



Financial Statements

June 30, 2021

Pasadena Area Community College District



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Independent Auditor's Report

Board of Trustees
Pasadena Area Community College District
Pasadena, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the remaining fund information of Pasadena Area Community College District (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District'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 District'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 District'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 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 business-type activities and the remaining fund information of the District as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 2 and Note 14 to the financial statements, the District adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which resulted in a restatement of net position as of July 1, 2020. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the management's discussion and analysis on pages 4 through 12 and other required supplementary information on pages 65 through 74 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 District's financial statements. The accompanying supplementary information, including the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The Schedule of Expenditures of Federal Awards and other supplementary information listed in the table of contents 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 Schedule of Expenditures of Federal Awards and other supplementary information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 17, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Rancho Cucamonga, California
December 17, 2021



INTRODUCTION

This section of our annual financial report offers a narrative overview and analysis of the financial activities of the Pasadena Area Community College District (the District) for the year ended June 30, 2021. This analysis is presented with comparative information from the years ended June 30, 2021 and June 30, 2020 to highlight changes from one year to the next. This section of our report should be read in conjunction with the basic financial statements, including footnotes. Responsibility for the completeness and accuracy of this information rests with the District management.

USING THIS ANNUAL REPORT

As required by generally accepted accounting principles, the annual report consists of three basic financial statements that provide information on the District's activities as a whole; the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

The Pasadena Area Community College District's financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) Statements No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, and No. 35, Basic Financial Statements - and Management Discussion and Analysis - for Public College and Universities. The statements allow for the presentation of financial activity and results of operations which focuses on the District as a whole. The government-wide financial statements present the overall results of operations whereby all of the District's activities are consolidated into one total versus the traditional presentation by fund type. The focus of the Statement of Net Position is designed to be similar to the bottom line results of the District. This statement combines and consolidates current financial resources (net short-term spendable resources) with capital assets and long-term liabilities. The Statement of Revenues, Expenses, and Changes in Net Position focuses on the costs of the District's operational activities with revenues and expenses categorized as operating and nonoperating, and expenses are reported by natural classification. This approach is intended to summarize and simplify the user's analysis of the cost of various District services to student and the public. The Statement of Cash Flows provides an analysis of the sources and uses of cash within the operations of the District.

As recommended by the California Community Colleges Chancellor's Office, the District follows the Business-Type Activity (BTA) model for financial statement reporting purposes.

FINANCIAL HIGHLIGHTS

- The District ended the year with a General Unrestricted Fund Balance of \$31,527,510 which consists of primarily of one-time carry over funds. It is important to note that the carryover balance is one-time in nature and not a recurring funding source. Though a portion of the carryover balance is set aside to meet the State Chancellor's Office recommended reserve level of five percent (\$8.9 million), Pasadena Area Community College District board policy requires an eighteen percent (\$31.5 million) General Unrestricted Fund Balance.

- The reserves have been earmarked to address or partially address certain unfunded cost escalation in the coming years, mid-year cuts and deferred maintenance.
- Salaries and benefits of the Academic, Classified, and Administrative salaries of District employees represent 91.57% of the total General Unrestricted Fund Expenditures (excluding any transfers). This represents an increase of 0.50% from the prior year percentage of 91.07%.
- The District provided Federal, State, and local student financial aid including fee waivers to qualifying District Students in the amount of approximately \$53.4 million. This represents a decrease of approximately \$600 thousand from the 2019-2020 fiscal year. This aid is provided through grants, loans, scholarships, and tuition reductions from the Federal Government, State Chancellor's Office, and local funding.
- The District's primary funding source is apportionment received from the State of California. The primary basis of this apportionment is the calculation of Full-Time Equivalent Students (FTES). During the 2020-2021 fiscal year, total reported FTES were 21,296. This is a decrease in reported FTES of 2,644 from fiscal year 2019-2020. The Student Center Funding Formula FTES was based upon P1 of 23,903 as allowed by the Emergency Protection for Apportionment Calculation pursuant to California Code of Regulations title 5 section 58146.
- Accounts receivable increased significantly at year end due to the State imposed deferrals on apportionment. Pasadena Area Community College had over \$15 million withheld from apportionment that was disbursed in July and August 2021.
- Accounts payable increased primarily due to the Tax Revenue Anticipation Note (TRAN) of almost \$19 million that was re-paid by August 2021.
- The District reports a liability for its proportionate share of Net Pension Liability (NPL) as a result of GASB Statements No. 68 and No. 71, which requires that the District report its proportionate share of the net pension liabilities, pension expense, and deferred inflow and outflow of resources. As a result of implementing GASB Statement No. 68, the District's aggregate net pension liability as of June 30, 2021 was approximately \$196.1 million. This represents an increase of \$12.7 million in our proportionate share of Net Pension Liability from fiscal year 2019-2020.
- During the 2017-2018 fiscal year, the District established a Governmental Accounting Standards Board (GASB) Statement No. 74 irrevocable trust with Public Agency Retirement Services (PARS) to fund other postemployment benefit (OPEB) liabilities. Through June 30, 2021, the District has contributed approximately \$13.0 million to this trust.
- During the 2017-2018 fiscal year, the District established an irrevocable pension stability trust with Public Agency Retirement Services (PARS) to assist in stabilizing the District's funding for increasing future State Teachers' Retirement System (STRS) and Public Employees' Retirement System (PERS) liabilities. Through June 30, 2021, the District has contributed \$4.0 million to this trust.

- The District's Change in Net Position for the current fiscal year is an increase of \$2.1 million. This is primarily due to the decrease in salaries and benefits expense in relation to the COVID-19 pandemic.
- The decrease in salaries and benefits were due to reduction of hourly employees.

THE DISTRICT AS A WHOLE

Net Position

Condensed financial information is as follows:

Table 1

	2021	2020, as restated	Change
Assets			
Cash and investments	\$ 160,200,818	\$ 101,404,700	\$ 58,796,118
Accounts Receivable, net	36,926,693	24,942,047	11,984,646
Other current assets	663,423	1,134,292	(470,869)
Capital assets, net	185,442,683	189,247,867	(3,805,184)
Total assets	<u>383,233,617</u>	<u>316,728,906</u>	<u>66,504,711</u>
Deferred Outflows of Resources	<u>48,638,674</u>	<u>52,460,552</u>	<u>(3,821,878)</u>
Liabilities			
Accounts payable and accrued liabilities	57,989,555	32,180,755	25,808,800
Current portion of long-term liabilities	3,865,000	3,920,000	(55,000)
Noncurrent portion of long-term liabilities	322,911,683	285,276,772	37,634,911
Total liabilities	<u>384,766,238</u>	<u>321,377,527</u>	<u>63,388,711</u>
Deferred Inflows of Resources	<u>15,297,174</u>	<u>18,132,062</u>	<u>(2,834,888)</u>
Net Position			
Net investment in capital assets	112,883,591	116,608,500	(3,724,909)
Restricted	52,649,913	39,426,258	13,223,655
Unrestricted deficit	<u>(133,724,625)</u>	<u>(126,354,889)</u>	<u>(7,369,736)</u>
Total net position	<u>\$ 31,808,879</u>	<u>\$ 29,679,869</u>	<u>\$ 2,129,010</u>

This schedule has been prepared from the District's Statement of Net Position, which is presented on an accrual basis of accounting whereby capital assets are capitalized, depreciated, and all liabilities of the District are recognized.

Capital Assets, net of depreciation is stated at the net historical value (original cost) of land, building, construction in progress, and equipment less accumulated depreciation.

Long-term liabilities consist primarily of the general obligation bond issued, certificates of participation issued, aggregate net other postemployment benefits (OPEB) liability, compensated absences, load banking, claims liability, and aggregate net pension liability (NPL) for CalSTRS and CalPERS. Long-term liabilities increased by \$37.6 million primarily due to increases in the NPL and the issuance of the certificates of participation, offset by current year payments against the other long-term liabilities.

Operating Results for the Year

The results of this year's operations for the District as a whole are reported in the Statement of Revenues, Expenses, and Changes in Net Position on page 14.

Table 2

	2021	2020, as restated	Change
Operating Revenues			
Tuition and fees	\$ 22,501,235	\$ 24,469,915	\$ (1,968,680)
Grants and contracts, noncapital	44,625,144	37,833,084	6,792,060
Total operating revenues	67,126,379	62,302,999	4,823,380
Operating Expenses			
Salaries and benefits	175,626,631	181,578,636	(5,952,005)
Supplies, services, equipment, and maintenance	35,670,695	34,869,198	801,497
Student financial aid	53,398,234	54,107,021	(708,787)
Depreciation	8,117,008	8,140,967	(23,959)
Total operating expenses	272,812,568	278,695,822	(5,883,254)
Loss on operations	(205,686,189)	(216,392,823)	10,706,634
Nonoperating Revenues (Expenses)			
State apportionments	94,973,129	100,371,109	(5,397,980)
Property taxes	50,256,859	45,873,984	4,382,875
Student financial aid grants	51,879,146	52,760,206	(881,060)
State revenues	7,579,425	6,299,994	1,279,431
Net interest expense	(1,026,924)	(17,034)	(1,009,890)
Other nonoperating revenues	2,672,952	3,715,813	(1,042,861)
Total nonoperating revenue (expenses)	206,334,587	209,004,072	(2,669,485)
Other Revenues (Losses)	1,480,612	1,702,737	(222,125)
Change in net position	\$ 2,129,010	\$ (5,686,014)	\$ 7,815,024

The operating revenue for the District is specifically defined as revenues from users of the colleges' facilities and programs. Excluded from the operating revenues are the components of the primary source of District funding. The District's primary revenue sources are local property taxes, student enrollment fees, and State apportionment, which increased in fiscal year 2020-2021. Property taxes levied and received from property within the District's boundaries increased by approximately \$4.4 million during the year. These revenue sources are not from the direct users of the educational services (Students), they are considered Nonoperating Revenues. As a result, the operating loss of \$205.7 million is balanced by the other funding sources. Total District expenditures were less than the total District revenues by \$2.1 million for the year ended June 30, 2021.

Grant and contract revenues relate primarily to student financial aid and to specific Federal and State grants received for programs serving the students and programs of the District. These grant and program revenues are restricted to allowable expenses related to the programs.

During 2020-2021, the District's interest income was \$1.2 million and interest expense was \$2.2 million. Interest income is primarily derived from cash held in the Los Angeles County Treasury. Interest income has decreased approximately \$200 thousand from the 2019-2020 fiscal year due to a decrease in the interest rate yield and the fair market value adjustment of cash in county. An increase of approximately \$400 thousand in interest expense for the year is the result of increases in the accrued interest payable due to the issuance of the Certificates of Participation.

In accordance with requirements set forth by the California Community Colleges Chancellor's Office, the District reports operating expenses by object code. Operating expenses by functional classification are as follows:

Table 3

Year ended June 30, 2021:

	Salaries and Employee Benefits	Supplies, Material, and Other Expenses and Services	Student Financial Aid	Equipment, Maintenance, and Repairs	Depreciation	Total
Instructional activities	\$ 99,600,813	\$ 3,921,379	\$ -	\$ 844,281	\$ -	\$ 104,366,473
Instructional administration	12,136,941	2,805,133	-	798,507	-	15,740,581
Instructional support services	3,198,462	57,933	-	83,756	-	3,340,151
Student services	24,719,886	2,718,469	-	83,552	-	27,521,907
Plant operations and maintenance	8,031,338	5,375,229	-	937,594	-	14,344,161
Planning, policymaking and coordinations	5,268,878	879,953	-	-	-	6,148,831
Institutional support services	17,423,476	8,621,919	-	865,464	-	26,910,859
Community services	1,353,918	729,457	-	-	-	2,083,375
Ancillary services and auxiliary operations	3,892,919	2,076,482	-	9,779	-	5,979,180
Physical property and related acquisitions	-	1,071,993	-	3,789,815	-	4,861,808
Student aid	-	-	53,398,234	-	-	53,398,234
Unallocated depreciation	-	-	-	-	8,117,008	8,117,008
Total	\$ 175,626,631	\$ 28,257,947	\$ 53,398,234	\$ 7,412,748	\$ 8,117,008	\$ 272,812,568

Changes in Cash Position

The Statement of Cash Flows provides information about cash receipts and payments during the year. This statement also assists users in assessing the District's ability to meet its obligations as they come due and its need for external financing.

Table 4

	2021	2020, as restated	Change
Net Cash Flows from			
Operating activities	\$ (184,566,188)	\$ (189,126,350)	\$ 4,560,162
Noncapital financing activities	218,480,908	186,469,763	32,011,145
Capital financing activities	23,801,679	23,021	23,778,658
Investing activities	194,930	1,159,712	(964,782)
Net Increase (Decrease) in Cash	57,911,329	(1,473,854)	59,385,183
Cash, Beginning of Year	95,759,346	97,233,200	(1,473,854)
Cash, End of Year	<u>\$ 153,670,675</u>	<u>\$ 95,759,346</u>	<u>\$ 57,911,329</u>

The primary operating receipts are student tuition and fees. The primary operating expense of the District is the payment of salaries and benefits to instructional and classified support staff. Noncapital financing activities include receipts from State apportionment and property taxes. Capital financing activities relate to the spending of Measure P bond proceeds.

While State apportionment and property taxes are the primary source of noncapital related revenue, the GASB accounting standards require that this source of revenue is nonoperating as it comes from the general resources of the State and not from the primary users of the District's programs and services (students). The District depends upon this funding as the primary source of funds to continue the current level of operations.

CAPITAL ASSET AND LONG-TERM LIABILITIES

Capital Assets

Capital assets, net of depreciation, are the historical value (original cost) of land, buildings, construction in progress, and equipment less accumulated depreciation. Gross capital assets increased overall due to continuing construction projected funded from Measure P and Certificates of Participation issuances. Current year depreciation expense was approximately \$8.1 million for a net reduction in our capital asset balance of approximately \$3.8 million.

Note 6 in the financial statements provides additional information on capital assets. A summary of capital assets is presented below.

Table 5

	Balance, Beginning of Year	Additions	Deletions	Balance, End of Year
Land and construction in progress	\$ 12,546,037	\$ 3,524,746	\$ (1,535,390)	\$ 14,535,393
Buildings and improvements	304,299,756	1,535,390	-	305,835,146
Furniture and Equipment	31,660,011	817,540	(83,190)	32,394,361
Subtotal	348,505,804	5,877,676	(1,618,580)	352,764,900
Accumulated depreciation	(159,257,937)	(8,117,008)	52,728	(167,322,217)
Total	<u>\$ 189,247,867</u>	<u>\$ (2,239,332)</u>	<u>\$ (1,565,852)</u>	<u>\$ 185,442,683</u>

Long-Term Liabilities including OPEB and Pensions

Long-term liabilities consist primarily of general obligation bonds, certificates of participation, aggregate net pension liability, and the aggregate net other postemployment benefits (OPEB) liability. At June 30, 2021, the District had approximately \$101.7 million in liability outstanding due to the issuance of general obligation bonds and certificates of participation. At June 30, 2021, the District's aggregate net pension liability was approximately \$196.1 million. Note 11 to the financial statements provides additional information on the District's aggregate net pension liability.

The District is also obligated to employees of the District for vacation and load banking benefits.

Notes 8-11 in the financial statements provides additional information on long-term liabilities. A summary of long-term liabilities is presented below.

Table 6

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
General obligation bonds	\$ 76,207,818	\$ -	\$ (5,030,146)	\$ 71,177,672
COPs	-	30,492,232	(14,071)	30,478,161
Aggregate net OPEB liability	18,973,802	-	(845,112)	18,128,690
Aggregate net pension liability	183,462,592	12,661,954	-	196,124,546
Other liabilities	10,552,560	316,530	(1,476)	10,867,614
Total long-term liabilities	<u>\$ 289,196,772</u>	<u>\$ 43,470,716</u>	<u>\$ (5,890,805)</u>	<u>\$ 326,776,683</u>

BUDGETARY HIGHLIGHTS

Over the course of the year, the District revises its budget to provide for unanticipated changes in revenues and expenditures. The Board of Trustees adopted the final amendment to the budget for the 2020-2021 fiscal year on June 16, 2021.

The District's final revised budget for the unrestricted General Fund anticipated that income would be \$172,686,234 and total expenses would be \$172,624,903. The actual total income results were \$179,038,241 and total expenses were \$178,517,168.

ECONOMIC FACTORS AFFECTING THE FUTURE OF PASADENA AREA COMMUNITY COLLEGE DISTRICT

The financial strength and stability of the District is closely aligned with California's economic position as State apportionments, State Mandated Cost Reimbursements, and property taxes allocated to the District represent approximately 87.2% of the unrestricted General Fund.

The budget outlook has greatly improved since the initial release of the Governor's Budget on January 8, 2021. The state's primary revenue resources – the personal income tax, sales tax, and corporate tax- have been coming in ahead of projections, bringing in significantly more revenues than anticipated. The enacted budget now projects total revenue of \$203.6 billion and total reserves of \$25.2 billion. The budget includes overall state General Fund spending of \$196.4 billion an increase of approximately 18% compared to fiscal year 2020-2021. The 2021-22 budget provides a total additional resources of \$3.5 billion to California Community Colleges apportionment and categorical programs, including the full repayment of the \$1.5 billion in deferrals of system funding in 2020-21.

The budget continues the state's focus on maintaining reserves as protection against the next economic downturn. This includes depositing \$7.4 billion into the Budget Stabilization Account, a deposit of \$4.5 billion in the Public-School Stabilization Account, a discretionary deposit of \$450 million into the Safety Net Reserves and a total of \$4 billion in the Special Fund for Economic Uncertainties.

Most of the new funding for community colleges is spread across an array of one-time initiatives, such as eliminating the deferrals (\$1.5 billion), deferred maintenance (\$511 million), strategies to enroll and retain students (\$120 million), zero-text cost degree (\$115 million) and student housing (\$100 million).

Senate Bill 85 amended the Budget Act of 2020 by adding \$121.1 million in one-time local assistance funds to provide funding for immediate COVID-19 response and relief efforts, while making investments for an equitable, inclusive and broad-based economic recovery. These funds were allocated at the district level. The Budget Act of 2021 includes additional funding for COVID-19 relief, including more funds to provide emergency financial assistance grants to students and to support student retention efforts.

The budget continues implementation of the Student-Centered Funding Formula, providing over \$23 million for enrollment growth and cost of living adjustments for apportionment. The budget extends the formula's hold harmless (minimum revenue) provision by one year through 2024-2025. Under this provision districts will earn at least their 2017-2018 total computational revenue adjusted by COLA each year with our base reductions.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, please contact Pasadena Area Community College District, 1570 East Colorado Boulevard, Pasadena, California 91106, or call (626) 585-7170.

Pasadena Area Community College District

Statement of Net Position

June 30, 2021

Assets	
Cash and cash equivalents	\$ 4,130,610
Investments	156,070,208
Accounts receivable	32,257,351
Student receivables, net	4,669,342
Prepaid expenses	663,423
Capital assets	
Nondepreciable capital assets	14,535,393
Depreciable capital assets, net of depreciation	170,907,290
Total capital assets	185,442,683
Total assets	383,233,617
Deferred Outflows of Resources	
Deferred outflows of resources related to debt refunding	2,067,498
Deferred outflows of resources related to OPEB	1,183,904
Deferred outflows of resources related to pensions	45,387,272
Total deferred outflows of resources	48,638,674
Liabilities	
Accounts payable	15,878,194
Tax and revenue anticipation notes payable	18,895,000
Accrued interest payable	1,524,033
Unearned revenue	21,692,328
Long-term liabilities	
Long-term liabilities other than OPEB and pensions, due within one year	3,865,000
Long-term liabilities other than OPEB and pensions, due in more than one year	108,658,447
Aggregate net other postemployment benefits (OPEB) liability	18,128,690
Aggregate net pension liability	196,124,546
Total liabilities	384,766,238
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	6,668,275
Deferred inflows of resources related to pensions	8,628,899
Total deferred inflows of resources	15,297,174
Net Position	
Net investment in capital assets	112,883,591
Restricted for	
Debt service	3,986,383
Capital projects	32,696,480
Educational programs	3,503,911
Other activities	12,463,139
Unrestricted deficit	(133,724,625)
Total Net Position	\$ 31,808,879

Pasadena Area Community College District
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2021

Operating Revenues	
Tuition and fees	\$ 37,955,372
Less: Scholarship discounts and allowances	<u>(15,454,137)</u>
Net tuition and fees	<u>22,501,235</u>
Grants and contracts, noncapital	
Federal	18,096,102
State	26,324,150
Local	<u>204,892</u>
Total grants and contracts, noncapital	<u>44,625,144</u>
Total operating revenues	<u>67,126,379</u>
Operating Expenses	
Salaries	116,886,771
Employee benefits	58,739,860
Supplies, materials, and other operating expenses and services	28,257,947
Student financial aid	53,398,234
Equipment, maintenance, and repairs	7,412,748
Depreciation	<u>8,117,008</u>
Total operating expenses	<u>272,812,568</u>
Operating Loss	<u>(205,686,189)</u>
Nonoperating Revenues (Expenses)	
State apportionments, noncapital	94,973,129
Local property taxes, levied for general purposes	44,658,077
Taxes levied for other specific purposes	5,598,782
Federal and State financial aid grants	51,879,146
State taxes and other revenues	7,579,425
Investment income	1,140,932
Interest expense on capital related debt	(2,211,612)
Investment income on capital asset-related debt, net	43,756
Other nonoperating revenue	<u>2,672,952</u>
Total nonoperating revenues (expenses)	<u>206,334,587</u>
Income Before Other Revenues and (Losses)	<u>648,398</u>
Other Revenues and (Losses)	
State revenues, capital	1,511,074
Loss on disposal of capital assets	<u>(30,462)</u>
Total other revenues and (losses)	<u>1,480,612</u>
Change In Net Position	2,129,010
Net Position, Beginning of Year, as Restated	<u>29,679,869</u>
Net Position, End of Year	<u><u>\$ 31,808,879</u></u>

Pasadena Area Community College District

Statement of Cash Flows

Year Ended June 30, 2021

Cash Flows from Operating Activities	
Tuition and fees	\$ 22,715,559
Federal, state, and local grants and contracts, noncapital	45,029,636
Payments to or on behalf of employees	(162,429,688)
Payments to vendors for supplies and services	(36,483,461)
Payments to students for scholarships and grants	(53,398,234)
Net cash flows from operating activities	<u>(184,566,188)</u>
Cash Flows from Noncapital Financing Activities	
State apportionments	90,987,135
Federal and state financial aid grants	51,879,146
Property taxes - nondebt related	44,658,077
Proceeds from noncapital debt	18,895,000
State taxes and other apportionments	7,180,265
Other nonoperating	4,881,285
Net cash flows from noncapital financing activities	<u>218,480,908</u>
Cash Flows from Capital Financing Activities	
Purchase of capital assets	(4,080,444)
Proceeds from capital debt	28,785,000
State revenue, capital	(1,591,846)
Property taxes - related to capital debt	5,598,782
Principal paid on capital debt	(3,920,000)
Interest paid on capital debt	(1,033,569)
Interest received on capital asset-related debt	43,756
Net cash flows from capital financing activities	<u>23,801,679</u>
Cash Flows from Investing Activities	
Interest received from investments	<u>194,930</u>
Change In Cash and Cash Equivalents	57,911,329
Cash and Cash Equivalents, Beginning of Year, as Restated	<u>95,759,346</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 153,670,675</u></u>

Pasadena Area Community College District

Statement of Cash Flows

Year Ended June 30, 2021

Reconciliation of Net Operating Loss to Net Cash Flows from Operating Activities

Operating Loss	<u>\$ (205,686,189)</u>
Adjustments to reconcile operating loss to net cash flows from operating activities	
Depreciation expense	8,117,008
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources	
Receivables	(8,955,424)
Prepaid expenses and other assets	470,869
Deferred outflows of resources related to OPEB	(1,178,560)
Deferred outflows of resources related to pensions	4,793,424
Accounts payable and accrued liabilities	(1,014,115)
Unearned revenue	9,589,791
Compensated absences, load banking, and claims liability	315,054
Aggregate net OPEB liability	(845,112)
Aggregate net pension liability	12,661,954
Deferred inflows of resources related to OPEB	2,436,953
Deferred inflows of resources related to pensions	<u>(5,271,841)</u>
Total adjustments	<u>21,120,001</u>
Net cash flows from operating activities	<u><u>\$ (184,566,188)</u></u>

Cash and Cash Equivalents Consist of the Following:

Cash on hand and in banks	\$ 4,130,610
Cash in county treasury	120,616,387
Investments	<u>28,923,678</u>
Total cash and cash equivalents	<u><u>\$ 153,670,675</u></u>

Noncash Transactions

Amortization of deferred outflows of resources related to debt refunding	\$ 207,014
Amortization of debt premiums	\$ 1,124,217

Pasadena Area Community College District

Fiduciary Funds

Statement of Net Position

June 30, 2021

	Retiree OPEB Trust
	<hr/>
Assets	
Investments	\$ 15,695,208
	<hr/>
Net Position	
Restricted for postemployment benefits other than pensions	\$ 15,695,208
	<hr/>

Pasadena Area Community College District

Fiduciary Funds

Statement of Changes in Net Position

Year Ended June 30, 2021

	Retiree OPEB Trust
	<u> </u>
Additions	
District contributions	\$ 1,257,732
Interest and investment income, net of fees	<u>2,163,969</u>
Total additions	<u>3,421,701</u>
Deductions	
Benefit payments	1,257,732
Administrative expenses	<u>37,379</u>
Total deductions	<u>1,295,111</u>
Change in Net Position	2,126,590
Net Position - Beginning of Year, as Restated	<u>13,568,618</u>
Net Position - End of Year	<u><u>\$ 15,695,208</u></u>

Note 1 - Organization

Pasadena Area Community College District (the District) was established in 1967 as a political subdivision of the State of California and is a comprehensive, public, two-year institution offering educational services to residents of the surrounding area. The District operates under a locally elected seven-member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund, special revenue funds, and capital project funds, but these budgets are managed at the department level. Currently, the District operates one college and two education centers located within Pasadena and Rosemead. While the District is a political subdivision of the State of California, it is legally separate and is independent of other State and local governments, and it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61. The District is classified as a Public Educational Institution under Internal Revenue Code Section 115 and is, therefore, exempt from Federal taxes.

Note 2 - Summary of Significant Accounting Policies**Financial Reporting Entity**

The District has adopted accounting policies to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District, as defined by accounting principles generally accepted in the United States of America and established by the Governmental Accounting Standards Board (GASB). The financial reporting entity consists of the primary government (the District). The District has identified no component units.

The District has analyzed the financial and accountability relationship with the Pasadena City College Foundation (the Foundation) in conjunction with the GASB Statement No. 61 criteria. The Foundation is a separate, not for profit organization, and the District does provide and receive direct benefits to and from the Foundation. However, it has been determined that all criteria under GASB Statement No. 61 have not been met to require inclusion of the Foundation's financial statements in the District's annual report. Information on the Foundation may be requested through the Pasadena City College Foundation.

Basis of Accounting

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB. This presentation provides a comprehensive government-wide perspective of the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, activities, and cash flows and replaces the fund group perspective previously required. Fiduciary activities are excluded from the primary government financial statements. The District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as promulgated by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office *Budget and Accounting Manual*. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, certain Federal and State grants, entitlements, and donations. Property tax revenue is recognized in the fiscal year received. State apportionment revenue is earned based upon criteria set forth from the Community Colleges Chancellor's Office and includes reporting of full-time equivalent students (FTES) attendance. The corresponding apportionment revenue is recognized in the period the FTES are generated. Revenue from Federal and State grants and entitlements are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements may include time and/or purpose requirements.

Expenses are recorded on the accrual basis as they are incurred, when goods are received, or services are rendered.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, fixed income investments held by the Bookstore for expenses related to the close-out of the fund, government obligation mutual funds held by the Capital Outlay Projects Funds for expenses related to construction expenses, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the Statement of Cash Flows.

Investments

Investments are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value, including money market investments and participating interest-earning investment contracts with original maturities greater than one year, are stated at cost or amortized cost.

The District's investment in the County treasury is measured at fair value on a recurring basis, which is determined by the fair value per share of the underlying portfolio determined by the program sponsor. Positions in this investment pool is not required to be categorized within the fair value hierarchy.

Accounts Receivable

Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff. The District provides for an allowance for uncollectable accounts as an estimation of amounts that may not be received. This allowance is based upon management's estimates and analysis. The allowance was estimated at \$1,032,911 for the year ended June 30, 2021.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. The cost of prepaid items is recorded as an expense when consumed rather than when purchased.

Capital Assets and Depreciation

Capital assets are long-lived assets of the District as a whole and include land, construction in progress, buildings, building and land improvements, and equipment. The District maintains an initial unit cost capitalization threshold of \$5,000 and an estimated useful life greater than one year. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. The District does not possess any infrastructure. Donated capital assets are recorded at acquisition value at the date of donation. Improvements to buildings and land that significantly increase the value or extend the useful life of the asset are capitalized; the costs of routine maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged as an operating expense in the year in which the expense was incurred. Major outlays for capital improvements are capitalized as construction in progress as the projects are constructed.

Depreciation of capital assets is computed and recorded utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings and land improvements, 50 years; site improvements, 20 years; equipment, 5 to 15 years.

The District records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2021.

Compensated Absences and Load Banking

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. The current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignation and retirements that occur prior to year-end that have not yet been paid within the fund from which the employees who have accumulated the leave are paid. The District also participates in "load banking" with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period. The liability for this benefit is reported on the government-wide financial statements.

Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, retirement credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive 0.004 year of service credit for each day of unused sick leave. Retirement credit for unused sick leave is applicable to all academic employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full time.

Debt Premiums

Debt premiums are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. All other bond issuance costs are expensed when incurred.

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense until then. The District reports deferred outflows of resources related to debt refunding, for OPEB related items, and for pension related items. The deferred outflows of resources related to debt refunding resulted from the difference between the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred amounts related to OPEB and pension related items are associated with differences between expected and actual earnings on plan investments, changes of assumptions, and other OPEB and pension related changes.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for OPEB and pension related items.

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan and CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the District Plan and MPP. For this purpose, the District Plan and MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The aggregate net OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

Unearned Revenue

Unearned revenues arise when resources are received by the District before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized. Unearned revenue is primarily composed of (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year and (2) amounts received from Federal and State grants received before the eligibility requirements are met.

Tax and Revenue Anticipation Notes

The Tax and Revenue Anticipation Notes are current liabilities outstanding at June 30, 2021, and were issued as short-term obligations of provide cash flow needs. This liability is offset with future cash deposits from State general apportionment funding, which will be set aside at the County Treasury to repay the notes.

Noncurrent Liabilities

Noncurrent liabilities include bonds payable, certificates of participation, compensated absences, load banking, and claims payable with maturities greater than one year.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position related to net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$52,649,913 of restricted net position, and the fiduciary funds financial statements report \$15,695,208 of restricted net position.

Operating and Nonoperating Revenues and Expenses

Classification of Revenues - The District has classified its revenues as either operating or nonoperating. Certain significant revenue streams relied upon for operation are classified as nonoperating as defined by GASB. Classifications are as follows:

- **Operating revenues** - Operating revenues include activities that have the characteristics of exchange transactions such as tuition and fees, net of scholarship discounts and allowances, and Federal, State, and local grants and contracts.
- **Nonoperating revenues** - Nonoperating revenues include activities that have the characteristics of nonexchange transactions such as State apportionments, property taxes, investment income, and other revenue sources defined by GASB.

Classification of Expenses - Nearly all of the District's expenses are from exchange transactions and are classified as either operating or nonoperating according to the following criteria:

- **Operating expenses** - Operating expenses are necessary costs to provide the services of the District and include employee salaries and benefits, supplies, operating expenses, and student financial aid.
- **Nonoperating expenses** - Nonoperating expenses include interest expense and other expenses not directly related to the services of the District.

State Apportionments

Certain current year apportionments from the State are based on financial and statistical information of the previous year. Any corrections due to the recalculation of the apportionment are made in February of the subsequent year. When known and measurable, these recalculations and corrections are accrued in the year in which the FTES are generated.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. The County Assessor is responsible for assessment of all taxable real property. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Los Angeles bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

The voters of the District passed a General Obligation Bond in 2002 for the acquisition, construction, and remodeling of certain District property. As a result of the passage of the Bond, property taxes are assessed on the property within the District specifically for the repayment of the debt incurred. The taxes are assessed, billed, and collected as noted above and remitted to the District when collected.

Scholarship Discount and Allowances

Tuition and fee revenue is reported net of scholarships, discounts, and allowances. Fee waivers approved by the California Community College Board of Governors are included within the scholarships, discounts, and allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payments on the students' behalf.

Financial Assistance Programs

The District participates in federally funded Pell Grants, Supplemental Educational Opportunity Grants (SEOG), and Federal Work-Study programs, as well as other programs funded by the Federal government and State of California. Financial aid provided to the student in the form of cash is reported as an operating expense in the Statement of Revenues, Expenses, and Changes in Net Position. Federal financial assistance programs are audited in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates, and those difference could be material.

Interfund Activity

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the primary government and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process.

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the primary government and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances transferred between the primary government and the fiduciary funds are not eliminated in the consolidation process.

Change in Accounting Principles

In January 2017, the GASB issued Statement No. 84, Fiduciary Activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The impact to the primary government and fiduciary funds resulted in a restatement of their respective beginning net positions as of July 1, 2020 due to the reclassification of associated students, student representation fee, and other trust funds into the financial statements of the primary government. The effect of the implementation of this standard on beginning net position is disclosed in Note 14. The provisions of the Statement have been implemented as of June 30, 2021.

New Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements for this Statement are effective for the reporting periods beginning after June 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

Note 3 - Deposits and Investments**Policies and Practices**

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporation notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

In accordance with the Budget and Accounting Manual, the District maintains substantially all of its cash in the County Treasury as part of the common investment pool. The District is considered to be an involuntary participant in the external investment pool. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Investment in County Treasury - The District deposits all receipts and collections of monies with their County Treasurer. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Authorized Under Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years.

Summary of Deposits and Investments

Deposits and investments as of June 30, 2021, consist of the following:

	Primary Government	Fiduciary Funds
Cash on hand and in banks	\$ 3,696,084	\$ -
Cash in revolving	434,526	-
Investments	156,070,208	15,695,208
Total deposits and investments	<u>\$ 160,200,818</u>	<u>\$ 15,695,208</u>

Interest Rate Risk and Credit Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by primarily investing in the Los Angeles County Investment Pool and mutual funds. 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.

Investment Type	Fair Value	Weighted Average Days to Maturity	Credit Rating
Los Angeles County Investment Pool	\$ 120,616,387	1,045	N/A
Mutual funds	49,254,594	N/A	N/A
Corporate bonds	425,164	710	BBB
U.S. Treasury Bills	958,411	1,298	N/A
Municipal bonds	255,964	90	AA
CMO and Asset-Backed Securities	99,285	1,776	B-
CDs and BAs	155,611	171	N/A
Total	<u>\$ 171,765,416</u>		

Custodial Credit Risk -- Deposits and Investments**Deposits**

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California *Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2021, the District's bank balance of \$5,413,241 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. As of June 30, 2021, the District's investment balance of \$49,649,029 was exposed to custodial credit risk because it was uninsured, unregistered and held by the brokerage firm which is also the counterparty for these securities. The District's investment policy limits the amount of securities that can be held by counterparties to no more than 10% of total investments in one issuer for commercial paper, mutual funds and money market mutual funds and 30% for Banker's Acceptance.

Note 4 - Fair Value Measurements

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

- Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.
- Level 2 - Observable inputs, other than Level 1 prices, such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.
- Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

The District's fair value measurements are as follows at June 30, 2021:

Investment Type	Fair Value	Fair Value Measurements Using	
		Level 1 Inputs	Level 2 Inputs
Mutual funds	\$ 49,254,594	\$ 49,254,594	\$ -
Corporate bonds	425,164	-	425,164
U.S. Treasury Bills	958,411	958,411	-
Municipal bonds	255,964	-	255,964
CMO and Asset-Backed Securities	99,285	-	99,285
Total	\$ 50,993,418	\$ 50,213,005	\$ 780,413

All assets have been valued using a market approach, which uses prices and other relevant information generated by market transactions involving identical or comparable assets or group of assets.

Note 5 - Accounts Receivable

Accounts receivable as of June 30, 2021 consisted of the following:

	<u>Primary Government</u>
Federal Government	
Categorical aid	\$ 7,921,083
State Government	
Apportionment	15,304,519
Categorical aid	4,480,495
Lottery	1,675,854
Other state sources	900,792
Local Sources	
Interest	203,725
Other local sources	<u>1,770,883</u>
Total	<u>\$ 32,257,351</u>
Student receivables	\$ 5,702,253
Less: allowance for bad debt	<u>(1,032,911)</u>
Student receivables, net	<u>\$ 4,669,342</u>

Note 6 - Capital Assets

Capital asset activity for the year ended June 30, 2021, was as follows:

	Balance, Beginning of Year	Additions	Deductions	Balance, End of Year
Capital Assets Not Being Depreciated				
Land	\$ 12,270,718	\$ -	\$ -	\$ 12,270,718
Construction in progress	275,319	3,524,746	(1,535,390)	2,264,675
Total capital assets not being depreciated	12,546,037	3,524,746	(1,535,390)	14,535,393
Capital Assets Being Depreciated				
Land improvements	19,315,337	-	-	19,315,337
Buildings and improvements	284,984,419	1,535,390	-	286,519,809
Furniture and equipment	31,660,011	817,540	(83,190)	32,394,361
Total capital assets being depreciated	335,959,767	2,352,930	(83,190)	338,229,507
Total capital assets	348,505,804	5,877,676	(1,618,580)	352,764,900
Less Accumulated Depreciation				
Land improvements	(13,844,452)	(691,454)	-	(14,535,906)
Buildings and improvements	(121,786,582)	(5,571,851)	-	(127,358,433)
Furniture and equipment	(23,626,903)	(1,853,703)	52,728	(25,427,878)
Total accumulated depreciation	(159,257,937)	(8,117,008)	52,728	(167,322,217)
Net capital assets	\$ 189,247,867	\$ (2,239,332)	\$ (1,565,852)	\$ 185,442,683

Note 7 - Tax and Revenue Anticipation Notes

At June 30, 2021, the District had outstanding Tax and Revenue Anticipation Notes (TRANS) in the amount of \$18,895,000, which mature on December 31, 2021. The notes were issued bearing interest at 3.00%. The notes were issued to supplement cash flows and will be repaid from future general apportionment revenues.

	Balance, Beginning of Year	Additions	Deductions	Balance, End of Year
2021 3.00% TRANS	\$ -	\$ 18,895,000	\$ -	\$ 18,895,000

Note 8 - Long-Term Liabilities other than OPEB and Pensions**Summary**

The changes in the District's long-term liabilities other than OPEB and pensions during the year ended June 30, 2021 consisted of the following:

	Balance, Beginning of Year	Additions	Deductions	Balance, End of Year	Due in One Year
General obligation bonds	\$ 66,450,000	\$ -	\$ (3,920,000)	\$ 62,530,000	\$ 3,865,000
Premium on issuance	9,757,818	-	(1,110,146)	8,647,672	-
Certificates of participation	-	28,785,000	-	28,785,000	-
Premium on issuance	-	1,707,232	(14,071)	1,693,161	-
Compensated absences	3,955,502	145,515	-	4,101,017	-
Load banking	668,966	171,015	-	839,981	-
Claims liability	5,928,092	-	(1,476)	5,926,616	-
Total	<u>\$ 86,760,378</u>	<u>\$ 30,808,762</u>	<u>\$ (5,045,693)</u>	<u>\$ 112,523,447</u>	<u>\$ 3,865,000</u>

Description of Long-Term Liabilities

Payments on the general obligation bonds are made by the Bond Interest Redemption Fund with local property tax collections. Payments on the certificates of participation are made by the District's General Fund. The compensated absences and load banking are paid by the fund for which the employees' salaries are paid from. The Internal Service fund makes payments for the claims liability.

General Obligation Bonds**2014 General Obligation Refunding Bonds**

During April 2014, the District issued the \$16,980,000 2014 General Obligation Refunding Bonds, Series A. Amounts paid to the refunded bond escrow agent in excess of outstanding debt at the time of payment are recorded as deferred charges on refunding on the statement of net position and are amortized to interest expense over the life of the liability.

The bonds have a final maturity to occur on August 1, 2026, with interest rates from 2.00 to 5.00%. The net proceeds of \$19,812,097 (representing the principal amount of \$16,980,000 plus premium on issuance of \$2,832,097) from the issuance were used to advance refund a portion of the District's outstanding 2002 General Obligation Bonds, Series 2006B and pay the costs associated with the issuance of the refunding bonds. At June 30, 2021, the principal balance outstanding was \$10,880,000. Unamortized premium received on issuance of the bonds amounted to \$1,153,842 as of June 30, 2021.

2016 General Obligation Refunding Bonds

During May 2016, the District issued the 2016 General Obligation Refunding Bonds in the amount of \$33,995,000. Amounts paid to the refunded bond escrow agent in excess of outstanding debt at the time of payment are recorded as deferred charges on refunding on the statement of net position and are amortized to interest expense over the life of the liability. The refunding resulted in an economic gain of \$7,157,913 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted to present value.

The bonds have a final maturity to occur on August 1, 2031, with interest rates from 2.00 to 5.00%. The net proceeds of \$40,771,030 (representing the principal amount of \$33,995,000 plus premium on issuance of \$6,776,030) from the issuance were used to advance refund a portion of the District's outstanding 2002 General Obligation Bonds, Series 2006B, advance a portion of the District's outstanding 2002 General Obligation Bonds, Series 2009D, and pay the costs associated with the issuance of the refunding bonds. At June 30, 2021, the principal balance outstanding was \$29,700,000. Unamortized premium received on issuance of the bonds amounted to \$4,472,850 as of June 30, 2021.

2020 General Obligation Refunding Bonds

During February 2020, the District issued the 2020 General Obligation Refunding Bonds in the amount of \$22,165,000. Amounts paid to the refunded bond escrow agent in excess of outstanding debt at the time of payment are recorded as deferred charges on refunding on the statement of net position and are amortized to interest expense over the life of the liability. The refunding resulted in an economic gain of \$9,626,191 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted to present value.

The bonds have a final maturity to occur on August 1, 2027, with interest rate of 4.00%. The net proceeds from the issuance were used to refund on a current basis the District's outstanding 2002 General Obligation Bonds, Series 2009E and pay the costs associated with the issuance of the refunding bonds. At June 30, 2021, the principal balance outstanding was \$21,950,000. Unamortized premium received on issuance of the bonds amounted to \$3,020,980 as of June 30, 2021.

Debt Maturity**General Obligation Bonds**

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding Beginning of Year	Issued	Redeemed	Bonds Outstanding End of Year
4/2/2014	8/1/2026	2.00%-5.00%	\$ 16,980,000	\$ 12,405,000	\$ -	\$ (1,525,000)	\$ 10,880,000
5/12/2016	8/1/2031	2.00%-5.00%	33,995,000	31,880,000	-	(2,180,000)	29,700,000
2/26/2020	8/1/2027	4.00%	22,165,000	22,165,000	-	(215,000)	21,950,000
				<u>\$ 66,450,000</u>	<u>\$ -</u>	<u>\$ (3,920,000)</u>	<u>\$ 62,530,000</u>

Pasadena Area Community College District

Notes to Financial Statements

June 30, 2021

The bonds mature through 2032 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2022	\$ 3,865,000	\$ 2,670,450	\$ 6,535,450
2023	6,670,000	2,431,550	9,101,550
2024	7,305,000	2,110,650	9,415,650
2025	7,930,000	1,762,500	9,692,500
2026	8,590,000	1,386,475	9,976,475
2027-2031	25,055,000	2,492,400	27,547,400
2032	3,115,000	62,300	3,177,300
Total	<u>\$ 62,530,000</u>	<u>\$ 12,916,325</u>	<u>\$ 75,446,325</u>

Certificates of Participation

On March 10, 2021, the District issued Certificates of Participation in the amount of \$28,785,000 with an interest rate of 4.00%. Proceeds from the Certificates were used to finance the design, demolition and construction of the Sarafian Building Project. At June 30, 2021, the principal balance outstanding was \$28,785,000. Unamortized premium received on issuance of the certificates of participation amount to \$1,693,161 as of June 30, 2021.

Fiscal Year	Principal	Current Interest to Maturity	Total
2022	\$ -	\$ 1,026,665	\$ 1,026,665
2023	-	1,151,400	1,151,400
2024	-	1,151,400	1,151,400
2025	295,000	1,145,500	1,440,500
2026	605,000	1,127,500	1,732,500
2027-2031	3,410,000	5,246,600	8,656,600
2032-2036	4,145,000	4,493,500	8,638,500
2037-2041	5,045,000	3,577,500	8,622,500
2042-2046	6,140,000	2,462,000	8,602,000
2047-2051	7,470,000	1,105,400	8,575,400
2052	1,675,000	33,500	1,708,500
Total	<u>\$ 28,785,000</u>	<u>\$ 22,520,965</u>	<u>\$ 51,305,965</u>

Note 9 - Aggregate Net Other Postemployment Benefit (OPEB) Liability

For the year ended June 30, 2021, the District reported an aggregate net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Aggregate Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	\$ 17,293,841	\$ 1,183,904	\$ 6,668,275	\$ 336,636
Medicare Premium Payment (MPP) Program	834,849	-	-	76,645
Total	<u>\$ 18,128,690</u>	<u>\$ 1,183,904</u>	<u>\$ 6,668,275</u>	<u>\$ 413,281</u>

The details of each plan are as follows:

District Plan**Plan Administration**

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses.

Management of the plan is vested in the District management. Management of the trustee assets is vested with the Public Agency Retirement Services (PARS), Irrevocable Trust Management Services.

Plan Membership

At June 30, 2021, Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	45
Active employees	852
Total	<u>897</u>

Retiree Health Benefit OPEB Trust

The Retiree Health Benefit OPEB Trust (the Trust) is an irrevocable governmental trust pursuant to Section 115 of the IRC for the purpose of funding certain postemployment benefits other than pensions. The Trust is administered by PARS as directed by the investment alternative choice selected by the District. The District retains the responsibility to oversee the management of the Trust, including the requirement that investments and assets held within the Trust continually adhere to the requirements of the California *Government Code* Section 53600.5 which specifies that the trustee's primary role is to preserve capital, to maintain investment liquidity, and to protect investment yield. As such, the District acts as the fiduciary of the Trust. The financial activity of the Trust has been discretely presented. Separate financial statements are not prepared for the Trust.

Benefits Provided

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Contributions

The contribution requirements of Plan members and the District are established and may be amended by the District, the Faculty Association (FA), the local California Service Employees Association (CSEA), and unrepresented groups. The voluntary contributions are based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements with the District, FA, CSEA, and the unrepresented groups. For the measurement period of June 30, 2021, the District contributed \$1,257,732 to the Plan, all of which was used for current premiums.

Investment**Investment Policy**

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the governing board by a majority vote of its members. It is the policy of the District to pursue an investment strategy that reduces risks through the prudent diversification for the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocation over short time spans. The following was the governing board's adopted asset allocation policy as of June 30, 2021:

<u>Asset Class</u>	<u>Target Allocation</u>
U.S. Stock	25.9%
International Stock	14.1%
U.S Bonds	38.3%
Global Bonds	20.2%
Cash	1.5%

Rate of Return

For the year ended June 30, 2021, the annual money-weighted rate of return on investments, net of investment expense, was 15.63%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the District

The District's net OPEB liability of \$17,293,841 was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The components of the net OPEB liability of the District at June 30, 2021, were as follows:

Total OPEB liability	\$ 32,989,049
Plan fiduciary net position	<u>(15,695,208)</u>
Net OPEB liability	<u>\$ 17,293,841</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>47.58%</u>

Actuarial Assumptions

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent
Salary increases	2.75 percent, per year in aggregate
Discount rate	5.25 percent, net of investment expense, including inflation
Healthcare cost trend rates	6.00 percent for 2022, decreasing to 4.50% for 2025 and after
Retirees' share of benefit-related costs	CFT employees hired on or after July 1, 2011 pay any premium increases after year of retirement; all other eligible retiree groups are paid for entirely by the District.

The discount rate was based on the expected long-term rate of return for the PARS Vanguard's Conservative Strategy.

Mortality rates for certificated management, classified management, CFT Local 6525 (classified), confidential and supervisors was based on SOA Pub-2010 General Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2020. Mortality rates for faculty was based on SOA Pub-2010 Teachers Headcount Weighted Mortality Table fully generational using Scale MP-2020. Mortality rates for Police officers Association employees were based on Pub-2010 Public Safety Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2019. Mortality rates for surviving spouses of District employees was based on SOA Pub-2010 Contingent Survivors Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2020.

The actuarial assumptions used in the June 30, 2021 valuation were based on census data provided as of June 30, 2021.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2021, (see the discussion of the Plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
U.S. Stock	6.25%
International Stock	6.75%
U.S Bonds	3.75%
Global Bonds	2.00%
Cash	2.00%

Discount Rate

The discount rate used to measure the total OPEB liability was 5.25%. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance, June 30, 2020	\$ 31,784,216	\$ 13,568,618	\$ 18,215,598
Service cost	1,655,025	-	1,655,025
Interest	1,722,967	-	1,722,967
Difference between expected and actual experience	(2,263,297)	-	(2,263,297)
Contributions - employer	-	1,257,732	(1,257,732)
Expected investment income	-	2,163,969	(2,163,969)
Changes of assumptions	1,347,870	-	1,347,870
Benefit payments	(1,257,732)	(1,257,732)	-
Administrative expense	-	(37,379)	37,379
Net change in total OPEB liability	1,204,833	2,126,590	(921,757)
Balance, June 30, 2021	\$ 32,989,049	\$ 15,695,208	\$ 17,293,841

The inflation assumption was increased from 2.25% in the prior valuation to 2.50%. The salary increase assumption was decreased from 3.0% in the prior valuation to 2.75%.

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

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

Discount Rate	Net OPEB Liability
1% decrease (4.25%)	\$ 19,763,214
Current discount rate (5.25%)	17,293,841
1% increase (6.25%)	14,996,623

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

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rate that is one percent lower or higher than the current healthcare costs trend rate:

Healthcare Cost Trend Rates	Net OPEB Liability
1% decrease (5.00%, decreasing to 3.50%)	\$ 14,125,859
Current healthcare cost trend rate (6.00%, decreasing to 4.50%)	17,293,841
1% increase (7.00%, decreasing to 5.50%)	20,985,383

Deferred Outflows/Inflows of Resources Related to OPEB

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB for the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,518	\$ 2,799,591
Changes of assumptions	1,179,386	2,544,977
Net difference between projected and actual earnings on OPEB plan investments	-	1,323,707
Total	<u>\$ 1,183,904</u>	<u>\$ 6,668,275</u>

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on OPEB plan investments will be amortized over a closed five-year period and will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred (Inflows) of Resources
2022	\$ (358,405)
2023	(356,289)
2024	(318,496)
2025	(290,517)
Total	<u>\$ (1,323,707)</u>

The deferred outflows/inflows of resources related to differences between expected and actual experience in the measurement of the total OPEB liability and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all embers that are provided benefits as of the beginning of the measurement period. The EARSL for the measurement period is 8 years and will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ (751,212)
2023	(751,215)
2024	(751,215)
2025	(751,214)
2026	(529,927)
Thereafter	(625,881)
Total	<u>\$ (4,160,664)</u>

Medicare Premium Payment (MPP) Program

Plan Description

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB) Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District contributions. In accordance with California *Education Code* Section 25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

Net OPEB Liability and OPEB Expense

At June 30, 2021, the District reported a liability of \$834,849 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating entities, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2020 and June 30, 2019, was 0.1970% and 0.2036%, respectively, resulting in a net decrease in the proportionate share of 0.0066%.

For the year ended June 30, 2021, the District recognized OPEB expense of \$76,645.

Actuarial Methods and Assumptions

The June 30, 2020 total OPEB liability was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total OPEB liability to June 30, 2020, using the assumptions listed in the following table:

Measurement Date	June 30, 2020
Valuation Date	June 30, 2019
Experience Study	June 30, 2014 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	2.21%
Medicare Part A Premium Cost Trend Rate	4.50%
Medicare Part B Premium Cost Trend Rate	5.40%

For the valuation as of June 30, 2019, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP 2019) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 294 or an average of 0.18% of the potentially eligible population (159,339).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2020, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2020, is 2.21%. As the MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 2.21%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2020, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 1.29% from 3.50% as of June 30, 2019.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

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

Discount Rate	Net OPEB Liability
1% decrease (1.21%)	\$ 923,158
Current discount rate (2.21%)	834,849
1% increase (3.21%)	759,705

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates

The following presents the District's proportionate share of the net OPEB liability calculated using the current Medicare costs trend rate, as well as what the net OPEB liability would be if it were calculated using the Medicare costs trend rate that are one percent lower or higher than the current rate:

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (3.5% Part A and 4.4% Part B)	\$ 756,986
Current Medicare costs trend rate (4.5% Part A and 5.4% Part B)	834,849
1% increase (5.5% Part A and 6.4% Part B)	924,484

Note 10 - Risk Management

Property and Liability Insurance Coverages

The District is exposed to various risks of loss related to torts and liability; theft of, damage to and destruction of assets; errors and omissions and injuries to employees. The District obtains coverage for these risks as a member of Statewide Association of Community Colleges (SWACC) Joint Powers Authority (JPA) and Schools Association for Excess Risk (SAFER). Participation in the JPA is limited to community college districts that can meet the JPA's selection criteria. The District has liability coverage up to \$25,000,000; SWACC is responsible for the first \$1,000,000, and all excess layers covered by SAFER. The District's property coverage is \$250,250,000; SWACC is responsible for the first \$250,000 of each property claim, \$250,000,000 reinsurance sits on top, for a total of 250,250,000. This District's coverage is subject to a \$10,000 self-insured retention for breach of contract claims, \$5,000 for student professional liability claims, \$25,000 for property claims, and \$50,000 for liability claims. The District participates in a JPA to provide excess insurance coverage above the self-insured retention level. Settled claims have not exceeded the coverage provided by the JPA in any of the past three fiscal years.

Workers' Compensation

For fiscal year 2020-2021, the District participated in the Schools Alliance for Workers' Compensation Excess Group Purchase (SAWCXII) Joint Powers Authority (JPA), an insurance purchasing pool. The District is self-insured insured for the first \$500,000 of each workers' compensation claim. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium based on its individual rate. Total savings are then calculated, and each participant's individual performance is compared to the overall saving. The four members in the JPA for fiscal year 2020-2021 are Pasadena Area Community College District, San Bernardino Community College District, Garden Grove Unified School District, and Hacienda-La Puente Unified School District.

Claims Liabilities

The District establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2019 to June 30, 2021:

	Workers' Compensation	Property and Liability
Liability Balance, July 1, 2019	\$ 5,703,092	\$ 225,000
Claims and changes in estimates	1,122,041	1,091,976
Claims payments	(1,122,041)	(1,091,976)
Liability Balance, June 30, 2020	5,703,092	225,000
Claims and changes in estimates	256,115	1,136,044
Claims payments	(257,591)	(1,136,044)
Liability Balance, June 30, 2021	<u>\$ 5,701,616</u>	<u>\$ 225,000</u>
Assets available to pay claims at June 30, 2021	<u>\$ 11,111,023</u>	<u>\$ 3,394,579</u>

Note 11 - Employee Retirement Systems

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

For the fiscal year ended June 30, 2021, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Aggregate Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 109,563,221	\$ 29,133,587	\$ 8,331,389	\$ 14,217,704
CalPERS - SRP	70,276,266	13,453,287	77,985	14,267,297
CalPERS - Misc.	1,394,783	276,660	83,825	286,925
\$1,440 Lifetime Benefit	14,890,276	2,523,738	135,700	1,203,104
Total	<u>\$ 196,124,546</u>	<u>\$ 45,387,272</u>	<u>\$ 8,628,899</u>	<u>\$ 29,975,030</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

The STRP provides retirement, disability, and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0% of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program; thus disclosures are not included for the other plans.

The STRP Defined Benefit Program provisions and benefits in effect at June 30, 2021, are summarized as follows:

	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.15%	16.15%
Required State contribution rate	10.328%	10.328%

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and are detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with California Assembly Bill 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2021, are presented above, and the District's total contributions were \$9,972,477.

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

At June 30, 2021, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:

District's proportionate share of net pension liability	\$ 109,563,221
State's proportionate share of net pension liability associated with the District	<u>56,479,853</u>
Total	<u>\$ 166,043,074</u>

The net pension liability was measured as of June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts and the State, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2020 and June 30, 2019, was 0.1131% and 0.1151%, respectively, resulting in a net decrease in the proportionate share of 0.0020%.

For the year ended June 30, 2021, the District recognized pension expense of \$14,217,704. In addition, the District recognized pension expense and revenue of \$7,912,273 for support provided by the State. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 9,972,477	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	5,681,223	5,241,518
Differences between projected and actual earnings on pension plan investments	2,602,592	-
Differences between expected and actual experience in the measurement of the total pension liability	193,329	3,089,871
Changes of assumptions	10,683,966	-
Total	<u>\$ 29,133,587</u>	<u>\$ 8,331,389</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earning on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ (1,588,086)
2023	886,751
2024	1,769,166
2025	1,534,761
Total	<u>\$ 2,602,592</u>

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ 2,305,576
2023	1,896,157
2024	3,899,823
2025	290,342
2026	95,002
Thereafter	(259,771)
Total	<u>\$ 8,227,129</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2019 and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Experience study	July 1, 2015 through June 30, 2018
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2020, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	42.0%	4.8%
Private equity	13.0%	6.3%
Real estate	15.0%	3.6%
Inflation sensitive	6.0%	3.3%
Fixed income	12.0%	1.3%
Risk mitigating strategies	10.0%	1.8%
Cash/liquidity	2.0%	-0.4%

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10%) and assuming that contributions, benefit payments, and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 165,534,765
Current discount rate (7.10%)	109,563,221
1% increase (8.10%)	63,350,829

California Public Employees' Retirement System (CalPERS) - Schools Risk Pool**Plan Description**

Qualified employees are eligible to participate in the School Employer Pool (SEP) under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at:
<https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

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

The CalPERS School Employer Pool provisions and benefits in effect at June 30, 2021, are summarized as follows:

Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	20.70%	20.70%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2021, are presented above, and the total District contributions were \$6,915,940.

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

As of June 30, 2021, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$70,276,266. The net pension liability was measured as of June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2020 and June 30, 2019, was 0.2290% and 0.2197%, respectively, resulting in a net increase in the proportionate share of 0.0093%.

For the year ended June 30, 2021, the District recognized pension expense of \$14,267,297. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 6,915,940	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	1,331,226	77,985
Differences between projected and actual earnings on pension plan investments	1,462,928	-
Differences between expected and actual experience in the measurement of the total pension liability	3,485,487	-
Changes of assumptions	257,706	-
Total	<u>\$ 13,453,287</u>	<u>\$ 77,985</u>

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ (547,458)
2023	488,313
2024	848,770
2025	673,303
Total	<u>\$ 1,462,928</u>

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.1 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ 2,855,705
2023	1,615,016
2024	489,293
2025	36,420
Total	<u>\$ 4,996,434</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2019 and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90% of Scale MP-2016.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations, as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.15%)	\$ 101,034,948
Current discount rate (7.15%)	70,276,266
1% increase (8.15%)	44,748,104

California Public Employees' Retirement System (CalPERS) – Miscellaneous Risk Plan**Plan Description**

Qualified employees are eligible to participate in the Miscellaneous Risk Pool Plan under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plans regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019, annual actuarial valuation report, Miscellaneous Risk Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

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

living adjustments for each plan are applied as specified by the Public Employees' Retirement Law. The CalPERS Miscellaneous Risk Pool is closed to new entrants and no current employees are covered by the plan.

The CalPERS School Employer Pool provisions and benefits in effect at June 30, 2021, are summarized as follows:

	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	60
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required unfunded liability payment to CalPERS	\$86,268	\$ -

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions for the year ended June 30, 2021 was \$86,268.

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

As of June 30, 2021, the District reported net pension liabilities for its proportionate share of the CalPERS Miscellaneous Risk Pool net pension liability \$1,394,783. The net pension liability was measured as of June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2020 and June 30, 2019, was 0.0331% and 0.0316%, respectively, resulting in a net increase in the proportionate share of 0.0015%.

Pasadena Area Community College District

Notes to Financial Statements

June 30, 2021

For the year ended June 30, 2021, the District recognized pension expense of \$286,925 for CalPERS Miscellaneous Risk Pool. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 86,268	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	24,989	21,785
Differences between projected and actual earnings on pension plan investments	93,526	52,092
Differences between expected and actual experience in the measurement of the total pension liability	71,877	-
Changes of assumptions	-	9,948
Total	<u>\$ 276,660</u>	<u>\$ 83,825</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ (16,332)
2023	13,342
2024	24,551
2025	19,873
Total	<u>\$ 41,434</u>

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.0 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ 30,029
2023	22,974
2024	12,130
Total	<u>\$ 65,133</u>

Actuarial Methods and Assumptions

Total pension liability for the Miscellaneous Risk Pool was determined by applying updated procedures to a financial reporting actuarial valuation as of June 30, 2019 and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019 used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations, as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the Miscellaneous Risk Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 2,227,355
Current discount rate (7.15%)	1,394,783
1% increase (8.15%)	706,855

\$1,440 Lifetime Benefit Plan**Plan Description**

The District administers and contributes to a single-employer defined benefit pension plan for eligible retirees upon retirement from the District and reaching the age of 65. An annual payment of \$1,440 is contributed by the District to eligible retirees. This plan is subject to the reporting requirements under GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. There are 852 active employees who may become eligible to retire and receive benefits in the future, 45 retirees with deferred benefits, and 454 retirees receiving District-paid benefits as of the June 30, 2021 valuation date. The measurement date for the total pension liability is June 30, 2021. As of June 30, 2021, there are no assets accumulated in a trust that meets the criteria in GASB Statement No. 73, paragraph 4.

Benefits Provided

The District provides an annual payment of \$1,440 to eligible retirees to help offset the costs of healthcare coverage. To be eligible for the benefit, regular full-time employees of the District, excluding hourly and adjunct employees, must have completed at least 14 years of service to the District, with the exception that classified employees who are members of CFT Local 6525 hired on or after July 1, 2011, who must have at least 22 years of service to be eligible. Benefits take effect upon the eligible retiree reaching the age of 65. There is no requirement for the \$1,440 to be spent on health insurance and is treated as taxable income to the retiree and is thus considered to be a pension plan rather than a retiree health benefit plan falling within the scope of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The benefit is paid in full during the first year of eligibility and there are no spousal or survivor benefits paid under this plan.

This benefit is payable in addition to pension benefits that may be payable under one of the District's other pension plans (CalPERS, CalSTRS, or a supplemental employee retirement plan).

The \$1,440 Lifetime Benefit provisions and benefits in effect at June 30, 2021, are summarized as follows:

	CFT Local #6525	All Other Regular, Full-Time Employees
Hire date	On or after July 1, 2011	N/A
Benefit formula	\$1,440	\$1,440
Benefit vesting schedule	22 years of service	14 years of service
Benefit payments	Annual for life	Annual for life
Vesting age	65	65
Required employee contribution rate	N/A	N/A
Required employer contribution rate	\$1,440 per retiree	\$1,440 per retiree

Contributions

The District provides an annual contribution of \$1,440 to all eligible retirees in the plan. Total District contributions for the year ended June 30, 2021 were \$652,610, inclusion of an implicit subsidy.

Changes in the Total Pension Liability (TPL)

	Total Pension Liability
Balance at June 30, 2020	\$ 14,124,207
Service cost	372,572
Interest	311,750
Difference between expected and actual experience	260,021
Changes of assumptions	474,336
Benefit payments	(652,610)
Net change in total pension liability	766,069
Balance at June 30, 2021	\$ 14,890,276

There was a change in the discount rate from 2.20% to 2.16% since the previous valuation. There were no changes to benefit terms since the previous valuation.

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

As of June 30, 2021, the District reported a total pension liability for the \$1,440 Lifetime Benefit plan totaling \$14,890,276. The net pension liability was measured as of June 30, 2021. The District's total pension liability was based on a projection of the District's long-term contributions to the pension plan and was actuarially determined.

For the year ended June 30, 2021, the District recognized pension expense of \$1,203,104. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Differences between expected and actual experience	\$ 396,086	\$ -
Changes of assumptions	2,127,652	135,700
Total	\$ 2,523,738	\$ 135,700

The deferred outflows/(inflows) of resources related to the differences between expected and actual experience in the measurement of the total pension liability and changes of assumptions will be amortized over a closed 8-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ 518,782
2023	518,783
2024	585,198
2025	489,893
2026	91,795
Thereafter	183,587
Total	<u>\$ 2,388,038</u>

Actuarial Methods and Assumptions

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	June 30, 2021
Measurement date	June 30, 2021
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age, level percent of pay
Discount rate	2.16%, net of investment expenses

The mortality tables used were PubS.H-2010 Projected with mortality improvements using Mortality Improvement Scale MP-2020.

Discount Rate

The discount rate used to measure the total pension liability was 2.16%. The discount rate was based on the Bond Buyer 20-Bond General Obligation Index as of June 30, 2021.

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

Discount Rate	Total Pension Liability
1% decrease (1.16%)	\$ 17,255,431
Current discount rate (2.16%)	14,890,276
1% increase (3.16%)	12,974,206

Accumulation Program for Part-Time and Limited Services Employees (APPLE)**Plan Description**

The Accumulation Program for Part-Time and Limited Service Employees (APPLE) is a defined contribution plan qualifying under Section 401(a) and 501 of the Internal Revenue Code. This plan covers part-time, seasonal, and temporary employees and those employees not covered by Section 3121(b)(7)(F) of the Internal Revenue Code. The benefit provisions and contribution requirements of the plan members and the District are established and may be amended by APPLE Administration Committee.

Funding Plan

Contributions of 3.75% of covered compensation of eligible employees are made by the employee. Total District contributions were made in the amount of \$449,774 during the fiscal year. The total amount of covered compensation was \$11,993,973. Total required contribution rate is 7.50%, 3.75% represents the District's contribution, and the remaining 3.75% is contributed by the employee.

CalSTRS/CalPERS Irrevocable Trust

During the 2017-2018 fiscal year, the District established an irrevocable trust for the purpose of funding future employer contributions associated with the CalSTRS and CalPERS pension plans. Funds deposited into this trust are not considered "plan assets" for GASB Statement No. 68 reporting; therefore, the balance of the irrevocable trust is not netted against the net pension liability shown on the Statement of Net Position. The balance and activity of the trust is recorded as a special revenue fund of the District. As of June 30, 2021, the balance of the trust was \$6,530,143.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal year ended June 30, 2021, which amounted to \$6,391,843 (10.328%) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. No contributions were made for CalPERS for the year ended June 30, 2021. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Note 12 - Participation in Public Entity Risk Pools and Joint Powers Authorities

The District is a member of the Intelcom Intelligent Telecommunications (intelecom), Statewide Association of Community Colleges (SWACC) and Schools Alliance for Workers' Compensation Excess Group Purchase (SAWCX II) Joint Powers Authority JPAs. Intelcom provides for the design, development, and distribution of educational media materials. Intelcom is governed by a council comprised of a member of each of the participating Districts. The District pays SWACC and SAWCXII annual premiums for its property liability, health, and workers' compensation coverage. The relationship between the District and the JPA is such that it is not a component unit of the District for financial reporting purposes.

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

The relationships between the District and the JPAs are such that no JPAs are a component unit of the District for financial reporting purposes.

Note 13 - Commitments and Contingencies

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2021.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2021.

Construction Commitments

At June 30, 2021, the District had approximately \$7.1 million in commitments with respect to unfinished capital projects. The projects are funded through a combination of certificates of participation issuance and capital project apportionments from the California State Chancellor's Office.

Operating Leases

The District has entered into various operating leases for buildings and parking facilities with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration date. Future minimum lease payments under these agreements are as follows:

Year Ending June 30,	Lease Payment
2022	\$ 901,044
2023	901,044
2024	150,000
2025	150,000
2026	150,000
2027-2031	750,000
2032-2033	250,000
Total	<u>\$ 3,252,088</u>

Rental expenditures for the year ended June 30, 2021, amounted to \$1,074,632.

Note 14 - Restatement of Prior Year Net Position

The District adopted GASB Statement No. 84, *Fiduciary Activities*, in the current year. As a result, the effect on the current fiscal year is as follows:

Primary Government	
Net Position - Beginning	\$ 20,072,500
Inclusion of assets and liabilities of funds previously identified as fiduciary in nature from the adoption of GASB Statement No. 84	<u>9,607,369</u>
Net Position - Beginning, as Restated	<u>\$ 29,679,869</u>
Fiduciary Funds	
Net Position - Beginning	\$ 23,175,987
Exclusion of assets and liabilities of funds previously identified as fiduciary in nature from the adoption of GASB Statement No. 84	<u>(9,607,369)</u>
Net Position - Beginning, as Restated	<u>\$ 13,568,618</u>



Required Supplementary Information
June 30, 2021

Pasadena Area Community College District

Pasadena Area Community College District
Schedule of Changes in the District's Net OPEB Liability and Related Ratios
Year Ended June 30, 2021

	2021	2020	2019	2018
Total OPEB Liability				
Service cost	\$ 1,655,025	\$ 1,488,553	\$ 1,670,370	\$ 2,102,668
Interest	1,722,967	1,714,076	1,623,517	1,189,667
Difference between expected and actual experience	(2,263,297)	(1,028,194)	6,997	(46,340)
Changes of assumptions	1,347,870	(907,074)	-	(3,493,635)
Benefit payments	(1,257,732)	(1,259,116)	(1,557,337)	(1,373,478)
Net change in total OPEB liability	1,204,833	8,245	1,743,547	(1,621,118)
Total OPEB Liability - Beginning	31,784,216	31,775,971	30,032,424	31,653,542
Total OPEB Liability - Ending (a)	<u>\$ 32,989,049</u>	<u>\$ 31,784,216</u>	<u>\$ 31,775,971</u>	<u>\$ 30,032,424</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 1,257,732	\$ 1,259,116	\$ 3,557,337	\$ 11,373,478
Expected investment income	2,163,969	820,027	789,545	10,578
Benefit payments	(1,257,732)	(1,259,116)	(1,557,337)	(1,373,478)
Administrative expense	(37,379)	(28,401)	(23,131)	-
Net change in plan fiduciary net position	2,126,590	791,626	2,766,414	10,010,578
Plan Fiduciary Net Position - Beginning	13,568,618	12,776,992	10,010,578	-
Plan Fiduciary Net Position - Ending (b)	<u>\$ 15,695,208</u>	<u>\$ 13,568,618</u>	<u>\$ 12,776,992</u>	<u>\$ 10,010,578</u>
Net OPEB Liability - Ending (a) - (b)	<u>\$ 17,293,841</u>	<u>\$ 18,215,598</u>	<u>\$ 18,998,979</u>	<u>\$ 20,021,846</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.58%	42.69%	40.21%	33.33%
Covered Employee Payroll	<u>\$ 79,641,442</u>	<u>\$ 80,769,736</u>	<u>\$ 114,727,786</u>	<u>\$ 111,386,200</u>
Net OPEB Liability as a Percentage of Covered Employee Payroll	21.71%	22.55%	16.56%	17.98%
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018

Note: In the future, as data becomes available, ten years of information will be presented.

Pasadena Area Community College District
Schedule of OPEB Investment Returns
Year Ended June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Annual money-weighted rate of return, net of investment expense	<u>15.63%</u>	<u>6.18%</u>	<u>7.45%</u>	<u>0.11%</u>

Note: In the future, as data becomes available, ten years of information will be presented.

Pasadena Area Community College District
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program
Year Ended June 30, 2021

Year ended June 30,	2021	2020	2019	2018
Proportion of the net OPEB liability	0.1970%	0.2036%	0.1970%	0.1954%
Proportionate share of the net OPEB liability	\$ 834,849	\$ 758,204	\$ 754,150	\$ 821,853
Covered payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	-0.71%	-0.81%	-0.40%	0.01%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

¹ As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

Note : In the future, as data becomes available, ten years of information will be presented.

Pasadena Area Community College District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2021

	2021	2020	2019	2018	2017	2016	2015
CalSTRS							
Proportion of the net pension liability	0.1131%	0.1151%	0.1098%	0.1079%	0.1049%	0.1220%	0.1160%
Proportionate share of the net pension liability	\$ 109,563,221	\$ 103,947,383	\$ 100,885,824	\$ 99,788,463	\$ 84,925,050	\$ 82,135,280	\$ 67,786,920
State's proportionate share of the net pension liability associated with the District	56,479,853	56,710,237	57,761,852	59,034,012	48,353,434	43,440,392	40,933,080
Total	<u>\$ 166,043,074</u>	<u>\$ 160,657,620</u>	<u>\$ 158,647,676</u>	<u>\$ 158,822,475</u>	<u>\$ 133,278,484</u>	<u>\$ 125,575,672</u>	<u>\$ 108,720,000</u>
Covered payroll	<u>\$ 63,727,830</u>	<u>\$ 63,056,499</u>	<u>\$ 65,140,457</u>	<u>\$ 59,175,731</u>	<u>\$ 54,376,431</u>	<u>\$ 54,725,507</u>	<u>\$ 51,472,000</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	171.92%	164.85%	154.87%	168.63%	156.18%	150.09%	131.70%
Plan fiduciary net position as a percentage of the total pension liability	72%	73%	71%	69%	70%	74%	77%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS - SRP							
Proportion of the net pension liability	0.2290%	0.2197%	0.2111%	0.2127%	0.2259%	0.2295%	0.2236%
Proportionate share of the net pension liability	\$ 70,276,266	\$ 64,034,102	\$ 56,272,597	\$ 50,775,459	\$ 44,615,390	\$ 33,828,527	\$ 25,384,044
Covered payroll	\$ 33,556,955	\$ 30,517,916	\$ 28,013,611	\$ 27,273,488	\$ 27,621,423	\$ 23,320,559	\$ 23,477,000
Proportionate share of the net pension liability as a percentage of its covered payroll	209.42%	209.82%	200.88%	186.17%	161.52%	145.06%	108.12%
Plan fiduciary net position as a percentage of the total pension liability	70%	70%	71%	72%	74%	79%	83%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

Pasadena Area Community College District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2021

	2021	2020	2019	2018	2017	2016	2015
CalPERS - Miscellaneous Risk Pool							
Proportion of the net pension liability	0.0331%	0.0316%	0.0312%	0.0296%	0.0301%	0.0306%	0.0310%
Proportionate share of the net pension liability	\$ 1,394,783	\$ 1,356,900	\$ 1,174,023	\$ 1,188,974	\$ 844,426	\$ 642,798	\$ 613,542
Covered payroll	N/A ¹	N/A ¹	\$ 560,725	\$ 692,875	\$ 445,964	\$ 402,360	\$ 396,471
Proportionate share of the net pension liability as a percentage of its covered payroll	N/A ¹	N/A ¹	209.38%	171.60%	189.35%	159.76%	154.75%
Plan fiduciary net position as a percentage of the total pension liability	78%	75%	78%	75%	74%	79%	83%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

¹ As of June 30, 2018, the District no longer operates the Bookstore. The required employer contributions are made to fund the Plan's unfunded liability balance.

Note: In the future, as data becomes available, ten years of information will be presented.

Pasadena Area Community College District
Schedule of the District's Contributions for Pensions
Year Ended June 30, 2021

	2021	2020	2019	2018	2017	2016	2015
CalSTRS							
Contractually required contribution	\$ 9,972,477	\$ 10,897,459	\$ 10,265,598	\$ 9,399,768	\$ 7,444,307	\$ 5,834,591	\$ 4,859,625
Contributions in relation to the contractually required contribution	(9,972,477)	(10,897,459)	(10,265,598)	(9,399,768)	(7,444,307)	(5,834,591)	(4,859,625)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 61,749,084	\$ 63,727,830	\$ 63,056,499	\$ 65,140,457	\$ 59,175,731	\$ 54,376,431	\$ 54,725,507
Contributions as a percentage of covered payroll	16.15%	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%
CalPERS -SRP							
Contractually required contribution	\$ 6,915,940	\$ 6,617,767	\$ 5,512,146	\$ 4,350,794	\$ 3,787,742	\$ 3,272,310	\$ 2,745,063
Contributions in relation to the contractually required contribution	(6,915,940)	(6,617,767)	(5,512,146)	(4,350,794)	(3,787,742)	(3,272,310)	(2,745,063)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 33,410,338	\$ 33,556,955	\$ 30,517,916	\$ 28,013,611	\$ 27,273,488	\$ 27,621,423	\$ 23,320,559
Contributions as a percentage of covered payroll	20.700%	19.721%	18.062%	15.531%	13.888%	11.847%	11.771%

Pasadena Area Community College District
Schedule of the District's Contributions for Pensions
Year Ended June 30, 2021

	2021	2020	2019	2018	2017	2016	2015
CalPERS - Miscellaneous Risk Pool							
Contractually required contribution	\$ 86,268	\$ 76,320	\$ 59,772	\$ 53,824	\$ 66,225	\$ 41,711	\$ 49,611
Contributions in relation to the contractually required contribution	(86,268)	(76,320)	(59,772)	(53,824)	(66,225)	(41,711)	(49,611)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	N/A ¹	N/A ¹	N/A ¹	\$ 560,725	\$ 692,875	\$ 445,964	\$ 402,360
Contributions as a percentage of covered payroll	N/A ¹	N/A ¹	N/A ¹	9.599%	9.558%	9.353%	12.330%

¹ As of June 30, 2018, the District no longer operates the Bookstore. The required employer contributions are made to fund the Plan's unfunded liability balance.

Note : In the future, as data becomes available, ten years of information will be presented.

Pasadena Area Community College District
Schedule of Changes in the District's \$1,440 Lifetime Benefit Plan
Total Pension Liability and Related Ratios
Year Ended June 30, 2021

	2021	2020	2019	2018
Total Pension Liability				
Service cost	\$ 372,572	\$ 326,443	\$ 252,560	\$ 264,759
Interest	311,750	309,638	437,376	415,403
Differences between expected and actual experiences	260,021	216,306	42,980	8,617
Changes of assumptions	474,336	2,172,292	528,828	(407,100)
Benefit payments	(652,610)	(632,004)	(642,240)	(588,960)
Net change in total pension liability	766,069	2,392,675	619,504	(307,281)
Total pension liability - beginning	14,124,207	11,731,532	11,112,028	11,419,309
Total pension liability - ending	<u>\$ 14,890,276</u>	<u>\$ 14,124,207</u>	<u>\$ 11,731,532</u>	<u>\$ 11,112,028</u>
Covered payroll	<u>\$ 79,641,442</u>	<u>\$ 80,769,736</u>	<u>\$ 114,727,786</u>	<u>\$ 111,386,200</u>
District's total pension liability as a percentage of covered payroll	<u>18.70%</u>	<u>17.49%</u>	<u>10.23%</u>	<u>9.98%</u>
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018

Note: In the future, as data becomes available, ten years of information will be presented.

Note 1 - Purpose of Schedules

Schedule of Changes in the District's Net OPEB Liability and Related Ratios

This schedule present information on the District's changes in the net OPEB liability, including beginning and ending balances, the Plan's fiduciary net position, and the net OPEB liability. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Changes in Assumptions* – The inflation assumption was increased from 2.25% in the prior valuation to 2.50% since the previous valuation. The salary increase assumption was decreased from 3.00% in the prior valuation to 2.75% since the previous valuation.

Schedule of OPEB Investment Returns

This schedule presents information on the annual money-weighted rate of return on OPEB plan investments. In future years, as data becomes available, ten years of information will be presented.

Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program

This schedule presents information on the District's proportional share of the net OPEB liability – MPP program and the Plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* – The plan rate of investment return assumption was changed from 3.50% to 2.21% since the previous valuation.

Schedule of the District's Proportionate Share of the Net Pension Liability

This schedule present information on the District's proportionate share of the net pension liability (NPL), the Plans' fiduciary net positions and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* - There were no changes in benefit terms since the previous valuations for either CalSTRS or CalPERS.
- *Changes in Assumptions* - There were no changes in economic assumptions since the previous valuations for either CalSTRS or CalPERS.

Schedule of District Contributions for Pensions

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

Schedule of Changes in the District's \$1,440 Lifetime Benefit Plan Total Pension Liability and Related Ratios

This schedule present information on the District's changes in the \$1,440 Lifetime Benefit total pension liability, including beginning and ending balances and related ratios. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* – There were no changes in benefit terms since the previous valuations.
- *Changes in Assumptions* – The plan discount rate was changed from 2.20% to 2.16% since the previous valuation date.



Supplementary Information
June 30, 2021

Pasadena Area Community College District

Pasadena Area Community College District (the District) was established in 1967, and is located in Los Angeles County. There were no changes in the boundaries of the District during the current year. The District's college is accredited by the Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges, which is one of six regional associations that accredit public and private schools, colleges, and universities in the United States.

Board of Trustees as of June 30, 2021

Member	Office	Term Expires
Berlinda Brown	President	March 2022
Linda S. Wah	Vice President	March 2022
Tamara Silver	Clerk	March 2024
Sandra Chen Lau	Member	March 2022
Anthony R. Fellow, Ph.D.	Member	March 2022
John H. Martin	Member	March 2024
James A. Osterling	Member	March 2024

Administration as of June 30, 2021

Erika Endrijonas, Ph.D.	Superintendent/President and Board of Trustees Secretary
Robert H Bell, Ed.D.	Assistant Superintendent/Senior Vice President, Non-Credit and Offsite Campuses
Laura Ramirez, Ed.D.	Assistant Superintendent/Vice President, Instruction
Candace D. Jones	Interim Assistant Superintendent/Vice President, Business and Administrative Services
Robert S. Blizinski	Assistant Superintendent/Vice President, Human Resources
Cynthia Olivo, Ph.D.	Assistant Superintendent/Vice President, Student Services

Auxiliary Organizations in Good Standing

Pasadena College Foundation, established 1979
 Master Agreement revised 2017
 Ms. Bobbi Abram, Executive Director

Pasadena Area Community College District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed through to Subrecipients
U.S. Department of Education				
Student Financial Assistance Cluster				
Federal Pell Grant Program	84.063		\$ 31,793,622	\$ -
Federal Pell Grant Program Administrative Allowance	84.063		5,345	-
Federal Direct Student Loans	84.268		844,396	-
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		1,148,860	-
FSEOG Administrative Allowance	84.007		43,059	-
Subtotal Student Financial Assistance Cluster			33,835,282	-
TRIO Cluster				
Student Support Services	84.042A		345,316	-
Talent Search	84.044A		685,269	-
Upward Bound	84.047A		608,800	-
Upward Bound Math and Science	84.047M		534,061	-
Subtotal TRIO Cluster			2,173,446	-
COVID-19: Higher Education Emergency Relief Funds, Student Aid Portion	84.425E		9,006,643	-
COVID-19: Higher Education Emergency Relief Funds, Institutional Portion	84.425F		10,072,162	-
COVID-19: Higher Education Emergency Relief Funds, Minority Serving Institutions	84.425L		27,625	-
Subtotal			19,106,430	-
Childcare Access Means Parents in School (CCAMPIS)	84.335A		108,254	-
STEM GPS (Guided Pathway Solution)	84.031C		886,864	-
Safe Pathway to Degree Completion for Hispanic and Other At-Risk Students	84.031S		96,406	-
Higher Education - Institutional Aid	84.031S		557,889	-
Pathways to Completion for Hispanic Students	84.031S		152,693	-
Subtotal			1,693,852	-
Passed through Cal State L.A. University Auxiliary Services, Inc. STEM Education Consortium	84.116F	PCC231225	27,686	-
Passed through California Community Colleges Chancellor's Office Career and Technical Education Act (CTEA), Title I, Part C	84.048A	20-C01-770	859,384	-
Passed through California Department of Education Adult Basic Education & ELA	84.002A	14508	194,505	-
Adult Secondary Education (ASE)	84.002	13978	99,230	-
Subtotal			293,735	-
Total U.S. Department of Education			58,098,069	-
U.S. Department of the Treasury				
Passed through California Community Colleges Chancellor's Office COVID-19: Coronavirus Relief Fund	21.019	[1]	1,167,174	-
Total U.S. Department of the Treasury			1,167,174	-

[1] Pass-Through Entity Identifying Number not available.

Pasadena Area Community College District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed through to Subrecipients
Research and Development Cluster				
National Science Foundation				
Micro Nano Technology Education Center	47.076		\$ 1,005,892	\$ 458,323
National Institutes of Health				
Passed through University Corporation, California State				
University, Northridge				
Trans-NIH Research Support Common Fund:				
BUILD PODER	93.310	A15-0012-5018	12,865	-
Subtotal Research and Development Cluster			1,018,757	458,323
U.S. Department of Agriculture				
Passed through the California Department of Education	10.558	13666	6,268	-
Child and Adult Care Food Program				
Total U.S. Department of Agriculture			6,268	-
Small Business Administration				
Passed through Long Beach Community College District				
Small Business Development	59.037	CN99780.4	232,353	-
COVID 19: Small Business Development	59.037	CN99758.8	128,310	-
Total Small Business Administration			360,663	-
U.S. Department of Health and Human Services				
Passed through California Community Colleges Chancellor's Office				
Foster and Kinship Care Education	93.658	[1]	40,429	-
Temporary Assistance for Needy Families (TANF)	93.558	[1]	74,712	-
Passed through the County of Los Angeles, Department of				
Public Social Services				
Temporary Assistance for Needy Families (TANF)	93.558	CCCP18009	70,000	-
Subtotal			144,712	-
CCDF Cluster				
Passed through California Department of Education				
Child Care and Development Block Grant	93.575	15136	13,830	-
COVID-19: Child Care and Development Block Grant	93.575	15549	1,959	-
Child Care Mandatory and Matching Funds of the				
Child Care and Development Fund	93.596	13609	30,866	-
Subtotal CCDF Cluster			46,655	-
Total U.S. Department of Health and Human Services			231,796	-
Total Federal Program Expenditures			\$ 60,882,727	\$ 458,323

[1] Pass-Through Entity Identifying Number not available.

Pasadena Area Community College District

Schedule of Expenditures of State Awards

Year Ended June 30, 2021

Program	Program Revenues				Program Expenditures
	Cash Received	Accounts Receivable	Unearned Revenue	Total Revenue	
AB 104 - AEBG	\$ 1,908,812	\$ -	\$ 103,776	\$ 1,805,036	\$ 1,805,036
AB 798 Textbook Affordability Program	15,810	-	15,810	-	-
AB798 Textbook Affordability Program-Implementation	41,784	-	41,784	-	-
Associate Degree Nursing	229,808	-	194,007	35,801	35,801
Biotechnology ISPIC Grant	11,127	-	1,348	9,779	9,779
Bridges to Stem Cell Research	1,670,337	-	1,361,115	309,222	309,222
CA Gov Off. GO_Biz - CIP	15,158	40,084	-	55,242	55,242
CA Gov Off. GO_Biz - TAEP	37,899	60,062	-	97,961	97,961
Cal Grant "B"	4,088,586	5,864	-	4,094,450	4,094,450
Cal Grant "C"	77,719	957	-	78,676	78,676
CalFresh	52,624	-	52,072	552	552
California College Promise	2,443,289	-	1,258,775	1,184,514	1,184,514
Calworks	466,844	-	56,707	410,137	410,137
Campus Safety	6,778	-	4,368	2,410	2,410
Child Development Consortium	19,252	-	2,856	16,396	16,396
Child and Adult Care Food Program	191	115	-	306	306
Child Development General (CCDF)	124,238	7,825	-	132,063	132,063
Child Development: State Preschool (CSPP)	215,597	17,901	-	233,498	233,498
Child Development Program Quality Improvement	4,581	-	-	4,581	4,581
Cooperative Agencies Foster Youth Education Support (CAFYES)	971,256	-	567,292	403,964	403,964
Cooperative Agencies Resources For Education (CARE)	131,326	-	3,837	127,489	127,489
CTE: Strong Workforce Program (SWP) Regional	23,609	617,553	9,840	631,322	631,322
CTE: Strong Workforce Program (SWP) Local	5,013,999	-	3,069,586	1,944,413	1,944,413
Disabled Students Program and Services (DSPS)	1,402,815	-	258,685	1,144,130	1,144,130
Disaster Relief Emergency Student Financial Aid	190,844	-	9,786	181,058	181,058

Pasadena Area Community College District

Schedule of Expenditures of State Awards

Year Ended June 30, 2021

Program	Program Revenues				Program Expenditures
	Cash Received	Accounts Receivable	Unearned Revenue	Total Revenue	
Dream Resources	\$ 88,208	\$ -	\$ 88,208	\$ -	\$ -
Early Action Emergency Financial Aid	2,124,862	-	2,066,962	57,900	57,900
Extended Opportunity Program and Services (EOP&S)	1,148,765	-	51,513	1,097,252	1,097,252
Financial Aid Technology	186,499	-	105,311	81,188	81,188
Foster and Kinship Care Education	63,905	-	-	63,905	63,905
Gig Economy Project	2,350	-	-	2,350	2,350
Guided Pathways	1,353,683	-	953,602	400,081	400,081
Hunger Free Campus	186,775	-	130,738	56,037	56,037
Incarcerated Students Reentry Program	66,763	-	22,886	43,877	43,877
Instructional Equipment	233,554	-	182,453	51,101	51,101
Mental Health	160,000	21,965	-	181,965	181,965
MESA	19,657	-	-	19,657	19,657
Professional Development	70,912	-	69,900	1,012	1,012
Promise Scholars Program	148,527	-	106,939	41,588	41,588
Retention and Enrollment - Outreach	208,146	-	208,146	-	-
Retention and Enrollment - Marketing	250,000	-	239,785	10,215	10,215
SFAA Augmentation	635,347	-	221,910	413,437	413,437
Staff Diversity - AB1725	92,496	-	62,092	30,404	30,404
Student Equity and Achievement	1,973,388	3,609,990	-	5,583,378	5,583,378
Student Financial Aid Administration	252,282	-	90,727	161,555	161,555
Student Success Completion Grant	4,251,060	-	7,022	4,244,038	4,244,038
Veteran's Center	194,509	-	46,020	148,489	148,489
Veteran's Resource Center Grant Program	35,098	98,179	-	133,277	133,277
Total state programs	\$ 32,911,069	\$ 4,480,495	\$ 11,665,858	\$ 25,725,706	\$ 25,725,706

Pasadena Area Community College District
Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance
Year Ended June 30, 2021

CATEGORIES	**Revised Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2020 only)			
1. Noncredit*	9.02	-	9.02
2. Credit	687.93	-	687.93
B. Summer Intersession (Summer 2021 - Prior to July 1, 2021)			
1. Noncredit*	-	-	-
2. Credit	827.26	-	827.26
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	3,323.48	-	3,323.48
(b) Daily Census Contact Hours	3.39	-	3.39
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit*	379.11	-	379.11
(b) Credit	147.60	-	147.60
3. Alternative Attendance Accounting Procedure Courses			
(a) Weekly Census Procedure Courses	11,355.56	-	11,355.56
(b) Daily Census Procedure Courses	4,562.83	-	4,562.83
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	<u>21,296.18</u>	<u>-</u>	<u>21,296.18</u>
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	-	-	-
F. Basic Skills Courses and Immigrant Education			
1. Noncredit*	317.05	-	317.05
2. Credit	118.18	-	118.18
<u>CCFS-320 Addendum</u>			
CDCP Noncredit FTES	340.25	-	340.25
Centers FTES			
1. Noncredit*	342.36	-	342.36
2. Credit	204.96	-	204.96

* Including Career Development and College Preparation (CDCP) FTES.

** Annual report revised as of October 7, 2021

Pasadena Area Community College District
Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation
Year Ended June 30, 2021

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799			
		Object/TOP	Reported	Audit	Revised	Reported	Audit	Revised
<u>Academic Salaries</u>								
Instructional Salaries								
Contract or Regular	1100	\$ 34,531,519	\$ -	\$ 34,531,519	\$ 34,998,481	\$ -	\$ 34,998,481	
Other	1300	26,551,336	-	26,551,336	26,551,336	-	26,551,336	
Total Instructional Salaries		61,082,855	-	61,082,855	61,549,817	-	61,549,817	
Noninstructional Salaries								
Contract or Regular	1200	-	-	-	12,171,203	-	12,171,203	
Other	1400	-	-	-	467,512	-	467,512	
Total Noninstructional Salaries		-	-	-	12,638,715	-	12,638,715	
Total Academic Salaries		61,082,855	-	61,082,855	74,188,532	-	74,188,532	
<u>Classified Salaries</u>								
Noninstructional Salaries								
Regular Status	2100	-	-	-	25,007,161	-	25,007,161	
Other	2300	-	-	-	655,627	-	655,627	
Total Noninstructional Salaries		-	-	-	25,662,788	-	25,662,788	
Instructional Aides								
Regular Status	2200	-	-	-	-	-	-	
Other	2400	58,622	-	58,622	58,622	-	58,622	
Total Instructional Aides		58,622	-	58,622	58,622	-	58,622	
Total Classified Salaries		58,622	-	58,622	25,721,410	-	25,721,410	
Employee Benefits	3000	17,020,724	-	17,020,724	42,013,723	-	42,013,723	
Supplies and Material	4000	-	-	-	790,038	-	790,038	
Other Operating Expenses	5000	-	-	-	11,437,230	-	11,437,230	
Equipment Replacement	6420	-	-	-	-	-	-	
Total Expenditures		78,162,201	-	78,162,201	154,150,933	-	154,150,933	

Pasadena Area Community College District
Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation
Year Ended June 30, 2021

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
Object/TOP		Reported	Audit	Revised	Reported	Audit	Revised
<u>Exclusions</u>							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	-	-	-
Objects to Exclude							
Rents and Leases	5060	-	-	-	889,738	-	889,738
Lottery Expenditures							-
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-

Pasadena Area Community College District
Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation
Year Ended June 30, 2021

	Object/TOP	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported	Audit	Revised	Reported	Audit	Revised
Other Operating Expenses and Services	5000	\$ -	\$ -	\$ -	\$ 4,176,085	\$ -	\$ 4,176,085
Capital Outlay	6000						
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	408,163	-	408,163
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	408,163	-	408,163
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		-	-	-	5,473,986	-	5,473,986
Total for ECS 84362, 50 Percent Law		\$ 78,162,201	\$ -	\$ 78,162,201	\$ 148,676,947	\$ -	\$ 148,676,947
Percent of CEE (Instructional Salary Cost/Total CEE)		52.57%		52.57%	100.00%		100.00%
50% of Current Expense of Education					\$ 74,338,474		\$ 74,338,474

Pasadena Area Community College District
Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Financial Statements
Year Ended June 30, 2021

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2021.

Pasadena Area Community College District
Proposition 30 Education Protection Account (EPA) Expenditure Report
Year Ended June 30, 2021

Activity Classification	Object Code	Unrestricted			
EPA Revenue:	8630				
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	1000-5900	\$ 38,420,775	\$ -	\$ -	\$ 38,420,775
Total Expenditures for EPA		\$ 38,420,775	\$ -	\$ -	\$ 38,420,775
Revenues Less Expenditures					\$ -

Pasadena Area Community College District
Reconciliation of Governmental Funds to the Statement of Net Position
Year Ended June 30, 2021

Amounts reported for governmental activities in the Statement of Net Position are different because

Total fund balance		
General Funds	\$ 35,031,421	
Special Revenue Funds	12,463,139	
Capital Project Funds	59,725,723	
Debt Service Funds	5,510,416	
Proprietary Funds	1,465,716	
Internal Service Funds	21,202,381	
Fiduciary Funds	<u>15,695,208</u>	
 Total fund balance - all District funds		 \$ 151,094,004

Amounts held in trust on behalf of others (OPEB Trust) (15,695,208)

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

The cost of capital assets is	352,764,900	
Accumulated depreciation is	<u>(167,322,217)</u>	
 Total capital assets, net		 185,442,683

Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the District's funds.

Deferred outflows of resources at year-end consist of:

Deferred outflows of resources related to debt refunding	2,067,498	
Deferred outflows of resources related to OPEB	1,183,904	
Deferred outflows of resources related to pensions	<u>45,387,272</u>	
 Total deferred outflows of resources		 48,638,674

In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term liabilities is recognized when it is incurred. (1,524,033)

Pasadena Area Community College District
Reconciliation of Governmental Funds to the Statement of Net Position
Year Ended June 30, 2021

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term liabilities at year end consist of:

General obligation bonds	\$ (71,177,672)
Certificates of participation	(30,478,161)
Compensated absences	(4,101,017)
Load banking	(839,981)
Aggregate net other postemployment benefits (OPEB) liability	(18,128,690)
Aggregate net pension liability	<u>(196,124,546)</u>

Total long-term liabilities		\$ (320,850,067)
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Deferred inflows of resources represent an acquisition of net position in a future period and is not reported in the District's funds.

Deferred inflows of resources amount to and related to

Deferred inflows of resources related to OPEB	(6,668,275)
Deferred inflows of resources related to pensions	<u>(8,628,899)</u>

Total deferred inflows of resources		<u>(15,297,174)</u>
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Total net position		<u><u>\$ 31,808,879</u></u>
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Note 1 - Purpose of Schedules

District Organization

This schedule provides information about the District's governing board members, administration members, and auxiliary organizations in good standing as of June 30, 2021.

Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2021. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the modified accrual basis of accounting, except for subrecipient expenditures, which are recorded on the cash basis. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate

The Organization has not elected to use the 10% de minimis cost rate.

Donated Personal Protective Equipment (PPE) (unaudited)

Nonmonetary assistance of PPE received during the emergency period of the COVID-19 pandemic was approximately \$475,000 and is based on the estimated fair market value of the PPE received. The donated PPE was generally provided by donors without information about compliance or reporting requirements associated with federal financial assisting listings or Assistance Listing numbers. The donated PPE is not included in the Schedule of Expenditure of Federal Awards.

Schedule of Expenditures of State Awards

The accompanying Schedule of Expenditures of State Awards includes the state grant activity of the District and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The information in this schedule is presented to comply with reporting requirements of the California State Chancellor's Office.

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

FTES is a measurement of the number of students attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis for making apportionments of State funds to community college districts. This schedule provides information regarding the attendance of students based on various methods of accumulating attendance data.

Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation

ECS 84362 requires the District to expend a minimum of 50% of the unrestricted General Fund monies on salaries of classroom instructors. This is reported annually to the State Chancellor's Office. This schedule provides a reconciliation of the amount reported to the State Chancellor's Office and the impact of any audit adjustments and/or corrections noted during the audit.

Reconciliation of Annual Financial and Budget Report (CCFS-311) With Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Form CCFS-311 to the District's internal fund financial statements.

Proposition 30 Education Protection Account (EPA) Expenditure Report

This schedule provides information about the District's EPA proceeds and summarizes the expenditures of EPA proceeds.

Reconciliation of Governmental Funds to the Statement of Net Position

This schedule provides a reconciliation of the adjustments necessary to bring the District's internal fund financial statements, prepared on a modified accrual basis, to the government-wide full accrual basis financial statements required under GASB Statements No. 34 and No. 35 business-type activities reporting model.



Independent Auditor's Reports
June 30, 2021

Pasadena Area Community College District



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Board of Trustees
Pasadena Area Community College District
Pasadena, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the remaining fund information of Pasadena Area Community College District (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 17, 2021.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 2 and Note 14 to the financial statements, the District adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which resulted in a restatement of net position as of July 1, 2020. Our opinion is not modified with respect to this matter.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Rancho Cucamonga, California
December 17, 2021



Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance Required by the Uniform Guidance

Board of Trustees
Pasadena Area Community College District
Pasadena, California

Report on Compliance for Each Major Federal Program

We have audited Pasadena Area Community College District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2021. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



Rancho Cucamonga, California
December 17, 2021



Independent Auditor's Report on State Compliance

Board of Trustees
Pasadena Area Community College District
Pasadena, California

Report on State Compliance

We have audited Pasadena Area Community College District's (the District) compliance with the types of compliance requirements described in the 2020-2021 California Community Colleges Chancellor's Office *Contracted District Audit Manual* applicable to the state laws and regulations listed in the table below for the year ended June 30, 2021.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the District's state programs based on our audit of the types of compliance requirements referred in the table below. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the standards and procedures identified in the 2020-2021 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed in the table below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Compliance Requirements Tested

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

Section 411	SCFF Data Management Control Environment
Section 412	SCFF Supplemental Allocation Metrics
Section 413	SCFF Success Allocation Metrics
Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Activities Funded From Other Sources
Section 424	Student Centered Funding Formula Base Allocation: FTES
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Dual Enrollment (CCAP and Non-CCAP)
Section 430	Scheduled Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 444	Apprenticeship Related and Supplemental Instruction (RSI) Funds
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged Hours (TBA)
Section 490	Proposition 1D and 51 State Bond Funded Projects
Section 491	Education Protection Account Funds
Section 499	COVID-19 Response Block Grant Expenditures

The District reports no Apprenticeship Related and Supplemental Instruction (RSI) Funds; therefore, the compliance tests within this section were not applicable.

The District reports no attendance for classes with To Be Arranged Hours (TBA); therefore, the compliance tests within this section were not applicable.

Basis for Qualified Opinion on Section 412 – SCFF Supplemental Allocation Metrics

As described in the accompanying Schedule of Findings and Questioned Costs, the District did not comply with the requirements regarding Section 412 – SCFF Supplemental Allocation Metrics, as identified in finding 2021-001. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

Qualified Opinion on Section 412 – SCFF Supplemental Allocation Metrics

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the types of compliance requirements referred to in the table above for the year ended June 30, 2021.

Unmodified Opinion for Each of the Other Programs

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the state programs noted in the table above that were audited for the year ended June 30, 2021, except as described in the State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the District's response and, accordingly, we express no opinion on the response.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the 2020-2021 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Accordingly, this report is not suitable for any other purpose.

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

Rancho Cucamonga, California
December 17, 2021



Schedule of Findings and Questioned Costs
June 30, 2021

Pasadena Area Community College District

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)	No

Identification of major programs

Name of Federal Program or Cluster	Federal Financial Assistance Listing/ Federal CFDA Number
COVID-19: Higher Education Emergency Relief Funds, Student Aid Portion	84.425E
COVID-19: Higher Education Emergency Relief Funds, Institutional Portion	84.425F
COVID-19: Higher Education Emergency Relief Funds, Minority Serving Institutions	84.425L
Dollar threshold used to distinguish between type A and type B programs	\$1,826,482
Auditee qualified as low-risk auditee?	Yes

State Compliance

Type of auditor's report issued on compliance for state programs	Qualified
Unmodified for all programs except for the following program which was qualified	

Name of Program

Section 412 - SCFF Supplemental Allocation Metrics

None reported.

None reported.

The following finding represents an instance of noncompliance and/or questioned costs relating to compliance with state laws and regulations.

2021-001 – Section 412 - SCFF Supplemental Allocation Metrics

Criteria or Specific Requirement

Each district shall accurately report supplemental metrics data (headcount) to the Chancellor's Office through MIS and the CCFS-320 online reporting system.

Auditors must extrapolate sample testing results to the entire population of each category tested. Alternatively, upon mutual agreement, the district and audit team may test one hundred percent of the population in each category and report actual results.

Condition

During the testing over SCFF Supplemental Allocation Metrics, the following deficiencies were noted:

- Five out of five students reported as AB540 status did not have support for this classification. Upon further investigation, it was discovered that the District reported an incorrect number of AB540 students on their CCFS-320 Annual Report for the 2019-2020 fiscal year.

Questioned Costs

The auditor extrapolated the error rate results to a category's total population to show any overage or shortage broken out by category as shown below:

SCFF Supplemental Allocation Metric	Reported Headcount	Audit Adjustment (Extrapolated from Sample Error Rate)	Audited Headcount
AB 540	2,315	(1,112)	1,203

Context

The District claimed a total headcount of 31,030 students under the Supplemental Allocation Metrics in Exhibit C of the 2020-2021 First Principal Apportionment. After extrapolating the error rate, the overstatement of 1,112 student headcounts constitutes a 3.6% overstatement.

Effect

The reported headcount on the Supplemental Allocation Metrics in Exhibit C of the 2020-2021 First Principal Apportionment was overstated by an extrapolated rate of 1,112 students. As a result, the District repaid \$1,054,176 of general apportionment back to the Chancellor's Office during the 2020-2021 year.

Cause

The District inaccurately reported the headcount amount over the Supplemental Allocation Metrics in Exhibit C of the 2020-2021 First Principal Apportionment.

Repeat Finding: No

Recommendation

The District should ensure that their system of calculating students to be reported on the First Principal Apportionment reflects the guidance provided by the Chancellor's Office and monitor the calculation to prevent future miscalculations.

View of Responsible Officials and Corrective Action Plan

The District concurs with the finding and has already modified procedures to ensure the reports sent to the State Chancellors Office for the Supplemental Metrics on head counts are accurate. The District submitted a corrected report to the State Chancellors Office for the fiscal year 2019-2020 that is used in the AB540 apportionment calculation for fiscal year 2020/2021.

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.