



# City of Cerritos, California

## Comprehensive Annual Financial Report

for the Fiscal Year ended June 30, 2016





**CITY OF CERRITOS, CALIFORNIA**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2016**

Prepared by:

Administrative Services Department



**City of Cerritos**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2016**

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# CITY OF CERRITOS

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OFFICE OF THE CITY MANAGER  
**ART GALLUCCI**

December 21, 2016

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, 2016.

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, 2016, the City expended less than \$750,000 on Federal financial assistance programs; and therefore, no single audit was required.

## **Profile of the City of Cerritos**

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

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

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

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

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**

Regarded by many as the pre-eminent commercial center of southeast Los Angeles County, the City continually strives to maintain an exemplary business climate. Though not immune to challenging financial and economic environments, Cerritos' environment of economic stability is derived partially as a result of the continuing outstanding performance of regional commercial attractions such as the Cerritos Auto Square, Los Cerritos Center and the Cerritos Towne Center.

Since its inception, the Cerritos Towne Center has established itself as one of Southern California's most successful centers of commercial, recreational and business activity. The ongoing success of retailers such as Kohl's, Ross, Trader Joe's and Best Buy has been enhanced by the Edwards Cinemas and an outstanding variety of retail and dining establishments.

Despite a challenging economic environment, the Cerritos Center for the Performing Arts (CCPA) enjoyed another successful year with an impressive array of performances. The CCPA has become a destination point within the Towne Center, and intentional marketing efforts will help to ensure the success of the CCPA and the Towne Center in future years.

Additionally, the City is home to one of Southern California's largest retail centers, the Los Cerritos Center. As one of the regions elite shopping destinations, the Los Cerritos Center has responded successfully to changing economic cycles many times since its opening in 1971. The mall's ownership group, the Macerich Corporation, has demonstrated its ongoing stewardship of the mall through an unwavering commitment to maintaining the mall's economic vitality.

The Macerich Corporation's commitment to remaining on the forefront of retail development has been demonstrated through the major renovations that were recently completed at the mall. The renovations included the development of a new 80,000-square-foot Dick's Sporting Goods, a 16-screen, state-of-the-art Harkins movie theatre, and a 10,000 square-foot Cheesecake Factory restaurant. The renovation also included upgraded landscape, new entryways throughout the entire center, new entry signage and a new pedestrian plaza located adjacent to The Cheesecake Factory.

The Cerritos Auto Square continues to retain its designation as the world's largest auto center. For more than three decades, the Cerritos Auto Square has served as a cornerstone of the City's economic stability. It has defined the concept of the "one-stop" auto mall, and it is still recognized as the world's prototypical auto center. Having recovered from the economic downturn that plagued auto sales for several years, the Auto Square approached all-time highs in sales volume over the past year and forecasts for the current fiscal year project even greater sales for the 2016-17 fiscal year.

Located just north of the Los Cerritos Center, the Plaza 183 shopping center (formerly Best Plaza) recently completed major renovations, with the demolition and reconstruction of several buildings. The upgraded center features a Santa Barbara-inspired contemporary architectural style and includes the construction of new retail and restaurant tenant spaces, new and refurbished landscape, enhanced signage, and a comprehensive rebranding of the shopping center. New tenants include Nordstrom Rack, Saks Off Fifth, Old Navy, 24 Fitness, Off Broadway Shoes, Blaze Pizza, Habit Burger, and several others.

The 2015-16 fiscal year marked the tenth year that the City's electric utility operation supplied energy to retail consumers in Cerritos. The electric utility now serves approximately 327 accounts and supplies approximately 84 million kilowatt-hours to retail customers. This is in contrast to the first year of the utility's operations (2005), when select City accounts and six ABC Unified School District accounts represented the Utility's contracted customers.

Despite the continued success of the City in a number of arenas, the City's long-term economic outlook is tenuous. The dissolution of redevelopment in California and the corresponding loss of tax increment revenue have resulted in approximately \$14 million per year of former redevelopment funds being diverted to other governmental entities. These losses, coupled with the continuous escalation of a variety of contractual operating expenses, have placed the City in a position where it has had to contend with an operational budget deficit. The City is currently aggressively seeking solutions to this issue and the ultimate resolution of this matter will serve to significantly shape the City's economic outlook as it moves forward.

The City of Cerritos will continue to work to preserve its resources while seeking to maintain and provide the highest level of service to its residents. In fulfilling this mission, the City's compliance with new rules, regulations and procedures will remain among our highest priorities.

### **Short-Term and Long-Term Financial Planning**

In accordance with the provisions of the City of Cerritos Charter, a City budget covering operating revenue and expenditures, labor usage, sources and uses of funds is prepared annually based on national and local economic assumptions.

For financial planning purposes, the City conducts comprehensive City-wide financial forecasting in conjunction with its revenue consultants and other sources.

During the past seven years the City has utilized a range of temporary and permanent cost reduction initiatives, economic development and revenue generation priorities, outside grants and the use of fiscal reserves only as necessary. While the City has weathered the effects of a weak economy and the loss of redevelopment tax increment revenue, and continued to provide critical services to the public in such areas as public safety, facility maintenance, parks maintenance and infrastructure improvements, further cost reduction measures and/or revenue generation options need to be identified in order to resolve a chronic operational budget deficit.

### **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, 2015. 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.

December 21, 2016

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The Certificate of Achievement from the GFOA is valid for a period of one year. We believe that this 2015-16 CAFR continues to conform to the Certificate of Achievement program requirements, and it will be submitted to GFOA for award consideration.

The preparation and publication of this report would not have been possible without the dedication, professionalism, and teamwork of the entire staff of the Finance Division within the Administrative Services Department and the City's independent auditors, 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 that reads "Art Gallucci". The signature is written in a cursive style with a large, stylized "A" and "G".

Art Gallucci  
City Manager

CITY OF CERRITOS

City Council

George Ray, Mayor  
Naresh Solanki, Mayor Pro Tem  
Carol K. Chen  
Jim Edwards  
Mark E. Pulido

Economic Development Commission

Richard Alegria, Chair  
Carmelita Lampino, Vice Chair  
Robert D. Buell  
Rosalinda Law  
Dan Padelford

Fine Arts and Historical Commission

Doris T. Iglesias, Chair  
Janet L. Beach, Vice Chair  
Nora T. Benzon  
Larry Sagert  
Anna Titus

Parks and Recreation Commission

James Fong Yee, Ph.D., Chair  
Joe Frontino, Vice Chair  
Joe A. de Guzman  
Jack Reidy  
Kit Snider

Planning Commission

Tatiana Yokoyama Bui, Chair  
Brad Beach, Vice Chair  
Deepak (DJ) Jhaveri  
Becky Lingad  
Chuong Vo

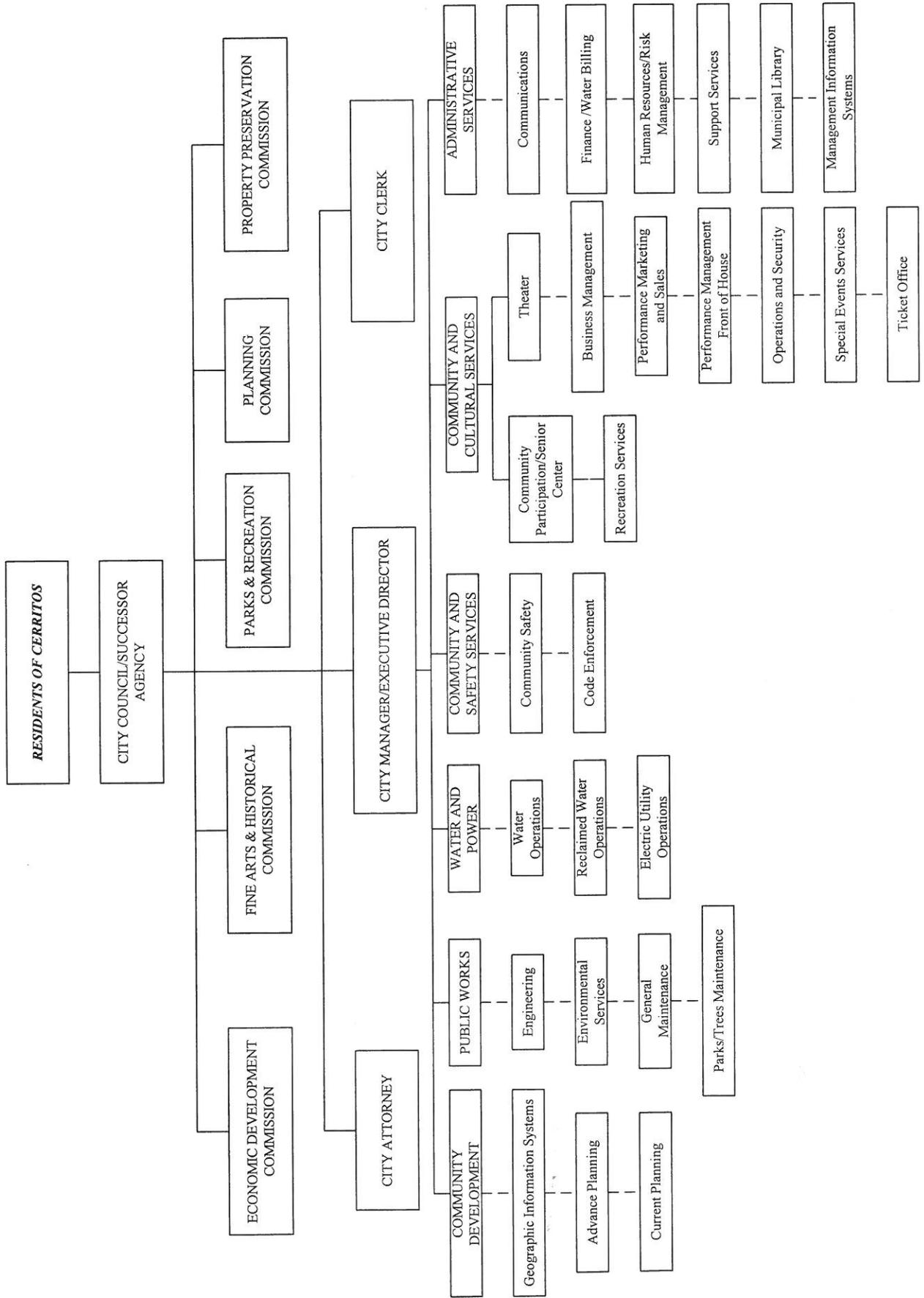
Property Preservation Commission

Philip H. Hickok, Chair  
John K. Dawson, Vice Chair  
Waldo Arballo  
Levi A. Javier  
Chan-Yong Kim

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, 2015**

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, 2016, 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, 2016, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the 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 18 and 103 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.

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.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2016 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.

A handwritten signature in black ink that reads "The PwC Group, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California  
December 21, 2016

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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, 2016, 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 21, 2016.

**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.

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

### **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*.

### **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.

A handwritten signature in black ink that reads "The Per Group, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California  
December 21, 2016

**City of Cerritos, California**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2016**

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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, 2016. 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, 2016 by \$361.7 million, which is referred to as the net position of the City. Of this amount, \$287.5 million is net investment in capital assets, \$11.3 million is restricted, and \$62.9 million is unrestricted. The unrestricted amount may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's net position decreased \$44.1 million which is mainly attributable to the \$45.9 million special item which is a result of an allowance relating to the Successor Agency.
- Governmental funds for the City reported combined fund balances of \$171.1 million. Of this amount, \$81 million is nonspendable, \$11.3 million is restricted by external parties, \$21.4 million has been assigned by City management, and \$57.4 million is unassigned fund balance which is available for future appropriation.
- As of June 30, 2016, General Fund expenditures are \$56.6 million, which represent 98.6% of the unassigned fund balance.
- As of June 30, 2016, the cash and investments of the General Fund are \$77.7 million, which represent 48.6% of the total fund balance for the Fund.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Government-wide Financial Statements**

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

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

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

**City of Cerritos, California**  
**Management's Discussion and Analysis (Continued)**  
**Year Ended June 30, 2016**

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**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 sixteen 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 following major funds: General Fund, Housing Assets Special Revenue Fund, and from the other fourteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

**City of Cerritos, California**  
**Management's Discussion and Analysis (Continued)**  
**Year Ended June 30, 2016**

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**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Fund Financial Statements (Continued)**

- **Proprietary Funds**

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

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

- **Fiduciary Funds**

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

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

**Notes to the Basic Financial Statements**

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

**Other Information**

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

**City of Cerritos, California**  
**Management's Discussion and Analysis (Continued)**  
**Year Ended June 30, 2016**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The following table summarizes the Statement of Net Position for fiscal years ending June 30, 2016 and June 30, 2015.

	City of Cerritos Net Position (in millions)					
	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Cash and investments	\$ 101.6	\$ 111.3	\$ 1.6	\$ 2.3	\$ 103.2	\$ 113.6
Other Assets	111.0	96.2	(28.8)	(23.7)	82.2	72.5
Capital Assets	257.4	262.6	41.5	40	298.9	302.6
Total Assets	<u>470.0</u>	<u>470.1</u>	<u>14.3</u>	<u>18.6</u>	<u>484.3</u>	<u>488.7</u>
Deferred Outflows	<u>5.3</u>	<u>3.5</u>	<u>0.5</u>	<u>0.3</u>	<u>5.8</u>	<u>3.8</u>
Other Liabilities	15.6	13.6	3.2	3.4	18.8	17.04
Long term liabilities outstanding	87.6	43.7	16	15.96	103.6	59.66
Total Liabilities	<u>103.2</u>	<u>57.3</u>	<u>19.2</u>	<u>19.4</u>	<u>122.4</u>	<u>76.7</u>
Deferred Inflows	<u>5.5</u>	<u>9.2</u>	<u>0.5</u>	<u>0.8</u>	<u>6.0</u>	<u>10.0</u>
Net Position						
Net investment in capital assets	257.4	262.6	30.1	28.4	287.5	291.0
Restricted	11.3	6.1	0.0	0.0	11.3	6.1
Unrestricted	<u>97.9</u>	<u>138.4</u>	<u>(35.0)</u>	<u>(29.7)</u>	<u>62.9</u>	<u>108.7</u>
Total Net Position	<u>\$ 366.6</u>	<u>\$ 407.1</u>	<u>\$ (4.9)</u>	<u>\$ (1.3)</u>	<u>\$ 361.7</u>	<u>\$ 405.8</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 \$361.7 million as of June 30, 2016. The net position decreased \$44.1 million, or 10.9%, during fiscal year 2015-16. Additionally, total assets decreased by \$4.4 million or 0.9% and liabilities increased \$45.7 million or 59.6% when compared to June 30, 2015.

The largest portion of the City's net position at June 30, 2016 (\$287.5 million, or 79.5% 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 investment in capital assets is attributable to normal depreciation of existing capital assets and the sale of some property. The increase in enterprise capital assets is primarily the construction of a new reclaimed water line. The restricted portion of the City's net position of \$11.3 million or 3.1%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$62.9 million may be used to meet the government's ongoing obligations to citizens and creditors.

**City of Cerritos, California**  
**Management's Discussion and Analysis (Continued)**  
**Year Ended June 30, 2016**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

Cash and investments decreased 9.2%, or \$10.4 million when compared to the previous fiscal year. The decrease is largely as a result of redevelopment agency dissolution payments. The deferred inflows and deferred outflows are related to the City's pension.

City of Cerritos Change in Net Position  
(in millions)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues:						
Charges for services	\$ 9.1	\$ 9.9	\$ 16.2	\$ 16.5	\$ 25.3	\$ 26.4
Operating grants and contributions	5.1	5.3	-	-	5.1	5.3
Capital grants and contributions	2.7	0.2	0.3	0.3	3.0	0.5
General revenues:						
Taxes	48.3	41.1	-	-	48.3	41.1
Investment income	10.0	9.6	-	-	10.0	9.6
Miscellaneous	1.7	0.3	-	-	1.7	0.3
Total revenues	<u>76.9</u>	<u>66.4</u>	<u>16.5</u>	<u>16.8</u>	<u>93.4</u>	<u>83.2</u>
Expenses:						
Legislative and administration	2.5	4.9	-	-	2.5	4.9
Community development	7.9	7.1	-	-	7.9	7.1
Public works	17.3	16.7	-	-	17.3	16.7
Water and power	0.1	-	-	-	0.1	-
Community and safety services	23.6	24.3	-	-	23.6	24.3
Administrative services	12.4	11.1	-	-	12.4	11.1
Cerritos Center for the Performing Arts	6.8	6.9	-	-	6.8	6.9
Unallocated infrastructure depreciation	0.9	0.9	-	-	0.9	0.9
Interest expense	-	-	-	-	-	-
Water and Sewer	-	-	12.3	12.0	12.3	12.0
Reclaimed water	-	-	1.2	1.4	1.2	1.4
Electric Utility	-	-	6.6	7.2	6.6	7.2
Total expenses	<u>71.5</u>	<u>71.9</u>	<u>20.1</u>	<u>20.6</u>	<u>91.6</u>	<u>92.5</u>
Change in net position						
before special item and extraordinary loss and transfers	5.4	(5.5)	(3.6)	(3.8)	1.8	(9.3)
Speical Item gain / (loss)	(45.9)	-	-	-	(45.9)	-
Extraordinary gain / (loss)	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Change in net position	<u>(40.5)</u>	<u>(5.5)</u>	<u>(3.6)</u>	<u>(3.8)</u>	<u>(44.1)</u>	<u>(9.3)</u>
Net position, beginning of year (as restated)	<u>407.1</u>	<u>412.6</u>	<u>(1.3)</u>	<u>2.5</u>	<u>405.8</u>	<u>415.1</u>
Net position, end of year	<u>\$ 366.6</u>	<u>\$ 407.1</u>	<u>\$ (4.9)</u>	<u>\$ (1.3)</u>	<u>\$ 361.7</u>	<u>\$ 405.8</u>

# City of Cerritos, California

## Management's Discussion and Analysis (Continued)

### Year Ended June 30, 2016

#### GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The City's total revenues were \$93.4 million in fiscal year 2015-2016, while the total cost of all programs and services was \$91.9 million. Revenues increased by \$10.2 million over the prior year, as a result of a \$2.5 million donation of museum assets, increases in taxes received (primarily sales tax), \$1.6 million of insurance proceeds, and the sale of some property.

Expenses decreased \$0.9 million, or 1.0% when compared to fiscal year 2014-15 as a result of improved investment results in the retirement health savings accounts. Expenses do not include capital projects, principal payments, or amounts loaned to other funds.

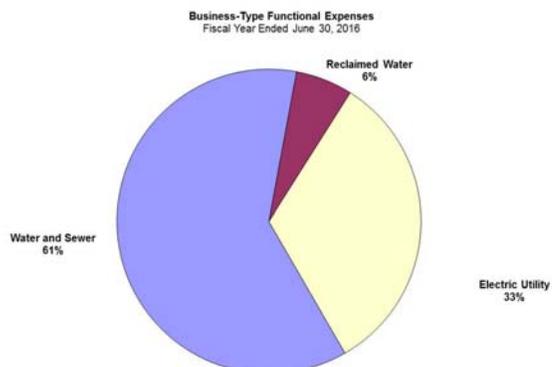
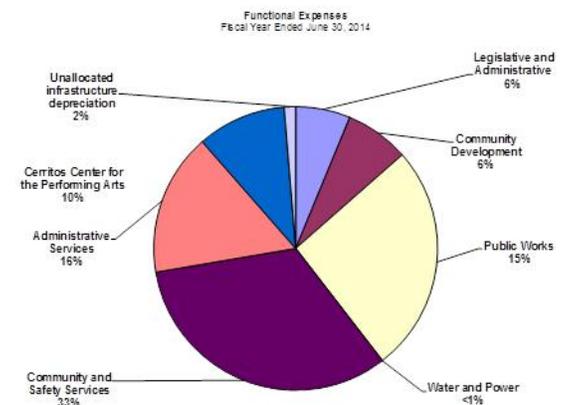
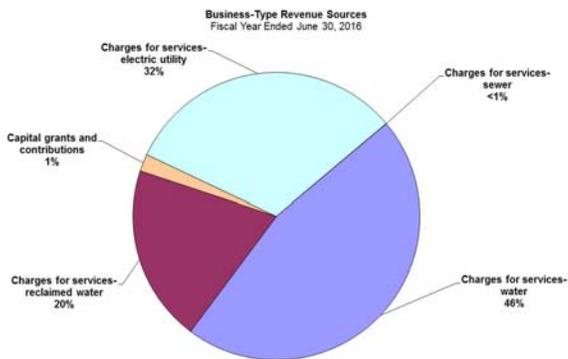
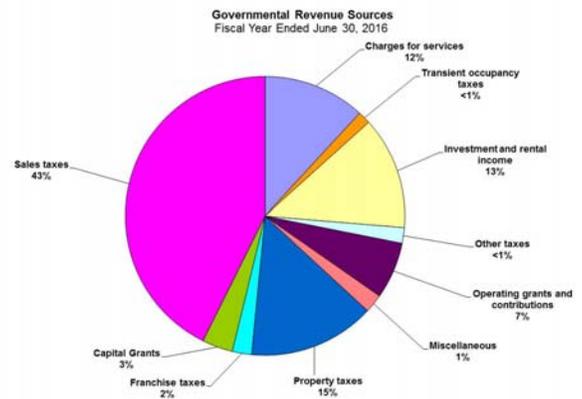
As noted in the previous table (see the previous page), the City's net position decreased by \$44.1 million during the current fiscal year.

Approximately 51.7% of all revenues this past year came from some form of tax (decrease from 49.4% in fiscal year 2014-15).

#### Governmental Activities

Revenues associated with governmental activities for fiscal year 2015-16 were \$10.5 million higher than the prior year, mainly due to an increase in taxes. Taxes increased \$7.2 million due to increases in receipts of sales tax, property taxes, and transient occupancy taxes.

Expenses associated with governmental activities decreased \$0.4 million when compared to the previous year. The main reason for the decrease was the prior year sale of commercial property resulting in a loss of \$1.7 million.



#### Business-Type Activities

Business-type activities decreased the City's net position by \$3.6 million when compared to fiscal year 2014-15. The decrease is attributable to an operating deficit in the electric utility resulting from the dissolution of the redevelopment agency. The revenues were similar to those in the prior year.

Expenses decreased \$0.5 million, as a result of slightly lower costs for the electric utility.

**City of Cerritos, California**  
**Management's Discussion and Analysis (Continued)**  
**Year Ended June 30, 2016**

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**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 \$171.1 million, representing an increase of \$6.2 million from the prior fiscal year. Nonspendable fund balances total \$81 million most of which is for long-term receivables (\$80.5 million) from the Cerritos Auto Dealer, Successor Agency, Electric Utility, and Water and Sewer Funds. Restricted fund balances, legally restricted by external parties, total \$11.3 million. An additional \$21.4 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 \$57.4 million, which represents 35.9% of the total fund balance. The remaining fund balance for the General Fund includes nonspendable of \$80.1 million and \$21.4 million is assigned.

The City's General Fund balance increased \$4.6 million due primarily to i) proceeds from the sale of property of \$3.4 million and ii) increased sales tax revenue.

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 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 (\$4.9) million. The total change in net position for these funds was a decrease of \$2.5 million. The Water and Sewer fund adopted rate increases that should reduce the deficits in the future. The Electric Utility fund had an operating deficit of \$250,000, and the debt, which was previously paid by the Redevelopment Agency, has contributed to the annual deficits. The City is working with the State to resolve the classification of the debt.

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

**City of Cerritos, California**  
**Management's Discussion and Analysis (Continued)**  
**Year Ended June 30, 2016**

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**FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)**

**Fiduciary Funds**

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

The City presents one fiduciary fund which is the Private Purpose Trust Fund. At June 30, 2016, the net position maintained a deficit balance in the amount of \$124.1 million.

Operating additions exceeded deductions which resulted in an increase of net position. The major components of the additions was the Successor Agency's share of property taxes from the Redevelopment Property Tax Trust Fund and the adjustment to the amount due to the City.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

During the fiscal year, there was a \$0.6 million increase between the original and final budget due to various adjustments across most departments. Additionally, for the seventh 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 increased by \$8.6 million during the current fiscal year. Sales taxes, property taxes, and transient occupancy taxes provided most of the increase. Even with the increased revenue including the sale of property and one-time insurance proceeds, the General Fund operated with a budget deficit primarily due to additional loans made to other funds. In the General Fund, total fund balance increased, but spendable fund balance decreased.

General Fund Expenditures as noted in the final budget when compared with actual expenses resulted in a positive variance in the amount of \$2.7 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 (Continued)**  
**Year Ended June 30, 2016**

**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, 2016, amounts to \$298.9 million (net of accumulated depreciation) a decrease of \$3.7 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, 2016.

City of Cerritos Capital Assets (in millions)						
	Governmental activities		Business-type activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 76.8	\$ 80.2	\$ -	\$ -	\$ 76.8	\$ 80.2
Parking structure rights	3.8	3.8	-	-	3.8	3.8
Right-of-way	49.1	49.1	-	-	49.1	49.1
Public art	7.4	4.8	-	-	7.4	4.8
Trees	1.4	1.4	-	-	1.4	1.4
Construction in progress	-	-	-	0.2	-	0.2
Buildings and structures	97.0	101.8	3.1	3.3	100.1	105.1
Improvements other than buildings	6.3	5.8	-	-	6.3	5.8
Infrastructure/water mains and lines/sewer mains	12.8	13.9	26.4	24.3	39.2	38.2
Water rights	-	-	1.4	1.5	1.4	1.5
Electric Rights	-	-	8.9	9.4	8.9	9.4
Furniture and equipment	2.9	1.9	1.7	1.3	4.6	3.2
Total	<u>\$ 257.4</u>	<u>\$ 262.6</u>	<u>\$ 41.5</u>	<u>\$ 40.0</u>	<u>\$ 298.9</u>	<u>\$ 302.6</u>

Major capital asset transactions during the fiscal year included the sale of commercial real estate reducing land by \$3.4 million.

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 (Continued)**  
**Year Ended June 30, 2016**

**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.

Additionally, the Successor Agency transferred the Magnolia Bonds to the City in the amount of \$12.3 million.

At the end of the current fiscal year, the Successor Agency had total debt outstanding of \$104.6 million.

Successor Agency Long-Term Debt (in millions)		
	2016	2015
Los Cerritos Revenue Bonds	\$ 18.8	\$ 22.1
Los Coyotes Revenue Bonds	83.8	90.0
Add Deferred Amounts	2.0	2.2
Subtotal - Revenue Bonds	\$ 104.6	\$ 114.3
Note Payable	-	0.2
Total Long-Term Debt	\$ 104.6	\$ 114.5

At the end of the current fiscal year, the City had total debt outstanding of \$51 million which consisted of \$11.3 million of the Magnolia Bonds transferred by the Successor Agency to the City's Electric fund, and \$39.7 million for the long-range property management plan.

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 abrupt dissolution of redevelopment has presented significant difficulties for many cities within California. The loss of redevelopment has taken away a vital tool that cities have used traditionally to provide various public improvements. In addition, highly publicized media reports regarding service reductions, municipal bankruptcies and intractable political issues have brought little reassurance to an increasingly skeptical public.

While Cerritos has been able to avoid the most severe repercussions, there is no doubt that the challenges brought about by the loss of redevelopment is among the most difficult the City has faced. The challenges facing the public sector in general, and Cerritos in particular, are expected to persist and there is much work to be done in restoring the fiscal stability of California's public sector.

**City of Cerritos, California**  
**Management's Discussion and Analysis (Continued)**  
**Year Ended June 30, 2016**

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (CONTINUED)**

While we await a more hopeful legislative environment, our track record tells us that the most lasting and satisfying solutions will result from within, based on the City's own ability to address challenges through innovation and creativity. From the development of the General Plan and Cerritos Auto Square, construction of a pioneering reclaimed water system, our photovoltaic project at the at the Corporate Yard, and the wildly popular Teen Studio at the Library, we have been able to identify and deliver solutions that have been unorthodox, innovative and successful.

Despite a challenging economic climate the City of Cerritos has been able to maintain its vibrant business community. The combined tax revenues, particularly sales tax and income from investments and ground leases have helped the City. While the City has been able to maintain its levels of service to the community by positioning itself to withstand fluctuations in the economic environment, it has needed to rely on reserves to continue operations, and the City has been faced with an ongoing operational budget deficit.

The City's continued ability to attract significant investment from the commercial development community was evidenced with the commencement of significant construction improvements, involving the addition of several hundred thousand square feet of commercial space, at the Los Cerritos Center and Plaza 183 shopping center. In addition, the Aria 198-unit luxury apartment complex was completed across from the City's Towne Center. These accomplishments are strong examples of the City's continued ability to generate significant tax revenues, attract commercial investment in the community and enhance its economic base.

Within this difficult economic environment, the continued careful management of expenditures has enabled the City to maintain its ability to fund current levels of services to its residents through the use of its reserves. The City has, in the past, used unassigned fund balance for specific capital projects, while taking a cautious approach to spending in light of the loss of redevelopment. Management is concerned that current level of services can only be maintained for a limited time while continuing to draw on reserves and that a long-term solution, whether through continued expenditure reductions or the identification of alternative revenue sources, is needed to again place the City on secure footing.

The recent fluctuations in revenues, increasing demand for City services, and an ever changing economic environment at the State level continue to be taken into account by the City when budgeting its expenses for the upcoming year. The City of Cerritos continues to adopt a budget that not only serves as a financial plan, but also a communication device, policy tool and operations guide for the City Council and the citizens of Cerritos.

**City of Cerritos, California**  
**Management's Discussion and Analysis (Continued)**  
**Year Ended June 30, 2016**

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**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 Administrative Services Department at the City of Cerritos, 18125 Bloomfield Avenue, Cerritos, CA 90703, or call (562) 860-0311 or visit our website at [www.cerritos.us](http://www.cerritos.us).

## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**City of Cerritos**  
**Statement of Net Position**  
**June 30, 2016**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 101,644,935	\$ 1,620,576	\$ 103,265,511
Accounts receivable	11,931,140	2,547,928	14,479,068
Interest receivable	130,080	-	130,080
Internal balances	31,329,850	(31,329,850)	-
Loans receivable	283,401	-	283,401
Notes receivable	1,095,000	-	1,095,000
Prepaid items	2,323,903	73,524	2,397,427
Inventories	24,505	-	24,505
Advances to Fiduciary Funds (Note 5)	48,915,651	-	48,915,651
Net OPEB asset (Note 10B)	14,932,487	-	14,932,487
Capital assets:			
Nondepreciable	138,494,256	-	138,494,256
Depreciable, net	118,860,914	41,455,590	160,316,504
Total capital assets, net	257,355,170	41,455,590	298,810,760
<b>Total assets</b>	<b>469,966,122</b>	<b>14,367,768</b>	<b>484,333,890</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related deferred outflows of resources (Note 10)	5,315,602	493,798	5,809,400
<b>Total deferred outflows of resources</b>	<b>5,315,602</b>	<b>493,798</b>	<b>5,809,400</b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	4,623,043	2,184,040	6,807,083
Accrued salaries and benefits	5,439,622	118,160	5,557,782
Unearned revenue	2,189,939	516,890	2,706,829
Deposits payable	719,670	41,919	761,589
Settlement payable	1,969,162	-	1,969,162
Compensated absences:			
Due within one year	595,644	40,701	636,345
Due in more than one year	1,786,932	122,104	1,909,036
Aggregate net pension liabilities (Note 10)	46,067,422	4,903,122	50,970,544
Long-term debt:			
Due within one year	-	310,000	310,000
Due in more than one year	39,734,470	11,005,000	50,739,470
<b>Total liabilities</b>	<b>103,125,904</b>	<b>19,241,936</b>	<b>122,367,840</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related deferred inflows of resources (Note 10)	5,517,239	512,529	6,029,768
<b>Total deferred inflows of resources</b>	<b>5,517,239</b>	<b>512,529</b>	<b>6,029,768</b>
<b>NET POSITION</b>			
Net investment in capital assets	257,355,170	30,140,590	287,495,760
Restricted for:			
Housing assets	9,462,617	-	9,462,617
Assessment districts	84,023	-	84,023
Street improvements	105,332	-	105,332
Transportation	1,703,058	-	1,703,058
Miscellaneous grants	1,210	-	1,210
Unrestricted (deficit)	97,927,171	(35,033,489)	62,893,682
<b>Total net position</b>	<b>\$ 366,638,581</b>	<b>\$ (4,892,899)</b>	<b>\$ 361,745,682</b>

**City of Cerritos**  
**Statement of Activities**  
**For the Year Ended June 30, 2016**

<b>Functions/Programs</b>	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Legislative and Administration	\$ 2,465,291	\$ 9,582	\$ 1,002,801	\$ 2,570,665
Community Development	7,917,327	1,982,017	1,881,832	160,016
Public Works	17,268,089	199,911	1,901,655	-
Water and Power	142,503	-	-	-
Community and Safety Services	23,633,551	3,192,486	120,612	-
Administrative Services	12,390,186	318,424	1,750	-
Cerritos Center for the Performing Arts	6,821,863	3,407,864	176,364	-
Unallocated infrastructure depreciation	934,773	-	-	-
Total Governmental Activities	<u>71,573,583</u>	<u>9,110,284</u>	<u>5,085,014</u>	<u>2,730,681</u>
<b>Business-Type Activities:</b>				
Water and Sewer	12,318,355	7,652,183	-	320,264
Reclaimed Water	1,222,306	3,282,140	-	-
Electric Utility	6,573,374	5,262,263	-	-
Total Business-Type Activities	<u>20,114,035</u>	<u>16,196,586</u>	<u>-</u>	<u>320,264</u>
<b>Total</b>	<u><u>\$ 91,687,618</u></u>	<u><u>\$ 25,306,870</u></u>	<u><u>\$ 5,085,014</u></u>	<u><u>\$ 3,050,945</u></u>

**City of Cerritos**  
**Statement of Activities (Continued)**  
**For the Year Ended June 30, 2016**

<b>Functions/Programs</b>	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>			
Legislative and Administration	\$ 1,117,757	\$ -	\$ 1,117,757
Community Development	(3,893,462)	-	(3,893,462)
Public Works	(15,166,523)	-	(15,166,523)
Water and Power	(142,503)	-	(142,503)
Community and Safety Services	(20,320,453)	-	(20,320,453)
Administrative Services	(12,070,012)	-	(12,070,012)
Cerritos Center for the Performing Arts	(3,237,635)	-	(3,237,635)
Unallocated infrastructure depreciation	(934,773)	-	(934,773)
Total Governmental Activities	<u>(54,647,604)</u>	<u>-</u>	<u>(54,647,604)</u>
<b>Business-Type Activities:</b>			
Water and Sewer	-	(4,345,908)	(4,345,908)
Reclaimed Water	-	2,059,834	2,059,834
Electric Utility	-	(1,311,111)	(1,311,111)
Total Business-Type Activities	<u>-</u>	<u>(3,597,185)</u>	<u>(3,597,185)</u>
<b>Total</b>	<u>(54,647,604)</u>	<u>(3,597,185)</u>	<u>(58,244,789)</u>
 <b>General Revenues:</b>			
Taxes:			
Sales taxes	32,846,913	-	32,846,913
Property taxes	11,278,384	-	11,278,384
Franchise taxes	1,717,909	-	1,717,909
Transient occupancy taxes	1,129,526	-	1,129,526
Other taxes	1,392,520	-	1,392,520
Investment and rental income	10,020,263	(2,830)	10,017,433
Miscellaneous	1,668,528	-	1,668,528
<b>Total General Revenues</b>	<u>60,054,043</u>	<u>(2,830)</u>	<u>60,051,213</u>
<b>Special Items:</b>			
Adjustment to amount due from Successor Agency (Note 13)	(45,904,165)	-	(45,904,165)
<b>Total Special Items</b>	<u>(45,904,165)</u>	<u>-</u>	<u>(45,904,165)</u>
<b>Changes in Net Position</b>	(40,497,726)	(3,600,015)	(44,097,741)
<b>Net Position - Beginning of Year</b>	407,136,307	(1,292,884)	405,843,423
<b>Net Position - End of Year</b>	<u>\$ 366,638,581</u>	<u>\$ (4,892,899)</u>	<u>\$ 361,745,682</u>

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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, 2016**

	Major Funds			Total Governmental Funds
	General	Housing Assets Special Revenue	Nonmajor Governmental Funds	
<b>ASSETS</b>				
Cash and investments	\$ 77,715,026	\$ 6,486,661	\$ 4,014,027	\$ 88,215,714
Receivables:				
Accounts	11,483,581	-	447,559	11,931,140
Interest	130,080	-	-	130,080
Loans	283,401	-	-	283,401
Notes	1,095,000	-	-	1,095,000
Prepaid items	2,323,903	-	-	2,323,903
Inventories	24,505	-	-	24,505
Advances to other funds	31,329,850	-	-	31,329,850
Advances to fiduciary funds	45,939,695	2,975,956	-	48,915,651
<b>Total Assets</b>	<u>\$ 170,325,041</u>	<u>\$ 9,462,617</u>	<u>\$ 4,461,586</u>	<u>\$ 184,249,244</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 2,112,659	\$ -	\$ 2,499,620	\$ 4,612,279
Accrued salaries and benefits	5,386,860	-	52,762	5,439,622
Deposits payable	719,670	-	-	719,670
Settlement payable - current portion	151,746	-	-	151,746
Unearned revenue	2,174,358	-	15,581	2,189,939
<b>Total liabilities</b>	<u>10,545,293</u>	<u>-</u>	<u>2,567,963</u>	<u>13,113,256</u>
<b>FUND BALANCES</b>				
Nonspendable	80,996,354	-	-	80,996,354
Restricted	-	9,462,617	1,893,623	11,356,240
Assigned	21,416,153	-	-	21,416,153
Unassigned	57,367,241	-	-	57,367,241
<b>Total fund balances</b>	<u>159,779,748</u>	<u>9,462,617</u>	<u>1,893,623</u>	<u>171,135,988</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u>\$ 170,325,041</u>	<u>\$ 9,462,617</u>	<u>\$ 4,461,586</u>	<u>\$ 184,249,244</u>

**City of Cerritos**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Government-Wide Statement of Net Position**  
**June 30, 2016**

**Total Fund Balances - Total Governmental Funds** \$ 171,135,988

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	257,355,170
Less: amount reported in Internal Service Funds	<u>(863,094)</u>
	256,492,076

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. 14,281,551

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:

Long Range Property Management Plan	\$ (39,734,470)	
Settlement payable	(1,817,416)	
Compensated absences payable	<u>(2,382,576)</u>	
		(43,934,462)

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. (46,067,422)

Pension contributions made during the year after the measurement date are reported as expenditures in governmental funds and as deferred outflow of resources in the government-wide financial statements. 3,479,887

Difference between projected and actual earnings on pension plan investments are reported in the government-wide statements.

PARS	362,700
CalPERS	(1,144,551)

Changes in actuarial assumptions for pensions are reported in the government-wide statements.

PARS	1,473,015
CalPERS	(2,458,352)

Difference between expected and actual experience related to pension actuarial calculations is reported in the government-wide statements:

PARS	(453,337)
CalPERS	(1,460,999)

Net other post employment benefit asset is not available to pay for current period expenditures and therefore is not reported in the governmental funds. 14,932,487

**Net Position of Governmental Activities** \$ 366,638,581

**City of Cerritos**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2016**

	Major Funds			Total Governmental Funds
	General	Housing Assets Special Revenue	Nonmajor Governmental Funds	
<b>REVENUES:</b>				
Property, sales, and other taxes	\$ 45,498,217	\$ -	\$ -	\$ 45,498,217
Franchise	1,717,908	-	94,050	1,811,958
Licenses and permits	3,118,986	-	-	3,118,986
Fines and forfeitures	845,664	-	-	845,664
Investment and rental income	10,448,152	195,415	15,552	10,659,119
Revenues from other agencies	527,281	-	4,094,244	4,621,525
Current fees and services	5,263,603	-	49,407	5,313,010
Other revenues	2,536,400	4,478	-	2,540,878
<b>Total Revenues</b>	<b>69,956,211</b>	<b>199,893</b>	<b>4,253,253</b>	<b>74,409,357</b>
<b>EXPENDITURES:</b>				
Current:				
Legislative and Administration	1,768,951	-	130,164	1,899,115
Community Development	4,618,189	-	1,656,506	6,274,695
Public Works	11,805,861	-	6,147,569	17,953,430
Community and Safety Services	22,494,774	-	-	22,494,774
Administrative Services	10,082,050	-	526,097	10,608,147
Cerritos Center for the Performing Arts	5,321,948	-	-	5,321,948
Capital outlay	461,955	-	1,651,335	2,113,290
<b>Total Expenditures</b>	<b>56,553,728</b>	<b>-</b>	<b>10,111,671</b>	<b>66,665,399</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>13,402,483</b>	<b>199,893</b>	<b>(5,858,418)</b>	<b>7,743,958</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from sale of City property	3,390,836	-	-	3,390,836
Transfers in	-	-	6,693,682	6,693,682
Transfers out	(6,029,967)	-	(663,715)	(6,693,682)
<b>Total Other Financing Sources (Uses)</b>	<b>(2,639,131)</b>	<b>-</b>	<b>6,029,967</b>	<b>3,390,836</b>
<b>SPECIAL ITEMS:</b>				
Adjustment to amount due from Successor Agency (Note 13)	(6,169,695)	-	-	(6,169,695)
	(6,169,695)	-	-	(6,169,695)
<b>Net change in fund balances</b>	<b>4,593,657</b>	<b>199,893</b>	<b>171,549</b>	<b>4,965,099</b>
<b>FUND BALANCES:</b>				
Beginning of Year	155,186,091	9,262,724	1,722,074	166,170,889
End of Year	\$ 159,779,748	\$ 9,462,617	\$ 1,893,623	\$ 171,135,988

**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, 2016**

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**Net Change in Fund Balance - Total Governmental Funds:** \$ 4,965,099

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 \$409,063 of additions from Internal Service Funds and \$17,157 of non-capitalized expenditures)	\$ 1,687,070	
Depreciation expense (net of \$129,952 in Internal Service Funds)	<u>(6,425,066)</u>	(4,737,996)

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

Proceeds from the sale of capital assets		(3,390,836)
Loss on sale of capital assets		<u>(12,996)</u>
		(3,403,832)

Special item related to the preparation of the City's Long Range Property Management plan did not require the use of current financial resources and therefore, were not reported as an expenditure in the Governmental Funds. (39,734,470)

Contributions of capital assets were reported in the Government-Wide Statement of Activities and Changes in Net Position, but they did not provide current financial resources. Therefore, contribution revenue was not reported as revenue in the Governmental Funds. 2,570,665

Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in governmental funds. (1,638,850)

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. (467,666)

Changes in the net pension liability 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. 1,304,309

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. 632,584

Change in net other post employment benefit asset reported in the Statements of Activities does not use current financial resources and, therefore, is not reported as an expenditure in governmental funds. (30,746)

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>43,177</u>
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**Change in Net Position of Governmental Activities** \$ (40,497,726)

**PROPRIETARY FUND FINANCIAL STATEMENTS**

**City of Cerritos**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2016**

	Business-Type Activities - Enterprise Funds				Governmental Activities - Equipment Replacement Internal Service Fund
	Major Funds		Non-Major	Total Enterprise Funds	
	Water and Sewer	Electric Utility	Reclaimed Water		
<b>ASSETS</b>					
Current Assets:					
Cash and investments	\$ 873,109	\$ 74,243	\$ 673,224	\$ 1,620,576	\$ 13,429,221
Accounts receivable	1,290,498	530,960	726,470	2,547,928	-
Prepaid items	43,085	-	30,439	73,524	-
<b>Total current assets</b>	<b>2,206,692</b>	<b>605,203</b>	<b>1,430,133</b>	<b>4,242,028</b>	<b>13,429,221</b>
Noncurrent Assets:					
Capital assets:					
Construction in progress	-	-	-	-	-
Building and structures	5,707,673	-	1,315,000	7,022,673	-
Water mains and lines	28,772,342	-	15,629,237	44,401,579	-
Equipment	5,491,212	-	120,278	5,611,490	1,087,495
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	(29,712,820)	(5,171,833)	(8,820,082)	(43,704,735)	(224,401)
<b>Total noncurrent assets</b>	<b>24,277,990</b>	<b>8,933,167</b>	<b>8,244,433</b>	<b>41,455,590</b>	<b>863,094</b>
<b>Total assets</b>	<b>26,484,682</b>	<b>9,538,370</b>	<b>9,674,566</b>	<b>45,697,618</b>	<b>14,292,315</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension related deferred outflows of resources	493,798	-	-	493,798	-
<b>Total deferred outflows of resources</b>	<b>493,798</b>	<b>-</b>	<b>-</b>	<b>493,798</b>	<b>-</b>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable	1,528,467	291,680	363,893	2,184,040	10,764
Accrued salaries and benefits	107,366	3,524	7,270	118,160	-
Due to other funds	-	-	-	-	-
Deposits payable	41,919	-	-	41,919	-
Interest payable	-	-	-	-	-
Unearned revenue	488,239	-	28,651	516,890	-
Long-term debt - due within one year	-	310,000	-	310,000	-
Compensated absences - due within one year	40,701	-	-	40,701	-
<b>Total current liabilities</b>	<b>2,206,692</b>	<b>605,204</b>	<b>399,814</b>	<b>3,211,710</b>	<b>10,764</b>
Noncurrent Liabilities:					
Advances from other funds	10,157,675	21,172,175	-	31,329,850	-
Net pension liabilities (Note 10)	4,903,122	-	-	4,903,122	-
Long-term debt - due in more than one year	-	11,005,000	-	11,005,000	-
Compensated absences - due in more than one year	122,104	-	-	122,104	-
<b>Total noncurrent liabilities</b>	<b>15,182,901</b>	<b>32,177,175</b>	<b>-</b>	<b>47,360,076</b>	<b>-</b>
<b>Total liabilities</b>	<b>17,389,593</b>	<b>32,782,379</b>	<b>399,814</b>	<b>50,571,786</b>	<b>10,764</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension related deferred inflows of resources	512,529	-	-	512,529	-
<b>Total deferred inflows of resources</b>	<b>512,529</b>	<b>-</b>	<b>-</b>	<b>512,529</b>	<b>-</b>
<b>NET POSITION</b>					
Net investment in capital assets	24,277,990	(2,381,833)	8,244,433	30,140,590	863,094
Unrestricted (deficit)	(15,201,632)	(20,862,176)	1,030,319	(35,033,489)	13,418,457
<b>Total Net Position (Deficit)</b>	<b>\$ 9,076,358</b>	<b>\$ (23,244,009)</b>	<b>\$ 9,274,752</b>	<b>\$ (4,892,899)</b>	<b>\$ 14,281,551</b>

**City of Cerritos**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2016**

	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			
<b>OPERATING REVENUES:</b>					
Sales of water:					
Regular	\$ 6,022,277	\$ -	\$ 930,176	\$ 6,952,453	\$ -
Wholesale	1,078,228	-	-	1,078,228	-
Sales of electricity:					
Regular	-	5,220,797	-	5,220,797	-
Fire lines	313,410	-	-	313,410	-
Charges for services	102,051	-	-	102,051	-
Other agency contribution	578	-	2,351,964	2,352,542	-
Other revenues	135,639	41,466	-	177,105	-
<b>Total Operating Revenues</b>	<u>7,652,183</u>	<u>5,262,263</u>	<u>3,282,140</u>	<u>16,196,586</u>	<u>-</u>
<b>OPERATING EXPENSES:</b>					
Management	3,703,347	199,157	356,651	4,259,155	-
Production and distribution	5,811,340	-	64,793	5,876,133	-
Operations	1,094,786	4,842,128	451,119	6,388,033	471,660
Inspections	255,831	-	28,426	284,257	-
Billings and collection	270,625	-	-	270,625	-
Depreciation	1,040,551	470,167	321,317	1,832,035	129,952
<b>Total Operating Expenses</b>	<u>12,176,480</u>	<u>5,511,452</u>	<u>1,222,306</u>	<u>18,910,238</u>	<u>601,612</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(4,524,297)</u>	<u>(249,189)</u>	<u>2,059,834</u>	<u>(2,713,652)</u>	<u>(601,612)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Investment income/(loss)	(16,733)	4,413	9,490	(2,830)	133,946
Interest expense - debt service	-	(560,969)	-	(560,969)	-
Interest expense - advances	(141,875)	(500,953)	-	(642,828)	-
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(158,608)</u>	<u>(1,057,509)</u>	<u>9,490</u>	<u>(1,206,627)</u>	<u>133,946</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	<u>(4,682,905)</u>	<u>(1,306,698)</u>	<u>2,069,324</u>	<u>(3,920,279)</u>	<u>(467,666)</u>
<b>CAPITAL CONTRIBUTIONS:</b>					
Capital contributions	320,264	-	-	320,264	-
<b>CHANGES IN NET POSITION</b>	<u>(4,362,641)</u>	<u>(1,306,698)</u>	<u>2,069,324</u>	<u>(3,600,015)</u>	<u>(467,666)</u>
<b>NET POSITION:</b>					
Beginning of the Year	13,438,999	(21,937,311)	7,205,428	(1,292,884)	14,749,217
End of the Year	<u>\$ 9,076,358</u>	<u>\$ (23,244,009)</u>	<u>\$ 9,274,752</u>	<u>\$ (4,892,899)</u>	<u>\$ 14,281,551</u>

**City of Cerritos**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2016**

	Business-Type Activities - Enterprise Funds				Governmental
	Major Funds				Activities -
	Water and Sewer	Electric Utility	Reclaimed Water	Total Enterprise Funds	Equipment Replacement Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash received from customers	\$ 7,329,342	\$ 5,435,665	\$ 1,434,787	\$ 14,199,794	\$ -
Cash paid to suppliers of goods or services	(6,280,318)	(5,006,546)	(279,036)	(11,565,900)	(543,109)
Cash paid to employees	(3,847,935)	(198,393)	(353,867)	(4,400,195)	-
Cash paid to other funds	(133,612)	-	-	(133,612)	-
Cash received from other revenues	135,639	41,466	-	177,105	-
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>(2,796,884)</b>	<b>272,192</b>	<b>801,884</b>	<b>(1,722,808)</b>	<b>(543,109)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Cash advances from other funds	4,482,688	1,134,064	-	5,616,752	-
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>4,482,688</b>	<b>1,134,064</b>	<b>-</b>	<b>5,616,752</b>	<b>-</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Acquisition of capital assets	(923,720)	-	(2,315,263)	(3,238,983)	(409,063)
Loss on disposition of capital assets	269,633	-	-	269,633	-
Principal paid on debt	-	(300,000)	-	(300,000)	-
Interest paid on debt	(141,875)	(1,143,275)	-	(1,285,150)	-
<b>Net Cash (Used in) Capital and Related Financing Activities</b>	<b>(795,962)</b>	<b>(1,443,275)</b>	<b>(2,315,263)</b>	<b>(4,554,500)</b>	<b>(409,063)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Interest income received (loss from investments)	(16,733)	4,413	9,490	(2,830)	133,946
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>(16,733)</b>	<b>4,413</b>	<b>9,490</b>	<b>(2,830)</b>	<b>133,946</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>873,109</b>	<b>(32,606)</b>	<b>(1,503,889)</b>	<b>(663,386)</b>	<b>(818,226)</b>
<b>CASH AND CASH EQUIVALENTS:</b>					
Beginning of Year	-	106,849	2,177,113	2,283,962	14,247,447
End of Year	<u>\$ 873,109</u>	<u>\$ 74,243</u>	<u>\$ 673,224</u>	<u>\$ 1,620,576</u>	<u>\$ 13,429,221</u>

**City of Cerritos**  
**Statement of Cash Flows (Continued)**  
**Proprietary Funds**  
**For the Year Ended June 30, 2016**

	Business-Type Activities - Enterprise Funds				Governmental Activities - Equipment Replacement Internal Service Fund
	Major Funds			Total Enterprise Funds	
	Water and Sewer	Electric Utility	Reclaimed Water		
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>					
Operating income (loss)	\$ (4,524,297)	\$ (249,189)	\$ 2,059,834	\$ (2,713,652)	\$ (601,612)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:					
Depreciation	1,040,551	470,167	321,317	1,832,035	129,952
Changes in operating assets, deferred outflows of resources, liabilities, and deferred inflows of resources:					
(Increase) decrease in accounts receivable	(187,457)	214,868	(456,372)	(428,961)	-
(Increase) decrease in prepaid items	595	-	(829)	(234)	-
Increase (decrease) pension deferred outflows	(168,267)	-	-	(168,267)	-
Increase (decrease) in accounts payable	1,151,669	(164,418)	266,131	1,253,382	(71,449)
Increase (decrease) in accrued salaries and benefits	27,201	764	2,784	30,749	-
Increase (decrease) in due to other funds	(133,612)	-	-	(133,612)	-
(Increase) decrease in deposits payable	255	-	-	255	-
Increase (decrease) in unearned revenue	-	-	(1,390,981)	(1,390,981)	-
Increase (decrease) in compensated absences	(50,623)	-	-	(50,623)	-
Increase (decrease) in pension deferred inflows	(343,776)	-	-	(343,776)	-
Increase (decrease) in net pension liabilities	390,877	-	-	390,877	-
<b>Net Cash Provided by (Used in)   Operating Activities</b>	<u>(2,796,884)</u>	<u>\$ 272,192</u>	<u>\$ 801,884</u>	<u>\$ (1,722,808)</u>	<u>\$ (543,109)</u>
<b>NON-CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Contribution of capital assets	<u>\$ 320,264</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 320,264</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, 2016**

	Successor Agency to the Cerritos Redevelopment Agency
<b>ASSETS</b>	
Cash and investments	\$ 19,011,319
Cash and investments with fiscal agents	16,338,104
Interest receivable	18,027
<b>Total Assets</b>	<b>35,367,450</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension-related deferred outflows of resources	671,322
Deferred loss on refunding of debt, net	992,486
<b>Total deferred outflow of resources</b>	<b>1,663,808</b>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	62,891
Interest payable	891,758
Net pension liability - due within one year (Note 10)	1,342,644
Long-term debt - due within one year	10,685,000
<b>Total current liabilities</b>	<b>12,982,293</b>
Noncurrent liabilities:	
Advances from City of Cerritos (Note 5)	48,915,651
Net pension liability - due in more than one year (Note 10)	5,370,579
Long-term debt - due in more than one year	93,875,499
<b>Total noncurrent liabilities</b>	<b>148,161,729</b>
<b>Total Liabilities</b>	<b>161,144,022</b>
<b>NET POSITION</b>	
Unrestricted (deficit)	(124,112,764)
<b>Total Net Position (Deficit)</b>	<b>\$ (124,112,764)</b>

**City of Cerritos**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2016**

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	Successor Agency to the Cerritos Redevelopment Agency
<b>ADDITIONS:</b>	
Redevelopment Property Tax Trust Fund	\$ 21,498,399
Investment income	423,500
<b>Total additions</b>	21,921,899
<b>DEDUCTIONS:</b>	
Administrative expenses	740,056
Payments to Los Angeles County	10,843,383
Interest on long-term debt	5,903,534
Fiscal charges	8,344
<b>Total deductions</b>	17,495,317
<b>Change in net position</b>	4,426,582
<b>SPECIAL ITEM:</b>	
Adjustment to amount due to City (Note 13)	6,169,695
<b>Change in net position</b>	10,596,277
<b>NET POSITION (DEFICIT):</b>	
Beginning of Year	(134,709,041)
End of Year	\$ (124,112,764)

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**City of Cerritos**  
**Index to Notes to the Basic Financial Statements**  
**For the Year Ended June 30, 2016**

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**City of Cerritos**  
**Index to Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**City of Cerritos**  
**Notes to the Basic Financial Statements**  
**For the Year Ended June 30, 2016**

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**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.

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, 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.

**City of Cerritos**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**B. Basis of Accounting and Measurement Focus (Continued)**

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.

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.

**City of Cerritos**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

***B. Basis of Accounting and Measurement Focus (Continued)***

*Governmental Fund Financial Statements (Continued)*

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.

*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.

**City of Cerritos**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

***B. Basis of Accounting and Measurement Focus (Continued)***

*Proprietary Fund Financial Statements (Continued)*

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.

*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***

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, this statement 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.

**City of Cerritos**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**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.

**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 equipment	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.

**City of Cerritos**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**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.

**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:

<u>CalPERS</u>	
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Measurement Period	July 1, 2014 to June 30, 2015
 <u>PARS</u>	
Valuation Date	June 30, 2014
Measurement Date	June 30, 2016
Measurement Period	July 1, 2015 to June 30, 2016

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.

**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

**City of Cerritos**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**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.

*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.

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.

**City of Cerritos**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**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.

**N. Accounting Changes**

**New Governmental Accounting Standards Implementation for the Year Ended June 30, 2016**

**GASB Statement No. 72**

In February 2015, The Governmental Accounting Standards Board issued Statement No. 72, *Fair Value Measurement and Application*. This pronouncement provides guidance for determining fair value measurement for financial reporting purposes and provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. Governments are required to use valuation techniques that are appropriate under the circumstances and for which sufficient data is available to measure fair value. Required disclosures include the level of fair value hierarchy and valuation techniques and should be organized by type of asset or liability. This pronouncement is effective for financial statements for periods beginning after June 15, 2015. Earlier application is encouraged. This pronouncement did not have a material effect on the financial statements of the City, except for additional disclosures on the measurement inputs on the City's investment portfolio.

**GASB Statement No. 73**

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (those not covered by GASB Statements 67 and 68). Application of this statement is effective for the City's fiscal year ending June 30, 2016, except those provisions that address employers and governmental nonemployer contributing entities that are not within the scope of GASB Statement 68, which are effective for financial statements for fiscal year ending June 30, 2017. This pronouncement did not have a material effect on the financial statements of the City.

**GASB Statement No. 76**

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement reduces the generally accepted accounting principles (GAAP) hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the American Institute of Certified Public Accountants that is cleared by the GASB. Application of this statement is effective for the City's fiscal year ending June 30, 2016. This pronouncement did not have a material effect on the financial statements of the City.

**City of Cerritos**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**N. Accounting Changes (Continued)**

**New Governmental Accounting Standards Implementation for the Year Ended June 30, 2016 (Continued)**

**GASB Statement No. 79**

In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. Application of this statement is effective for the City's fiscal year ending June 30, 2017. This pronouncement did not have a material effect on the financial statements of the City.

**Upcoming Governmental Accounting Standards Implementation**

The City is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB statements:

**GASB Statement No. 74**

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which addresses reporting by postemployment benefits other than pensions (OPEB) plans that administer benefits on behalf of governments. This statement basically parallels GASB Statement 67 and replaces GASB Statement 43. Application of this statement is effective for the City's fiscal year ending June 30, 2017.

**GASB Statement No. 75**

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement applies to government employers who provide OPEB to their employees and for governments that finance OPEB for employees of other governments. This statement basically parallels GASB Statement 68 and replaces GASB Statement 45. Application of this statement is effective for the City's fiscal year ending June 30, 2018.

**GASB Statement No. 77**

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. Application of this statement is effective for the City's fiscal year ending June 30, 2017.

**GASB Statement No. 78**

In December 2015, GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. Application of this statement is effective for the City's fiscal year ending June 30, 2017.

**City of Cerritos**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**N. Accounting Changes (Continued)**

**Upcoming Governmental Accounting Standards Implementation (Continued)**

**GASB Statement No. 80**

In December 2015, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. Application of this statement is effective for the City’s fiscal year ending June 30, 2017.

**GASB Statement No. 81**

In December 2015, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. 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. Application of this statement is effective for the City’s fiscal year ending June 30, 2018.

**GASB Statement No. 82**

In December 2015, GASB issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer’s expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits). Application of this statement is effective for the City’s fiscal year ending June 30, 2018.

**City of Cerritos**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**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, 2016:

	Government-Wide Statement of Net Position			Fiduciary Fund	Total
	Governmental Activities	Business-Type Activities	Total	Statement of Net Position	
Cash and investments	\$ 101,644,935	\$ 1,620,576	\$ 103,265,511	\$ 19,011,319	\$ 122,276,830
Restricted cash and investments:					
Investments with fiscal agents	-	-	-	16,338,104	16,338,104
<b>Total cash and investments</b>	\$ 101,644,935	\$ 1,620,576	\$ 103,265,511	\$ 35,349,423	\$ 138,614,934

The City's cash and investments at June 30, 2016 in more detail:

Cash and cash equivalents:	
Petty cash	\$ 10,216
Demand deposits	1,570,187
Total cash and cash equivalents	1,580,403
Investments:	
Local Agency Investment Fund	59,495,392
U.S. Government Sponsored Enterprise Securities	64,763,107
Certificates of Deposit	6,458,788
Investment Contracts	3,206,533
Money Market Mutual Funds	3,110,711
Total investments	137,034,531
Total cash and investments	\$ 138,614,934

At June 30, 2016, 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, 2016:

Investment Type	Total as of June 30, 2016	Percentage of Investments	Measurement Input
LAIF	\$ 59,495,392	43.42%	Level 2
FHLB	14,696,777	10.72%	Level 2
FNMA	15,032,550	10.97%	Level 2
FHLMC	16,022,120	11.69%	Level 2
FFCB	19,011,660	13.87%	Level 2
Certificates of Deposits	6,458,788	4.71%	Level 2
Investment Contracts	3,206,533	2.34%	Level 2
MMkt Mutual Funds	3,110,711	2.27%	N/A
Total	\$ 137,034,531		

**City of Cerritos**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 2 – Cash and Investments (Continued)**

**A. Deposits**

The carrying amounts of the City's demand deposits were \$1,570,187 at June 30, 2016. Bank balances were \$4,640,948 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, 2016**

**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)	\$ 59,495,392	\$ -	\$ -	\$ 59,495,392
Federal Home Loan Bank (FHLB)	-	14,696,777	-	14,696,777
Federal National Mortgage Association (FNMA)	-	15,032,550	-	15,032,550
Federal Home Loan Mortgage Corporation (FHLMC)	-	16,022,120	-	16,022,120
Federal Farm Credit Bank (FFCB)	-	19,011,660	-	19,011,660
Certificates of Deposit	-	6,458,788	-	6,458,788
Investment Contracts	-	-	3,206,533	3,206,533
Money Market (MMkt) Mutual Funds	3,110,711	-	-	3,110,711
Total	\$ 62,606,103	\$ 71,221,895	\$ 3,206,533	\$ 137,034,531

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:

**City of Cerritos**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 2 – Cash and Investments (Continued)**

**D. Risk Disclosures (Continued)**

Investment Type	Total as of June 30, 2016	Minimum Legal Rating	Aaa	Unrated	Not Required to be Rated	Measurement Input
LAIF	\$ 59,495,392	N/A	\$ -	\$ -	\$ 59,495,392	Level 2
FHLB	14,696,777	N/A	14,696,777	-	-	Level 2
FNMA	15,032,550	N/A	15,032,550	-	-	Level 2
FHLMC	16,022,120	N/A	16,022,120	-	-	Level 2
FFCB	19,011,660	N/A	19,011,660	-	-	Level 2
Certificates of Deposits	6,458,788	N/A	-	6,458,788	-	Level 2
Investment Contracts	3,206,533	N/A	3,206,533	-	-	Level 2
MMkt Mutual Funds	3,110,711	N/A	-	3,110,711	-	N/A
Total	<u>\$ 137,034,531</u>		<u>\$ 67,969,640</u>	<u>\$ 9,569,499</u>	<u>\$ 59,495,392</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, 2016, 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, 2016, 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, 2016, the City had \$59,495,392 invested in LAIF, which had invested 2.81% of the pool investment funds in Structured Notes and Asset-Backed securities. The LAIF fair value factor of 1.000621222 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, 2016**

**Note 3 –Loans and Notes Receivable**

**A. Loans Receivable**

At June 30, 2016, the outstanding balance of loans receivable was as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Auto Square Loan	\$ 383,425	\$ -	(100,024)	\$ 283,401
<b>Total</b>	<b>\$ 383,425</b>	<b>\$ -</b>	<b>\$ (100,024)</b>	<b>\$ 283,401</b>

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, 2016, the outstanding principal balance on the Loan was \$283,401.

**B. Residential Assistance and Loan Program**

At June 30, 2016, the outstanding balances of the Residential Assistance and Loan Programs are as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Residential Assistance Program	\$ 2,040,000	\$ -	\$ -	\$ 2,040,000
Residential Loan Program	179,066	-	(7,588)	171,478
Subtotal	2,219,066	\$ -	\$ (7,588)	2,211,478
Less: Allowance for uncollectible	(2,219,066)			(2,211,478)
<b>Total</b>	<b>\$ -</b>			<b>\$ -</b>

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, 2016, the outstanding balances of the notes receivable are as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Deferred payment note	\$ 1,095,000	\$ -	\$ -	\$ 1,095,000
<b>Total</b>	<b>\$ 1,095,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,095,000</b>

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 not 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, 2016**

**Note 4 – Interfund Transactions**

**A. Government-Wide Financial Statements**

At June 30, 2016, the City had the following internal receivable and payable:

	<b>Internal Receivable</b>
<b>Internal Payable</b>	Governmental Activities
Business-Type Activities	\$ 31,329,850

**B. Fund Financial Statements**

**Advances To/From Other Funds** - At June 30, 2016, the City had the following advances to/from other funds:

	<b>Advances to Other Funds</b>
<b>Advances from Other Funds</b>	Governmental Funds General Fund
<b>Enterprise Funds:</b>	
Water and Sewer Fund:	
Sewer - Operations	\$ 3,446,672
Water - Operations	6,711,003
Subtotal	10,157,675
Electric Utility Enterprise Fund:	
Operations	19,632,709
Debt service	1,539,466
Subtotal	21,172,175
	\$ 31,329,850

Advances were made to the Water and Sewer Enterprise Fund from the General Fund during fiscal years 2014-2015 and 2015-2016. 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, 2016, interest of \$141,875 was incurred and added to the outstanding loan balance while an additional \$4,340,813 was borrowed. At June 30, 2016, the outstanding balance was \$10,157,675.

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, 2016, interest of \$ 478,846 was incurred and added to the outstanding loan balance. At June 30, 2016, the outstanding balance was \$19,632,709.

**City of Cerritos**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 4 – Interfund Transactions (Continued)**

**B. Fund Financial Statements (Continued)**

Due to the dissolution of the former Cerritos Redevelopment Agency, the State of California Department of Finance (“DOF”) initially recognized the Magnolia Bond, 2003 Issue – Series B (“Magnolia Debt”) in the Successor Agency’s Recognized Obligations Payment Schedule (“ROPS”). Subsequently, on August 14, 2013, the DOF submitted a final determination that the Magnolia Debt is denied as an enforceable obligation. The Magnolia Debt was then transferred to the City’s Electric Utility Enterprise Fund as of July 1, 2013. As a result of the transfer to the City, additional advances were incurred by the Electric Utility Enterprise Fund in the amount of \$862,682 as of June 30, 2014. For the year ended June 30, 2016, interest of \$22,106 was incurred and added to the outstanding loan balance while an additional \$633,111 was borrowed. At June 30, 2016, the outstanding balance was \$1,539,466. The City is contesting, via litigation, the determination made by the DOF.

**Transfers** – At June 30, 2016, the City had the following transfers in/out:

	<b>Transfers In</b>	
	<b>Governmental Funds</b>	
	Nonmajor Governmental Funds	Total
<b>Transfers Out</b>	Funds	Total
<b>Governmental Funds:</b>		
General Fund	\$ 6,029,967	\$ 6,029,967
Nonmajor Governmental Funds	663,715	663,715
Total	\$ 6,693,682	\$ 6,693,682

The transfers of \$6,029,967 from the General Fund to the Nonmajor Governmental Funds relate to capital projects costs and administrative costs within the Street Improvements, Proposition “C”, Los Coyotes Lighting District, and Municipal Improvement Funds.

The transfers of \$663,715 from the Nonmajor Governmental Funds to the General Fund relate to the funding of capital projects and administrative costs within the Proposition “A”, Local Law Enforcement Grant, COPS Grant and Environmental Grants Funds.

**Note 5 – Advances to Fiduciary Funds**

The balance of Advances to Fiduciary Funds at June 30, 2016 is \$94,855,346, and the City has recorded an offsetting allowance in the amount of \$45,939,695.

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 projects areas. Since the dissolution of the Redevelopment Agency, no interest has been charged on the outstanding balances on advances. At June 30, 2016, the outstanding balances on the advances were \$91,879,390. The amount to be repaid is subject to approval by the California Department of Finance. Due to uncertainty of the amount that will be approved by the Department of Finance, the City has recorded an offsetting allowance in the amount of \$45,939,695.

**City of Cerritos**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 5 – Advances to Fiduciary Funds (Continued)**

Advances from the Housing Assets Special Revenue Fund to the Successor Agency were used to make the payment 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 balances on advances payable. For the year ended June 30, 2016, the Successor Agency made repayment of \$1,879,937 of its outstanding loan obligations. At June 30, 2016, the outstanding balances on the advances were \$2,975,956.

**Note 6 – Capital Assets**

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

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Capital assets, not being depreciated:				
Land	\$ 80,170,308	\$ -	\$ (3,325,000)	\$ 76,845,308
Parking structure rights	3,760,000	-	-	3,760,000
Right-of-way	49,184,582	-	-	49,184,582
Public art	4,763,057	2,611,352	(25,952)	7,348,457
Trees	1,355,909	-	-	1,355,909
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	<u>139,233,856</u>	<u>2,611,352</u>	<u>(3,350,952)</u>	<u>138,494,256</u>
Capital assets, being depreciated:				
Buildings	190,114,028	-	-	190,114,028
Improvements other than buildings	7,630,690	738,874	(83,594)	8,285,970
Furniture and equipment	24,475,175	409,062	-	24,884,237
Infrastructure	35,024,257	907,510	(37,096)	35,894,671
Total capital assets, being depreciated	<u>257,244,150</u>	<u>2,055,446</u>	<u>(120,690)</u>	<u>259,178,906</u>
Less accumulated depreciation for:				
Buildings	(88,295,759)	(4,830,860)	-	(93,126,619)
Improvements other than buildings	(1,775,722)	(291,928)	36,015	(2,031,635)
Furniture and equipment	(22,622,759)	(497,457)	-	(23,120,216)
Infrastructure	(21,136,544)	(934,773)	31,795	(22,039,522)
Total accumulated depreciation	<u>(133,830,784)</u>	<u>(6,555,018)</u>	<u>67,810</u>	<u>(140,317,992)</u>
Total capital assets, being depreciated, net	<u>123,413,366</u>	<u>(4,499,572)</u>	<u>(52,880)</u>	<u>118,860,914</u>
Governmental activities capital assets, net	<u>\$ 262,647,222</u>	<u>\$ (1,888,220)</u>	<u>\$ (3,403,832)</u>	<u>\$ 257,355,170</u>

Depreciation expense was charged to the functions/programs of governmental activities for the year ended June 30, 2016 as follows:

Legislative and Administrative	\$ 548,997
Community Development	74,685
Public Works	122,931
Community and Safety Services	1,553,146
Administrative Services	1,548,345
Cerritos Center for the Performing Arts	1,642,189
Equipment Replacement Internal Service Fund	129,952
Unallocated infrastructure depreciation	934,773
<b>Total depreciation expense</b>	<u><u>\$ 6,555,018</u></u>

**City of Cerritos**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 6 – Capital Assets (Continued)**

The following is a summary of changes in capital assets for the business-type activities for the year ended June 30, 2016:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Capital assets, not being depreciated				
Construction in process	\$ 225,722	\$ -	\$ (225,722)	\$ -
Total capital assets, not being depreciated	<u>225,722</u>	<u>-</u>	<u>(225,722)</u>	<u>-</u>
Capital assets, being depreciated:				
Buildings and structures	7,022,673	-	-	7,022,673
Water mains and lines	41,546,523	2,916,583	(61,527)	44,401,579
Equipment	4,968,826	642,664	-	5,611,490
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>81,662,605</u>	<u>3,559,247</u>	<u>(61,527)</u>	<u>85,160,325</u>
Less accumulated depreciation for:				
Buildings and structures	(3,741,048)	(141,222)	-	(3,882,270)
Water mains and lines	(22,311,830)	(790,559)	17,617	(23,084,772)
Equipment	(3,737,116)	(216,839)	-	(3,953,955)
Water rights acquired	(734,298)	(56,484)	-	(790,782)
Electric utility rights acquired	(4,701,667)	(470,168)	-	(5,171,835)
Sewer mains	(6,664,358)	(156,763)	-	(6,821,121)
Total accumulated depreciation	<u>(41,890,317)</u>	<u>(1,832,035)</u>	<u>17,617</u>	<u>(43,704,735)</u>
Total capital assets, being depreciated, net	<u>39,772,288</u>	<u>1,727,212</u>	<u>(43,910)</u>	<u>41,455,590</u>
Business-type activities capital assets, net	<u>\$ 39,998,010</u>	<u>\$ 1,727,212</u>	<u>\$ (269,632)</u>	<u>\$ 41,455,590</u>

Depreciation expense for business-type activities for the year June 30, 2016 was charged as follows:

Water and Sewer	\$ 1,040,551
Electric Utility	470,167
Reclaimed Water	321,317
<b>Total depreciation expense</b>	<u><u>\$ 1,832,035</u></u>

**City of Cerritos**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 7 – Compensated Absences**

A summary of changes in compensated absences for governmental activities for the year ended June 30, 2016 is as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Due within One Year	Due in more than One Year
Compensated absences	\$ 2,425,753	\$ 1,558,489	\$ (1,601,666)	\$ 2,382,576	\$ 595,644	\$ 1,786,932
<b>Total long-term liabilities</b>	<b>\$ 2,425,753</b>	<b>\$ 1,558,489</b>	<b>\$ (1,601,666)</b>	<b>\$ 2,382,576</b>	<b>\$ 595,644</b>	<b>\$ 1,786,932</b>

A summary of changes in compensated absences for business-type activities for the year ended June 30, 2016 is as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Due within One Year	Due in more than One Year
Compensated absences - Water and Sewer Fund	\$ 213,428	\$ -	\$ (50,623)	\$ 162,805	\$ 40,701	\$ 122,104
<b>Total long-term liabilities</b>	<b>\$ 213,428</b>	<b>\$ -</b>	<b>\$ (50,623)</b>	<b>\$ 162,805</b>	<b>\$ 40,701</b>	<b>\$ 122,104</b>

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.

**Note 8 – Long-Term Debt**

**City Long-Term Debt – Governmental Activities**

A summary of changes in long-term debt for the City's Governmental Activities for the year ended June 30, 2016 is as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Due within One Year	Due in more than One Year
Long Range Property Management Plan	\$ -	\$ 39,734,470	\$ -	\$ 39,734,470	\$ -	\$ 39,734,470
<b>Total long-term liabilities</b>	<b>\$ -</b>	<b>\$ 39,734,470</b>	<b>\$ -</b>	<b>\$ 39,734,470</b>	<b>\$ -</b>	<b>\$ 39,734,470</b>

The City had previously recorded the purchase of properties from the former Redevelopment Agency using a reduction of the loan balance due to the City as consideration. During the fiscal year 2015-2016, the City prepared a Long Range Property Management Plan providing for the City to acquire properties held by the Successor Agency. The Plan was approved by the State Department of Finance. The City anticipates paying the obligation of \$39,734,470 using future increases in residual property taxes, but the repayment terms have not yet been established.

**City of Cerritos**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 8 – Long-Term Debt (Continued)**

**City Long-Term Debt – Business-Type Activities**

A summary of changes in long-term debt for the City’s Business-Type Activities for the year ended June 30, 2016 is as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Due within One Year	Due in more than One Year
<b>Los Cerritos Redevelopment</b>						
<b>Project Revenue Bonds:</b>						
2003 Issue, Series B, \$3,526,250	\$ 2,903,750	\$ -	\$ (75,000)	\$ 2,828,750	\$ 77,500	\$ 2,751,250
<b>Los Coyotes Redevelopment</b>						
<b>Project Revenue Bonds:</b>						
2003 Issue, Series B, \$10,578,750	8,711,250	-	(225,000)	8,486,250	232,500	8,253,750
<b>Total Revenue Bonds</b>	11,615,000	-	(300,000)	11,315,000	310,000	11,005,000
<b>Total long-term liabilities</b>	<b>\$ 11,615,000</b>	<b>\$ -</b>	<b>\$ (300,000)</b>	<b>\$ 11,315,000</b>	<b>\$ 310,000</b>	<b>\$ 11,005,000</b>

**City of Cerritos**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 8 – Long-Term Debt (Continued)**

**City Long-Term Debt – Business-Type Activities (Continued)**

***Los Cerritos and Los Coyotes Redevelopment Project - 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.

In June 2005, the former Redevelopment Agency Debt Service Fund assumed the City’s debt related to the sales agreement with SCPPA. As the energy derived from the plant serves and benefits both the Los Cerritos and Los Coyotes Capital Project Areas, it was deemed appropriate that the former Redevelopment Agency assume the debt. Debt assumed was allocated 25%, which was \$3,526,250, to the Los Cerritos Project Area and 75%, which was \$10,578,750, to the Los Coyotes Project Area.

Due to the dissolution of the former Cerritos Redevelopment Agency, the DOF initially recognized the Magnolia debt in the Successor Agency’s ROPS. Subsequently, on August 14, 2013, the DOF submitted a final determination that the Magnolia bond, 2003 Issue - Series B is denied as an enforceable obligation in the Successor Agency’s ROPS. The Magnolia debt was then transferred to the City’s Electric Utility Enterprise Fund as of July 1, 2013 in the amount of \$12,175,000. The City is contesting, via litigation, the determination made by the DOF.

**City of Cerritos**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 8 – Long-Term Debt (Continued)**

***City Long-Term Debt – Business-Type Activities (Continued)***

***Los Cerritos and Los Coyotes Redevelopment Project - Magnolia Power Project B, Series 2003 Revenue Bonds (Continued)***

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 \$860,970.

Bonds outstanding at June 30, 2016 amounted to \$2,828,750 for Los Cerritos and \$8,486,250 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
2017	\$ 77,500	\$ 137,242	\$ 214,742	\$ 232,500	\$ 411,726	\$ 644,226
2018	80,000	134,142	214,142	240,000	402,427	642,427
2019	83,750	130,842	214,592	251,250	392,526	643,776
2020	87,500	127,283	214,783	262,500	381,848	644,348
2021-2025	498,750	574,292	1,073,042	1,496,250	1,722,877	3,219,127
2026-2030	633,750	440,063	1,073,813	1,901,250	1,320,188	3,221,438
2031-2035	807,500	265,000	1,072,500	2,422,500	795,000	3,217,500
2036	560,000	28,000	588,000	1,680,000	84,000	1,764,000
<b>TOTAL</b>	<b>\$ 2,828,750</b>	<b>\$ 1,836,864</b>	<b>\$ 4,665,614</b>	<b>\$ 8,486,250</b>	<b>\$ 5,510,592</b>	<b>\$ 13,996,842</b>

**City of Cerritos**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 8 – Long-Term Debt (Continued)**

**Successor Agency Long-Term Debt**

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, 2016 is as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Due within One Year	Due in more than One Year
<b>Los Cerritos Redevelopment</b>						
<b>Project Revenue Bonds:</b>						
2002 Issue, Series A, \$31,550,000	\$ 18,975,000	\$ -	\$ (2,795,000)	\$ 16,180,000	\$ 2,930,000	\$ 13,250,000
2002 Issue, Series B, \$7,550,000	3,120,000	-	(465,000)	2,655,000	490,000	2,165,000
<b>Los Coyotes Redevelopment</b>						
<b>Project Revenue Bonds:</b>						
1993 Issue, Series A, \$42,155,000	8,000,000	-	-	8,000,000	-	8,000,000
1993 Issue, Series B, \$63,765,000	21,205,000	-	(4,440,000)	16,765,000	4,790,000	11,975,000
2002 Issue, Series A, \$64,710,000	51,090,000	-	(1,540,000)	49,550,000	1,610,000	47,940,000
2002 Issue, Series B, \$12,225,000	9,720,000	-	(270,000)	9,450,000	865,000	8,585,000
<b>Subtotal</b>	<b>112,110,000</b>	<b>-</b>	<b>(9,510,000)</b>	<b>102,600,000</b>	<b>10,685,000</b>	<b>91,915,000</b>
Add (less) deferred amounts:						
Bond premium	2,760,280	-	(306,700)	2,453,580	-	2,453,580
Bond discount	(554,717)	-	61,636	(493,081)	-	(493,081)
<b>Total Revenue Bonds</b>	<b>114,315,563</b>	<b>-</b>	<b>(9,755,064)</b>	<b>104,560,499</b>	<b>10,685,000</b>	<b>93,875,499</b>
Notes Payable	225,000	-	(225,000)	-	-	-
<b>Total long-term liabilities</b>	<b>\$ 114,540,563</b>	<b>\$ -</b>	<b>\$ (9,980,064)</b>	<b>\$ 104,560,499</b>	<b>\$ 10,685,000</b>	<b>\$ 93,875,499</b>

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

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

**City of Cerritos**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 8 – Long-Term Debt (Continued)**

**Successor Agency Long-Term Debt (Continued)**

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

The 2002 bonds are broken into two segments:

**Term Bonds - \$27,940,000**

The Term Bonds are payable in annual installments ranging from \$260,000 to \$3,240,000 until maturity on November 1, 2020. Interest is payable semiannually on May 1 and November 1, with rates ranging from 2.00% to 5.00%. Bonds outstanding at June 30, 2016 were \$14,715,000.

**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, 2016 were \$1,465,000.

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 \$3,662,710 and total tax revenue (total deposits less total administrative distributions) for the Los Cerritos Project Area was \$10,427,534.

Bonds outstanding at June 30, 2016 were \$16,180,000.

**B. 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 \$603,341 and total tax revenue (total deposits less total administrative distributions) for the Los Cerritos Project Area was \$10,427,534.

Bonds outstanding at June 30, 2016 were \$2,655,000.

**City of Cerritos**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 8 – Long-Term Debt (Continued)**

**Successor Agency Long-Term Debt (Continued)**

***C. Los Cerritos Redevelopment Project - Magnolia Power Project B, Series 2003 Revenue Bonds***

Due to the dissolution of the former Cerritos Redevelopment Agency, the DOF initially recognized the Magnolia debt in the Successor Agency's ROPS. Subsequently, on August 14, 2013, the DOF submitted a final determination that the Magnolia bond, 2003 Issue - Series B is denied as an enforceable obligation in the Successor Agency's ROPS. The Los Cerritos portion of Magnolia debt was then transferred to the City's Electric Utility Enterprise Fund as of July 1, 2013 in the amount of \$3,043,750. For the year ended June 30, 2016, principal of \$75,000 was paid off and the balance as of June 30, 2016 was \$2,828,750. The City is contesting, via litigation, the determination made by the DOF.

***D. 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 \$25,295,346.

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, 2016 amounted to \$8,000,000.

**City of Cerritos**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 8 – Long-Term Debt (Continued)**

**Successor Agency Long-Term Debt (Continued)**

***E. 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 \$5,920,830 and total tax revenue (total deposits less total administrative distributions) for the Los Coyotes Project Area was \$25,295,346.

Bonds outstanding at June 30, 2016 were \$16,765,000.

***F. 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, 2016 were \$43,260,000.

**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, 2016 were \$6,290,000.

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 \$4,026,446 and total tax revenue (total deposits less total administrative distributions) for the Los Coyotes Project Area was \$25,295,346.

Bonds outstanding at June 30, 2016 were \$49,550,000.

**City of Cerritos**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 8 – Long-Term Debt (Continued)**

**Successor Agency Long-Term Debt (Continued)**

***G. 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 \$750,088 and total tax revenue (total deposits less total administrative distributions) for the Los Coyotes Project Area was \$25,295,346.

Bonds outstanding at June 30, 2016 were \$9,450,000.

***H. Los Coyotes Redevelopment Project - Magnolia Power Project B, Series 2003 Revenue Bonds***

Due to the dissolution of the former Cerritos Redevelopment Agency, the DOF initially recognized the Magnolia debt in the Successor Agency's ROPS. Subsequently, on August 14, 2013, the DOF submitted a final determination that the Magnolia bond, 2003 Issue - Series B is denied as an enforceable obligation in the Successor Agency's ROPS. The Los Coyotes portion of Magnolia debt was then transferred to the City's Electric Utility Enterprise Fund as of July 1, 2013 in the amount of \$9,131,250. For the year ended June 30, 2016, principal of \$225,000 was paid off and the balance as of June 30, 2016 was \$8,486,250. The City is contesting, via litigation, the determination made by the DOF.

***I. Los Cerritos Redevelopment Project - Note Payable***

In September 2005, the former Redevelopment Agency entered into an agreement to purchase land owned by Southeast Regional Occupational Program within the Los Cerritos Project Area for \$1,205,662.

In connection with the purchase, the former Redevelopment Agency provided a note payable in the amount of \$1,025,000. Interest will be charged annually at the rate equal to the annual average of the City's investment fund return.

Interest only payments were due on each anniversary date through 2010. Thereafter, annual principal and interest payments will be due through the maturity date, September 26, 2015, with principal in the amount of \$200,000 per year on the sixth through ninth year anniversary dates and \$225,000 on the maturity date.

The remaining balance of the note payable was paid off by June 30, 2016.

**City of Cerritos**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 9 – Fund Balance Classifications**

The City’s fund balances at June 30, 2016 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>	
<b>Nonspendable:</b>				
Loans receivable	\$ 283,401	\$ -	\$ -	\$ 283,401
Notes receivable	1,095,000	-	-	1,095,000
Prepaid items	2,323,903	-	-	2,323,903
Inventories	24,505	-	-	24,505
Advances to other funds	31,329,850	-	-	31,329,850
Advances to fiduciary funds	45,939,695	-	-	45,939,695
<b>Total nonspendable</b>	<b>80,996,354</b>	<b>-</b>	<b>-</b>	<b>80,996,354</b>
<b>Restricted:</b>				
Housing Assets special revenue	-	9,462,617	-	9,462,617
Street Improvements - street and sewer related purposes	-	-	89,579	89,579
Drainage - street and sewer related purposes	-	-	15,753	15,753
Proposition "A" - transportation related purposes	-	-	1,280,013	1,280,013
Assessment District #6 - assessment districts	-	-	84,023	84,023
Local Law Enforcement Grant - miscellaneous grants	-	-	-	-
COPS Grant - miscellaneous grants	-	-	-	-
Environmental Grants - miscellaneous grants	-	-	1,210	1,210
Air Quality Management District - transportation related purposes	-	-	422,540	422,540
Measure "R" - transportation related purposes	-	-	505	505
CDBG - miscellaneous grants	-	-	-	-
<b>Total restricted</b>	<b>-</b>	<b>9,462,617</b>	<b>1,893,623</b>	<b>11,356,240</b>
<b>Assigned:</b>				
Asset replacement	700,000	-	-	700,000
Art Center programs	9,561,888	-	-	9,561,888
Earthquake preparedness	2,633,263	-	-	2,633,263
Art in public places	516,792	-	-	516,792
Museum Endowment	5,004,210	-	-	5,004,210
Advance repayment holding	-	-	-	-
Self Insurance	3,000,000	-	-	3,000,000
<b>Total assigned</b>	<b>21,416,153</b>	<b>-</b>	<b>-</b>	<b>21,416,153</b>
<b>Unassigned:</b>				
General Fund	57,367,241	-	-	57,367,241
<b>Total unassigned</b>	<b>57,367,241</b>	<b>-</b>	<b>-</b>	<b>57,367,241</b>
<b>Total</b>	<b>\$ 159,779,748</b>	<b>\$ 9,462,617</b>	<b>\$ 1,893,623</b>	<b>\$ 171,135,988</b>

**City of Cerritos**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 10 – Retirement Plan**

**A. Defined Benefit Pension Plans**

**a. Summary**

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

	<u>Governmental Activities</u>	<u>Business-Type Activities Water and Sewer Fund</u>	<u>Total Primary Government</u>	<u>Fiduciary Funds Successor Agency to the Cerritos Redevelopment Agency</u>	<u>Total</u>
CalPERS Miscellaneous Plan	\$ 41,509,093	\$ 4,479,670	\$ 45,988,763	\$ 6,713,223	\$ 52,701,986
PARS	4,558,329	423,452	4,981,781	-	4,981,781
Total	<u>\$ 46,067,422</u>	<u>\$ 4,903,122</u>	<u>\$ 50,970,544</u>	<u>\$ 6,713,223</u>	<u>\$ 57,683,767</u>

**Deferred Outflows of Resources**

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

	<u>Governmental Activities</u>	<u>Business-Type Activities Water and Sewer Fund</u>	<u>Total Primary Government</u>	<u>Fiduciary Funds Successor Agency to the Cerritos Redevelopment Agency</u>	<u>Total</u>
<b>Deferred outflows of resources:</b>					
Pension contribution made after measurement date:					
CalPERS Miscellaneous Plan	\$ 3,479,887	\$ 323,268	\$ 3,803,155	\$ 671,322	\$ 4,474,477
Difference between projected and actual earnings on pension plan investments:					
PARS	362,700	33,693	396,393	-	396,393
Change in assumptions:					
PARS	1,473,015	136,837	1,609,852	-	1,609,852
<b>Total deferred outflows of resources</b>	<u>\$ 5,315,602</u>	<u>\$ 493,798</u>	<u>\$ 5,809,400</u>	<u>\$ 671,322</u>	<u>\$ 6,480,722</u>

**City of Cerritos**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 10 – Retirement Plan (Continued)**

**A. Defined Benefit Pension Plans (Continued)**

**a. Summary (Continued)**

**Deferred Inflows of Resources**

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

	<u>Governmental Activities</u>	<u>Business-Type Activities Water and Sewer Fund</u>	<u>Total Primary Government</u>
<b>Deferred inflows of resources:</b>			
Difference between projected and actual earnings on pension plan investments:			
CalPERS Miscellaneous Plan	\$ 1,144,551	\$ 106,324	\$ 1,250,875
Difference between projected and actual experience:			
CalPERS Miscellaneous Plan	1,460,999	135,721	1,596,720
PARS	453,337	42,113	495,450
Change in assumptions:			
CalPERS Miscellaneous Plan	2,458,352	228,371	2,686,723
<b>Total deferred inflows of resources</b>	<u>\$ 5,517,239</u>	<u>\$ 512,529</u>	<u>\$ 6,029,768</u>

**Pension Expense**

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

	<u>Governmental Activities</u>	<u>Business-Type Activities Water and Sewer Fund</u>	<u>Total Primary Government</u>
CalPERS Miscellaneous Plan	\$ 2,160,188	\$ 200,673	\$ 2,360,861
PARS	791,165	73,496	864,661
Total	<u>\$ 2,951,353</u>	<u>\$ 274,169</u>	<u>\$ 3,225,522</u>

**City of Cerritos**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 10 – Retirement Plan (Continued)**

**A. Defined Benefit Pension Plans (Continued)**

**b. California Public Employees' Retirement System 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, 2014 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."

*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.

**City of Cerritos**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 10 – Retirement Plan (Continued)**

**A. Defined Benefit Pension Plans (Continued)**

**b. California Public Employees’ Retirement System Plan (Continued)**

**General Information about the Pension Plan (Continued)**

*Benefits Provided (Continued)*

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.

	<b>Miscellaneous</b>	
	<b>Prior to January 1, 2013</b>	<b>On or after January 1, 2013</b>
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 compenation	2% - 3%	2% - 3%
Required employee contribution rates	7.000%	7.000%
Required employer contribution rates	23.262%	23.262%

*Employees Covered by Benefit Terms*

At June 30, 2016, the following employees were covered by the benefit terms:

	<b>Miscellaneous</b>
Active employees	274
Inactive employees or beneficiaries currently receiving benefits	286
Inactive employees entitled to, but not yet receiving benefits	294
Total	854

*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 2015-16 was 23.262%. 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.

**City of Cerritos**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 10 – Retirement Plan (Continued)**

**A. Defined Benefit Pension Plans (Continued)**

**b. California Public Employees’ Retirement System Plan (Continued)**

**General Information about the Pension Plan (Continued)**

Contributions (Continued)

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, 2015, the average active miscellaneous employee contribution rate was 7.000% of annual pay and the employer’s contribution rate was 23.262% of miscellaneous employee annual payroll.

For the measurement period, year ended June 30, 2015, the contributions were:

	<b>Miscellaneous</b>
Contributions - employer	\$ 3,524,782
Contributions - employee	1,430,858

**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, 2015, using an annual actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 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, 2014 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	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% 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.

**City of Cerritos**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 10 – Retirement Plan (Continued)**

**A. Defined Benefit Pension Plans (Continued)**

**b. California Public Employees' Retirement System Plan (Continued)**

**Net Pension Liability (Continued)**

*Actuarial Methods and Assumptions Used to Determine Total Pension Liability (Continued)*

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

In accordance with GASB 68, the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate was changed from 7.5% (net of administrative expense in 2014) to 7.65% as of the June 30, 2015 measurement date to correct the adjustment which previously reduced the discount rate for administrative expenses.

*Discount Rate*

The discount rate used to measure the total pension liability was 7.65 percent, which is net of administrative expenses. 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 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund. 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.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.65 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as they have changed their methodology.

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.

**City of Cerritos**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 10 – Retirement Plan (Continued)**

**A. Defined Benefit Pension Plans (Continued)**

**b. California Public Employees’ Retirement System Plan (Continued)**

**Net Pension Liability (Continued)**

**Discount Rate (Continued)**

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. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

The long-term expected rate of return by asset class for the measurement period ended June 30, 2015 was as follows:

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10<sup>1</sup></u>	<u>Real Return Years 11 +<sup>2</sup></u>
Global equity	50.00%	5.25%	5.71%
Global fixed income	17.00%	0.99%	2.43%
Inflation sensitive	4.00%	0.45%	3.36%
Private equity	14.00%	6.83%	6.95%
Real estate	11.00%	4.50%	5.13%
Infrastructure and forestland	0.00%	4.50%	5.09%
Liquidity	4.00%	-0.55%	-1.05%

<sup>1</sup> An expected inflation of 2.5% was used for this period.

<sup>2</sup> An expected inflation of 3.0% was used for this period.

**City of Cerritos**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 10 – Retirement Plan (Continued)**

**A. Defined Benefit Pension Plans (Continued)**

**b. California Public Employees' Retirement System 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 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65%) or 1 percentage-point higher (8.65%) than the current rate:

<b>Plan's Net Pension Liability/(Asset)</b>		
<b>Discount Rate - 1%</b>	<b>Current Discount</b>	<b>Discount Rate + 1%</b>
<b>(6.65%)</b>	<b>Rate (7.65%)</b>	<b>(8.65%)</b>
\$ 81,818,504	\$ 52,701,986	\$ 28,898,330

**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:

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability/(Asset)</b>
	<b>(a)</b>	<b>(b)</b>	<b>(c) = (a) - (b)</b>
Balance at June 30, 2014 (Valuation Date)	\$ 197,897,313	\$ 148,571,259	\$ 49,326,054
Changes Recognized for the Measurement Period:			
Service Cost	3,020,515		3,020,515
Interest on the total pension liability	14,487,605		14,487,605
Changes of benefit terms	-		-
Difference between expected and actual experience	(2,262,020)		(2,262,020)
Changes of assumptions	(3,806,191)		(3,806,191)
Contributions from the employer		3,524,782	(3,524,782)
Contributions from employees		1,430,858	(1,430,858)
Net investment income, net of administrative expense		3,275,852	(3,275,852)
Benefit payments, including refunds of employee contributions	(7,917,777)	(7,917,777)	-
Administrative expense		(167,515)	167,515
Net Changes during July 1, 2014 to June 30, 2015	\$ 3,522,132	\$ 146,200	\$ 3,375,932
Balance at June 30, 2015 (Measurement Date)	\$ 201,419,445	\$ 148,717,459	\$ 52,701,986

**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, 2016**

**Note 10 – Retirement Plan (Continued)**

**A. Defined Benefit Pension Plans (Continued)**

**b. California Public Employees’ Retirement System Plan (Continued)**

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

For the measurement period ending June 30, 2015, the City incurred a pension expense of \$2,360,861 for the CalPERS Miscellaneous plan.

As of measurement date of June 30, 2015, the City has deferred outflows and deferred inflows of resources related to CalPERS pensions as follows:

	<b>Deferred outflows of Resources</b>	<b>Deferred inflows of Resources</b>
Contribution made after the measurement date	\$ 4,474,477	\$ -
Difference between expected and actual experience	-	(1,596,720)
Changes of assumptions	-	(2,686,723)
Net difference between projected and actual earning on pension plan investments	-	(1,250,875)
Total	\$ 4,474,477	\$ (5,534,318)

The \$3,803,155 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, 2016. 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	<b>Deferred Outflows/ (Inflows) of Resources Miscellaneous Classic Plan</b>
2016	\$ (2,727,123)
2017	(2,727,123)
2018	(1,656,261)
2019	1,576,189
Thereafter	-
	\$ (5,534,318)

**c. Other Defined Benefit Plans - PARS**

**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.

**City of Cerritos**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 10 – Retirement Plan (Continued)**

**A. Defined Benefit Pension Plans (Continued)**

**c. Other Defined Benefit Plans – PARS (Continued)**

Plan Description (Continued)

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, 2016**

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**Note 10 – Retirement Plan (Continued)**

**A. Defined Benefit Pension Plans (Continued)**

**c. Other Defined Benefit Plans – PARS (Continued)**

Employees Covered by Benefit Terms

At June 30, 2016, the following employees were covered by the benefit terms:

	<b>PARS</b>
Active employees	114
Inactive employees or beneficiaries currently receiving benefits	41
Inactive employees entitled to, but not yet receiving benefits	n/a
Total	155

Contributions

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

For the year ended June 30, 2016, the contributions were:

	<b>PARS</b>
Contributions - employer	\$ 847,840
Contributions - employee	-

**Net Pension Liability**

Actuarial Assumptions Used to Determine the Total Pension Liability

For the measurement period ended June 30, 2016, the total pension liability was determined by rolling forward the June 30, 2015 total pension liability. The June 30, 2015 and June 30, 2016 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	7.25%
Inflation	3.00%
Salary Increases	Graded rates based on years of service, 3.85% after 22 years of service
Investment Rate of Return	7.25% 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, 2016**

**Note 10 – Retirement Plan (Continued)**

**A. Defined Benefit Pension Plans (Continued)**

**c. Other Defined Benefit Plans – PARS (Continued)**

**Net Pension Liability (Continued)**

*Change of Assumption*

The discount rate was changed from 7.25% to 6.25% as of the June 30, 2016 measurement date.

Discount Rate

The best estimate for the long-term rate of return of 6.25% 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.

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Real Return Years 1 - 10</b>	<b>Real Return Years 11 +</b>
US Cash	3.69%	0.38%	0.38%
US Core Fixed Income	66.57%	2.00%	2.00%
US Equity Market	23.01%	5.14%	5.14%
Foreign Developed Equity	5.10%	5.93%	5.93%
Emerging Markets Equity	1.63%	8.20%	8.20%
Assumed inflation - mean		2.60%	2.58%
Assumed inflation - standard deviation		1.89%	1.89%
Portfolio real mean return		2.96%	2.76%
Portfolio nominal mean return		5.56%	5.41%
Portfolio standard deviation			5.76%
<b>Long-term expected rate of return</b>			<b>6.25%</b>

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:

<b>Plan's Net Pension Liability/(Asset)</b>		
<b>Discount Rate - 1%</b>	<b>Current Discount</b>	<b>Discount Rate + 1%</b>
<b>(5.25%)</b>	<b>Rate (6.25%)</b>	<b>(7.25%)</b>
\$ 6,540,110	\$ 4,981,781	\$ 3,722,015

**City of Cerritos**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 10 – Retirement Plan (Continued)**

**A. Defined Benefit Pension Plans (Continued)**

**c. Other Defined Benefit Plans – PARS (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:

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability/(Asset) (c) = (a) - (b)</b>
Balance at June 30, 2015 (Valuation Date)	\$ 9,404,888	\$ 5,645,721	\$ 3,759,167
Changes Recognized for the Measurement Period:			
Service Cost	276,624	-	276,624
Interest on the total pension liability	586,984	-	586,984
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(603,157)	-	(603,157)
Changes of assumptions	1,959,820	-	1,959,820
Contributions from the employer	-	847,840	(847,840)
Contributions from employees	-	-	-
Net investment income, net of administrative expense	-	151,244	(151,244)
Benefit payments, including refunds of employee contributions	(588,456)	(588,456)	-
Administrative expenses	-	(1,427)	1,427
Net Changes during July 1, 2015 to June 30, 2016	<u>\$ 1,631,815</u>	<u>\$ 409,201</u>	<u>\$ 1,222,614</u>
Balance at June 30, 2016 (Measurement Date)	<u>\$ 11,036,703</u>	<u>\$ 6,054,922</u>	<u>\$ 4,981,781</u>

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, 2016**

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**Note 10 – Retirement Plan (Continued)**

**A. Defined Benefit Pension Plans (Continued)**

**c. Other Defined Benefit Plans – PARS (Continued)**

**Net Pension Liability (Continued)**

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

For the year ended June 30, 2016, the City recognized pension expense of \$864,661 for the PARS Plan.

At June 30, 2016, the City reported deferred outflows resources and deferred inflows of resources related to PARS pensions from the following sources:

	<b>PARS</b>	
	<b>Deferred outflows of Resources</b>	<b>Deferred inflows of Resources</b>
Contribution made after the measurement date	\$ -	\$ -
Difference between expected and actual experience	-	(495,450)
Changes of assumptions	1,609,852	-
Net difference between projected and actual earning on pension plan investments	396,393	-
Total	\$ 2,006,245	\$ (495,450)

Amounts reported as deferred outflows of resources related to PARS pensions will be recognized as pension expense as follows:

Measurement Period Ended June 30	<b>Deferred Outflows/ (Inflows) of Resources PARS</b>
2017	\$ 360,422
2018	360,422
2019	360,423
2020	284,170
2021	145,358
Thereafter	-
	\$ 1,510,795

**City of Cerritos**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 10 – Retirement Plan (Continued)**

**B. Post-Employment Health Care Benefits**

Plan Description

In addition to the pension benefits described in Note 9A, 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](http://www.calpers.ca.gov).

Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City, City Council, and/or the employee associations. Currently, contributions are not required from plan members. On November 19, 2007, the City entered into an agreement with CalPERS to create an irrevocable trust. The assets, all property and rights purchased with such amounts, and all income attributable to such amounts, property or rights are held in the trust for the exclusive benefit of the participants and their beneficiaries. These assets are no longer the property of the City, and as such, are no longer subject to the claims of the City’s general creditors. A one-time employer contribution of \$14 million was made on December 28, 2007, and was included in the January 1, 2011 actuarial study. For the year ended June 30, 2016, the City made benefit payments on behalf of the retirees in the amount of \$1,248,674. The purpose of these contributions is to cover the annual required contribution (“ARC”) and to prefund benefits.

As a result, the City calculated a Net OPEB Asset of \$12,240,963, representing the difference between the ARC and actual contributions, as presented below:

Annual Required Contribution	\$ 1,622,390
Interest on Beginning Net OPEB Asset	(1,345,762)
Adjustment to the Annual Required Contribution	1,002,792
Annual OPEB Cost	<u>1,279,420</u>
Contributions Made Outside of a Trust	<u>(1,248,674)</u>
Change in Net OPEB Asset	30,746
Net OPEB (Asset), Beginning of Year	<u>(14,963,233)</u>
Net OPEB (Asset), End of Year	<u><u>\$ (14,932,487)</u></u>

The interest earnings are based on actual amount of interest earned and the ARC of \$1,622,230 is actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover the annual normal cost and the amortization of unfunded actuarial accrued liabilities (or funding excess) over a thirty year period.

**City of Cerritos**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 10 – Retirement Plan (Continued)**

**B. Post-Employment Health Care Benefits (Continued)**

Annual OPEB Cost and Net OPEB Obligation (Asset)

For fiscal year 2015-16, the City’s annual OPEB cost of \$3,970,944 was \$2,722,270 more than the actual contribution of \$1,248,674. Information on the annual OPEB cost, percentage of annual OPEB cost contributed, and Net OPEB Asset for the 2015-16 fiscal year and preceding two years are presented below:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution (Net of Adjustments)</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB (Asset)</u>
6/30/2014	\$ (2,542,800)	\$ 1,169,618	-46.00%	\$ (17,762,705)
6/30/2015	3,956,338	1,156,866	29.24%	(14,963,233)
6/30/2016	1,279,420	1,248,674	97.60%	(14,932,487)

Funded Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the plan was 86.8% funded. The actuarial accrued liability for benefits was \$31.7 million, and the actuarial value of assets was \$27.5 million, resulting in an unfunded actuarial accrued liability (UAAL) of (\$4.2) million. The covered payroll (annual payroll for active employees covered by the plan) was \$20.6 million and the ratio of the UAAL to the covered payroll was 20.3%.

Funded Status and Funding Progress (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as Required Supplementary Information following the Notes to the Basic Financial Statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the July 1, 2013 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 7.00% investment rate of return (net of administrative expenses), 2.50% inflation rate, and an initial annual healthcare cost trend rate of 8.00%, reduced by decrements to an ultimate rate of 4.25%. A 2.50% annual rate of increase in future salaries is also assumed in the valuation. The City’s unfunded actuarial accrued liability will be amortized as a level percentage of projected covered payroll on a closed basis. The amortization period at July 1, 2015 was twenty-four years.

**City of Cerritos**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 11 – 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. Retrospective adjustments are scheduled to continue indefinitely on coverage years 2012-13 and prior, until all claims incurred during those coverage years are closed, on a pool-wide basis. This subsequent cost re-allocation among members, based on actual claim development, can result in adjustments of either refunds or additional deposits required. Coverage years 2013-14 and forward are not subject to routine annual retrospective adjustment.

The total funding requirement for self-insurance programs is estimated using actuarial models and pre-funded through the annual contribution. Costs are allocated to individual agencies based on exposure (payroll) and experience (claims) relative to other members of the risk-sharing pool. Additional information regarding the cost allocation methodology is provided below.

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.

For 2015-16 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) 50% of the \$2.5 million annual aggregate deductible in the \$3 million x/s \$2 million layer, (b) 50% quota share of the \$3 million x/s \$2 million layer, and (c) \$3 million annual aggregate deductible in the \$5 million x/s \$10 million layer.

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.

**City of Cerritos**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 11 – Liability, Property and Workers’ Compensation Protection (Continued)**

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

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 2015-16 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, 2014 through July 1, 2017. 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 \$292,784,347. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

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.

**City of Cerritos**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 11 – Liability, Property and Workers’ Compensation Protection (Continued)**

**C. Purchased Insurance (Continued)**

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 2016.

**Note 12 - Other Required Disclosures**

**A. Deficit Net Position**

At June 30, 2016, the following funds had a deficit fund balance/net position:

Fund	Deficit
Enterprise Fund:	
Electric Utility Fund	\$ (23,244,009)
Fiduciary Fund:	
Successor Agency to the Cerritos Redevelopment Agency	(124,112,764)

Electric Utility Enterprise Fund – The Electric Utility Fund has a deficit net position of (\$23,244,009) 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 (\$2,381,883), which is included in the total deficit of (\$23,244,009), 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 \$19,632,709 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 (\$124,112,764) 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, 2016**

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**Note 12 - 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, 2016 as follows:

Fund	Expenditures	Appropriations	Excess Expenditures over Appropriations
Special Revenue Funds:			
SB 821	\$ 26,479	\$ 25,000	\$ (1,479)
Proposition "C"	1,291,942	845,550	(446,392)
Assessment District #6	143,743	50,000	(93,743)
Environmental Grants	23,775	-	(23,775)
Measure "R"	559,224	545,000	(14,224)

Special revenue fund actual expenditures exceeded budgeted expenditures for the SB 821, Proposition "C", Assessment District #6, Environmental Grants, and Measure "R" relating to operational and administrative costs.

**Note 13 – Special Item**

The City had previously recorded the purchase of the properties from the former Redevelopment Agency using a reduction of the loan balance of \$39,770,000 as consideration. During fiscal year 2015-2016, the City prepared a Long Range Property Management Plan providing for the City to acquire the properties. The plan was approved by the State Department of Finance.

The City requested approval of the City loans in the amount of \$91,879,390; however, the City is uncertain how much of the loans will ultimately be approved by the State. Due to the uncertainty of the amount that will ultimately be collected, the City established an allowance in the amount of \$45,939,695. The loss from this special item is \$6,169,695 in the General Fund and \$45,939,695 in the Statement of Activities.

**Note 14 – Lease Income under Operating Leases**

Land in the amount of \$54,527,351 is owned by the City and held for lease. In connection with certain ground leases of the Cerritos Towne Center property, the Lincoln Station Property, Kia Auto Dealership property and the Jaguar/Land Rover property, the City had entered into cooperation agreements. For the year ended June 30, 2016, the City's lease income was \$7,345,648.

**City of Cerritos**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 14 – Lease Income under Operating Leases (Continued)**

Projected minimum lease payments to be received by the City as of June 30, 2016 are as follows:

Year Ending June 30,		
2017	\$	6,627,429
2018		6,351,347
2019		6,493,160
2020		6,654,469
2021		6,787,102
2022-2088		407,905,169
Total	\$	<u>440,818,676</u>

**Note 15 – Commitments and Contingencies**

**A. *Lawsuits***

Numerous claims and suits have been filed against the City in the normal course of conducting City business. Based upon information received from the City Attorney and the self-insurance administrator, the estimated liability under such claims would be adequately covered by the deposits paid to CJPIA for self-insurance and insurance coverage (See Note 11).

**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 6% 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, 2016, 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. Prior to fiscal year 2015-2015, the share of these payments were reported as a component of the Successor Agency's long-term debt. As of July 1, 2013, the residual debt on the Magnolia 2003 B Series, Power Project, lease revenue bonds were transferred from the Successor Agency to the City of Cerritos Electric Fund. Payment for these obligations will be made from the operating revenues of the Electric fund. This contract provides for generating capacity of 4.2% of the output generated from the plant.

**City of Cerritos**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 15 – Commitments and Contingencies (Continued)**

***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, 2016, settlement payable was reflected in the amount of \$1,969,162. In fiscal year 2016, reimbursable costs were \$250,655, for which the City will reimburse MGP by issuing a credit to future rent payments. This is recorded as a settlement payable in the government-wide statement of net position.

**Note 16 – Subsequent Events**

***A. Litigation***

The City and the Successor Agency filed an action to challenge the result of the DOF’s determination regarding enforceable obligations of payments owed by the Successor Agency. The City is currently in discussions with the State in resolving all matters related to the dissolution of the Redevelopment Agency.

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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, 2016**

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**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, 2016**

**Note 1 – Budget and Budgetary Accounting (Continued)**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Property, sales, and other taxes	\$ 35,536,000	\$ 39,159,500	\$ 45,498,217	\$ 6,338,717
Franchise	1,581,000	1,600,000	1,717,908	117,908
Licenses and permits	2,901,450	1,629,000	3,118,986	1,489,986
Fines and forfeitures	1,047,000	945,000	845,664	(99,336)
Investment and rental income	15,510,520	13,342,650	10,448,152	(2,894,498)
Revenues from other agencies	5,378,460	5,405,460	527,281	(4,878,179)
Current fees and services	6,265,410	5,386,990	5,263,603	(123,387)
Other revenues	357,900	449,730	2,536,400	2,086,670
<b>TOTAL REVENUES</b>	<b>68,577,740</b>	<b>67,918,330</b>	<b>69,956,211</b>	<b>2,037,881</b>
<b>EXPENDITURES:</b>				
Current:				
Legislative and Administration	1,681,470	1,707,370	1,768,951	(61,581)
Community Development	4,081,400	4,103,650	4,618,189	(514,539)
Public Works	11,793,810	11,840,240	11,805,861	34,379
Community and Safety Services	23,161,200	23,170,975	22,494,774	676,201
Administrative Services	12,075,650	12,791,235	10,082,050	2,709,185
Cerritos Center for the Performing Arts	5,926,160	5,643,460	5,321,948	321,512
Capital outlay	-	-	461,955	(461,955)
<b>TOTAL EXPENDITURES</b>	<b>58,719,690</b>	<b>59,256,930</b>	<b>56,553,728</b>	<b>2,703,202</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>9,858,050</b>	<b>8,661,400</b>	<b>13,402,483</b>	<b>4,741,083</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from sale of City property	-	-	3,390,836	3,390,836
Transfers out	(5,586,455)	(5,586,455)	(6,029,967)	(443,512)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(5,586,455)</b>	<b>(5,586,455)</b>	<b>(2,639,131)</b>	<b>2,947,324</b>
<b>SPECIAL ITEM:</b>				
Adjustment to amount due from Successor Agency related to LRPMP	-	-	(6,169,695)	(6,169,695)
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 4,271,595</b>	<b>\$ 3,074,945</b>	<b>4,593,657</b>	<b>\$ 1,518,712</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>			<b>155,186,091</b>	
<b>FUND BALANCE - END OF YEAR</b>			<b>\$ 159,779,748</b>	

**City of Cerritos**  
**Required Supplementary Information (Unaudited) (Continued)**  
**Budgetary Comparison Schedule – Housing Assets Special Revenue Fund**  
**For the Year Ended June 30, 2016**

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**Note 1 – Budget and Budgetary Accounting (Continued)**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Investment and rental income	\$ 16,160	\$ 39,700	\$ 195,415	\$ 155,715
Other revenue	-	-	4,478	4,478
<b>TOTAL REVENUES</b>	<u>16,160</u>	<u>39,700</u>	<u>199,893</u>	<u>160,193</u>
<b>EXPENDITURES:</b>				
Housing service programs	7,000	7,000	-	7,000
<b>TOTAL EXPENDITURES</b>	<u>7,000</u>	<u>7,000</u>	<u>-</u>	<u>7,000</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 9,160</u>	<u>\$ 32,700</u>	199,893	<u>\$ 167,193</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>			<u>9,262,724</u>	

**City of Cerritos**  
**Required Supplementary Information (Unaudited) (Continued)**  
**For the Year Ended June 30, 2016**

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

**CITY MISCELLANEOUS PLAN**

<b>Total Pension Liability</b>	<b>2013-14</b>	<b>2014-15</b>
Service cost	\$ 3,240,470	\$ 3,020,515
Interest on total pension liability	13,949,974	14,487,605
Differences between expected and actual experience	-	(2,262,020)
Changes in assumptions	-	(3,806,191)
Changes in benefit terms	-	-
Benefit payments, including refunds of employee contributions	(7,345,114)	(7,917,777)
<b>Net change in total pension liability</b>	<b>9,845,330</b>	<b>3,522,132</b>
<b>Total pension liability - beginning</b>	<b>188,051,983</b>	<b>197,897,313</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 197,897,313</b>	<b>\$ 201,419,445</b>
<b>Plan fiduciary net position</b>		
Contributions - employer	\$ 3,515,860	\$ 3,524,782
Contributions - employee	1,544,713	1,430,858
Investment income (net of administrative expenses)	22,074,825	3,275,852
Benefit payments	(7,345,114)	(7,917,777)
Other	-	(167,515)
<b>Net change in plan fiduciary net position</b>	<b>19,790,284</b>	<b>146,200</b>
<b>Plan fiduciary net position - beginning</b>	<b>128,780,975</b>	<b>148,571,259</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 148,571,259</b>	<b>\$ 148,717,459</b>
<b>Net pension liability - ending (a)-(b)</b>	<b>\$ 49,326,054</b>	<b>\$ 52,701,986</b>
Plan fiduciary net position as a percentage of the total pension liability	75.07%	73.83%
Covered-employee payroll	\$ 18,404,441	\$ 17,978,187
Net pension liability as a percentage of covered-employee payroll	268.01%	293.14%

**Notes to Schedule:**

**Changes in assumptions.** The discount rate was changed from 7.5% (net of administrative expense) to 7.65%.

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

**City of Cerritos**  
**Required Supplementary Information (Unaudited) (Continued)**  
**For the Year Ended June 30, 2016**

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

**CITY PARS PLAN**

<b>Total Pension Liability</b>	<b>2014-15</b>	<b>2015-16</b>
Service cost	\$ 212,170	\$ 276,624
Interest on total pension liability	653,773	586,984
Differences between expected and actual experience	-	(603,157)
Changes in assumptions	-	1,959,820
Changes in benefit terms	-	-
Benefit payments, including refunds of employee contributions	(523,749)	(588,456)
<b>Net change in total pension liability</b>	<b>342,194</b>	<b>1,631,815</b>
<b>Total pension liability - beginning</b>	<b>9,062,694</b>	<b>9,404,888</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 9,404,888</b>	<b>\$ 11,036,703</b>
<b>Plan fiduciary net position</b>		
Contributions - employer	\$ 868,240	\$ 847,840
Contributions - employee	-	-
Investment income (net of administrative expenses)	14,398	(588,456)
Benefit payments	(523,749)	151,244
Other	(2,289)	(1,427)
<b>Net change in plan fiduciary net position</b>	<b>356,600</b>	<b>409,201</b>
<b>Plan fiduciary net position - beginning</b>	<b>5,289,121</b>	<b>5,645,721</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 5,645,721</b>	<b>\$ 6,054,922</b>
<b>Net pension liability - ending (a)-(b)</b>	<b>\$ 3,759,167</b>	<b>\$ 4,981,781</b>
Plan fiduciary net position as a percentage of the total pension liability	60.03%	54.86%
Covered-employee payroll	\$ 9,336,558	\$ 9,616,647
Net pension liability as a percentage of covered-employee payroll	40.26%	51.80%

**Notes to Schedule:**

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

**City of Cerritos**  
**Required Supplementary Information (Unaudited) (Continued)**  
**For the Year Ended June 30, 2016**

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

**CITY MISCELLANEOUS PLAN**

	2013-14 <sup>1</sup>	2014-15 <sup>1</sup>	2015-16 <sup>1</sup>
Actuarially determined contribution	\$ 3,515,860	\$ 3,524,782	\$ 3,803,155
Contributions in relation to the actuarially determined contributions <sup>2</sup>	(3,515,860)	(3,524,782)	(4,474,477)
<b>Contribution deficiency (excess)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (671,322)</b>
Covered-employee payroll <sup>3,4</sup>	\$ 18,404,411	\$ 17,978,187	\$ 18,517,533
Contributions as a percentage of covered-employee payroll <sup>3</sup>	19.10%	19.61%	24.16%

<sup>1</sup> Historical information is required only for measurement periods for which GASB 68 is applicable.

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> 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

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2014-15 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	For details, see June 30, 2012 Funding Valuation Report
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 three years are shown.

**City of Cerritos**  
**Required Supplementary Information (Unaudited) (Continued)**  
**For the Year Ended June 30, 2016**

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

**CITY PARS PLAN**

	<b>2014-15<sup>1</sup></b>	<b>2015-16<sup>1</sup></b>
Actuarially determined contribution	\$ 847,590	\$ 774,085
Contributions in relation to the actuarially determined contributions <sup>2</sup>	(868,240)	(847,840)
<b>Contribution deficiency (excess)</b>	<b>\$ (20,650)</b>	<b>\$ (73,755)</b>
Covered-employee payroll <sup>3</sup>	\$ 9,336,558	\$ 9,616,647
Contributions as a percentage of covered-employee payroll <sup>3</sup>	9.30%	8.82%

<sup>1</sup> Historical information is required only for measurement periods for which GASB 68 is applicable.

<sup>2</sup> 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.

<sup>3</sup> 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.

**Notes to Schedule**

Valuation date: 6/30/2014                      6/30/2015

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	6.25%, 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

**City of Cerritos**  
**Required Supplementary Information (Unaudited) (Continued)**  
**For the Year Ended June 30, 2016**

**Note 4 – Schedule of Funding Progress**

**Other Post Employment Benefits**

**SCHEDULE OF FUNDING PROGRESS FOR OPEB (\$ AMOUNT IN THOUSANDS)**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Entry Age Normal Accrued Liability</b>	<b>Unfunded AAL</b>	<b>Funded Status</b>	<b>Annual Covered Payroll</b>	<b>UAAL as a % of Payroll</b>
7/1/2011	\$ 21,731	\$ 31,023	\$ 9,292	70.0%	\$ 21,637	42.9%
7/1/2013	27,540	31,726	4,186	86.8%	20,594	20.3%
7/1/2015	27,540	31,726	4,186	86.8%	20,594	20.3%

\* Based on the latest actuarial valuation available.

## **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.

**SB 821 Fund** - to account for revenues received for use on bicycle and pedestrian facilities. These funds may be used for development of sidewalks, bike paths, bike lanes, bike routes, access ramps or curb cuts.

**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.

**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.

**Local Law Enforcement Grant Fund** - to account for non-recurring grant monies received from the State of California for the "Local Law Enforcement Block Grant". These funds are restricted for public safety programs.

**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.

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**City of Cerritos**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2016**

Special Revenue Funds

	Street Improvements	SB 821	Drainage	Proposition "A"	Proposition "C"
<b>ASSETS</b>					
Cash and investments	\$ 1,162,133	\$ -	\$ 16,004	\$ 1,323,060	\$ 265,410
Accounts receivable	139,107	-	-	-	840
<b>Total Assets</b>	<b>\$ 1,301,240</b>	<b>\$ -</b>	<b>\$ 16,004</b>	<b>\$ 1,323,060</b>	<b>\$ 266,250</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 1,163,214	\$ -	\$ 222	\$ 43,047	\$ 266,250
Accrued salaries and benefits	48,447	-	29	-	-
Unearned revenue	-	-	-	-	-
<b>Total Liabilities</b>	<b>1,211,661</b>	<b>-</b>	<b>251</b>	<b>43,047</b>	<b>266,250</b>
<b>Fund Balances:</b>					
Restricted	89,579	-	15,753	1,280,013	-
<b>Total Fund Balances</b>	<b>89,579</b>	<b>-</b>	<b>15,753</b>	<b>1,280,013</b>	<b>-</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,301,240</b>	<b>\$ -</b>	<b>\$ 16,004</b>	<b>\$ 1,323,060</b>	<b>\$ 266,250</b>

**City of Cerritos**  
**Combining Balance Sheet (Continued)**  
**Nonmajor Governmental Funds**  
**June 30, 2016**

	Special Revenue Funds				
	Assessment District #6	Los Coyotes Lighting District	Public Safety Grants Funds		
			Local Law Enforcement Grant	COPS Grant	Environmental Grants
<b>ASSETS</b>					
Cash and investments	\$ 82,237	\$ 81,008	\$ -	\$ -	\$ 14,355
Accounts receivable	1,786	-	-	-	-
<b>Total Assets</b>	<b>\$ 84,023</b>	<b>\$ 81,008</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 14,355</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ -	\$ 76,722	\$ -	\$ -	\$ -
Accrued salaries and benefits	-	4,286	-	-	-
Unearned revenue	-	-	-	-	13,145
<b>Total Liabilities</b>	<b>-</b>	<b>81,008</b>	<b>-</b>	<b>-</b>	<b>13,145</b>
<b>Fund Balances:</b>					
Restricted	84,023	-	-	-	1,210
<b>Total Fund Balances</b>	<b>84,023</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,210</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 84,023</b>	<b>\$ 81,008</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 14,355</b>

(Continued)

**City of Cerritos**  
**Combining Balance Sheet (Continued)**  
**Nonmajor Governmental Funds**  
**June 30, 2016**

	Special Revenue Funds			Capital Projects Fund		Total Nonmajor Governmental Funds
	AQMD	Measure "R"	Community Development Block Grant	Total Special Revenue	Municipal Improvement	
<b>ASSETS</b>						
Cash and investments	\$ 406,075	\$ 505	\$ -	\$ 3,350,787	\$ 663,240	\$ 4,014,027
Accounts receivable	16,520	-	154,479	312,732	134,827	447,559
<b>Total Assets</b>	<u>\$ 422,595</u>	<u>\$ 505</u>	<u>\$ 154,479</u>	<u>\$ 3,663,519</u>	<u>\$ 798,067</u>	<u>\$ 4,461,586</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	\$ 55	\$ -	\$ 154,479	\$ 1,703,989	\$ 795,631	\$ 2,499,620
Accrued salaries and benefits	-	-	-	52,762	-	52,762
Unearned revenue	-	-	-	13,145	2,436	15,581
<b>Total Liabilities</b>	<u>55</u>	<u>-</u>	<u>154,479</u>	<u>1,769,896</u>	<u>798,067</u>	<u>2,567,963</u>
<b>Fund Balances:</b>						
Restricted	422,540	505	-	1,893,623	-	1,893,623
<b>Total Fund Balances</b>	<u>422,540</u>	<u>505</u>	<u>-</u>	<u>1,893,623</u>	<u>-</u>	<u>1,893,623</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 422,595</u>	<u>\$ 505</u>	<u>\$ 154,479</u>	<u>\$ 3,663,519</u>	<u>\$ 798,067</u>	<u>\$ 4,461,586</u>

(Concluded)

**City of Cerritos**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2016**

Special Revenue Funds

	Street Improvements	SB 821	Drainage	Proposition "A"	Proposition "C"
<b>REVENUES:</b>					
Investment and rental income/(loss)	\$ (6,398)	\$ -	\$ -	\$ 15,114	\$ -
Revenues from other agencies	1,151,240	26,479	-	1,034,288	749,425
Current fees and services	-	-	25,441	-	16,290
Franchise	94,050	-	-	-	-
<b>Total Revenues</b>	<b>1,238,892</b>	<b>26,479</b>	<b>25,441</b>	<b>1,049,402</b>	<b>765,715</b>
<b>EXPENDITURES:</b>					
Current:					
Legislative and Administration	98,160	-	296	-	-
Community Development	-	-	-	328,895	1,291,942
Public Works	3,348,156	26,479	10,000	-	-
Administrative Services	413,388	-	1,039	-	-
Capital outlay	908,437	-	-	-	-
<b>Total Expenditures</b>	<b>4,768,141</b>	<b>26,479</b>	<b>11,335</b>	<b>328,895</b>	<b>1,291,942</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(3,529,249)</b>	<b>-</b>	<b>14,106</b>	<b>720,507</b>	<b>(526,227)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	3,513,473	-	-	-	526,227
Transfers out	-	-	-	(526,227)	-
<b>Total Other Financing Sources (Uses)</b>	<b>3,513,473</b>	<b>-</b>	<b>-</b>	<b>(526,227)</b>	<b>526,227</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(15,776)</b>	<b>-</b>	<b>14,106</b>	<b>194,280</b>	<b>-</b>
<b>FUND BALANCES (DEFICIT):</b>					
Beginning of Year	105,355	-	1,647	1,085,733	-
End of Year	\$ 89,579	\$ -	\$ 15,753	\$ 1,280,013	\$ -

**City of Cerritos**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2016**

	Special Revenue Funds				
	Assessment District #6	Los Coyotes Lighting District	Public Safety Grants Funds		
			Local Law		Environmental Grants
			Enforcement Grant	COPS Grant	
<b>REVENUES:</b>					
Investment and rental income/(loss)	\$ 1,746	\$ -	\$ 33	\$ 372	\$ 356
Revenues from other agencies	98,714	100,094	-	114,618	36,636
Current fees and services	-	-	-	-	-
Franchise	-	-	-	-	-
<b>Total Revenues</b>	<b>100,460</b>	<b>100,094</b>	<b>33</b>	<b>114,990</b>	<b>36,992</b>
<b>EXPENDITURES:</b>					
Current:					
Legislative and Administration	-	31,708	-	-	-
Community Development	-	-	-	-	-
Public Works	143,743	923,350	-	-	23,775
Administrative Services	-	111,670	-	-	-
Capital outlay	-	-	-	-	-
<b>Total Expenditures</b>	<b>143,743</b>	<b>1,066,728</b>	<b>-</b>	<b>-</b>	<b>23,775</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(43,283)</b>	<b>(966,634)</b>	<b>33</b>	<b>114,990</b>	<b>13,217</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	-	966,634	-	-	-
Transfers out	-	-	(9,542)	(115,085)	(12,861)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>966,634</b>	<b>(9,542)</b>	<b>(115,085)</b>	<b>(12,861)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(43,283)</b>	<b>-</b>	<b>(9,509)</b>	<b>(95)</b>	<b>356</b>
<b>FUND BALANCES (DEFICIT):</b>					
Beginning of Year	127,306	-	9,509	95	854
End of Year	\$ 84,023	\$ -	\$ -	\$ -	\$ 1,210

(Continued)

**City of Cerritos**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2016**

	Special Revenue Funds			Capital Projects Fund		Total Nonmajor Governmental Funds
	AQMD	Measure "R"	Community Development Block Grant	Total Special Revenue	Municipal Improvement	
<b>REVENUES:</b>						
Investment and rental income/(loss)	\$ 3,829	\$ 500	\$ -	\$ 15,552	\$ -	\$ 15,552
Revenues from other agencies	63,147	558,887	160,017	4,093,545	699	4,094,244
Current fees and services	-	-	-	41,731	7,676	49,407
Franchise	-	-	-	94,050	-	94,050
<b>Total Revenues</b>	<b>66,976</b>	<b>559,387</b>	<b>160,017</b>	<b>4,244,878</b>	<b>8,375</b>	<b>4,253,253</b>
<b>EXPENDITURES:</b>						
Current:						
Legislative and Administration	-	-	-	130,164	-	130,164
Community Development	35,669	-	-	1,656,506	-	1,656,506
Public Works	-	559,224	-	5,034,727	1,112,842	6,147,569
Administrative Services	-	-	-	526,097	-	526,097
Capital outlay	-	-	160,017	1,068,454	582,881	1,651,335
<b>Total Expenditures</b>	<b>35,669</b>	<b>559,224</b>	<b>160,017</b>	<b>8,415,948</b>	<b>1,695,723</b>	<b>10,111,671</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>31,307</b>	<b>163</b>	<b>-</b>	<b>(4,171,070)</b>	<b>(1,687,348)</b>	<b>(5,858,418)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	-	-	-	5,006,334	1,687,348	6,693,682
Transfers out	-	-	-	(663,715)	-	(663,715)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,342,619</b>	<b>1,687,348</b>	<b>6,029,967</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>31,307</b>	<b>163</b>	<b>-</b>	<b>171,549</b>	<b>-</b>	<b>171,549</b>
<b>FUND BALANCES (DEFICIT):</b>						
Beginning of Year	391,233	342	-	1,722,074	-	1,722,074
End of Year	\$ 422,540	\$ 505	\$ -	\$ 1,893,623	\$ -	\$ 1,893,623

(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, 2016**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES:</b>				
Investment and rental income/(loss)	\$ -	\$ -	\$ (6,398)	\$ (6,398)
Revenues from other agencies	1,412,590	1,359,170	1,151,240	(207,930)
Franchise	78,000	78,000	94,050	16,050
<b>Total Revenues</b>	<u>1,490,590</u>	<u>1,437,170</u>	<u>1,238,892</u>	<u>(198,278)</u>
<b>EXPENDITURES:</b>				
Current:				
Legislative and Administrative	79,450	98,010	98,160	(150)
Public Works	2,057,870	2,156,400	3,348,156	(1,191,756)
Administrative Services	297,790	386,710	413,388	(26,678)
Capital outlay	1,956,770	2,238,770	908,437	1,330,333
<b>Total Expenditures</b>	<u>4,391,880</u>	<u>4,879,890</u>	<u>4,768,141</u>	<u>111,749</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(2,901,290)</u>	<u>(3,442,720)</u>	<u>(3,529,249)</u>	<u>(86,529)</u>
<b>OTHER FINANCING SOURCES:</b>				
Transfers in	2,901,290	3,520,720	3,513,473	(7,247)
<b>Total Other Financing Sources</b>	<u>2,901,290</u>	<u>3,520,720</u>	<u>3,513,473</u>	<u>(7,247)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ 78,000</u>	(15,776)	<u>\$ (93,776)</u>
<b>FUND BALANCE (DEFICIT):</b>				
Beginning of Year			<u>105,355</u>	
End of Year			<u>\$ 89,579</u>	

**City of Cerritos**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**SB 821 Special Revenue Fund**  
**For the Year Ended June 30, 2016**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES:</b>				
Revenues from other agencies	\$ -	\$ 26,500	\$ 26,479	\$ (21)
<b>Total Revenues</b>	<u>-</u>	<u>26,500</u>	<u>26,479</u>	<u>(21)</u>
<b>EXPENDITURES:</b>				
Current:				
Public works	-	-	26,479	(26,479)
Capital Outlay	-	25,000	-	25,000
<b>Total expenditures</b>	<u>-</u>	<u>25,000</u>	<u>26,479</u>	<u>(1,479)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ 1,500</u>	<u>-</u>	<u>(1,500)</u>
<b>FUND BALANCE:</b>				
Beginning of Year			<u>-</u>	<u>-</u>
End of Year			<u>\$ -</u>	<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, 2016**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES:</b>				
Current fees and services	\$ 20,000	\$ 55,340	\$ 25,441	\$ (29,899)
<b>Total Revenues</b>	<u>20,000</u>	<u>55,340</u>	<u>25,441</u>	<u>(29,899)</u>
<b>EXPENDITURES:</b>				
Current:				
Legislative and Administration	310	295	296	(1)
Public Works	10,030	10,060	10,000	60
Administrative Services	1,170	1,165	1,039	126
<b>Total Expenditures</b>	<u>11,510</u>	<u>11,520</u>	<u>11,335</u>	<u>185</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>8,490</u>	<u>43,820</u>	<u>14,106</u>	<u>(29,714)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 8,490</u>	<u>\$ 43,820</u>	<u>14,106</u>	<u>\$ (29,714)</u>
<b>FUND BALANCE:</b>				
Beginning of Year			<u>1,647</u>	
End of Year			<u>\$ 15,753</u>	

**City of Cerritos**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Proposition "A" Special Revenue Fund**  
**For the Year Ended June 30, 2016**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES:</b>				
Investment and rental income/(loss)	\$ 9,400	\$ 11,100	\$ 15,114	\$ 4,014
Revenues from other agencies	951,490	1,034,650	1,034,288	(362)
Current fees and services	-	-	-	-
<b>Total Revenues</b>	<b>960,890</b>	<b>1,045,750</b>	<b>1,049,402</b>	<b>3,652</b>
<b>EXPENDITURES:</b>				
Current:				
Community Development	826,500	826,500	328,895	497,605
<b>Total Expenditures</b>	<b>826,500</b>	<b>826,500</b>	<b>328,895</b>	<b>497,605</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>134,390</b>	<b>219,250</b>	<b>720,507</b>	<b>501,257</b>
<b>OTHER FINANCING (USES):</b>				
Transfers out	-	(85,910)	(526,227)	(440,317)
<b>Total Other Financing (Uses)</b>	<b>-</b>	<b>(85,910)</b>	<b>(526,227)</b>	<b>(440,317)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 134,390</b>	<b>\$ 133,340</b>	<b>194,280</b>	<b>\$ 60,940</b>
<b>FUND BALANCE:</b>				
Beginning of Year			1,085,733	
End of Year			<u>\$ 1,280,013</u>	

**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, 2016**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES:</b>				
Investment and rental income/(loss)	\$ 2,750	\$ 1,100	\$ -	\$ (1,100)
Revenue from other agencies	685,550	745,040	749,425	4,385
Current fees and services	13,000	13,500	16,290	2,790
<b>Total Revenues</b>	<b>701,300</b>	<b>759,640</b>	<b>765,715</b>	<b>6,075</b>
<b>EXPENDITURES:</b>				
Current:				
Community Development	685,550	845,550	1,291,942	(446,392)
<b>Total Expenditures</b>	<b>685,550</b>	<b>845,550</b>	<b>1,291,942</b>	<b>(446,392)</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>15,750</b>	<b>(85,910)</b>	<b>(526,227)</b>	<b>(440,317)</b>
<b>OTHER FINANCING SOURCES:</b>				
Transfers in	-	85,910	526,227	440,317
<b>Total Other Financing Sources</b>	<b>-</b>	<b>85,910</b>	<b>526,227</b>	<b>440,317</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 15,750</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>
<b>FUND BALANCE:</b>				
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, 2016**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES:</b>				
Investment and rental income/(loss)	\$ -	\$ 1,100	\$ 1,746	\$ 646
Revenues from other agencies	-	80,000	98,714	18,714
<b>Total Revenues</b>	<b>-</b>	<b>81,100</b>	<b>100,460</b>	<b>19,360</b>
<b>EXPENDITURES:</b>				
Current:				
Public Works	-	50,000	143,743	(93,743)
<b>Total Expenditures</b>	<b>-</b>	<b>50,000</b>	<b>143,743</b>	<b>(93,743)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>\$ 31,100</b>	<b>(43,283)</b>	<b>\$ (74,383)</b>
<b>FUND BALANCE:</b>				
Beginning of Year			127,306	
End of Year			\$ 84,023	

**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, 2016**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES:</b>				
Revenues from other agencies	\$ 100,000	\$ 100,090	\$ 100,094	\$ 4
<b>Total Revenues</b>	<u>100,000</u>	<u>100,090</u>	<u>100,094</u>	<u>4</u>
<b>EXPENDITURES:</b>				
Current:				
Legislative and Administration	32,680	31,660	31,708	(48)
Public Works	998,790	953,820	923,350	30,470
Administrative Services	122,490	124,910	111,670	13,240
<b>Total Expenditures</b>	<u>1,153,960</u>	<u>1,110,390</u>	<u>1,066,728</u>	<u>43,662</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(1,053,960)	(1,010,300)	(966,634)	43,666
<b>OTHER FINANCING SOURCES:</b>				
Transfers in	1,053,960	1,010,300	966,634	(43,666)
<b>Total Other Financing Sources</b>	<u>1,053,960</u>	<u>1,010,300</u>	<u>966,634</u>	<u>(43,666)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
<b>FUND BALANCE (DEFICIT):</b>				
Beginning of Year			-	
End of Year			<u>\$ -</u>	

**City of Cerritos**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Local Law Enforcement Grant Special Revenue Fund**  
**For the Year Ended June 30, 2016**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES:</b>				
Investment and rental income/(loss)	\$ -	\$ -	\$ 33	\$ 33
<b>Total Revenues</b>	<u>-</u>	<u>-</u>	<u>33</u>	<u>33</u>
<b>OTHER FINANCING (USES):</b>				
Transfers out		(9,510)	(9,542)	(32)
<b>Total Other Financing (Uses)</b>	<u>-</u>	<u>(9,510)</u>	<u>(9,542)</u>	<u>(32)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ (9,510)</u>	<u>(9,509)</u>	<u>\$ 1</u>
<b>FUND BALANCE:</b>				
Beginning of Year			<u>9,509</u>	
End of Year			<u>\$ -</u>	

**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, 2016**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES:</b>				
Investment and rental income/(loss)	\$ -	\$ -	\$ 372	\$ 372
Revenues from other agencies	100,000	100,000	114,618	14,618
<b>Total Revenues</b>	<u>100,000</u>	<u>100,000</u>	<u>114,990</u>	<u>14,990</u>
<b>OTHER FINANCING (USES):</b>				
Transfers out	(100,000)	(100,095)	(115,085)	(14,990)
<b>Total Other Financing (Uses)</b>	<u>(100,000)</u>	<u>(100,095)</u>	<u>(115,085)</u>	<u>(14,990)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ (95)</u>	(95)	<u>\$ -</u>
<b>FUND BALANCE:</b>				
Beginning of Year			<u>95</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, 2016**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES:</b>				
Investment and rental income/(loss)	\$ 170	\$ 200	\$ 356	\$ 156
Revenues from other agencies	27,100	25,000	36,636	11,636
<b>Total Revenues</b>	<u>27,270</u>	<u>25,200</u>	<u>36,992</u>	<u>11,792</u>
<b>EXPENDITURES:</b>				
Current:				
Public Works	-	-	23,775	(23,775)
<b>Total Expenditures</b>	<u>-</u>	<u>-</u>	<u>23,775</u>	<u>(23,775)</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	27,270	25,200	13,217	(11,983)
<b>OTHER FINANCING (USES):</b>				
Transfers out	(27,270)	(26,050)	(12,861)	13,189
<b>Total Other Financing (Uses)</b>	<u>(27,270)</u>	<u>(26,050)</u>	<u>(12,861)</u>	<u>13,189</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ (850)</u>	356	<u>\$ 1,206</u>
<b>FUND BALANCE:</b>				
Beginning of Year			854	
End of Year			<u>\$ 1,210</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, 2016**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES:</b>				
Investment and rental income/(loss)	\$ 3,670	\$ 2,300	\$ 3,829	\$ 1,529
Revenues from other agencies	175,000	215,000	63,147	(151,853)
<b>Total Revenues</b>	<u>178,670</u>	<u>217,300</u>	<u>66,976</u>	<u>(150,324)</u>
<b>EXPENDITURES:</b>				
Current:				
Community Development	292,750	299,250	35,669	263,581
<b>Total Expenditures</b>	<u>292,750</u>	<u>299,250</u>	<u>35,669</u>	<u>263,581</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (114,080)</u>	<u>\$ (81,950)</u>	31,307	<u>\$ 113,257</u>
<b>FUND BALANCE:</b>				
Beginning of Year			<u>391,233</u>	
End of Year			<u>\$ 422,540</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, 2016**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES:</b>				
Investment and rental income/(loss)	\$ -	\$ -	\$ 500	\$ 500
Revenues from other agencies	545,000	545,000	558,887	13,887
<b>Total Revenues</b>	<u>545,000</u>	<u>545,000</u>	<u>559,387</u>	<u>14,387</u>
<b>EXPENDITURES:</b>				
Current:				
Public Works	545,000	545,000	559,224	(14,224)
<b>Total Expenditures</b>	<u>545,000</u>	<u>545,000</u>	<u>559,224</u>	<u>(14,224)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	163	<u>\$ 163</u>
<b>FUND BALANCE:</b>				
Beginning of Year			<u>342</u>	
End of Year			<u>\$ 505</u>	

**City of Cerritos**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**CDBG Special Revenue Fund**  
**For the Year Ended June 30, 2016**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES:</b>				
Revenues from other agencies	\$ 180,000	\$ 180,000	\$ 160,017	\$ (19,983)
<b>Total Revenues</b>	<u>180,000</u>	<u>180,000</u>	<u>160,017</u>	<u>(19,983)</u>
<b>EXPENDITURES:</b>				
Capital outlay	180,000	180,000	160,017	19,983
<b>Total expenditures</b>	<u>180,000</u>	<u>180,000</u>	<u>160,017</u>	<u>19,983</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
<b>FUND BALANCE:</b>				
Beginning of Year			<u>-</u>	
End of Year			<u>\$ -</u>	

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# STATISTICAL SECTION

## (Unaudited)

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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.

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b>	136
<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>	
<b>Revenue Capacity</b>	148
<i>These tables contain information to help the reader assess the City's most significant local revenue source, the property tax.</i>	
<b>Debt Capacity</b>	154
<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>	
<b>Demographic and Economic Information</b>	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>	
<b>Operating Information</b>	161
<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				
	2006-07	2007-08	2008-09	2009-10	2010-11
<b>Governmental Activities:</b>					
Net investment in capital assets	\$ 123,877,356	\$ 112,701,038	\$ 108,311,131	\$ 129,318,648	\$ 128,288,812
Restricted For:					
Special revenue	6,663,515	-	-	-	1,473,481
Street and sewer related purposes	-	6,498,583	6,271,895	4,423,142	-
Transportation related purposes	-	1,368,331	1,065,555	1,254,083	-
Assessment districts	-	77,532	126,594	105,662	-
Miscellaneous grants	-	239,106	484,163	492,474	-
Asset replacement	13,595,796	28,582,731	24,966,400	25,275,197	-
Other post employment benefits	-	14,000,000	-	-	10,441,444
Debt Service	-	-	-	-	16,598,679
Housing Assets Special Revenue Fund	-	-	-	-	17,012,352
Unrestricted	156,184,426	143,862,339	158,317,863	127,557,614	123,689,932
Total governmental activities net position	<u>300,321,093</u>	<u>307,329,660</u>	<u>299,543,601</u>	<u>288,426,820</u>	<u>297,504,700</u>
<b>Business-type Activities:</b>					
Net investment in capital assets	28,761,072	30,454,814	41,912,421	40,406,258	44,962,820
Unrestricted	<u>13,011,620</u>	<u>9,099,926</u>	<u>2,164,728</u>	<u>(1,319,738)</u>	<u>(7,690,616)</u>
Total business-type activities net position	<u>41,772,692</u>	<u>39,554,740</u>	<u>44,077,149</u>	<u>39,086,520</u>	<u>37,272,204</u>
<b>Primary Government:</b>					
Net investment in capital assets	152,638,428	143,155,852	150,223,552	169,724,906	173,251,632
Restricted For:					
Special revenue	6,663,515	-	-	-	1,473,481
Street and sewer related purposes	-	6,498,583	6,271,895	4,423,142	-
Transportation related purposes	-	1,368,331	1,065,555	1,254,083	-
Assessment districts	-	77,532	126,594	105,662	-
Miscellaneous grants	-	239,106	484,163	492,474	-
Asset replacement	13,595,796	28,582,731	24,966,400	25,275,197	-
Other post employment benefits	-	14,000,000	-	-	10,441,444
Debt Service	-	-	-	-	16,598,679
Housing Assets Special Revenue Fund	-	-	-	-	17,012,352
Unrestricted	169,196,046	152,962,265	160,482,591	126,237,876	115,999,316
Total primary government net position	<u>\$ 342,093,785</u>	<u>\$ 346,884,400</u>	<u>\$ 343,620,750</u>	<u>\$ 327,513,340</u>	<u>\$ 334,776,904</u>

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

	Fiscal Year				
	2011-12	2012-13	2013-14	2014-15	2015-16
<b>Governmental Activities:</b>					
Net investment in capital assets	\$ 283,412,755	\$ 278,297,578	\$ 272,713,095	\$ 262,647,222	\$ 257,355,170
Restricted For:					
Special revenue	759,964	1,312,017	-	-	-
Street and sewer related purposes	-	103,610	164,676	107,002	105,332
Transportation related purposes	-	-	1,081,590	1,477,308	1,703,058
Assessment districts	-	-	134,111	127,306	84,023
Miscellaneous grants	-	-	10,165	10,458	1,210
Asset replacement	-	-	-	-	-
Other post employment benefits	-	-	-	-	-
Debt Service	-	-	-	-	-
Housing Assets Special Revenue Fund	10,134,889	1,452,108	1,489,009	4,406,831	9,462,617
Unrestricted	181,493,275	183,279,880	184,788,078	138,360,180	97,927,171
Total governmental activities net position	<u>475,800,883</u>	<u>464,445,193</u>	<u>460,380,724</u>	<u>407,136,307</u>	<u>366,638,581</u>
<b>Business-type Activities:</b>					
Net investment in capital assets	44,152,806	42,472,279	31,238,684	28,383,010	30,140,590
Unrestricted	<u>(12,029,929)</u>	<u>(13,401,066)</u>	<u>(23,655,581)</u>	<u>(29,675,894)</u>	<u>(35,033,489)</u>
Total business-type activities net position	<u>32,122,877</u>	<u>29,071,213</u>	<u>7,583,103</u>	<u>(1,292,884)</u>	<u>(4,892,899)</u>
<b>Primary Government:</b>					
Net investment in capital assets	327,565,561	320,769,857	303,951,779	291,030,232	287,495,760
Restricted For:					
Special revenue	759,964	1,312,017	-	-	-
Street and sewer related purposes	-	103,610	164,676	107,002	105,332
Transportation related purposes	-	-	1,081,590	1,477,308	1,703,058
Assessment districts	-	-	134,111	127,306	84,023
Miscellaneous grants	-	-	10,165	10,458	1,210
Asset replacement	-	-	-	-	-
Other post employment benefits	-	-	-	-	-
Debt Service	-	-	-	-	-
Housing Assets Special Revenue Fund	10,134,889	1,452,108	1,489,009	4,406,831	9,462,617
Unrestricted	169,463,346	169,878,814	161,132,497	108,684,286	62,893,682
Total primary government net position	<u>\$ 507,923,760</u>	<u>\$ 493,516,406</u>	<u>\$ 467,963,827</u>	<u>\$ 405,843,423</u>	<u>\$ 361,745,682</u>

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

	Fiscal Year				
	2006-07	2007-08	2008-09	2009-10	2010-11
<b>Expenses:</b>					
Legislative and administration	\$ 9,586,244	\$ 10,763,138	\$ 12,202,801	\$ 24,016,676	\$ 11,895,682
Community development	7,974,456	7,944,431	7,512,609	9,634,162	5,995,050
Public works	21,644,742	21,251,184	23,981,467	17,574,871	14,271,031
Water and power	183,723	166,380	1,456,670	503,095	180,845
Community and safety services	21,788,095	21,553,201	24,661,818	23,219,777	22,595,702
Administrative services	14,898,470	13,740,128	16,536,088	12,431,539	13,033,543
Cerritos Center for the Performing Arts	12,309,527	12,950,937	12,613,288	10,795,353	9,697,750
Unallocated infrastructure depreciation	977,568	1,010,465	994,414	1,058,317	908,341
Land transferred to developer	-	-	-	-	-
Interest expense	16,857,542	16,686,433	16,811,036	16,114,428	16,654,681
Total governmental activities expenses	<u>106,220,367</u>	<u>106,066,297</u>	<u>116,770,191</u>	<u>115,348,218</u>	<u>95,232,625</u>
Water and Sewer	9,633,874	10,249,111	9,034,371	9,690,959	11,575,152
Reclaimed water	1,163,206	1,384,725	1,338,743	1,351,283	1,086,647
Electric utility	8,390,869	9,064,917	9,189,345	6,524,284	11,428,662
Total business-type activities expenses	<u>19,187,949</u>	<u>20,698,753</u>	<u>19,562,459</u>	<u>17,566,526</u>	<u>24,090,461</u>
Total primary government expenses	<u>\$ 125,408,316</u>	<u>\$ 126,765,050</u>	<u>\$ 136,332,650</u>	<u>\$ 132,914,744</u>	<u>\$ 119,323,086</u>
<b>Program revenues:</b>					
Governmental activities:					
Charges for services:					
Legislative and administration	\$ 5,401	\$ 7,975	\$ 24,123	\$ 8,990	\$ 7,623
Community development	2,059,152	2,530,848	1,151,681	1,472,210	1,055,373
Public works	776,251	809,946	974,575	924,062	767,444
Water and power	-	-	-	8,200	66,788
Community and safety services	2,926,171	3,069,657	3,693,983	3,724,638	3,864,946
Administrative services	3,078,915	1,949,196	1,421,710	1,313,723	1,237,313
Cerritos Center for the Performing Arts	6,269,387	6,249,316	5,267,804	4,620,793	4,558,285
Operating grants and contributions	9,247,019	8,954,724	9,954,624	11,297,870	8,711,464
Capital grants and contributions	101,281	472,220	176,995	613,790	-
Total governmental activities program revenues	<u>24,463,577</u>	<u>24,043,882</u>	<u>22,665,495</u>	<u>23,984,276</u>	<u>20,269,236</u>
Business-type activities:					
Charges for services:					
Water and Sewer	8,577,571	8,766,259	7,371,339	7,032,634	7,828,759
Reclaimed water	852,558	886,454	902,348	698,021	838,548
Electric utility	7,068,193	7,517,818	7,040,943	4,637,710	4,556,861
Capital grants and contributions	125,020	888,011	135,613	109,677	95,360
Total business-type activities program revenues	<u>16,623,342</u>	<u>18,058,542</u>	<u>15,450,243</u>	<u>12,478,042</u>	<u>13,319,528</u>
Total primary government program revenues	<u>\$ 41,086,919</u>	<u>\$ 42,102,424</u>	<u>\$ 38,115,738</u>	<u>\$ 36,462,318</u>	<u>\$ 33,588,764</u>
<b>Net revenue (expense):</b>					
Governmental activities	\$ (81,756,790)	\$ (82,022,415)	\$ (94,104,696)	\$ (91,363,942)	\$ (74,963,389)
Business-type activities	<u>(2,564,607)</u>	<u>(2,640,211)</u>	<u>(4,112,216)</u>	<u>(5,088,484)</u>	<u>(10,770,933)</u>
Total primary government net expense	<u>\$ (84,321,397)</u>	<u>\$ (84,662,626)</u>	<u>\$ (98,216,912)</u>	<u>\$ (96,452,426)</u>	<u>\$ (85,734,322)</u>

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

	Fiscal Year				
	2011-12	2012-13	2013-14	2014-15	2015-16
<b>Expenses:</b>					
Governmental activities:					
Legislative and administration	\$ 6,419,681	\$ 2,529,809	\$ 4,264,280	\$ 4,883,485	\$ 2,465,291
Community development	5,475,674	5,203,327	4,991,092	7,085,991	7,917,327
Public works	14,954,988	14,303,051	18,261,026	16,714,186	17,268,089
Water and power	254,155	22,232	3,431	2,180	142,503
Community and safety services	22,894,351	22,299,612	22,432,108	24,290,009	23,633,551
Administrative services	13,102,290	12,112,586	11,123,229	11,173,285	12,390,186
Cerritos Center for the Performing Arts	8,922,981	7,420,483	6,934,822	6,891,247	6,821,863
Unallocated infrastructure depreciation	918,541	938,514	895,164	917,259	934,773
Land transferred to developer	-	-	-	-	-
Interest expense	8,151,223	-	-	-	-
Total governmental activities expenses	<u>81,093,884</u>	<u>64,829,614</u>	<u>68,905,152</u>	<u>71,957,642</u>	<u>71,573,583</u>
Water and Sewer	9,448,471	7,886,861	10,764,211	12,015,738	12,318,355
Reclaimed water	895,664	1,001,303	976,476	1,361,003	1,222,306
Electric utility	8,720,028	6,966,208	6,872,487	7,264,654	6,573,374
Total business-type activities expenses	<u>19,064,163</u>	<u>15,854,372</u>	<u>18,613,174</u>	<u>20,641,395</u>	<u>20,114,035</u>
Total primary government expenses	<u>\$ 100,158,047</u>	<u>\$ 80,683,986</u>	<u>\$ 87,518,326</u>	<u>\$ 92,599,037</u>	<u>\$ 91,687,618</u>
<b>Program revenues:</b>					
Governmental activities:					
Charges for services:					
Legislative and administration	\$ 142,846	\$ 18,057	\$ 4,682	\$ 12,817	\$ 9,582
Community development	1,268,682	935,105	2,756,838	2,350,352	1,982,017
Public works	130,209	139,144	175,944	146,802	199,911
Water and power	-	-	-	-	-
Community and safety services	3,526,634	3,857,319	3,587,773	3,416,288	3,192,486
Administrative services	1,259,756	1,237,470	191,295	268,741	318,424
Cerritos Center for the Performing Arts	4,058,413	3,473,035	3,707,910	3,705,534	3,407,864
Operating grants and contributions	8,279,618	6,120,017	4,931,724	5,390,206	5,085,014
Capital grants and contributions	-	-	155,321	163,464	2,730,681
Total governmental activities program revenues	<u>18,666,158</u>	<u>15,780,147</u>	<u>15,511,487</u>	<u>15,454,204</u>	<u>16,925,979</u>
Business-type activities:					
Charges for services:					
Water and Sewer	7,863,166	7,548,709	7,639,804	9,039,367	7,652,183
Reclaimed water	890,786	885,922	1,177,437	1,213,014	3,282,140
Electric utility	5,012,358	4,260,721	5,343,831	6,274,036	5,262,263
Capital grants and contributions	125,956	78,771	113,913	282,624	320,264
Total business-type activities program revenues	<u>13,892,266</u>	<u>12,774,123</u>	<u>14,274,985</u>	<u>16,809,041</u>	<u>16,516,850</u>
Total primary government program revenues	<u>\$ 32,558,424</u>	<u>\$ 28,554,270</u>	<u>\$ 29,786,472</u>	<u>\$ 32,263,245</u>	<u>\$ 33,442,829</u>
<b>Net revenue (expense):</b>					
Governmental activities	\$ (62,427,726)	\$ (49,049,467)	\$ (53,393,665)	\$ (56,503,438)	\$ (54,647,604)
Business-type activities	<u>(5,171,897)</u>	<u>(3,080,249)</u>	<u>(4,338,189)</u>	<u>(3,832,354)</u>	<u>(3,597,185)</u>
Total primary government net expense	<u>\$ (67,599,623)</u>	<u>\$ (52,129,716)</u>	<u>\$ (57,731,854)</u>	<u>\$ (60,335,792)</u>	<u>\$ (58,244,789)</u>

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

	Fiscal Year				
	2006-07	2007-08	2008-09	2009-10	2010-11
<b>General revenues and other changes in net position:</b>					
Governmental Activities:					
Taxes:					
Sales taxes	\$ 26,680,643	\$ 25,083,985	\$ 20,602,899	\$ 17,166,138	\$ 20,486,099
Property taxes	32,293,806	35,005,279	36,392,537	34,842,837	35,034,773
Motor vehicle taxes	4,146,681	4,210,900	4,446,679	4,382,067	4,451,226
Franchise taxes	1,341,635	1,418,403	1,507,105	1,498,545	1,487,320
Transient occupancy taxes	474,297	481,880	394,290	356,119	398,620
Other taxes	403,210	240,331	258,898	286,895	262,970
Investment and rental income	25,200,318	22,483,705	18,318,651	20,581,624	19,458,284
Miscellaneous	79,703	106,499	195,668	1,132,936	621,736
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	-	-	-	-	-
Transfers	105,000	-	4,201,910	-	242,091
Total governmental activities	<u>90,725,293</u>	<u>89,030,982</u>	<u>86,318,637</u>	<u>80,247,161</u>	<u>82,443,119</u>
Business-type activities:					
Investment and rental income	546,768	422,259	142,035	97,855	71,130
Transfers	(105,000)	-	(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	<u>441,768</u>	<u>422,259</u>	<u>(4,059,875)</u>	<u>97,855</u>	<u>(170,961)</u>
Total primary government	<u>\$ 91,167,061</u>	<u>\$ 89,453,241</u>	<u>\$ 82,258,762</u>	<u>\$ 80,345,016</u>	<u>\$ 82,272,158</u>
<b>Changes in net position:</b>					
Governmental activities	\$ 8,968,503	\$ 7,008,567	\$ (7,786,059)	\$ (11,116,781)	\$ 7,479,730
Business-type activities	<u>(2,122,839)</u>	<u>(2,217,952)</u>	<u>(8,172,091)</u>	<u>(4,990,629)</u>	<u>(10,941,894)</u>
Total primary government	<u>\$ 6,845,664</u>	<u>\$ 4,790,615</u>	<u>\$ (15,958,150)</u>	<u>\$ (16,107,410)</u>	<u>\$ (3,462,164)</u>

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

	Fiscal Year				
	2011-12	2012-13	2013-14	2014-15	2015-16
<b>General revenues and other changes in net position:</b>					
Governmental Activities:					
Taxes:					
Sales taxes	\$ 23,036,906	\$ 26,306,965	\$ 26,719,271	\$ 27,071,289	\$ 32,846,913
Property taxes	18,611,602	6,756,462	5,179,470	10,279,496	11,278,384
Motor vehicle taxes	4,336,940	4,451,795	4,585,486	-	-
Franchise taxes	1,547,794	1,531,153	1,642,819	1,711,848	1,717,909
Transient occupancy taxes	445,413	460,809	504,289	697,835	1,129,526
Other taxes	385,743	473,120	326,668	1,336,488	1,392,520
Investment and rental income	13,473,853	7,767,576	10,327,623	9,596,362	10,020,263
Miscellaneous	125,248	54,991	43,570	321,260	1,668,528
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	-	-	-	-	(45,904,165)
Transfers	8,668,536	-	-	-	-
Total governmental activities	<u>240,723,909</u>	<u>37,693,777</u>	<u>49,329,196</u>	<u>51,014,578</u>	<u>14,149,878</u>
Business-type activities:					
Investment and rental income	22,570	28,585	14,366	16,312	(2,830)
Transfers	-	-	-	-	-
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	<u>22,570</u>	<u>28,585</u>	<u>(17,149,921)</u>	<u>16,312</u>	<u>(2,830)</u>
Total primary government	<u>\$ 240,746,479</u>	<u>\$ 37,722,362</u>	<u>\$ 32,179,275</u>	<u>\$ 51,030,890</u>	<u>\$ 14,147,048</u>
<b>Changes in net position:</b>					
Governmental activities	\$ 178,296,183	\$ (11,355,690)	\$ (4,064,469)	\$ (5,488,860)	\$ (40,497,726)
Business-type activities	<u>(5,149,327)</u>	<u>(3,051,664)</u>	<u>(21,488,110)</u>	<u>(3,816,042)</u>	<u>(3,600,015)</u>
Total primary government	<u>\$ 173,146,856</u>	<u>\$ (14,407,354)</u>	<u>\$ (25,552,579)</u>	<u>\$ (9,304,902)</u>	<u>\$ (44,097,741)</u>

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

	Fiscal Year				
	2006-07	2007-08	2008-09	2009-10	2010-11
General Fund:					
Reserved	\$ 92,579,824	\$ 98,193,022	\$ 99,903,724	\$ 102,622,950	\$ -
Unreserved	101,236,061	81,992,326	81,541,328	80,477,124	-
Nonspendable	-	-	-	-	90,135,195
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	14,150,052
Unassigned	-	-	-	-	71,056,060
Total General Fund	<u>\$ 193,815,885</u>	<u>\$ 180,185,348</u>	<u>\$ 181,445,052</u>	<u>\$ 183,100,074</u>	<u>\$ 175,341,307</u>
All other governmental funds:					
Reserved	\$ 4,095,975	\$ 2,837,221	\$ 5,851,972	\$ 1,953,330	\$ -
Unreserved, reported in:					
Special revenue funds	6,663,515	8,183,552	7,849,641	6,275,361	-
Debt service funds	(47,251,487)	(45,566,239)	(43,171,702)	(66,053,156)	-
Capital projects funds	34,522,333	21,762,988	19,212,994	23,322,838	-
Restricted	-	-	-	-	46,965,999
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	(75,915,744)
Total all other governmental funds	<u>\$ (1,969,664)</u>	<u>\$ (12,782,478)</u>	<u>\$ (10,257,095)</u>	<u>\$ (34,501,627)</u>	<u>\$ (28,949,745)</u>

(a)

(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.

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

	Fiscal Year				
	2011-12	2012-13	2013-14	2014-15	2015-16
General Fund:					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-
Nonspendable	57,906,335	60,663,598	65,838,456	68,888,425	80,996,354
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	21,941,464	22,203,228	24,017,566	24,372,415	21,416,153
Unassigned	67,305,842	63,903,057	57,595,524	61,925,251	57,367,241
Total General Fund	<u>\$ 147,153,641</u>	<u>\$ 146,769,883</u>	<u>\$ 147,451,546</u>	<u>\$ 155,186,091</u>	<u>\$ 159,779,748</u>
All other governmental funds:					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:	-	-	-	-	-
Special revenue funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Restricted	20,046,362	10,538,217	10,550,033	10,984,798	11,356,240
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	(118,798)	-	(15,000)	-	-
Total all other governmental funds	<u>\$ 19,927,564</u>	<u>\$ 10,538,217</u>	<u>\$ 10,535,033</u>	<u>\$ 10,984,798</u>	<u>\$ 11,356,240</u>

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

	Fiscal Year				
	2006-07	2007-08	2008-09	2009-10	2010-11
<b>Revenues:</b>					
Property, sales, and other taxes	\$ 59,211,957	\$ 61,019,400	\$ 58,009,779	\$ 52,651,959	\$ 55,981,782
Licenses and permits	2,026,677	2,425,107	2,037,294	1,913,968	1,869,739
Fines and forfeitures	1,178,472	1,162,016	1,146,489	1,103,441	1,305,871
Investment and rental income	24,607,789	21,889,177	18,358,111	19,768,319	18,625,601
Revenues from other agencies	13,904,277	13,907,020	15,161,460	16,614,010	15,708,684
Current fees and services	10,888,836	9,699,277	7,783,043	7,090,018	6,989,711
Franchise	1,341,635	1,418,403	1,507,105	1,504,852	1,566,675
Other revenues	644,735	1,103,420	1,140,096	1,848,075	789,502
Total revenues	<u>113,804,378</u>	<u>112,623,820</u>	<u>105,143,377</u>	<u>102,494,642</u>	<u>102,837,565</u>
<b>Expenditures:</b>					
Current:					
Legislative and administration	9,983,075	10,148,023	10,943,195	21,357,884	11,348,362
Community development	5,992,210	4,851,226	5,042,844	4,657,802	7,723,995
Public works	20,146,511	19,926,345	17,288,857	16,127,237	14,111,947
Water and power	143,296	164,016	299,790	105,823	175,593
Community and safety services	19,985,188	19,904,050	20,894,079	21,351,962	21,157,439
Administrative services	11,719,308	12,322,795	11,495,344	10,646,488	11,300,202
Cerritos Center for the Performing Arts	10,508,816	11,083,634	9,528,923	8,781,832	8,054,469
Land transferred to developer	-	-	-	-	-
Capital outlay	8,457,564	21,081,472	6,695,801	18,533,849	14,717,173
Prefund other post employment benefits obligation	-	14,000,000	-	-	-
Debt service:					
Principal retirement	6,092,500	6,467,500	6,862,500	7,260,000	7,712,500
Interest	17,018,816	16,851,905	16,508,867	16,261,275	16,736,956
Bond issuance costs	-	-	-	-	-
Total expenditures	<u>110,047,284</u>	<u>136,800,966</u>	<u>105,560,200</u>	<u>125,084,152</u>	<u>113,038,636</u>
Excess of revenues over (under) expenditures	<u>3,757,094</u>	<u>(24,177,146)</u>	<u>(416,823)</u>	<u>(22,589,510)</u>	<u>(10,201,071)</u>
<b>Other Financing Sources (Uses):</b>					
Transfers in	30,324,598	14,025,441	15,856,712	25,559,016	3,207,464
Transfers out	(30,494,913)	(14,291,646)	(11,654,802)	(25,559,016)	(2,965,373)
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	-	-	-	-	11,000,000
Total other financing sources (uses)	<u>(170,315)</u>	<u>(266,205)</u>	<u>4,201,910</u>	<u>-</u>	<u>11,242,091</u>
Net change in fund balances before extraordinary item	3,586,779	(24,443,351)	3,785,087	(22,589,510)	1,041,020
<b>SPECIAL ITEM</b>					
Adjustment to amount due from Successor Agency	-	-	-	-	-
Gain (loss) on dissolution of the former Cerritos Redevelopment Agency	-	-	-	-	-
Net Change in fund balances	<u>\$ 3,586,779</u>	<u>\$ (24,443,351)</u>	<u>\$ 3,785,087</u>	<u>\$ (22,589,510)</u>	<u>\$ 1,041,020</u>
Debt service as a percentage of noncapital expenditures	22.75%	20.15%	23.64%	21.46%	24.87%

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

	Fiscal Year				
	2011-12	2012-13	2013-14	2014-15	2015-16
<b>Revenues:</b>					
Property, sales, and other taxes	\$ 42,406,274	\$ 32,956,476	\$ 32,729,379	\$ 38,334,188	\$ 45,498,217
Licenses and permits	1,836,228	1,876,262	2,776,265	3,299,686	3,118,986
Fines and forfeitures	1,048,029	1,161,194	1,032,869	947,802	845,664
Investment and rental income	12,279,439	7,759,099	10,678,378	10,295,743	10,659,119
Revenues from other agencies	42,497,203	10,184,713	9,494,456	5,590,887	4,621,525
Current fees and services	6,889,141	6,303,623	5,912,674	5,683,067	5,313,010
Franchise	1,629,285	1,601,601	1,724,318	1,792,320	1,811,958
Other revenues	978,588	1,522,350	492,344	525,089	2,540,878
Total revenues	<u>109,564,187</u>	<u>63,365,318</u>	<u>64,840,683</u>	<u>66,468,782</u>	<u>74,409,357</u>
<b>Expenditures:</b>					
Current:					
Legislative and administration	5,920,780	2,093,625	4,078,994	1,891,392	1,899,115
Community development	34,261,653	5,233,924	5,128,714	5,217,726	6,274,695
Public works	15,049,370	14,825,564	16,303,401	16,304,994	17,953,430
Water and power	288,595	17,140	-	-	-
Community and safety services	21,797,914	22,150,378	22,265,436	22,266,516	22,494,774
Administrative services	11,557,115	11,005,650	10,063,366	9,274,520	10,608,147
Cerritos Center for the Performing Arts	7,413,896	6,168,778	5,614,248	5,123,608	5,321,948
Land transferred to developer	-	-	-	-	-
Capital outlay	913,455	1,534,270	708,045	2,050,716	2,113,290
Prefund other post employment benefits obligation	-	-	-	-	-
Debt service:					
Principal retirement	8,095,000	-	-	-	-
Interest	7,816,850	-	-	-	-
Bond issuance costs	-	-	-	-	-
Total expenditures	<u>113,114,628</u>	<u>63,029,329</u>	<u>64,162,204</u>	<u>62,129,472</u>	<u>66,665,399</u>
Excess of revenues over (under) expenditures	<u>(3,550,441)</u>	<u>335,989</u>	<u>678,479</u>	<u>4,339,310</u>	<u>7,743,958</u>
<b>Other Financing Sources (Uses):</b>					
Transfers in	6,044,861	3,495,893	2,538,165	4,011,926	6,693,682
Transfers out	(6,044,861)	(3,495,893)	(2,538,165)	(4,011,926)	(6,693,682)
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	-	-	-	3,845,000	3,390,836
Total other financing sources (uses)	<u>8,668,536</u>	<u>(10,109,094)</u>	<u>-</u>	<u>3,845,000</u>	<u>3,390,836</u>
Net change in fund balances before extraordinary item	5,118,095	(9,773,105)	678,479	8,184,310	11,134,794
<b>SPECIAL ITEM</b>					
Adjustment to amount due from Successor Agency	-	-	-	-	(6,169,695)
Gain (loss) on dissolution of the former Cerritos Redevelopment Agency	15,571,548	-	-	-	-
Net Change in fund balances	<u>\$ 20,689,643</u>	<u>\$ (9,773,105)</u>	<u>\$ 678,479</u>	<u>\$ 8,184,310</u>	<u>\$ 4,965,099</u>
Debt service as a percentage of noncapital expenditures	14.18%	0.00%	0.00%	0.00%	0.00%
		(a)			

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

**City of Cerritos**  
**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
2006-07	\$ 26,040,643	\$ 1,341,635	\$ 33,856,356	\$ 908,258	\$ 1,110,529	\$ 7,890
2007-08	25,291,910	1,418,403	35,727,490	963,775	1,455,121	6,211
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

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

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

Fiscal Year	Fines and Forfeitures	Investment and Rental Income	Charges For Services	From Other Agencies	Other	Totals
2006-07	\$ 1,178,472	\$ 24,607,789	\$ 8,862,159	\$ 13,904,277	\$ 1,986,370	\$ 113,804,378
2007-08	1,162,016	21,889,177	9,699,277	13,907,020	1,103,420	112,623,820
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

(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				
	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011
Residential	\$ 4,236,487,296	\$ 4,492,069,661	\$ 4,672,038,063	\$ 4,539,269,735	\$ 4,580,132,941
Commercial	1,160,350,438	1,228,751,400	1,343,951,315	1,366,103,446	1,323,612,342
Industrial	708,718,893	757,782,869	908,573,269	952,870,116	948,998,591
Government	2,750,027	-	-	-	-
Institutional	27,537,449	26,101,211	19,811,379	20,572,239	19,001,598
Irrigated	-	328	334	340	338
Miscellaneous	-	-	-	-	-
Recreational	5,216,591	6,523,402	6,653,868	6,786,944	6,770,857
Vacant land	8,462,513	9,684,651	8,777,294	5,495,684	3,313,710
SBE nonunitary	1,237,559	2,737,670	2,597,624	2,597,624	2,597,624
Possessory interest	6,518,019	5,849,466	14,163,200	13,854,359	11,602,663
Unsecured	290,016,895	294,796,408	306,757,198	309,113,020	283,995,026
Exempt	(29,016,454)	(30,799,948)	(28,844,386)	(39,947,438)	(32,985,082)
Unknown	2,105,454	-	-	-	-
Subtotal	6,420,384,680	6,793,497,118	7,254,479,158	7,176,716,069	7,147,040,608
Add back exempt	29,016,454	30,799,948	28,844,386	39,947,438	32,985,082
Grand Total	<u>\$ 6,449,401,134</u>	<u>\$ 6,824,297,066</u>	<u>\$ 7,283,323,544</u>	<u>\$ 7,216,663,507</u>	<u>\$ 7,180,025,690</u>
Total Direct Rate	0.59562%	0.59608%	0.59547%	0.48569%	0.48117%

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

Category	Fiscal Year				
	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
Residential	\$ 4,729,519,127	\$ 4,853,973,263	\$ 4,977,340,010	\$ 5,198,430,172	\$ 5,452,662,517
Commercial	1,319,237,463	1,328,300,323	1,375,986,165	1,451,612,802	1,461,715,583
Industrial	956,167,409	998,702,972	1,059,593,438	1,039,888,633	1,064,647,720
Government	-	-	-	-	-
Institutional	21,387,674	22,968,422	33,259,181	24,120,806	24,598,861
Irrigated	340	346	352	352	358
Miscellaneous	-	-	-	-	-
Recreational	6,821,840	6,958,275	7,097,438	7,129,658	7,272,107
Vacant land	8,219,218	7,626,840	9,771,184	10,108,450	7,847,824
SBE nonunitary	2,597,624	2,597,624	2,597,624	2,597,624	2,597,624
Possessory interest	36,268,951	41,094,458	39,836,710	39,800,342	41,108,313
Unsecured	288,845,948	301,477,458	295,052,199	302,637,567	304,132,822
Exempt	(44,055,369)	(38,989,358)	(38,989,210)	(38,720,924)	(44,654,722)
Unknown	-	-	-	-	-
Subtotal	7,325,010,225	7,524,710,623	7,761,545,091	8,037,605,482	8,321,929,007
Add back exempt	44,055,369	38,989,358	38,989,210	38,720,924	44,654,722
Grand Total	<u>\$ 7,369,065,594</u>	<u>\$ 7,563,699,981</u>	<u>\$ 7,800,534,301</u>	<u>\$ 8,076,326,406</u>	<u>\$ 8,366,583,729</u>
Total Direct Rate	0.48243%	0.48023%	0.08552%	0.08558%	0.08565%

**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)
2007	1.0000	.0010	.0482	.0001	.0047	1.0540	0.48217
2008	1.0000	.0000	.0351	.0000	.0045	1.0396	0.48245
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

(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	2015-16		2006-07	
		Assessed Valuations	Percentage of Total (1)	Assessed Valuations	Percentage of Total (1)
City of Cerritos	Commercial	\$ 403,617,341	4.82%	\$ -	0.00%
Macerich Cerritos LLC	Commercial	310,468,554	3.71%	-	0.00%
ICON Owner Pool 1 LA Non-Bus	Industrial	125,307,814	1.50%	-	0.00%
Teachers Insurance and Annuity Assoc.	Industrial	85,563,136	1.02%	-	0.00%
Cerritos Retail Centeral LLC	Commercial	63,034,759	0.75%	-	0.00%
AG-Crowsnest Cerritos Owner LLC	Industrial	43,349,150	0.52%	-	0.00%
JCC California Properties, LLC	Industrial	41,856,371	0.50%	-	0.00%
Cerritos Promenade LLC	Commercial	39,337,000	0.47%	-	0.00%
Target Corporation	Commercial	33,384,888	0.40%	-	0.00%
RREF II Cerritos, LLC	Commercial	33,300,000	0.40%	-	0.00%
Macerich Cerritos LLC	Commercial	-	0.00%	237,791,314	3.86%
Maguire Partners, Inc.	Office Building	-	0.00%	75,671,449	1.23%
Cerritos Towne Center, LLC Lessee	Commercial	-	0.00%	63,903,000	1.04%
Cerritos Best Plaza, LLC	Commercial	-	0.00%	59,823,000	0.97%
Walton CWCA O'Donnell Cerritos	Industrial	-	0.00%	59,256,192	0.96%
TA Western LLC	Industrial	-	0.00%	56,737,504	0.92%
Equity Office Properties Trust	Office Building	-	0.00%	45,954,183	0.75%
Cerritos Promenade LLC	Commercial	-	0.00%	42,840,000	0.70%
Cerritos Coporate Tower	Office Building	-	0.00%	32,112,673	0.52%
Sears Roebuck & Company	Commercial	-	0.00%	28,855,800	0.47%
		<u>\$ 1,179,219,013</u>	<u>14.09%</u>	<u>\$ 702,945,115</u>	<u>11.42%</u>
(1) 2015-16 and 2006-07 total secured assessed valuation is		<u>\$ 8,366,583,729</u>		<u>\$ 6,158,146,680</u>	

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

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Fiscal Year	Property Tax Collections
2006-07	\$ 29,860,652
2007-08	32,454,062
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	-

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 the 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
2006-07	\$ 46,883,125	\$ 140,859,375	\$ 1,025,000	\$ 5,213,872	\$ (1,047,792)	\$ (2,268,551)
2007-08	44,651,250	136,623,750	1,025,000	4,907,173	(986,156)	(2,126,766)
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	-	-	-	-	-	-

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**  
**Last Ten Fiscal Years (Continued)**

Fiscal Year	Business-Type Activities		Total Primary Government	Population	Total Debt per Capita	% of Personal Income
	Los Cerritos Redevelopment Project 2003 Issue, Series B Revenue Bonds	Los Coyotes Redevelopment Project 2003 Issue, Series B Revenue Bonds				
2006-07	\$ -	\$ -	\$ 190,665,029	52,020	\$ 3,665	9.210%
2007-08	-	-	184,094,395	52,096	3,534	8.361%
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)

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, 2016**

2015-16 Assessed Valuation: \$8,366,583,729

	Total Debt 6/30/2016	% Applicable (1)	City's Share of Debt 6/30/16
<b><u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u></b>			
Los Angeles County Flood Control District	12,630,000	0.670%	\$ 84,621
Metropolitan Water District	92,865,000	0.341	316,670
Cerritos Community College District	274,447,223	20.474	56,190,324
ABC Unified School District	35,029,966	60.913	21,337,803
Bellflower Unified School District	77,080,000	3.916	3,018,453
Los Angeles County Regional Park and Open Space Assessment District	50,610,000	0.657	332,508
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>			<b>81,280,379</b>
 <b><u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u></b>			
Los Angeles County General Fund Obligations	\$2,029,010,694	0.657%	\$13,330,600
Los Angeles County Superintendent of Schools Certificates of Participation	7,944,360	0.657	52,194
Bellflower Unified School District Certificates of Participation	14,740,000	3.916	577,218
City of Cerritos General Fund Obligations	-	100	-
Los Angeles County Sanitation District No. 2 Authority	16,858,488	0.899	151,558
Los Angeles County Sanitation District No. 3 Authority	12,809,796	0.338	43,297
Los Angeles County Sanitation District No. 18 Authority	9,424,824	7.066	665,958
Los Angeles County Sanitation District No. 19 Authority	3,036,519	45.731	1,388,631
<b>TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>			<b>\$16,209,456</b>
 <b><u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u></b>	 <b>\$102,600,000</b>	 <b>100%</b>	 <b>\$102,600,000</b>
 <b>TOTAL DIRECT DEBT</b>			 <b>\$0</b>
<b>TOTAL OVERLAPPING DEBT</b>			<b>\$200,089,835</b>
 <b>COMBINED TOTAL DEBT</b>			 <b>\$200,089,835 (2)</b>

- (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 2015-16 Assessed Valuation:**

Overlapping Tax and Assessment Debt	0.97%
Total Direct Debt	0.00%
Combined Total Debt	2.39%

**Ratios to Redevelopment Successor Agency Incremental Valuation (3,672,989,929):**

Total Overlapping Tax Increment Debt	2.79%
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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				
	2006-07	2007-08	2008-09	2009-10	2010-11
Debt Limit	\$ 971,890,907	\$ 1,028,776,348	\$ 1,098,825,713	\$ 1,089,326,156	\$ 1,084,570,960
Total net debt applicable to limit	-	-	-	-	-
Legal debt margin	<u>\$ 971,890,907</u>	<u>\$ 1,028,776,348</u>	<u>\$ 1,098,825,713</u>	<u>\$ 1,089,326,156</u>	<u>\$ 1,084,570,960</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 the City.

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

	Fiscal Year				
	2011-12	2012-13	2013-14	2014-15	2015-16
Debt Limit	\$ 1,112,986,620	\$ 1,142,098,479	\$ 1,176,293,833	\$ 1,219,571,424	\$ 1,263,255,833
Total net debt applicable to limit	-	-	-	-	-
Legal debt margin	<u>\$ 1,112,986,620</u>	<u>\$ 1,142,098,479</u>	<u>\$ 1,176,293,833</u>	<u>\$ 1,219,571,424</u>	<u>\$ 1,263,255,833</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 2015-2016:

Assessed value	\$ 8,366,583,729
Add back: exempt real property	<u>55,121,827</u>
Total assessed value	<u>\$ 8,421,705,556</u>
Debt limit (15% of total assessed value)	\$ 1,263,255,833
Debt applicable to limit	<u>-</u>
Legal debt margin	<u>\$ 1,263,255,833</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**

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Fiscal Year	Population (1)	Per Capita Personal Income (in thousands)	Personal Income (2) *	City Unemployment Rate (3)
2006-07	52,020	39,794	2,070,084	2.60%
2007-08	52,096	42,265	2,201,837	3.80%
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	(a)	(a)	5.20%
2015-16	49,412	(a)	(a)	3.90%

\*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**

<b>Department</b>	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14 (a)	2014-15 (a)	2015-16 (a)
Legislative and administration	9	9	9	9	9	8	8	7	7	7
Community Development	21	20	20	20	20	19	18	17	17	18
Public Works	113	114	111	96	90	84	78	71	69	67
Water and Power	19	19	18	17	17	17	15	14	13	15
Community and safety services	251	255	292	298	296	292	294	246	248	253
Administrative services	148	155	155	153	150	140	129	121	115	118
Cerritos Center for the Performing Arts	203	201	190	200	200	198	197	76	71	87
<b>Total</b>	<b>764</b>	<b>773</b>	<b>795</b>	<b>793</b>	<b>782</b>	<b>758</b>	<b>739</b>	<b>552</b>	<b>540</b>	<b>565</b>
Full-Time employees	241	241	235	239	230	214	209	189	181	186
Part-Time employees	523	532	560	554	552	544	530	363	359	379
<b>Total</b>	<b>764</b>	<b>773</b>	<b>795</b>	<b>793</b>	<b>782</b>	<b>758</b>	<b>739</b>	<b>552</b>	<b>540</b>	<b>565</b>

(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				
	2006-07	2007-08	2008-09	2009-10	2010-11
<b>Public Works</b>					
Maintenance:					
Graffiti removal (average incidence)	7,800	8,000	7,800	7,800	7,000
Streetsweeping miles	7,100	7,100	7,100	7,100	7,100
Trees maintained	28,000	29,450	29,450	29,500	28,500
Trees trimmed	11,500	12,000	12,000	12,000	4,000
<b>Water and Power</b>					
Water:					
Number of customer accounts	15,647	15,482	15,159	15,668	15,668
Average daily consumption (millions of gallons)	8.80	10.13	9.75	8.57	8.16
Water samples taken (annual)	2,104	2,128	2,038	2,039	2,076
<b>Community and Safety Services</b>					
Police (1):					
Number of sworn officers	54	56	59	60	63
Community Service officers (non-sworn)	16	16	14	19	17
Calls dispatched	17,286	16,931	16,830	16,745	14,738
Crime reports	5,991	5,946	5,843	5,511	4,900
Moving citations	5,615	4,920	6,395	5,868	6,376
Parking citations	825	1,152	1,116	1,089	1,923
Culture and Recreation:					
Leisure classes attendance	60,947	47,135	48,360	53,360	51,423
Indoor park reservation attendance	152,561	121,777	99,119	101,237	91,813
Picnic shelter attendance	61,658	44,716	53,880	57,903	77,475
Swim lessons attendance	298,131	288,504	292,674	284,994	265,800
Recreational swim attendance	55,587	55,021	51,594	48,784	49,182
Volunteer hours	16,097	16,027	11,974	12,550	13,158
<b>Administrative Services</b>					
Library:					
Number of patrons	1,173,000	1,042,445	1,064,875	1,128,990	1,066,492

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

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

Function	Fiscal Year				
	2011-12	2012-13	2013-14	2014-15	2015-16
<b>Public Works</b>					
Maintenance:					
Graffiti removal (average incidence)	7,500	5,500	6,000	5,500	4,750
Streetsweeping miles	7,100	7,100	7,100	7,100	7,100
Trees maintained	28,500	28,700	28,900	28,000	28,000
Trees trimmed	7,500	4,000	4,000	2,700	5,255
<b>Water and Power</b>					
Water:					
Number of customer accounts	15,714	15,676	15,655	15,792	15,752
Average daily consumption (millions of gallons)	8.17	8.26	8.10	7.55	6.07
Water samples taken (annual)	2,052	2,702	2,130	2,061	2,086
<b>Community and Safety Services</b>					
Police (1):					
Number of sworn officers	62	67	68	65	63
Community Service officers (non-sworn)	15	16	3	3	3
Calls dispatched	14,469	15,110	15,798	16,469	11,608
Crime reports	4,887	5,725	4,990	4,747	3,467
Moving citations	6,518	7,372	7,336	6,351	2,857
Parking citations	509	413	463	664	412
Culture and Recreation:					
Leisure classes attendance	47,317	49,957	47,583	43,636	40,613
Indoor park reservation attendance	79,264	76,953	78,284	69,264	71,224
Picnic shelter attendance	80,785	76,376	65,953	48,869	60,013
Swim lessons attendance	252,221	250,341	237,457	213,559	218,618
Recreational swim attendance	54,695	55,330	55,656	48,162	42,294
Volunteer hours	13,760	15,599	15,855	14,948	13,902
<b>Administrative Services</b>					
Library:					
Number of patrons	1,035,263	964,412	935,480	912,852	1,955,332

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

**City of Cerritos**  
**Capital Assets By Function**  
**Last Ten Fiscal Years**

Function	Fiscal Year				
	2006-07	2007-08	2008-09	2009-10	2010-11
<b>Public Works</b>					
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
<b>Community and Safety Services</b>					
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
<b>Administrative Services</b>					
Number of libraries	1	1	1	1	1
Number of volumes	241,942	241,607	247,405	258,349	245,942

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

Function	Fiscal Year				
	2011-12	2012-13	2013-14	2014-15	2015-16
<b>Public Works</b>					
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
<b>Community and Safety Services</b>					
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
<b>Administrative Services</b>					
Number of libraries	1	1	1	1	1
Number of volumes	269,926	265,789	252,108	266,647	264,316

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