PASADENA AREA COMMUNITY COLLEGE DISTRICT

LOS ANGELES COUNTY

REPORT ON
AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
INCLUDING REPORTS ON COMPLIANCE
June 30, 2015

PASADENA AREA COMMUNITY COLLEGE DISTRICT

AUDIT REPORT
June 30, 2015

CONTENTS

PASADENA AREA COMMUNITY COLLEGE DISTRICT

AUDIT REPORT
June 30, 2015

CONTENTS

VICENTI • LLOYD • STUTZMAN LLP
BUSINESS CONSULTANTS AND CPAs

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Pasadena Area Community College District
1570 East Colorado Blvd.
Pasadena, CA 91106

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Pasadena Area Community College District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

2210 E. Route 66, Ste. 100, Glendora, CA 91740 • Tel 626.857.7300 • Fax 626.857.7302
915 Wilshire Boulevard, Ste. 2250, Los Angeles, CA 90017 • Tel 213.550.5422
Email INFO@VLSLLP.COM • Web WWW.VLSLLP.COM

Board of Trustees
Pasadena Area Community College District

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements listed in the aforementioned table of contents present fairly, in all material respects, the financial position of the Pasadena Area Community College District as of June 30, 2015, and the results of its operations, changes in net position and cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 15 to the basic financial statements, in 2015 the Pasadena Area Community College District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment to GASB Statement No. 68.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of postemployment healthcare benefits funding progress, schedules of the District's proportionate share of the net pension liability (STRS and CalPERS), and schedules of District pension contributions (STRS and CalPERS) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the Pasadena Area Community College District financial statements as a whole. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements of Pasadena Area Community College District.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2015 on our consideration of the Pasadena Area Community College District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Pasadena Area Community College District's internal control over financial reporting and compliance.

Vicenti, Lloyd & Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
November 24, 2015

PASADENA AREA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2015

INTRODUCTION

This section of our annual financial report offers a narrative overview and analysis of the financial activities of the Pasadena Area Community College District (the District) for the year ended June 30, 2015. This analysis is presented with comparative information from our June 30, 2015 and June 30, 2014 fiscal year ends to highlight changes from one year to the next. This section of our report should be read in conjunction with the basic financial statements, including footnotes. Responsibility for the completeness and accuracy of this information rests with the District's management.

USING THIS ANNUAL REPORT

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

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

The California Community Colleges Chancellor's Office has recommended that all State community colleges follow the Business-Type Activity (BTA) model for financial statement reporting purposes.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2015

FINANCIAL HIGHLIGHTS

- The District ended the year with a General Fund (Unrestricted [Fund 01] and Restricted [Fund 03]) balance of $14,382,363. The State Chancellor's Office recommends reserve levels of five percent of total General Fund expenditure. The District, has exceeded the recommended five percent reserve requirement by setting aside an amount for economic uncertainty greater than $7.6 million (total ending fund balance of $12,447,460 in Fund 01 only). While the ending balance is comprised primarily of cash and receivables, the Board of Trustees authorized the use of inter-fund borrowing to ensure the orderly conduct of District business. Inter-fund borrowing was not needed to cover cash flow requirements during the 2014-15 fiscal year.

- The primary expenditure of the General Fund of the District is for the salaries and benefits of the Academic, Classified, and Administrative salaries of District employees. Approximately 86.6 percent of total General Fund expenditures were consumed by employee compensation.

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

- The District provided Federal, State and Local student financial aid to qualifying District students in the amount of approximately $53.4 million. This represents an increase of $1.5 million from the 2013-2014 fiscal year. This aid is provided through grants, loans, and tuition reductions from the Federal government, State Chancellor's Office, and local funding.

- The District's total reported FTES including non-credit FTES for the years ended 2015 and 2014, were 22,984 and 21,127, respectively.

FINANCIAL HIGHLIGHTS (continued)

- As of June 30, 2015 the District reported a liability for its proportionate share of Net Pension Liability (NPL) that reflected a reduction for State pension support provided to the District. This is a result of implementation of new GASB Statements No. 68 and No. 71, which requires that the District report its proportionate share of the net pension liabilities, pension expense and deferred inflow and outflow of resources.

- The District's Change in Net Position for the current fiscal year of $15.3 million is higher by approximately $10 million compared to the prior fiscal year ($5.2 million). This is due to an increase in Grants revenue of approximately $7.5 million primarily due to an increase in state funding for categoricals such as Student Success and Physical Plant Support. In addition, the District expended an additional $17 million (approximately) for Salaries and Benefits; this was primarily due to salary increases for staff (including a retroactive salary increase for Faculty) as well as increased cost of health benefits.

  Condensed financial information is included on the following page.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2015

CONDENSED FINANCIAL INFORMATION IS AS FOLLOWS

Statement of Net Position as of June 30,

	(in thousands) 2015	(in thousands) 2014
ASSETS		
Cash and investments	$ 81,755	$ 80,677
Receivables	11,376	19,600
Inventories and other assets	3,497	1,573
Total	96,628	101,850
Capital assets, net of depreciation	214,886	220,950
TOTAL ASSETS	311,514	322,800
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	1,845	1,999
Deferred outflows - pension contributions	7,605	-
Total Deferred Outflows of Resource	9,450	1,999
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 320,964	$ 324,799
LIABILITIES		
Accounts payable and accrued liabilities	$ 13,937	$ 11,688
Claims liability	4,449	4,449
Other current liabilities	774	668
Unearned revenue	14,306	4,358
Long-term liabilities - current portion	9,195	13,693
Total	42,661	34,856
Long-term liabilities less current portion	200,665	111,885
TOTAL LIABILITIES	243,326	146,741
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - pension contributions	25,415	
TOTAL DEFERRED INFLOWS OF RESOURCES	25,415	-
NET POSITION		
Invested in capital assets, net of related debt	124,738	125,742
Restricted	17,840	24,276
Unrestricted	(90,355)	28,040
TOTAL NET POSITION	52,223	178,058
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 320,964	$ 324,799

Note: The prior year has not been restated for the implementation of new accounting standards.

CONDENSED FINANCIAL INFORMATION IS AS FOLLOWS (continued)

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

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

Long-term obligations consist primarily of the general obligation bond issue, Public Agency Retirement Services (PARS) - Supplementary Retirement Plan (SRP), Other Post-Employment Benefits Obligation (OPEB), compensated absences and proportionate share of Net Pension Liability (NPL) for CalSTRS and CalPERS. Long-term obligation increased by approximately $84 million. This primarily resulted from recording NPL ($93.1 million). This is a result of implementation of new GASB Statements No. 68 and No. 71, which requires that the District report its proportionate share of the net pension liabilities, pension expense and deferred inflow and outflow of resources. In addition there was a net decrease of $9.1 million due to retirement of debt ($12.4 million) and funding OPEB ($.5 million) and entering into a SRP ($2.8 million).

In 2014-15, the District's long-term credit rating ranged from upper medium grade to high grade with S&P's AA+ and Moody's Aa2.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2015

CONDENSED FINANCIAL INFORMATION IS AS FOLLOWS (continued)

Statement of Revenues, Expenses and Change in Net Position for the Year Ended June 30,

	(in thousands) **2015**	(in thousands) **2014**
Operating Revenues		
Net tuition and fees	$ 23,895	$ 23,852
Grants and contracts, non-capital	58,773	50,030
Auxiliary sales and charges	5,008	5,188
Total operating revenues	87,676	79,070
Operating Expenses		
Salaries and benefits	135,750	118,856
Supplies, materials and other operating expenses and services	32,745	35,637
Financial aid	37,626	35,387
Depreciation	11,241	10,402
Total operating expenses	217,362	200,282
Operating loss	(129,686)	(121,212)
Non-operating revenues		
State apportionments, non-capital	78,418	77,646
Local property taxes	32,260	34,025
State revenues	6,931	5,441
Investment income, net	480	271
Total non-operating revenues	118,089	117,383
Other revenues, (expenses), gains or (losses)		
Local revenues, capital	23	379
Interest expense	(4,707)	(2,883)
Other nonoperation revenues and transfers	922	1,167
Total other revenues, (expenses), gains or (losses)	(3,762)	(1,337)
Decrease in net position before cumulative effect of change in accounting principle	$ (15,359)	$ (5,166)

Note: The prior year has not been restated for the implementation of new accounting standards

CONDENSED FINANCIAL INFORMATION IS AS FOLLOWS (continued)

The operating revenue for the District is specifically defined as revenues from users of the colleges' facilities and programs. Excluded from the operating revenues are the components of the primary source of District funding – the State apportionment process. Two main components include State apportionment and local property taxes, as these resources of revenue are from the general population of the State of California, and not from the direct users of the educational services (students), they are considered to be non-operating. As a result, the operating loss of $129.7 million is balanced by the other funding sources. Total District revenues were less than expenditures by $15.4 million for the year ended June 30, 2015.

Auxiliary revenue consists primarily of bookstore revenues. The bookstore is maintained to provide books, supplies, and other items to the students and faculty of the District. The operations are self-supporting through product sales. Profits from the bookstore are used for student government and club activities.

Grants and contracts revenue relate to student financial aid, as well as specific Federal and State grants received for programs serving the students of the District. These grant and program revenues are restricted as to the allowable expenses related to the programs.

The interest income is primarily the result of cash held at the Los Angeles County Treasury. The interest expense relates to interest payments on the General Obligation Bonds, lease commitments, and a note payable described in Notes 6-8 of the financial statements.

Statement of Cash Flows for the Year Ended June 30,

	(in thousands) **2015**	(in thousands) **2014**
Cash Provided By (Used in)		
Operating activities	$ (113,698)	$ (113,402)
Non-capital financing activities	132,609	114,695
Capital and related financing activities	(18,297)	(31,678)
Investing activities	464	456
Net increase (decrease) in cash and cash equivalents	$ 1,078	$ (29,929)

CONDENSED FINANCIAL INFORMATION IS AS FOLLOWS (continued)

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

The primary operating receipts are federal, state and local grants along with student tuition and Bookstore sales. The primary operating expenses of the District is the payment of salaries and benefits to instructional and classified support staff, as well as District administrators. Capital financing activities relate to the spending of Measure P bond proceeds.

ECONOMIC FACTORS AFFECTING THE FUTURE OF PASADENA AREA COMMUNITY COLLEGE DISTRICT

The financial strength and stability of the Pasadena Area Community College District is closely aligned with California's economic position as State apportionments and property taxes allocated to the District represent approximately 85 percent of the unrestricted General Fund. As a result of the passage of Proposition 30 and the improving State economy Proposition 98 funds increased, but it remains far from what is needed in terms of funding and stability. As a result, it continues to be prudent for the District to maintain its diligent practice of funding strong reserves to manage economic challenges.

The District will continue Measure P construction activities throughout the 2015-16 fiscal year. Over the next 24 months Measure P construction and renovation projects will include campus wide reconstruction projects, an access compliance project, infrastructure upgrades and restroom modifications in the 'E' Building.

The District's budget continues to be stable and Proposition 30 continues to have a positive impact on the California Community College System and the Pasadena Area Community College District, but presents unknowns in regards to the future budgets and cash flows once the tax increases end. However, it is believed that either the taxes will be extended or the State will backfill Proposition 30 resources through the normal appropriation funding process.

ECONOMIC FACTORS AFFECTING THE FUTURE OF PASADENA AREA COMMUNITY COLLEGE DISTRICT (continued)

Items that are of concern to the District, and are being addressed, are related to escalating costs for Health and Welfare Benefits and the Affordable Care Act (ACA), funding the District's underfunded Worker's Compensation Self Insured Fund and future funding of CalPERS and CalSTRS pension obligations. The District has been meeting with its Benefits Committee on plan design changes to ensure continued coverage while ensuring cost reduction. We have also worked with our third party benefits administrator on potential impacts related to the ACA and any changes that must be addressed prior to the law's impact.

Despite the challenges the District is facing, student enrollment continues to be strong. We continue to be recognized on the Federal and State level for initiatives such as Career Pathways. Further, the economic outlook at the State continues to be positive and reflect steady growth.

An analysis of the adopted and final expense budget amounts shows that the District has been successful at budgeting expenses appropriately, and working within the defined general fund budgeted dollar amounts.

CONTACTING THE DISTRICT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the District at: Pasadena Area Community College District, 1570 East Colorado Boulevard, Pasadena, California, 91106-2003 or call (626) 585-7170.

BASIC FINANCIAL STATEMENTS

PASADENA AREA COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION
June 30, 2015

ASSETS		
Current Assets:		
Cash and cash equivalents	$	52,633,858
Accounts receivable, net		11,376,354
Due from auxiliary		216,863
Inventories		892,839
Prepaid expenses		2,387,140
Total Current Assets		67,507,054
Non-current Assets:		
Restricted cash		29,121,240
Land		10,396,408
Construction in progress		3,093,214
Capital assets, net of accumulated depreciation		201,396,243
Total Non-current Assets		244,007,105
Total Assets		311,514,159
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding		1,844,941
Deferred outflows - pension contributions		7,604,688
Total Deferred Outflows of Resources		9,449,629
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	$	320,963,788
LIABILITIES		
Current Liabilities:		
Accounts payable	$	5,641,714
Accrued liabilities		7,494,758
Accrued interest payable		800,524
Unearned revenue		14,305,956
Estimated claims liability		4,449,000
Load banking		773,942
Compensated absences - current portion		1,507,594
General obligation bonds payable - current portion		3,687,573
Capital leases - current portion		1,658,921
Supplemental employee retirement plan - current portion		2,340,767
Total Current Liabilities		42,660,749
Non-current Liabilities:		
Compensated absences		1,137,307
General obligation bonds payable		94,349,239
Capital leases		2,839,486
Other postemployment benefits (OPEB)		5,968,492
Net pension liability		93,170,964
Supplemental employee retirement plan		3,199,665
Total Non-current Liabilities		200,665,153
Total Liabilities		243,325,902
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - pension contributions		25,414,642
TOTAL DEFERRED INFLOWS OF RESOURCES		25,414,642
Net Position		
Invested in capital assets, net of related debt		124,738,254
Restricted-expendable for:		
Capital projects		5,332,261
Debt service		9,848,412
Scholarships and loans		724,869
Other special services		1,934,903
Unrestricted		(90,355,455)
Total Net Position		52,223,244
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$	320,963,788

See the 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, 2015

OPERATING REVENUES	
Tuition and fees (gross)	$ 40,058,589
Less: Scholarship discounts and allowances	(16,163,855)
Net tuition and fees	23,894,734
Grants and contracts, non-capital:	
Federal	42,083,260
State	14,743,186
Local	1,946,469
Auxiliary enterprise sales and charges	5,008,112
TOTAL OPERATING REVENUES	87,675,761
OPERATING EXPENSES	
Salaries	102,201,413
Employee benefits	33,549,020
Supplies, materials, and other operating expenses and services	29,590,793
Financial aid	37,625,610
Utilities	3,153,679
Depreciation	11,241,338
TOTAL OPERATING EXPENSES	217,361,853
Operating loss	(129,686,092)
NON-OPERATING REVENUES	
State apportionments, non-capital	78,418,013
Local property taxes	32,260,162
State taxes and other revenues	6,930,886
Investment income - non-capital	479,709
TOTAL NON-OPERATING REVENUES	118,088,770
Loss before other revenues, (expenses), gains or (losses)	(11,597,322)
OTHER REVENUES, (EXPENSES), GAINS OR (LOSSES)	
Local property taxes and revenues, capital	(35,335)
Investment income, capital	58,371
Other non-operating revenues	922,024
Interest expense on capital asset-related debt	(4,707,329)
TOTAL OTHER REVENUES, (EXPENSES), GAINS OR (LOSSES)	(3,762,269)
Decrease in net position	(15,359,591)
NET POSITION, BEGINNING OF YEAR AS PREVIOUSLY REPORTED	178,057,291
Cumulative effect of change in accounting principles (See note 15)	(110,474,456)
NET POSITION, BEGINNING OF YEAR AS RESTATED	67,582,835
NET POSITION, END OF YEAR	$ 52,223,244

See the accompanying notes to the financial statements.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	$ 24,295,771
Federal grants and contracts	40,101,815
State grants and contracts	24,262,477
Local grants and contracts	2,180,633
Sales	5,081,900
Payments to suppliers	(40,600,922)
Payments to/on-behalf of employees	(132,529,057)
Payments to/on-behalf of students	(36,490,152)
Net cash used by operating activities	(113,697,535)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State apportionments and receipts	91,639,329
Property taxes	32,260,162
Grants and gifts for other than capital purposes	8,649,914
Interfund borrowing from fiduciary fund	67,771
Net transfers between fiduciary funds	(8,200)
Net cash provided by non-capital financing activities	132,608,976
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Net purchase and sale of capital assets	(4,027,451)
Interest on capital investments	81,895
Local revenue from capital purposes	922,024
Principal and interest paid on capital debt	(15,273,898)
Net cash used by capital and related financing activities	(18,297,430)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	463,728
Net cash provided by investing activities	463,728
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,077,739
CASH BALANCE - Beginning of Year	80,677,359
CASH BALANCE - End of Year	$ 81,755,098

See the accompanying notes to the financial statements.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2015

Reconciliation of Operating Loss to
Net Cash Used by Operating Activities

CASH USED BY OPERATING ACTIVITIES

Operating loss	$ (129,686,092)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation expense	11,241,338
Changes in assets and liabilities:	
Receivables, net	(4,963,582)
Inventory	(24,055)
Prepaid expenses	(1,967,418)
Accounts payable	(412,039)
Accrued liabilities	663,840
Unearned revenue	9,947,368
Compensated absences	(27,598)
Post-employment retiree benefits	518,504
Supplemental employee retirement plan, net	1,012,199
Net cash used by operating activities	$ (113,697,535)
Breakdown of ending cash balance:	
Cash and cash equivalents	$ 52,633,858
Restricted cash and cash equivalents	29,121,240
Total	$ 81,755,098

See the accompanying notes to the financial statements.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
June 30, 2015

	Associated Student Body Fund	Trust and Agency Fund
ASSETS		
Cash and cash equivalents	$ 246,813	$ 1,200,738
Investments	120,672	1,094,469
Capital assets, net of accumulated depreciation	9,110	
TOTAL ASSETS	376,595	2,295,207
LIABILITIES AND NET POSITION		
LIABILITIES		
Accounts payable	9,846	18,948
Due to District		216,863
Amounts held in trust		2,059,396
TOTAL LIABILITIES	9,846	2,295,207
NET POSITION		
Unrestricted	366,749	-
TOTAL NET POSITION	$ 366,749	$ -

See the 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, 2015

	Associated Student Body Fund
ADDITIONS	
Interest	$ 90
Other local sources	188,180
TOTAL ADDITIONS	188,270
DEDUCTIONS	
Supplies, materials, and other operating expenses and services	212,927
Depreciation	4,342
TOTAL DEDUCTIONS	217,269
Decrease in net position	(28,999)
NET POSITION, BEGINNING OF YEAR	395,748
NET POSITION, END OF YEAR	$ 366,749

See the accompanying notes to the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. 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 Statement No. 14, *The Financial Reporting Entity,* as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34.*

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:

1. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

A. REPORTING ENTITY (continued)

2. 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.

3. 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.

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, 2015, 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 salaries and benefits of the executive director and accountant. In addition, working space for employees 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.

B. 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, are excluded from the basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

B. FINANCIAL STATEMENT PRESENTATION (continued)

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 a negative cash balance in the County Treasury amounting to ($509,357) on June 30, 2015, which represents a prepayment of withholdings payable. The Warrant Pass-Through Fund is not reported in the basic financial statements.

C. 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. 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).

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING (continued)

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.

1. 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 Statement No. 31.

2. Accounts Receivable

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. All 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.

3. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING (continued)

4. Prepaid Expenses

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2015, 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.

5. Restricted Cash and Cash Equivalents

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

6. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING (continued)

7. Deferred Outflow of Resources

Deferred outflow of resources represent a consumption of net position that applies to a future period(s) thus, will not be recognized as an outflow of resources (expense/expenditures) until then. The District has the following deferred outflows:

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 outflow – pension contributions: The deferred outflow 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 deferred outflow – pension contributions will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

8. 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.

9. 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 exceed qualified expenditures. Unearned revenue also includes summer enrollment fees received but not earned.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING (continued)

10. Compensated Absences and Load Banking

In accordance with GASB Statement No. 16, Accumulated unpaid employee vacation benefits are recognized as a liability of the District as compensated absences 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.

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 since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires and within the constraints of the appropriate retirement systems.

11. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING (continued)

12. Deferred Inflow 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 inflow of resources – pensions, results from the difference between the estimated and actual return on pension plan investments. This amount is deferred and amortized over 5 years.

13. Net Position

Invested in capital assets, net of related debt: This 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, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING (continued)

14. 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 2016 will be recorded in the year computed by the State.

15. 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.

16. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING (continued)

17. 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 position. 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.

18. 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, 2015, no interest was capitalized.

19. 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.

NOTE 2 - DEPOSITS AND INVESTMENTS:

A. 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, 2015, $7,776,567 of the District's bank balance of $8,324,924 was exposed to credit risk as follows:

Uninsured and uncollateralized	$7,776,567
Total	$7,776,567

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. These pooled funds are carried at amortized cost which approximates fair value.

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq. The County is restricted by Government Code Section 53635 pursuant to Section 53601 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.

NOTE 2 - DEPOSITS AND INVESTMENTS: (continued)

B. Investments

Policies

Under provisions of California Government Code Sections 16430, 53601 and 53602 (and District Board Policy Section 6006), the District may invest in the following types of investments:

- State of California Local Agency Investment Fund (LAIF)
- Los Angeles County Investment Pools (OCIP)
- U.S. Treasury notes, bonds, bills or certificates of indebtedness
- U.S. Government Agency guaranteed instruments
- Fully insured or collateralized certificates of deposit
- Fully insured and collateralized credit union accounts

The District did not violate any provisions of the California Government Code during the year ended June 30, 2015.

Investments at June 30, 2015 are presented below:

Investment	Maturities	Fair Value	Standard & Poor's Rating
Certificates of Deposit	1-5 Years	$930,901	Nonrated
Stocks		124,179	Nonrated
Mutual Funds		160,061	Nonrated
Total		$1,215,141	

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Information about the exposure of the District's investments to this risk is provided above.

NOTE 2 - DEPOSITS AND INVESTMENTS: (continued)

B. Investments (continued)

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligations. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. The District follows Government Code to reduce exposure to investment credit risk. Information about the District's investment ratings is provided on the previous page. The District places no limit on the amount that may be invested in any one issuer. Certificates of Deposits which are not rated, nor are required to be rated. Ratings for the District's investments in Stocks and mutual funds were not available.

NOTE 3 - ACCOUNTS RECEIVABLE:

The accounts receivable balance as of June 30, 2015 consists of the following:

Federal and State	$3,666,810
Miscellaneous	5,994,546
Tuition and fees (net of allowance of doubtful accounts $1,391,333)	1,714,998
	$11,376,354

NOTE 4 - INTERFUND TRANSACTIONS:

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended. Interfund receivables and payables result when the interfund transfer is transacted after the close of the fiscal year. Interfund activity within the government funds has been eliminated in the basic financial statements.

NOTE 5 - CAPITAL ASSETS:

The following provides a summary of changes in capital assets for the year ended June 30, 2015:

	June 30, 2014	Additions	Retirements and Adjustments	June 30, 2015
Capital assets not depreciated:				
Land	$ 10,396,408	$	$	$ 10,396,408
Construction in progress	3,140,964	3,829,210	(3,876,960)	3,093,214
Total capital assets not depreciated	13,537,372	3,829,210	(3,876,960)	13,489,622
Capital assets depreciated:				
Buildings and improvements	270,581,020	3,876,960		274,457,980
Site improvements	22,003,495			22,003,495
Equipment	28,120,579	1,390,570	(1,180,908)	28,330,241
Total of capital assets depreciated	320,705,094	5,267,530	(1,180,908)	324,791,716
Less accumulated depreciation for:				
Buildings and improvements	(87,598,128)	(8,095,376)		(95,693,504)
Site improvements	(11,204,773)	(1,070,521)		(12,275,294)
Equipment	(14,489,733)	(2,075,441)	1,138,499	(15,426,675)
Total accumulated depreciation	(113,292,634)	(11,241,338)	1,138,499	(123,395,473)
Governmental capital assets, net	$ 220,949,832	$ (2,144,598)	$ (3,919,369)	$ 214,885,865

NOTE 6 - LEASES:

A. Capital Leases

The District leases equipment valued at approximately $315,700 under agreements which provide for title to pass upon expiration of the lease period. Future minimum lease payments are as follows

Fiscal Year	Lease Payment
2015-16	$ 63,240
2016-17	63,240
2017-18	63,240
2018-19	36,090
2019-20	5,960
Total	231,770
Less amount representing interest	(500)
Present value of net minimum lease payments	$ 231,270

The District will receive no sublease rental revenues nor pay any contingent rentals for this equipment.

NOTE 6 – LEASES: (continued)

B. Capital Leases - Winthrop

On December 1, 2012 the District entered into a lease agreement with Winthrop Resources Corporation (Winthrop) to finance $8,339,044 over a period of five years for hardware, software and implementation services associated with the purchase and implementation of Ellucian/Banner and related hardware and network expansion costs. Lease schedules were prepared periodically by Winthrop to memorialize the actual equipment accepted for lease by Winthrop during the installation period. Each lease schedule shall contain a minimum of 25% of hardware costs and 65% of combined hardware cost and software/ Ellucian agreement software cost. The lease rate is fixed at 2.284%. Equipment and software of totaling $7,873,957 has been purchased under the lease agreement. The principal is fully funded by the Debt Service Fund. Interest payments are funded each year by the General Fund. The repayment schedule as of June 30, 2015 is as follows:

Fiscal Year	Principal	Interest	Total
2015-16	$ 1,595,781	$ 68,955	$ 1,664,736
2016-17	1,635,931	28,805	1,664,736
2017-18	936,865	6,981	943,846
2018-19	98,560	6,354	104,914
Total	$ 4,267,137	$ 111,095	$ 4,378,232

The District will receive no sublease rental revenues nor pay any contingent rentals for this equipment.

NOTE 6 - LEASES: (continued)

C. Operating Lease

The District has entered into various operating lease agreements for the use of facilities and equipment with lease terms in excess of one year. Annual future minimum lease payments under these agreements are approximately $232,000 and extend through June 30, 2056.

Current year expenditures for operating leases is approximately $155,229. The District will receive no sublease rental revenues nor pay any contingent rentals for these properties.

NOTE 7 – GENERAL OBLIGATION BONDS:

On March 5, 2002, the District voters authorized the issuance and sale of general obligation bonds totaling $150,000,000. Proceeds from the sale of the bonds will be used to finance the construction, acquisition, furnishing and equipping District facilities.

Series A general obligation bonds were sold in June 2003, for $33,000,000. The bonds were issued as Current Interest Bonds, and were fully redeemed as of June 30, 2014.

Series B and C general obligation bonds were sold in July 2006, for $87,657,774. The bonds were issued as Current Interest Bonds in the aggregate principal amount of $65,000,000 (Series B) and as Capital Appreciation Bonds in the aggregate principal amount of $22,657,774 (Series C).

The bonds were issued to refund certain outstanding general obligation bonds (Series A Bonds) of the District and to pay for certain capital improvements.

The proceeds associated with the refunding were deposited in an escrow fund for future repayment. The bonds are considered in substance defeased and are not recorded on the financial statements.

NOTE 7 – GENERAL OBLIGATION BONDS: (continued)

The capital appreciation bonds were issued with maturity dates of August 1, 2007 through August 1, 2014. Prior to the applicable maturity date, each bond accreted interest on the principal component. At June 30, 2015, bonds were paid in full.

Series D and E general obligation bonds were sold in September 2009, for $52,000,000. The bonds were issued as Current Interest Bonds in the aggregate principal amount of $26,705,000 (Series D) and as Build America Bonds in the aggregate principal amount of $25,295,000 (Series E).

The Series E bonds are designated as "Build America Bonds" under the provisions of the American Recovery and Reinvestment Act of 2009. With respect to the Series E bonds, the District expects to receive, on or about each bond payment date, a cash subsidy payment from the United States Treasury equal to the amount of interest determined at a federal tax credit rate under Section 54A(b)(3) of the tax code. The cash subsidy is deposited with the County and credited to the Bond Interest and Redemption Fund for debt service payments.

On April 2, 2014, the District offered for sale $16,980,000 in general obligation refunding bonds. The bonds were issued to refund certain outstanding general obligation bonds (Series B) of the District to pay for certain capital improvements. The bonds were issued as current interest bonds.

The proceeds associated with the refunding were deposited in an escrow fund for future repayment.

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The Series B, C, D bonds and 2014 Refunding bonds included a premium of $1,965,547, $7,582,736, $3,582,086, and $2,608,686, respectively, which are amortized using the straight-line method. Amortization of $78,622, $947,842, $143,283 and $200,669 was recognized during the 2014-15 year for Series B, C, D bonds, and 2014 Refunding bonds respectively.

NOTE 7 – GENERAL OBLIGATION BONDS: (continued)

The outstanding bonded debt for Pasadena Area Community College District at June 30, 2015 is:

	Date of Issue	Interest Rate %	Maturity Date	Amout of Original Issue	Outstanding June 30, 2014	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2015
Series B	7/12/2006	4.5 - 5.25%	8/1/2031	$ 65,000,000	$ 26,985,000	$	$ 1,600,000	$ 25,385,000
Series C	7/12/2006	3.95 - 4.44%	8/1/2014	22,657,774	4,305,024		4,305,024	-
Series D	9/30/2009	3.0 - 5.0%	8/1/2026	26,705,000	25,645,000		1,485,000	24,160,000
Series E	9/30/2009	6.5 - 6.7%	8/1/2034	25,295,000	25,295,000		-	25,295,000
2014 Refunding	4/2/2014	2.0 - 5.0%	8/1/2026	16,980,000	16,980,000		200,000	16,780,000
				$ 156,637,774	$ 99,210,024	$ -	$ 7,590,024	$ 91,620,000

The annual requirements to amortize all bonds payable, outstanding as of June 30, 2015, are as follows:

Year Ending June 30	Principal	Interest	Total
2016	$ 3,265,000	$ 4,803,142	$ 8,068,142
2017	3,395,000	4,662,417	8,057,417
2018	3,460,000	4,504,167	7,964,167
2019	3,635,000	4,326,792	7,961,792
2020	3,810,000	4,163,092	7,973,092
2021-25	21,880,000	17,806,703	39,686,703
2026-30	28,315,000	11,408,719	39,723,719
2031-35	23,860,000	3,242,206	27,102,206
Total	$ 91,620,000	$ 54,917,238	$ 146,537,238

NOTE 8 - LONG-TERM DEBT:

A schedule of changes in long-term debt for the year ended June 30, 2015 is shown below:

	Balance 6/30/2014	Additions and Adjustments	Deletions	Balance 6/30/2015	Due in One Year
Compensated Absences	$ 2,778,387	$	$ 133,486	$ 2,644,901	$
Net Pension Liability[(1)]	117,407,150		24,236,186	93,170,964	
Capital Lease - Winthrop	5,824,345		1,557,208	4,267,137	1,595,781
Capital Lease		231,270		231,270	63,140
G. O. Bonds	99,210,024		7,590,024	91,620,000	3,265,000
Bond Premium	7,787,228		1,370,416	6,416,812	422,573
OPEB	5,449,988	518,504		5,968,492	-
PARS - Supplemental Plan	4,528,233	2,794,138	1,781,939	5,540,432	2,340,767
	$ 242,985,355	$ 3,543,912	$ 36,669,259	$ 209,860,008	$ 7,687,261

(1) The beginning balance of long-term debt has been restated to reflect the beginning net pension liability resulting from the implementation of GASB Statements No. 68 and No. 70. See note 15.

Liabilities are liquidated by the General Fund for governmental activities, including capital leases, compensated absences, net OPEB obligations and supplemental employee retirement plan. The capital lease principal balance with Winthrop and COPs is funded by the Debt Service Fund. General obligation bond liabilities are liquidated through property tax collections as administered by the County Controller's office through the Bond Interest and Redemption Fund.

NOTE 9 - EMPLOYEE RETIREMENT PLANS:

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS) and part-time, seasonal and temporary employees and employees not covered by CalSTRS or CalPERS are members of the Accumulated Program for part-time and Limited Services Employees (APPLE) plan.

NOTE 9 - EMPLOYEE RETIREMENT PLANS: (continued)

As of June 30, 2015, the District implemented GASB Statements No. 68 and No. 71, and as a result, reported its proportionate share of the net pension liabilities, pension expense and deferred inflows of resources for each of the above plans and a deferred outflows of resources for each of the above plans as follows:

Pension Plan	Proportionate Share of Net Pension Liability	Deferred Outflows of Resources	Proportionate Share of Deferred Inflows of Resources	Proportionate Share of Pension Expense
CalSTRS	$ 67,786,920	$ 4,859,625	$ 16,692,400	$ 5,852,200
CalPERS	25,384,044	2,745,063	8,722,242	2,256,123
Totals	$ 93,170,964	$ 7,604,688	$ 25,414,642	$ 8,108,323

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.

NOTE 9 - EMPLOYEE RETIREMENT PLANS: (continued)

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

The STRP provisions and benefits in effect at June 30, 2015, are summarized as follows:

	STRP Defined Benefit Program	
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	8.15%	8.15%
Required employer contribution rate	8.88%	8.88%
Required state contribution rate	5.95%	5.95%

Contributions

Required member, District and State of California contributions 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, 2015 are presented above and the total District contributions were $4,859,625.

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

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

District proportionate share of net pension liability	$	67,786,920
State's proportionate share of the net pension liability associated with the District		40,933,080
Total	$	108,720,000

NOTE 9 - EMPLOYEE RETIREMENT PLANS: (continued)

The net pension liability was measured as of June 30, 2014. 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, 2014, the District's proportion was 0.1160%.

For the year ended June 30, 2015, the District recognized pension expense of $5,852,200 and revenue of $3,533,846 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 4,859,625	$
Net differences between projected and actual earnings on plan investments		16,692,400
Total	$ 4,859,625	$ 16,692,400

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The deferred inflows of resources will be amortized over a closed 5-year period and will be recognized as a reduction in pension expense as follows:

Year Ended June 30	Amortization
2016	$ 4,173,100
2017	4,173,100
2018	4,173,100
2019	4,173,100
	$ 16,692,400

NOTE 9 - EMPLOYEE RETIREMENT PLANS: (continued)

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, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013 used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
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' investment practice, a best estimate range was determined be assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independently from year to year to develop expected percentile 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 10-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:

NOTE 9 - EMPLOYEE RETIREMENT PLANS: (continued)

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.20%
Cash/liquidity	1%	0.00%

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

Discount rate	Net Pension Liability
1% decrease (6.60%)	$ 105,662,080
Current discount rate (7.60%)	67,786,920
1% increase (8.60%)	36,205,920

NOTE 9 - EMPLOYEE RETIREMENT PLANS: (continued)

Plan Fiduciary Net Position

Detailed information about CalSTRS plan fiduciary net position is available in a separate comprehensive annual financial report. 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, 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, 2015, are summarized as follows:

NOTE 9 - EMPLOYEE RETIREMENT PLANS: (continued)

	School Employer Pool (CalPERS)	
Hire date	On or Before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	6.974%	6.000%
Required employer contribution rate	11.771%	11.771%

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, 2015 are presented above and the total District contributions were $2,745,063.

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

As of June 30, 2015, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $25,834,044. The net pension liability was measured as of June 30, 2014. 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, actuarially determined. At June 30, 2014, the District's proportion was 0.2236%.

NOTE 9 - EMPLOYEE RETIREMENT PLANS: (continued)

For the year ended June 30, 2015, the District recognized pension expense of $2,256,123. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 2,745,063	$
Net differences between projected and actual earnings on plan investments		8,722,242
Total	$ 2,745,063	$ 8,722,242

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The deferred inflow of resources will be amortized over a closed 5-year period and will be recognized as a reduction in pension expense as follows:

Year Ended June 30	Amortization
2016	$ 2,180,560
2017	2,180,560
2018	2,180,561
2019	2,180,561
	$ 8,722,242

Actuarial Methods and Assumptions

Total pension liability for the School Employer Pool was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013 used the following methods and assumptions, applied to all prior periods included in the measurement:

NOTE 9 - EMPLOYEE RETIREMENT PLANS: (continued)

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.50%
Investment rate of return	7.50%
Consumer price inflation	2.75%
Wage growth	3.00%

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 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 in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	5.25%
Global fixed income	19%	0.99%
Private equity	12%	6.83%
Real estate	11%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	3%	4.50%
Liquidity	2%	-0.55%

NOTE 9 - EMPLOYEE RETIREMENT PLANS: (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount rate	Net Pension Liability
1% decrease (6.50%)	$ 44,529,408
Current discount rate (7.50%)	25,384,044
1% increase (8.50%)	9,386,163

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.

NOTE 9 - EMPLOYEE RETIREMENT PLANS: (continued)

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

Plan Description

The Accumulation Program for Part-Time and Limited Service Employees (APPLE) is a defined contribution plan qualifying under Section 401(a) and 501 of the Internal Revenue Code. This plan covers part-time, seasonal and temporary employees and 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 $535,457 during the fiscal year. The total amount of covered compensation was $14,278,856. Total contributions made are 100% of the amount of contributions required for the fiscal year 2014-15. Total required contribution is 7.5%; the District contributes 3.75% in addition to the employees’ contribution of 3.75%

NOTE 10 – SUPPLEMENTAL EMPLOYEE RETIREMENT PLAN:

The District has Supplemental Employee Retirement Plans for faculty and management/confidential employees. The accumulated future liability for the District at June 30, 2015 is $5,540,432, and has been reflected in these financial statements.

In 2011-12, 2012-13, 2013-14 and 2014-15 the Board of Trustees approved the implementation of District Supplemental Employee Retirement Plans for faculty, management, confidential and non-management employees.

NOTE 10 – SUPPLEMENTAL EMPLOYEE RETIREMENT PLAN: (continued)

A total of 81 faculty, 19 management/confidential, and 58 non-management employees participate in the plan. The total cost to the District is approximately $11.7 million. The District will pay benefits in future years, through 2019-20, totaling approximately $5.5 million.

NOTE 11 – POSTEMPLOYMENT HEALTHCARE BENEFITS:

Plan Description

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, Management and Classified employees who have reached age 55 and retire with at least 14 years of service, however, District-paid retiree benefits begin at age 55 and terminate on the June 30th for the fiscal year during which the retiree reaches age 65. Beyond this age, the District pays $1,440 annually to assist retirees in obtaining Medicare Supplement coverage. Benefit provisions are established through negotiations between the District and the bargaining unions representing employees and are renegotiated each three-year bargaining period. The Retiree Health Plan does not issue a separate financial report.

Funding Policy

The District currently finances benefits on a pay-as-you-go basis. The District contributes 100 percent of the cost of current year premiums for eligible retired plan members and their spouses as applicable. For fiscal year ended 2015, the District and member contributions to the plan totaled $2,124,995.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

NOTE 11 – POSTEMPLOYMENT HEALTHCARE BENEFITS: (continued)

Annual OPEB Cost and Net OPEB Obligation (continued)

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed, and changes in the OPEB obligation:

Annual required contribution	$ 2,486,953
Interest on net OPEB obligation	258,874
Adjustment to annual required contribution	(102,328)
Annual OPEB cost (expense)	2,643,499
Contributions made	(2,124,995)
Change in net OPEB obligation	518,504
Net OPEB obligation - beginning of year	5,449,988
Net OPEB obligation - end of year	$ 5,968,492

The District's annual OBEB cost for the year, the percentage of annual OPEB cost contributed, and the net OPEB obligation for fiscal year ended 2015 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2013	$ 2,122,860	64.0%	$4,092,671
6/30/2014	2,604,512	47.9%	5,449,988
6/30/2015	2,643,499	80.4%	5,968,492

NOTE 11 – POSTEMPLOYMENT HEALTHCARE BENEFITS: (continued)

Funding Status and Funding Progress

As of April 11, 2014, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits as well as the unfunded actuarial accrued liability (UAAL) was $20,286,529. The covered payroll (annual payroll of active employees covered by the plan) was $59,070,408, and the ratio of the UAAL to the covered payroll was 34.34%. Although the plan has no segregated assets, the District does maintain a retiree benefits fund to designate resources for retiree health care costs. At June 30, 2015, the fund's designated balance was $14,685,458.

Actuarial valuations of an ongoing benefit plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of postemployment healthcare benefits funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets, if any, is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, if any, consistent with the long-term perspective of the calculations.

NOTE 11 - POSTEMPLOYMENT HEALTHCARE BENEFITS: (continued)

Actuarial Methods and Assumptions (continued)

In the April 11, 2014 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.75 percent investment rate of return (net of administrative expenses) which is a blended rate of the expected long-term investment returns on plan assets and on the employers own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 4 percent. Both rates included a 2.75 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level dollar of projected payroll on a closed basis. The remaining amortization period will expire on June 30, 2038.

NOTE 12 - JOINT POWERS AGREEMENT:

The District participates in three joint powers agreement (JPA) entities; the Statewide Association of Community Colleges (SWACC); and the Schools Excess Liability Fund (SELF) 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.

SELF arranges for and provides a self-funded or additional insurance for excess liability fund for approximately 1,100 public educational agencies. SELF is governed by a board of 16 elected voting members, elected alternates, and two ex-officio members. The board controls the operations of SELF, including selection of management and approval of operating budgets, independent of any influence by the members beyond their representation on the board. Each member pays an annual contribution based upon that calculated by SELF's board of directors and shares surpluses and deficits proportionately to its participation in SELF.

NOTE 12 - JOINT POWERS AGREEMENT: (continued)

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 Pasadena Area Community College 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 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 Pasadena Area Community College District and the JPAs are such that neither JPA is a component unit of the District for financial reporting purposes.

Condensed financial information of SWACC, SELF and SAWCX II for the most current information available is as follows:

	SWACC 6/30/2015 (Unaudited)	SELF 6/30/2015 (Audited)	SAWCX II 6/30/2014 (Unaudited)
Total assets	$ 53,936,821	$ 154,826,708	$ 16,894,958
Total liabilities	23,420,128	122,637,079	15,667,412
Retained earnings	$ 30,516,693	$ 32,189,629	$ 1,227,546
Total revenues	$ 18,085,402	$ 11,968,752	$ 252,316
Total expenditures (credits)	18,077,751	23,063,637	(183,514)
Net increase/(decrease)	$ 7,651	$ (11,094,885)	$ 435,830

NOTE 13 - INTERNAL SERVICE FUND:

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.

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, 2015, 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 $4,449,000. Changes in the reported liability are shown below:

	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Ending Fiscal Year Liability
Property and Liability	$ 225,000	$ 971,105	$ (971,105)	$ 225,000
Workers' Compensation	4,224,000	1,540,182	(1,540,182)	4,224,000
	$ 4,449,000	$ 2,511,287	$ (2,511,287)	$ 4,449,000

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 shown below:

	Salaries	Employee Benefits	Supplies, Materials, Utilities Other Expenses and Services	Student Financial Aid	Depreciation	Total
Instructional	$ 60,781,111	$ 15,868,808	$ 1,850,955	$ 11,426	$	$ 78,512,300
Academic Support	8,969,306	3,145,639	886,679	9,955		13,011,579
Student Services	13,325,037	4,371,114	2,746,365	484,414		20,926,930
Operation & Maintenance of Plant	4,645,882	2,319,947	2,439,891			9,405,720
Institutional Support	10,555,252	6,612,005	8,005,225	9,740		25,182,222
Community Services and Economic Development	583,137	235,551	179,080			997,768
Ancillary Services and Auxiliary Operations	3,339,110	995,769	3,107,111	244,350		7,686,340
Physical Property & Related Acquisition	2,578	187	4,970,855			4,973,620
Long-Term Debt & Other Financing			8,558,311			8,558,311
Student Aid				36,865,725		36,865,725
Depreciation Expense					11,241,338	11,241,338
Total	$ 102,201,413	$ 33,549,020	$ 32,744,472	$ 37,625,610	$ 11,241,338	$ 217,361,853

NOTE 15 – CUMULATIVE EFFECT OF ACCOUNTING CHANGES AND RESTATEMENT TO BEGINNING NET POSITION AND NEGATIVE UNRESTRICTED NET POSITION:

The beginning net position of the basic financial statements has been restated by $(110,474,456) to recognize the beginning balance of the net pension liability and deferred outflow of resources resulting from the implementation of GASB Statements No. 68 and No. 71. Beginning net position was not restated for the effect of deferred inflows of resources as the amount was not practical to determine.

The effect of this implementation has resulted in a negative unrestricted net position at June 30, 2015. The retirement plan administrators for CalSTRS and CalPERS will require increases in contribution amounts to reduce the net pension liability in future years. The District has budgeted for increased contributions in the 2016 year.

NOTE 16 - COMMITMENTS AND CONTINGENCIES:

A. 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.

B. 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.

C. Purchase Commitments

As of June 30, 2015, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately $5,299,000. Projects will be funded through bond proceeds, state funds and general funds.

D. Subsequent Events

Damages have been asserted against the District related to the Center for the Arts construction projects. On October 15, 2015 a final demand of $1.6m was made. The Board has approved settlement for the matter for $1.6m to be paid from the District's Measure P escrow account. This matter is expected to be fully settled in the near future.

NOTE 17 - GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS ISSUED, NOT YET EFFECTIVE:

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2015, 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.

NOTE 17 - GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS ISSUED, NOT YET EFFECTIVE: (continued)

Statement No. 72 - *Fair Value Measurement and Application*

This statement was issued in February 2015 and provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements by establishing a hierarchy of inputs to valuation techniques used to measure fair value. The statement is effective for the fiscal year 2015-16.

Statement No. 73 - *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*

This statement was issued in June 2015 and extends the approach to accounting and financial reporting established in Statement No. 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. The object is to provide information about financial support provided by certain non-employer entities for pensions that are provided to the employees of other entities and that are not within the scope of Statement No. 68 and to provide information about the effects of pension-related transactions and other events on the elements of the basic financial statements of state and local governmental employers. The statement is effective for the fiscal year 2015-16 except those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement No. 68, which are effective for the fiscal year 2016-17.

Statement No. 74 - *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*

This statement was issued in June 2015 and establishes standards of financial reporting for defined benefit OPEB plans and defined contribution OPEB plans. This statement is closely related in some areas to Statement No. 75. The statement is effective for the fiscal year 2016-17.

NOTE 17 - GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS ISSUED, NOT YET EFFECTIVE: (continued)

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

This statement was issued in June 2015 and 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. This statement is closely related in some areas to Statement No. 74. The statement is effective for the fiscal year 2017-18.

Statement No. 76 - *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

This statement was issued in June 2015 and reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The statement is effective for the fiscal year 2015-16.

Statement No. 77 - *Tax Abatement Disclosures*

This statement was issued in August 2015 and establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The statement is effective for the fiscal year 2016-17.

REQUIRED SUPPLEMENTARY INFORMATION

PASADENA AREA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF POSTEMPLOYMENT HEALTHCARE BENEFITS FUNDING PROGRESS
For the Fiscal Year Ended June 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (Entry Age Normal Cost Method) (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funding Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/10/2010	$	$ 13,381,136	$ 13,381,136	0%	$ 51,831,265	25.82%
12/1/2011		15,674,507	15,674,507	0%	51,822,405	30.25%
4/11/2014		20,286,529	20,286,529	0%	59,070,408	34.34%

See the accompanying notes to the required supplementary information.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
STATE TEACHERS' RETIREMENT PLAN
For the Fiscal Year Ended June 30, 2015

	2015
District's proportion of the net pension liability (assets)	0.1160%
District's proportionate share of the net pension liability (asset)	$ 67,786,920
State's proportionate share of the net pension liability (asset) associated with the District	40,933,080
Total	$108,720,000
District's covered-employee payroll reported as of the previous fiscal year to align with the measurement date of the net pension liability	$ 51,472,000
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	131.70%
Plan fiduciary net position as a percentage of the total pension liability	77.00%

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 the accompanying notes to the required supplementary information.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM - SCHOOLS POOL PLAN
For the Fiscal Year Ended June 30, 2015

	2015
District's proportion of the net pension liability (assets)	0.2236%
District's proportionate share of the net pension liability (asset)	$25,384,044
District's covered-employee payroll reported as of the previous fiscal year to align with the measurement date of the net pension liability	$23,477,000
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	108.12%
Plan fiduciary net position as a percentage of the total pension liability	83.37%

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 the accompanying notes to the required supplementary information.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS
STATE TEACHERS' RETIREMENT PLAN
For the Fiscal Year Ended June 30, 2015

	2015
Contractually required contribution	$ 4,859,625
Contributions in relation to the contractually required contribution	4,859,625
Contribution deficiency (excess)	$ -
District's covered-employee payroll	$ 53,590,000
Contributions as a percentage of covered employee payroll	9.07%

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 the accompanying notes to the required supplementary information.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS
CALIFORNIA PUBLIC EMPLOYEES RETIREMENT PLAN
For the Fiscal Year Ended June 30, 2015

	2015
Contractually required contribution	$ 2,745,063
Contributions in relation to the contractually required contribution	2,745,063
Contribution deficiency (excess)	$ -
District's covered-employee payroll	$24,691,000
Contributions as a percentage of covered employee payroll	11.12%

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 the accompanying notes to the required supplementary information.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2015

NOTE 1 - PURPOSE OF SCHEDULE:

A. 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.

B. Schedules of the District's Proportionate Share of the Net Pension Liability – STRP and CalPERS – Schools Pool Plan

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.

C. Schedules of District Contributions – STRP and CalPERS

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
June 30, 2015

The Pasadena Area Community College 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 currently operates one college.

BOARD OF TRUSTEES

Member	Office	Term Expiration
Berlinda Brown	President	December 2017
Linda S. Wah	Vice President	December 2017
Jeanette Mann PhD	Clerk	December 2015
Ross Selvidge, PhD	Member	December 2017
Anthony R. Fellow PhD	Member	December 2017
William E. Thomson, Jr.	Member	December 2015
John H. Martin	Member	December 2015
Marshall Lewis	Student Trustee	June 2015

DISTRICT EXECUTIVE OFFICERS

Robert B. Miller, DPA	Interim Superintendent/President and Board of Trustee Secretary
Robert H. Bell, EdD	Assistant Superintendent/Senior Vice President, Academic and Student Affairs
Joseph W. Simoneschi-Sloan	Acting Assistant Superintendent/Senior Vice President, Business and College Services

PASADENA AREA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2015

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
Federal Categorical Aid Programs:			
Department of Education:			
Direct:			
Student Financial Aid Cluster			
Pell Grant	84.063	N/A	$ 32,458,850
Supplemental Educational Opportunity Grant (SEOG)	84.007	N/A	724,419
Federal Work-Study Program (531300)	84.033	N/A	50,000
Federal Work-Study Program (531400)	84.033	N/A	423,533
Federal Family Education Loans (Direct Loans)	84.032	N/A	1,560,805
Direct Loan Plus		N/A	5,264
Total Student Financial Aid Cluster:			35,222,871
Passed through from the California Department of Education:			
TRIO Cluster:			
Upward Bound Classic	84.047A	(1)	282,484
Upward Bound Math and Science	84.047M	(1)	263,578
Student Support Services and Student Grants	84.042A	(1)	406,371
Talent Search	84.044A	(1)	142,307
Upward Bound Classic-Rosemead	84.044A	(1)	200,849
Upward Bound Math and Science - El Monte	84.044A	(1)	262,538
Total TRIO Cluster:			1,558,127
Department of Agriculture:			
Forest Reserve	10.665	N/A	16,213
Summer Food Math Science Upward Bound	10.559	N/A	21,940
Passed through the California Department of Education			
Child & Adult Care Food Program	10.558A	3278-1A	47,085
National Science Foundation:			
Direct:			
Carleton College Integrate	47.076	N/A	8,630
Carleton College Integrate (Prior Year)	47.076	N/A	7,141
Department of Education:			
Passed through the California State Chancellor's Office			
CTEA I-C	84.048	03579	487,570
CTE Transitions	84.048	03579	41,209
Passed through the California Department of Education			
Workforce Investment Act: Adult Basic Education	84.002A	3905	290,506
ASE	84.002A	3913	268,493
El Civics	84.002A	3926	29,370
XL for life: Transforming Developmental Education at PCC to Improve Hispanic Student Success	84.031S	N/A	718,787
HSI: Developing accessible intersegmental STEM pathway environmental sciences for underserved Hispanic students	84.031C	N/A	1,435,353
Design Technology Pathway	84.031S	N/A	782,144

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, 2015

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
Department of Health and Human Services:			
Passed through the California State Chancellor's Office			
Foster Care	93.658	(1)	55,888
Temporary Assistance for Needy Families (TANF)	93.558	(1)	68,805
Passed through the California Department of Education			
Child Development - CCTR (Based of Attendance/Enrollment)	93.575	000324	92,940
Child Development -CSPP (Based of Attendance/Enrollment)	93.596	000321	26,789
Passed through the California Department of Social Services			
Los Angeles County DPSS	93.558	(1)	56,660
Small Business Administration:			
Small Business Development	59.037	N/A	72,883
Total Federal Expenditures:			$ 41,309,404
Reconciliation to Federal Revenue:			
Total federal program expenditures			$ 41,309,404
Revenues in excess of expenditures related to federal entitlement program:			
Build America Bonds			541,683
CTEA I-C			21,790
Pell Grant			42,406
Pell Grant Administration Grant			130,771
Supplemental Educational Opportunity Grant			3,348
Federal Family Education Loans (Direct Loans)			33,858
Total Federal Revenue			$ 42,083,260

Student Financial Aid Loan Programs:

The Pasadena Area Community College District is in the process of closing out the Perkins program, CFDA 84.038. Loans outstanding at 6/30/15 is expected to be immaterial to the Student Financial Aid Cluster.

Note: (1) Pass-through entity identifying number not readily available.
N/A Pass-through entity identifying number not applicable

See accompanying notes to the supplementary information.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL ASSISTANCE - GRANTS
For the Fiscal Year Ended June 30, 2015

	Program Revenues				Total
Program Name	Cash Received	Accounts Receivable	Unearned Revenue	Total	Program Expenditures
State Categorical Aid Program:					
Child Development Program	$ 6,569	$ 13,157	$	$ 19,726	$ 19,726
Child Development Program	110,124		4,374	105,750	105,750
Child Development Program	143,344			143,344	143,344
Child Development Program	1,971	407		2,378	2,378
Cooperative Agencies Resources For Education (CARE)	74,971		921	74,050	74,050
Extended Opportunity Program and Services (EOP&S)	847,321		7,976	839,345	839,345
Extended Opportunity Program and Services (EOP&S)	92,285		45,922	46,363	46,363
Extended Opportunity Program and Services (EOP&S) prior y	31,683			31,683	31,683
Disabled Students Program and Services (DSPS)	1,130,666			1,130,666	1,130,666
Matriculation - Non Credit	185,956		26,118	159,838	159,838
Matriculation - Credit	2,914,553		1,306,736	1,607,817	1,607,817
Matriculation - Credit (Prior Year)	209,746			209,746	209,746
Student Equity	1,009,466		993,854	15,612	15,612
Matriculation - Administration	599,995		406,625	193,370	193,370
Matriculation - Administration (Prior Year)	248,730			248,730	248,730
Instructional Equipment	1,342,404		272,109	1,070,295	1,070,295
Associate Degree Nursing	112,637	177,499	88,310	201,826	201,826
Economic Development - Applied Biological Technology		16		16	16
CTE 140 Community Collaborative Projects	96,756	360,180	179,255	277,681	277,681
Basic Skills	179,502		72,323	107,179	107,179
Basic Skills (Prior Year)	15,670			15,670	15,670
Student Financial Aid Administration	224,556			224,556	224,556
SFAA Augmentation	518,037			518,037	518,037
Calworks	329,197		21,154	308,043	308,043
Staff Diversity - AB1725	9,051			9,051	9,051
Faculty/Staff Professional Development		333		333	333
California Governor's Office of Business and Economic Development		34,815		34,815	34,815
MESA	38,607	16,791		55,398	55,398
Foster Care Education Program	37,096	34,010		71,106	71,106
Bridges to Stem Cell Research	991,199	29,082	481,423	538,858	538,858
AMETLL		170		170	170
Linked Learning Pathways to Bacca	50,000		41,122	8,878	8,878
Prop 39 Clean Energy Work	9,742		9,622	120	120
AB 86	237,351		30,578	206,773	206,773
California Career Pathways Grant (LaHi-Tech Cont.)	7,499,526		7,397,495	102,031	102,031
Cal Grant "B"	2,250,481	4,458	5,287	2,249,652	2,249,652
Cal Grant "C"	18,821			18,821	18,821
TOTALS	$ 21,568,013	$ 670,918	$ 11,391,204	$ 10,847,727	$ 10,847,727

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, 2015

	Annual - Factored FTES		
	Reported Data	**Audit Adjustments**	**Audited Data**
A. Summer Intersession (Summer 2014 only)			
1. Noncredit[1]	149.61		149.61
2. Credit	1,331.86		1,331.86
B. Summer Intersession (Summer 2015 - Prior to July 1, 2015)			
1. Noncredit[1]	139.66		139.66
2. Credit	1,382.66		1,382.66
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	15,902.11	(28.75)	15,873.36
(b) Daily Census Contact Hours	483.80		483.80
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit[1]	1,046.69		1,046.69
(b) Credit	793.49		793.49
3. Alternative Attendance Accounting Procedure			
(a) Weekly Census Procedure Courses	1,103.40	(20.36)	1,083.04
(b) Daily Census Procedure Courses	651.07		651.07
(c) Noncredit Independent Study/Distance Education Courses	-		-
D. Total FTES	22,984.35	(49.11)	22,935.24
Supplemental Information (subset of above information)			
E. In-Service Training Courses (FTES)	-		
H. Basic Skills courses and Immigrant Education			
(a) Noncredit[1]	1,061.02		
(b) Credit	604.92		
CCFS 320 Addendum			
CDCP Noncredit FTES	789.45		
Centers FTES			
Noncredit	1,066.93		
Credit	613.35		

[1] Including Career Development and College Preparation (CDCP) FTES

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, 2015

The audit resulted in no adjustments to the fund balances reported on the June 30, 2015 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 50 PERCENT LAW CALCULATION
For the Fiscal Year Ended June 30, 2015

		Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional Salaries							
Contract or Regular	1100	$ 28,502,458	$	$ 28,502,458	$ 29,357,338	$	$ 29,357,338
Other	1300	27,490,325		27,490,325	27,490,325		27,490,325
Total Instructional Salaries		55,992,783		55,992,783	56,847,663		56,847,663
Non-Instructional Salaries							
Contract or Regular	1200			-	9,988,186		9,988,186
Other	1400			-	547,465		547,465
Total Non-Instructional Salaries		-		-	10,535,651		10,535,651
Total Academic Salaries		55,992,783	-	55,992,783	67,383,314	-	67,383,314
Classified Salaries							
Non-Instructional Salaries							
Regular Status	2100			-	19,512,065		19,512,065
Other	2300			-	3,863,029		3,863,029
Total Non-Instructional Salaries		-	-	-	23,375,094	-	23,375,094
Instructional Aides							
Regular Status	2200	86,162		86,162	86,162		86,162
Other	2400			-			-
Total Instructional Aides		86,162		86,162	86,162		86,162
Total Classified Salaries		86,162	-	86,162	23,461,256	-	23,461,256
Employee Benefits	3000	13,800,185		13,800,185	28,896,176		28,896,176
Supplies and Materials	4000			-	779,029		779,029
Other Operating Expenses	5000	44,805		44,805	12,299,362		12,299,362
Equipment Replacement	6420			-			-
Total Expenditures Prior to Exclusions		69,923,935	-	69,923,935	132,819,137	-	132,819,137

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, 2015

		Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Exclusions							
Activities to Exclude							
Instructional Staff–Retirees' Benefits and Retirement Incentives	5900	1,220,604		1,220,604	1,220,604		1,220,604
Student Health Services Above Amount Collected	6441			-			-
Student Transportation	6491			-	84,858		84,858
Non-instructional Staff-Retirees' Benefits and Retirement Incentives	6740			-	1,523,078		1,523,078
Objects to Exclude							
Rents and Leases	5060			-	754,517		754,517
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			-	2,997,467		2,997,467
Capital Outlay	6000			-			-
Library Books	6300			-			-
Equipment	6400			-			-
Equipment - Additional	6410			-			-
Equipment - Replacement	6420			-			-
Total Equipment							
Total Capital Outlay							
Other Outgo	7000			-			-
Total Exclusions		1,220,604	-	1,220,604	6,580,524	-	6,580,524
Total for ECS 84362, 50% Law		$ 68,703,331	-	$ 68,703,331	$126,238,613		$126,238,613
Percent of CEE (Instructional Salary Cost / Total CEE)		54.42%	0%	54.42%	100%	0%	100%
50% of Current Expense of Education					$ 63,119,306	-	$ 63,119,306

See the accompanying notes to the supplementary information.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

PROPOSITION 30 EDUCATION PROTECTION ACCOUNT EXPENDITURE REPORT
For the Fiscal Year Ended June 30, 2015

Activity Classification	**Object Code**				**Unrestricted**
EPA Proceeds:	8630				$ 19,528,621
Activity Classification	**Activity Code**	**Salaries and Benefits (1000 - 3000)**	**Operating Expenses (4000 - 5000)**	**Capital Outlay (6000)**	**Total**
Instructional Activities	0100-5900	$ 19,528,621	$	$	$ 19,528,621
					-
					-
					-
					-
					-
					-
					-
					-
Total Expenditures for EPA*		$ 19,528,621	$ -	$ -	19,528,621
Revenues less Expenditures					-

*Total Expenditures for EPA may not include Administrator Salaries and Benefits or other administrative costs.

See the accompanying notes to the supplementary information.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2015

NOTE 1 - PURPOSE OF SCHEDULES:

A. Schedules of Expenditures of Federal Awards and State Financial Assistance-Grants

The audit of the Pasadena Area Community College District for the year ended June 30, 2015 was conducted in accordance with OMB Circular A-133, which requires a disclosure of the financial activities of all federally funded programs. The Schedule of Federal Awards and the Schedule of State Financial Assistance was prepared on the modified accrual basis of accounting.

B. Schedule of Workload Measures for State General Apportionment Recal (Actual) Attendance

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

C. 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).

D. Reconciliation of 50 Percent Law Calculation

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

E. Proposition 30 Education Protection Account Expenditure Report

This schedule reports how funds received from the passage of Proposition 30 Education Protection Act were expended.

OTHER INDEPENDENT AUDITOR’S REPORTS

VICENTI ◆ LLOYD ◆ STUTZMAN LLP
BUSINESS CONSULTANTS AND CPAs

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
1570 East Colorado Blvd
Pasadena, CA 91109

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 of the Pasadena Area Community College District (the District) as of and for the year ended June 30, 2015 and have issued our report thereon dated November 24, 2015.

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 opinion 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.

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.

2210 E. Route 66, Ste. 100, Glendora, CA 91740 ◆ Tel 626.857.7300 ◆ Fax 626.857.7302
915 Wilshire Boulevard, Ste. 2250, Los Angeles, CA 90017 ◆ Tel 213.550.5422
Email INFO@VLSLLP.COM ◆ Web WWW.VLSLLP.COM

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*

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pasadena Area Community College District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standard.*

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.

Vicenti, Lloyd & Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
November 24, 2015

VICENTI ♦ LLOYD ♦ STUTZMAN LLP
BUSINESS CONSULTANTS AND CPAs

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

The Board of Trustees
Pasadena Area Community College District
1570 East Colorado Blvd.
Pasadena, CA 91109

Report on Compliance for Each Major Federal Program

We have audited the 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) Circular A-133 *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, 2015. 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 the requirements of laws, regulations, contracts and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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.

2210 E. Route 66, Ste. 100, Glendora, CA 91740 ♦ Tel 626.857.7300 ♦ Fax 626.857.7302
915 Wilshire Boulevard, Ste. 2250, Los Angeles, CA 90017 ♦ Tel 213.550.5422
Email INFO@VLSLLP.COM ♦ Web WWW.VLSLLP.COM

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-002. Our opinion on each major federal program is not modified with respect to these matters.

The District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 OMB Circular A-133, 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.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph on 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 weakness may exist that have not been identified.

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Vicenti, Lloyd & Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
November 24, 2015

VICENTI ♦ LLOYD ♦ STUTZMAN LLP
BUSINESS CONSULTANTS AND CPAs

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

The Board of Trustees
Pasadena Area Community College District
1570 East Colorado Blvd.
Pasadena, CA 91109

We have audited the Pasadena Area Community College District's (the District) compliance with the types of compliance requirements described in the *2013-14 Contracted District Audit Manual*, published by the California Community Colleges Chancellor's Office for the year ended June 30, 2015. The District's State compliance requirements are identified below.

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 *2014-15 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.

2210 E. Route 66, Ste. 100, Glendora, CA 91740 ♦ Tel 626.857.7300 ♦ Fax 626.857.7302
915 Wilshire Boulevard, Ste. 2250, Los Angeles, CA 90017 ♦ Tel 213.550.5422
Email INFO@VLSLLP.COM ♦ Web WWW.VLSLLP.COM

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Compliance Requirements Tested

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

Section	Description	Procedures Performed
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	Concurrent Enrollment of K-12 Students in Community College Credit Courses	Yes
430	Scheduled Maintenance Program	Yes
431	Gann Limit Calculation	Yes
435	Open Enrollment	Yes
438	Student Fees – Health Fees and Use of Health Fee Funds	Yes
439	Proposition 39 Clean Energy Funds	Yes
440	Intersession Extension Program	Not applicable
474	Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)	Yes
475	Disabled Student Programs and Services (DSPS)	Yes
479	To Be Arranged Hours (TBA)	Yes
490	Proposition 1D State Bond Funded Projects	Yes
491	Proposition 30 Education Protection Account Funds	Yes

In our opinion, the Pasadena Area Community College District complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *2014-15 Contracted District Audit Manual,* published by the California Community Colleges Chancellor's Office, and which is described in the accompanying schedule of findings and questioned costs as items 2015-003, and 2015-004. Our opinion on each state program is not modified with respect to this matter.

The District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

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 *2014-15 Contracted District Audit Manual,* published by the California Community Colleges Chancellor's Office. Accordingly, this report is not suitable for any other purpose.

Vicenti, Lloyd & Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
November 24, 2015

FINDINGS AND RECOMMENDATIONS

PASADENA AREA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS
June 30, 2015

Financial Statements

Type of auditor's report issued:	*Unmodified*	
Internal control over financial reporting:		
Material weakness(es) identified?	_______ Yes	X No
Significant deficiency(ies) identified not considered to be material weaknesses?	_______ Yes	X None reported
Noncompliance material to financial statements noted?	_______ Yes	X No

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	_______ Yes	X No
Significant deficiency (ies) identified not considered to be material weaknesses?	X Yes	_______ None reported
Type of auditor's report issued on compliance for major programs:	*Unmodified*	
Any audit findings disclosed that are required to be Reported in accordance with Circular A-133, Section .510(a)	X Yes	_______ No

Identification of major programs tested

CFDA Number(s)	Name of Federal Program or Cluster
84.007, 84.032, 84.033, and 84.063	Student Financial Aid Cluster
84.048	Perkins Title I, Part C - CTEA

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000	
Auditee qualified as low-risk auditee?	X Yes	_______ No

FINDING 2015-001: RETURN TO TITLE IV

Original Finding: 2014-001

CFDA Title and Number: Student Financial Aid Cluster (84.007, 84.033, 84.063, and 84.268)
Federal Award Number and Year: P063P14004, 2014-15
Name of Federal Agency: Department of Education
Name of the Pass-through Agency: Not Applicable

Criteria: According to 34 CFR 668.22(j)(2) and 34 CFR 668.22(1)(3), an institute must return the amount of title IV funds for which it is responsible as soon as possible but no later than 30 days after the date of the institution's determination that the student withdrew as defined in paragraph (1)(3) of this section. When a student unofficially drops, the school must ensure that Title IV funds are returned within a reasonable period of time. A school must determine the withdrawal date (for a student who withdrew without providing notification) within 30 calendar days from the earlier of (1) the end of the payment period or period of enrollment, as applicable, (2) the end of the academic year, or (3) the end of the student's educational program.

Condition: During the testing of the requirements for Return to Title IV, the following exceptions were noted:

Fall Semester 2014

- Five of ten students selected that withdrew for Fall 2014, the calculation for Return to Title IV funds were not completed until April 2015 for Fall 2014 semester. Based on the criteria, the District did not complete the Return to Title IV calculation within the required 30 days after the end of the payment period or period of enrollment.

- Five of ten students selected that withdrew for Fall 2014, the Return to Title IV funds were returned April, 2015 for Fall 2014. Since the calculation was performed late, consequently, the funds were returned after the required 30 days after the end of the payment period or period of enrollment.

Cause: The District implemented a new Student Accounting Software during 2013-14. Procedures have improved in Fall 2014 and Spring 2015, however, a review process was not established to ensure all compliance requirements were followed.

FINDING 2015-001: RETURN OF TITLE IV
(continued)

Recommendation: Implement procedures, either utilizing the system or other means, to comply with Return of Title IV requirements. Perform calculations on all eligible students to allow timely communication so that Title IV funds are returned to the granting agency.

Questioned Costs: Not quantified, the District has returned the Title IV funds by offsetting against positive awards during the draw down process.

Effect: Not in compliance with 34 CFR sections 668.22(j)(2) and 668.22(l)(3)

District Response: The District has revised its policies and procedures to ensure timely calculation in compliance with return to Title IV funds.

FINDING 2015-002: TIME AND EFFORT REPORT

CFDA Title and Number: Perkins Title I, Part C – CTEA (84.048A)
Federal Award Number and Year: 14-Col-040, 2014-15
Name of Federal Agency: Department of Education
Name of the Pass-through Agency: Not Applicable

Criteria: As required by 2 C.F.R. Part 225, monthly time and effort reports should be prepared for Multiple Cost Objective and semi-annual Time and Effort Reports should be prepared for Single Cost Objective to support wages funded by federally funded programs. Reports should be prepared timely and signed by the individual and their reporting supervisor.

Condition: It was noted through testing, time and effort reports were not prepared for the programs tested.

Questioned Costs: Not quantified, satisfactory evidence was obtained to verify employee's time and effort towards the program.

Effect: Not in compliance with 2 C.F.R. Part 225.

Recommendation: Implement procedures to ensure time and effort reports are prepared on a timely basis.

District Response: The District has developed and implemented policies and procedures to accommodate time and effort reporting for federally funded grants. The District will monitor that all federally funded grants adhere to the district policies and procedures.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO STATE AWARDS
June 30, 2015

FINDING 2015-003: SECTION 424 - STATE GENERAL APPORTIONMENT SYSTEM

Criteria: Per CCR, title 5, Article 4, section 58030 - The governing board of each district shall adopt procedures that will document all course enrollment, attendance and disenrollment information required by the provisions of this subchapter. Authorized procedures shall include rules for retention of support documentation which will enable an independent determination regarding the accuracy of tabulations submitted by the district to the Chancellor's Office as the basis of its claim for State support. Such support documentation procedures shall provide for accurate and timely attendance and contact hour data and shall be so structured as to provide for internal controls.

Condition: It was noted through recalculation of contact hours for BIOL 001, which is an Independent Study Weekly courses. The contact hours reported on the Detail CCFS-320 Report, which was used to prepare the actual P2 CCFS-320 Report, did not agree with auditor's recalculation. The District performed an internal investigation and noted an error in the system set-up of this course.

Context: A statistical sample was derived from the P-2 report. The issue appears to be an isolated incident as all Independent Study Weekly courses were not affected.

Questioned Costs: FTES reported in error for independent weekly census is 20.36; this calculates to approximately $94,399 based on a per FTES amount of $4,636.49

Effect: Not in compliance with CCR Title 5 regulations as detailed above.

Recommendation: Investigate the cause for this issue and implement a review and approval process to prevent potential errors in calculating FTES.

District Response: The District has developed and implemented appropriate procedures so courses are appropriately entered in the system. The discrepancies were located in instances where classes were scheduled as hybrid instruction: to be completed on campus and via the web with an attendance method of Independent Study Weekly. The corrective course of action involves coding each scheduled segment of a section with the corresponding unit value for those specific contact hours which in total equates to the course's total unit value.

FINDING 2015-004: SECTION 423 - INSTRUCTIONAL SERVICE AGREEMENTS

Criteria: Per CCR, title 5, Article 5, section 58058 - Where the instructor is not a paid employee of the district, the college or district must furnish a written agreement or contract with each instructor conducting instruction. Such written agreement or contact shall state that the college or district has the primary right to control and direct the instructional activities of the instructor.

Condition: It was noted through testing, a written contract between the District and the instructor, who is an employee of the contracting party was not furnished prior to the commencement of instruction.

Context: This is a systemic issue as all Instructional Service Agreement classes were affected.

Questioned Costs: 28.75 FTES, which calculates to approximately $133,317 based on a per FTES amount of $4,636.49.

Effect: Not in compliance with CCR Title 5 regulations as detailed above.

Recommendation: Develop policies and procedures that requires a written contract to be completed with the instructor prior to instruction.

District Response: The District has developed and is implementing a procedure to accommodate proper and timely execution of Instructional Service Agreements.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2015

Finding No.	Finding	Recommendation	Current Status
2014-001	**RETURN OF TITLE IV**		
	CFDA Title and Number: Student Financial Aid Cluster (84.007, 84.033, 84.063, and 84.268) **Federal Award Number and Year**: P063P140040, 2013-14 **Name of Federal Agency:** Department of Education **Name of the Pass-through Agency:** Not Applicable **Criteria:** According to 34 CFR sections 668.22(a)(1) through (a)(5), when a recipient of Title IV grant or loan assistance withdraws or fail to meet academic progress during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV aid earned by the student as of the student's withdrawal date. If the total amount of Title IV assistance earned by the student is less than the amount that was disbursed to the student or on his or her behalf as of the date of the institution's determination that the student withdrew, the difference must be returned to the Title IV programs and no additional disbursements may be made to the student for the payment period or period of enrollment. In addition, the institution must return the lesser of the total amount of unearned Title IV assistance to be returned, or an amount equal to the total institutional charges incurred by the student for the payment period (34 CFR section 668.22(g)). **Condition:** During the testing of the requirements for Return to Title IV, the following exceptions were noted:	Implement procedures, either utilizing the system or other means, to comply with Return of Title IV requirements. Perform calculations on all eligible students to allow timely and accurate communication so that Title IV funds are returned to the granting agency.	Partially Implemented See Finding 2015-001

Finding No.	Finding	Recommendation	Current Status
2014-001	**RETURN OF TITLE IV (continued)** **Fall Semester 2013** • Six of seven students selected in the initial sample for Fall Semester 2013, the Return of Title IV calculation was not performed. • The District subsequently provided documentation for 45 students that withdrew in the months of August, September and October 2013. However, the calculation for Return to Title IV funds was not completed until January 23, 2014 through January 28, 2014. • Based on further research, it was determined that an additional 193 students who either withdrew or did not meet academic progress. Timely calculations were not performed to determine the amount of Title IV funds to return, if any, owed by the student and by the District. Students were not notified and no Title IV funds were returned to the Department of Education. **Spring Semester 2014** • Return of Title IV charges were not posted accurately to student accounts. This was noted for one of two students where the calculation had been performed. • Partial calculations were performed for students who withdrew in Spring semester 2014 under the requirement of Return to Title IV using the District's Student Services software; however, students were not notified as required.		

Finding No.	Finding	Recommendation	Current Status
2014-001	**RETURN OF TITLE IV (continued)** • Based on further research, it was determined that an additional 151 students either withdrew or did not meet academic progress. Timely calculations were not performed to determine the amount of Title IV funds to return, if any, owed by the student and by the District. Students were not notified and no Title IV funds were returned to the Department of Education. **Cause:** The District implemented a new Student Accounting Software during 2013-14. Procedures were not established to monitor Return to Title IV requirements for the Fall Semester 2013. Procedures were improved during the Spring Semester 2014, but a review process was not established to ensure all compliance requirements were being followed. **Questioned Costs**: Records were reconstructed for both Fall 2013 and Spring 2014 Semesters to the best of management's ability. These reconstructed records supported questioned costs of $33,502 for Fall 2013 and $27,009 for Spring 2014. **Effect:** Not in compliance with 34 CFR sections 668.22(1)(1) through (a)(5) and 34 CFR Section 668.22(g).		

PASADENA AREA COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2015

Finding No.	Finding	Recommendation	Current Status
2014-002	**TIME AND EFFORT REPORT**		
	CFDA Title and Number: XL for Life: Transforming Developmental Education at PCC to Improve Hispanic Student Success (84.031S), TRIO Cluster (84.047A, 84.047M, 84.042A, and 84.044A) **Federal Award Number and Year:** XL for Life – P0315100008 and 4 TRIO Cluster – P042A100931-13 and 4 P044A110921-13 and 3 P047A121353-13 and 2 P047A121270-13 and 2 P047M120274-13 and 2 P047M120273-13 and 2 **Name of Federal Agency:** Department of Education **Name of the Pass-through Agency:** Not Applicable **Criteria:** As required by 2 C.F.R. Part 225, monthly time and effort reports should be prepared for Multiple Cost Objective and semi-annual Time and Effort Reports should be prepared for Single Cost Objective to support wages funded by federally funded programs. Reports should be prepared timely and signed by the individual and their reporting supervisor. **Condition:** It was noted through testing, time and efforts reports were not prepared timely for the programs tested. **Questioned Costs:** Not quantified, satisfactory evidence was obtained to verify employee's time and effort towards the program. **Effect**: Not in compliance with 2 C.F.R. Part 225.	Implement procedures to ensure time and effort reports are prepared on a timely basis.	Implemented for these Program: - XL for Life - Trio Cluster

Finding No.	Finding	Recommendation	Current Status
2014-003	**SECTION 424: GENERAL APPORTIONMENT SYSTEM**		
	Criteria: Per CCR Title 5, Article 3, Section 58020 - Tabulations, Census Day Procedure Tabulations, states that "(a) For each course section census week, as defined in Section 58003.1(b) of the Education Code, or each course section census day, as defined in Section 58003.1(c) of the Education Code, a separate tabulation is required for each of the course categories using a census day procedure. Each tabulation shall provide a detailed listing for each course section…[(3)] Number of class hours each daily census course section is scheduled to meet on the census day or number of class hours each weekly census course is scheduled to meet during the census week." **Condition:** The District's detail report does not contain the place holder or information for the number of class hours each daily census course section is scheduled or number of class hours each weekly census course is schedule to meet. **Context:** This is a systemic issue as all reports for the weekly and daily census type were affected. **Questioned Costs:** No dollar value was quantified as the issue is a report format and did not impact the number of full-time equivalent students reported. **Effect:** Not in compliance with CCR Title 5 regulations as detailed above.	Work with the consultants or internal information technology staff to revise the report format to include the required information.	Implemented

Finding No.	Finding	Recommendation	Current Status
2014-004	**SECTION 479: TO BE ARRANGED HOURS**		
	Original Finding: 2013-3		
	Criteria: The Contracted District Audit Manual (CDAM) defines TBA as "Some courses with regularly scheduled hours of instruction have 'hours to be arranged (TBA)' as part of the total contact hours for the course. The TBA portion of the course uses an alternate method for regularly scheduling a credit course for purposes of applying either the Weekly or Daily Census Attendance Accounting Procedures pursuant to CCR Title 5, sections 58003.1(b) and (c), respectively." TBA hours are only an option for credit courses that apply the Weekly or Daily Attendance Accounting Procedures and not to those that apply the Alternative Attendance Accounting Procedure pursuant to CCR Title 5, section 58003.1(f). The guidance provided by the Chancellor's Office further requires the following elements related to TBA courses: • The official course outline of record must include the number of TBA hours. This requirement should also be listed in the published class schedule, whether printed, online, or an addenda to the original schedule. • Student participation must be carefully tracked to ensure TBA hours are not claimed for apportionment for students who have documented zero hours as of the census date for the course.	Establish procedures to ensure that on a semester basis TBA courses are proper in accordance with the CDAM Section 479 and supplementary guidance released by the Chancellor's Office.	The District did not have TBA courses in 2014-15.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2015

Finding No.	Finding	Recommendation	Current Status
2014-004	**SECTION 479: TO BE ARRANGED HOURS (continued)** • Require all students enrolled in a course with TBA hours to fulfill the hours and other conditions for TBA; ensure all student participation is documented. • TBA hours may not be claimed for apportionment under the auspices of individual student tutoring. **Condition:** When auditing TBA courses we noted the following exceptions: • TBA hour requirements did not agree between the class schedule and course syllabus/outline for three courses. • TBA hour requirements were not clearly identified on the course syllabus/outline for two courses. **Context:** A statistical sample was derived from the P-2 report. The issue appears to be systemic due to the error rate experienced.		

PASADENA AREA COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2015

Finding No.	Finding	Recommendation	Current Status
2014-004	**SECTION 479: TO BE ARRANGED HOURS (continued)** **Questioned Costs:** All FTES reported are considered to be in error of 65.87 for weekly census; this calculates to approximately $300,685 based on a per FTES amount of $4,564.83. The FTES identified are reflected as an audit adjustment in the supplementary section of this report. **Effect:** The issues appear to be the result of system limitations. The District has begun use of a new student information system.		

PASADENA AREA COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2015

Finding No.	Finding	Recommendation	Current Status
2014-005	**SECTION 424: GENERAL APPORTIONMENT SYSTEMS** **Criteria:** 1. According to the Student Attendance Accounting Manual, Chapter 3: "The units of actual FTES generated in other than weekly census procedure course during the academic year, exclusive of intersessions, are adjusted by a computed flexible time adjustment (F) factor so as to provide the same level of FTES as would have been generated had the flexible time not been permitted and regularly scheduled instruction had taken place." 2. According to CCR, Title 4, Sections 58030 Support Documentation, the District is required to maintain support for the number of FTES claimed. **Condition:** 1. The District's detail report indicated that some students in certain positive attendance courses reported more contact hours than the total contact hours for the course. 2. The District was unable to substantiate the total number of FTES that increased between Period Annual and the Recal.	Work with the software company consultants or other district's using the Ellucian software to determine if internal controls can be set up in the system to restrict entering more contact hours than the total for the course. Implement the review of detail by District personnel to ensure that instructors are not entering more contact hours than allowed. If additional hours are to be inputted, then the (F) factor should be applied and an audit trail be maintained as evidence. Maintain documentation for all changes in FTES from Period Annual to Recal.	Implemented

Finding No.	Finding	Recommendation	Current Status
2014-005	**SECTION 424: GENERAL APPORTIONMENT SYSTEMS (continued)** **Context:** 1. This is potentially a systemic issue; however, it occurred randomly and no consistent pattern was determined. This appears to be the result of the recent implementation of a new student attendance accounting system. 2. No documentation was maintained for changes made. Management relied on data from system. **Questioned Costs:** 1. FTES in error are 7.80 for positive attendance; this calculates to approximately $35,604 based on a per FTES amount of $4,564.83. **2.** FTES not supported are 42.86; this calculates to approximately $195,649 based on a per FTES amount or $4,564.83. **Effect:** Not in compliance with the Student Attendance Accounting Manual and CCR Title 5 regulations as detailed above.		

PASADENA AREA COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2015

Finding No.	Finding	Recommendation	Current Status
2014-006	**<u>SECTION 474: EXTENDED OPPORTUNITY PROGRAM AND SERVICES (EOPS) & COOPERATIVE AGENCIES RESOURCES FOR EDUCATION (CARE)</u>**		
	Criteria: CCR Title 5, Article 1, Section 56208 – Advisory Committee states "the EOPS Advisory Committee shall meet at least once during each academic year." Education Code Section 79154 states "the Board of Governors of the California Community Colleges, in conjunction with the State Department of Social Services and the State Employment Development Department, shall adopt guidelines for the cooperative agencies resources for education program. The board of governors shall be responsible for the administration of the funds for the program." The 2013-14 Contracted District Audit Manual Section 474.04 states that the CARE Advisory Committee must meet twice during each academic year. **Condition:** The District did not conduct at least one EOPS advisory meeting and at least two CARE Advisory meetings during the 2013-14 academic year. **Context:** This is a systemic issue as no meetings were conducted.	Conduct at least one EOPS Advisory Committee meeting and at least two CARE Advisory Committee meetings for each academic year.	Implemented

Finding No.	Finding	Recommendation	Current Status
2014-006	**SECTION 474: EXTENDED OPPORTUNITY PROGRAM AND SERVICES (EOPS) & COOPERATIVE AGENCIES RESOURCES FOR EDUCATION (CARE) (continued)** **Questioned Costs:** No dollar amount was quantified as the issue related to committee meetings and does not impact the number of full-time equivalent students reported, eligibility of students served or allowable expenditures. **Effect:** Not in compliance with CCR Title 5 regulations, Education Code, and Contracted District Audit manual as detailed above.		