	Nonmajor Governmental Funds	Water and Sewer Fund	
Governmental Funds:				
General Fund	\$ -	\$ 8,859,239	\$ -	\$ 8,859,239
Nonmajor Governmental Funds	327,942	-	-	327,942
Proprietary Funds:				
Internal Service Fund	1,349,129	96,030	19,201	1,464,360
Total	\$ 1,677,071	\$ 8,955,269	\$ 19,201	\$ 10,651,541

The transfers of \$8,859,239 from the General Fund to the Nonmajor Governmental Funds relate to capital projects costs and administrative costs within the Street Improvements, Los Coyotes Lighting City, and Municipal Improvement Funds.

The transfers of \$327,942 from the Nonmajor Governmental Funds to the General Fund relate to the funding of capital projects and administrative costs within the Street Improvements, Measure “M”, COPS Grant, Environmental Grants and the Community Development Block Grant Funds.

The transfers of \$1,464,360 from the Internal Service Fund to the Governmental Funds and Water and Sewer Fund relate to the funding of various programs and capital projects.

City of Cerritos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 5 – Advances to Fiduciary Funds

The balance of Advances to Fiduciary Funds at June 30, 2018 is \$60,992,079. 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 \$48,793,663 at June 30, 2018. The loan balance of the Housing Assets Fund, including accrued interest, is \$12,198,416 at June 30, 2018.

Advances from the Housing Assets Special Revenue Fund to the Successor Agency were used to make the payments for the former Redevelopment Agency's share of the Supplemental Educational Revenue Augmentation Fund (SERAF) due to the State of California. No interest is charged on the outstanding balance. For the year ended June 30, 2018, the Successor Agency made a repayment of \$139,983 of the advances. At June 30, 2018, the remaining balance of the advances was \$0.

Note 6 – Capital Assets

A. Governmental Activities

The following is a summary of changes in capital assets for the governmental activities for the year ended June 30, 2018:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets, not being depreciated:				
Land	\$ 77,962,622	\$ -	\$ -	\$ 77,962,622
Parking structure rights	3,760,000	-	-	3,760,000
Right-of-way	49,184,582	-	-	49,184,582
Public art	7,391,207	-	(2,480,790)	4,910,417
Trees	1,355,909	-	-	1,355,909
Construction in progress	338,246	45,799	(338,246)	45,799
Total capital assets, not being depreciated	<u>139,992,566</u>	<u>45,799</u>	<u>(2,819,036)</u>	<u>137,219,329</u>
Capital assets, being depreciated:				
Buildings	190,114,028	-	-	190,114,028
Improvements other than buildings	8,487,798	273,921	(14,769)	8,746,950
Furniture and equipment	25,248,536	463,549	(226,441)	25,485,644
Infrastructure	35,894,671	2,023,368	(4,054)	37,913,985
Total capital assets, being depreciated	<u>259,745,033</u>	<u>2,760,838</u>	<u>(245,264)</u>	<u>262,260,607</u>
Less accumulated depreciation for:				
Buildings	(97,957,295)	(4,826,590)	-	(102,783,885)
Improvements other than buildings	(2,378,404)	(387,784)	10,656	(2,755,532)
Furniture and equipment	(23,413,059)	(400,395)	210,139	(23,603,315)
Infrastructure	(22,971,737)	(851,011)	4,054	(23,818,694)
Total accumulated depreciation	<u>(146,720,495)</u>	<u>(6,465,780)</u>	<u>224,849</u>	<u>(152,961,426)</u>
Total capital assets, being depreciated, net	<u>113,024,538</u>	<u>(3,704,942)</u>	<u>(20,415)</u>	<u>109,299,181</u>
Governmental activities capital assets, net	<u>\$ 253,017,104</u>	<u>\$ (3,659,143)</u>	<u>\$ (2,839,451)</u>	<u>\$ 246,518,510</u>

City of Cerritos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 6 – Capital Assets (Continued)

A. Governmental Activities (Continued)

Depreciation expense was charged to the functions/programs of governmental activities for the year ended June 30, 2018 as follows:

Legislative and Administrative	\$	544,836
Community Development		74,685
Public Works		107,843
Community and Safety Services		1,616,693
Administrative Services		1,398,222
Cerritos Center for the Performing Arts		1,639,092
Equipment Replacement Internal Service Fund		233,398
Unallocated infrastructure depreciation		851,011
Total depreciation expense	\$	<u>6,465,780</u>

B. Business-Type Activities

The following is a summary of changes in capital assets for the business-type activities for the year ended June 30, 2018:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets, being depreciated:				
Buildings and structures	\$ 7,022,673	\$ -	\$ -	\$ 7,022,673
Water mains and lines	45,054,013	80,447	(30,237)	45,104,223
Equipment	5,922,369	61,753	(17,500)	5,966,622
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>86,123,638</u>	<u>142,200</u>	<u>(47,737)</u>	<u>86,218,101</u>
Less accumulated depreciation for:				
Buildings and structures	(4,023,493)	(141,222)	-	(4,164,715)
Water mains and lines	(23,849,787)	(785,872)	8,412	(24,627,247)
Equipment	(4,191,264)	(237,337)	17,500	(4,411,101)
Water rights acquired	(847,266)	(56,484)	-	(903,750)
Electric utility rights acquired	(5,642,002)	(470,167)	-	(6,112,169)
Sewer mains	(6,977,887)	(156,766)	-	(7,134,653)
Total accumulated depreciation	<u>(45,531,699)</u>	<u>(1,847,848)</u>	<u>25,912</u>	<u>(47,353,635)</u>
Total capital assets, being depreciated, net	<u>40,591,939</u>	<u>(1,705,648)</u>	<u>(21,825)</u>	<u>38,864,466</u>
Business-type activities capital assets, net	<u>\$ 40,591,939</u>	<u>\$ (1,705,648)</u>	<u>\$ (21,825)</u>	<u>\$ 38,864,466</u>

City of Cerritos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 6 – Capital Assets (Continued)

B. Business-Type Activities (Continued)

Depreciation expense for business-type activities for the year June 30, 2018 was charged as follows:

Water and Sewer	\$ 1,076,630
Electric Utility	470,167
Reclaimed Water	301,051
Total depreciation expense	\$ 1,847,848

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.

A. Governmental Activities

A summary of changes in compensated absences for governmental activities for the year ended June 30, 2018 is as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Due within One Year	Due in more than One Year
Compensated absences	\$ 2,420,024	\$ 1,621,322	\$ (1,584,705)	\$ 2,456,641	\$ 614,160	\$ 1,842,481
Total	\$ 2,420,024	\$ 1,621,322	\$ (1,584,705)	\$ 2,456,641	\$ 614,160	\$ 1,842,481

B. Business-Type Activities

A summary of changes in compensated absences for business-type activities for the year ended June 30, 2018 is as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Due within One Year	Due in more than One Year
Compensated absences - Water and Sewer Fund	\$ 153,693	\$ 147,585	\$ (102,859)	\$ 198,419	\$ 49,605	\$ 148,814
Total	\$ 153,693	\$ 147,585	\$ (102,859)	\$ 198,419	\$ 49,605	\$ 148,814

City of Cerritos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 8 – Long-Term Debt

A. Governmental Activities

There was no long-term debt for the governmental activities at June 30, 2018.

B. Business-Type Activities

A summary of changes in long-term debt for the business-type activities for the year ended June 30, 2018 is as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Due within One Year	Due in more than One Year
Southern California Public Power Authority, Magnolia Project Los Cerritos Revenue Bonds:						
2003 Issue, Series B, \$3,526,250	\$ 2,751,250	\$ -	\$ (80,000)	\$ 2,671,250	\$ 83,750	\$ 2,587,500
Southern California Public Power Authority, Magnolia Project Los Coyotes Revenue Bonds:						
2003 Issue, Series B, \$10,578,750	8,253,750	-	(240,000)	8,013,750	251,250	7,762,500
Total Revenue Bonds	<u>11,005,000</u>	<u>-</u>	<u>(320,000)</u>	<u>10,685,000</u>	<u>335,000</u>	<u>10,350,000</u>
Total long-term liabilities	<u>\$ 11,005,000</u>	<u>\$ -</u>	<u>\$ (320,000)</u>	<u>\$ 10,685,000</u>	<u>\$ 335,000</u>	<u>\$ 10,350,000</u>

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.

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 4B). Principal and interest paid for the current year amounted to \$856,569.

City of Cerritos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 8 – Long-Term Debt (Continued)

B. Business-Type Activities (Continued)

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

Bonds outstanding at June 30, 2018 amounted to \$2,671,250 for Los Cerritos and \$8,013,750 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
2019	\$ 83,750	\$ 130,842	\$ 214,592	\$ 251,250	\$ 392,527	\$ 643,777
2020	87,500	127,283	214,783	262,500	381,848	644,348
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
2023-2027	547,500	525,752	1,073,252	1,642,500	1,577,252	3,219,752
2028-2032	698,750	375,126	1,073,876	2,096,250	1,125,376	3,221,626
2033-2036	1,067,500	163,563	1,231,063	3,202,500	490,688	3,693,188
TOTAL	\$ 2,671,250	\$ 1,565,484	\$ 4,236,734	\$ 8,013,750	\$ 4,696,443	\$ 12,710,193

As discussed in Note 16, the City was previously contending that the Magnolia Bonds were an obligation of the Successor Agency, but the City agreed to no longer pursue the matter.

C. 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, 2018 is as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Due within One Year	Due in more than One Year
Los Cerritos Redevelopment						
Project Revenue Bonds:						
2002 Issue, Series A, \$31,550,000	\$ 13,250,000	\$ -	\$ (3,075,000)	\$ 10,175,000	\$ 3,225,000	\$ 6,950,000
2002 Issue, Series B, \$7,550,000	2,165,000	-	(505,000)	1,660,000	530,000	1,130,000
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	11,975,000	-	(5,160,000)	6,815,000	5,565,000	1,250,000
2002 Issue, Series A, \$64,710,000	47,940,000	-	(1,690,000)	46,250,000	1,780,000	44,470,000
2002 Issue, Series B, \$12,225,000	8,585,000	-	(905,000)	7,680,000	940,000	6,740,000
Subtotal	91,915,000	-	(11,335,000)	80,580,000	12,040,000	68,540,000
Add (less) deferred amounts:						
Bond premium	2,146,880	-	(306,699)	1,840,181	-	1,840,181
Bond discount	(431,445)	-	61,635	(369,810)	-	(369,810)
Total Revenue Bonds	93,630,435	-	(11,580,064)	82,050,371	12,040,000	70,010,371
Total long-term liabilities	\$ 93,630,435	\$ -	\$ (11,580,064)	\$ 82,050,371	\$ 12,040,000	\$ 70,010,371

City of Cerritos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 8 – Long-Term Debt (Continued)

C. Fiduciary Fund (Continued)

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.

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, 2018 were \$9,260,000.

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, 2018 were \$915,000.

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 \$3,653,240 and total tax revenue (total deposits less total administrative distributions) for the Los Cerritos Project Area was \$11,766,195.

Bonds outstanding at June 30, 2018 were \$10,175,000.

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%.

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 \$600,285 and total tax revenue (total deposits less total administrative distributions) for the Los Cerritos Project Area was \$11,766,195.

Bonds outstanding at June 30, 2018 were \$1,660,000.

City of Cerritos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 8 – Long-Term Debt (Continued)

C. Fiduciary Fund (Continued)

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 \$28,932,063.

The principal balance on the 1993 Revenue Bonds, Series A at June 30, 2003 paid by the trustee from the escrow fund was \$24,510,000.

Bonds outstanding at June 30, 2018 amounted to \$8,000,000.

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 \$5,892,810 and total tax revenue (total deposits less total administrative distributions) for the Los Coyotes Project Area was \$28,932,063.

Bonds outstanding at June 30, 2018 were \$6,815,000.

City of Cerritos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 8 – Long-Term Debt (Continued)

C. Fiduciary Fund (Continued)

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. The advance refunding met the requirements of an in-substance defeasance, therefore, the bonds were not included in the accompanying financial statements. The principal balance on the 1993 Revenue Bonds, Series A, at June 30, 2003 that was paid by the trustee from the escrow fund was \$24,510,000.

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, 2018 were \$41,145,000.

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, 2018 were \$5,105,000.

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 \$4,020,416 and total tax revenue (total deposits less total administrative distributions) for the Los Coyotes Project Area was \$28,932,063.

Bonds outstanding at June 30, 2018 were \$46,250,000.

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 \$1,320,475 and total tax revenue (total deposits less total administrative distributions) for the Los Coyotes Project Area was \$28,932,063.

Bonds outstanding at June 30, 2018 were \$7,680,000.

City of Cerritos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 9 – Fund Balance Classifications

The City’s fund balances at June 30, 2018 are tabulated below:

	<u>Major Funds</u>		<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>Housing Assets Special Revenue</u>	<u>Governmental Funds</u>	
Nonspendable:				
Loans receivable	\$ 83,353	\$ -	\$ -	\$ 83,353
Notes receivable	1,095,000	-	-	1,095,000
Prepaid items	1,503,113	-	-	1,503,113
Inventories	33,931	-	-	33,931
Advances to other funds	40,735,310	-	-	40,735,310
Advances to fiduciary funds	48,793,663	-	-	48,793,663
Total nonspendable	92,244,370	-	-	92,244,370
Restricted:				
Business License Software	34,429	-	-	34,429
General Plan Update	111,366	-	-	111,366
Housing Assets special revenue	-	22,359,381	-	22,359,381
Street Improvements - street and sewer related purposes	-	-	202,392	202,392
Drainage - street and sewer related purposes	-	-	7,050	7,050
Proposition "A" - transportation related purposes	-	-	1,511,337	1,511,337
Assessment District #6 - assessment districts	-	-	15,099	15,099
Environmental Grants - miscellaneous grants	-	-	1,627	1,627
Air Quality Management District - transportation related purposes	-	-	507,670	507,670
Measure "R" - transportation related purposes	-	-	256	256
Municipal Improvement - LA County	-	-	623,506	623,506
Total restricted	145,795	22,359,381	2,868,937	25,374,113
Assigned:				
Asset replacement	700,000	-	-	700,000
Art Center programs	9,149,851	-	-	9,149,851
Earthquake preparedness	2,932,381	-	-	2,932,381
Art in public places	1,021,997	-	-	1,021,997
Municipal Improvement - Mullikin	-	-	1,549,968	1,549,968
Self Insurance	3,000,000	-	-	3,000,000
Total assigned	16,804,229	-	1,549,968	18,354,197
Unassigned:				
General Fund	50,739,188	-	-	50,739,188
Total unassigned	50,739,188	-	-	50,739,188
Total	\$ 159,933,582	\$ 22,359,381	\$ 4,418,905	\$ 186,711,868

City of Cerritos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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	\$ 61,428,629	\$ 5,706,485	\$ 67,135,114
PARS	3,890,134	361,379	4,251,513
Total	\$ 65,318,763	\$ 6,067,864	\$ 71,386,627

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	\$ 4,538,669	\$ 421,625	\$ 4,960,294
Difference between projected and actual earnings on pension plan investments:			
CalPERS Miscellaneous Plan	1,956,247	181,728	2,137,975
PARS	382,568	35,539	418,107
Change in assumptions:			
CalPERS Miscellaneous Plan	8,262,421	767,547	9,029,968
PARS	1,211,882	123,508	1,335,390
Total deferred outflows of resources	\$ 16,351,787	\$ 1,529,947	\$ 17,881,734

City of Cerritos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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 experience			
CalPERS Miscellaneous Plan	\$ 3,484,015	\$ 323,652	\$ 3,807,667
PARS	402,788	37,418	440,206
Change in assumptions			
CalPERS Miscellaneous Plan	409,725	38,062	447,787
Total deferred inflows of resources	\$ 4,296,528	\$ 399,132	\$ 4,695,660

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	\$ 7,077,467	\$ 657,470	\$ 7,734,937
PARS	1,023,575	95,086	1,118,661
Total	\$ 8,101,042	\$ 752,556	\$ 8,853,598

B. California Public Employees' Retirement System (CalPERS) Plan

General Information about the Pension Plan

Plan Description

The City's defined benefit pension plan, the Miscellaneous Plan for the City (the "plan"), provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The plan is part of the Public Agency portion of the California Public Employees' Retirement System ("CalPERS"), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public entities within the State of California. A menu of benefit provisions, as well as other requirements, is established by the State statutes within the Public Employees' Retirement Law. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. A full description of the pension plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2015 Annual Actuarial Valuation Report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under "Forms and Publications."

City of Cerritos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 10 – Retirement Plan (Continued)

B. California Public Employees’ Retirement System (CalPERS) Plan (Continued)

General Information about the Pension Plan (Continued)

Benefits Provided

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A classic CalPERS member becomes eligible for Service Retirement upon attainment of age 50 with at least 5 years of credited service. PEPRA miscellaneous members become eligible for service retirement upon attainment of age 52 with at least 5 years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member's highest 36 or 12 consecutive months' full-time equivalent monthly pay. Retirement benefits for classic miscellaneous employees are calculated as 2.5% to 3.0% of the average final 12 months compensation. Retirement benefits for PEPRA miscellaneous employees are calculated as 2% of the average final 36 months compensation.

An employee's beneficiary may receive the basic death benefit if the employee dies while actively employed. The employee must be actively employed with the City to be eligible for this benefit. An employee's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the employee's accumulated contributions, where interest is currently credited at 7.5 percent per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

Upon the death of a retiree, a one-time lump sum payment of \$500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Benefit terms provide for annual cost-of-living adjustments to each employee’s retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 2 percent.

	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 service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	55 - 60	55 - 60
Monthly benefits, as a % of eligible compensation	2% - 3%	2% - 3%
Required employee contribution rates	7.000%	7.000%
Required employer contribution rates	25.732%	25.732%

City of Cerritos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 10 – Retirement Plan (Continued)

B. California Public Employees’ Retirement System (CalPERS) Plan (Continued)

General Information about the Pension Plan (Continued)

Employees Covered by Benefit Terms

At June 30, 2018, the following employees were covered by the benefit terms:

	Miscellaneous
Active employees	371
Inactive employees or beneficiaries currently receiving benefits	308
Inactive employees entitled to, but not yet receiving benefits	191
Total	870

Contributions

Participants are required to contribute 8% of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. Employees hired after July 1, 2011 are required to pay seven percent (7%) of their base salary to be applied by the City to the employee’s contribution to CalPERS. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The City’s required employer contribution rate for fiscal year 2017-18 was 28.731%. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Section 20814(c) of the California Public Employees’ Retirement Law (“PERL”) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. 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 employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2017, the average active miscellaneous employee contribution rate was 7.93% of annual pay and the employer’s contribution rate was 28.731% of miscellaneous employee annual payroll.

For the measurement period, year ended June 30, 2017, the contributions were:

	Miscellaneous
Contributions - employer	\$ 5,465,459
Contributions - employee	1,361,130

City of Cerritos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 10 – Retirement Plan (Continued)

B. California Public Employees’ Retirement System (CalPERS) Plan (Continued)

Net Pension Liability

The City’s net pension liability is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of the Plan is measure as of June 30, 2017, using an annual actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The total pension liabilities in the June 30, 2016 actuarial valuation were determined using the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.00% Net of Pension Plan Investment and Administrative Expenses; includes inflation
Mortality Rate Table	Derived using CalPERS’ Membership Data for all Funds. The mortality table used was developed based on CalPERS’ specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter.

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS’ website under Forms and Publications.

Change of Assumption

GASB 68, paragraph 30 states that the long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. In the current year, the accounting discount rate was reduced from 7.65 percent to 7.15 percent. All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website.

City of Cerritos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 10 – Retirement Plan (Continued)

B. California Public Employees’ Retirement System (CalPERS) Plan (Continued)

Net Pension Liability (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS’ website under the GASB 68 section.

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

In determining the long-term expected rate of return, staff 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 (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

Asset Class	New Strategic Allocation	Real Return Years 1-10 (a)	Real Return Years 11+ (b)
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%

(a) an expected inflation of 2.50% for this period

(b) an expected inflation of 3.00% for this period

City of Cerritos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 10 – Retirement Plan (Continued)

B. California Public Employees’ Retirement System (CalPERS) Plan (Continued)

Net Pension Liability (Continued)

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

The following presents the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.15%, as well as what the 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%	Current Discount	Discount Rate + 1%
(6.15%)	Rate (7.15%)	(8.15%)
\$ 100,160,364	\$ 67,135,114	\$ 40,139,468

Changes in the Net Pension Liability

The following table shows the changes in net pension liability recognized over the measurement period for the CalPERS Miscellaneous Plan:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2016 (Valuation Date)	\$ 209,203,377	\$ 146,891,180	\$ 62,312,197
Changes Recognized for the Measurement Period:			
Service Cost	3,170,426	-	3,170,426
Interest on the total pension liability	15,418,751	-	15,418,751
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(4,370,245)	-	(4,370,245)
Changes of assumptions	13,544,952	-	13,544,952
Contributions from the employer	-	5,465,459	(5,465,459)
Contributions from employees	-	1,361,130	(1,361,130)
Net investment income, net of administrative expense	-	16,331,253	(16,331,253)
Benefit payments, including refunds of employee contributions	(8,632,827)	(8,632,827)	-
Administrative expense	-	(216,875)	216,875
Net Changes during July 1, 2016 to June 30, 2017	\$ 19,131,057	\$ 14,308,140	\$ 4,822,917
Balance at June 30, 2017 (Measurement Date)	\$ 228,334,434	\$ 161,199,320	\$ 67,135,114

Pension Plan Fiduciary Net Position

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

City of Cerritos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 10 – Retirement Plan (Continued)

B. California Public Employees’ Retirement System (CalPERS) Plan (Continued)

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

For the measurement period ending June 30, 2017, the City incurred a pension expense of \$7,734,937 for the CalPERS Miscellaneous plan.

As of measurement date of June 30, 2017, the City has deferred outflows and deferred inflows of resources related to CalPERS pensions as follows:

	Deferred outflows of Resources	Deferred inflows of Resources
Contribution made after the measurement date	\$ 4,960,294	\$ -
Difference between expected and actual experience	-	(3,807,667)
Changes of assumptions	9,029,968	(447,787)
Net difference between projected and actual earning on pension plan investments	2,137,975	-
Total	\$ 16,128,237	\$ (4,255,454)

The \$4,960,294 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 ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to CalPERS pensions will be recognized as pension expense as follows:

Measurement Period Ended June 30	Deferred Outflows/ (Inflows) of Resources Miscellaneous Classic Plan
2018	\$ 1,729,883
2019	5,476,192
2020	898,865
2021	(1,192,451)
Thereafter	-
	\$ 6,912,489

City of Cerritos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 10 – Retirement Plan (Continued)

C. Public Agency Retirement Services (PARS) Plan

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.

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.

City of Cerritos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 10 – Retirement Plan (Continued)

C. Public Agency Retirement Services (PARS) Plan (Continued)

General Information about the Pension Plan (Continued)

Employees Covered by Benefit Terms

At June 30, 2018, the following employees were covered by the benefit terms:

	PARS
Active employees	103
Inactive employees or beneficiaries currently receiving benefits	46
Inactive employees entitled to, but not yet receiving benefits	n/a
Total	149

Contributions

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

For the year ended June 30, 2018, the contributions were:

	PARS
Contributions - employer	\$ 1,331,501
Contributions - employee	-

Net Pension Liability

Actuarial Assumptions Used to Determine the Total Pension Liability

For the measurement period ended June 30, 2018, the total pension liability was determined by rolling forward the June 30, 2017 total pension liability. The June 30, 2017 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	5.75%
Inflation	2.75%
Salary Increases	Graded rates based on years of service, 3.50% after 30 years of service
Investment Rate of Return	5.75 % Net of Pension Plan Investment and Administrative Expenses
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%.

City of Cerritos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 10 – Retirement Plan (Continued)

C. Public Agency Retirement Services (PARS) Plan (Continued)

Net Pension Liability (Continued)

Change of Assumption

The discount rate was changed from 6.25% to 5.75% as of the June 30, 2018 measurement date.

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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Real Return Years 1 - 10</u>	<u>Real Return Years 11 +</u>
US Cash	6.69%	0.31%	0.31%
US Core Fixed Income	63.82%	2.14%	2.02%
US Equity Market	21.45%	4.59%	3.32%
Foreign Developed Equity	5.18%	5.52%	3.91%
Emerging Markets Equity	2.07%	7.82%	4.59%
US REITs	0.79%	5.04%	3.27%
Assumed inflation - mean		2.32%	2.30%
Assumed inflation - standard deviation		1.85%	1.85%
Portfolio real mean return		2.86%	2.67%
Portfolio nominal mean return		5.18%	5.03%
Portfolio standard deviation			5.58%
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 6.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.25%) or 1 percentage point higher (7.25%) than the current rate:

<u>Plan's Net Pension Liability/(Asset)</u>		
<u>Discount Rate - 1%</u> <u>(4.75%)</u>	<u>Current Discount</u> <u>Rate (5.75%)</u>	<u>Discount Rate + 1%</u> <u>(6.75%)</u>
\$ 5,881,345	\$ 4,251,513	\$ 2,807,580

City of Cerritos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 10 – Retirement Plan (Continued)

C. Public Agency Retirement Services (PARS) Plan (Continued)

Net Pension Liability (Continued)

Changes in the 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 (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2017 (Valuation Date)	\$ 12,154,096	\$ 7,147,688	\$ 5,006,408
Changes Recognized for the Measurement Period:			
Service Cost	282,294	-	282,294
Interest on the total pension liability	693,839	-	693,839
Changes of benefit terms	-	-	-
Difference between expected and actual experience	-	-	-
Changes of assumptions	(217,374)	-	(217,374)
Contributions from the employer	-	1,331,501	(1,331,501)
Contributions from employees	-	-	-
Net investment income, net of administrative expense	-	184,573	(184,573)
Benefit payments, including refunds of employee contributions	(749,742)	(749,742)	-
Administrative expenses	-	(2,420)	2,420
Net Changes during July 1, 2017 to June 30, 2018	9,017	763,912	(754,895)
Balance at June 30, 2018 (Measurement Date)	\$ 12,163,113	\$ 7,911,600	\$ 4,251,513

Pension Plan Fiduciary Net Position

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

City of Cerritos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 10 – Retirement Plan (Continued)

C. Public Agency Retirement Services (PARS) Plan (Continued)

Net Pension Liability (Continued)

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

For the year ended June 30, 2018, the City recognized pension expense of \$1,118,661, for the PARS Plan.

At June 30, 2018, 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	\$ -	\$ -
Difference between expected and actual experience		(440,206)
Changes of assumptions	1,335,390	-
Net difference between projected and actual earning on pension plan investments	418,107	-
Total	<u>\$ 1,753,497</u>	<u>\$ (440,206)</u>

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 PARS
2019	\$ 544,750
2020	468,497
2021	256,032
2022	44,012
Thereafter	-
	<u>\$ 1,313,291</u>

City of Cerritos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 11 – Post-Employment Healthcare Benefits

General Information about the Pension Plan

Plan Description

In addition to the pension benefits described in Note 10A, 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 of \$872 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, 2016, there were 145 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, 2017 actuarial valuation, the following current and former employees were covered by the benefit terms:

Active employees	211
Inactive employees or beneficiaries currently receiving benefits	159
Inactive employees entitled to, but not yet receiving benefits	-
Total	370

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 2018, contributions were made totaling \$4,115,834.

Net OPEB Liability

The City’s net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2017.

Actuarial Assumptions

The total OPEB liability, measured as of June 30, 2018, was determined using the following actuarial assumptions:

Actuarial Valuation Date	July 1, 2015
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	22 Years
Amortization Growth Rate	2.50%
Asset Valuation Method	Market Value
Inflation	2.30%
Payroll Growth	2.50%
Discount Rate	6.00%

City of Cerritos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 11 – Post-Employment Healthcare Benefits (Continued)

Net OPEB Liability (Continued)

Actuarial Assumptions

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2016 through June 30, 2017.

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	Real Return Years 1 - 10	Real Return Years 11 +
Inflation-Indexed Bonds	26.00%	1.36%	1.24%
Long Credit Bonds	39.00%	3.55%	3.08%
Global Equity	24.00%	4.95%	3.62%
Global Real Estate REITS	8.00%	5.55%	3.57%
Commodities	3.00%	3.04%	1.42%
Assumed inflation - mean		2.32%	2.30%
Assumed inflation - standard deviation		1.85%	1.85%
Portfolio real mean return		3.46%	3.12%
Portfolio nominal mean return		5.78%	5.49%
Portfolio standard deviation			7.98%
Long-term expected rate of return			6.00%

Discount Rate

The discount rate used to measure the total OPEB liability was 6.00 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 Town 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 Total 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, 2018:

Plan's Total OPEB Liability		
Discount Rate -1% (5.0%)	Current Discount Rate (6.0%)	Discount Rate +1% (7.0%)
\$ 7,268,865	\$ 490,674	\$ (5,016,155)

City of Cerritos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 11 – Post-Employment Healthcare Benefits (Continued)

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

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 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, 2018:

Plan's Total OPEB Liability		
Healthcare Cost		
-1%	Tread Rate	+1%
\$ (5,749,961)	\$ 490,674	\$ 8,247,238

Change in Net OPEB Liability

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2017	\$ 44,036,089	\$ 41,300,720	\$ 2,735,369
Changes Recognized for the Measurement Period:			
Service Cost	1,152,240	-	1,152,240
Interest on the total OPEB liability	2,662,314	-	2,662,314
Changes in benefit terms	-	-	-
Difference between expected and actual experience	-	-	-
Changes in assumptions	-	-	-
Contribution from the employer	-	4,115,834	(4,115,834)
Net investment income	-	1,964,761	(1,964,761)
Administrative expenses	-	(21,346)	21,346
Benefit payments	(1,657,007)	(1,657,007)	-
Net changes during July 1, 2017 to June 30, 2018	2,157,547	4,402,242	(2,244,695)
Balance at June 30, 2018	\$ 46,193,636	\$ 45,702,962	\$ 490,674

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

For the year ended June 30, 2018, OPEB expense in the amount of \$1,402,866 is included in the accompanying statement of activities.

At June 30, 2018, 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
Net difference between projected and actual earnings of OPEB Plan investments	\$ -	\$ 468,273
	\$ -	\$ 468,273

City of Cerritos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 11 – Post-Employment Healthcare Benefits (Continued)

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

Amounts reported as deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ending June 30	Amount
2019	\$ 117,068
2020	117,068
2021	117,068
2022	117,069
2023	-
Thereafter	-
Total	<u>\$ 468,273</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 118 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.

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.

City of Cerritos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 12 – Liability, Property and Workers’ Compensation Protection (Continued)

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

For 2017-18 the CJPIA’s pooled retention is \$2 million per occurrence, with reinsurance to \$20 million, and excess insurance to \$50 million. The CJPIA’s reinsurance contracts are subject to the following additional pooled retentions: (a) \$2.5 million annual aggregate deductible in the \$3 million in excess of \$2 million layer, and (b) \$3 million annual aggregate deductible in the \$5 million in excess of \$10 million layer. There is a third annual aggregate deductible in the amount of \$2.5 million in the \$5 million in excess of \$5 million layer, however it is fully covered under a separate policy and therefore not retained by the CPJIA.

The overall coverage limit for each member, including all layers of coverage, is \$50 million per occurrence. Costs of covered claims for subsidence losses have a sub-limit of \$30 million per occurrence.

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 2017-18, 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.

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 \$142,341,097. There is a \$10,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$2,500 deductible. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

City of Cerritos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 12 – Liability, Property and Workers’ Compensation Protection (Continued)

C. Purchased Insurance (Continued)

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. Premiums are paid annually and are not subject to retrospective adjustments.

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 arranged 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 2017-2018.

Note 13 - Other Required Disclosures

A. Deficit Net Position

At June 30, 2018, the following funds had a deficit fund balance/net position:

	Fund	Deficit
Enterprise Fund:		
Electric Utility Fund		\$ (26,009,303)
Fiduciary Fund:		
Successor Agency to the Cerritos Redevelopment Agency		(107,654,076)

Electric Utility Enterprise Fund – The Electric Utility Fund has a deficit net position of (\$26,009,303) 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 (\$2,692,167), which is included in the total deficit of (\$26,009,303), 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 \$23,652,136 for the advances to the Electric Utility Fund to account for this deficit.

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 (\$107,654,076) 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.

City of Cerritos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 13 - Other Required Disclosures (Continued)

B. Excess of Expenditures over Appropriations

Excess of expenditures over appropriations occurred in individual funds during the year ended June 30, 2018 as follows:

Fund	Expenditures	Appropriations	Excess Expenditures over Appropriations
Special Revenue Funds:			
RMRA	\$ 293,311	\$ 285,380	\$ (7,931)
Proposition "C"	815,766	767,000	(48,766)
Los Coyotes Lighting	1,124,037	1,101,779	(22,258)
CDBG	111,155	50,000	(61,155)

Special revenue fund actual expenditures exceeded budgeted expenditures for the RMRA, Proposition C, Los Coyotes Lighting and CDBG Funds.

Note 14 – Special Items

In prior years, the City had recorded a receivable of \$61,980,002. During fiscal year 2017-18, the Successor Agency submitted a Last and Final Recognized Obligation Payment Schedule which was approved by DOF on January 5, 2018. With the approval of the Last and Final ROPS, the law provided for increasing the interest rate from 3% to 4% retroactive to loan inception. As a result, the loans were increased by \$6,148,002 in the General Fund and \$1,537,000 in the Housing Assets Fund. The payable by the Successor Agency was increased by \$7,685,002.

Note 15 – 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, 2018, the City's lease income was \$7,181,346. Projected minimum lease payments to be received by the City as of June 30, 2018 are as follows:

Year Ending June 30,	
2019	\$ 7,733,027
2020	7,856,149
2021	7,987,587
2022	8,107,978
2023	8,164,740
2024-2088	402,130,831
Total	<u>\$ 441,980,312</u>

City of Cerritos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 16 – 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, 2018, 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. This contract provides for generating capacity of 4.2% of the output generated from the plant.

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.

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, 2017, settlement payable reflected in the general fund is \$5,764 and statement of activities is \$236,022.

City of Cerritos
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 17 – Prior Period Adjustments

As a result of the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, net position as of July 1, 2017 was restated as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Water & Sewer Enterprise Fund</u>
Net Position, as originally reported	\$ 406,477,102	\$ (11,407,587)	\$ 4,070,606
Restatement due to Implementation of GASB 75	<u>(23,840,218)</u>	<u>(232,506)</u>	<u>(232,506)</u>
Net Position, as restated	<u>\$ 382,636,884</u>	<u>\$ (11,640,093)</u>	<u>\$ 3,838,100</u>

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**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

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City of Cerritos
Required Supplementary Information (Unaudited)
Notes to the Required Supplementary Information
For the Year Ended June 30, 2018

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, 2016.

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, 2016 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.

City of Cerritos
Required Supplementary Information (Unaudited) (Continued)
Budgetary Comparison Schedule – General Fund
For the Year Ended June 30, 2018

Note 1 – Budget and Budgetary Accounting (Continued)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Property, sales, and other taxes	\$ 46,944,700	47,199,030	\$ 47,005,564	\$ (193,466)
Franchise	3,026,000	2,647,100	2,565,011	(82,089)
Licenses and permits	2,601,400	3,018,200	3,560,686	542,486
Fines and forfeitures	943,400	653,200	571,017	(82,183)
Investment and rental income	13,098,720	11,497,210	10,888,328	(608,882)
Revenues from other agencies	663,150	773,010	771,580	(1,430)
Current fees and services	10,276,320	6,672,000	6,787,501	115,501
Other revenues	518,400	443,925	806,622	362,697
TOTAL REVENUES	78,072,090	72,903,675	72,956,309	52,634
EXPENDITURES:				
Current:				
Legislative and Administration	1,828,160	1,836,427	1,778,162	58,265
Community Development	4,307,550	4,416,176	4,159,927	256,249
Public Works	12,935,920	14,319,262	14,296,896	22,366
Community and Safety Services	25,878,190	26,302,357	24,343,700	1,958,657
Administrative Services	11,537,310	12,469,895	11,470,134	999,761
Cerritos Center for the Performing Arts	9,769,980	9,769,980	7,448,010	2,321,970
Capital outlay	842,230	877,850	463,548	414,302
TOTAL EXPENDITURES	67,099,340	69,991,947	63,960,377	6,031,570
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	10,972,750	2,911,728	8,995,932	6,084,204
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of City property	3,300,000	1,097,500	1,097,715	215
Transfer in	3,633,760	5,042,160	1,677,071	(3,365,089)
Transfers out	(12,019,860)	(12,654,055)	(8,859,239)	3,794,816
TOTAL OTHER FINANCING SOURCES (USES)	(5,086,100)	(6,514,395)	(6,084,453)	429,942
SPECIAL ITEM:				
Adjustment to amount due from Successor Agency	-	6,148,000	6,148,002	2
NET CHANGE IN FUND BALANCE	\$ 5,886,650	\$ 2,545,333	9,059,481	\$ 6,514,148
FUND BALANCE - BEGINNING OF YEAR			150,874,101	
FUND BALANCE - END OF YEAR			\$ 159,933,582	

City of Cerritos
Required Supplementary Information (Unaudited) (Continued)
Budgetary Comparison Schedule – Housing Assets Special Revenue Fund
For the Year Ended June 30, 2018

Note 1 – Budget and Budgetary Accounting (Continued)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Investment and rental income	\$ 478,500	522,200	\$ 366,738	\$ (155,462)
Other revenue	-	11,650	8,068	(3,582)
TOTAL REVENUES	478,500	533,850	374,806	(159,044)
EXPENDITURES:				
Housing service programs	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	478,500	533,850	374,806	(159,044)
SPECIAL ITEM:				
Adjustment to amount due from Successor Agency related to LRPMP	-	1,537,000	1,537,000	-
NET CHANGE IN FUND BALANCE	\$ 478,500	\$ 2,070,850	1,911,806	\$ (159,044)
FUND BALANCE - BEGINNING OF YEAR			<u>20,447,575</u>	
FUND BALANCE - END OF YEAR			<u>\$ 22,359,381</u>	

City of Cerritos
Required Supplementary Information (Unaudited) (Continued)
For the Year Ended June 30, 2018

Note 2 – Schedule of Changes in the Net Pension Liability and Related Ratios – Last Ten Fiscal Years*

CITY MISCELLANEOUS PLAN

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
Service cost	\$ 3,240,470	\$ 3,020,515	\$ 2,965,498	\$ 3,170,426
Interest on total pension liability	13,949,974	14,487,605	15,062,482	15,418,751
Differences between expected and actual experience	-	(2,262,020)	(1,769,960)	(4,370,245)
Changes in assumptions	-	(3,806,191)	-	13,544,952
Changes in benefit terms	-	-	-	-
Benefit payments, including refunds of employee contributions	(7,345,114)	(7,917,777)	(8,474,088)	(8,632,827)
Net change in total pension liability	<u>9,845,330</u>	<u>3,522,132</u>	<u>7,783,932</u>	<u>19,131,057</u>
Total pension liability - beginning	188,051,983	197,897,313	201,419,445	209,203,377
Total pension liability - ending (a)	<u>\$ 197,897,313</u>	<u>\$ 201,419,445</u>	<u>\$ 209,203,377</u>	<u>\$ 228,334,434</u>
Plan fiduciary net position				
Contributions - employer	\$ 3,515,860	\$ 3,524,782	\$ 4,472,467	\$ 5,465,459
Contributions - employee	1,544,713	1,430,858	1,521,739	1,361,130
Investment income (net of administrative expenses)	22,074,825	3,275,852	744,239	16,331,253
Benefit payments	(7,345,114)	(7,917,777)	(8,474,088)	(8,632,827)
Other	-	(167,515)	(90,636)	(216,875)
Net change in plan fiduciary net position	<u>19,790,284</u>	<u>146,200</u>	<u>(1,826,279)</u>	<u>14,308,140</u>
Plan fiduciary net position - beginning	128,780,975	148,571,259	148,717,459	146,891,180
Plan fiduciary net position - ending (b)	<u>\$ 148,571,259</u>	<u>\$ 148,717,459</u>	<u>\$ 146,891,180</u>	<u>\$ 161,199,320</u>
Net pension liability - ending (a)-(b)	<u>\$ 49,326,054</u>	<u>\$ 52,701,986</u>	<u>\$ 62,312,197</u>	<u>\$ 67,135,114</u>
Plan fiduciary net position as a percentage of the total pension liability	75.07%	73.83%	70.21%	70.60%
Covered-employee payroll	\$ 18,404,441	\$ 17,978,187	\$ 17,606,708	\$ 16,925,189
Net pension liability as a percentage of covered-employee payroll	268.01%	293.14%	353.91%	396.66%

Notes to Schedule:

Changes in assumptions. The discount rate was changed from 7.50% (net of administrative expense) to 7.00% in fiscal year 2017

* Fiscal year 2015 was the first year of implementation, therefore only four years are shown.

City of Cerritos
Required Supplementary Information (Unaudited) (Continued)
For the Year Ended June 30, 2018

**Note 2 – Schedule of Changes in the Net Pension Liability and Related Ratios – Last Ten Fiscal Years*
(Continued)**

CITY PARS PLAN

Total Pension Liability	2014-15	2015-16	2016-17	2017-18
Service cost	\$ 212,170	\$ 276,624	\$ 284,923	\$ 282,294
Interest on total pension liability	653,773	586,984	688,464	693,839
Differences between expected and actual experience	-	(603,157)	-	-
Changes in assumptions	-	1,959,820	765,852	(217,374)
Changes in benefit terms	-	-	-	-
Benefit payments, including refunds of employee contributions	(523,749)	(588,456)	(621,846)	(749,742)
Net change in total pension liability	342,194	1,631,815	1,117,393	9,017
Total pension liability - beginning	9,062,694	9,404,888	11,036,703	12,154,096
Total pension liability - ending (a)	\$ 9,404,888	\$ 11,036,703	\$ 12,154,096	\$ 12,163,113
Plan fiduciary net position				
Contributions - employer	\$ 868,240	\$ 847,840	\$ 1,450,583	\$ 1,331,501
Contributions - employee	-	-	-	-
Investment income (net of administrative expenses)	14,398	(588,456)	267,203	184,573
Benefit payments	(523,749)	151,244	(621,846)	(749,742)
Other	(2,289)	(1,427)	(3,174)	(2,420)
Net change in plan fiduciary net position	356,600	409,201	1,092,766	763,912
Plan fiduciary net position - beginning	5,289,121	5,645,721	6,054,922	7,147,688
Plan fiduciary net position - ending (b)	\$ 5,645,721	\$ 6,054,922	\$ 7,147,688	\$ 7,911,600
Net pension liability - ending (a)-(b)	\$ 3,759,167	\$ 4,981,781	\$ 5,006,408	\$ 4,251,513
Plan fiduciary net position as a percentage of the total pension liability	60.03%	54.86%	58.81%	65.05%
Covered-employee payroll	\$ 9,336,558	\$ 9,616,647	\$ 9,905,146	\$ 8,797,761
Net pension liability as a percentage of covered-employee payroll	40.26%	51.80%	50.54%	48.32%

Notes to Schedule:

* Fiscal year 2015 was the first year of implementation, therefore only four years are shown.

City of Cerritos
Required Supplementary Information (Unaudited) (Continued)
For the Year Ended June 30, 2018

Note 3 – Schedule of Contributions – Last Ten Fiscal Years*

CITY MISCELLANEOUS PLAN

	2013-14 ¹	2014-15 ¹	2015-16 ¹	2016-17 ¹	2017-18 ¹
Actuarially determined contribution	\$ 3,515,860	\$ 4,472,467	\$ 3,803,155	\$ 4,129,819	\$ 4,960,294
Contributions in relation to the actuarially determined contributions ²	(3,515,860)	(4,472,467)	(4,474,477)	(5,472,464)	(4,960,294)
Contribution deficiency (excess)	\$ -	\$ -	\$ (671,322)	\$ (1,342,645)	\$ -
Covered-employee payroll ^{3,4}	\$ 18,404,411	\$ 17,978,187	\$ 17,606,708	\$ 16,925,184	\$ 18,678,956
Contributions as a percentage of covered-employee payroll ³	19.10%	24.88%	25.41%	32.33%	26.56%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

² Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

³ Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

⁴ Payroll from 2014-2015 (\$17,987,187) was assumed to increase by the 3.00% payroll growth assumption.

Notes to Schedule

Valuation date: 6/30/2013 6/30/2014 6/30/2015 6/30/2016 6/30/2017

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2014-15 were from the June 30, 2012 public

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method/period	For details, see June 30, 2012 Funding
Asset valuation method	Actuarial Value of Assets. For details, see June 30, 2012 Funding Valuation Report.
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.50%, net of pension plan investment and administrative expenses, including inflation
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

* Fiscal year 2015 was the first year of implementation, therefore only five years are shown.

City of Cerritos
Required Supplementary Information (Unaudited) (Continued)
For the Year Ended June 30, 2018

Note 3 – Schedule of Contributions - Last Ten Fiscal Years* (Continued)

CITY PARS PLAN

	<u>2014-15¹</u>	<u>2015-16¹</u>	<u>2016-17¹</u>	<u>2017-18¹</u>
Actuarially determined contribution	\$ 847,590	\$ 774,085	\$ 1,331,294	\$ 1,204,857
Contributions in relation to the actuarially determined contributions ²	(868,240)	(847,840)	(1,450,583)	(1,331,501)
Contribution deficiency (excess)	<u>\$ (20,650)</u>	<u>\$ (73,755)</u>	<u>\$ (119,289)</u>	<u>\$ (126,644)</u>
Covered-employee payroll ³	\$ 9,336,558	\$ 9,616,647	\$ 9,905,146	\$ 8,797,761
Contributions as a percentage of covered-employee payroll ³	9.30%	8.82%	14.64%	15.13%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

² Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

³ Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the

Notes to Schedule

Valuation date:	6/30/2014	6/30/2015	6/30/2016	6/30/2017
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The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2015-16 were from the June 30, 2012 public agency valuations.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method/period	Level percent, closed for 7 years with 3.00% amortization growth rate.
Asset valuation method	Actuarial Value of Assets. For details, see June 30, 2012 Funding Valuation Report.
Inflation	2.75%
Salary increases	Graded rates based on years of service, 3.50% after 30 years of service
Investment rate of return	5.75%, net of pension plan investment and administrative expenses, including inflation
Post Retirement Benefit Increase	Contract COLA of 2.00%
Withdrawal	Consistent with Non-Industrial rates used to value the Miscellaneous CalPERS Pension Plans.
Mortality	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 projections using Scale AA.

* Fiscal year 2015 was the first year of implementation, therefore only four years are shown.

City of Cerritos
Required Supplementary Information (Unaudited) (Continued)
For the Year Ended June 30, 2017

Note 4 – Schedule of Changes in the Net OPEB Liability and Related Ratios – Last Ten Fiscal Years*

	2018
For the Measurement Period:	2017-2018
Total OPEB Liability:	
Service Cost	\$ 1,152,240
Interest on the total OPEB liability	2,662,314
Changes in benefit terms	-
Difference between expected and actual experience	-
Changes in assumptions	-
Contribution from the employer	-
Benefit payments	(1,657,007)
Net changes in Total OPEB Liability	2,157,547
Beginning of Year	44,036,089
End of Year	\$ 46,193,636
Plan Fiduciary Net Position:	
Employer contribution	\$ 4,115,834
Employee contributions	-
Net investment income	1,964,761
Administrative expenses	(21,346)
Benefit payments	(1,657,007)
Other	-
Net changes in Fiduciary Net Position	4,402,242
Beginning of Year	41,300,720
End of Year	\$ 45,702,962
Net OPEB Liability	\$ 490,674
Fiduciary Net Position as a % of Total OPEB Liability	98.94%
Covered Payroll	\$ 16,096,388
Net OPEB Liability as a % of Payroll	3.05%

* Since it is the first year of implementation, there is only one year available for the required 10-year schedule.

City of Cerritos
Required Supplementary Information (Unaudited) (Continued)
For the Year Ended June 30, 2017

Note 5 – Schedule of Contributions – OPEB – Last Ten Fiscal Years*

	2018
For the Measurement Period:	2017-18
Actuarially Determined Contributions	\$ 2,458,827
Contributions in relation to the actuarially determined contribution	(4,115,834)
Contribution deficiency (excess)	\$ (1,657,007)
Covered-employee payroll	\$ 16,096,388
Contributions as a percentage of covered payroll	25.57%

* Since it is the first year of implementation, there is only one year available for the required 10-year schedule.

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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 1, 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.

COPS Grant Fund - 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
Nonmajor Governmental Funds
June 30, 2018

Special Revenue Funds

	Street Improvements	RMRA	Drainage	Proposition "A"	Proposition "C"
ASSETS					
Cash and investments	\$ 14,403	\$ -	\$ 4,032	\$ 1,511,337	\$ -
Accounts receivable	461,689	106,057	-	-	800
Prepaid items	121,087	-	10,878	-	-
Total Assets	\$ 597,179	\$ 106,057	\$ 14,910	\$ 1,511,337	\$ 800
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 332,485	\$ -	\$ 96	\$ -	\$ -
Accrued salaries and benefits	62,302	-	7,764	-	-
Due to other funds	-	106,057	-	-	800
Unearned revenue	-	-	-	-	-
Total Liabilities	394,787	106,057	7,860	-	800
Fund Balances:					
Restricted	202,392	-	7,050	1,511,337	-
Assigned	-	-	-	-	-
Total Fund Balances	202,392	-	7,050	1,511,337	-
Total Liabilities and Fund Balances	\$ 597,179	\$ 106,057	\$ 14,910	\$ 1,511,337	\$ 800

(Continued)

City of Cerritos
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2018

	Special Revenue Funds				
	Measure "M"	Assessment District #6	Los Coyotes Lighting District	Public Safety Grant Fund COPS Grant	Environmental Grants
ASSETS					
Cash and investments	\$ -	\$ 18,635	\$ 39,018	\$ -	\$ 25,366
Accounts receivable	-	-	-	-	-
Prepaid items	-	-	38,820	-	-
Total Assets	\$ -	\$ 18,635	\$ 77,838	\$ -	\$ 25,366
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	-	3,536	\$ 66,679	\$ -	\$ -
Accrued salaries and benefits	-	-	11,159	-	-
Due to other funds	-	-	-	-	-
Unearned revenue	-	-	-	-	23,739
Total Liabilities	-	3,536	77,838	-	23,739
Fund Balances:					
Restricted	-	15,099	-	-	1,627
Assigned	-	-	-	-	-
Total Fund Balances	-	15,099	-	-	1,627
Total Liabilities and Fund Balances	\$ -	\$ 18,635	\$ 77,838	\$ -	\$ 25,366

(Continued)

City of Cerritos
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2018

	Special Revenue Funds			Capital Projects Fund	
	AQMD	Measure "R"	Community Development Block Grant	Total Special Revenue	Municipal Improvement
ASSETS					
Cash and investments	\$ 490,260	\$ 256	\$ -	\$ 2,103,307	\$ 2,240,469
Accounts receivable	17,410	-	-	585,956	180,626
Prepaid items	-	-	-	170,785	-
Total Assets	\$ 507,670	\$ 256	\$ -	\$ 2,860,048	\$ 2,421,095
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 402,796	\$ 245,185
Accrued salaries and benefits	-	-	-	81,225	-
Due to other funds	-	-	-	106,857	-
Unearned revenue	-	-	-	23,739	2,436
Total Liabilities	-	-	-	614,617	247,621
Fund Balances:					
Restricted	507,670	256	-	2,245,431	623,506
Assigned	-	-	-	-	1,549,968
Total Fund Balances	507,670	256	-	2,245,431	2,173,474
Total Liabilities and Fund Balances	\$ 507,670	\$ 256	\$ -	\$ 2,860,048	\$ 2,421,095

(Continued)

City of Cerritos
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2018

	Total Nonmajor Governmental Funds
ASSETS	
Cash and investments	\$ 4,343,776
Accounts receivable	766,582
Prepaid items	170,785
Total Assets	\$ 5,281,143
 LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable and accrued liabilities	\$ 647,981
Accrued salaries and benefits	81,225
Due to other funds	106,857
Unearned revenue	26,175
Total Liabilities	862,238
Fund Balances:	
Restricted	2,868,937
Assigned	1,549,968
Total Fund Balances	4,418,905
Total Liabilities and Fund Balances	\$ 5,281,143

(Concluded)

City of Cerritos
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

	Special Revenue Funds				
	Street Improvements	RMRA	Drainage	Proposition "A"	Proposition "C"
REVENUES:					
Investment and rental income/(loss)	\$ -	\$ 105	\$ -	\$ 23,205	\$ -
Revenues from other agencies	1,295,175	293,206	-	1,013,472	759,376
Current fees and services	-	-	11,540	-	56,390
Franchise	84,000	-	-	-	-
Total Revenues	1,379,175	293,311	11,540	1,036,677	815,766
EXPENDITURES:					
Current:					
Legislative and Administration	142,932	-	390	-	-
Community Development	-	-	-	794,321	815,766
Public Works	3,232,063	-	11,218	-	-
Administrative Services	537,794	-	1,469	-	-
Capital outlay	871,534	293,311	-	-	-
Total Expenditures	4,784,323	293,311	13,077	794,321	815,766
REVENUES OVER (UNDER) EXPENDITURES	(3,405,148)	-	(1,537)	242,356	-
OTHER FINANCING SOURCES (USES):					
Transfers in	3,466,068	-	-	-	-
Transfers out	(40,061)	-	-	-	-
Total Other Financing Sources (Uses)	3,426,007	-	-	-	-
NET CHANGE IN FUND BALANCES	20,859	-	(1,537)	242,356	-
FUND BALANCES (DEFICIT):					
Beginning of Year	181,533	-	8,587	1,268,981	-
End of Year	<u>\$ 202,392</u>	<u>\$ -</u>	<u>\$ 7,050</u>	<u>\$ 1,511,337</u>	<u>\$ -</u>

(Continued)

City of Cerritos
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

	Special Revenue Funds				
	Measure "M"	Assessment District #6	Los Coyotes Lighting District	Public Safety Grant Fund COPS Grant	Environmental Grants
REVENUES:					
Investment and rental income/(loss)	\$ 3,106	\$ -	\$ -	\$ -	\$ 457
Revenues from other agencies	518,924	95,652	98,612	139,416	19,754
Current fees and services	-	-	-	-	-
Franchise	-	-	-	-	-
Total Revenues	522,030	95,652	98,612	139,416	20,211
EXPENDITURES:					
Current:					
Legislative and Administration	-	-	34,739	-	-
Community Development	-	-	-	-	-
Public Works	-	100,178	958,589	-	-
Administrative Services	-	-	130,709	-	-
Capital outlay	520,275	-	-	-	-
Total Expenditures	520,275	100,178	1,124,037	-	-
REVENUES OVER (UNDER) EXPENDITURES	1,755	(4,526)	(1,025,425)	139,416	20,211
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	1,025,425	-	-
Transfers out	(1,755)	-	-	(139,416)	(19,980)
Total Other Financing Sources (Uses)	(1,755)	-	1,025,425	(139,416)	(19,980)
NET CHANGE IN FUND BALANCES	-	(4,526)	-	-	231
FUND BALANCES (DEFICIT):					
Beginning of Year	-	19,625	-	-	1,396
End of Year	\$ -	\$ 15,099	\$ -	\$ -	\$ 1,627

(Continued)

City of Cerritos
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

	Special Revenue Funds			Capital Projects Fund	
	AQMD	Measure "R"	Community Development Block Grant	Total Special Revenue	Municipal Improvement
REVENUES:					
Investment and rental income/(loss)	\$ 6,289	\$ 520	\$ -	\$ 33,682	\$ -
Revenues from other agencies	63,676	572,619	237,885	5,107,767	45,799
Current fees and services	-	-	-	67,930	2,889
Franchise	-	-	-	84,000	-
Total Revenues	69,965	573,139	237,885	5,293,379	48,688
EXPENDITURES:					
Current:					
Legislative and Administration	-	-	-	178,061	-
Community Development	26,110	-	-	1,636,197	-
Public Works	-	573,103	-	4,875,151	1,811,694
Administrative Services	-	-	-	669,972	-
Capital outlay	-	-	111,155	1,796,275	527,296
Total Expenditures	26,110	573,103	111,155	9,155,656	2,338,990
REVENUES OVER (UNDER) EXPENDITURES	43,855	36	126,730	(3,862,277)	(2,290,302)
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	4,491,493	4,463,776
Transfers out	-	-	(126,730)	(327,942)	-
Total Other Financing Sources (Uses)	-	-	(126,730)	4,163,551	4,463,776
NET CHANGE IN FUND BALANCES	43,855	36	-	301,274	2,173,474
FUND BALANCES (DEFICIT):					
Beginning of Year	463,815	220	-	1,944,157	-
End of Year	\$ 507,670	\$ 256	\$ -	\$ 2,245,431	\$ 2,173,474

(Continued)

City of Cerritos
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

	<u>Total Nonmajor Governmental Funds</u>
REVENUES:	
Investment and rental income/(loss)	\$ 33,682
Revenues from other agencies	5,153,566
Current fees and services	70,819
Franchise	<u>84,000</u>
Total Revenues	<u>5,342,067</u>
EXPENDITURES:	
Current:	
Legislative and Administration	178,061
Community Development	1,636,197
Public Works	6,686,845
Administrative Services	669,972
Capital outlay	<u>2,323,571</u>
Total Expenditures	<u>11,494,646</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(6,152,579)</u>
OTHER FINANCING SOURCES (USES):	
Transfers in	8,955,269
Transfers out	<u>(327,942)</u>
Total Other Financing Sources (Uses)	<u>8,627,327</u>
NET CHANGE IN FUND BALANCES	2,474,748
FUND BALANCES (DEFICIT):	
Beginning of Year	<u>1,944,157</u>
End of Year	<u><u>\$ 4,418,905</u></u>

(Concluded)

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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Revenues from other agencies	\$ 2,010,300	\$ 1,083,790	\$ 1,295,175	\$ 211,385
Franchise	92,500	84,000	84,000	-
Total Revenues	2,102,800	1,167,790	1,379,175	211,385
EXPENDITURES:				
Current:				
Legislative and Administrative	136,210	142,533	142,932	(399)
Public Works	2,246,070	3,055,651	3,232,063	(176,412)
Administrative Services	554,630	621,100	537,794	83,306
Capital outlay	1,808,000	1,094,650	871,534	223,116
Total Expenditures	4,744,910	4,913,934	4,784,323	129,611
REVENUES OVER (UNDER) EXPENDITURES	(2,642,110)	(3,746,144)	(3,405,148)	340,996
OTHER FINANCING SOURCES (USES):				
Transfers in	2,656,610	3,515,560	3,466,068	(49,492)
Transfers (out)	-	(25,000)	(40,061)	(15,061)
Total Other Financing Sources (Uses)	2,656,610	3,490,560	3,426,007	(64,553)
NET CHANGE IN FUND BALANCE	\$ 14,500	\$ (255,584)	20,859	\$ 276,443
FUND BALANCE (DEFICIT):				
Beginning of Year			181,533	
End of Year			\$ 202,392	

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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Investment and rental income/(loss)	\$ -	\$ -	\$ 105	\$ 105
Revenues from other agencies	-	285,380	293,206	7,826
Total Revenues	<u>-</u>	<u>285,380</u>	<u>293,311</u>	<u>7,931</u>
EXPENDITURES:				
Capital Outlay	-	285,380	293,311	(7,931)
Total expenditures	<u>-</u>	<u>285,380</u>	<u>293,311</u>	<u>(7,931)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCE:				
Beginning of Year			<u>-</u>	
End of Year			<u>\$ -</u>	

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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Current fees and services	\$ 12,000	\$ 9,000	\$ 11,540	\$ 2,540
Total Revenues	12,000	9,000	11,540	2,540
EXPENDITURES:				
Current:				
Legislative and Administration	320	339	390	(51)
Public Works	11,420	11,901	11,218	683
Administrative Services	1,320	1,476	1,469	7
Total Expenditures	13,060	13,716	13,077	639
NET CHANGE IN FUND BALANCE	\$ (1,060)	\$ (4,716)	(1,537)	\$ 3,179
FUND BALANCE:				
Beginning of Year			8,587	
End of Year			\$ 7,050	

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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Investment and rental income/(loss)	\$ 15,800	\$ 15,150	\$ 23,205	\$ 8,055
Revenues from other agencies	994,690	996,140	1,013,472	17,332
Total Revenues	1,010,490	1,011,290	1,036,677	25,387
EXPENDITURES:				
Current:				
Community Development	924,700	912,700	794,321	118,379
Total Expenditures	924,700	912,700	794,321	118,379
NET CHANGE IN FUND BALANCE	\$ 85,790	\$ 98,590	242,356	\$ 143,766
FUND BALANCE:				
Beginning of Year			1,268,981	
End of Year			\$ 1,511,337	

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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Investment and rental income/(loss)	\$ -	\$ -	\$ -	\$ -
Revenue from other agencies	767,000	767,000	759,376	(7,624)
Current fees and services	12,000	12,000	56,390	44,390
Total Revenues	<u>779,000</u>	<u>779,000</u>	<u>815,766</u>	<u>36,766</u>
EXPENDITURES:				
Current:				
Community Development	767,000	767,000	815,766	(48,766)
Total Expenditures	<u>767,000</u>	<u>767,000</u>	<u>815,766</u>	<u>(48,766)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 12,000</u>	<u>\$ 12,000</u>	-	<u>\$ (12,000)</u>
FUND BALANCE:				
Beginning of Year			-	
End of Year			<u>\$ -</u>	

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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Investment and rental income/(loss)	\$ -	\$ -	\$ 3,106	\$ 3,106
Revenues from other agencies	-	626,370	518,924	(107,446)
Total Revenues	-	626,370	522,030	(104,340)
EXPENDITURES:				
Current:				
Public Works	-	-	-	-
Capital outlay	-	626,370	520,275	106,095
Total Expenditures	-	626,370	520,275	106,095
REVENUES OVER (UNDER) EXPENDITURES	-	-	1,755	1,755
OTHER FINANCING (USES):				
Transfers out	-	-	(1,755)	(1,755)
Total Other Financing Sources	-	-	(1,755)	(1,755)
NET CHANGE IN FUND BALANCE	\$ -	\$ -	-	\$ -
FUND BALANCE:				
Beginning of Year			-	
End of Year			\$ -	

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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
	\$ 900	\$ 190	\$ -	\$ -
Revenues from other agencies	90,000	100,000	95,652	(4,348)
Total Revenues	<u>90,900</u>	<u>100,190</u>	<u>95,652</u>	<u>(4,348)</u>
EXPENDITURES:				
Current:				
Public Works	184,730	100,190	100,178	12
Total Expenditures	<u>184,730</u>	<u>100,190</u>	<u>100,178</u>	<u>12</u>
REVENUES OVER (UNDER) EXPENDITURES	(93,830)	-	(4,526)	(4,336)
OTHER FINANCING SOURCES:				
Transfers in	93,830	-	-	-
Total Other Financing Sources	<u>93,830</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	(4,526)	<u>\$ (4,336)</u>
FUND BALANCE (DEFICIT):				
Beginning of Year			19,625	
End of Year			<u>\$ 15,099</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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Revenues from other agencies	\$ 100,090	\$ 100,090	\$ 98,612	\$ (1,478)
Total Revenues	100,090	100,090	98,612	(1,478)
EXPENDITURES:				
Current:				
Legislative and Administration	30,470	31,888	34,739	(2,851)
Public Works	988,370	930,939	958,589	(27,650)
Administrative Services	124,080	138,952	130,709	8,243
Total Expenditures	1,142,920	1,101,779	1,124,037	(22,258)
REVENUES OVER (UNDER) EXPENDITURES	(1,042,830)	(1,001,689)	(1,025,425)	(23,736)
OTHER FINANCING SOURCES:				
Transfers in	1,042,830	1,001,689	1,025,425	23,736
Total Other Financing Sources	1,042,830	1,001,689	1,025,425	23,736
NET CHANGE IN FUND BALANCE	\$ -	\$ -	-	\$ -
FUND BALANCE (DEFICIT):				
Beginning of Year			-	
End of Year			-	

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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Investment and rental income/(loss)	\$ -	\$ -	\$ -	\$ -
Revenues from other agencies	100,000	106,790	139,416	32,626
Total Revenues	<u>100,000</u>	<u>106,790</u>	<u>139,416</u>	<u>32,626</u>
OTHER FINANCING (USES):				
Transfers out	(100,000)	(106,790)	(139,416)	(32,626)
Total Other Financing (Uses)	<u>(100,000)</u>	<u>(106,790)</u>	<u>(139,416)</u>	<u>(32,626)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
FUND BALANCE:				
Beginning of Year			<u>-</u>	
End of Year			<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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Investment and rental income/(loss)	\$ -	\$ 210	\$ 457	\$ 247
Revenues from other agencies	27,000	27,000	19,754	(7,246)
Total Revenues	<u>27,000</u>	<u>27,210</u>	<u>20,211</u>	<u>(6,999)</u>
OTHER FINANCING (USES):				
Transfers out	(27,000)	(27,210)	(19,980)	7,230
Total Other Financing (Uses)	<u>(27,000)</u>	<u>(27,210)</u>	<u>(19,980)</u>	<u>7,230</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	231	<u>\$ 231</u>
FUND BALANCE:				
Beginning of Year			<u>1,396</u>	
End of Year			<u>\$ 1,627</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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Investment and rental income/(loss)	\$ 3,950	\$ 4,860	\$ 6,289	\$ 1,429
Revenues from other agencies	55,000	55,000	63,676	8,676
Total Revenues	<u>58,950</u>	<u>59,860</u>	<u>69,965</u>	<u>10,105</u>
EXPENDITURES:				
Current:				
Community Development	63,440	63,438	26,110	37,328
Total Expenditures	<u>63,440</u>	<u>63,438</u>	<u>26,110</u>	<u>37,328</u>
NET CHANGE IN FUND BALANCE	<u>\$ (4,490)</u>	<u>\$ (3,578)</u>	43,855	<u>\$ 47,433</u>
FUND BALANCE:				
Beginning of Year			<u>463,815</u>	
End of Year			<u>\$ 507,670</u>	

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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Investment and rental income/(loss)	\$ -	\$ -	\$ 520	\$ 520
Revenues from other agencies	585,000	585,000	572,619	(12,381)
Total Revenues	585,000	585,000	573,139	(11,861)
EXPENDITURES:				
Current:				
Public Works	585,000	585,000	573,103	11,897
Total Expenditures	585,000	585,000	573,103	11,897
NET CHANGE IN FUND BALANCE	\$ -	\$ -	36	\$ 36
FUND BALANCE:				
Beginning of Year			220	
End of Year			\$ 256	

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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Revenues from other agencies	\$ 164,490	\$ 50,000	\$ 237,885	\$ 187,885
Total Revenues	<u>164,490</u>	<u>50,000</u>	<u>237,885</u>	<u>187,885</u>
EXPENDITURES:				
Capital outlay	50,000	50,000	111,155	(61,155)
Total expenditures	<u>50,000</u>	<u>50,000</u>	<u>111,155</u>	<u>(61,155)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>114,490</u>	<u>-</u>	<u>126,730</u>	<u>126,730</u>
OTHER FINANCING (USES):				
Transfers out	-	-	(126,730)	(126,730)
Total other financing (uses)	<u>-</u>	<u>-</u>	<u>(126,730)</u>	<u>(126,730)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 114,490</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCE:				
Beginning of Year			<u>-</u>	
End of Year			<u>\$ -</u>	

STATISTICAL SECTION
(Unaudited)

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 says about the City's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends	136-145
<i>These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	
Revenue Capacity	146-152
<i>These tables contain information to help the reader assess the City's most significant local revenue source, the property tax.</i>	
Debt Capacity	154-159
<i>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.</i>	
Demographic and Economic Information	160
<i>These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	
Operating Information	161-165
<i>These tables contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</i>	

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				
	2008-09	2009-10	2010-11	2011-12	2012-13
Governmental Activities:					
Net investment in capital assets	\$ 108,311,131	\$ 129,318,648	\$ 128,288,812	\$ 283,412,755	\$ 278,297,578
Restricted For:					
Special revenue	-	-	1,473,481	759,964	1,312,017
Street and sewer related purposes	6,271,895	4,423,142	-	-	103,610
Transportation related purposes	1,065,555	1,254,083	-	-	-
Assessment districts	126,594	105,662	-	-	-
Miscellaneous grants	484,163	492,474	-	-	-
Asset replacement	24,966,400	25,275,197	-	-	-
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
Municipal improvements	-	-	-	-	-
Unrestricted	158,317,863	127,557,614	123,689,932	181,493,275	183,279,880
Total governmental activities net position	299,543,601	288,426,820	297,504,700	475,800,883	464,445,193
Business-type Activities:					
Net investment in capital assets	41,912,421	40,406,258	44,962,820	44,152,806	42,472,279
Unrestricted	2,164,728	(1,319,738)	(7,690,616)	(12,029,929)	(13,401,066)
Total business-type activities net position	44,077,149	39,086,520	37,272,204	32,122,877	29,071,213
Primary Government:					
Net investment in capital assets	150,223,552	169,724,906	173,251,632	327,565,561	320,769,857
Restricted For:					
Special revenue	-	-	1,473,481	759,964	1,312,017
Street and sewer related purposes	6,271,895	4,423,142	-	-	103,610
Transportation related purposes	1,065,555	1,254,083	-	-	-
Assessment districts	126,594	105,662	-	-	-
Miscellaneous grants	484,163	492,474	-	-	-
Asset replacement	24,966,400	25,275,197	-	-	-
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
Municipal improvements	-	-	-	-	-
Unrestricted	160,482,591	126,237,876	115,999,316	169,463,346	169,878,814
Total primary government net position	\$ 343,620,750	\$ 327,513,340	\$ 334,776,904	\$ 507,923,760	\$ 493,516,406

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

	Fiscal Year				
	2013-14	2014-15	2015-16	2016-17	2017-18
Governmental Activities:					
Net investment in capital assets	\$ 272,713,095	\$ 262,647,222	\$ 257,355,170	\$ 253,017,104	\$ 246,518,511
Restricted For:					
Special revenue	-	-	-	-	-
Street and sewer related purposes	164,676	107,002	105,332	190,120	202,392
Transportation related purposes	1,081,590	1,477,308	1,703,058	1,733,016	1,511,593
Assessment districts	134,111	127,306	84,023	19,625	-
Miscellaneous grants	10,165	10,458	1,210	1,396	677,241
Asset replacement	-	-	-	-	-
Other post employment benefits	-	-	-	-	-
Debt Service	-	-	-	-	-
Housing Assets Special Revenue Fund	1,489,009	4,406,831	9,462,617	20,447,575	22,359,381
Municipal improvements	-	-	-	-	623,506
Unrestricted	184,788,078	138,360,180	97,927,171	131,068,266	115,756,640
Total governmental activities net position	460,380,724	407,136,307	366,638,581	406,477,102	387,649,264
Business-type Activities:					
Net investment in capital assets	31,238,684	28,383,010	30,140,590	29,586,939	28,179,466
Unrestricted	(23,655,581)	(29,675,894)	(35,033,489)	(40,994,526)	(44,018,815)
Total business-type activities net position	7,583,103	(1,292,884)	(4,892,899)	(11,407,587)	(15,839,349)
Primary Government:					
Net investment in capital assets	303,951,779	291,030,232	287,495,760	282,604,043	274,697,977
Restricted For:					
Special revenue	-	-	-	-	-
Street and sewer related purposes	164,676	107,002	105,332	190,120	202,392
Transportation related purposes	1,081,590	1,477,308	1,703,058	1,733,016	1,511,593
Assessment districts	134,111	127,306	84,023	19,625	-
Miscellaneous grants	10,165	10,458	1,210	1,396	677,241
Asset replacement	-	-	-	-	-
Other post employment benefits	-	-	-	-	-
Debt Service	-	-	-	-	-
Housing Assets Special Revenue Fund	1,489,009	4,406,831	9,462,617	20,447,575	22,359,381
Municipal Improvements	-	-	-	-	623,506
Unrestricted	161,132,497	108,684,286	62,893,682	90,073,740	71,737,825
Total primary government net position	\$ 467,963,827	\$ 405,843,423	\$ 361,745,682	\$ 395,069,515	\$ 371,809,915

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

	Fiscal Year				
	2008-09	2009-10	2010-11	2011-12	2012-13
Expenses:					
Legislative and administration	\$ 12,202,801	\$ 24,016,676	\$ 11,895,682	\$ 6,419,681	\$ 2,529,809
Community development	7,512,609	9,634,162	5,995,050	5,475,674	5,203,327
Public works	23,981,467	17,574,871	14,271,031	14,954,988	14,303,051
Water and power	1,456,670	503,095	180,845	254,155	22,232
Community and safety services	24,661,818	23,219,777	22,595,702	22,894,351	22,299,612
Administrative services	16,536,088	12,431,539	13,033,543	13,102,290	12,112,586
Cerritos Center for the Performing Arts	12,613,288	10,795,353	9,697,750	8,922,981	7,420,483
Unallocated infrastructure depreciation	994,414	1,058,317	908,341	918,541	938,514
Land transferred to developer	-	-	-	-	-
Interest expense	16,811,036	16,114,428	16,654,681	8,151,223	-
Total governmental activities expenses	<u>116,770,191</u>	<u>115,348,218</u>	<u>95,232,625</u>	<u>81,093,884</u>	<u>64,829,614</u>
Water and Sewer	9,034,371	9,690,959	11,575,152	9,448,471	7,886,861
Reclaimed water	1,338,743	1,351,283	1,086,647	895,664	1,001,303
Electric utility	9,189,345	6,524,284	11,428,662	8,720,028	6,966,208
Total business-type activities expenses	<u>19,562,459</u>	<u>17,566,526</u>	<u>24,090,461</u>	<u>19,064,163</u>	<u>15,854,372</u>
Total primary government expenses	<u>\$ 136,332,650</u>	<u>\$ 132,914,744</u>	<u>\$ 119,323,086</u>	<u>\$ 100,158,047</u>	<u>\$ 80,683,986</u>
Program revenues:					
Governmental activities:					
Charges for services:					
Legislative and administration	\$ 24,123	\$ 8,990	\$ 7,623	\$ 142,846	\$ 18,057
Community development	1,151,681	1,472,210	1,055,373	1,268,682	935,105
Public works	974,575	924,062	767,444	130,209	139,144
Water and power	-	8,200	66,788	-	-
Community and safety services	3,693,983	3,724,638	3,864,946	3,526,634	3,857,319
Administrative services	1,421,710	1,313,723	1,237,313	1,259,756	1,237,470
Cerritos Center for the Performing Arts	5,267,804	4,620,793	4,558,285	4,058,413	3,473,035
Operating grants and contributions	9,954,624	11,297,870	8,711,464	8,279,618	6,120,017
Capital grants and contributions	176,995	613,790	-	-	-
Total governmental activities program revenues	<u>22,665,495</u>	<u>23,984,276</u>	<u>20,269,236</u>	<u>18,666,158</u>	<u>15,780,147</u>
Business-type activities:					
Charges for services:					
Water and Sewer	7,371,339	7,032,634	7,828,759	7,863,166	7,548,709
Reclaimed water	902,348	698,021	838,548	890,786	885,922
Electric utility	7,040,943	4,637,710	4,556,861	5,012,358	4,260,721
Capital grants and contributions	135,613	109,677	95,360	125,956	78,771
Total business-type activities program revenues	<u>15,450,243</u>	<u>12,478,042</u>	<u>13,319,528</u>	<u>13,892,266</u>	<u>12,774,123</u>
Total primary government program revenues	<u>\$ 38,115,738</u>	<u>\$ 36,462,318</u>	<u>\$ 33,588,764</u>	<u>\$ 32,558,424</u>	<u>\$ 28,554,270</u>
Net revenue (expense):					
Governmental activities	\$ (94,104,696)	\$ (91,363,942)	\$ (74,963,389)	\$ (62,427,726)	\$ (49,049,467)
Business-type activities	<u>(4,112,216)</u>	<u>(5,088,484)</u>	<u>(10,770,933)</u>	<u>(5,171,897)</u>	<u>(3,080,249)</u>
Total primary government net expense	<u>\$ (98,216,912)</u>	<u>\$ (96,452,426)</u>	<u>\$ (85,734,322)</u>	<u>\$ (67,599,623)</u>	<u>\$ (52,129,716)</u>

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

	Fiscal Year				
	2013-14	2014-15	2015-16	2016-17	2017-18
Expenses:					
Governmental activities:					
Legislative and administration	\$ 4,264,280	\$ 4,883,485	\$ 2,465,291	\$ 2,378,754	\$ 2,518,689
Community development	4,991,092	7,085,991	7,917,327	6,622,743	5,917,823
Public works	18,261,026	16,714,186	17,268,089	15,966,555	21,639,916
Water and power	3,431	2,180	142,503	196,486	14,177
Community and safety services	22,432,108	24,290,009	23,633,551	22,361,018	26,170,530
Administrative services	11,123,229	11,173,285	12,390,186	11,933,909	13,636,432
Cerritos Center for the Performing Arts	6,934,822	6,891,247	6,821,863	6,928,938	9,142,656
Unallocated infrastructure depreciation	895,164	917,259	934,773	932,215	851,011
Land transferred to developer	-	-	-	-	-
Interest expense	-	-	-	-	-
Total governmental activities expenses	<u>68,905,152</u>	<u>71,957,642</u>	<u>71,573,583</u>	<u>67,320,618</u>	<u>79,891,234</u>
Water and Sewer	10,764,211	12,015,738	12,318,355	14,418,126	12,685,248
Reclaimed water	976,476	1,361,003	1,222,306	1,182,692	1,265,363
Electric utility	6,872,487	7,264,654	6,573,374	5,785,529	6,685,111
Total business-type activities expenses	<u>18,613,174</u>	<u>20,641,395</u>	<u>20,114,035</u>	<u>21,386,347</u>	<u>20,635,722</u>
Total primary government expenses	<u>\$ 87,518,326</u>	<u>\$ 92,599,037</u>	<u>\$ 91,687,618</u>	<u>\$ 88,706,965</u>	<u>\$ 100,526,956</u>
Program revenues:					
Governmental activities:					
Charges for services:					
Legislative and administration	\$ 4,682	\$ 12,817	\$ 9,582	\$ 10,691	\$ 5,451
Community development	2,756,838	2,350,352	1,982,017	1,464,701	2,456,567
Public works	175,944	146,802	199,911	212,402	605,302
Water and power	-	-	-	-	-
Community and safety services	3,587,773	3,416,288	3,192,486	2,646,060	2,553,410
Administrative services	191,295	268,741	318,424	305,357	283,063
Cerritos Center for the Performing Arts	3,707,910	3,705,534	3,407,864	4,320,222	5,739,821
Operating grants and contributions	4,931,724	5,390,206	5,085,014	6,211,435	6,124,018
Capital grants and contributions	155,321	163,464	2,730,681	66,852	237,883
Total governmental activities program revenues	<u>15,511,487</u>	<u>15,454,204</u>	<u>16,925,979</u>	<u>15,237,720</u>	<u>18,005,515</u>
Business-type activities:					
Charges for services:					
Water and Sewer	7,639,804	9,039,367	7,652,183	8,750,301	9,820,648
Reclaimed water	1,177,437	1,213,014	3,282,140	1,087,403	1,173,266
Electric utility	5,343,831	6,274,036	5,262,263	4,357,671	5,347,675
Capital grants and contributions	113,913	282,624	320,264	662,073	55,658
Total business-type activities program revenues	<u>14,274,985</u>	<u>16,809,041</u>	<u>16,516,850</u>	<u>14,857,448</u>	<u>16,397,247</u>
Total primary government program revenues	<u>\$ 29,786,472</u>	<u>\$ 32,263,245</u>	<u>\$ 33,442,829</u>	<u>\$ 30,095,168</u>	<u>\$ 34,402,762</u>
Net revenue (expense):					
Governmental activities	\$ (53,393,665)	\$ (56,503,438)	\$ (54,647,604)	\$ (52,082,898)	\$ (61,885,719)
Business-type activities	<u>(4,338,189)</u>	<u>(3,832,354)</u>	<u>(3,597,185)</u>	<u>(6,528,899)</u>	<u>(4,238,475)</u>
Total primary government net expense	<u>\$ (57,731,854)</u>	<u>\$ (60,335,792)</u>	<u>\$ (58,244,789)</u>	<u>\$ (58,611,797)</u>	<u>\$ (66,124,194)</u>

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

	Fiscal Year				
	2008-09	2009-10	2010-11	2011-12	2012-13
General revenues and other changes in net position:					
Governmental Activities:					
Taxes:					
Sales taxes	\$ 20,602,899	\$ 17,166,138	\$ 20,486,099	\$ 23,036,906	\$ 26,306,965
Property taxes	36,392,537	34,842,837	35,034,773	18,611,602	6,756,462
Motor vehicle taxes	4,446,679	4,382,067	4,451,226	4,336,940	4,451,795
Franchise taxes	1,507,105	1,498,545	1,487,320	1,547,794	1,531,153
Transient occupancy taxes	394,290	356,119	398,620	445,413	460,809
Other taxes	258,898	286,895	262,970	385,743	473,120
Gain (Loss) on disposal of capital assets	-	-	-	-	-
Investment and rental income	18,318,651	20,581,624	19,458,284	13,473,853	7,767,576
Miscellaneous	195,668	1,132,936	621,736	125,248	54,991
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	4,201,910	-	242,091	8,668,536	-
Total governmental activities	86,318,637	80,247,161	82,443,119	240,723,909	37,693,777
Business-type activities:					
Investment and rental income	142,035	97,855	71,130	22,570	28,585
Gain (loss) on sale of assets	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Transfers	(4,201,910)	-	(242,091)	-	-
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	(4,059,875)	97,855	(170,961)	22,570	28,585
Total primary government	\$ 82,258,762	\$ 80,345,016	\$ 82,272,158	\$ 240,746,479	\$ 37,722,362
Changes in net position:					
Governmental activities	\$ (7,786,059)	\$ (11,116,781)	\$ 7,479,730	\$ 178,296,183	\$ (11,355,690)
Business-type activities	(8,172,091)	(4,990,629)	(10,941,894)	(5,149,327)	(3,051,664)
Total primary government	\$ (15,958,150)	\$ (16,107,410)	\$ (3,462,164)	\$ 173,146,856	\$ (14,407,354)

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

	Fiscal Year				
	2013-14	2014-15	2015-16	2016-17	2017-18
General revenues and other changes in net position:					
Governmental Activities:					
Taxes:					
Sales taxes	\$ 26,719,271	\$ 27,071,289	\$ 32,846,913	\$ 33,689,474	\$ 33,607,144
Property taxes	5,179,470	10,279,496	11,278,384	11,986,780	11,894,249
Motor vehicle taxes	4,585,486	-	-	-	-
Franchise taxes	1,642,819	1,711,848	1,717,909	2,570,777	2,565,011
Transient occupancy taxes	504,289	697,835	1,129,526	1,187,002	1,214,387
Other taxes	326,668	1,336,488	1,392,520	1,310,269	1,481,476
Gain (Loss) on disposal of capital assets	-	-	-	-	(1,741,736)
Investment and rental income	10,327,623	9,596,362	10,020,263	9,482,419	10,151,736
Miscellaneous	43,570	321,260	1,668,528	234,179	60,031
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)
Total governmental activities	49,329,196	51,014,578	14,149,878	91,921,419	66,898,099
Business-type activities:					
Investment and rental income	14,366	16,312	(2,830)	14,211	20,018
Gain (loss) on sale of assets	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Transfers	-	-	-	-	19,201
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	(17,149,921)	16,312	(2,830)	14,211	39,219
Total primary government	\$ 32,179,275	\$ 51,030,890	\$ 14,147,048	\$ 91,935,630	\$ 66,937,318
Changes in net position:					
Governmental activities	\$ (4,064,469)	\$ (5,488,860)	\$ (40,497,726)	\$ 39,838,521	\$ 5,012,380
Business-type activities	(21,488,110)	(3,816,042)	(3,600,015)	(6,514,688)	(4,199,256)
Total primary government	\$ (25,552,579)	\$ (9,304,902)	\$ (44,097,741)	\$ 33,323,833	\$ 813,124

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

	Fiscal Year				
	2008-09	2009-10	2010-11	2011-12	2012-13
General fund:					
Reserved	\$ 99,903,724	\$ 102,622,950	\$ -	\$ -	\$ -
Unreserved	81,541,328	80,477,124	-	-	-
Nonspendable	-	-	90,135,195	57,906,335	60,663,598
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	14,150,052	21,941,464	22,203,228
Unassigned	-	-	71,056,060	67,305,842	63,903,057
Total general fund	<u>\$ 181,445,052</u>	<u>\$ 183,100,074</u>	<u>\$ 175,341,307</u>	<u>\$ 147,153,641</u>	<u>\$ 146,769,883</u>
All other governmental funds:					
Reserved	\$ 5,851,972	\$ 1,953,330	\$ -	\$ -	\$ -
Unreserved, reported in:					
Special revenue funds	7,849,641	6,275,361	-	-	-
Debt service funds	(43,171,702)	(66,053,156)	-	-	-
Capital projects funds	19,212,994	23,322,838	-	-	-
Restricted	-	-	46,965,999	20,046,362	10,538,217
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	(75,915,744)	(118,798)	-
Total all other governmental funds	<u>\$ (10,257,095)</u>	<u>\$ (34,501,627)</u>	<u>\$ (28,949,745)</u>	<u>\$ 19,927,564</u>	<u>\$ 10,538,217</u>
		(a)	(b)		

(a) Fiscal year 2010 included the Sewer Fund as part of the Nonmajor Governmental Funds. Beginning with 2010-2011, it was reclassified as an Enterprise Fund.

(b) 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				
	2013-14	2014-15	2015-16	2016-17	2017-18
General fund:					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-
Nonspendable	65,838,456	68,888,425	80,996,354	85,283,586	92,244,370
Restricted	-	-	-	-	145,795
Committed	-	-	-	-	-
Assigned	24,017,566	24,372,415	21,416,153	23,113,474	16,804,229
Unassigned	57,595,524	61,925,251	57,367,241	42,477,041	50,739,188
Total general fund	<u>\$ 147,451,546</u>	<u>\$ 155,186,091</u>	<u>\$ 159,779,748</u>	<u>\$ 150,874,101</u>	<u>\$ 159,933,582</u>
All other governmental funds:					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:	-	-	-	-	-
Special revenue funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Restricted	10,550,033	10,984,798	11,356,240	22,391,732	25,228,318
Committed	-	-	-	-	-
Assigned	-	-	-	-	1,549,968
Unassigned	(15,000)	-	-	-	-
Total all other governmental funds	<u>\$ 10,535,033</u>	<u>\$ 10,984,798</u>	<u>\$ 11,356,240</u>	<u>\$ 22,391,732</u>	<u>\$ 26,778,286</u>

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

	Fiscal Year				
	2008-09	2009-10	2010-11	2011-12	2012-13
Revenues:					
Property, sales, and other taxes	\$ 58,009,779	\$ 52,651,959	\$ 55,981,782	\$ 42,406,274	\$ 32,956,476
Licenses and permits	2,037,294	1,913,968	1,869,739	1,836,228	1,876,262
Fines and forfeitures	1,146,489	1,103,441	1,305,871	1,048,029	1,161,194
Investment and rental income	18,358,111	19,768,319	18,625,601	12,279,439	7,759,099
Revenues from other agencies	15,161,460	16,614,010	15,708,684	42,497,203	10,184,713
Current fees and services	7,783,043	7,090,018	6,989,711	6,889,141	6,303,623
Franchise	1,507,105	1,504,852	1,566,675	1,629,285	1,601,601
Other revenues	1,140,096	1,848,075	789,502	978,588	1,522,350
Total revenues	<u>105,143,377</u>	<u>102,494,642</u>	<u>102,837,565</u>	<u>109,564,187</u>	<u>63,365,318</u>
Expenditures:					
Current:					
Legislative and administration	10,943,195	21,357,884	11,348,362	5,920,780	2,093,625
Community development	5,042,844	4,657,802	7,723,995	34,261,653	5,233,924
Public works	17,288,857	16,127,237	14,111,947	15,049,370	14,825,564
Water and power	299,790	105,823	175,593	288,595	17,140
Community and safety services	20,894,079	21,351,962	21,157,439	21,797,914	22,150,378
Administrative services	11,495,344	10,646,488	11,300,202	11,557,115	11,005,650
Cerritos Center for the Performing Arts	9,528,923	8,781,832	8,054,469	7,413,896	6,168,778
Land transferred to developer	-	-	-	-	-
Capital outlay	6,695,801	18,533,849	14,717,173	913,455	1,534,270
Prefund other post employment benefits obligation	-	-	-	-	-
Debt service:					
Principal retirement	6,862,500	7,260,000	7,712,500	8,095,000	-
Interest	16,508,867	16,261,275	16,736,956	7,816,850	-
Bond issuance costs	-	-	-	-	-
Total expenditures	<u>105,560,200</u>	<u>125,084,152</u>	<u>113,038,636</u>	<u>113,114,628</u>	<u>63,029,329</u>
Excess of revenues over (under) expenditures	<u>(416,823)</u>	<u>(22,589,510)</u>	<u>(10,201,071)</u>	<u>(3,550,441)</u>	<u>335,989</u>
Other Financing Sources (Uses):					
Transfers in	15,856,712	25,559,016	3,207,464	6,044,861	3,495,893
Transfers out	(11,654,802)	(25,559,016)	(2,965,373)	(6,044,861)	(3,495,893)
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	-	-
Total other financing sources (uses)	<u>4,201,910</u>	<u>-</u>	<u>11,242,091</u>	<u>8,668,536</u>	<u>(10,109,094)</u>
Net change in fund balances before extraordinary item	3,785,087	(22,589,510)	1,041,020	5,118,095	(9,773,105)
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>\$ 3,785,087</u>	<u>\$ (22,589,510)</u>	<u>\$ 1,041,020</u>	<u>\$ 20,689,643</u>	<u>\$ (9,773,105)</u>
Debt service as a percentage of noncapital expenditures	23.64%	21.46%	24.87%	14.18%	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				
	2013-14	2014-15	2015-16	2016-17	2017-18
Revenues:					
Property, sales, and other taxes	\$ 32,729,379	\$ 38,334,188	\$ 45,498,217	\$ 47,087,509	\$ 47,005,564
Licenses and permits	2,776,265	3,299,686	3,118,986	2,497,839	3,560,686
Fines and forfeitures	1,032,869	947,802	845,664	591,148	571,017
Investment and rental income	10,678,378	10,295,743	10,659,119	10,272,458	11,288,748
Revenues from other agencies	9,494,456	5,590,887	4,621,525	5,989,277	5,925,146
Current fees and services	5,912,674	5,683,067	5,313,010	5,897,715	6,858,320
Franchise	1,724,318	1,792,320	1,811,958	2,666,159	2,649,011
Other revenues	492,344	525,089	2,540,878	653,766	814,690
Total revenues	<u>64,840,683</u>	<u>66,468,782</u>	<u>74,409,357</u>	<u>75,655,871</u>	<u>78,673,182</u>
Expenditures:					
Current:					
Legislative and administration	4,078,994	1,891,392	1,899,115	2,054,772	1,956,223
Community development	5,128,714	5,217,726	6,274,695	7,261,751	5,796,124
Public works	16,303,401	16,304,994	17,953,430	18,980,316	20,983,741
Water and power	-	-	-	-	-
Community and safety services	22,265,436	22,266,516	22,494,774	23,276,405	24,343,700
Administrative services	10,063,366	9,274,520	10,608,147	11,281,082	12,140,106
Cerritos Center for the Performing Arts	5,614,248	5,123,608	5,321,948	6,062,322	7,448,010
Land transferred to developer	-	-	-	-	-
Capital outlay	708,045	2,050,716	2,113,290	1,034,683	2,787,119
Prefund other post employment benefits obligation	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest	-	-	-	-	-
Bond issuance costs	-	-	-	-	-
Total expenditures	<u>64,162,204</u>	<u>62,129,472</u>	<u>66,665,399</u>	<u>69,951,331</u>	<u>75,455,023</u>
Excess of revenues over (under) expenditures	<u>678,479</u>	<u>4,339,310</u>	<u>7,743,958</u>	<u>5,704,540</u>	<u>3,218,159</u>
Other Financing Sources (Uses):					
Transfers in	2,538,165	4,011,926	6,693,682	5,759,097	10,632,340
Transfers out	(2,538,165)	(4,011,926)	(6,693,682)	(5,759,097)	(9,187,181)
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	-	3,845,000	3,390,836	-	1,097,715
Total other financing sources (uses)	<u>-</u>	<u>3,845,000</u>	<u>3,390,836</u>	<u>-</u>	<u>2,542,874</u>
Net change in fund balances before extraordinary item	678,479	8,184,310	11,134,794	5,704,540	5,761,033
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>\$ 678,479</u>	<u>\$ 8,184,310</u>	<u>\$ 4,965,099</u>	<u>\$ 2,129,845</u>	<u>\$ 13,446,035</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
2008-09	\$ 20,964,054	\$ 1,507,105	\$ 37,045,725	\$ 888,701	\$ 1,137,133	\$ 11,460
2009-10	17,166,108	1,504,852	35,485,851	882,434	1,024,714	6,820
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

(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
2008-09	\$ 1,146,489	\$ 18,358,111	\$ 7,783,043	\$ 15,161,460	\$ 1,140,096	\$ 105,143,377
2009-10	1,103,441	19,768,319	7,090,018	16,614,010	1,848,075	102,494,642
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

(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				
	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
Residential	\$ 4,672,038,063	\$ 4,539,269,735	\$ 4,580,132,941	\$ 4,729,519,127	\$ 4,853,973,263
Commercial	1,343,951,315	1,366,103,446	1,323,612,342	1,319,237,463	1,328,300,323
Industrial	908,573,269	952,870,116	948,998,591	956,167,409	998,702,972
Government	-	-	-	-	-
Institutional	19,811,379	20,572,239	19,001,598	21,387,674	22,968,422
Irrigated	334	340	338	340	346
Miscellaneous	-	-	-	-	-
Recreational	6,653,868	6,786,944	6,770,857	6,821,840	6,958,275
Vacant land	8,777,294	5,495,684	3,313,710	8,219,218	7,626,840
SBE nonunitary	2,597,624	2,597,624	2,597,624	2,597,624	2,597,624
Possessory interest	14,163,200	13,854,359	11,602,663	36,268,951	41,094,458
Unsecured	306,757,198	309,113,020	283,995,026	288,845,948	301,477,458
Exempt	(28,844,386)	(39,947,438)	(32,985,082)	(44,055,369)	(38,989,358)
Unknown	-	-	-	-	-
Subtotal	7,254,479,158	7,176,716,069	7,147,040,608	7,325,010,225	7,524,710,623
Add back exempt	28,844,386	39,947,438	32,985,082	44,055,369	38,989,358
Grand Total	<u>\$ 7,283,323,544</u>	<u>\$ 7,216,663,507</u>	<u>\$ 7,180,025,690</u>	<u>\$ 7,369,065,594</u>	<u>\$ 7,563,699,981</u>
Total Direct Rate	0.59547%	0.48569%	0.48117%	0.48243%	0.48023%

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

Category	Fiscal Year				
	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
Residential	\$ 4,977,340,010	\$ 5,198,430,172	\$ 5,452,662,517	\$ 5,664,862,220	\$ 5,985,120,470
Commercial	1,375,986,165	1,451,612,802	1,461,715,583	1,564,664,100	1,608,072,241
Industrial	1,059,593,438	1,039,888,633	1,064,647,720	1,136,434,293	1,204,290,890
Government	-	-	-	-	-
Institutional	33,259,181	24,120,806	24,598,861	38,647,793	29,800,634
Irrigated	352	352	358	362	368
Miscellaneous	-	-	-	-	-
Recreational	7,097,438	7,129,658	7,272,107	9,778,502	9,974,070
Vacant land	9,771,184	10,108,450	7,847,824	7,874,148	8,866,218
SBE nonunitary	2,597,624	2,597,624	2,597,624	2,597,624	1,090,020
Possessory interest	39,836,710	39,800,342	41,108,313	41,346,564	42,421,550
Unsecured	295,052,199	302,637,567	304,132,822	328,708,158	348,141,264
Exempt	(38,989,210)	(38,720,924)	(44,654,722)	(41,020,226)	(38,894,002)
Unknown	-	-	-	44	-
Subtotal	7,761,545,091	8,037,605,482	8,321,929,007	8,753,893,582	9,198,883,723
Add back exempt	38,989,210	38,720,924	44,654,722	41,020,226	38,894,002
Grand Total	<u>\$ 7,800,534,301</u>	<u>\$ 8,076,326,406</u>	<u>\$ 8,366,583,729</u>	<u>\$ 8,794,913,808</u>	<u>\$ 9,237,777,725</u>
Total Direct Rate	0.08552%	0.08558%	0.08565%	0.08572%	0.08572%

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)
2009	1.0000	.0000	.0338	.0000	.0043	1.0381	0.48174
2010	1.0000	.0000	.0455	.0000	.0043	1.0498	0.48569
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

(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	2017-18		2008-09	
		Assessed Valuations	Percentage of Total (1)	Assessed Valuations	Percentage of Total (1)
City of Cerritos	Commercial	\$ 396,136,172	4.29%	\$ -	0.00%
Macerich Cerritos LLC	Commercial	344,890,159	3.73%	-	0.00%
ICON Owner Pool 1 LA Non-Bus	Industrial	162,357,991	1.76%	-	0.00%
Teachers Insurance and Annuity Assoc.	Industrial	88,605,299	0.96%		0.00%
TPG Cerritos Acquisition, LLC	Residential	87,230,718	0.94%	-	0.00%
Cerritos Retail Centercal, LLC	Commercial	66,668,719	0.72%	-	0.00%
SBMC Cerritos, LLC	Industrial	55,969,000	0.61%	-	0.00%
Cerritos Redevelopment Agency LSR	Commercial	49,293,314	0.53%	-	0.00%
Cerritos Park, LLC	Industrial	45,429,794	0.49%		0.00%
JCC California Properties, LLC	Industrial	42,753,658	0.46%	-	0.00%
Macerich Cerritos LLC	Commercial	-	0.00%	236,356,474	3.25%
Walton CWCA O'Donnell Cerritos	Industrial	-	0.00%	149,430,000	2.05%
Maguire Partners, Inc.	Office Building	-	0.00%	88,746,120	1.22%
Cerritos Towne Center LLC Lessee	Commercial		0.00%	71,683,549	0.98%
Cerritos Best Plaza, LLC	Commerical	-	0.00%	62,239,839	0.85%
TA Western, LLC	Industrial	-	0.00%	59,005,003	0.81%
Cerritos Office Center	Commercial	-	0.00%	55,794,000	0.77%
Cerritos Coporate Tower, LLP	Office Building	-	0.00%	50,286,000	0.69%
Equity Office Properties Trust	Office Building	-	0.00%	49,980,000	0.69%
Cerritos Promenade LLC	Commercial	-	0.00%	44,570,736	0.61%
		<u>\$ 1,339,334,824</u>	<u>14.50%</u>	<u>\$ 868,091,721</u>	<u>11.92%</u>
(1) 2017-18 and 2008-09 total secured assessed valuation is		<u>\$ 9,237,777,725</u>		<u>\$ 7,283,323,544</u>	

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

Fiscal Year	Property Tax Collections
2008-09	\$ 33,711,139
2009-10	32,144,708
2010-11	32,346,242
2011-12	14,732,189
2012-13	-
2013-14	-
2014-15	-
2015-16	-
2016-17	-
2017-18	-

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.

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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
2008-09	\$ 42,278,125	\$ 132,134,375	\$ 1,025,000	\$ 4,600,474	\$ (924,520)	\$ (1,984,981)
2009-10	39,763,125	127,389,375	1,025,000	4,293,775	(862,885)	(1,843,196)
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	-	-	-	-	-	-

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				
2008-09	\$ -	\$ -	\$ 177,128,473	52,172	\$ 3,395	8.308%
2009-10	-	-	169,765,194	52,249	3,249	7.775%
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)

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.

City of Cerritos
Schedule of Direct and Overlapping Bonded Debt
June 30, 2018

2017-18 Assessed Valuation: \$9,237,777,725

	Total Debt (3) 6/30/2018	% Applicable (1)	City's Share of Debt 6/30/18
OVERLAPPING TAX AND ASSESSMENT DEBT:			
Los Angeles County Flood Control District	60,600,000	0.337%	\$ 204,222
Cerritos Community College District	324,355,987	20.379	66,100,507
ABC Unified School District	29,034,045	60.631	17,603,632
Bellflower Unified School District	76,360,000	3.906	2,982,622
Los Angeles County Regional Park and Open Space Assessment District	26,575,000	0.648	172,206
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 87,063,189
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Los Angeles County General Fund Obligations	\$1,921,992,404	0.648%	\$12,454,511
Los Angeles County Superintendent of Schools Certificates of Participation	6,500,306	0.648	42,122
Bellflower Unified School District Certificates of Participation	13,815,000	3.906	539,614
City of Cerritos General Fund Obligations	-	100	-
Los Angeles County Sanitation District No. 2 Authority	11,504,168	0.886	101,927
Los Angeles County Sanitation District No. 3 Authority	8,741,356	0.347	30,333
Los Angeles County Sanitation District No. 18 Authority	6,431,464	7.224	464,609
Los Angeles County Sanitation District No. 19 Authority	2,072,109	45.009	932,636
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$14,565,752
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):	\$80,580,000	100%	\$80,580,000
TOTAL DIRECT DEBT			\$0
TOTAL OVERLAPPING DEBT			\$182,208,941
COMBINED TOTAL DEBT			\$182,208,941 (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 2017-18 Assessed Valuation:

Overlapping Tax and Assessment Debt	0.94%
Total Direct Debt	0.00%
Combined Total Debt	1.97%

Ratios to Redevelopment Successor Agency Incremental Valuation (4,150,055,620):

Total Overlapping Tax Increment Debt	1.94%
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Source: California Municipal Statistics, Inc.

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City of Cerritos
Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year				
	2008-09	2009-10	2010-11	2011-12	2012-13
Debt Limit	\$ 1,098,825,713	\$ 1,089,326,156	\$ 1,084,570,960	\$ 1,112,986,620	\$ 1,142,098,479
Total net debt applicable to limit	-	-	-	-	-
Legal debt margin	<u>\$ 1,098,825,713</u>	<u>\$ 1,089,326,156</u>	<u>\$ 1,084,570,960</u>	<u>\$ 1,112,986,620</u>	<u>\$ 1,142,098,479</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				
	2013-14	2014-15	2015-16	2016-17	2017-18
Debt Limit	\$ 1,176,293,833	\$ 1,219,571,424	\$ 1,263,255,833	\$ 1,326,564,282	\$ 1,394,812,766
Total net debt applicable to limit	-	-	-	-	-
Legal debt margin	<u>\$ 1,176,293,833</u>	<u>\$ 1,219,571,424</u>	<u>\$ 1,263,255,833</u>	<u>\$ 1,326,564,282</u>	<u>\$ 1,394,812,766</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 2017-2018:

Assessed value	\$ 9,237,777,725
Add back: exempt real property	<u>60,974,045</u>
Total assessed value	<u>\$ 9,298,751,770</u>
Debt limit (15% of total assessed value)	\$ 1,394,812,766
Debt applicable to limit	<u>-</u>
Legal debt margin	<u>\$ 1,394,812,766</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)
2008-09	52,172	40,867	2,132,113	6.20%
2009-10	52,249	41,791	2,183,538	6.70%
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%

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

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

Department	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14 (a)	2014-15 (a)	2015-16 (a)	2016-17 (a)	2017-18 (a)
Legislative and administration	9	9	9	8	8	7	7	7	6	7
Community Development	20	20	20	19	18	17	17	18	17	19
Public Works	111	96	90	84	78	71	69	67	68	72
Water and Power	18	17	17	17	15	14	13	15	13	16
Community and safety services	292	298	296	292	294	246	248	253	234	307
Administrative services	155	153	150		129	121	115	118	119	132
Cerritos Center for the Performing Arts	190	200	200	198	197	76	71	87	84	92
Total	795	793	782	618	739	552	540	565	541	645
Full-Time employees	235	239	230	214	209	189	181	186	175	189
Part-Time employees	560	554	552	544	530	363	359	379	366	456
Total	795	793	782	758	739	552	540	565	541	645

(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				
	2008-09	2009-10	2010-11	2011-12	2012-13
Public Works					
Maintenance:					
Graffiti removal (average incidence)	7,800	7,800	7,000	7,500	5,500
Streetsweeping miles	7,100	7,100	7,100	7,100	7,100
Trees maintained	29,450	29,500	28,500	28,500	28,700
Trees trimmed	12,000	12,000	4,000	7,500	4,000
Water and Power					
Water:					
Number of customer accounts	15,159	15,668	15,668	15,714	15,676
Average daily consumption (millions of gallons)	9.75	8.57	8.16	8.17	8.26
Water samples taken (annual)	2,038	2,039	2,076	2,052	2,702
Community and Safety Services					
Police (1):					
Number of sworn officers	59	60	63	62	67
Community Service officers (non-sworn)	14	19	17	15	16
Calls dispatched	16,830	16,745	14,738	14,469	15,110
Crime reports	5,843	5,511	4,900	4,887	5,725
Moving citations	6,395	5,868	6,376	6,518	7,372
Parking citations	1,116	1,089	1,923	509	413
Culture and Recreation:					
Leisure classes attendance	48,360	53,360	51,423	47,317	49,957
Indoor park reservation attendance	99,119	101,237	91,813	79,264	76,953
Picnic shelter attendance	53,880	57,903	77,475	80,785	76,376
Swim lessons attendance	292,674	284,994	265,800	252,221	250,341
Recreational swim attendance	51,594	48,784	49,182	54,695	55,330
Volunteer hours	11,974	12,550	13,158	13,760	15,599
Administrative Services					
Library:					
Number of patrons	1,064,875	1,128,990	1,066,492	1,035,263	964,412

(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				
	2013-14	2014-15	2015-16	2016-17	2017-18
Public Works					
Maintenance:					
Graffiti removal (average incidence)	6,000	5,500	4,750	6,270	4,600
Streetsweeping miles	7,100	7,100	7,100	7,100	7,100
Trees maintained	28,900	28,000	28,000	28,000	28,000
Trees trimmed	4,000	2,700	5,255	5,284	7,900
Water and Power					
Water:					
Number of customer accounts	15,655	15,792	15,752	15,714	15,567
Average daily consumption (millions of gallons)	8.10	7.55	6.07	7.72	6.16
Water samples taken (annual)	2,130	2,061	2,086	2,111	2,088
Community and Safety Services					
Police (1):					
Number of sworn officers	68	65	63	66	66
Community Service officers (non-sworn)	3	3	3	3	3
Calls dispatched	15,798	16,469	11,608	20,067	18,378
Crime reports	4,990	4,747	3,467	6,145	5,457
Moving citations	7,336	6,351	2,857	3,941	6,031
Parking citations	463	664	412	645	856
Culture and Recreation:					
Leisure classes attendance	47,583	43,636	40,613	38,262	36,228
Indoor park reservation attendance	78,284	69,264	71,224	65,618	64,723
Picnic shelter attendance	65,953	48,869	60,013	73,409	70,988
Swim lessons attendance	237,457	213,559	218,618	202,077	157,908
Recreational swim attendance	55,656	48,162	42,294	44,842	42,000
Volunteer hours	15,855	14,948	13,902	12,027	10,021
Administrative Services					
Library:					
Number of patrons	935,480	912,852	1,955,332	2,652,290	2,781,673

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

City of Cerritos
Capital Assets By Function
Last Ten Fiscal Years

Function	Fiscal Year				
	2008-09	2009-10	2010-11	2011-12	2012-13
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	247,405	258,349	245,942	269,926	265,789

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

Function	Fiscal Year				
	2013-14	2014-15	2015-16	2016-17	2017-18
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	252,108	266,647	264,316	265,507	268,772

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