Financial Statements
June 30, 2019

Pasadena Area Community College District

PASADENA CITY COLLEGE

EideBailly®

eidebailly.com

PASADENA AREA COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS
JUNE 30, 2019

PASADENA AREA COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS
JUNE 30, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Pasadena Community College District
Pasadena, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Pasadena Community College District (the District) as of and for the year ended June 30, 2019, 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 misstatements, 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, and the 2018-2019 *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office. 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 aggregate remaining fund information of the District as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis on pages 5 through 14, the Schedule of Changes in the District's Net OPEB Liability and Related Ratios on page 76, the Schedule of OPEB Investment Returns on page 77, the Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program on page 78, the Schedule of the District's Proportionate Share of the Net Pension Liability on page 79, the Schedule of District Contributions for Pensions on page 80, and the Schedule of Changes in the District's $1,440 Lifetime Benefit Plan Total Pension Liability and Related Ratios on page 81 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 basic financial statements. The accompanying supplementary information listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, as required by 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 the other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2019, 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.

Eide Bailly LLP

Rancho Cucamonga, California
December 4, 2019

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, 2019. This analysis is presented with comparative information from the years ended June 30, 2019 and June 30, 2018 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.* These 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 obligations. 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 $30,357,663 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. A portion of the carryover balance is set aside to meet the State Chancellor's Office recommended reserve level of five percent ($8.4 million). Another $2.1 million has been designated for purchases or services committed and budgeted in fiscal year 2018-2019 but were not spent by year-end and will be spent in fiscal year 2019-2020. The remaining reserves has been earmarked to address or partially address certain unfunded cost escalation in the coming years, mid-year cuts and deferred maintenance. An example of potential uses include projected increases in the District's PERS and STRS obligation, estimated to be $3.0 million of unfunded increases in expenses from fiscal year 2020-2021 through fiscal year 2023-2024.

- Salaries and benefits of the Academic, Classified, and Administrative salaries of District employees represent 90.79 percent of the total General Unrestricted Fund Expenditures (excluding any transfers). This represents an increase of .15 percent from the prior year percentage of 90.64 percent.

- As a condition of the passage of the District's $150 million General Obligation Bond, Measure P, a Citizens' Oversight Committee was formed under Proposition 39 requirements and met quarterly. The meetings are generally held at 6:00 pm every quarter during the months of January, April, August, and October at Pasadena City College and are open to the public.

- The District provided Federal, State, and local student financial aid including fee waivers to qualifying District Students in the amount of approximately $58.9 million. This represents a decrease of $1.1 million from the 2017-2018 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 2018-2019 fiscal year, total reported FTES were 23,880. There is a very slight decrease in reported FTES of 108 from fiscal year 2017-2018.

- The District reports a liability for its proportionate share of Net Pension Liability (NPL) that reflected a reduction for State pension support provided to the District. This is 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 obligation as of June 30, 2019 was $170,063,976.

- 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) obligations. Through June 30, 2019, the District has contributed $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, 2019, 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 $3.9 million. This is primarily due to the increase in state apportionment and local property taxes.

THE DISTRICT AS A WHOLE

Net Position

Condensed financial information is as follows:

Table 1

	2019	2018	$ Change	% Change
ASSETS				
Current Assets				
Cash and investments	$ 93,955,473	$ 93,155,005	$ 800,468	0.9%
Accounts receivable	15,120,272	16,015,197	(894,925)	-5.6%
Other current assets	1,332,454	1,447,989	(115,535)	-8.0%
Total Current Assets	110,408,199	110,618,191	(209,992)	-0.2%
Capital Assets (net)	194,652,954	195,910,341	(1,257,387)	-0.6%
Total Assets	305,061,153	306,528,532	(1,467,379)	-0.5%
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	2,337,216	2,418,364	(81,148)	-3.4%
Deferred outflows of resources related to OPEB	6,171	-	6,171	-
Deferred outflows of resources related to pensions	47,131,587	48,076,824	(945,237)	-2.0%
Total Deferred Outflows of Resources	49,474,974	50,495,188	(1,020,214)	-2.0%
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 354,536,127	$ 357,023,720	$ (2,487,593)	-2.4%
LIABILITIES				
Current Liabilities				
Accounts payable and interest payable	$ 14,540,529	$ 21,610,535	$ (7,070,006)	-32.7%
Unearned revenue	15,115,202	14,974,059	141,143	0.9%
Current portion of long-term obligations	4,408,826	6,067,912	(1,659,086)	-27.3%
Total Current Liabilities	34,064,557	42,652,506	(8,587,949)	-20.1%
Long-Term Obligations	276,493,389	272,126,648	4,366,741	1.6%
Total Liabilities	310,557,946	314,779,154	(4,221,208)	-1.3%
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to OPEB	2,861,658	3,130,519	(268,861)	-8.6%
Deferred inflows of resources related to pensions	14,403,715	16,267,266	(1,863,551)	-11.5%
Total Deferred Inflows of Resources	17,265,373	19,397,785	(2,132,412)	-11.0%
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	327,823,319	334,176,939	(6,353,620)	-1.9%
NET POSITION				
Net investment in capital assets	118,289,236	117,434,258	854,978	0.7%
Restricted	25,545,399	18,878,847	6,666,552	35.3%
Unrestricted deficit	(117,121,827)	(113,466,324)	(3,655,503)	3.2%
Total Net Position	26,712,808	22,846,781	3,866,027	16.9%
TOTAL LIABILITIES AND NET POSITION	$ 354,536,127	$ 357,023,720	$ (2,487,593)	-0.7%

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 obligations consist primarily of the general obligation bond issue, Aggregate Net Other Postemployment Benefits (OPEB) Liability, Compensated Absences, Claims Liability, and Aggregate Net Pension Liability (NPL) for CalSTRS and CalPERS. Long-term obligations increased by $4.4 million primarily due to increases in the NPL, offset by current year payments against the other long-term obligations.

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 16.

Table 2

	2019	2018	$ Change	% Change
Operating Revenues				
Tuition and fees	$ 26,998,842	$ 27,629,175	$ (630,333)	-2.3%
Grants and contracts	38,846,690	43,338,928	(4,492,238)	-10.4%
Auxiliary sales and other charges	-	4,098,989	(4,098,989)	-100.0%
Total Operating Revenues	65,845,532	75,067,092	(9,221,560)	-12.3%
Operating Expenses				
Salaries and benefits	169,883,790	158,481,432	11,402,358	7.2%
Supplies, maintenance and other operating	36,965,323	46,459,304	(9,493,981)	-20.4%
Student aid	44,132,060	44,238,794	(106,734)	-0.2%
Depreciation	8,334,397	9,911,344	(1,576,947)	-15.9%
Total Operating Expenses	259,315,570	259,090,874	224,696	0.1%
Loss on Operations	(193,470,038)	(184,023,782)	(9,446,256)	5.1%
Nonoperating Revenues (Expenses)				
State apportionments	94,580,976	90,655,361	3,925,615	4.3%
Property taxes	46,793,218	40,920,499	5,872,719	14.4%
Other State revenues	6,240,551	6,821,037	(580,486)	-8.5%
Financial aid grants	42,758,387	43,420,112	(661,725)	-1.5%
Net interest expense	(1,675,739)	(3,422,078)	1,746,339	-51.0%
Other nonoperating revenues (expenses)	5,297,096	(3,305,366)	8,602,462	-260.3%
Total Nonoperating Revenue (Expenses)	193,994,489	175,089,565	18,904,924	10.8%
Other Revenues (Losses)	3,341,576	1,166,779	2,174,797	186.4%
Net Increase (Decrease) in Net Position	$ 3,866,027	$ (7,767,438)	$ 11,633,465	-149.8%

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 2018-2019. Property taxes levied and received from property within the District's boundaries increased by $5.8 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 $193.5 million is balanced by the other funding sources. Total District expenditures were less than the total District revenues by $3.9 million for the year ended June 30, 2019.

Auxiliary Sales consisted in previous years primarily of bookstore revenues. In May 2018, Follett started managing the bookstore. Profits and commission from the bookstore are used for student government and club activities. Commissions received from Follett are included in other non-operating revenues.

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 2018-2019, the District's interest income was $1.5 million and interest expense was $3.1 million. Interest income is primarily derived from cash held in the Los Angeles County Treasury. Interest income has increased approximately $5,000 from the 2017-2018 fiscal year due to an increase in the interest rate yield. A decrease of $1.8 million in interest expense for the year is the result of decreases in the accrued interest payable and decreased amortization of the deferred charges associated with the issuance of refunding general obligation bonds.

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, 2019:

	Salaries & Employee Benefits	Supplies, Material, Other Expenses, and Services	Student Aid	Depreciation	Total
Instructional activities	$ 96,895,357	$ 5,350,131	$ -	$ -	$ 102,245,488
Academic support	15,502,613	3,239,364	-	-	18,741,977
Student services	24,166,202	3,861,643	-	-	28,027,845
Plant operations and maintenance	7,898,107	4,039,982	-	-	11,938,089
Instructional support services	20,588,298	9,717,619	-	-	30,305,917
Community services and economic development	485,419	309,235	-	-	794,654
Ancillary services and auxiliary operations	4,347,794	10,447,349	-	-	14,795,143
Student aid	-	-	44,132,060	-	44,132,060
Unallocated depreciation	-	-	-	8,334,397	8,334,397
Total	$ 169,883,790	$ 36,965,323	$ 44,132,060	$ 8,334,397	$ 259,315,570

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

	2019	2018	Change
Cash Provided by (Used in)			
Operating activities	$ (189,289,912)	$ (186,016,748)	$ (3,273,164)
Noncapital financing activities	191,605,454	173,425,661	18,179,793
Capital financing activities	(2,985,539)	(1,690,058)	(1,295,481)
Investing activities	1,470,465	1,460,048	10,417
Net Increase (Decrease) in Cash	800,468	(12,821,097)	13,621,565
Cash, Beginning of Year	93,155,005	105,976,102	(12,821,097)
Cash, End of Year	$ 93,955,473	$ 93,155,005	$ 800,468

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 DEBT ADMINISTRATION

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 decreased overall due to the impairment of the U Building. Current year depreciation expense was $8.3 million for a net reduction in our capital asset balance of $1.3 million, net of disposals.

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

Table 5

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Land and construction in progress	$ 10,675,987	$ 4,497,073	$ (2,668,626)	$ 12,504,434
Buildings and improvements	306,322,389	5,824,230	(9,104,451)	303,042,168
Equipment	29,272,833	1,424,173	(76,060)	30,620,946
Subtotal	346,271,209	11,745,476	(11,849,137)	346,167,548
Accumulated depreciation	(150,360,868)	(8,334,397)	7,180,671	(151,514,594)
	$ 195,910,341	$ 3,411,079	$ (4,668,466)	$ 194,652,954

Obligations

Long-term obligations consist primarily of general obligation bonds, aggregate net pension obligation, and the aggregate net other postemployment benefits (OPEB) liability. At June 30, 2019, the District had $81.4 million in debt outstanding due to the issuance of general obligation bonds. At June 30, 2019, the District's aggregate net pension obligation was $170.1 million. Note 12 to the financial statements provides additional information on the District's aggregate net pension obligation.

The District is also obligated to employees of the District for vacation, load banking benefits, and supplemental retirement income payments.

Note 10 in the financial statements provides additional information on long-term obligations. A summary of long-term obligations is presented below.

Table 6

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
General obligation bonds	$ 85,844,686	$ -	$ (4,441,829)	$ 81,402,857
Aggregate net OPEB liability	20,843,699	3,324,015	(4,414,585)	19,753,129
Aggregate net pension obligation	161,675,950	8,388,026	-	170,063,976
Other liabilities	9,830,225	814,679	(962,651)	9,682,253
Total Long-Term Debt	$ 278,194,560	$ 12,526,720	$ (9,819,065)	$ 280,902,215
Amount due within one year				$ 4,408,826

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 2018-2019 fiscal year on June 19, 2019.

The District's final revised budget for the unrestricted General Fund anticipated that expenditures would equal revenues total of $169.8 million. The actual results for the year showed revenues exceeded expenditures by $2.9 million.

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 84.7 percent of the unrestricted General Fund. The passage of Proposition 30 and the improving State economy Proposition 98 funds increased, but it remains far from what is needed in terms of funding and stability. As a result, it continues to be prudent for the District to maintain diligent practice of funding strong reserves to manage economic challenges and future uncertainties.

The 2018-2019 State budget for California Community Colleges incorporated for the first time a new Student Centered Funding Formula that consisted of three allocations, Access, Equity and Success. The Base Allocation is based upon FTES which comprises 70 percent of the allocation, the Supplemental Allocation is based upon counts of low income students, which comprises 20 percent of the allocation and the Student Success Allocation is based upon outcomes of success with various metrics that comprises 10 percent of the allocation. The newness of the formula and the State Chancellors Office minor revisions make it difficult to forecast revenue. The Chancellors Office is working with Fiscal Crisis and Management and Assistance Team (FCMAT) to develop a statewide simulation forecasting tool. The District received $10.0 million more in fiscal year 2018-2019 than in fiscal year 2017-2018 in apportionment. The increase in revenue consisted of a cost of living increase of 2.71 percent and 4.75 percent increase provided by the new funding formula allocation. The District's FTES remained stable at 23,880, slightly less than fiscal year 2017-2018 FTES. In 2018-2019, the new funding formula provided the District with additional revenues above the base revenue and Cost-of-Living Adjustment (COLA), however the revenue was constrained by almost $1.0 million dollars due to overall budget shortfall for community colleges.

Voters also approved Proposition 51, which authorizes $9 billion in general obligation bonds for K-14 public school facilities. The District has a $60 million project that is eligible for State bond funding to replace our U Building. The District has responded to the final comments from DSA for the working drawing of the architectural plans for the Armen Sarafian Building Seismic Replacement (U Building) which is 80 percent funded by the State. The District will need to fund the remaining costs of the project.

There are currently no other known facts, decisions, or conditions that will have a significant effect on the financial position (net position) or results of operations (revenues, expenses, and changes in net position) of the District.

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, CA 91106 or call (626) 585-7170.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION - PRIMARY GOVERNMENT
JUNE 30, 2019

ASSETS	
Current Assets	
Cash and cash equivalents	$ 447,358
Investments	93,508,115
Accounts receivable	10,749,908
Student receivable, net	4,370,364
Prepaid expenses	1,191,954
Other current assets	140,500
Total Current Assets	110,408,199
Noncurrent Assets	
Nondepreciable capital assets	12,504,434
Depreciable capital assets, net of depreciation	182,148,520
Total Noncurrent Assets	194,652,954
TOTAL ASSETS	305,061,153
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refunding	2,337,216
Deferred outflows of resources related to OPEB	6,171
Deferred outflows of resources related to pensions	47,131,587
TOTAL DEFERRED OUTFLOWS OF RESOURCES	49,474,974
LIABILITIES	
Current Liabilities	
Accounts payable	12,983,845
Accrued interest payable	1,556,684
Unearned revenue	15,115,202
Bonds payable	3,850,000
Other long-term liabilities	558,826
Total Current Liabilities	34,064,557
Noncurrent Liabilities	
Compensated absences payable	2,523,107
Claims liability	5,928,092
Bonds payable	77,552,857
Aggregate net other postemployment benefits (OPEB) liability	19,753,129
Aggregate net pension obligation	170,063,976
Other long-term liabilities	672,228
Total Noncurrent Liabilities	276,493,389
TOTAL LIABILITIES	310,557,946
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to OPEB	2,861,658
Deferred inflows of resources related to pensions	14,403,715
TOTAL DEFERRED INFLOWS OF RESOURCES	17,265,373
NET POSITION	
Net investment in capital assets	118,289,236
Restricted for:	
Debt service	5,067,560
Capital projects	17,278,217
Educational programs	1,982,991
Other activities	1,216,631
Unrestricted deficit	(117,121,827)
TOTAL NET POSITION	$ 26,712,808

The accompanying notes are an integral part of these financial statements.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PRIMARY GOVERNMENT FOR THE YEAR ENDED JUNE 30, 2019

OPERATING REVENUES	
Student Tuition and Fees	$ 41,736,584
Less: Scholarship discount and allowance	(14,737,742)
Net tuition and fees	26,998,842
Grants and Contracts, Noncapital	
Federal	7,985,526
State	30,378,692
Local	482,472
Grants and contracts, noncapital	38,846,690
TOTAL OPERATING REVENUES	65,845,532
OPERATING EXPENSES	
Salaries	116,553,740
Employee benefits	53,330,050
Supplies, materials, and other operating expenses and services	27,898,902
Student financial aid	44,132,060
Equipment, maintenance, and repairs	9,066,421
Depreciation	8,334,397
TOTAL OPERATING EXPENSES	259,315,570
OPERATING LOSS	(193,470,038)
NONOPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	94,580,976
Local property taxes, levied for general purposes	39,687,958
Taxes levied for other specific purposes	7,105,260
Federal financial aid grants, noncapital	35,344,459
State financial aid grants, noncapital	7,413,928
State taxes and other revenues	6,240,551
Investment income	1,470,465
Interest expense on capital related debt	(3,146,204)
Transfer to fiduciary funds	(1,380,000)
Other nonoperating revenue (expenses)	6,677,096
TOTAL NONOPERATING REVENUES (EXPENSES)	193,994,489
INCOME BEFORE OTHER REVENUES (LOSSES)	524,451
OTHER REVENUES (LOSSES)	
Loss on impairment and disposal of capital assets	(1,999,840)
State revenues, capital	4,639,847
Local revenues, capital	701,569
TOTAL OTHER REVENUES (LOSSES)	3,341,576
CHANGE IN NET POSITION	3,866,027
NET POSITION, BEGINNING OF YEAR	22,846,781
NET POSITION, END OF YEAR	$ 26,712,808

The accompanying notes are an integral part of these financial statements.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	$ 26,745,572
Federal, state, and local grants and contracts, noncapital	36,129,964
Payments to or on behalf of employees	(165,961,551)
Payments to vendors for supplies and services	(42,071,837)
Payments to students for scholarships and grants	(44,132,060)
Net Cash Flows From Operating Activities	(189,289,912)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State apportionments	97,440,805
Noncapital grants and contracts	42,758,387
Property taxes - nondebt related	39,687,958
State taxes and other apportionments	6,072,577
Other nonoperating	5,645,727
Net Cash Flows From Noncapital Financing Activities	191,605,454
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchase of capital assets	(8,671,267)
State revenue, capital projects	5,605,425
Local revenue, capital projects	701,569
Property taxes - related to capital debt	7,105,260
Principal paid on capital debt	(4,540,449)
Interest paid on capital debt	(3,186,077)
Net Cash Flows From Capital Financing Activities	(2,985,539)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received from investments	1,470,465
NET CHANGE IN CASH AND CASH EQUIVALENTS	800,468
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	93,155,005
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 93,955,473

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT, Continued
FOR THE YEAR ENDED JUNE 30, 2019

RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating Loss	$ (193,470,038)
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities	
Depreciation expense	8,334,397
Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows	
Receivables	(1,509,683)
Prepaid expenses and other assets	115,535
Accounts payable and accrued liabilities	(7,354,568)
Unearned revenue	(1,460,313)
Claims payable	764,847
Compensated absences, load banking, and SERP	(814,199)
Deferred outflows of resources related to pensions & OPEB	939,066
Deferred inflows of resources related to pensions & OPEB	(2,132,412)
Aggregate net pension obligation	8,388,026
Aggregate net OPEB liability	(1,090,570)
Total Adjustments	4,180,126
Net Cash Flows From Operating Activities	$ (189,289,912)
CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:	
Cash in banks	$ 447,358
Investments	1,215,687
Cash in county treasury	92,292,428
Total Cash and Cash Equivalents	$ 93,955,473
NONCASH TRANSACTIONS	
California College Promise Grant (BOG fee waivers)	$ 14,737,742
On behalf payments for benefits	11,116,802
	$ 25,854,544

The accompanying notes are an integral part of these financial statements.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019

	Retiree OPEB Trust	Other Trust Funds
ASSETS		
Cash and cash equivalents	$ -	$ 2,828,102
Investments	12,776,992	6,094,979
Accounts receivable	-	7,282
Total Assets	12,776,992	8,930,363
LIABILITIES		
Accounts payable	-	277,288
NET POSITION		
Restricted for postemployment benefits other than pensions	12,776,992	-
Restricted	-	5,315,991
Unrestricted	-	3,337,084
Total Net Position	$ 12,776,992	$ 8,653,075

The accompanying notes are an integral part of these financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

	Retiree OPEB Trust	Other Trust Funds
ADDITIONS		
District contributions	$ 3,557,337	$ -
Interest and investment income, net of fees	789,545	349,932
Local revenues	-	2,635,784
Total Additions	4,346,882	2,985,716
DEDUCTIONS		
Classified salaries	-	262,881
Employee benefits	1,557,337	48,005
Books and supplies	-	977,871
Services and operating expenditures	23,131	1,349,772
Capital outlay	-	10,073
Student aid	-	6,590
Total Deductions	1,580,468	2,655,192
OTHER FINANCING SOURCES		
Transfers from primary government	-	1,380,000
Change in Net Position	2,766,414	1,710,524
Net Position - Beginning of Year	10,010,578	6,942,551
Net Position - End of Year	$ 12,776,992	$ 8,653,075

The accompanying notes are an integral part of these financial statements.

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 GASB Statement No. 61, *Determining Whether Certain Organizations are Component Units.* This statement amends GASB Statement No. 14, *The Financial Reporting Entity,* to provide additional guidance 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. The three components used to determine the presentation are: providing a "direct benefit", the "environment and ability to access/influence reporting", and the "significance" criterion. As defined by accounting principles generally accepted in the United States of America and established by the Governmental Accounting Standards Board, the financial reporting entity consists of the District. The District has 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.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37, No. 38, and No. 39. This presentation provides a comprehensive government-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Fiduciary activities, with the exception of the Student Financial Aid Fund, are excluded from the basic financial statements. Accordingly, 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 prescribed 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.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are classified as operating revenues. These transactions are recorded on the accrual basis when the exchange takes place. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, operating revenues consist primarily of student fees, noncapital grants and contracts.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, Federal and State financial aid 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 financial aid grants are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements may include time and/or purpose requirements.

Operating expenses are costs incurred to provide instructional services including support costs, auxiliary services, and depreciation of capital assets. All other expenses not meeting this definition are reported as nonoperating. Expenses are recorded on the accrual basis as they are incurred, when goods are received, or services are rendered.

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments,* and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities,* as amended by GASB Statements No. 37, No. 38, No. 39, and No. 61. The business-type activities model followed by the District requires the following components of the District's financial statements:

- Management's Discussion and Analysis
- Basic Financial Statements for the District as a whole including:
  - Statement of Net Position - Primary Government
  - Statement of Revenues, Expenses, and Changes in Net Position - Primary Government
  - Statement of Cash Flows - Primary Government
  - Financial Statements for the Fiduciary Funds including:
    - Statement of Fiduciary Net Position
    - Statement of Changes in Fiduciary Net Position
- Notes to the Financial Statements

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term unrestricted 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

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held at June 30, 2019, are stated at fair value. Fair value is estimated based on quoted market prices at year-end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

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 majority of each residing in the State of California. 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 $384,429 for the year ended June 30, 2019.

Prepaid Expenses

Prepaid expenses represent payments made to vendors and others for services that will benefit periods beyond June 30.

Capital Assets and Depreciation

Capital assets are long-lived assets of the District as a whole and include land, construction in progress, buildings, leasehold 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 building and land improvements, 50 years; site improvements, 20 years; equipment, 5 to 15 years.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

Debt Issuance Costs, Premiums, and Discounts

Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs, are amortized over the life of the bonds using the straight-line method.

Deferred Charge on Refunding

Deferred charge on refunding is amortized using the straight-line method over the remaining life of the new debt or the life of the old debt, whichever is shorter.

Deferred Outflows/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 or expenditure until then. The District reports deferred outflows of resources for deferred charges on refunding of debt for OPEB related items and for pension related items.

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 pension related items and for OPEB related items.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (the 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.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the aggregate net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the District's OPEB Plan and the CalSTRS Medicare Premium Payment (MPP) Program fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the District's OPEB Plan and MPP. For this purpose, the District's OPEB 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.

Compensated Absences

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 .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.

Unearned Revenue

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized. Unearned revenue includes (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.

Noncurrent Liabilities

Noncurrent liabilities include bonds payable, compensated absences, load banking, early retirement plans, claims liability, the aggregate net OPEB liability, and aggregate net pension liability with maturities greater than one year.

Net Position

GASB Statements No. 34 and No. 35 report equity as "Net Position" and represent the difference between assets and liabilities. The net position is classified according to imposed restrictions or availability of assets for satisfaction of District obligations according to the following net asset categories:

Net Investment in Capital Assets consists of capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. To the extent debt has been incurred, but not yet expended for capital assets, such accounts are not included as a component invested in capital assets.

Restricted: Net position is reported as restricted when there are limitations imposed on their use, either through 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 resources are available.

Unrestricted: Net position that is not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed. The government-wide financial statements report $25,545,399 of restricted net position.

Operating 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 Statements No. 34 and No. 35. Classifications are as follows:

Operating revenues - Operating revenues include activities that have the characteristics of exchange transactions such as student tuition and fees, net of scholarship discounts and allowances, Federal, State, and local grants and contracts, and sales and services of auxiliary enterprises.

Nonoperating revenues - Nonoperating revenues include activities that have the characteristics of nonexchange transactions such as State apportionments, property taxes, investment income, gifts and contributions, and other revenue sources defined in GASB Statements No. 34 and No. 35.

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.

Scholarships, Discounts, and Allowances

Student tuition and fee revenue is reported net of scholarships, discounts, and allowances. Fee waivers approved by the 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.

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, Direct Loans, FSEOG Grants, and Federal Work-Study programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to students in the form of reduced tuition. These 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.

Interfund Activity

Interfund transfers and interfund receivables and payables are eliminated during the consolidation process in the Primary Government and Fiduciary Funds' financial statements, respectively.

Change in Accounting Principles

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations.* This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The District has implemented the provisions of this Statement as of June 30, 2019.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The District has implemented the provisions of this Statement as of June 30, 2019.

New Accounting Pronouncements

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 requirements of this Statement are effective for the reporting periods beginning after December 15, 2018. Early implementation is encouraged.

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 of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 60.* The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2020. Early implementation is encouraged.

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 corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury

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 an 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.

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, 2019, consist of the following:

Primary government	$ 93,955,473
Fiduciary Funds	21,700,073
Total Deposits and Investments	$ 115,655,546

Cash on hand and in banks	$ 3,077,084
Cash in revolving	198,376
Cash in county treasury	92,292,428
Investments	20,087,658
Total Deposits and Investments	$ 115,655,546

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 measures by the assignment of a rating by a nationally recognized statistical rating organization.

Investment Type	Book Value	Fair Value	Weighted Average Days to Maturity	Average Credit Rating
Los Angeles County Investment Pool	$ 92,292,428	$ 92,203,827	547	N/A
Mutual Funds	18,326,066	18,326,066	N/A	N/A
Exchange Traded Funds	116,578	116,578	N/A	N/A
Equities	487,848	487,848	N/A	N/A
Corporate Bonds	366,165	366,165	558	BBB
U.S. Treasury Bills	791,001	791,001	1,057	N/A
Total	$ 112,380,086	$ 112,291,485		

Custodial Credit Risk - 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. 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 percent 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 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2019, the District's bank balance of $5,757,985 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.

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.

Uncategorized - Investments in the Los Angeles County Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share.

The District's fair value measurements are as follows at June 30, 2019:

Investment Type	Fair Value	Level 1 Inputs	Uncategorized
Los Angeles County Investment Pool	$ 92,203,827	$ -	$ 92,203,827
Mutual Funds	18,326,066	18,326,066	-
Exchange Traded Funds	116,578	116,578	-
Equities	487,848	487,848	-
Corporate Bonds	366,165	366,165	-
U.S. Treasury Bills	791,001	791,001	-
Total	$ 112,291,485	$ 20,087,658	$ 92,203,827

All assets have been valued using a market approach, with quoted market prices.

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2019, consisted primarily of intergovernmental grants, entitlements, interest, and other local sources.

The accounts receivable are as follows:

	Primary Government
Federal Government	
Categorical aid	$ 4,303,573
Other federal	1,921
State Government	
Categorical aid	1,072,262
Lottery	1,255,417
State construction	2,011,288
Other state	240,952
PCC Foundation	701,757
Interest	399,379
Other sources	763,359
Total	$ 10,749,908
Student receivables	$ 4,754,793
Less allowance for bad debt	(384,429)
Student receivables, net	$ 4,370,364

	Fiduciary Funds
Other sources	$ 7,282

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Capital Assets Not Being Depreciated				
Land	$ 10,396,408	$ 1,874,310	$ -	$ 12,270,718
Construction in progress	279,579	2,622,763	2,668,626	233,716
Total Capital Assets Not Being Depreciated	10,675,987	4,497,073	2,668,626	12,504,434
Capital Assets Being Depreciated				
Buildings and improvements	283,286,294	5,744,946	5,005,974	284,025,266
Site improvements	23,036,095	79,284	4,098,477	19,016,902
Equipment	29,272,833	1,424,173	76,060	30,620,946
Total Capital Assets Being Depreciated	335,595,222	7,248,403	9,180,511	333,663,114
Total Capital Assets	346,271,209	11,745,476	11,849,137	346,167,548
Less Accumulated Depreciation				
Buildings and improvements	115,348,168	5,586,079	4,730,645	116,203,602
Site improvements	14,680,715	825,104	2,382,472	13,123,347
Equipment	20,331,985	1,923,214	67,554	22,187,645
Total Accumulated Depreciation	150,360,868	8,334,397	7,180,671	151,514,594
Net Capital Assets	$ 195,910,341	$ 3,411,079	$ 4,668,466	$ 194,652,954

Depreciation expense for the year was $8,334,397.

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2019, consisted of the following:

	Primary Government
Accrued payroll and benefits	$ 8,313,961
Construction	897,665
Vendor payables	3,772,219
Total	$ 12,983,845

	Fiduciary Funds
Accrued payroll	$ 504
Vendor payables	276,784
Total	$ 277,288

NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2019, consisted of the following:

	Primary Government
Federal categorical aid	$ 3,915
State categorical aid	8,442,067
State apportionment	32,461
Lottery	1,428,079
Scheduled maintenance	3,222,008
Student fees	1,230,784
Other local	755,888
Total	$ 15,115,202

NOTE 9 - INTERFUND TRANSACTIONS

Interfund Receivables and Payables (Due To/Due From)

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 governmental funds 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. As of June 30, 2019, there were no amounts owed between the primary government and the fiduciary funds.

Interfund Operating Transfers

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 funds of the District have been eliminated in the consolidation process. Transfers between the primary government and the fiduciary funds are not eliminated in the consolidation process. During the 2018-2019 fiscal year, the amount transferred to the fiduciary funds from the primary government amounted to $1,380,000.

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2019 fiscal year consisted of the following:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Due in One Year
Bonds Payable					
General obligation bonds, 2009 Series D	$ 3,595,000	$ -	$ 1,755,000	$ 1,840,000	$ 1,840,000
Unamortized debt premium	147,169	-	73,584	73,585	-
General obligation bonds, 2009 Series E	25,295,000	-	-	25,295,000	-
Unamortized debt premium	1,115,186	-	69,699	1,045,487	-
General obligation bonds, Refunding Bonds 2014	15,325,000	-	1,425,000	13,900,000	1,495,000
Unamortized debt premium	1,755,846	-	200,668	1,555,178	-
General obligation bonds, Refunding Bonds 2016	32,900,000	-	505,000	32,395,000	515,000
Unamortized debt premium	5,711,485	-	412,878	5,298,607	-
Total Bonds Payable	85,844,686	-	4,441,829	81,402,857	3,850,000
Other Liabilities					
Compensated absences	2,564,757	-	41,650	2,523,107	-
Load banking	622,396	49,832	-	672,228	-
Claims liability	5,163,245	764,847	-	5,928,092	-
Capital leases	98,620	-	98,620	-	-
Supplemental employee retirement plan (SERP)	1,381,207	-	822,381	558,826	558,826
Aggregate net other postemployment benefits (OPEB) liability	20,843,699	3,324,015	4,414,585	19,753,129	-
Aggregate net pension obligation	161,675,950	8,388,026	-	170,063,976	-
Total Other Liabilities	192,349,874	12,526,720	5,377,236	199,499,358	558,826
Total Long-Term Obligations	$ 278,194,560	$ 12,526,720	$ 9,819,065	$ 280,902,215	$ 4,408,826

Description of Debt

Payments on the general obligation bonds are made by the Bond Interest Redemption Fund with local property tax collections. The capital lease payments are made by the Other Debt Service Fund. The compensated absences, load banking, and aggregate net pension liability are paid by the fund for which the employees' salaries are paid from. The District's General Fund makes payments for the aggregate net other postemployment liability, supplemental employee retirement incentive plan, and load banking obligations. The Internal Service fund makes payments for the claims liability.

Bonded Debt

2009 General Obligation Bonds

During September 2009, the District issued the General Obligation Bonds, Series 2009D and 2009E in the amount of $52,000,000. The bonds mature beginning on August 1, 2011 through August 1, 2034, with interest yields ranging from 3.00 to 6.65 percent. The bonds issued included $25,295,000 of current interest Build America Bonds (Series 2009E Bonds) and $26,705,000 of current interest bonds (Series 2009D Bonds). At June 30, 2019, the principal balance outstanding was $27,135,000 and unamortized premium cost of $1,119,072. Premium costs are amortized over the life of the bonds as a component of interest expense on the bonds.

The District has designated the Series 2009E Bonds as "Build America Bonds" for purposes of the American Recovery and Reinvestment Act of 2009 (the Stimulus Act), the interest on which is not excluded from gross income for Federal income tax purposes, but is exempt from State of California personal income taxes. The District expects to receive a cash subsidy from the United States Treasury equal to 35 percent of the interest payable on such Series 2009E Bonds. The District is obligated to make all payments of principal and interest on the Series 2009E Bonds from the sources described in the official statement whether or not it receives cash subsidy payments pursuant to the Stimulus Act. Effective March 1, 2013, the subsidy percentage was reduced by 8.7 percent, to 26.3 percent as a result of sequestration by the Federal government. The sequestration percentage was adjusted to 6.2 percent as of October 1, 2018, resulting in a subsidy of $546,647 for the current year.

The bonds are being used for the purposes of financing the repair, acquisition, construction, and equipping of certain District facilities, and to pay all legal, financial, and contingent costs in connection with the issuance of the bonds. The bonds are general obligations of the District payable solely from the proceeds of ad valorem property taxes. Interest with respect of the bonds accrues from the date of their delivery and is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2010.

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 percent. 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, 2019, the principal balance outstanding was $13,900,000. Unamortized premium received on issuance of the bonds amounted to $1,555,178 as of June 30, 2019.

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 percent. 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, 2019, the principal balance outstanding was $32,395,000. Unamortized premium received on issuance of the bonds amounted to $5,298,607 as of June 30, 2019.

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2018	Issued	Redeemed	Bonds Outstanding June 30, 2019
9/30/2009	8/1/2019	3.00%-5.00%	$ 26,705,000	$ 3,595,000	$ -	$ 1,755,000	$ 1,840,000
9/30/2009	8/1/2034	6.50%-6.65%	25,295,000	25,295,000	-	-	25,295,000
4/2/2014	8/1/2026	2.00%-5.00%	16,980,000	15,325,000	-	1,425,000	13,900,000
5/12/2016	8/1/2031	2.00%-5.00%	33,995,000	32,900,000	-	505,000	32,395,000
				$ 77,115,000	$ -	$ 3,685,000	$ 73,430,000

The General Obligation Bonds, Series 2009D mature through 2020 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2020	$ 1,840,000	$ 46,000	$ 1,886,000

The General Obligation Bonds, Series 2009E mature through 2035 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2020	$ -	$ 1,668,642	$ 1,668,642
2021	-	1,668,642	1,668,642
2022	-	1,668,642	1,668,642
2023	-	1,668,642	1,668,642
2024	-	1,668,642	1,668,642
2025-2029	5,555,000	7,984,277	13,539,277
2030-2034	16,095,000	3,972,302	20,067,302
2035	3,645,000	121,268	3,766,268
Total	$ 25,295,000	$ 20,421,057	$ 45,716,057

The 2014 General Obligation Refunding Bonds mature through 2027 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2020	$ 1,495,000	$ 635,200	$ 2,130,200
2021	1,525,000	582,125	2,107,125
2022	1,600,000	504,000	2,104,000
2023	1,680,000	422,000	2,102,000
2024	1,765,000	335,875	2,100,875
2025-2027	5,835,000	447,125	6,282,125
Total	$ 13,900,000	$ 2,926,325	$ 16,826,325

The 2016 General Obligation Refunding Bonds mature through 2032 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2020	$ 515,000	$ 1,441,550	$ 1,956,550
2021	2,180,000	1,420,950	3,600,950
2022	2,265,000	1,333,750	3,598,750
2023	2,360,000	1,243,150	3,603,150
2024	2,475,000	1,125,150	3,600,150
2025-2029	13,615,000	3,658,750	17,273,750
2030-2032	8,985,000	728,200	9,713,200
Total	$ 32,395,000	$ 10,951,500	$ 43,346,500

Capital Leases

At June 30, 2019, the liability for capital leases was paid in full.

Compensated Absences

At June 30, 2019, the liability for compensated absences was $2,523,107.

Load Banking

At June 30, 2019, the liability for load banking was $672,228.

Early Retirement Incentive

The District has entered into various Supplemental Employee Retirement Plan (SERP) to provide certain benefits to employees participating in the early retirement incentive programs. The District will pay $558,826 on behalf of the retirees through 2020 in accordance with the following schedule:

Year Ending June 30,	
2020	$ 558,826

Aggregate Net Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2019, 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	$ 18,998,979	$ 6,171	$ 2,861,658	$ 2,259,438
Medicare Premium Payment (MPP) Program	754,150	-	-	(67,703)
Total	$ 19,753,129	$ 6,171	$ 2,861,658	$ 2,191,735

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, 2019, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	58
Active employees	801
	859

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.

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 required contribution is 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 fiscal year 2018-2019, the District contributed $3,557,337 to the Plan, of which $1,557,337 was used for current premiums and $2,000,000 was used to fund the District's OPEB Trust.

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, expect 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, 2019:

Asset Class	Target Allocation
U.S. Equities	24.1%
International Equities	16.0%
U.S. Investment Grade Bonds	42.0%
International Bonds	17.9%

Rate of Return

For the year ended June 30, 2019, the annual money-weighed rate of return on investments, net of investment expense, was 7.45 percent. 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 $18,998,979 was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The components of the net OPEB liability of the District at June 30, 2019, were as follows:

Total OPEB liability	$ 31,775,971
Plan fiduciary net position	(12,776,992)
District's net OPEB liability	$ 18,998,979
Plan fiduciary net position as a percentage of the total OPEB liability	40.21%

Actuarial Assumptions

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25 percent
Salary increases	3.00 percent, average, including inflation
Discount rate	5.25 percent, net of investment expense, including inflation
Healthcare cost trend rates	8.00 percent for 2017-2018, decreasing to 5.00% for 2020-2021 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 Bond Buyer 20-bond General Obligation Index.

Mortality rates were based on the RP-2014 Employee and Health Annuitant Mortality Tables for Males or Females, as appropriate, projected using a generational projection based on 100 percent of scale MP-2016 for years 2014 through 2029, 50 percent of MP-2016 for years 2030 through 2049, and 20 percent of MP-2016 for 2050 and thereafter.

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

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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, 2019, (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. Equities	10.56%
International Equities	4.48%
U.S. Investment Grade Bonds	3.58%
International Bonds	4.53%

Discount Rate

The discount rate used to measure the total OPEB liability was 5.25 percent. 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 at June 30, 2018	$ 30,032,424	$ 10,010,578	$ 20,021,846
Service cost	1,670,370	-	1,670,370
Interest	1,623,517	-	1,623,517
Differences between expected and actual experience	6,997	-	6,997
Contributions - employer	-	3,557,337	(3,557,337)
Net investment income	-	789,545	(789,545)
Benefit payments	(1,557,337)	(1,557,337)	-
Administrative expense	-	(23,131)	23,131
Net change in total OPEB liability	1,743,547	2,766,414	(1,022,867)
Balance at June 30, 2019	$ 31,775,971	$ 12,776,992	$ 18,998,979

There were no changes of assumptions since the previous valuation. There were no changes to benefit terms since the previous valuation.

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%)	$ 21,148,090
Current discount rate (5.25%)	18,998,979
1% increase (6.25%)	16,994,335

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 rates that are one percent lower or higher than the current healthcare costs trend rates:

Healthcare Cost Trend Rates	Net OPEB Liability
1% decrease (7.00% decreasing to 4.0%)	$ 15,793,545
Current healthcare cost trend rate (8.00% decreasing to 5.0%)	18,998,979
1% increase (9.00% decreasing to 6.0%)	22,685,782

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

At June 30, 2019, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 6,171	$ 35,398
Changes of assumptions	-	2,668,740
Net difference between projected and actual earnings on OPEB plan investments	-	157,520
Total	$ 6,171	$ 2,861,658

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ (457,001)
2021	(457,001)
2022	(457,001)
2023	(454,885)
2024	(417,092)
Thereafter	(612,507)
	$ (2,855,487)

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, 2017 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.

Contributions

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, 2019, the District reported a liability of $754,150 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. 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, 2018 and June 30, 2017, was 0.1970 percent and 0.1954, respectively, resulting in a net increase in the proportionate share of 0.0016 percent.

For the year ended June 30, 2019, the District recognized OPEB expense of $(67,703).

Actuarial Methods and Assumptions

The June 30, 2018 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total OPEB liability to June 30, 2018, using the assumptions listed in the following table:

Measurement Date	June 30, 2018	June 30, 2017
Valuation Date	June 30, 2017	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2015	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.87%	3.58%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2017, 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 our members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

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 459 or an average of 0.27 percent of the potentially eligible population (171,593).

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, 2018, 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, 2018, is 3.87 percent. The MPP Program is funded on a pay-as-you-go basis as described in Note 2, and under the pay-as-you-go method, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.87 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2018, was applied to all periods of projected benefit payments to measure the total OPEB liability. This discount rate increased 0.29 percent from 3.58 percent as of June 30, 2017.

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 (2.87%)	$ 834,128
Current discount rate (3.87%)	754,150
1% increase (4.87%)	681,936

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 rates, as well as what the net OPEB liability would be if it were calculated using the Medicare costs trend rates that are one percent lower or higher than the current rates:

Medicare Costs Trend Rates	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	$ 687,709
Current Medicare costs trend rates (3.7% Part A and 4.1% Part B)	754,150
1% increase (4.7% Part A and 5.1% Part B)	825,606

Aggregate Net Pension Obligation

At June 30, 2019, the liability for the aggregate net pension obligation amounted to $170,063,976. See Note 12 for additional information.

NOTE 11 - 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 various joint powers authorities or through the purchase of coverage from a risk retention group. The District has coverage up to $55,000,000 for liability and tort risks. This coverage is subject to a $50,000 self-insured retention for each general liability claim and $25,000 for each property damage claim. 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 2018-2019, the District participated in the Schools Alliance for Workers' Compensation Excess Group Purchase (SAWCX II) Joint Powers Authority (JPA), an insurance purchasing pool. The District is self-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 rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to community college districts that can meet the JPA's selection criteria.

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, 2017 to June 30, 2019:

	Workers' Compensation	Property and Liability
Liability Balance, July 1, 2017	$ 4,966,583	$ 225,000
Claims and changes in estimates	1,545,485	756,642
Claims payments	(1,573,823)	(756,642)
Liability Balance, June 30, 2018	4,938,245	225,000
Claims and changes in estimates	3,380,866	923,152
Claims payments	(2,616,019)	(923,152)
Liability Balance, June 30, 2019	$ 5,703,092	$ 225,000
Assets Available to Pay Claims at June 30, 2019	$ 8,814,756	$ 2,618,544

NOTE 12 - 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, 2019, the District reported the net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 100,885,824	$ 30,969,894	$ 12,587,002	$ 12,185,257
CalPERS - Schools Risk Pool	56,272,597	15,281,304	1,438,904	10,103,321
CalPERS - Misc. Pool Plan (Bookstore)	1,174,023	398,137	106,409	182,201
$1,440 Lifetime Benefit	11,731,532	482,252	271,400	718,823
Total	$ 170,063,976	$ 47,131,587	$ 14,403,715	$ 23,189,602

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, 2017, 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 percent of final compensation for each year of credited service.

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

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

The STRP provisions and benefits in effect at June 30, 2019, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.28%	16.28%
Required State contribution rate	9.828%	9.828%

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2019, are presented above, and the District's total contributions were $10,265,598.

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

At June 30, 2019, 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	$ 100,885,824
State's proportionate share of net pension liability associated with the District	57,761,852
Total	$ 158,647,676

The net pension liability was measured as of June 30, 2018. 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, 2018 and June 30, 2017, was 0.1098 percent and 0.1079 percent, respectively, resulting in a net increase in the proportionate share of 0.0019 percent.

For the year ended June 30, 2019, the District recognized pension expense of $12,185,257. In addition, the District recognized pension expense and revenue of $6,785,715 for support provided by the State. At June 30, 2019, 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	$ 10,265,598	$ -
Net change in proportionate share of net pension liability	4,718,569	7,236,839
Differences between projected and actual earnings on the pension plan investments	-	3,884,741
Differences between expected and actual experience in the measurement of the total pension liability	312,843	1,465,422
Changes of assumptions	15,672,884	-
Total	$ 30,969,894	$ 12,587,002

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
2020	$ 843,487
2021	(612,057)
2022	(3,259,146)
2023	(857,025)
Total	$ (3,884,741)

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, 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
2020	$ 2,128,628
2021	2,128,628
2022	2,128,627
2023	1,710,763
2024	3,709,319
Thereafter	196,070
Total	$ 12,002,035

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 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, 2018, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. 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 percent) 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%)	$ 147,785,926
Current discount rate (7.10%)	100,885,824
1% increase (8.10%)	62,001,088

Plan Fiduciary Net Position

Detailed information about the STRP's plan fiduciary net position is available in a separate comprehensive annual financial report for CalSTRS. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7667 Folsom Boulevard, Sacramento, CA 95826.

California Public Employees' Retirement System (CalPERS) - 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, 2017, annual actuarial valuation report, and the 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 provisions and benefits in effect at June 30, 2019, are summarized as follows:

	CalPERS - Schools Risk Pool	
	On or before	On or after
Hire date	December 31, 2012	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%	7.000%
Required employer contribution rate	18.062%	18.062%

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, 2019, are presented above, and the total District contributions were $5,512,146.

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $56,272,597. The net pension liability was measured as of June 30, 2018. 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, 2018 and June 30, 2017, was 0.2111 percent and 0.2127 percent, respectively, resulting in a net decrease in the proportionate share of 0.0016 percent.

For the year ended June 30, 2019, the District recognized pension expense of $10,103,321. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	CalPERS - Schools Risk Pool	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 5,512,146	$ -
Net change in proportionate share of net pension liability	-	1,438,904
Differences between projected and actual earnings on the pension plan investments	461,561	-
Differences between expected and actual experience in the measurement of the total pension liability	3,689,026	-
Changes of assumptions	5,618,571	-
Total	$ 15,281,304	$ 1,438,904

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,	CalPERS - Schools Risk Pool Deferred Outflows/(Inflows) of Resources
2020	$ 1,678,801
2021	401,470
2022	(1,286,565)
2023	(332,145)
Total	$ 461,561

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the 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,	CalPERS - Schools Risk Pool Deferred Outflows/(Inflows) of Resources
2020	$ 3,398,905
2021	3,332,670
2022	1,137,118
Total	$ 7,868,693

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
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 services

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90 percent 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 percent. 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:

	CalPERS - Schools Risk Pool
Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 81,930,211
Current discount rate (7.15%)	56,272,597
1% increase (8.15%)	34,985,934

Plan Fiduciary Net Position

Detailed information about CalPERS School Employer plan fiduciary net position is available in a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

California Public Employees' Retirement System (CalPERS) – Miscellaneous Pool Plan (Bookstore)

Plan Description

Qualified employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Plan under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The Public Agency Cost-Sharing Multiple-Employer Plan is comprised of a Miscellaneous Risk Pool and a Safety Risk Pool. The District sponsors one Miscellaneous Pool Plan (the Plan) for employees of the District Bookstore. The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

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, 2017, annual actuarial valuation report, the Miscellaneous Risk Pool Actuarial Valuation. The 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 provisions and benefits in effect at June 30, 2019, are summarized as follows:

	Miscellaneous Pool Plan (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 60
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	$59,772	$0

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, 2019 was $59,772.

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS Miscellaneous Risk Pool net pension liability $1,174,023. The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2018 and June 30, 2017, was 0.0312 percent and 0.0296 percent, respectively, resulting in a net increase in the proportionate share of 0.0016 percent.

For the year ended June 30, 2019, the District recognized pension expense of $182,201 for CalPERS Miscellaneous Risk Pool. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	CalPERS - Miscellaneous Pool Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 59,772	$ -
Net change in proportionate share of net pension liability	153,674	58,279
Differences between projected and actual earnings on the pension plan investments	5,804	-
Differences between expected and actual experience in the measurement of the total pension liability	45,045	15,328
Changes of assumptions	133,842	32,802
Total	$ 398,137	$ 106,409

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,	CalPERS - Miscellaneous Pool Plan Deferred Outflows/(Inflows) of Resources
2020	$ 45,242
2021	9,636
2022	(38,515)
2023	(10,559)
Total	$ 5,804

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, 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,	CalPERS - Miscellaneous Pool Plan Deferred Outflows/(Inflows) of Resources
2020	$ 99,466
2021	119,769
2022	6,917
Total	$ 226,152

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
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 services

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

	CalPERS - Miscellaneous Pool Plan
Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 1,885,807
Current discount rate (7.15%)	1,174,023
1% increase (8.15%)	586,457

Plan Fiduciary Net Position

Detailed information about CalPERS School Employer plan fiduciary net position is available in a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

$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 801 active employees who may become eligible to retire and receive benefits in the future, 49 retirees with deferred benefits, and 414 retirees receiving District-paid benefits as of the July 1, 2017 valuation date. The measurement date for the total pension liability is June 30, 2019. As of June 30, 2019, 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. Benefit payments made in the 2018-2019 fiscal year, inclusive of the implicit subsidy, was $642,240.

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, 2019, 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, 2019 were $642,240, inclusion of an implicit subsidy.

Changes in the Total Pension Liability (TPL)

	Total Pension Liability
Balance at June 30, 2018	$ 11,112,028
Service cost	252,560
Interest	437,376
Difference between expected and actual experience	42,980
Changes of assumptions	528,828
Benefit payments	(642,240)
Net change in total pension liability	619,504
Balance at June 30, 2019	$ 11,731,532

There was a change in the discount rate from 3.90 percent to 3.50 percent since the previous valuation. There were no changes to benefit terms since the previous valuation.

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

As of June 30, 2019, the District reported a total pension liability for the $1,440 Lifetime Benefit plan totaling $11,731,532. The net pension liability was measured as of June 30, 2019. 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, 2019, the District recognized pension expense of $718,823. At June 30, 2019, 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	$ 41,562	$ -
Changes of assumptions	440,690	271,400
Total	$ 482,252	$ 271,400

The deferred outflows/(inflows) of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2020	$ 96,737
2021	96,737
2022	96,737
2023	96,738
2024	95,303
Total	$ 482,252

Year Ended June 30,	Deferred Inflows of Resources
2020	$ (67,850)
2021	(67,850)
2022	(67,850)
2023	(67,850)
Total	$ (271,400)

Actuarial Methods and Assumptions

Total pension liability for the Plan was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2019. 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	July 1, 2018
Measurement date	June 30, 2019
Experience study	Through July 1, 2017
Actuarial cost method	Entry age, level percent of pay
Discount rate	3.50%, net of investment expenses
Inflation rate	2.25%
Wage growth	3.00% average, including inflation

The mortality tables used were the RP-2014 Employee Mortality table for determining pre-retirement mortality and the RP-2014 Healthy Annuitant Mortality tables for post-retirement mortality.

Discount Rate

The discount rate used to measure the total pension liability was 3.50 percent. The discount rate was based on the Bond Buyer 20-Bond General Obligation Index.

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 (2.50%)	$ 13,291,697
Current discount rate (3.50%)	11,731,532
1% increase (4.50%)	10,456,568

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 percent of covered compensation of eligible employees are made by the employee. Total District contributions were made in the amount of $588,724 during the fiscal year. The total amount of covered compensation was $1,569,307. Total required contribution rate is 7.50 percent, 3.75 percent represents the District's contribution, and the remaining 3.75 percent is contributed by the employee.

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal year ended June 30, 2019, which amounted to $4,827,551 (9.828 percent) 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, 2019. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have been reflected in the basic financial statements as a component of operating revenue and employee benefit expense.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated for an additional 2018-2019 contribution on behalf of school employers of $2.246 billion for CalSTRS and $904 million for CalPERS. A proportionate share of these contributions has been recorded in these financial statements.

NOTE 13 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of the Statewide Association of Community Colleges (SWACC) and Schools Alliance for Workers' Compensation Excess Group Purchase (SAWCX II) Joint Powers Authority JPAs. The District pays 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.

The JPAs have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, transactions between the JPAs and the District are included in these statements. Audited financial statements are available from the respective entities.

The District's share of year-end assets, liabilities, or fund equity has not been calculated.

NOTE 14 - 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, 2019.

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, 2019.

Operating Leases

The District has entered into various operating leases for buildings and equipment 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
2020	$ 945,354
2021	359,780
2022	128,192
2023	128,192
2024	128,192
2025-2029	669,262
2030-2034	696,555
2035-2039	737,372
2040-2044	432,367
2045-2049	237,183
2050-2054	241,575
2055	48,315
Total	$ 4,752,339

Rental expenditures for the year ended June 30, 2019, amounted to $1,248,819.

Construction Commitments

As of June 30, 2019, the District has total construction commitments of $2,886,041. $422,050 is committed from the Bond Fund to various campus-wide modernization and upgrade projects with an expected completion date of June 2020. The remaining $2,463,991 is committed from the Capital Outlay Fund to various campus wide improvement projects with completion dates through July 2020.

The projects are funded through a combination of general obligation bonds and capital project apportionments from the California State Chancellor's Office.

REQUIRED SUPPLEMENTARY INFORMATION

PASADENA AREA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
Total OPEB Liability		
Service cost	$ 1,670,370	$ 2,102,668
Interest	1,623,517	1,189,667
Differences between expected and actual experience	6,997	(46,340)
Changes of assumptions	-	(3,493,635)
Benefit payments	(1,557,337)	(1,373,478)
Net changes in total OPEB liability	1,743,547	(1,621,118)
Total OPEB Liability - beginning	30,032,424	31,653,542
Total OPEB Liability - ending (a)	$ 31,775,971	$ 30,032,424
Plan fiduciary net position		
Contributions - employer	$ 3,557,337	$ 11,373,478
Net investment income	789,545	10,578
Benefit payments	(1,557,337)	(1,373,478)
Administrative expense	(23,131)	-
Net change in plan fiduciary net position	2,766,414	10,010,578
Plan fiduciary net position - beginning	10,010,578	-
Plan fiduciary net position - ending (b)	$ 12,776,992	$ 10,010,578
District's net OPEB liability - ending (a) - (b)	$ 18,998,979	$ 20,021,846
Plan fiduciary net position as a percentage of the total OPEB liability	40.21%	33.33%
Covered-employee payroll	$ 114,727,786	$ 111,386,200
District's net OPEB liability as a percentage of covered-employee payroll	16.56%	17.98%

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

See accompanying note to required supplementary information.

SCHEDULE OF OPEB INVESTMENT RETURNS
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
Annual money-weighted rate of return, net of investment expense	7.45%	0.11%

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

See accompanying note to required supplementary information.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - MPP PROGRAM FOR THE YEAR ENDED JUNE 30, 2019

Year ended June 30,	2019	2018
District's proportion of the net OPEB liability	0.1970%	0.1954%
District's proportionate share of the net OPEB liability	$ 754,150	$ 821,853
District's covered-employee payroll	N/A[1]	N/A[1]
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	N/A[1]	N/A[1]
Plan fiduciary net position as a percentage of the total OPEB liability	-0.40%	0.01%

[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.

See accompanying note to required supplementary information.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
CalSTRS		
District's proportion of the net pension liability	0.1098%	0.1079%
District's proportionate share of the net pension liability	$ 100,885,824	$ 99,788,463
State's proportionate share of the net pension liability associated with the District	57,761,852	59,034,012
Total	$ 158,647,676	$ 158,822,475
District's covered-employee payroll	$ 65,140,457	$ 59,175,731
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	154.87%	168.63%
Plan fiduciary net position as a percentage of the total pension liability	71%	69%
CalPERS - Schools Risk Pool		
District's proportion of the net pension liability	0.2111%	0.2127%
District's proportionate share of the net pension liability	$ 56,272,597	$ 50,775,459
District's covered-employee payroll	$ 28,013,611	$ 27,273,488
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	200.88%	186.17%
Plan fiduciary net position as a percentage of the total pension liability	71%	72%
CalPERS - Miscellaneous Pool Plan (Bookstore)		
District's proportion of the net pension liability	0.0312%	0.0296%
District's proportionate share of the net pension liability	$ 1,174,023	$ 1,188,974
District's covered-employee payroll	$ 560,725	$ 692,875
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	209.38%	171.60%
Plan fiduciary net position as a percentage of the total pension liability	78%	75%

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

See accompanying note to required supplementary information.

2017	2016	2015
0.1049%	0.1220%	0.1160%
$ 84,925,050	$ 82,135,280	$ 67,786,920
48,353,434	43,440,392	40,933,080
$ 133,278,484	$ 125,575,672	$ 108,720,000
$ 54,376,431	$ 54,725,507	$ 51,472,000
156.18%	150.09%	131.70%
70%	74%	77%
0.2259%	0.2295%	0.2236%
$ 44,615,390	$ 33,828,527	$ 25,384,044
$ 27,621,423	$ 23,320,559	$ 23,477,000
161.52%	145.06%	108.12%
74%	79%	83%
0.0301%	0.0306%	0.0310%
$ 844,426	$ 642,798	$ 613,542
$ 445,964	$ 402,360	$ 396,471
189.35%	159.76%	154.75%
74%	79%	83%

SCHEDULE OF DISTRICT CONTRIBUTIONS FOR PENSIONS
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
CalSTRS		
Contractually required contribution	$ 10,265,598	$ 9,399,768
Contributions in relation to the contractually required contribution	10,265,598	9,399,768
Contribution deficiency (excess)	$ -	$ -
District's covered-employee payroll	$ 63,056,499	$ 65,140,457
Contributions as a percentage of covered-employee payroll	16.28%	14.43%
CalPERS - Schools Risk Pool		
Contractually required contribution	$ 5,512,146	$ 4,350,794
Contributions in relation to the contractually required contribution	5,512,146	4,350,794
Contribution deficiency (excess)	$ -	$ -
District's covered-employee payroll	$ 30,517,916	$ 28,013,611
Contributions as a percentage of covered-employee payroll	18.062%	15.531%
CalPERS - Miscellaneous Pool Plan (Bookstore)		
Contractually required contribution	$ 59,772	$ 53,824
Contributions in relation to the contractually required contribution	59,772	53,824
Contribution deficiency (excess)	$ -	$ -
District's covered-employee payroll	N/A[1]	$ 560,725
Contributions as a percentage of covered-employee payroll	N/A[1]	9.599%

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

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

See accompanying note to required supplementary information.

2017	2016	2015
$ 7,444,307	$ 5,834,591	$ 4,859,625
7,444,307	5,834,591	4,859,625
$ -	$ -	$ -
$ 59,175,731	$ 54,376,431	$ 54,725,507
12.58%	10.73%	8.88%
$ 3,787,742	$ 3,272,310	$ 2,745,063
3,787,742	3,272,310	2,745,063
$ -	$ -	$ -
$ 27,273,488	$ 27,621,423	$ 23,320,559
13.888%	11.847%	11.771%
$ 66,225	$ 41,711	$ 49,611
66,225	41,711	49,611
$ -	$ -	$ -
$ 692,875	$ 445,964	$ 402,360
9.558%	9.353%	12.330%

SCHEDULE OF CHANGES IN THE DISTRICT'S $1,440 LIFETIME BENEFIT PLAN TOTAL PENSION LIABILITY AND RELATED RATIOS FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
Total Pension Liability		
Service cost	$ 252,560	$ 264,759
Interest	437,376	415,403
Differences between expected and actual experience	42,980	8,617
Changes of assumptions	528,828	(407,100)
Benefit payments	(642,240)	(588,960)
Net changes in total pension liability	619,504	(307,281)
Total Pension Liability - beginning	11,112,028	11,419,309
Total Pension Liability - ending	$ 11,731,532	$ 11,112,028
Covered-employee payroll	$ 114,727,786	$ 111,386,200
District's total pension liability as a percentage of covered-employee payroll	10.23%	9.98%

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

See accompanying note to required supplementary information.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019

NOTE 1 - PURPOSE OF SCHEDULES

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

This schedule presents 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 of Assumptions - There were no changes of assumptions 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 proportionate 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 3.58 percent to 3.87 percent since the previous valuation.

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

This schedule presents 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 both the CalSTRS and CalPERS plans.

Changes of Assumptions - There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of District Contributions for Pensions

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

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019

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

This schedule presents 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 of Assumptions **-** The plan discount rate was changed from 3.90 percent to 3.50 percent since the previous valuation date.

SUPPLEMENTARY INFORMATION

DISTRICT ORGANIZATION
JUNE 30, 2019

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

MEMBER	OFFICE	TERM EXPIRES
James A. Osterling	President	July 2020
Hoyt R. Hilsman	Vice President	July 2020
Berlinda Brown	Clerk	July 2022
Anthony F. Fellow, Ph.D.	Member	July 2022
Linda S. Wah	Member	July 2022
John H. Martin	Member	July 2020
Sandra Chen Lau	Member	July 2022

ADMINISTRATION

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
Terrence D. Giugni, Ph.D.	Assistant Superintendent/Vice President, Instruction
Michael Bush, Ed.D.	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

See accompanying note to supplementary information.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
TRIO Cluster			
TRIO - Student Support Services	84.042A		$ 321,602
TRIO - Talent Search-Pasadena/Rosemead	84.044A		221,166
TRIO - Talent Search-El Monte	84.044A		246,403
TRIO - Upward Bound-Pasadena	84.047A		421,776
TRIO - Upward Bound-El Monte/Rosemead	84.047A		350,234
TRIO - Upward Bound Math and Science-Pasadena	84.047M		307,988
TRIO - Upward Bound Math and Science-El Monte	84.047M		317,430
Total TRIO Cluster			2,186,599
Student Financial Assistance Cluster			
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		973,830
Federal Supplemental Educational Opportunity Grant - Administrative Allowance	84.007		123,393
Federal Direct Student Loans	84.268		1,331,748
Federal Work-Study Program	84.033		621,399
Federal Pell Grant Program	84.063		33,038,881
Federal Pell Grant Program - Administrative Allowance	84.063		45,035
Total Student Financial Assistance Cluster			36,134,286
Childcare Means Parents In School (CCAMPIS)	84.335A		122,672
STEM GPS (Guided Pathway Solution)	84.031C		1,491,323
Safe Pathway to Degree Completion for Hispanic and Other At-Risk Students	84.031S		618,529
Passed through Cal State L.A. University Auxiliary Services, Inc.			
STEM Education Consortium	84.116F	PCC231225	104,588
Passed through the California Community Colleges Chancellor's Office			
Career and Technical Education Act (Perkins Title I-Part C)	84.048A	18-C01-040	874,905
CTE Transitions	84.048A	18-C01-040	40,875
Passed through the California Department of Education			
Adult Basic Education & ELA	84.002A	14508	250,795
Adult Secondary Education (ASE)	84.002	13978	45,852
Total U.S. Department of Education			41,870,424
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the California Department of Education			
Child and Adult Care Food Program	10.558	13666	45,941
Summer Food Math Science Upward Bound	10.559	13004	23,238
Total U.S. Department of Agriculture			69,179

See accompanying note to supplementary information.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
SMALL BUSINESS ADMINISTRATION			
Passed through Long Beach Community College District			
Small Business Development	59.037	CN 99753.6, CN 99765.5	$ 216,318
Research and Development Cluster			
NATIONAL SCIENCE FOUNDATION			
Early Career Undergraduate Research Experience (eCURe)	47.076		279,754
Passed through Carleton College			
Carleton College Integrate	47.076	B981452	8,760
Total National Science Foundation			288,514
NATIONAL INSTITUTES OF HEALTH			
Passed through California State University, Northridge			
Trans-NIH Research Support Common Fund: BUILD PODER	93.310	F-14-3510 -PCC	74,846
Total Research and Development Cluster			363,360
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through the California Community Colleges Chancellor's Office			
Foster and Kinship Care Education Program (FKCE)	93.658	[1]	52,128
TANF Cluster			
Passed through the California Community Colleges Chancellor's Office			
Temporary Assistance for Needy Families (TANF)	93.558	[1]	73,373
Passed through the County of Los Angeles, Department of Public Social Services			
Temporary Assistance for Needy Families (TANF)	93.558	CCCP18009	70,000
Total TANF Cluster			143,373
CCDF Cluster			
Passed through the California Department of Education			
Child Care and Development Block Grant	93.575	15136	26,878
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	13609	58,467
Total CCDF Cluster			85,345
Total U.S. Department of Health and Human Services			280,846
Total Expenditures of Federal Awards			$ 42,800,127

[1] Pass through- identifying number not available.

See accompanying note to supplementary information.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

	Program Entitlements		
Program	Current Year	Prior Year	Total Entitlement
AB 104 - AEBG	$ 1,848,549	$ -	$ 1,848,549
AB 104 - AEBG 17/18	-	471,235	471,235
AB 798 Textbook Affordability Program	25,569	-	25,569
AB 798 Textbook Affordability Program-Implementation	49,000	-	49,000
Associate Degree Nursing	151,823	705	152,528
Basic Skills and Student Outcomes Program	649,592	-	649,592
Biotechnology ISPIC Grant	12,210	-	12,210
Bridges to Stem Cell Research	344,669	636,505	981,174
Cal Grant "B"	3,500,000	-	3,500,000
Cal Grant "C"	76,854	-	76,854
California College Promise	1,156,932	-	1,156,932
CalWORKs	428,673	-	428,673
Campus Safety	39,603	-	39,603
Career Pathways Trust (LA Hi-Tech)	27,623	-	27,623
Child Development: General (CCTR) and State Preschool (CSPP)	209,792	-	209,792
California State Preschool Program	227,580	-	227,580
Child and Adult Care Food Program	3,505	2,993	6,498
Community College Completion Grant	-	153,000	153,000
Cooperative Agencies Foster Youth Ed Support (CAFYES)	554,250	-	554,250
Cooperative Agencies Resources For Education (CARE)	112,751	-	112,751
CTE: Strong Workforce Program (SWP) Regional-Round 1	904,811	-	904,811
CTE: Strong Workforce Program (SWP) Regional-Round 2-Year 1	815,874	-	815,874
CTE: Strong Workforce Program (SWP)-Local-Round 1	1,043,370	-	1,043,370
CTE: Strong Workforce Program (SWP)-Local-Round 2-Year 1	1,835,088	-	1,835,088
CTE: Strong Workforce Program (SWP)-Local-Round 2-Year 2	1,697,538	68,538	1,766,076
Deferred Action Child Arrivals-DACA	-	13,513	13,513
Disabled Students Program and Services (DSPS)	1,183,195	-	1,183,195
Extended Opportunity Program and Services (EOP&S)	1,105,992	-	1,105,992
Financial Aid Technology	246,953	-	246,953
Foster and Kinship Care Education Program (FKCE)	66,644	-	66,644
Full Time Student Success Grant	-	300	300
Gig Economy Project	15,000	-	15,000
GO_Biz - CIP	100,000	-	100,000
GO_Biz - TAEP	150,000	-	150,000
Guided Pathways	691,439	576,199	1,267,638
Hunger Free Campus	214,296	47,347	261,643
Instructional Equipment	303,429	776,825	1,080,254
Mental Health Services	213,345	-	213,345
MESA	74,515	-	74,515
Promise Scholars Program	150,000	-	150,000
SFAA Augmentation	642,198	-	642,198
Sierra Joint CCD, Innovation Maker 3	159,000	-	159,000
Student Equity and Achievement	7,613,299	1,455,300	9,068,599
Staff Diversity - AB1725	50,000	167	50,167
Student Financial Aid Administration	259,436	-	259,436
Student Success Completion Grant	3,582,134	152,250	3,734,384
Veteran's Center	43,176	50,965	94,141
Zero Textbook Cost Degree	145,436	-	145,436
	$ 32,725,143	$ 4,405,842	$ 37,130,985

See accompanying note to supplementary information.

Program Revenues				
Cash Received	Accounts Receivable	Unearned Revenue	Total Revenue	Program Expenditures
$ 1,848,549	$ -	$ -	$ 1,848,549	$ 1,848,549
471,235	-	-	471,235	471,235
25,569	-	22,550	3,019	3,019
41,650	-	41,650	-	-
152,528	-	-	152,528	152,528
-	649,592	-	649,592	649,592
12,210	-	11,127	1,083	1,083
981,174	-	628,609	352,565	352,565
3,223,026	20,691	-	3,243,717	3,243,717
76,854	-	-	76,854	76,854
1,156,932	-	493,827	663,105	663,105
428,673	-	16,617	412,056	412,056
39,603	-	25,428	14,175	14,175
27,623	-	-	27,623	27,623
186,055	14,156	-	200,211	200,211
194,489	-	18,284	176,205	176,205
1,670	384	-	2,054	2,054
153,000	-	-	153,000	153,000
554,250	-	-	554,250	554,250
112,751	-	-	112,751	112,751
859,722	-	9,840	849,882	849,882
-	169,003	-	169,003	169,003
1,043,369	-	57,407	985,962	985,962
1,835,089	-	1,653,612	181,477	181,477
1,766,076	-	1,766,076	-	-
13,513	-	-	13,513	13,513
1,183,195	-	-	1,183,195	1,183,195
1,105,992	-	-	1,105,992	1,105,992
246,953	-	147,293	99,660	99,660
63,770	2,874	-	66,644	66,644
300	-	-	300	300
-	15,000	5,790	9,210	9,210
33,215	30,578	-	63,793	63,793
-	38,146	-	38,146	38,146
1,267,638	-	1,088,353	179,285	179,285
261,643	-	180,212	81,431	81,431
1,080,254	-	329,055	751,199	751,199
213,345	-	135,356	77,989	77,989
29,806	44,253	-	74,059	74,059
25,000	-	25,000	-	-
642,198	-	-	642,198	642,198
104,429	50,661	-	155,090	155,090
9,068,598	-	1,732,301	7,336,297	7,336,297
50,167	-	14,802	35,365	35,365
259,436	-	-	259,436	259,436
3,729,103	-	5,281	3,723,822	3,723,822
94,141	-	33,597	60,544	60,544
103,422	36,924	-	140,346	140,346
$ 34,768,215	$ 1,072,262	$ 8,442,067	$ 27,398,410	$ 27,398,410

PASADENA AREA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2019

CATEGORIES	*Revised Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2018 only)			
1. Noncredit**	132.96	-	132.96
2. Credit	1,554.71	-	1,554.71
B. Summer Intersession (Summer 2019 - Prior to July 1, 2019)			
1. Noncredit**	-	-	-
2. Credit	431.42	-	431.42
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			-
(a) Weekly Census Contact Hours	15,423.87	-	15,423.87
(b) Daily Census Contact Hours	1,930.00	-	1,930.00
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit**	931.60	-	931.60
(b) Credit	778.41	-	778.41
3. Alternative Attendance Accounting Procedure Courses			
(a) Weekly Census Procedure Courses	1,387.35	-	1,387.35
(b) Daily Census Procedure Courses	1,309.98	-	1,309.98
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	23,880.30	-	23,880.30
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	-	-	-
H. Basic Skills Courses and Immigrant Education			
1. Noncredit**	894.57	-	894.57
2. Credit	591.08	-	591.08
CCFS-320 Addendum			
CDCP Noncredit FTES	918.27	-	918.27
Centers FTES			
1. Noncredit**	845.31	-	845.31
2. Credit	538.23	-	538.23

* Annual report was revised as of October 8, 2019.

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

See accompanying note to supplementary information.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2019

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional Salaries							
Contract or Regular	1100	$ 33,591,474	$ -	$ 33,591,474	$ 34,358,671	$ -	$ 34,358,671
Other	1300	28,810,346	-	28,810,346	28,810,346	-	28,810,346
Total Instructional Salaries		62,401,820	-	62,401,820	63,169,017	-	63,169,017
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	10,954,761	-	10,954,761
Other	1400	-	-	-	523,334	-	523,334
Total Noninstructional Salaries		-	-	-	11,478,095	-	11,478,095
Total Academic Salaries		62,401,820	-	62,401,820	74,647,112	-	74,647,112
Classified Salaries							
Noninstructional Salaries							
Regular Status	2100	-	-	-	22,903,985	-	22,903,985
Other	2300	-	-	-	1,706,021	-	1,706,021
Total Noninstructional Salaries		-	-	-	24,610,006	-	24,610,006
Instructional Aides							
Regular Status	2200	-	-	-	-	-	-
Other	2400	123,363	-	123,363	124,400	-	124,400
Total Instructional Aides		123,363	-	123,363	124,400	-	124,400
Total Classified Salaries		123,363	-	123,363	24,734,406	-	24,734,406
Employee Benefits	3000	17,209,322	-	17,209,322	39,838,010	-	39,838,010
Supplies and Material	4000	-	-	-	1,223,446	-	1,223,446
Other Operating Expenses	5000	60,113	-	60,113	11,997,988	-	11,997,988
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		79,794,618	-	79,794,618	152,440,962	-	152,440,962

See accompanying note to supplementary information.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, Continued
FOR THE YEAR ENDED JUNE 30, 2019

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Exclusions							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	$ 514,663	$ -	$ 514,663	$ 514,663	$ -	$ 514,663
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	108,279	-	108,279
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	290,570	-	290,570
Objects to Exclude							
Rents and Leases	5060	-	-	-	921,961	-	921,961
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		-	-	-	-	-	-

See accompanying note to supplementary information.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, Continued
FOR THE YEAR ENDED JUNE 30, 2019

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	$ -	$ -	$ -	$ 4,390,640	$ -	$ 4,390,640
Capital Outlay							
Library Books	6000	-	-	-	-	-	-
Equipment	6300	-	-	-	-	-	-
Equipment - Additional	6400	-	-	-	-	-	-
Equipment - Replacement	6410	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		514,663	-	514,663	6,226,113	-	6,226,113
Total for ECS 84362, 50 Percent Law		$ 79,279,955	$ -	$ 79,279,955	$ 146,214,849	$ -	$ 146,214,849
Percent of CEE (Instructional Salary Cost/Total CEE)		54.22%		54.22%	100.00%		100.00%
50% of Current Expense of Education					$ 73,107,424		$ 73,107,424

See accompanying note to supplementary information.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2019.

See accompanying note to supplementary information.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

PROPOSITION 30 EDUCATION PROTECTION ACCOUNT (EPA) EXPENDITURE REPORT
FOR THE YEAR ENDED JUNE 30, 2019

Activity Classification	Object Code			Unrestricted	
EPA Revenue:	8630				$ 22,609,422
Activity Classification	**Activity Code**	**Salaries and Benefits (Obj 1000-3000)**	**Operating Expenses (Obj 4000-5000)**	**Capital Outlay (Obj 6000)**	**Total**
Instructional Activities	1000-5900	$ 22,609,422	$ -	$ -	$ 22,609,422
Total Expenditures for EPA		$ 22,609,422	$ -	$ -	$ 22,609,422
Revenues Less Expenditures					$ -

See accompanying note to supplementary information.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Total Fund Balance:		
General Funds	$ 32,340,654	
Special Revenue Funds	367,949	
Capital Project Funds	19,980,140	
Debt Service Funds	6,624,244	
Enterprise Funds	1,611,443	
Internal Service Funds	14,607,948	
Student Financial Aid Fund	848,682	
Total Fund Balance - All Governmental Funds		**$ 76,381,060**
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	346,167,548	
Accumulated depreciation is	(151,514,594)	194,652,954
In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term debt is recognized when it is incurred.		(1,556,684)
Deferred charges on refunding (the difference between the reacquisition price and net carrying amount of refunded debt) are capitalized and amortized over the remaining life of the new or old debt (whichever is shorter) and are included with governmental activities.		2,337,216
Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year-end consist of:		
Pension contributions subsequent to measurement date	15,837,516	
Net change in proportionate share of net pension liability	4,872,243	
Differences between projected and actual earnings on pension plan investments	467,365	
Differences between expected and actual experience in the measurement of the total pension liability	4,088,476	
Changes of assumptions	21,865,987	
Total Deferred Outflows of Resources Related to Pensions		47,131,587
Deferred outflows of resources related to OPEB at year-end consist of:		
Differences between expected and actual experience in the measurement of the total pension liability		6,171

See accompanying note to supplementary information.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION, Continued
JUNE 30, 2019

Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year-end consist of:		
Net change in proportionate share of net pension liability	$ (8,734,022)	
Differences between projected and actual earnings on pension plan investments	(3,884,741)	
Differences between expected and actual experience in the measurement of the total pension liability	(1,480,750)	
Changes of assumptions	(304,202)	
Total Deferred Inflows of Resources Related to Pensions		$ (14,403,715)
Deferred inflows of resources related to OPEB at year-end consist of:		
Differences between projected and actual earnings on pension plan investments	(157,520)	
Differences between expected and actual experience in the measurement of the total pension liability	(35,398)	
Changes of assumptions	(2,668,740)	
Total Deferred Inflows of Resources Related to OPEB		(2,861,658)
Aggregate net pension obligation is not due and payable in the current period, and is not reported as a liability in the funds.		(170,063,976)
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year end consist of:		
Bonds payable, net of premium	81,402,857	
Compensated absences (vacations)	2,523,107	
Aggregate net other postemployment benefits (OPEB) liability	19,753,129	
Supplemental employee retirement plan (SERP) and load banking	1,231,054	(104,910,147)
Total Net Position		**$ 26,712,808**

See accompanying note to supplementary information.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2019

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

This schedule provides information about the District's governing board members and administration members as of June 30, 2019.

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenses, and Changes in Net Position - Primary Government and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of Build America Bonds funds that have been recorded in the current period as revenues that have not been included in the Schedule of Expenditures of Federal Awards. In addition, Temporary Assistance for Needy Families (TANF) funds that in the previous period were recorded as revenues but were unspent.

Description	CFDA Number	Amount
Total Federal Revenues per Statement of Revenues, Expenses, and Changes in Net Position:		$ 43,329,985
Build America Bonds	N/A	(546,647)
Temporary Assistance for Needy Families (TANF)	93.558	16,789
Total Expenditures of Federal Awards		$ 42,800,127

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 pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds, including restricted categorical funding, are made to community college districts. This schedule provides information regarding the annual attendance measurements of students throughout the District.

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

ECS 84362 requires the District to expend a minimum of 50 percent 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 audited financial statements.

Proposition 30 Education Protection Account (EPA) Expenditure Report

This schedule provides the District's summary of receipts and uses of the monies received through the EPA.

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

EideBailly

CPAs & BUSINESS ADVISORS

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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate remaining fund information of Pasadena Area Community College District (the District) as of and for the year ended June 30, 2019, 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 4, 2019.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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.

What inspires you, inspires us. | eidebailly.com

10681 Foothill Blvd., Ste. 300 | Rancho Cucamonga, CA 91730-3831 | T 909.466.4410 | F 909.466.4431 | EOE

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of 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.

Eide Bailly LLP

Rancho Cucamonga, California
December 4, 2019

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND 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, 2019. 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, 2019.

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.

Eide Bailly LLP

Rancho Cucamonga, California
December 4, 2019

EideBailly

CPAs & BUSINESS ADVISORS

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 as identified in the 2018-2019 California Community Colleges Chancellor's Office *District Audit Manual* that could have a direct and material effect on each of the District's State programs as noted below for the year ended June 30, 2019.

Management's Responsibility

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

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 to above. 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 2018-2019 California Community Colleges Chancellor's Office *District Audit Manual*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the applicable programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of the District's compliance with those requirements.

Unmodified Opinion

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 below that were audited for the year ended June 30, 2019.

What inspires you, inspires us. | eidebailly.com

10681 Foothill Blvd., Ste. 300 | Rancho Cucamonga, CA 91730-3831 | T 909.466.4410 | F 909.466.4431 | EOE

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 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Activities Funded From Other Sources
Section 424	State General Apportionment Funding System
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 439	Proposition 39 Clean Energy Fund
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

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 (TBA) Hours; therefore, the compliance tests within this section were not applicable.

Eide Bailly LLP

Rancho Cucamonga, California
December 4, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2019

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Type of auditor's report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	No

Identification of major Federal programs:

CFDA Numbers	Name of Federal Program or Cluster
84.007, 84.033, 84.063, 84.268	Student Financial Assistance Cluster
84.031C, 84.031S	STEM GPS (Guided Pathway Solution), Safe Pathway to Degree Completion for Hispanic and Other At-Risk Students

Dollar threshold used to distinguish between Type A and Type B programs:	$ 1,284,004
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	Unmodified

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2019

None reported.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

None reported.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

None reported.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

Financial Statement Findings

None reported.

Federal Awards Findings

None reported.

State Awards Findings

None reported.