

PASADENA AREA COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2017

Operating Revenues

Tuition and fees (gross)	\$ 40,252,959
Less: Scholarship discounts and allowances	<u>(15,527,263)</u>
Net tuition and fees	24,725,696
Grants and contracts, non-capital:	
Federal	42,364,701
State	18,715,162
Local	1,650,011
Auxiliary enterprise sales and charges	<u>4,824,203</u>
Total Operating Revenues	<u>92,279,773</u>

Operating Expenses

Salaries	106,966,046
Employee benefits	40,524,296
Supplies, materials, and other operating expenses and services	30,638,544
Financial aid	40,697,491
Utilities	3,133,692
Depreciation	<u>8,817,147</u>
Total Operating Expenses	<u>230,777,216</u>

Operating Loss

(138,497,443)

Non-Operating Revenues

State apportionments, non-capital	87,248,239
Local property taxes	42,513,374
States taxes and other revenue	17,483,940
Interest and investment income, non-capital	<u>714,800</u>
Total Non-Operating Revenues	<u>147,960,353</u>

Income Before Other Revenues, Expenses, Gains and Losses

9,462,910

See accompanying notes to the financial statements.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2017**

Other Revenues, (Expenses), Gains and (Losses)	
Loss on disposal, net	(92,730)
Investment expense, capital	155,243
Other non-operating revenues	596,967
Interest expense on capital asset-related debt	<u>(3,486,792)</u>
Total Other Revenues, (Expenses), Gains and (Losses)	<u>(2,827,312)</u>
Increase in Net Position	6,635,598
Net Position, Beginning of Year	<u>58,326,922</u>
Net Position, End of Year	<u><u>\$ 64,962,520</u></u>

See accompanying notes to the financial statements.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2017**

Cash Flows From Operating Activities

Tuition and fees	\$ 23,327,039
Federal grants and contracts	42,465,747
State grants and contracts	21,263,227
Local grants and contracts	1,535,459
Sales	4,744,078
Payments to suppliers	(31,840,433)
Payments to/on-behalf of employees	(148,006,791)
Payments to/on-behalf of students	(40,023,112)
Net cash used by operating activities	<u>(126,534,786)</u>

Cash Flows From Non-Capital Financing Activities

State apportionments and receipts	85,967,838
Property taxes	42,513,374
Grants and gifts for other than capital purposes	19,107,740
Interfund borrowing from fiduciary fund	<u>373,000</u>
Net cash provided by non-capital financing activities	<u>147,961,952</u>

Cash Flows From Capital and Related Financing Activities

Purchases and sale of capital assets	(2,604,374)
Interest on capital investments	148,587
Local revenue from capital purposes	941,901
Principal and interest paid on capital debt	<u>(9,003,843)</u>
Net cash used by capital and financing activities	<u>(10,517,729)</u>

Cash Flows from Investing Activities

Interest on investments	<u>554,669</u>
Net cash provided (used) by investing activities	<u>554,669</u>

Net Change in Cash and Cash Equivalents 11,464,106

Cash Balance - Beginning of Year 94,048,942

Cash Balance - End of Year \$ 105,513,048

See accompanying notes to the financial statements.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2017

RECONCILIATION OF OPERATING LOSS TO
NET CASH USED BY OPERATING ACTIVITIES

Cash Used by Operating Activities

Operating loss	\$ (138,497,443)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Deferred outflows - pensions	(15,071,871)
Deferred inflows - pensions	3,290,844
Depreciation expense	8,817,147
Changes in assets and liabilities:	
Receivables, net	(4,024,777)
Inventory	(27,872)
Prepaid expense	431,165
Accounts payable	1,153,514
Accrued liabilities	(10,601)
Unearned revenue	2,938,615
Load banking	34,715
Compensated absences	68,925
Estimated liability for open claims and IBNR's	28,980
Post-employment retiree benefits	1,753,317
Supplemental employee retirement plan, net	(996,077)
Net pension liability	<u>13,576,633</u>
Net cash used by operating activities	<u>\$ (126,534,786)</u>
Breakdown of ending cash balance:	
Cash and cash equivalents	\$ 92,001,636
Restricted cash and cash equivalents	<u>13,511,412</u>
Total	<u>\$ 105,513,048</u>

See accompanying notes to the financial statements.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2017

	Associated Student Body Fund	Trust and Agency Fund
<u>Assets</u>		
Cash and cash equivalents	\$ 336,089	\$ 1,314,927
Investments	-	893,230
Total Assets	<u>336,089</u>	<u>2,208,157</u>
<u>Liabilities</u>		
Amounts held in trust	-	2,208,157
Total Liabilities	<u>-</u>	<u>2,208,157</u>
<u>Net Position</u>		
Unrestricted	<u>336,089</u>	<u>-</u>
Total Net Position	<u>\$ 336,089</u>	<u>\$ -</u>

See accompanying notes to the financial statements.

PASADENA AREA COMMUNITY COLLEGE DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Fiscal Year Ended June 30, 2017

	Associated Student Body Fund
<u>Additions</u>	
Interest	\$ 116
Other local sources	280,679
Total Additions	280,795
<u>Deductions</u>	
Supplies, materials, and other operating expenses and services	197,433
Depreciation	4,796
Total Liabilities	202,229
Increase in net position	78,566
Net Position, Beginning of Year	257,523
Net Position, End of Year	\$ 336,089

See accompanying notes to the financial statements.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The District is the level of government primarily accountable for activities related to public education. The governing authority consists of elected officials who, together, constitute the Board of Trustees.

The District considered its financial and operational relationships with potential component units under the reporting entity definition of GASB. The basic, but not the only, criterion for including another organization in the District's reporting entity for financial reports is the ability of the District's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one entity is dependent on another and a financial benefit or burden relationship is present and that the dependent unit should be reported as part of the other.

Oversight responsibility is derived from the District's power and includes, but is not limited to: financial interdependency; selection of governing authority; designation of management; ability to significantly influence operations; and accountability for fiscal matters.

Due to the nature and significance of their relationship with the District, including ongoing financial support of the District or its other component units, certain organizations warrant inclusion as part of the financial reporting entity. A legally separate, tax-exempt organization should be reported as a component unit of the District if all of the following criteria are met:

- The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the District, its component units, or its constituents.
- The District, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
- The economic resources received or held by an individual organization that the District, or its component units, is entitled to, or has the ability to otherwise access, are significant to the District.

Based upon the application of the criteria listed above, the following potential component unit has been excluded from the District's reporting entity:

The Pasadena City College Foundation: The Foundation is a separate not-for-profit corporation created for the benefit of the District and its students and organized for educational purposes. The Foundation is not included as a component unit because the third criterion was not met; the economic resources received and held by the Foundation are not significant to the District. During the fiscal year ended June 30, 2017, the Foundation expended amounts on-behalf of the District for scholarships and campus projects. To assist the Foundation in carrying out its purpose, the District provides administrative services to the Foundation. The District pays a portion of salaries, benefits, and operating expenses. In addition, working space for employees

PASADENA AREA COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

who perform administrative services for the Foundation is provided by the District at no charge. Separate financial statements for the Foundation may be obtained through the District.

Financial Statement Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of the District's financial activities. The entity-wide perspective replaces the fund-group perspective previously required. Fiduciary activities, with the exception of the Student Financial Aid Fund and the Retiree Benefits Fund, are excluded from the basic financial statements.

The District operates a Warrant Pass-Through agency fund as a holding account for amounts collected from employees for Federal taxes, state taxes and other contributions. The District had cash in the County Treasury amounting to \$(261,573) on June 30, 2017, which represents a prepayment of withholdings payable. The Warrant Pass-Through Fund is not reported in the basic financial statements.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

For financial reporting purposes, the District is considered a special-purpose government engaged in business-type activities. Accordingly, the District's basic financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

For internal accounting purposes, the budgetary and financial accounts of the District have been recorded and maintained in accordance with the Chancellor's Office of the California Community College's *Budget and Accounting Manual*.

To ensure compliance with the California Education Code, the financial resources of the District are divided into separate funds for which separate accounts are maintained for recording cash, other resources and all related liabilities, obligations and equities.

By state law, the District's Governing Board must approve a budget no later than September 15.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements. Budgets for all governmental funds were adopted on a basis consistent with generally accepted accounting principles (GAAP).

These budgets are revised by the District's Governing Board during the year to give consideration to unanticipated income and expenditures. Formal budgetary integration was employed as a management control device during the year for all budgeted funds. Expenditures cannot legally exceed appropriations by major object account.

Cash and Cash Equivalents

The District's cash and cash equivalents, are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash in the County Treasury is recorded at cost, which approximates fair value, in accordance with the requirements of GASB.

Accounts Receivables

Accounts receivable consists primarily of amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grant and contracts. Material receivables are considered fully collectible. The District recognized for budgetary and financial reporting purposes any amount of state appropriations deferred from the current fiscal year and appropriated from the subsequent fiscal year for payment of current year costs as a receivable in the current year.

Accounts receivable from students for tuition and fees is recorded net of a provision for uncollectable amounts.

Inventories

Inventories are presented at the lower of cost or market on an average basis and are expensed when used. Inventory consists of items held for resale in the bookstore and expendable instructional, custodial, health and other supplies held for consumption.

Prepaid Expenses

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2017, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which goods or services are consumed.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents are those amounts designated for acquisition or construction of non-current assets or that are segregated for the liquidation of long-term debt.

Capital Assets

Capital assets are recorded at cost at the date of acquisition. Donated capital assets are recorded at their estimated fair value at the date of donation. For equipment, the District's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year. Buildings as well as renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized.

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend the asset's life is recorded in operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method with a half-year convention over the estimated useful lives of the assets, generally 50 years for buildings and building and land improvements, 20 years for site improvements, 5 to 15 years for equipment.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. These amounts are reported in the government-wide statement of net position.

Deferred Charge on Refunding: A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred Outflows - Pensions: The deferred outflows of resources related to pensions resulted from District contributions to employee pension plans subsequent to the measurement date of the actuarial valuations for the pension plans, the effect of changes in proportion, and the difference between expected and actual experience. The deferred outflows – pensions will be deferred and amortized as detailed in Note 10 to the financial statements.

Accounts Payable and Accrued Liabilities

Accounts payable consists of amounts due to vendors for goods and services received prior to June 30. Accrued liabilities consist of salaries and benefits payable.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unearned Revenue

Cash received for Federal and state special projects, and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Unearned revenue is recorded to the extent cash received on specific projects and programs exceeds qualified expenditures. Unearned revenue also includes summer enrollment fees received but not earned.

Compensated Absences and Load Banking

In accordance with GASB, accumulated unpaid employee vacation benefits are recognized as a liability in the statement of net position when incurred. The entire compensated absences liability is accrued when incurred in the government-wide financial statements.

The District has accrued a liability for the amounts attributable to load banking. Load banking hours consist of hours worked by instructors in excess of a full-time load for which they may carryover for future paid time off.

Sick leave benefits are accumulated without limit for each employee. The employees do not gain a vested right to accumulated sick leave; therefore, accumulated employee sick leave benefits are not recognized as a liability of the District. The District's policy is to record sick leave as an operating expense in the period taken; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

Net Pension Liability

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 (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.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net assets by the District that is applicable to a future reporting period. The deferred inflows of resources related to pensions results from the difference between the estimated and actual return on pension plan investments, the effect of changes in proportion and changes in assumptions, and the difference between

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

expected and actual experience. These amounts are deferred and amortized as detailed in Note 10 to the financial statements.

Net Position

Net Investment in Capital Assets: Represents the District's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted Net Position – Expendable: Restricted expendable net position includes resources in which the District is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties or by enabling legislation adopted by the District. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Restricted Net Position – Nonexpendable: Nonexpendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated that the principal be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income. The District had no restricted net position – nonexpendable.

Unrestricted Net Position: Unrestricted net position represents resources available to be used for transactions relating to the general operations of the District, and may be used at the discretion of the governing board, as designated, to meet current expenses for specific future purposes.

State Apportionments

Certain current year apportionments from the state are based upon various financial and statistical information of the previous year. Any prior year corrections due to the recalculation in February of 2018 will be recorded in the year computed by the State.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1. Unsecured property taxes are payable in one installment on or before August 31.

Real and personal property tax revenues are reported in the same manner in which the County auditor records and reports actual property tax receipts to the Department of Education. This is generally on a cash basis. A receivable has not been accrued in these financial statements because it is not material. Property taxes for debt service purposes have been accrued in the basic financial statements.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Classification of Revenues

The District has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating Revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as student fees, net of scholarship discounts and allowances, and Federal and most state and local grants and contracts.

Nonoperating Revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as State apportionments, taxes, and other revenue sources that are defined as nonoperating revenues by GASB.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the District, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, state or nongovernmental programs, are recorded as operating revenues in the District's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the District has recorded a scholarship discount and allowance.

Interest Capitalization

Interest costs are capitalized as part of the historical cost of acquiring certain assets. To qualify for interest capitalization, assets must require a period of time before they are ready for their intended purpose. Interest earned on proceeds of the District's general obligation bonds restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized. For the year ended June 30, 2017, no interest was capitalized.

Estimates

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

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 2: DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk

Custodial credit risk 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 deposit policy for custodial risk. As of June 30, 2017, \$3,376,834 of the District's bank balance of \$3,877,310 was exposed to credit risk as presented herein.

District's Bank Balance	June 30, 2017
Uninsured and uncollateralized	\$ 3,376,834
Total	\$ 3,376,834

Cash in County

In accordance with *The Budget and Accounting Manual*, the District maintains substantially all of its cash in the Los Angeles County Treasury as part of the common investment pool. The District is considered an involuntary participant in the investment pool. These pooled funds are recorded at amortized cost which approximates fair value. Fair value of the pooled investments at June 30, 2017 is measured at 99.4047% of amortized cost. The District's deposits in the fund are considered to be highly liquid.

The county is authorized to deposit cash and invest excess funds by California Government Code Sections 53534, 53601, 53635 and 53648. The county is restricted to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The funds maintained by the county are either secured by federal depository insurance or are collateralized. The county investment pool is not required to be rated. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The county investment pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7-like pool. California Government Code statutes and the County Board of Supervisors set forth the various investment policies that the County Treasurer follow. The method used to determine the value of the participant's equity withdrawn is based on the book value, which is amortized cost, of the participant's percentage participation on the date of such withdrawals.

The pool sponsor's annual financial report may be obtained from the Los Angeles County Public Affairs Office, Kenneth Hahn Hall of Administration, 500 W. Temple St, Room 358, Los Angeles, CA 90012.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 8: GENERAL OBLIGATION BONDS

bonds included a premium of \$1,965,547, \$1,839,608, \$1,742,478, \$2,608,686, and \$6,606,055, respectively, which are amortized using the straight-line method. Amortization of \$78,622, \$73,584, \$69,699, \$200,669 and \$412,878 was recognized during the 2016-17 year for Series B, D, E, 2014 Refunding and 2016 Refunding bonds, respectively.

The difference between the reacquisition price and the net carrying amount on refunded debt is deferred and amortized as a component of interest expense over the life of the new debt. Amortization of \$323,886 was recognized during the fiscal year 2016-17.

The outstanding general obligation bonded debt of the District at June 30, 2017 is presented herein.

General Obligation Bonds	Date of Issue	Date of Maturity	Interest Rate %	Amount of Original Issue	Outstanding June 30, 2016	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2017
Series B	7/12/2006	8/1/2016	4.5-5.25	\$ 65,000,000	\$ 1,740,000	\$ -	\$ 1,740,000	\$ -
Series D	9/30/2009	8/1/2019	3.0-5.0	26,705,000	6,870,000	-	1,605,000	5,265,000
Series E	9/30/2009	8/1/2034	6.5-6.7	25,295,000	25,295,000	-	-	25,295,000
2014 Refunding	4/2/2014	8/1/2026	2.0-5.0	16,980,000	16,730,000	-	50,000	16,680,000
2016 Refunding	5/12/2016	8/1/2031	2.0-5.0	33,995,000	33,995,000	-	605,000	33,390,000
Total				<u>\$ 167,975,000</u>	<u>\$ 84,630,000</u>	<u>\$ -</u>	<u>\$ 4,000,000</u>	<u>\$ 80,630,000</u>

The annual debt service requirements to maturity for all general obligation bonds are presented herein.

Year Ending June 30,	Principal	Interest	Total
2018	\$ 3,515,000	\$ 4,199,167	\$ 7,714,167
2019	3,685,000	4,034,242	7,719,242
2020	3,850,000	3,878,642	7,728,642
2021	3,705,000	3,671,717	7,376,717
2022	3,865,000	3,506,392	7,371,392
2023-2027	22,310,000	14,524,209	36,834,209
2028-2032	29,210,000	7,784,537	36,994,537
2033-2035	10,490,000	1,066,636	11,556,636
Total	<u>\$ 80,630,000</u>	<u>\$ 42,665,542</u>	<u>\$ 123,295,542</u>

NOTE 9: POST EMPLOYMENT HEALTHCARE BENEFITS

Plan Description and Eligibility

The District administers a single-employer defined benefit healthcare plan (the Retiree Health Plan). The plan provides health and dental benefits to all full-time Faculty, and Management and certain Classified employees who have reached age 55 and retire with at least 14 years of service. For Classified employees hired on or after July 1, 2011, the service requirement will be

PASADENA AREA COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 10: EMPLOYEE RETIREMENT PLANS

retirement plans as presented herein.

<u>Pension Plan</u>	Proportionate Share of Net Pension Liability	Deferred Outflows of Resources	Proportionate Share of Deferred Inflows of Resources	Proportionate Share of Pension Expense
CalSTRS (STRP)	\$ 84,925,050	\$ 17,316,965	\$ 12,845,327	\$ 7,037,518
CalPERS (Schools Pool Plan)	44,615,390	12,789,793	1,750,213	5,721,709
Total	<u>\$ 129,540,440</u>	<u>\$ 30,106,758</u>	<u>\$ 14,595,540</u>	<u>\$ 12,759,227</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers' Retirement Plan (STRP) administered by the California State Teachers' Retirement System (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.

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.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 10: EMPLOYEE RETIREMENT PLANS

Summarized STRP provisions and benefits in effect at June 30, 2017, are presented herein.

<u>STRP Provisions and Benefits</u>	<u>STRP Defined Benefit Program and Supplement Program</u>	
	On or Before December 31, 2012	On or after January 1, 2013
Hire date	On or Before December 31, 2012	On or after 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%	9.205%
Required employer contribution rate	12.58%	12.58%
Required state contribution rate	8.828%	8.828%

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 contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. The contribution rates for each plan for the year ended June 30, 2017 are presented above and the total District contributions were \$7,444,307.

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

At June 30, 2017, 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 is presented herein.

<u>Proportionate Share of Net Pension Liability</u>	<u>Balance June 30, 2017</u>
District proportionate share of net pension liability	\$ 84,925,050
State's proportionate share of the net pension liability associated with the District	48,353,434
Total	<u>\$ 133,278,484</u>

The net pension liability was measured as of June 30, 2016. 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 school districts and the State, actuarially determined. At June 30, 2016, the District's proportion was 0.1050%.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 10: EMPLOYEE RETIREMENT PLANS

For the year ended June 30, 2017, pension expense of \$7,037,518 and revenue of \$4,704,063 for support provided by the state was recognized. At June 30, 2017, deferred outflows of resources and deferred inflows of resources related to pensions are from the sources presented herein.

Pension Deferred Outflows and Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 7,444,307	\$
Difference between expected and actual experience		2,071,650
Difference in proportion	3,121,158	10,773,677
Net differences between projected and actual earnings on plan investments	6,751,500	
Total	\$ 17,316,965	\$ 12,845,327

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 year ended June 30, 2018. The net differences between projected and actual earnings on the plan investments is amortized over a five year period on a straight-line basis. One-Fifth is recognized in pension expense during the measurement period and the remaining amount is deferred and will be amortized over the remaining four-year period. All other deferred inflows of resources and deferred outflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSP for the CalSTRS-STRP for the June 30, 2016 measurement date is 7 years. The first year of amortization is recognized in pension expense for the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods not to exceed 6 years.

Year Ending June 30,	Amortization
2018	\$ 171,218
2019	171,218
2020	171,218
2021	171,218
2022	(1,516,654)
2023	(2,140,887)
Total	\$ (2,972,669)

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015 used the following methods and assumptions, applied to all prior periods included in the measurement:

PASADENA AREA COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 10: EMPLOYEE RETIREMENT PLANS

Actuarial Methods and Assumptions

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Experience Study	July 1, 2006 through June 30, 2010
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.60%
Investment Rate of Return	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

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. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop an expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
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 7.60%. 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

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 10: EMPLOYEE RETIREMENT PLANS

earnings were calculated using the long-term assumed investment rate of return (7.60%) 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 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 is presented herein.

Discount rate	Net Pension Liability
1% decrease (6.60%)	\$ 122,226,300
Current discount rate (7.60%)	84,925,050
1% increase (8.60%)	53,944,800

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)

Plan Description

Qualified employees are eligible to participate in the Schools Pool Plan under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. 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.

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,

PASADENA AREA COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 10: EMPLOYEE RETIREMENT PLANS

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 5 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 52 for members hired on or after January 1, 2013), and has at least 5 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, 2017, are summarized herein.

Provisions and Benefits	School Employer Pool (CalPERS)	
	On or Before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1%-2.5%	1.0%-2.5%
Required employee contribution rate	6.974%	6.000%
Required employer contribution rate	13.888%	13.888%

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 the July 1 following notice of a change in the rate. Total plan contributions are determined 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 rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2017 are as presented above and the total District contributions were \$3,787,742.

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$44,615,390. The net pension liability was measured as of June 30, 2016. The total pension liability for CalPERS was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015 and rolling forward the total pension liability to June 30, 2016. The District’s proportion of the net pension liability was

PASADENA AREA COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 10: EMPLOYEE RETIREMENT PLANS

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 school districts, actuarially determined. At June 30, 2016, the District’s proportion was 0.2259%.

For the year ended June 30, 2017, pension expense of \$5,721,709 was recognized. At June 30, 2017, deferred outflows of resources and deferred inflows of resources related to pensions are from the sources presented herein.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 3,787,742	\$
Difference between expected and actual experience	1,918,889	
Changes of assumptions		1,340,427
Difference in proportion	160,288	409,786
Net differences between projected and actual earnings on plan investments	6,922,874	
Total	\$ 12,789,793	\$ 1,750,213

The deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. The net differences between projected and actual earnings on the plan investments is amortized over a five year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and the remaining amount is deferred and will be amortized over the remaining four-year period. The remaining net differences between projected and actual earnings on plan investments shown above represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

All other deferred inflows of resources and deferred outflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the CalPERS Plan for the June 30, 2016 measurement date is 3.9 years. The first year of amortization is recognized in pension expense for the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods not to exceed 2.9 years.

The remaining amounts will be recognized to pension expense as follows:

PASADENA AREA COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 10: EMPLOYEE RETIREMENT PLANS

Year Ending June 30,	Amortization
2018	\$ 1,101,248
2019	1,088,365
2020	3,255,416
2021	1,806,809
Total	\$ 7,251,838

Actuarial Methods and Assumptions

Total pension liability was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015 used the following methods and assumptions, applied to all prior periods included in the measurement:

Actuarial Methods and Assumptions

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Experience Study	July 1, 1997 through June 30, 2011
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.65%
Investment Rate of Return	7.50%
Consumer Price Inflation	2.75%
Wage Growth	3.00%

Mortality assumptions are based on CalPERS specific membership data and mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

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 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized herein.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 10: EMPLOYEE RETIREMENT PLANS

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	51%	5.71%
Global debt securities	20%	2.43%
Inflation assets	6%	3.36%
Private equity	10%	6.95%
Real estate	10%	5.13%
Infrastructure and forestland	2%	5.09%
Liquidity	2%	-1.05%

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. 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 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 is presented herein.

Discount rate	Net Pension Liability
1% decrease (6.65%)	\$ 66,566,410
Current discount rate (7.65%)	44,615,390
1% increase (8.65%)	26,336,846

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.

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

Plan Description

PASADENA AREA COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 10: EMPLOYEE RETIREMENT PLANS

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 employees not covered by Section 3121(b)(7)(F) of the Internal Revenue Code. The benefit provisions and contribution requirements of plan members and the District are established and may be amended by APPLE Administration Committee.

Funding Policy

Contributions of 3.75% of covered compensation of eligible employees are made by the employee. Total District contributions were made in the amount of \$521,696 during the fiscal year. The total amount of covered compensation was \$13,911,893. Total contributions made are 100% of the amount of contributions required for the fiscal year ended June 30, 2017. Total required contribution is 7.5%; the District contributes 3.75% in addition to the employees' contribution of 3.75%.

NOTE 11: SUPPLEMENTAL EMPLOYEE RETIREMENT PLAN

The District has Supplemental Employee Retirement Plans for faculty and management, confidential and non-management employees. The accumulated future liability for the District at June 30, 2017 is \$2,203,588, and has been reflected in these financial statements.

Plans approved in 2012-13, 2013-14, and 2014-15 by the Board of Trustees remain outstanding as of June 30, 2017.

A total of 81 faculty, 19 management/confidential, and 58 non-management employees participate in the remaining plans. The total cost to the District for the remaining plans is approximately \$4.8 million.

NOTE 12: INTERNAL SERVICE FUNDS

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; and medical claims. During the fiscal year, the District maintained an Internal Service Fund to account for and finance its uninsured risks of loss. The Self Insurance Fund provides coverage for up to a maximum of \$500,000 for each workers' compensation claim, \$50,000 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 for workers' compensation claims. Settled claims have not exceeded the coverage provided by the JPA in any of the past three fiscal years.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 12: INTERNAL SERVICE FUNDS

Funding of the Internal Service Fund is based on estimates of the amounts needed to pay prior and current year claims. Workers' Compensation claims are charged to the respective funds which generate the liability and the Property and Liability claims are paid by the General Fund.

At June 30, 2017, the District accrued the claims liability in accordance with GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The present value of the liability is estimated at \$5,191,583. Changes in the reported liability are presented herein.

<u>Reported Liability</u>	<u>Beginning Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Fiscal Year Liability</u>
Property and liability	\$ 225,000	\$ 1,121,244	\$ 1,121,244	\$ 225,000
Worker's compensation	4,937,603	1,260,186	1,231,206	4,966,583
	<u>\$ 5,162,603</u>	<u>\$ 2,381,430</u>	<u>\$ 2,352,450</u>	<u>\$ 5,191,583</u>

NOTE 13: JOINT POWERS AGREEMENTS

The District participates in two joint powers agreement (JPA) entities: the Statewide Association of Community Colleges (SWACC), and the Schools Alliance for Workers' Compensation Excess Group Purchase (SAWCX II).

SWACC provides liability and property insurance for forty-seven community colleges. SWACC is governed by a Board comprised of a member of each of the participating districts. The board controls the operations of SWACC, including selection of management and approval of members beyond their representation on the Board. Each member shares surpluses and deficits proportionately to its participation in SWACC.

SAWCX II provides reinsurance for workers' compensation claims above the District's self-insured limit.

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

Each JPA is independently accountable for its fiscal matters. Budgets are not subject to any

PASADENA AREA COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

NOTE 13: JOINT POWERS AGREEMENTS

approval other than that of the respective governing boards. Member districts share surpluses and deficits proportionately to their participation in the JPA.

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

Condensed financial information for the most current fiscal year ended is presented herein.

	SWACC 6/30/16 (Audited)	SAWCX II 6/30/16 (Audited)
<u>JPA Condensed Financial Information</u>		
Total assets	\$ 53,650,572	\$ 14,642,242
Total liabilities	<u>25,243,178</u>	<u>13,074,020</u>
Fund balance	<u>\$ 28,407,394</u>	<u>\$ 1,568,222</u>
Total revenues	19,541,575	1,921,295
Total expenditures	<u>21,650,874</u>	<u>1,720,766</u>
Net increase/(decrease)	<u>\$ (2,109,299)</u>	<u>\$ 200,529</u>

NOTE 14: FUNCTIONAL EXPENSE

Operating expenses are reported by natural classification in the statement of revenues, expenses and change in net position. A schedule of expenses by function is presented herein.

	Salaries	Employee Benefits	Supplies, materials, and other operating expenses and services	Financial Aid	Depreciation	Total
Instructional activities	\$ 62,341,490	\$ 21,028,674	\$ 2,641,517	\$ -	\$ -	\$ 86,011,681
Academic support	8,671,835	3,584,715	1,532,670	-	-	13,789,220
Student services	16,394,473	5,585,521	6,101,223	-	-	28,081,217
Operation & maintenance of plant	4,619,342	2,355,481	3,062,569	-	-	10,037,392
Instructional support services	10,801,185	6,570,379	6,808,866	-	-	24,180,430
Community services & economic development	611,018	275,280	206,397	-	-	1,092,695
Ancillary services & auxiliary operations	3,526,703	1,124,246	2,944,887	-	-	7,595,836
Physical property & related acquisitions	-	-	3,528,076	-	-	3,528,076
Long-Term Debt & Other Financing	-	-	6,946,031	-	-	6,946,031
Student Aid	-	-	-	40,697,491	-	40,697,491
Depreciation expense	-	-	-	-	8,817,147	8,817,147
Total	<u>\$ 106,966,046</u>	<u>\$ 40,524,296</u>	<u>\$ 33,772,236</u>	<u>\$ 40,697,491</u>	<u>\$ 8,817,147</u>	<u>\$ 230,777,216</u>

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

NOTE 15: COMMITMENTS AND CONTINGENCIES

Litigation

The District is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the District's financial statements.

State and Federal Allowances, Awards, and Grants

The District has received state and Federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

Purchase Commitments

As of June 30, 2017, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$9.3 million. Projects will be funded through bond proceeds, state funds and general funds.

NOTE 16: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS ISSUED, NOT YET EFFECTIVE

The Governmental Accounting Standards Board (GASB) has issued pronouncements prior to June 30, 2017, that have effective dates that may impact future financial presentations; however, the impact of the implementation of each of the statements below to the District's financial statements has not been assessed at this time.

Statement No. 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

This statement establishes standards for governmental employer recognition, measurement, and presentation of information about OPEB. The statement also establishes requirements for reporting information about financial support provided by certain non-employer entities for OPEB that is provided to the employees of other entities. The statement is effective for the fiscal year 2017-18.

Statement No. 81 – Irrevocable Split-Interest Agreements

This statement establishes guidance in order to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

**NOTE 16: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS
ISSUED, NOT YET EFFECTIVE**

recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The statement is effective for the fiscal year 2017-18.

Statement No. 83 – *Certain Asset Retirement Obligations*

This statement addresses accounting and financial reporting for certain asset retirement obligations when a legally enforceable liability is associated with the retirement of a tangible capital asset. The statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources. The statement is effective for the fiscal year 2018-19.

Statement No. 84 – *Fiduciary Activities*

The objective of the statement is to improve guidance regarding the recognition of fiduciary activities for accounting and financial reporting purposes by establishing criteria for identifying fiduciary activities of all state and local governments. The statement is effective for the fiscal year 2019-20.

Statement No. 85 – *Omnibus 2017*

The objective of the statement is to address practice issues that have been identified during implementation and application of certain GASB statements. Specific topics addressed in this statement are related to blended component units, goodwill, fair value measurement and application, and postemployment benefits (OPEB). The statement is effective for the fiscal year 2017-18.

Statement No. 86 – *Certain Debt Extinguishment Issues*

The objective of the statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial report for prepaid insurance on debt that is extinguished and notes to the financial statements for debt that is in-substance defeased. The statement is effective for the fiscal year 2017-18.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017**

**NOTE 16: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS
ISSUED, NOT YET EFFECTIVE**

Statement No. 87 – *Leases*

The objective of the statement is to improve the accounting and financial reporting for leases by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. Inflows of resources or outflows of resources will be recognized based on the payment provisions of the contract. The statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The statement is effective for the fiscal year 2020-21.

REQUIRED SUPPLEMENTARY INFORMATION

PASADENA AREA COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF POSTEMPLOYMENT HEALTHCARE
BENEFITS FUNDING PROGRESS
For the Fiscal Year Ended June 30, 2017**

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (Unit Credit Cost Method)		Unfunded Actuarial Accrued Liability (UAAL)	Funding Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
		(AAL)	(AAL)				
2/1/2016	-	\$ 31,552,333	\$ 31,552,333	0%	\$ 64,968,110	48.57%	
2/1/2014	-	20,286,529	20,286,529	0%	59,070,408	34.34%	
12/1/2011	-	15,674,507	15,674,507	0%	51,822,405	30.25%	

Although the plan has no segregated assets, the District does maintain a retiree benefits fund to designate resources for future retiree health care costs. At June 30, 2017, the fund's designated ending balance was \$14,583,891.

See accompanying notes to the required supplementary information.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Fiscal Year Ended June 30, 2017**

State Teachers' Retirement Plan	2015	2016	2017
District's proportion of the net pension liability (assets)	0.1160%	0.1220%	0.1050%
District's proportionate share of the net pension liability (asset)	\$ 67,786,920	\$ 82,135,280	\$ 84,925,050
State's proportionate share of the net pension liability (asset) associated with the District	<u>40,933,080</u>	<u>43,440,392</u>	<u>48,353,434</u>
Total	<u>\$ 108,720,000</u>	<u>\$ 125,575,672</u>	<u>\$ 133,278,484</u>
District's covered payroll	\$ 51,472,000	\$ 53,590,000	\$ 54,400,000
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	131.70%	153.27%	156.11%
Plan fiduciary net position as a percentage of the total pension liability	77.00%	74.00%	70.00%
California Public Employees' Retirement Plan	2015	2016	2017
District's proportion of the net pension liability (assets)	0.2236%	0.2295%	0.2259%
District's proportionate share of the net pension liability (asset)	<u>\$ 25,384,044</u>	<u>\$ 33,828,527</u>	<u>\$ 44,615,390</u>
District's covered payroll	\$ 23,477,000	\$ 24,691,000	\$ 27,600,000
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	108.12%	137.01%	161.65%
Plan fiduciary net position as a percentage of the total pension liability	83.37%	79.43%	73.90%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

The amounts for covered payroll are reported as of the previous fiscal year to align with the measurement date of the net pension liability.

See accompanying notes to the required supplementary information.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF DISTRICT CONTRIBUTIONS
For the Fiscal Year Ended June 30, 2017**

State Teachers' Retirement Plan	2015	2016	2017
Contractually required contribution	\$ 4,859,625	\$ 5,834,591	\$ 7,444,307
Contributions in relation to the contractually required contribution	<u>4,859,625</u>	<u>5,834,591</u>	<u>7,444,307</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 District's covered payroll	 \$ 53,590,000	 \$ 54,400,000	 \$ 59,200,000
Contributions as a percentage of covered payroll	9.07%	10.73%	12.57%
 <u>California Public Employees' Retirement Plan</u>	 <u>2015</u>	 <u>2016</u>	 <u>2017</u>
Contractually required contribution	\$ 2,745,063	\$ 3,272,310	\$ 3,787,742
Contributions in relation to the contractually required contribution	<u>2,745,063</u>	<u>3,272,310</u>	<u>3,787,742</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 District's covered payroll	 \$ 24,691,000	 \$ 27,600,000	 \$ 27,300,000
Contributions as a percentage of covered payroll	11.12%	11.86%	13.87%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

See accompanying notes to the required supplementary information.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2017

NOTE 1: PURPOSE OF SCHEDULES

Schedule of Postemployment Healthcare Benefits Funding Progress

This schedule is prepared to show information for the three most recent actuarial valuations in accordance with Statement No. 45 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

Schedules of District's Proportionate Share of the Net Pension Liability – STRP and PERS

The schedule presents information on the District's proportionate share of the net pension liability, the plans' fiduciary net position and, when applicable, the State's proportionate share of the net pension liability associated with the District. In the future, as data becomes available, 10 years of information will be presented.

Schedules of District Contributions – STRP and PERS

The 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, 10 years of information will be presented.

SUPPLEMENTARY INFORMATION

PASADENA AREA COMMUNITY COLLEGE DISTRICT

**HISTORY AND ORGANIZATION
For the Fiscal Year Ended June 30, 2017**

The District was established in 1967 and serves communities in the Los Angeles County. There were no exterior boundary changes during the current year. The District operates one college.

The Board of Trustees and the District Executive Officers for the fiscal year ended June 30, 2017 were as follows:

BOARD OF TRUSTEES

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Ross Selvidge, Ph.D.	President	July 2018
Anthony F. Fellow, Ph.D.	Vice President	July 2018
James A. Osterling	Clerk	July 2020
Berlinda Brown	Member	July 2018
Hoyt R. Hilsman	Member	July 2020
John H. Martin	Member	July 2020
Linda S. Wah	Member	July 2018
Nune Garipian	Student Trustee	June 2017

DISTRICT EXECUTIVE OFFICERS

Rajen Vurdien, 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
Richard S. Storti, Ed.D.	Assistant Superintendent/Vice President, Business and Administrative Services

PASADENA AREA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2017

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
United States Department of Education			
Direct:			
Student Financial Aid Cluster:			
Pell Grant	84.063	N/A	\$ 33,778,913
Pell Grant Administration Grant	84.063	N/A	46,800
Supplemental Educational Opportunity Grant	84.007	N/A	671,303
Supplemental Educational Opportunity Grant Administration	84.007	N/A	3,571
Federal Family Education Loans(Direct Loans)	84.032	N/A	1,410,255
Federal Direct Loans Plus	84.268		20,767
Federal Work-Study Program(5313 & 5314)	84.033	N/A	50,000
Federal Work-Study Program -On Campus	84.033	N/A	550,910
Federal Work-Study Program - Off Campus	84.033	N/A	37,182
Total Student Financial Aid Cluster			<u>36,569,701</u>
Pass-Through Program From California Department of Education:			
TRIO Cluster:			
TRIO - Upward Bound Classic	84.047A	(1)	295,480
TRIO - Upward Bound Math and Science	84.047M	(1)	237,245
TRIO - Student Support Services and Student Grants	84.042A	(1)	285,910
TRIO - Talent Search	84.044A	(1)	226,141
TRIO - Upward Bound Classic-Rosemead	84.044A	(1)	281,979
TRIO - Upward Bound Math and Science-El Monte	84.044A	(1)	263,947
TRIO - Talent Search-El Monte	84.044A	(1)	131,763
Total TRIO Cluster			<u>1,722,465</u>
Direct:			
HSI: Developing accessible intersegmental STEM pathway			
Environmental sciences for underserved Hispanic students	84.031C	N/A	509,382
STEM GPS (Guided Pathway Solution)	84.031C	N/A	283,844
Design Technology Pathway	84.031S	N/A	441,483
Passed through the University California State University Los Angeles			
STEM Education Consortium	84.116F	(1)	162,050
Pass-Through the California State Chancellor's Office:			
CTEA I-C	84.048	03579	500,243
CTE Transitions	84.048	03579	43,748
Pass-Through Program From California Department of Education:			
Workforce Investment Act: Adult Basic Education	84.002A	3905	181,699
ASE	84.002A	3913	140,458
EL Civics	84.002A	3926	18,106
Pathways to Completion	84.031S	(1)	625,207

See the accompanying notes to the supplementary information.

PASADENA AREA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2017

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
United States Small Business Administration			
Small Business Development	59.037	N/A	249,955
United States Department of Health and Human Services			
Passed through the California State Chancellor's Office			
Foster Care	93.658	(1)	56,808
Temporary Assistance for Needy Families (TANF)	93.558	(1)	69,962
Passed through the California Department of Education			
Child Development - CCTR (Based of Attendance/Enrollment)	93.575	000324	24,288
Child Development - CSPP (Based of Attendance/Enrollment)	93.596	000321	52,876
Passed through the Department of Social Services			
Los Angeles County DPSS	93.558	(1)	82,068
Passed through the University Corporation at California State University Northridge			
Build Poder	93.310	(1)	13,193
United States Department of Agriculture			
Forest Reserve	10.665	N/A	34,092
Summer Food Math Science Upward Bound	10.559	N/A	21,870
Department of Housing and Urban Development			
Community Development Block Grant (Project Leap)	14.218	N/A	24,180
Passed through the California Department of Education			
Child & Adult Care Food Program	10.558A	3278-1 A	36,720
National Science Foundation			
Direct:			
Education and Human Resources (eCURE)	47.076	N/A	120,134
Carleton College Integrate	47.076	N/A	2,942
Carleton College Integrate (Prior Year)	47.076	N/A	9,385
Total Federal Programs			<u>\$ 41,996,859</u>
Reconciliation to Federal Revenue			
Total federal program expenditures			\$ 41,996,859
Revenue in excess of expenditures related to federal program:			
Build America Bonds			367,842
Total Federal Revenue			<u>\$ 42,364,701</u>

(1) Pass-Through Entity Identifying Number not readily available or not applicable

See the accompanying notes to the supplementary information.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF STATE FINANCIAL ASSISTANCE - GRANTS
For the Fiscal Year Ended June 30, 2017**

Program Name	Program Revenues				Total Program Expenditures
	Cash Received	Accounts Receivable	Deferred Revenue	Total	
State Categorical Aid Programs:					
Child Development Program	\$ 108,817	\$ -	\$ 3,653	\$ 105,164	\$ 105,164
Child Development Program	161,127	3,168	-	164,295	164,295
Child Development Program	1,452	146	-	1,598	1,598
Cooperative Agencies Resources For Education (CARE)	119,129	-	-	119,129	119,129
Cooperative Agencies Foster Youth Ed Support (CAFYES)	453,454	-	546	452,908	452,908
Extended Opportunity Program and Services (EOP&S)	1,092,119	-	-	1,092,119	1,092,119
Instructional Equipment & Library Materials	2,133,325	-	1,138,644	994,681	994,681
Associate Degree Nursing	141,680	-	6,088	135,592	135,592
CTE: Strong Workforce Program (SWP)	1,444,357	-	1,438,702	5,655	5,655
CTE-Enhancement Funds	330,497	-	-	330,497	330,497
Bridges to Stem Cell Research	924,821	-	600,906	323,915	323,915
MESA	36,852	20,200	-	57,052	57,052
SSSP - Credit	6,343,187	-	501,045	5,842,142	5,842,142
SSSP - Non Credit	714,538	-	348,394	366,144	366,144
Community College Basic Skills and Student Outcome Transformation	593,696	-	306,445	287,251	287,251
AB 104 - AEBG	3,180,833	-	1,778,838	1,401,995	1,401,995
AB 798- Textbook Affordability Program	45,000	-	40,976	4,024	4,024
Zero Textbook Cost Degree	14,000	9,775	-	23,775	23,775
Foster Care Education Program	57,393	20,600	-	77,993	77,993
Basic Skills	512,612	-	198,328	314,284	314,284
Cal Grant "B"	2,865,392	-	833	2,864,559	2,864,559
Cal Grant "C"	19,182	205	-	19,387	19,387
Student Financial Aid Administration	256,144	-	-	256,144	256,144
SFAA Augmentation	596,395	-	-	596,395	596,395
Disabled Students Program and Services (DSPS)	1,198,261	-	-	1,198,261	1,198,261
Calworks	378,357	-	36,708	341,649	341,649
Student Equity	3,004,704	-	762,350	2,242,354	2,242,354
Career Pathways Trust (Ametll)	-	598,165	-	598,165	598,165
Prop 39 Clean Energy Work	41,625	-	-	41,625	41,625
Full Time Student Success Grant	885,659	-	116,159	769,500	769,500
Sierra Joint CCD, Innovation Maker 3	-	60,906	-	60,906	60,906
Staff Diversity - AB1725	60,862	-	-	60,862	60,862
CA Gov Off. GO_Biz	5,160	59,840	-	65,000	65,000
Career Pathways Trust (LA Hi-Tech)	11,221,614	-	8,957,648	2,263,966	2,263,966
Total State Categorical Aid Programs	\$ 38,942,244	\$ 773,005	\$ 16,236,263	\$ 23,478,986	\$ 23,478,986

See the accompanying notes to the supplementary information.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL
APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE
For the Fiscal Year Ended June 30, 2017**

<u>Categories</u>	<u>Annual - Factored FTES</u>		
	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Revised Data</u>
A. Summer Intersession (Summer 2015 only)			
1. Noncredit ¹	145.99		145.99
2. Credit ¹	1,237.72		1,237.72
B. Summer Intersession (Summer 2015 - Prior to July 1, 2016)			
1. Noncredit ¹	-		-
2. Credit ¹	742.31		742.31
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	16,176.52		16,176.52
(b) Daily Census Contact Hours	2,011.97		2,011.97
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit ¹	1,076.93		1,076.93
(b) Credit ¹	572.12		572.12
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	1,067.36		1,067.36
(b) Daily Census Contact Hours	957.30		957.30
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	<u>23,988.22</u>	<u>-</u>	<u>23,988.22</u>
Supplemental Information (subset of above information)			
E. In-service Training Courses (FTES)	-		
H. Basic Skills courses and Immigrant Education			
(a) Noncredit ¹	944.39		
(b) Credit ¹	999.91		
<u>CCFS 320 Addendum</u>			
CDCP Noncredit FTES	1,056.35		
Centers FTES			
(a) Noncredit ¹	947.09		
(b) Credit ¹	505.31		

¹Including Career Development and College Preparation (CDCP) FTES

PASADENA AREA COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

The audit resulted in no adjustments to the fund balances reported on the June 30, 2017 Annual Financial and Budget Report (CCFS-311) based upon governmental accounting principles. Additional entries were made to comply with the GASB 34/35 reporting requirements. These entries are not considered audit adjustments for purposes of this reconciliation.

See the accompanying notes to the supplementary information.

PASADENA AREA COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

General Fund Balance	\$ 28,551,225
Bond Interest and Redemption Fund Balance	6,462,437
Other Debt Service Fund Balance	1,040,729
Child Development Fund Balance	281,248
Capital Outlay Fund Balance	8,209,247
Bond Construction Fund Balance	6,817,674
Bookstore Fund Balance	2,259,039
Other Enterprise Fund Balance	112,214
Self-Insurance Fund Balance	19,873,679
Other Internal Service Fund Balance	5,314,523
Student Financial Aid Fund Balance	<u>760,390</u>

Total fund balances as reported on the Annual Financial and Budget Report (CCFS-311)	79,682,405
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Reconciliation to the Statement of Net Position:

Capital assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets, net of accumulated depreciation are added to total net assets.	203,731,535
Deferred charges on refunding debt are recorded as deferred outflows and are amortized over the life of the refunded debt.	2,984,987
Deferred outflows - pensions are for contributions made during the fiscal year that are removed from expenses and are recorded as a deferred outflow of resources. This amount will be recognized as a reduction of the net pension liability in the subsequent year. Other deferred outflows will be amortized.	30,106,758
Capital lease are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. The liability is added to the statement of net position which reduces the total net assets reported.	(1,136,190)
Compensated absences, load banking and supplemental employee retirement plans are not due and payable in the current period and therefore are not reported in the governmental funds.	(5,857,165)
Long-term liabilities related to bonds are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Bond related liabilities are added to the statement of net position which reduces the total net assets reported.	(90,116,519)

See the accompanying notes to the supplementary information.

PASADENA AREA COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

Amounts for other post-employment retirement plan is reported as a liability in the statement of net position	(9,597,450)
The liability of employers and nonemployers contributing to employees for benefits provided through a defined benefit pension plan is recorded as net pension liabilities.	(129,540,440)
Deferred inflows - pensions represent an acquisition of net assets by the District that is applicable to a future reporting period. The deferred inflows of resources – pensions, results from various differences between estimated and actual results. These amounts will be deferred and amortized.	(14,595,540)
Interest expense related to bonds incurred through June 30, 2017 is accrued as a current liability on the statement of net position which reduces the total net assets reported.	<u>(699,861)</u>
Total net position	<u>\$ 64,962,520</u>

See the accompanying notes to the supplementary information.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF 50 PERCENT LAW CALCULATION
For the Fiscal Year Ended June 30, 2017**

	Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional Salaries	1100						
Contractor or Regular	1300	31,473,992		31,473,992	32,242,765		32,242,765
Other		25,958,631		25,958,631	25,958,631		25,958,631
Total Instructional Salaries		57,432,623		57,432,623	58,201,396	-	58,201,396
Non-Instructional Salaries							
Contract or Regular	1200			-	9,124,038		9,124,038
Other	1400			-	587,798		587,798
Total Non-Instructional Salaries		-		-	9,711,836	-	9,711,836
Total Academic Salaries		57,432,623	-	57,432,623	67,913,232	-	67,913,232
Classified Salaries							
Non-Instructional Salaries							
Regular Status	2100			-	21,256,883		21,256,883
Other	2300			-	1,649,409		1,649,409
Total Non-Instructional Salaries		-	-	-	22,906,292	-	22,906,292
Instructional Aides							
Regular Status	2200			-			-
Other	2400	121,820		121,820	122,235		122,235
Total Instructional Aides		121,820	-	121,820	122,235	-	122,235
Total Classified Salaries		121,820	-	121,820	23,028,527	-	23,028,527
Employee Benefits	3000	15,510,489	-	15,510,489	35,719,595	-	35,719,595
Supplies and Materials	4000	-	-	-	668,138	-	668,138
Other Operating Expenses	5000	56,972	-	56,972	10,869,428	-	10,869,428
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		73,121,904	-	73,121,904	138,198,920	-	138,198,920
Exclusions							
Activities to Exclude							
Instructional Staff-Retirees' Benefits and Retirement Incentives	5900	596,915		596,915	596,915		596,915
Student Health Services Above Amount Collected	6441			-			-
Student Transportation	6491			-	109,729		109,729
Non-instructional Staff-Retirees' Benefits and Retirement Incentives	6740			-	440,639		440,639
Objects to Exclude							
Rents and Leases	5060			-	414,209		414,209
Lottery Expenditures							
Academic Salaries	1000			-			-
Classified Salaries	2000			-			-
Employee Benefits	3000			-			-
Supplies and Materials	4000			-			-
Software	4100			-			-
Books, Magazines, & Periodicals	4200			-			-
Instructional Supplies & Materials	4300			-			-
Noninstructional, Supplies & Materials	4400			-			-
Total Supplies and Materials							
Other Operating Expenses and Services	5000			-	3,666,926		3,666,926
Capital Outlay	6000			-			-
Library Books	6300			-			-
Equipment	6400			-			-
Equipment - Additional	6410			-			-
Equipment - Replacement	6420			-			-
Total Equipment							
Total Capital Outlay							
Other Outgo	7000			-			-
Total Exclusions		596,915	-	596,915	5,228,418	-	5,228,418
Total for ECS 84362, 50% Law		72,524,989	-	72,524,989	132,970,502	-	132,970,502
Percent of CEE (Instructional Salary Cost / Total CEE)		54.54%	0%	54.54%	100%	0%	100%
50% of Current Expense of Education					66,485,251	-	66,485,251

See the accompanying notes to the supplementary information.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

**NOTES TO THE SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2017**

NOTE 1: PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the District under programs of the federal governmental for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the full accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The District did not use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Schedule of Expenditures of State Financial Assistance – Grants

The accompanying schedule of expenditures of state financial assistance – grants includes state award activity for the year ended June 30, 2017. Expenditures reported on the schedule are reported on the modified accrual basis of accounting.

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

The Schedule of Workload Measures for State General Apportionment represents the basis of apportionment of the District's annual source of funding.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule reports any audit adjustments made to the fund balances of all funds as reported on the Annual Financial and Budget Report (Form CCFS-311).

PASADENA AREA COMMUNITY COLLEGE DISTRICT

**NOTES TO THE SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2017**

NOTE 1: PURPOSE OF SCHEDULES

Reconciliation of 50 Percent Law Calculation

This schedule reports any audit adjustments made to the 50 percent law calculation (Education Code Section 84362).

Education Protection Account Expenditure Report

This schedule reports how funds received from the passage of Proposition 55 Education Protection Act were expended.

OTHER INDEPENDENT AUDITOR'S REPORT

**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**

The Board of Trustees
Pasadena Area Community College District
Pasadena, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements (the business-type activities) of the Pasadena Area Community College District (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated November 28, 2017.

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 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.

**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***

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

Compliance and Other Matters

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



CliftonLarsonAllen LLP
Glendora, California
November 28, 2017

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**

The 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 U.S. Office of Management and Budget (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, 2017. 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.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**

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, 2017.

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 a 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, 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.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**

Purpose of this Report

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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
Glendora, California
November 28, 2017

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

The Board of Trustees
Pasadena Area Community College District
Pasadena, California

We have audited the Pasadena Area Community College District's (the District) compliance with the types of compliance requirements described in the *2016-17 Contracted District Audit Manual*, published by the California Community Colleges Chancellor's Office for the year ended June 30, 2017. The District's state compliance requirements are identified in the table provided.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance based on our audit of the types of compliance requirements referred to below.

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 *2016-17 Contracted District Audit Manual*, published by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on state compliance. However, our audit does not provide a legal determination of the District's compliance.

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Compliance Requirements Tested

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

<u>Section</u>	<u>Description</u>	<u>Procedures Performed</u>
421	Salaries of Classroom Instructors (50 Percent Law)	Yes
423	Apportionment for Instructional Service Agreements/Contracts	Yes
424	State General Apportionment Funding System	Yes
425	Residency Determination for Credit Courses	Yes
426	Students Actively Enrolled	Yes
427	Dual Enrollment of K-12 Students in Community College Credit Courses	Yes
428	Student Equity	Yes
429	Student Support Services Program	Yes
430	Scheduled Maintenance Program	Yes
431	Gann Limit Calculation	Yes
435	Open Enrollment	Yes
439	Proposition 39 Clean Energy Funds	Yes
440	Intersession Extension Program	Not applicable
475	Disabled Student Programs and Services (DSPS)	Yes
479	To Be Arranged Hours (TBA)	Not applicable
490	Proposition 1D State Bond Funded Projects	Not applicable
491	Education Protection Account Funds	Yes

Opinion on State Compliance

In our opinion, the District complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2017.

Purpose of this Report

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2016-17 Contracted District Audit Manual*. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP
Glendora, California
November 28, 2017

FINDINGS AND QUESTIONED COSTS

PASADENA AREA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS

June 30, 2017

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major federal awards:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified? Yes X 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 2 CFR 200.516(a)?

 Yes X No

Identification of Major Federal Programs:

CFDA Number(s) Name of Federal Program or Cluster

84.007, 84.032,
84.033, 84.063 Student Financial Aid Cluster

84.047A, 84.047M,
84.044A, 84.042A TRIO Cluster

84.031C, 84.031S Higher Education Institutional Aid (STEM Pathway)

Dollar threshold used to distinguish between type A and type B programs:

\$1,260,044

Auditee qualified as low-risk auditee?

 X Yes No

PASADENA AREA COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO THE FINANCIAL STATEMENTS**

June 30, 2017

There were no findings and questioned costs related to basic financial statements for the year ended June 30, 2017.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS**

June 30, 2017

FEDERAL AWARDS FINDINGS

There were no findings and questioned costs related to federal awards for June 30, 2017.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO STATE AWARDS**

June 30, 2017

STATE AWARDS FINDINGS

There were no findings and questioned costs related to state awards for June 30, 2017.

PASADENA AREA COMMUNITY COLLEGE DISTRICT
STATUS OF PRIOR YEAR FINDING AND QUESTIONED COSTS
June 30, 2017

There were no findings and questioned costs related to the basic financial statements, federal awards or state awards for the prior year.