

D. Financial Resources

Planning

D1. Financial resources are sufficient to support and sustain student learning programs and services and improve institutional effectiveness. The distribution of resources supports the development, maintenance, allocation and reallocation, and enhancement of programs and services. The institution plans and manages its financial affairs with integrity and in a manner that ensures financial stability. (ER 18)

Evidence of Meeting the Standard

Financial resources are sufficient to support and improve student learning programs and services at the College in support of the Educational Master Plan (EMP), and to improve institutional effectiveness (IIID1_1). The College has in place Board policies that address budget preparation and fiscal management: Board Policy (BP) 6200 Budget Preparation ([IIID1_2](#)), BP 6250 Budget Management ([IIID1_3](#)), BP 6300 Fiscal Management ([IIID1_4](#)), and BP 6320 Investments (IIID1_5).

Each year the Pasadena Area Community College District presents a tentative budget for the fiscal year in June for the unrestricted general fund, which includes available resources. ([IIID1_6](#), page 13). The adopted budget is presented to the Board in September as required by law. PCC consistently has available resources well over the required reserve. The unrestricted general fund supports the core operations of the College, which includes instruction, facilities, student services, and administration. The largest expense of the District, representing 87.8% of the unrestricted general fund budget in 2019-2020, was salaries and benefits (IIID1_7, page 5).

The District, under BP 6250 Budget Management, is responsible for the stewardship of all available resources. The organizational structure incorporates a clear delineation of fiscal responsibilities and staff accountability ([IIID1_3](#)). The safeguarding of District assets is maintained by sustaining effective internal controls. District funds are invested by Los Angeles County Treasurer in compliance with the county's investment policy as specified by AP 6320 Investments (IIID1_8, IIID1_9).

Analysis and Evaluation

The College meets the standard. PCC's financial procedures are outlined in Board Policies and Administrative Procedures. Financial management is transparent and follows generally accepted accounting and internal control practices. The College plans for both short-term and long-term financial solvency. The College's resources are sufficient to support and maintain student learning programs and student services.

D2. The institution's mission and goals are the foundation for financial planning, and financial planning is integrated with and supports all institutional planning. The institution has policies and procedures to ensure sound financial practices and financial stability. Appropriate financial information is disseminated throughout the institution in a timely manner.

Evidence of Meeting the Standard

The District's mission (IIID2_1) and goals are the foundation for financial planning, and financial planning is integrated with and supports all institutional planning. In addition, the Educational Master Plan (EMP), the Facilities Master Plan, and the Technology Master Plan are used for setting short and long-term goals (IIID1_1, IIID2_2, IIID2_3). The integrated planning process, which includes a Fall Planning Retreat, Annual Update, Spring Budget Retreat, and Comprehensive Program Review, provides the basis for fiscal decision-making. The College's Budget and Resource Accountability Committee (BRAC) provides an opportunity for all constituents of the College to understand and participate in the fiscal oversight of the College.

The budget development process uses general guidelines for prioritizing budget requests. The first priority is identification of ongoing expenditures necessary to sustain PCC's current operational services, and the second priority is funding improvements to support the College mission. The District utilizes an integrated planning model, where participation from the entire campus is encouraged (IIID2_5). Funding needs are documented in TaskStream, a software used by the College for integrated planning, through a process of departmental review, program planning, and budget requests. This process integrates financial planning with institutional planning, considers EMP and strategic goals, and comprehensive program review and results in recommendations that provide essential input into the ongoing budgeting process.

The budget prioritization process begins with a Fall Planning Retreat, which involves members representing constituency groups across the District to prepare for the annual update cycle (IIID2_6). The retreat includes a synopsis of the current budget outlook, an enrollment update, a preview of changes or adjustments to the annual update process, and a review of the previous years' integrated planning process.

Then, divisions, units, programs, and departments complete their annual updates, which consists of a brief review and evaluation of the previous year's activities, and action plans, identifying areas that need additional resources. The requests are compiled in TaskStream. The Office of Instructional Effectiveness then aggregates the requests for prioritization.

First level prioritization is done by budget managers in consultation with annual update authors. From that prioritized list, items are submitted to the College's Executive Committee for further refinement. During the review by the College's Executive Committee, items are prioritized, but



the Executive Committee also identifies other revenue streams that could fund requests, such as Lottery Funds, Instructional Equipment Fund, or Student Equity Funds.

The Spring Budget Retreat, with representation from all constituency groups drawn from the membership of BRAC- the Strategic Planning Committee, Institutional Effectiveness Committee, Student Success Committee- marks the final prioritization process. Retreat participants review the prioritized list and develop a final prioritized resource request. The final ranked list from the Spring Budget Retreat is presented to the College Council for recommendation to the Superintendent/President. Upon the recommendation of College Council, the prioritized list receives a final review by the Superintendent/President and Vice Presidents. Budget augmentation requests and new resource requests are then incorporated into the final budget presented to the Board of Trustees.

To ensure that the budget process follows a set structure, policies and procedures were put in place by the Board of Trustees. Board policies such as BP 6200 Budget Preparation, BP 6250 Budget Management, and BP 6300 Fiscal Management were developed to safeguard sound financial practices and financial stability of PCC's short- and long-term resources (IIID1_4, IIID1_5, IIID2_6). Responsibility and accountability for fiscal management are clearly delineated and must support the College's mission and strategic plans.

Dissemination of financial information occurs throughout the year to the entire institution and the community in a timely manner. PCC's tentative budget goes to the Board for approval in June and the adoption of the final budget is in September at an open Board of Trustees meeting (IIID2_7, page 4, item H.1.; IIID2_8, page 3, items H.1, H.2, H.3). The Assistant Superintendent/Vice President, Business and Administrative Services, also provides budget presentations in June and September at the Board meeting (IIID1_6, IIID1_7). Additionally, the Assistant Superintendent/Vice President, Business and Administrative Services, serves as the Co-Chair of BRAC. BRAC is a shared governance committee with representatives from all of the College's constituent groups and meets regularly throughout the academic year to provide updates and changes on the College's financial resources.

The College annually releases and posts the independent audit report online and takes it to the Board of Trustees for approval (IIID2_9). The audit and the State Chancellor's Office annual financial report (CCFS 311) are public documents and are filed with state, federal, and other organizations as required (IIID2_10). PCC also reports out quarterly the financial status of the College on the chancellor's quarterly report 311Q for Board approval (IIID2_11). All budget and financial reports are posted on PCC's web site.

PCC provides all budget managers with access to Banner that allows them to review and maintain budgets in real-time. They can see account balances, year to date expenditures, and unused encumbrances. This access allows managers and staff to manage their budgets appropriately.

Analysis and Evaluation

The College meets the standard. Financial planning at PCC is based on the District’s mission, the Educational Master Plan (EMP), and strategic goals and is part of a formally established integrated planning process that involves administrators, faculty, staff, and the Board of Trustees. Board policies and administrative procedures require such integration and outline sound financial practices that promote financial stability. Financial planning is open and transparent to the entire College and the local community. Information is disseminated via web postings on the PCC website, presentations, and is shared through participatory governance.

D3. The institution clearly defines and follows its guidelines and processes for financial planning and budget development, with all constituencies having appropriate opportunities to participate in the development of institutional plans and budgets.

Evidence of Meeting the Standard

The College’s integrated planning process, as described in Standard III.D.2, is a participatory governance process and is charged with integrating the financial resources with the College’s master plans, strategic goals, and mission. It clearly defines and follows guidelines and processes for financial planning and budget development.

In addition, the Budget and Resource Allocation Standing Committee (BRAC) is an established shared governance committee that provides recommendations to the Superintendent/President on matters relating to institutional-wide budget and resource allocation issues as guided by the Educational Master Plan. This committee follows the District’s guidelines for shared governance committees that clearly establish the charge, role, and contribution to the shared governance process. The membership appointments come from all College constituencies, including faculty, classified staff, and administration. BRAC reviews the planning and the budget assumptions and revenue and expenditure projections developed by the Business and Administrative Services area (IIID3_1, IIID3_2, IIID3_3).

The combination of the integrated planning process as well as the regular BRAC meetings provide an opportunity for college-wide participation in the development of institutional plans and budgets. Recommendations from the integrated planning process and BRAC provide important information which is incorporated into the annual budget development process. As described in Standard III.D.2, the tentative budget is approved at the June Board of Trustees meeting so the District can operate from the beginning of July until the final budget is adopted at the September Board of Trustees meeting (IIID2_7, IIID2_8).

Analysis and Evaluation

The College meets the standard. The budget development process is consistent with the integrated planning process and the tentative and final budget is available to all constituencies. All constituency groups have the opportunity for active participation and feedback into budget development and financial planning. As needed, the budgeting process is updated to reflect the current budget development.

Fiscal Responsibility and Stability

D4. Institutional planning reflects a realistic assessment of financial resource availability, development of financial resources, partnerships, and expenditure requirements.

Evidence of Meeting the Standard

PCC uses an integrated planning process that reflects a realistic assessment of its financial resources, development of financial resources, partnerships, and expenditure requirements. The Fiscal Services department typically develops budget assumptions in coordination with the Assistant Superintendent/Vice President, Business and Administrative Services with input from the Superintendent/President's Executive Committee and the integrated planning process as described in Standard III.D.3. The adopted budget is updated throughout the year as new information becomes available. Updates affecting the current and future budgets are shared with the Board of Trustees Budget and Audit Committee on a continuous basis (IIID4_1_BOT Budget_Audit_Committee_Meeting_Minutes.pdf).

The tentative budget, final adopted budget, and periodic updates are developed based on the most recent budgetary and economic information provided by the California Community Colleges Chancellor's Office, the California Department of Finance, and the Los Angeles County Office of Education (IIID2_7, IIID2_8, IIID4_1). The Board of Trustees' policy on budget management, as well as revenue forecasts and fixed costs (such as permanent and part-time staff and faculty salaries, benefits, and utilities), are integrated into the development of budget projections (IIID1_3). Concurrently, the institutional planning priorities resource requests are ranked in order of priority with these assumptions, and items are funded based on the process described in Standard III.D.3 (IIID4_2). A combination of campus-wide processes formulates the budget for the fiscal year.

PCC continues to pursue the development of new financial resources to expand program offerings. The College has had great success in obtaining new and renewing existing Federal Title V and Title III grants. A few successful new federal grant awards include the Childcare Means Parents in School (CCAMPIS) and the STEM Education Consortium, both granted by the U.S. Department of Education. These grants provide expanded support to students and their educational endeavors. In addition, the District is actively collecting data in preparation to

possibly issue a facilities bond measure to replace/renovate aging structures and to renovate outdated classrooms. The anticipated bond measure will provide resources for improving, building, and expanding educational facilities to meet the strategic plan and mission of the College.

Analysis and Evaluation

The College meets the standard. The budget development process builds an accurate representation of available resources that is based on the identification of significant budget assumptions, including fixed costs, forecasted expenditures, the Board-mandated reserve, and projected revenue. The annual planning and budget process has enhanced the College's ability to contemplate planning needs and integrate the results into the budget development process.

D5. To assure the financial integrity of the institution and responsible use of its financial resources, the internal control structure has appropriate control mechanisms and widely disseminates dependable and timely information for sound financial decision making. The institution regularly evaluates its financial management practices and uses the results to improve internal control systems.

Evidence of Meeting the Standard

PCC's internal control structure has appropriate control mechanisms and widely disseminates dependable and timely information for sound financial decision making. Additionally, PCC regularly evaluates its financial management practices and uses the results to improve internal control systems. Board Policy (BP) 6300 Fiscal Management requires that the Superintendent/President establish procedures to ensure that the District's fiscal management is in accordance with the principles contained in Title 5, Section 58311 and that adequate internal controls exist and that fiscal objectives, procedures, and constraints are communicated to the College community and Board of Trustees (IIID1_4, IIID5_1). Responsibility and accountability for fiscal management are clearly delineated, and the books and records of the District are maintained pursuant to the California Community Colleges Budget and Accounting Manual (BAM). Quarterly financial statements are provided to the Board of Trustees (IIID2_11). In addition, the District added the position of internal auditor at the recommendation of the Board of Trustees in 2017. This position, filled by a seasoned community college auditor, is charged with promoting good governance by evaluating the internal controls and efficiency and effectiveness of PCC. This includes auditing the performance and financial integrity of District departments, evaluating internal controls over programs and processes, examining compliance with federal and state regulations, and promoting efficiency through a variety of special projects and initiatives, which include the development of a Grants Management Handbook. The internal

auditor is also responsible for the District’s Tip Hotline, which receives and tracks complaints related to fraud, wastes, and abuse within the District (IIID5_2).

To widely disseminate dependable and timely information for sound financial decision making, all budget managers have online access to the College’s financial management system called Banner. Budget managers have the ability to view their annual budgets and actual year-to-date spending. The fiscal services staff meets with budget managers, as requested, to review their expenditures and to assist in answering questions to help with their understanding of their budgets and the budget process.

There is a formal evaluation of the College’s financial management through the annual audit conducted by an independent certified public accounting firm (IIID2_9). The examination of financial records, statements, and audits for compliance is in accordance with generally accepted auditing standards and current Governmental Accounting Standards Board (GASB) requirements as specified in Statements on Auditing Standards published by the American Institute of Certified Public Accountants (AICPA); Office of Management and Budget (OMB) Circular A-128 and A-133; Government Auditing Standards (GAS) issued by the Comptroller General of the United States; Standards for Audit of Governmental Organizations Programs, Activities, and Functions; and the standards specified in the California Community Colleges Contracted District Audit Manual (CDAM). The audit report includes an opinion of the independent certified public accountant on the financial statements, as well as comments and recommendations about the internal control systems and compliance with state and federal mandates. The annual audit presented to the Board of Trustees substantiates that processes and practices are thorough and comprehensive.

Analysis and Evaluation

The College meets the standard. Past financial management practices demonstrate a consistent pattern of prudent fiscal management and appropriate accounting processes using Generally Accepted Accounting Principles (GAAP). Financial information is disseminated to the Board of Trustees and campus constituents. Managers can access their budgets and expenditures at any time for review and can request assistance from the Business Services office to support their understanding when needed. Audits are the formal means of evaluation, but internal evaluations are done on a continuous basis by the internal auditor to improve financial controls and fiscal stewardship.

D6. Financial documents, including the budget, have a high degree of credibility and accuracy, and reflect appropriate allocation and use of financial resources to support student learning programs and services.

Evidence of Meeting the Standard

At PCC, financial documents, including the budget, have a high degree of credibility and accuracy, and reflect appropriate allocation and use of financial resources to support student learning programs and services. To ensure that financial reports reflect appropriate use of financial resources, the internal auditor is closely involved in providing independent oversight of the financial reporting process. The District's financial records are also audited by an external, independent certified public accounting firm to perform an annual independent audit of the College's financial statements (IIID2_9, IIID6_1, IIID6_2). The final audit report and the Chancellor's Office CCFS-311 are reviewed and accepted by the Board of Trustees. The auditors have issued an unqualified/unmodified opinion to the District on its financial statements each year ([IIID_Accounting_Business_and_Administrative_Services.pdf](#)).

The Board of Trustees also reviews and approves the District's tentative budget in June and adopts the final budget in September (IIID2_7, IIID2_8). To ensure accuracy, budget drafts are closely aligned with revenue estimates provided by the California Community Colleges Chancellor's Office and Los Angeles County Office of Education. PCC routinely submits a departmental budget revision to align the changes in budget assumptions and/or update revenue or expenditure projections (IIID6_3_Budget_Augmentation_Child_Development_Nutrition_Program).

The budget is developed using budget assumptions that evolve from the financial and institutional planning processes, and those assumptions are included in the budget document for transparency and credibility purposes (IIID2_8). All budgets and quarterly and annual financial reports submitted to the California Community Colleges Chancellor's Office, as well as audited financial statements, can be found on the District's website in the interest of transparency.

Supporting student learning programs and services is primary to achieving the District's mission, and it's this mission that drives institutional planning and resource allocation. The ongoing financial resources of the College are allocated to academic programs and student support services to implement strategic planning goals that enhance these programs and services.

Analysis and Evaluation

The College meets the standard. Financial documents are accurate and credible, as evidenced by annual audits, which have resulted in an unqualified or unmodified opinion for several years. Financial documents are made readily available on the college website to campus constituents, the Board of Trustees, and the public for transparency and credibility. All quarterly budgets, annual financial reports, and audited financial statements are submitted to the Chancellor's Office and can also be found on the District's website.

Resources are appropriately allocated to support student learning programs and services, as discussed in the College's BRAC meetings and in alignment with the College's mission and strategic plans.

D7. Institutional responses to external audit findings are comprehensive, timely, and communicated appropriately.

Evidence of Meeting the Standard

PCC's responses to external audit findings are comprehensive, timely, and communicated appropriately. The College engages an independent certified public accounting firm to perform annual audits of the College's financial statements, which include all District funds and federal and state grants (IIID2_9, IIID6_1, IIID6_2). An external certified public accounting firm performs an independent audit of the District's financial records on an annual basis. As of the date of this report, the District does not have any audit findings, and the District has received unqualified/unmodified opinion for several years.

Analysis and Evaluation

The College meets the standard. The District is proactive in installing sound fiscal management. This is evident through successive annual unqualified/unmodified opinions in the independent CPA's audit report. Also, the District has not received any findings for financial statements or federal/state programs for several years.

D8. The institution's financial and internal control systems are evaluated and assessed for validity and effectiveness, and the results of this assessment are used for improvement.

Evidence of Meeting the Standard

PCC's financial and internal control systems are evaluated and assessed for validity and effectiveness, and the results of this assessment are used for improvement. As described in Standard III.D.5, the District added the position of internal auditor at the recommendation of the Board of Trustees in 2017. This position, filled by a seasoned community college auditor, is charged with promoting good governance by evaluating the internal controls and efficiency and effectiveness of PCC. This includes auditing the performance and financial integrity of District departments, evaluating internal controls over programs and processes, examining compliance with federal and state regulations, and promoting efficiency through a variety of special projects and initiatives. The internal auditor conducts audits and evaluation of District internal control systems on a continuous basis for validity and effectiveness. The results of these assessments and recommendations for improvements are communicated to corresponding District administrators. The internal auditor also conducts follow up reviews to ensure recommended improvements are properly executed.

In addition, the internal audit function is also responsible for the District’s Tip Hotline, which receives and tracks complaints related to fraud, waste, and abuse within the District (IIID5_2). The community has the ability to submit tips anonymously either online or by phone. Information received is reviewed by the internal auditor as described on the Internal Audit webpage under “Confidentiality” (IIID5_2).

The result of the internal audit function and the District’s administrative function as a whole is validated by the opinion of the annual audit performed by an independent certified public accountant. The independent auditors express an opinion on the financial statements and the adequacy of the accounting procedures and internal controls. The District has consistently received unqualified/ unmodified opinions on the District’s financial statements, and the auditor also stated in their audit report that they did not identify any deficiencies in internal control (IIID2_9, IIID6_1, IIID6_2).

Analysis and Evaluation

The College meets the standard. The internal audit function of the District performs continuous review of the District’s internal control design and implementation. Recommendations for improvements are communicated to the appropriate administrative teams on a timely basis. The internal auditor also conducts follow up reviews to ensure that recommended changes are properly executed.

D9. The institution has sufficient cash flow and reserves to maintain stability, support strategies for appropriate risk management, and, when necessary, implement contingency plans to meet financial emergencies and unforeseen occurrences.

Evidence of Meeting the Standard

PCC has sufficient cash flow and reserves to maintain stability, support strategies for appropriate risk management, and, when necessary, implement contingency plans to meet financial emergencies and unforeseen occurrences. Through careful planning and fiscal management, the District has maintained a healthy fund balance and reserve. The Board of Trustees unanimously passed BP 6250 Budget Management to maintain the District’s reserve at 18%, which is equal to two months of payroll expenses (IIID1_3). A strong reserve helped the District weather the last economic downturn, and by requiring a strong reserve level in the Board policy, that will better position the District to prepare for financial emergencies and unforeseen occurrences. BP 6250 Budget Management also requires that revenues accruing to the District in excess of amounts budgeted shall be added to the District’s reserve for contingencies. These funds are available for appropriation only upon a resolution of the Board of Trustees (IIID1_3). The College has been able to maintain a reserve above the state required 5% (IIID1_6, III.D-20, III.D-22).

PCC's main source of revenue comes from apportionment revenue and student success metrics of the Student-Centered Funding Formula, and local property taxes. The Fiscal Services Department monitors cash flow on a regular basis and prepares a Monthly Activity Report (IIID9_1). Information from the Monthly Activity Report then transfers to the Projected Operating Statement (IIID9_2). This report is also updated periodically and shows a comparison between the actual revenue received and expenses from the past fiscal year, the current fiscal year's adopted budget, actual revenue receipt, and expenses at the period evaluated. The information is used to update the projection for expenses and revenue at the end of the current fiscal year.

In addition, the Fiscal Services Department prepares a five-year projection to demonstrate the movement of revenue and expenses as they impact the District operation (IIID9_3) in future periods. It is an important planning tool that helps the District administration to focus on funding initiatives that maintain the stability of the District operation, support initiatives identified through strategic planning processes.

In addition to fiscal prudence, the District has appropriate policies for risk management. PCC is covered by a comprehensive insurance plan that includes property and liability coverage. The District uses a self-insurance approach. Claims are administered by Keenan & Associates (IIID9_4). This coverage includes all risk for the full replacement cost on buildings and contents. In addition, the District is a member of the Statewide Association of Community Colleges (SWACC). Membership to SWACC supplements property and liability coverage by an umbrella policy of \$5 million.

Analysis and Evaluation

The College meets the standard. PCC has sufficient cash flow and reserves to maintain stability and support strategies for appropriate risk management. Contingencies are in place for cash flow, reserves, and risk management to ensure business continuity. Board Policy 6250 Budget Management ensures the reserve level is maintained at 18 percent, which equates to approximately two months of payroll. The District monitors cash flow on a continuous basis and updates future period projections on actual results.

The District is sufficiently protected against risk through its participation in the pooled efforts of the SWACC. SWACC is well managed and is the largest California Community College Joint Powers Authority for property and liability insurance, and the College is represented on the SWACC Board of Directors.

D10. The institution practices effective oversight of finances, including management of financial aid, grants, externally funded programs, contractual relationships, auxiliary organizations or foundations, and institutional investments and assets.

Evidence of Meeting the Standard

The District practices effective oversight and management of all financial resources, including financial aid resources, grants, externally-funded programs, and contractual relationships, investments, and other assets. Board policies provide for responsible stewardship over available resources. The College is guided by Board Policies that require the development of Administrative Procedures that ensure compliance and sound fiscal management. Board Policy 6300 Fiscal Management (IIID1_4) requires effective internal controls to be implemented to ensure ongoing effective operations and a clear delineation of fiscal responsibility and staff accountability.

A dedicated team of grant accountants serves departments or divisions that receive grants or categorical funds. The grant accounting team works closely with the departments to review grant and categorical requirements to ensure expenditures are made per the guidelines in each agreement. The team monitors the budget and actual expenditures for each grant to provide safeguards against the overspending grant funds, which may produce unanticipated liabilities or findings of noncompliance.

Independent auditors and state/federal program auditors identify any compliance deficiencies. An independent certified public accountant performs the annual audit of all financial records of the College. The auditors express an opinion on the financial statements and the adequacy of the accounting procedures and internal control. The College received an unqualified/unmodified opinion on its financial statements, as well as federal and state grants for the three preceding years (IIID2_9, IIID6_1, IIID6_2).

The Financial Aid Department is audited every year by independent auditors regarding its practices and procedures, and there have been no findings or material weaknesses, including contractual agreements with outside vendors (D2_9 page 107, 6_1page 100, 6_2 page 70). Many of the processes are automated through the financial aid module that exists in Banner, the District's management information system. Calculation for financial aid award is done in Banner based on information provided by the students. Financial Aid refunds are processed through a third-party provider, who disburses refunds electronically. The drawdown of Financial Aid funds is restricted to management positions in the Fiscal Services Department. Authorized personnel conduct the drawdown through the Department of Education's G5 system using logins that are unique to the individual.

The Los Angeles County Treasurer holds the majority of PCC's funds and invests on behalf of the District in compliance with the county's investment policy as specified by BP 6320 Investments (IIID1_8, IIID1_5). The District established an irrevocable trust to fund OPEB and pension liabilities. Public Agency Retirement Services (PARS) is the contracted agency to perform the investment function for this purpose. PARS provides the District with a monthly statement summarizing account balances and investment returns (IIID10_1).



The Pasadena City College Foundation is also audited by independent certified public accountants and has received unqualified/unmodified opinion on its financial statements for the three proceeding years (IIID10_2, IIID10_3, IIID10_4).

Analysis and Evaluation

The College meets the standard. The District has a history of compliance and sound financial management and oversight practices, as evidenced by independent external audits, audits conducted by external auditing firms, and grantors. Budget monitoring by a grant accounting team and departments/divisions that are responsible for the performance of the grants, protect the District from exceeding expenditure limits on grant funds and overspending on contracts with outside vendors.

The District has a very simple investment structure, where the majority of the funds are with the Los Angeles County Treasurer, and a small portion is invested with PARS for the purpose of funding OPEB and pension liability through an irrevocable trust.

The District and the Pasadena City College Foundation have consistently received unqualified/unmodified opinions on its financial statements, and federal and state grants (District audit report only).

Liabilities

D11. The level of financial resources provides a reasonable expectation of both short-term and long-term financial solvency. When making short-range financial plans, the institution considers its long-range financial priorities to assure financial stability. The institution clearly identifies, plans, and allocates resources for payment of liabilities and future obligations.

Evidence of Meeting the Standard

The District maintains a level of financial resources to provide a reasonable expectation of both short-term and long-term financial solvency. As described in Standard III.D.9, the Fiscal Services Department at PCC maintains a monthly cash flow report and a five-year budget projection model to assist in managing short-range and long-range financial priorities and commitments while still managing short-range financial plans. Cash flow projections and short-term monitoring tools ensure that the College has the resources ready for the payroll of staff and to meet contractual commitments (IIID9_2). The District uses the five-year projection worksheet to plan for payment of liabilities and future obligations. The District sets aside funds according to the bond repayment schedule to pay off Measure P bonded obligations. In addition, the District was proactive in funding Other Post-Employment Benefits (OPEB) and pension contributions.

An irrevocable trust was established in 2018 to set aside funds in an investment pool managed by PARS to seek a more favorable return of investment (IIID10_1).

The District has consistently maintained an excess of the required reserve of five percent as required by the state of its expenditures. It is Board policy to maintain at least an eighteen percent reserve (IIID1_3). In addition to this required reserve, the District exercises prudence in managing its finance to ensure that sufficient reserves are available to maintain a stable financial climate.

Analysis and Evaluation

The College meets the standard. The District plans for and has successfully discharged its past financial obligations and has plans to support future obligations. The District maintains reserves in excess of the amount required and has made tremendous progress in funding its OPEB liability. The District has the financial means necessary to meet future obligations as well as reserves for emergencies.

Consequently, reserves have steadily increased the over last several years, and other sources of revenue have been developed. The District is committed to developing a five-year budget projection model to manage situations that arise outside of its control and anticipate long-term commitments for financial planning.

D12. The institution plans for and allocates appropriate resources for the payment of liabilities and future obligations, including Other Post-Employment Benefits (OPEB), compensated absences, and other employee-related obligations. The actuarial plan to determine Other Post-Employment Benefits (OPEB) is current and prepared as required by appropriate accounting standards.

Evidence of Meeting the Standard

The District plans and appropriately allocates resources for payment of liabilities and future obligations, inclusive of Other Post-Employment Benefits (OPEB). This planning is conducted annually during the preliminary and final budget development process. As required by GASB 45, the District provides (as part of its audited financial statements) a description of its OPEB benefits, eligibility requirements, and the number of individuals covered in the plan. Additionally, the District also routinely contracts with an actuarial firm to assess liabilities incurred as well as cumulative unfunded liability. This information is then reported on the District's audited statement of net position.

Prior to fiscal year 2017-18, the District set aside annual allocations for accrued future obligations towards its OPEB liability. These funds were placed in a self-designated fund.

However, since the funds were not placed in an irrevocable trust, the balance in the self-designated fund could not be recognized towards the District's OPEB liability in the District's annual audited financial statements. On March 21, 2018, the Board of Trustees approved a resolution to establish a Post-Employment Benefits Trust with Public Agency Retirement Services (PARS), for the purpose of pre-funding OPEB obligations and/or pension obligations (IIID12_1). The trust became effective on April 1, 2018 and provides the District a tax-exempt platform under Section 115 of the Internal Revenue Code.

The Board of Trustees approved a one-time transfer on May 23, 2018, in the amounts of \$10,000,000 and \$4,000,000, respectively, to the irrevocable trust to fund OPEB and PERs and STRs contributions (IIID12_2; IIID12_3; IIID12_4, items H-5 and H-6). The District continues to provide funding towards its OPEB liability by funding the “pay-as-you-go” method on a regular basis. After the establishment of the irrevocable trust, the funded portion of the liabilities has been reflected on the District's audited financial statements since fiscal year 2017-18.

Analysis and Evaluation

The College meets the standard. The District reviews long-term liabilities and obligations as part of its annual planning and resource allocation process. As of the 2018-19 fiscal year, the OPEB plan is 40.21% funded (III.D-18, page 48 of PDF or page 45 of report).

D13. On an annual basis, the institution assesses and allocates resources for the repayment of any locally incurred debt instruments that can affect the financial condition of the institution.

Evidence of Meeting the Standard

PCC assesses and allocates adequate resources for the repayment of locally incurred debt as part of the District's annual budget development process. Additionally, the District also performs cash flow analysis on a monthly basis (IIID9_2). In the past, during times of significant state apportionment deferrals, the District relied on short term borrowing (Tax Revenue Anticipation Notes) to cover cash flow deficiencies. All prior short-term borrowing are paid in full. The District currently does not have any locally incurred debt balance.

Analysis and Evaluation

The College meets the standard. PCC relies on monthly cash flow analysis (Monthly Activity Report) to identify cash needs for the District, which in turn dictates the need for incurring debt. Additionally, the District relies on its established Board policies to ensure prudent fiscal planning and management resources. Currently, the District does not carry any locally incurred debt.

D14. All financial resources, including short- and long-term debt instruments (such as bonds and Certificates of Participation), auxiliary activities, fund-raising efforts, and grants, are used with integrity in a manner consistent with the intended purpose of the funding source.

Evidence of Meeting the Standard

All district financial resources, including short-and long-term debt instruments, auxiliary services, fund-raising efforts, and grants, are used with integrity in a manner consistent with the intended purpose of the funding source. Through effective use of process and procedures, grounded by an internal control structure committed to full use of separation of duties, PCC relies on participatory governance committees and administration to ensure that all financial resources are used with integrity, consistent with the intended purpose of each funding source.

As described in III.D.2 and III.D.3, PCC's integrated planning process involves all constituency groups working together with the administration to provide oversight of the resource allocation process and to ensure alignment of the allocation process with the District's overall institutional and financial goals. The District's internal audit function is also an integral piece of the internal control mechanism, where the department provides continuous review and advisement to campus-wide departments to ensure integrity in decision making and appropriateness in allocating resources.

The District currently has one General Obligation bond issuance, the Measure P. The bond was issued under Proposition 39 for replacing and renovating District facilities. All capital improvement projects funded by Measure P adhere to the voter-approved ballot language, approved by the voters in 2002. Active and planned projects are reviewed and accepted quarterly, as required by law, by the Citizens' Bond Oversight Committee (IIID14_1, IIID14_2). The activities and internal control over Measure P funds are also audited by an independent auditor. The District consistently received unmodified/unqualified results from both the financial and performance audits (IIID14_3, IIID14_4, IIID14_5).

Short- and long-term debt obligations are reviewed as part of the District's annual budget development process. All debt is accounted for, reported, and audited as part of the District's annual financial statements. Debt obligations include the Prop 39 bond, compensated absences, other post-employment benefits, and pension liabilities.

The District's auxiliary activities include a bookstore and food services. The bookstore lease and management of operations were outsourced to Follett Higher Education Group, Inc., on February 22, 2018, and i8 Foods is the current food services vendor.

The Pasadena City College Foundation is a separate 503c organization that is dedicated to raising funds to support the College's students and programs. The Foundation has its own set of internal controls. Donations are accounted for by the Foundation staff to ensure donated funds are



expensed by donor designated purposes. The Foundation is also audited annually by an independent auditor. The Foundation consistently receives unqualified opinions. No deficiency was noted in its internal control (IIID10_2, IIID10_3, IIID10_4).

Grant management is both centralized and decentralized in the District. Grant managers, as program area experts, are responsible for monitoring expenditures and ensuring that grant funds are expended as intended. The District's Fiscal Services department supports grant managers by co-monitoring expenditures with a dedicated grant accountant manager who generates reports and assists with state and federal audits. External auditors conduct annual audits of specially-funded state programs as well as large federally-funded programs from both a financial and compliance standpoint. The District has consistently received unmodified opinions in these areas (IIID2_9, IIID6_1, IIID6_2 Audit reports for past 3 years).

Analysis and Evaluation

The College meets the standard. The District's integrated planning process allows the District to work closely with all constituency groups. The District adopted a sound internal control process and separation of duties to ensure that all financial resources are used with integrity and in alignment with the intended purpose. The District's internal audit function also provides continuous review and advisory responsibility in this area.

D15. The institution monitors and manages student loan default rates, revenue streams, and assets to ensure compliance with federal requirements, including Title IV of the Higher Education Act, and comes into compliance when the federal government identifies deficiencies.

Evidence of Meeting the Standard

The District monitors and manages student loan default rates, revenue streams, and assets to ensure compliance with federal requirements, including Title IV of the Higher Education Act. The District follows federal standards in monitoring student default rates. The Financial Aid Office, under the direct supervision of the Director of Financial Aid and Scholarships and with guidance from the Assistant Superintendent/Vice President, Student Services, is tasked with the oversight and administration of all federal and state-funded aid as well as student loan programs. Compliance with all federal and state mandates and regulations is managed through established processes and procedures performed by staff. The Director of Financial Aid advises staff on advisor-level procedures and provides departmental oversight. The Director of Financial Aid regularly attends training sessions and shares best practices with staff.

Revenue streams and assets are routinely monitored by the Financial Aid, Fiscal Services, and Internal Audit Departments. Improvements to processes and procedures are made as needed.

Analysis and Evaluation

The College meets the standard. The Financial Aid Department monitors and manages student loan default rates in compliance with federal requirements.

Contractual Agreements

D16. Contractual agreements with external entities are consistent with the mission and goals of the institution, governed by institutional policies, and contain appropriate provisions to maintain the integrity of the institution and the quality of its programs, services, and operations.

Evidence of Meeting the Standard

The District's contractual agreements with external entities are consistent with the mission and goals of the institution, governed by institutional policies, and contain appropriate provisions to maintain the integrity of the institution and the quality of its programs, services, and operations. Contractual agreements with external entities follow the established set of Board of Trustees' Policies and Administrative Procedures to ensure consistency with institutional mission and goals. BP 6340 asserts control over all District procurements and contracts for goods and services. AP 6330 outlines the District's adopted procedure over procurements and contracts (IIID16_1, IIID16_2). The District is also in the process of finalizing a detailed Purchasing Manual. This manual follows the direction of BP 6340 and AP 6330 and provides District users step-by-step directions on procurement and contracts. Internal controls have been put in place to ensure compliance with Board Policies, dictating criteria for approval by the Board of Trustees and by senior administrators.

To ensure that federal guidelines are met in managing external contracts, the District adheres to the general procurement standards of two Codes of Federal Regulations Part 200.318. The Board of Trustees approves and ratifies contracts entered into on behalf of the District by the Superintendent/President, Assistant Vice President, Business and Administrative Services, and the Director of Purchasing and Procurement.

Analysis and Evaluation

The College meets the standard. PCC follows established Board policy and administrative procedure by assigning controls for District procurements and contracts for goods and services to the Board of Trustees, with internal controls to ensure compliance with related Board Policies and with applicable federal regulations.

Conclusions on Standard III.D. Financial Resources

PCC has a history of compliance and sound financial management and oversight practices, as evidenced by a stable and firm reserve as well as a sound internal control structure. PCC's financial procedures are outlined in Board Policies and Administrative Procedures. Financial management is transparent and follows generally-accepted accounting and internal control practices. The College plans for both short-term and long-term financial solvency. Resources are allocated based on the needs of programs and student services, as outlined in the College's Educational Master Plan, Facilities Master Plan, and Technology Master Plan. The budget process is aligned with the annual planning process and the tentative budget is made available to all constituencies so that all have the opportunity for active participation and feedback into budget development and financial planning. The budget development process builds an accurate representation of available resources that is based on the identification of significant budget assumptions, including fixed costs, forecasted expenditures, a Board-mandated reserve, and projected revenue. The College is sufficiently protected against risk through its participation in a well-managed self-insured program for property and liability insurance.

The District plans for and has successfully discharged its past financial obligations and has plans to support future obligations. The College maintains reserves in excess of the amount required and has made tremendous progress in funding its OPEB liability. The College has the financial means necessary to meet future obligations as well as reserves for emergencies. The District maintains a five-year budget projection model to manage situations that arise outside of its control and anticipates long-term commitments for financial planning.

Improvement Plan:

1. The College will develop a Professional Development training for managers on budget development, managing budgets, and determining qualified budget expenses.