PASADENA AREA COMMUNITY COLLEGE DISTRICT
LOS ANGELES COUNTY

REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
INCLUDING REPORTS ON COMPLIANCE
June 30, 2016

PASADENA AREA COMMUNITY COLLEGE DISTRICT

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PASADENA AREA COMMUNITY COLLEGE DISTRICT

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Vicenti, Lloyd & Stutzman, CPAs

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Pasadena Area Community College District
Pasadena, California 91106

Report on the Financial Statements

We have audited the accompanying financial statements of the Pasadena Area Community College District (the District) as of and for the year ended June 30, 2016, 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 entity'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 entity'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.

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Pasadena Area Community College District
Pasadena, California 91106

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 District as of June 30, 2016, and the results of its operations, changes in net position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require 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 District's 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements.

The supplementary section, including the schedule of expenditures of federal awards, is the responsibility of management and was derived from and relates directly to the underlying

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Pasadena Area Community College District
Pasadena, California 91106

accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 14, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts 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 District's internal control over financial reporting and compliance.

Vicenti, Lloyd & Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
November 14, 2016

PASADENA AREA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2016

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, 2016. This analysis is presented with comparative information from the years ended June 30, 2016 and June 30, 2015 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.

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

FINANCIAL HIGHLIGHTS

- The District ended the year with a General Fund (Unrestricted [Fund 01] and Restricted [Fund 03]) balance of $22,508,135. The State Chancellor's Office recommends reserve levels of 5% of total General Fund expenditure. The District has exceeded the recommended amount of 5% reserve requirement which equates to $7.7 million by setting aside an amount for economic uncertainty greater than the requirement (total ending fund balance of $20,846,737 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 2015-16 fiscal year.

- Salaries and benefits of the Academic, Classified, and Administrative salaries of District employees represented 90.36% of total General Fund expenditures.

- 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 $55.4 million. This represents an increase of $2.0 million from the 2014-2015 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 primary funding source is from apportionment received from the State of California. The primary basis of this apportionment is the calculation of Full-Time Equivalent Students (FTES). During the 2015-2016 fiscal year, total reported FTES were 23,502 as compared to 22,984 in the 2014-2015 fiscal year, an increase of 518 FTES or 2.3%.

- As of June 30, 2016, 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 $6.1 million. This is primarily due to one-time funding provided by the State in revenue from State Mandated Costs Reimbursements net of one time expenditure contributions to workman's compensation fund, capital services fund, capital outlay fund, OPEB fund and self-insurance funds.

Statement of Net Position as of June 30,

	(in thousands) 2016	(in thousands) 2015
ASSETS		
Cash and equivalents	$ 94,049	$ 81,755
Receivables	11,434	11,376
Inventories and other assets	3,561	3,497
Total	109,044	96,628
Capital assets, net of depreciation	209,454	214,886
TOTAL ASSETS	318,498	311,514
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	3,309	1,845
Deferred outflows - pensions (note 10)	15,035	7,605
Total Deferred Outflows of Resource	18,344	9,450
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 336,842	$ 320,964
LIABILITIES		
Accounts payable and accrued liabilities	$ 15,843	$ 13,937
Claims liability	5,163	4,449
Other current liabilities	729	774
Unearned revenue	19,468	14,306
Long-term liabilities - current portion	7,530	9,195
Total	48,733	42,661
Long-term liabilities less current portion	218,477	200,665
TOTAL LIABILITIES	267,210	243,326
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - pensions (note 10)	11,305	25,415
TOTAL DEFERRED INFLOWS OF RESOURCES	11,305	25,415
NET POSITION		
Invested in capital assets, net of related debt	120,313	124,738
Restricted	16,527	17,840
Unrestricted	(78,513)	(90,355)
TOTAL NET POSITION	58,327	52,223
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 336,842	$ 320,964

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, Capital leases and proportionate share of Net Pension Liability (NPL) for CalSTRS and CalPERS. Long-term obligation increased by approximately $17.8 million. This primarily resulted from an increase in recording NPL ($22.8 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 and an increase in OPEB liability ($1.9). In addition there was a net decrease of $6.9 million due to retirement and refinancing of debt ($4.2 million) and entering into a SRP ($1.0 million), and retirement of capital leases ($1.7 million).

In April 2016 the District refunded $33,995,000 General Obligation Bond with a projected savings to the taxpayers of over $7 million dollars.

In 2015-16, the District's long-term credit rating held firm with S&P's AA+ and Moody's Aa2.

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

	(in thousands) 2016	(in thousands) 2015
Operating Revenues		
Net tuition and fees	$ 23,737	$ 23,895
Grants and contracts, non-capital	58,411	58,773
Auxiliary sales and charges	4,926	5,008
Total operating revenues	87,074	87,676
Operating Expenses		
Salaries and benefits	135,297	135,750
Supplies, materials and other operating expenses and services	39,204	32,745
Financial aid	37,992	37,626
Depreciation	9,770	11,241
Total operating expenses	222,263	217,362
Operating loss	(135,189)	(129,686)
Non-operating revenues		
State apportionments, non-capital	84,704	78,418
Local property taxes	34,430	32,260
State revenues	24,212	6,931
Investment income, net	399	480
Total non-operating revenues	143,745	118,089
Other revenues, (expenses), gains or (losses)		
Local revenues, capital	125	23
Interest expense	(3,428)	(4,707)
Other nonoperation revenues and transfers	851	922
Total other revenues, (expenses), gains or (losses)	(2,452)	(3,762)
Increase/(Decrease) in net position	$ 6,104	$ (15,359)

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 $135.1 million is balanced by the other funding sources. Total District revenues were more than expenditures by $6.1 million for the year ended June 30, 2016.

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) 2016	(in thousands) 2015
Cash Provided By (Used in)		
Operating activities	$ (118,862)	$ (113,698)
Non-capital financing activities	143,889	132,609
Capital and related financing activities	(13,130)	(18,297)
Investing activities	397	464
Net increase (decrease) in cash and cash equivalents	$ 12,294	$ 1,078

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, State Mandated Cost Reimbursements including one time money in fiscal year 2015-2016, and property taxes allocated to the District represent approximately 84.6 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.

While the trend of strong budgets continues in California, the 2016-17 fiscal year budget was developed with caution as a result of economic uncertainties. One of the most significant uncertainties is the Education Protection Act that was created as a temporary fix during the recessionary period. The sales tax component of the act ends in 2016 which is approximately 20% of the Prop 30 revenue, and the income tax component terminates in 2018. Another significant concern is the increasing contribution rates to the STRS and PERS obligations.

The District will continue Measure P construction activities throughout the 2016-17 fiscal year. Over the next 12 months Measure P construction and renovation projects will include campus wide reconstruction projects, an access compliance project and infrastructure upgrades.
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), 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 facing the District, student enrollment continues to be strong. The District continues to be recognized for achievements on the Federal and State level. Further, the economic outlook at the State continues to be cautiously 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 the District's 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, 2016

Assets	
Current assets:	
Cash and cash equivalents	$ 78,502,134
Accounts receivable, net	11,434,377
Due from auxiliary	383,879
Inventory	826,476
Prepaid expenses	2,350,051
Total Current Assets	93,496,917
Non-Current Assets:	
Restricted cash and cash equivalents	15,546,808
Land	10,396,408
Construction in progress	2,524,639
Capital assets, net of accumulated depreciation	196,533,339
Total Non-Current Assets	225,001,194
Total Assets	318,498,111
Deferred Outflows of Resources	
Deferred charge on refunding	3,308,873
Deferred outflows - pensions	15,034,977
Total Deferred Outflows of Resources	18,343,850
Total Assets and Deferred Outflows of Resources	$ 336,841,961

See accompanying notes to the financial statements.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION
June 30, 2016

Liabilities		
Current Liabilities:		
Accounts payable	$	5,721,709
Accrued liabilities		7,995,052
Accrued interest payable		517,741
Unearned revenue		19,468,364
Compensated Absences - current portion		1,607,756
Estimated liability for open claims and IBNR's		5,162,603
Load banking		729,312
General obligation bonds payable - current portion		4,835,451
Capital leases - current portion		1,699,171
Supplemental employee retirement plan - current portion		996,077
Total Current Liabilities		48,733,236
Total Non-Current Liabilities		218,477,107
Total Liabilities		267,210,343
Deferred Inflows of Resources		
Deferred inflows - pensions		11,304,696
Net Position		
Net investment in capital assets		120,312,996
Restricted for:		
Capital projects		6,051,833
Debt service		8,233,138
Scholarship and loans		737,533
Other special purposes		1,504,442
Unrestricted		(78,513,020)
Total Net Position		58,326,922
Total Liabilities, Deferred Inflows of Resources and Net Position	$	336,841,961

See accompanying notes to the financial statements.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2016

Operating Revenues	
Tuition and fees (gross)	$ 41,113,975
Less: Scholarship discounts and allowances	(17,376,850)
Net tuition and fees	23,737,125
Grants and contracts, non-capital:	
Federal	41,328,485
State	15,991,883
Local	1,090,517
Auxiliary enterprise sales and charges	4,926,379
Total Operating Revenues	87,074,389
Operating Expenses	
Salaries	104,119,539
Employee benefits	31,177,080
Supplies, materials, and other operating expenses and services	35,947,223
Financial aid	37,992,276
Utilities	3,257,124
Depreciation	9,770,193
Total Operating Expenses	222,263,435
Operating Loss	(135,189,046)
Non-Operating Revenues	
State apportionments, non-capital	84,704,169
Local property taxes	34,430,227
States taxes and other revenue	24,211,582
Interest and investment income, non-capital	399,274
Total Non-Operating Revenues	143,745,252
Income Before Other Revenues, Expenses, Gains and Losses	8,556,206

See accompanying notes to the financial statements.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2016

Other Revenues, (Expenses), Gains and (Losses)	
Loss on disposal, net	(13,229)
Investment expense, capital	137,287
Other non-operating revenues	851,137
Interest expense on capital asset-related debt	(3,427,723)
Total Other Revenues, (Expenses), Gains and (Losses)	(2,452,528)
Increase in Net Position	6,103,678
Net Position, Beginning of Year	52,223,244
Net Position, End of Year	$ 58,326,922

See accompanying notes to the financial statements.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2016

Cash Flows From Operating Activities	
Tuition and fees	$ 24,508,184
Federal grants and contracts	41,998,677
State grants and contracts	20,296,021
Local grants and contracts	846,686
Sales	4,920,116
Payments to suppliers	(36,988,197)
Payments to/on-behalf of employees	(136,215,804)
Payments to/on-behalf of students	(38,227,567)
Net cash provided (used) by operating activities	(118,861,884)
Cash Flows From Non-Capital Financing Activities	
State apportionments and receipts	86,170,942
Property taxes	34,430,227
Grants and gifts for other than capital purposes	23,454,960
Interfund borrowing from fiduciary fund	(167,016)
Net cash provided (used) by non-capital financing activities	143,889,113
Cash Flows From Capital and Related Financing Activities	
Purchases and sale of capital assets	(4,354,780)
Proceeds from sale of capital assets	2,837
Interest on capital investments	168,245
Local revenue from capital purposes	509,136
Principal and interest paid on capital debt	(9,455,421)
Net cash provided (used) by capital and financing activities	(13,129,983)
Cash Flows from Investing Activities	
Interest on investments	396,598
Net cash provided (used) by investing activities	396,598
Net Change in Cash and Cash Equivalents	12,293,844
Cash Balance - Beginning of Year	81,755,098
Cash Balance - End of Year	$ 94,048,942

See accompanying notes to the financial statements.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2016

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Cash Used by Operating Activities

Operating loss		(135,189,046)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Deferred outflows - pensions		(7,430,289)
Deferred inflows - pensions		(14,109,946)
Depreciation expense		9,770,193
Changes in assets and liabilities:		
Receivables, net		81,016
Inventory		66,363
Prepaid expense		37,089
Accounts payable		871,318
Accrued liabilities		500,294
Unearned revenue		3,368,710
Load banking		(44,630)
Compensated absences		175,724
Estimated liability for open claims and IBNR's		713,603
Post-employment retiree benefits		1,875,641
Supplemental employee retirement plan, net		(2,340,767)
Net pension liability		22,792,843
Net cash used by operating activities		(118,861,884)
Breakdown of ending cash balance:		
Cash and cash equivalents	$	78,502,134
Restricted cash and cash equivalents		15,546,808
Total	$	94,048,942

See accompanying notes to the financial statements.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
June 30, 2016

	Associated Student Body Fund	Trust and Agency Fund
Assets		
Cash and cash equivalents	$ 217,450	$ 1,223,235
Investments	120,753	1,101,275
Capital assets, net of accumulated depreciation	4,796	-
Total Assets	342,999	2,324,510
Liabilities		
Accounts payable	81,498	
Amounts held in trust	3,978	2,324,510
Total Liabilities	85,476	2,324,510
Net Position		
Unrestricted	257,523	-
Total Net Position	$ 257,523	$ -

See accompanying notes to the financial statements.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Fiscal Year Ended June 30, 2016

	Associated Student Body Fund
Additions	
Interest	$ 82
Other local sources	182,836
Total Additions	182,918
Deductions	
Supplies, materials, and other operating expenses and services	287,830
Depreciation	4,314
Total Liabilities	292,144
Decrease in net position	(109,226)
Net Position, Beginning of Year	366,749
Net Position, End of Year	$ 257,523

See accompanying notes to the financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

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

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

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

The Pasadena City College Foundation: The Foundation is a separate not-for-profit corporation created for the benefit of the District and its students and organized for educational purposes. The Foundation is not included as a component unit because the third criterion was not met; the economic resources received and held by the Foundation are not significant to the District. During the fiscal year ended June 30, 2016, 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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Financial Statement Presentation

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

The District operates a Warrant Pass-Through agency fund as a holding account for amounts collected from employees for Federal taxes, state taxes and other contributions. The District had cash in the County Treasury amounting to $(1,515,482) on June 30, 2016, which represents a prepayment of withholdings payable. The Warrant Pass-Through Fund is not reported in the basic financial statements.

Basis of Accounting

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

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

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Cash and Cash Equivalents

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

Accounts Receivables

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

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

Inventories

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

Prepaid Expenses

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2016, 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Restricted Cash and Cash Equivalents

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

Capital Assets

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

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

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) 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 Outflows of Resources - Pensions: Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred outflows of resources related to the net pension obligation resulted from District contributions to employee pension plans subsequent to the measurement date of the actuarial valuations for the pension plans and the difference between actual and expected experience. The deferred outflows related to the net pension obligation will be deferred and amortized over the estimated average remaining service lifetime of plan participants (EARSL) over closed periods. The EARSL is 7 years for CalSTRS and 3.9 years for CalPERS. The first year of amortization is recognized in pension expense in the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Unearned Revenue

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

Compensated Absences and Load Banking

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

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

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

Net Pension Liability

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net assets by the District that is applicable to a future reporting period. The deferred inflow of resources related to the net pension obligation results from the difference between the estimated and actual return on pension plan investments, change in actuary assumptions, and the change in the District's proportionate share of pension contributions. These amounts are deferred and amortized.

Net Position

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

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

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

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

State Apportionments

Certain current year apportionments from the state are based upon various financial and statistical information of the previous year. Any prior year corrections due to the recalculation in February of 2017 will be recorded in the year computed by the State.

Property Taxes

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Classification of Revenues

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

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

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

Scholarship Discounts and Allowances

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

Interest Capitalization

Interest costs are capitalized as part of the historical cost of acquiring certain assets. To qualify for interest capitalization, assets must require a period of time before they are ready for their intended purpose. Interest earned on proceeds of the District's general obligation bonds restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized. For the year ended June 30, 2016, no interest was capitalized.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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, 2016, $3,473,110 of the District's bank balance of $3,976,467 was exposed to credit risk as presented herein.

District's Bank Balance	June 30, 2016
Uninsured and uncollateralized	$ 3,473,110
Total	$ 3,473,110

Cash in County

In accordance with *The Budget and Accounting Manual*, the District maintains substantially all of its cash in the Los Angeles County Treasury as part of the common investment pool. The District is considered an involuntary participant in the investment pool. These pooled funds are recorded at amortized cost which approximates fair value. Fair value of the pooled investments at June 30, 2016 is measured at 100.1168% of amortized cost. The District's deposits in the fund are considered to be highly liquid.

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

NOTE 2: DEPOSITS AND INVESTMENTS

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

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

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, 2016.

Investments and investments with fiscal agent at June 30, 2016 are presented herein.

Investment	Maturities	Fair Value	Standard & Poor's Rating
Certificate of Deposit	1-5 years	$ 1,004,974	Nonrated
Stocks		79,008	Nonrated
Mutual Funds		138,046	Nonrated
Total		$ 1,222,028	

The investments are carried at cost on the financial statements which approximates fair value. The District's investments are categorized as Level 1 based on prices quoted in active markets for those securities.

NOTE 2: DEPOSITS AND INVESTMENTS

Investment Valuation

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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.

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 herein.

Concentration of Credit Risk

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.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments that are in possession of an outside party. Of the total investments, the District has a custodial credit risk exposure for the certificates of deposit and stocks as the related securities are uninsured and unregistered; mutual funds are not considered to have custodial credit risk. The District does not have a policy limiting the amount of securities that can be held by counterparties.

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2016 consists of the amounts presented herein.

Accounts Receivable	June 30, 2016
Federal and state	$ 2,112,030
Miscellaneous	7,682,105
Tuition and fees, net of allowance for doubtful accounts ($1,317,496)	1,640,242
Total accounts receivable	$ 11,434,377

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 AND DEPRECIATION – SCHEDULE OF CHANGES

A summary of changes in capital assets for the year ended June 30, 2016 is presented herein.

	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016
Capital assets not being depreciated:				
Land	$ 10,396,408	$	$	$ 10,396,408
Construction in progress	3,093,214	3,636,043	4,204,618	2,524,639
Total capital assets not being depreciated	13,489,622	3,636,043	4,204,618	12,921,047
Capital assets being depreciated:				
Buildings and improvements	274,457,980	3,560,378		278,018,358
Site improvements	22,003,495	644,240		22,647,735
Equipment	28,330,241	718,737	307,186	28,741,792
Total capital assets being depreciated	324,791,716	4,923,355	307,186	329,407,885
Less accumulated depreciation for:				
Buildings and improvements	(95,693,504)	(7,065,017)		(102,758,521)
Site improvements	(12,275,294)	(566,070)		(12,841,364)
Equipment	(15,426,675)	(2,139,106)	291,120	(17,274,661)
Total accumulated depreciation	(123,395,473)	(9,770,193)	291,120	(132,874,546)
Depreciable assets, net	201,396,243	(4,846,838)	16,066	196,533,339
Governmental activities capital assets, net	$ 214,885,865	$ (1,210,795)	$ 4,220,684	$ 209,454,386

NOTE 6: LEASES

Capital Leases

The District leases equipment valued at approximately $316,200 under agreements which provide for title to pass upon expiration of the lease period. Future minimum lease payments are presented herein.

Year Ending June 30,	Lease Payment
2017	$ 65,096
2018	65,096
2019	32,451
2020	6,086
Total	168,729
Less amount representing interest	(4,724)
Present value of net minimum lease payments	$ 164,005

The District receives no sublease rental revenues nor pays contingent rentals for this equipment.

Capital Leases – Winthrop

On December 1, 2012 the District entered into a lease agreement with Winthrop Resources Corporation (Winthrop) to finance $8,399,044 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, 2016 is presented herein.

Year Ending June 30,	Lease Payment
2017	$ 1,664,736
2018	943,846
2019	104,915
Total	2,713,497
Less amount representing interest	(42,141)
Present value of net minimum lease payments	$ 2,671,356

The District receives no sublease rental revenues nor pays contingent rentals for this equipment.

NOTE 6: LEASES

Operating Leases

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 $168,500 and extend through June 30, 2056.

Current year expenditures for operating leases is approximately $63,240 for copiers and $927,606 for lease of facilities. The District receives no sublease rental revenues nor pays contingent rentals for these properties.

NOTE 7: LONG-TERM DEBT – SCHEDULE OF CHANGES

A schedule of changes in long-term debt for the year ended June 30, 2016 is presented herein.

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Amount Due in One Year
Capital leases	$ 231,270	$	$ 67,265	$ 164,005	$ 63,240
Capital leases - Winthrop	4,267,137	-	1,595,781	2,671,356	1,635,931
	4,498,407	-	1,663,046	2,835,361	1,699,171
General obligation bonds	91,620,000	33,995,000	40,985,000	84,630,000	4,000,000
Premium on general obligation bonds	6,416,812	6,606,055	2,700,896	10,321,971	835,451
Total general obligation bonds	98,036,812	40,601,055	43,685,896	94,951,971	4,835,451
Compensated absences	2,644,901	175,724		2,820,625	1,607,756
Supplemental employee retirement plan	5,540,432		2,340,767	3,199,665	996,077
Postemployment healthcare benefits	5,968,492	1,875,641		7,844,133	
Net pension liability	93,170,964	22,792,843	-	115,963,807	-
Total	$ 209,860,008	$ 65,445,263	$ 47,689,709	$ 227,615,562	$ 9,138,455

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 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 8: 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.

NOTE 8: GENERAL OBLIGATION BONDS

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). Series C were fully redeemed as of June 30, 2015.

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 refunded bonds are considered in substance defeased and are not recorded on the financial statements.

Series D and E general obligation bonds were sold in September 2009, for $52,000,000. Series D bonds are Current Interest Bonds with an aggregate principal amount of $26,705,000 and Series E bonds are Build America Bonds with an aggregate principal amount of $25,295,000.

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.

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

In May 2016, the District offered for sale $33,995,000 in general obligation refunding bonds. The bonds were issued to refund outstanding general obligation bonds Series B and C and to pay for certain capital improvements. The bonds were issued as current interest bonds. The bonds contained an interest provision ranging from 2% to 5% depending on the maturity date of the bond. The refunding resulted in a cash flow savings of $8,318,042. The present value of the economic gain to the District and taxpayers is $7,157,913.

The proceeds associated with the 2014 and 2016 refundings were deposited in an escrow fund for future repayment. The refunded bonds are considered in substance defeased and are not recorded on the financial statements.

NOTE 8: GENERAL OBLIGATION BONDS

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, D, E, 2014 Refunding and 2016 Refunding bonds included a premium of $1,965,547, $1,839,608, $1,742,478, $2,608,686, and $6,606,055, respectively, which are amortized using the straight-line method. Amortization of $78,622, $73,584, $69,699, $200,669 and $68,814 was recognized during the 2015-16 year for Series B, D, E, 2014 Refunding and 2016 Refunding bonds, respectively. As a result of the 2016 Refunding, $1,179,328 of the Series B premium and $1,030,180 of the Series D premium was written off during the 2015-16 fiscal year.

The difference between the reacquisition price and the net carrying amount on refunded debt is deferred and amortized as a component of interest expense over the life of the new debt. Payments to the refunding escrow agent exceeded the existing carrying value of the refunded debt by $2,722,250. Amortization of $28,357 was recognized during the fiscal year 2015-16. Current year amortization of the deferred charge from the previous refunding was $153,745. As a result of the 2016 Refunding, $1,076,216 of the remaining deferred charge was written off during the 2015-16 fiscal year.

The outstanding general obligation bonded debt of the District at June 30, 2016 is presented herein.

General Obligation Bonds	Date of Issue	Date of Maturity	Interest Rate %	Amount of Original Issue	Outstanding June 30, 2015	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2016
Series B	7/12/2006	8/1/2016	4.5-5.25	$ 65,000,000	$ 25,385,000	$	$ 23,645,000	$ 1,740,000
Series D	9/30/2009	8/1/2019	3.0-5.0	26,705,000	24,160,000		17,290,000	6,870,000
Series E	9/30/2009	8/1/2034	6.5-6.7	25,295,000	25,295,000			25,295,000
2014 Refunding	4/2/2014	8/1/2026	2.0-5.0	16,980,000	16,780,000		50,000	16,730,000
2016 Refunding	5/12/2016	8/1/2031	2.0-5.0	-	-	33,995,000	-	33,995,000
Total				$ 133,980,000	$ 91,620,000	$ 33,995,000	$ 40,985,000	$ 84,630,000

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

Year Ending June 30,	Principal	Interest	Total
2017	$ 4,000,000	$ 2,855,512	$ 6,855,512
2018	3,515,000	4,199,167	7,714,167
2019	3,685,000	4,034,242	7,719,242
2020	3,850,000	3,878,642	7,728,642
2021	3,705,000	3,671,717	7,376,717
2022-2026	21,270,000	15,576,059	36,846,059
2027-2031	27,785,000	9,309,511	37,094,511
2032-2035	16,820,000	1,996,204	18,816,204
Total	$ 84,630,000	$ 45,521,054	$ 130,151,054

NOTE 9: POST EMPLOYMENT HEALTHCARE BENEFITS

Plan Description and Eligibility

The District administers a single-employer defined benefit healthcare plan (the Retiree Health Plan). The plan provides health and dental benefits to all full-time Faculty, 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 the year ended June 30, 2016, the District contributed $1,151,533 to the plan and total member contributions were $1,081,724.

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. 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 are presented herein.

NOTE 9: POST EMPLOYMENT HEALTHCARE BENEFITS

Participant Type:	Number of Participants
Retirees and beneficiaries receiving benefits	41
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	682
Total	723

Annual OPEB Cost and Net OPEB Obligation	Balance June 30, 2016
Annual required contribution (ARC)	$ 4,012,578
Interest on net OPEB obligation	268,582
Adjustment to ARC	(172,262)
Annual OPEB cost	4,108,898
Contributions made, including implicit rate subsidy	(2,233,257)
Change in net OPEB obligation	1,875,641
Net OPEB obligation - beginning of year	5,968,492
Net OPEB obligation - end of year	$ 7,844,133

The District's annual OBEB cost, the percentage of annual OPEB cost contributed, and the net OPEB obligation for the fiscal years ended 2014 through 2016 are presented herein.

Year Ending June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2016	$ 4,108,898	54.4%	$ 7,844,133
2015	2,643,499	80.4%	5,968,492
2014	2,604,512	47.9%	5,449,988

Funding Status and Funding Progress

As of February 1, 2016, 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 $31,552,333. The covered payroll (annual payroll of active employees covered by the plan) was $64,968,110, and the ratio of the UAAL to the covered payroll was 48.57%. Although the plan has no segregated assets, the District maintains a retiree benefits fund to designate resources for retiree health care costs. At June 30, 2016, the fund's designated balance was $15,169,173.
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

NOTE 9: POST EMPLOYMENT HEALTHCARE BENEFITS

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.

In the February 1, 2016 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.50 percent investment rate of return (net of administrative expenses) based on an assumed long-term return on employer assets and the “Building Block Method” described in ASOP 27 Paragraph 3.6.2. The annual healthcare cost trend rate of 4 percent was used along with 2.75 percent for both inflation and payroll increase. The UAAL is being amortized on a level percent, open 24 year amortization period. The remaining amortization period will expire on June 30, 2038.

NOTE 10: 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.

As of June 30, 2016, the District’s proportionate share of the net pension liabilities, pension expense, and deferred inflows of resources and deferred outflows of resources for each of the retirement plans as presented herein.

NOTE 10: EMPLOYEE RETIREMENT PLANS

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 (STRP)	$ 82,135,280	$ 9,579,980	$ 8,067,860	$ 6,986,531
CalPERS (Schools Pool Plan)	33,828,527	5,454,997	3,236,836	3,780,572
Total	$ 115,963,807	$ 15,034,977	$ 11,304,696	$ 10,767,103

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

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

Summarized STRP provisions and benefits in effect at June 30, 2016, are presented herein.

NOTE 10: EMPLOYEE RETIREMENT PLANS

STRP Provisions and Benefits	STRP Defined Benefit Program and Supplement 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	9.20%	8.56%
Required employer contribution rate	10.73%	10.73%
Required state contribution rate	7.391%	7.391%

Contributions

Required member, District and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. The contribution rates for each plan for the year ended June 30, 2016 are presented above and the total District contributions were $5,834,591.

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

At June 30, 2016, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the District is presented herein.

Proportionate Share of Net Pension Liability	Balance June 30, 2016
District proportionate share of net pension liability	$ 82,135,280
State's proportionate share of the net pension liability associated with the District	43,440,392
Total	$ 125,575,672

The net pension liability was measured as of June 30, 2015. 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, 2015, the District's proportion was 0.1220%.

For the year ended June 30, 2016, pension expense of $6,986,531 and revenue of $3,647,519 for support provided by the state was recognized. At June 30, 2016, deferred outflows of resources and deferred inflows of resources related to pensions are from the sources presented herein.

NOTE 10: EMPLOYEE RETIREMENT PLANS

Pension Deferred Outflows and Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 5,834,591	$
Difference between expected and actual experience		1,372,500
Difference in proportion	3,745,389	
Net differences between projected and actual earnings on plan investments		6,695,360
Total	$ 9,579,980	$ 8,067,860

The deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. The remaining amounts will be amortized and recorded as a reduction in pension expense as presented herein.

Year Ending June 30,	Amortization
2017	$ 1,278,359
2018	1,278,359
2019	1,278,359
2020	1,278,359
2021	(395,481)
2022	(395,484)
Total	$ 4,322,471

Actuarial Methods and Assumptions

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

Actuarial Methods and Assumptions	
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
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

NOTE 10: EMPLOYEE RETIREMENT PLANS

building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop an expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 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:

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

NOTE 10: EMPLOYEE RETIREMENT PLANS

Discount rate	Net Pension Liability
1% decrease (6.60%)	$ 124,017,880
Current discount rate (7.60%)	82,135,280
1% increase (8.60%)	47,327,460

Plan Fiduciary Net Position

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

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the Schools Pool Plan under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, 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, 2016, are summarized herein.

NOTE 10: EMPLOYEE RETIREMENT PLANS

Provisions and Benefits	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	7.000%	6.000%
Required employer contribution rate	11.847%	11.847%

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, 2016 are as presented above and the total District contributions were $3,272,310.

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

As of June 30, 2016, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $33,828,527. The net pension liability was measured as of June 30, 2015. The total pension liability for CalPERS was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014 and rolling forward the total pension liability to June 30, 2015. 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, 2015, the District's proportion was 0.2295%.

For the year ended June 30, 2016, pension expense of $3,780,572 was recognized. At June 30, 2016, deferred outflows of resources and deferred inflows of resources related to pensions are from the sources presented herein.

NOTE 10: EMPLOYEE RETIREMENT PLANS

Pension Deferred Outflows and Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 3,272,310	$
Difference between expected and actual experience	1,933,350	
Changes of assumptions		2,078,518
Difference in proportion	249,337	
Net differences between projected and actual earnings on plan investments		1,158,318
Total	$ 5,454,997	$ 3,236,836

The deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. The remaining amounts will be amortized and recognized as a reduction in pension expense as presented herein.

Year Ending June 30,	Amortization
2017	$ 810,113
2018	810,113
2019	822,915
2020	(1,388,992)
Total	$ 1,054,149

Actuarial Methods and Assumptions

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

Actuarial Methods and Assumptions	
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Experience Study	July 1, 1997 through June 30, 2011
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.65%
Investment Rate of Return	7.50%
Consumer Price Inflation	2.75%
Wage Growth	3.00%

Mortality assumptions are based on 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.

NOTE 10: EMPLOYEE RETIREMENT PLANS

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized herein.

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	51%	5.71%
Global debt securities	19%	2.43%
Private equity	10%	6.95%
Real estate	12%	5.13%
Inflation assets	6%	3.36%
Liquidity	2%	-1.05%

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount rate	Net Pension Liability
1% decrease (6.65%)	$ 55,058,745
Current discount rate (7.65%)	33,828,527
1% increase (8.65%)	16,174,181

NOTE 10: EMPLOYEE RETIREMENT PLANS

Plan Fiduciary Net Position

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

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

Plan Description

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 $560,476 during the fiscal year. The total amount of covered compensation was $14,946,027. Total contributions made are 100% of the amount of contributions required for the fiscal year ended June 30, 2016. Total required contribution is 7.5%; the District contributes 3.75% in addition to the employees' contribution of 3.75%.

NOTE 11: SUPPLEMENTAL EMPLOYEE RETIREMENT PLAN

The District has Supplemental Employee Retirement Plans for faculty and management, confidential and non-management employees. The accumulated future liability for the District at June 30, 2016 is $3,199,665, and has been reflected in these financial statements.

Plans approved in 2011-12 by the Board of Trustees were paid off during the fiscal year 2015-16. Plans approved in 2012-13, 2013-14, and 2014-15 by the Board of Trustees remain outstanding as of June 30, 2016.

A total of 81 faculty, 19 management/confidential, and 58 non-management employees participate in the remaining plans. The total cost to the District for the remaining plans is approximately $4.98 million.

NOTE 12: INTERNAL SERVICE FUNDS

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; and medical claims. During the fiscal year, the District maintained an Internal Service Fund to account for and finance its uninsured risks of loss. The Self Insurance Fund provides coverage for up to a maximum of $500,000 for each workers' compensation claim, $50,000 for each general liability claim and $25,000 for each property damage claim. The District participates in a JPA to provide excess insurance coverage above the self-insured retention level for workers' compensation claims. Settled claims have not exceeded the coverage provided by the JPA in any of the past three fiscal years.

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, 2016, the District accrued the claims liability in accordance with GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The present value of the liability is estimated at $5,162,603. Changes in the reported liability are presented herein.

Reported Liability	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
Property and liability	$ 225,000	$ 1,151,533	$ 1,151,533	$ 225,000
Worker's compensation	4,224,000	1,936,439	1,222,836	4,937,603
	$ 4,449,000	$ 3,087,972	$ 2,374,369	$ 5,162,603

NOTE 13: JOINT POWERS AGREEMENTS

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

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

NOTE 13: JOINT POWERS AGREEMENTS

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

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

Each JPA is independently accountable for its fiscal matters. Budgets are not subject to any approval other than that of the respective governing boards. Member districts share surpluses and deficits proportionately to their participation in the JPA.

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

Condensed financial information for the year ended June 30, 2016 is presented herein.

JPA Condensed Financial Information	SWACC 6/30/16 (Audited)	SAWCX II 6/30/15 (Audited)
Total assets	$ 53,650,572	$ 15,403,343
Total liabilities	25,243,178	14,035,650
Fund balance	$ 28,407,394	$ 1,367,693
Total revenues	19,541,575	1,726,177
Total expenditures	21,650,874	1,586,030
Net increase/(decrease)	$ (2,109,299)	$ 140,147

NOTE 14: FUNCTIONAL EXPENSE

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

NOTE 14: FUNCTIONAL EXPENSE

Functional Expense	Salaries	Employee Benefits	Supplies, materials, and other operating expenses and services	Financial Aid	Depreciation	Total
Instructional activities	$ 58,729,503	$ 14,441,033	$ 2,442,326	$	$	$ 75,612,862
Academic support	9,141,351	2,819,310	1,315,114			13,275,775
Student services	14,874,076	4,101,003	6,633,711			25,608,790
Operation & maintenance of plant	4,875,803	1,906,192	3,216,365			9,998,360
Instructional support services	12,374,792	6,897,966	8,309,222			27,581,980
Community services & economic development	649,415	213,234	223,531			1,086,180
Ancillary services & auxiliary operations	3,474,599	798,342	3,339,395			7,612,336
Physical property & related acquisitions			6,495,035			6,495,035
Long-Term Debt & Other Financing			7,229,648			7,229,648
Student Aid				37,992,276		37,992,276
Depreciation expense	-	-	-	-	9,770,193	9,770,193
Total	$ 104,119,539	$ 31,177,080	$ 39,204,347	$ 37,992,276	$ 9,770,193	$ 222,263,435

NOTE 15: COMMITMENTS AND CONTINGENCIES

Litigation

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

State and Federal Allowances, Awards, and Grants

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

Purchase Commitments

As of June 30, 2016, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately $2,456,984. Projects will be funded through bond proceeds, state funds and general funds.

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

The Governmental Accounting Standards Board (GASB) has issued pronouncements prior to June 30, 2016, 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 16: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS ISSUED, NOT YET EFFECTIVE

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 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.

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.

GASB 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

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

Statement No. 82 – *Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73*

This statement was issued in March 2016 and establishes guidance in order to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and 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. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirement of this Statement are 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, 2016

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

Although the plan has no segregated assets, the District does maintain a retiree benefits fund to designate resources for future retiree health care costs. At June 30, 2016, the fund's designated ending balance was $15,169,173

See accompanying notes to the required supplementary information.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
For the Fiscal Year Ended June 30, 2016

State Teachers' Retirement Plan	2015	2016
District's proportion of the net pension liability (assets)	0.1160%	0.1220%
District's proportionate share of the net pension liability (asset)	$ 67,786,920	$ 82,135,280
State's proportionate share of the net pension liability (asset) associated with the District	40,933,080	43,440,392
Total	$ 108,720,000	$ 125,575,672
District's covered-employee payroll	$ 51,472,000	$ 54,700,000
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	131.70%	150.16%
Plan fiduciary net position as a percentage of the total pension liability	77.00%	74.00%

California Public Employees' Retirement Plan	2015	2016
District's proportion of the net pension liability (assets)	0.2236%	0.2295%
District's proportionate share of the net pension liability (asset)	$ 25,384,044	$ 33,828,527
District's covered-employee payroll	$ 23,477,000	$ 23,300,000
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	108.12%	145.19%
Plan fiduciary net position as a percentage of the total pension liability	83.37%	79.43%

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

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

See accompanying notes to the required supplementary information.

SCHEDULE OF DISTRICT CONTRIBUTIONS
For the Fiscal Year Ended June 30, 2016

State Teachers' Retirement Plan	2015	2016
Contractually required contribution	$ 4,859,625	$ 5,834,591
Contributions in relation to the contractually required contribution	4,859,625	5,834,591
Contribution deficiency (excess)	$ -	$ -
District's covered-employee payroll	$ 53,590,000	$ 54,400,000
Contributions as a percentage of covered-employee payroll	9.07%	10.73%

California Public Employees' Retirement Plan	2015	2016
Contractually required contribution	$ 2,745,063	$ 3,272,310
Contributions in relation to the contractually required contribution	2,745,063	3,272,310
Contribution deficiency (excess)	$ -	$ -
District's covered-employee payroll	$ 24,691,000	$ 29,300,000
Contributions as a percentage of covered-employee payroll	11.12%	11.17%

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

See accompanying notes to the required supplementary information.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2016

NOTE 1: PURPOSE OF SCHEDULES

Schedule of Postemployment Healthcare Benefits Funding Progress

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

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

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

Schedules of District Contributions – STRP and PERS

The schedule presents information on the District's required contribution, the amounts actually contributed and any excess or deficiency related to the required contribution. In the future, as data becomes available, 10 years of information will be presented.

SUPPLEMENTARY INFORMATION

PASADENA AREA COMMUNITY COLLEGE DISTRICT

HISTORY AND ORGANIZATION
For the Fiscal Year Ended June 30, 2016

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

The Board of Trustees and the District Executive Officers for the fiscal year ended June 30, 2016 were as follows:

BOARD OF TRUSTEES

Member	Office	Term Expires
Linda S. Wah	President	December 2017
Ross Selvidge, PhD	Vice President	December 2017
Anthony R. Fellow PhD	Clerk	December 2017
Berlinda Brown	Member	December 2017
Hoyt R. Hilsman	Member	December 2019
John H. Martin	Member	December 2019
James A. Osterling	Member	December 2019
Kelly Banh	Student Trustee	June 2016

DISTRICT EXECUTIVE OFFICERS

Rajen Vurdien PhD	Superintendent/President and Board of Trustees Secretary
Robert H. Bell, Ed.D.	Assistant Superintendent/Senior Vice President, Non-Credit and Offsite Campuses
Robert B. Miller, DPA	Assistant Superintendent/Senior Vice President Business and College Services (through April 2016)
Richard S. Storti, Ed.D.	Assistant Superintendent/Vice President Business and Administrative Services (beginning July 2016)

PASADENA AREA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2016

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
United States Department of Education			
Direct:			
Student Financial Aid Cluster:			
Pell Grant	84.063	N/A	$ 31,985,019
Pell Grant Administration Grant	84.063	N/A	46,055
Supplemental Educational Opportunity Grant	84.007	N/A	422,867
Supplemental Educational Opportunity Grant Administration	84.007	N/A	54,306
Federal Family Education Loans(Direct Loans)	84.032	N/A	1,873,221
Direct Loans Plus			19,626
Federal Work-Study Program(5313 & 5314)	84.033	N/A	50,000
Federal Work-Study Program -On Campus	84.033	N/A	394,175
Federal Work-Study Program - Off Campus	84.033	N/A	41,040
Total Student Financial Aid Cluster			34,886,309
Pass-Through Program From California Department of Education:			
TRIO Cluster:			
TRIO - Upward Bound Classic	84.047A	(1)	334,615
TRIO - Upward Bound Math and Science	84.047M	(1)	289,322
TRIO - Student Support Services and Student Grants	84.042A	(1)	299,237
TRIO - Talent Search	84.044A	(1)	348,343
TRIO - Upward Bound Classic-Rosemead	84.044A	(1)	269,111
TRIO - Upward Bound Math and Science-El Monte	84.044A	(1)	299,441
Total TRIO Cluster			1,840,069
Direct:			
HSI: Developing accessible intersegmental STEM pathway environmental sciences for underserved Hispanic students	84.031C	N/A	856,266
Design Technology Pathway	84.031S	N/A	739,553
Pass-Through the California State Chancellor's Office:			
CTEA I-C	84.048	03579	592,301
CTE Transitions	84.048	03579	45,119
Pass-Through Program From California Department of Education:			
Workforce Investment Act: Adult Basic Education	84.002A	3905	263,947
ASE	84.002A	3913	171,614
EL Civics	84.002A	3926	30,265
XL for life: Transforming Developmental Education at PCC to Improve Hispanic Student Success	84.031S	(1)	225,255
Pathways to Completion	84.031S	(1)	236,853
Passed through the University Corporation at California State University Northridge			
Fund for the Improvement of Postsecondary Education	84.116F	(1)	632

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, 2016

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
United States Small Business Administration			
Small Business Development	59.037	N/A	139,782
United States Department of Health and Human Services			
Passed through the California State Chancellor's Office			
Foster Care	93.658	(1)	50,159
Temporary Assistance for Needy Families (TANF)	93.558	(1)	73,440
Passed through the California Department of Education			
Child Development - CCTR (Based of Attendance/Enrollment)	93.575	000324	34,309
Child Development -CSPP (Based of Attendance/Enrollment)	93.596	000321	62,362
Passed through the Department of Social Services			
Los Angeles County DPSS	93.558	(1)	82,068
Passed through the University Corporation at California State University Northridge			
Build Poder	93.310	(1)	19,453
United States Department of Agriculture			
Forest Reserve	10.665	N/A	4,088
Summer Food Math Science Upward Bound	10.559	N/A	17,435
Passed through the California Department of Education			
Child & Adult Care Food Program	10.558A	3278-1 A	46,949
Child Development -CSPP (Based of Attendance/Enrollment)			
United States Department of Labor			
Passed through the California Department of Education			
Vets to Nurses - Foothill Workforce Investment Board (WIA)	17.258	(1)	15,750
National Science Foundation			
Direct:			
Carleton College Integrate	47.076	N/A	8,895
Carleton College Integrate (Prior Year)	47.076	N/A	7,704
Total Federal Programs			$ 40,450,577
Reconciliation to Federal Revenue			
Total federal program expenditures			$ 40,450,577
Revenue in excess of expenditures related to federal program:			
Build America Bonds			542,851
CTEA I-C prior year adjustment			367,848
HIS: Developing accessible intersegmental STEM pathway			28
Expenditures in excess of revenue related to federal program:			
Personal and Home Care Aid Training - Program Closed			(32,819)
Total Federal Revenue			$ 41,328,485

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

See the accompanying notes to the supplementary information.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL ASSISTANCE - GRANTS
For the Fiscal Year Ended June 30, 2016

	Program Revenues				Total
Program Name	Cash Received	Accounts Receivable	Deferred Revenue	Total	Program Expenditures
State Categorical Aid Programs:					
Child Development Program	$ 118,258	$ -	$ 11,276	$ 106,982	$ 106,982
Child Development Program	174,718	105	-	174,823	174,823
Child Development Program	2,168	239	-	2,407	2,407
Cooperative Agencies Resources For Education (CARE)	124,899	-	3,324	121,575	121,575
Cooperative Agencies Foster Youth Ed Support (CAFYES)	199,933	-	85,913	114,020	114,020
Extended Opportunity Program and Services (EOP&S)	1,149,100	-	-	1,149,100	1,149,100
Extended Opportunity Program and Services (EOP&S) prior year	44,098	-	-	44,098	44,098
Instructional Equipment & Library Materials	973,521	-	533,325	440,196	440,196
Associate Degree Nursing	121,617	9,011	-	130,628	130,628
Center for Applied Biotech	(16)	-	-	(16)	(16)
CTE 140 (CTE Colaborative/Supplemental Grants)	179,255	-	-	179,255	179,255
SB1070	38,825	-	-	38,825	38,825
CTE-Enhancement Funds	330,144	44,790	-	374,934	374,934
Bridges to Stem Cell Research	922,065	-	602,926	319,139	319,139
MESA	33,577	13,780	-	47,357	47,357
SSSP - Non Credit	449,296	-	279,496	169,800	169,800
AB 86	56,951	-	-	56,951	56,951
AB 104 - AEBG	1,783,528	-	1,385,527	398,001	398,001
Foster Care Education Program	36,662	37,089	-	73,751	73,751
Basic Skills	363,979	-	260,735	103,244	103,244
Cal Grant "B"	2,094,608	-	-	2,094,608	2,094,608
Cal Grant "C"	13,274	-	-	13,274	13,274
Student Financial Aid Administration	243,842	-	-	243,842	243,842
SFAA Augmentation	593,945	-	-	593,945	593,945
SSSP - Credit	5,612,275	-	2,181,699	3,430,576	3,430,576
Disabled Students Program and Services (DSPS)	1,039,003	-	-	1,039,003	1,039,003
Calworks	318,706	-	6,425	312,281	312,281
Student Equity	2,945,311	-	779,369	2,165,942	2,165,942
Career Pathways Trust (Ametll)	-	285,301	-	285,301	285,301
Linked Learning Pathways to Bacca	41,122	-	33,586	7,536	7,536
Prop 39 Clean Energy Work	19,363	-	-	19,363	19,363
Full Time Student Success Grant (NEW)	741,133	-	144,733	596,400	596,400
CSULA STEM Ed. Consortium	-	632	-	632	632
Matriculation- Administration (Prior Year)	406,625	-	229,036	177,589	177,589
Staff Diversity - AB1725	9,051	-	-	9,051	9,051
CA Gov Off. GO_Biz	31,515	62,502	-	94,017	94,017
Career Pathways Trust (LA Hi-Tech)	12,675,125	-	8,958,986	3,716,139	3,716,139
Total State Categorical Aid Programs	$ 33,887,476	$ 453,449	$ 15,496,356	$ 18,844,569	$ 18,844,569

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, 2016

	Annual Recal - Factored FTES		
Categories	**Reported Data**	**Audit Adjustments**	**Revised Data**
A. Summer Intersession (Summer 2015 only)			
1. Noncredit[1]	81.93		81.93
2. Credit[1]	1,499.36		1,499.36
B. Summer Intersession (Summer 2015 - Prior to July 1, 2016			
1. Noncredit[1]	161.19		161.19
2. Credit[1]	1,676.70		1,676.70
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	16,277.96		16,277.96
(b) Daily Census Contact Hours	440.11		440.11
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit[1]	976.40		976.40
(b) Credit[1]	479.54		479.54
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	1,157.20		1,157.20
(b) Daily Census Contact Hours	751.84		751.84
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	23,502.23	-	23,502.23
Supplemental Information (subset of above information)			
E. In-service Training Courses (FTES)	-		
H. Basic Skills courses and Immigrant Education			
(a) Noncredit[1]	960.96		
(b) Credit[1]	1,284.75		
CCFS 320 Addendum			
CDCP Noncredit FTES	1,045.71		
Centers FTES			
(a) Noncredit[1]	935.69		
(b) Credit[1]	464.38		

1Including 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, 2016

The audit resulted in no adjustments to the fund balances reported on the June 30, 2016 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.

General Fund Balance	$ 22,508,134
Bond Interest and Redemption Fund Balance	6,581,010
Other Debt Service Fund Balance	2,033,632
Child Development Fund Balance	248,386
Capital Outlay Fund Balance	9,137,491
Bond Construction Fund Balance	8,645,943
Bookstore Fund Balance	2,382,459
Other Enterprise Fund Balance	127,334
Self-Insurance Fund Balance	18,306,439
Student Financial Aid Fund Balance	737,534
Total fund balances as reported on the Annual Financial and Budget Report (CCFS-311)	70,708,362
Reconciliation to the Statement of Net Position:	
Capital assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Net capital assets of $12,365 is already recorded in other governmental funds. Capital assets, net of accumulated depreciation are added to total net assets.	209,442,021
Deferred charges on refunding debt are recorded as deferred outflows and are amortized over the life of the refunded debt.	3,308,873
Deferred outflows - pensions are for contributions made during the fiscal year that are removed from expenses and are recorded as a deferred outflow of resources. This amount will be recognized as a reduction of the net pension liability in the subsequent year. Other deferred outflows will be amortized.	15,034,977
Capital lease are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. The liability is added to the statement of net position which reduces the total net assets reported.	(2,835,361)
Compensated absences, load banking and supplemental employee retirement plans are not due and payable in the current period and therefore are not reported in the governmental funds.	(6,749,602)
Long-term liabilities related to bonds are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Bond related liabilities are added to the statement of net position which reduces the total net assets reported.	(94,951,971)

See the accompanying notes to the supplementary information.

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

Amounts for other post-employment retirement plan is reported as a liability in the statement of net position	(7,844,133)
The liability of employers and nonemployers contributing to employees for benefits provided through a defined benefit pension plan is recorded as net pension liabilities.	(115,963,807)
Deferred inflows - pensions represent an acquisition of net assets by the District that is applicable to a future reporting period. The deferred inflows of resources – pensions, results from various differences between estimated and actual results. These amounts will be deferred and amortized.	(11,304,696)
Interest expense related to bonds incurred through June 30, 2016 is accrued as a current liability on the statement of net position which reduces the total net assets reported.	(517,741)
Total net position	$ 58,326,922

PASADENA AREA COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF 50 PERCENT LAW CALCULATION
For the Fiscal Year Ended June 30, 2016

		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	1100						
Contractor or Regular	1300	26,663,504		26,663,504	27,393,707		27,393,707
Other		26,766,363		26,766,363	27,878,299		27,878,299
Total Instructional Salaries		53,429,867		53,429,867	55,272,006	-	55,272,006
Non-Instructional Salaries							
Contract or Regular	1200			-	9,289,913		9,289,913
Other	1400			-	643,262		643,262
Total Non-Instructional Salaries		-		-	9,933,175	-	9,933,175
Total Academic Salaries		53,429,867	-	53,429,867	65,205,181	-	65,205,181
Classified Salaries							
Non-Instructional Salaries							
Regular Status	2100			-	21,756,162		21,756,162
Other	2300			-	2,967,103		2,967,103
Total Non-Instructional Salaries		-	-	-	24,723,265	-	24,723,265
Instructional Aides							
Regular Status	2200			-			-
Other	2400	73,110		73,110	73,110		73,110
Total Instructional Aides		73,110	-	73,110	73,110	-	73,110
Total Classified Salaries		73,110	-	73,110	24,796,375	-	24,796,375
Employee Benefits	3000	16,671,245	-	16,671,245	34,935,120	-	34,935,120
Supplies and Materials	4000	-	-	-	810,103	-	810,103
Other Operating Expenses	5000	49,704	-	49,704	12,063,756	-	12,063,756
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		70,223,926	-	70,223,926	137,810,535	-	137,810,535
Exclusions							
Activities to Exclude							
Instructional Staff-Retirees' Benefits and Retirement Incentives	5900	2,105,266		2,105,266	2,105,266		2,105,266
Student Health Services Above Amount Collected	6441			-			-
Student Transportation	6491			-	101,126		101,126
Non-instructional Staff-Retirees' Benefits and Retirement Incentives	6740			-	1,891,902		1,891,902
Objects to Exclude							
Rents and Leases	5060			-	808,232		808,232
Lottery Expenditures							
Academic Salaries	1000			-			-
Classified Salaries	2000			-			-
Employee Benefits	3000			-			-
Supplies and Materials	4000			-			-
Software	4100			-			-
Books, Magazines, & Periodicals	4200			-			-
Instructional Supplies & Materials	4300			-			-
Noninstructional, Supplies & Materials	4400			-			-
Total Supplies and Materials							
Other Operating Expenses and Services	5000			-	3,427,056		3,427,056
Capital Outlay	6000			-			-
Library Books	6300			-			-
Equipment	6400			-			-
Equipment - Additional	6410			-			-
Equipment - Replacement	6420			-			-
Total Equipment							
Total Capital Outlay							
Other Outgo	7000			-			-
Total Exclusions		2,105,266	-	2,105,266	8,333,582	-	8,333,582
Total for ECS 84362, 50% Law		68,118,660	-	68,118,660	129,476,953	-	129,476,953
Percent of CEE (Instructional Salary Cost / Total CEE)		52.61%	0%	52.61%	100%	0%	100%
50% of Current Expense of Education					64,738,476	-	64,738,476

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, 2016

Activity Classification	Object Code				Unrestricted
EPA Proceeds:	8630				$ 18,481,660
Activity Classification	**Object Code**	**Salaries and Benefits (1000-3000)**	**Operating Expenses (4000-5000)**	**Capital Outlay (6000)**	**Total**
Instructional Activities	0100-5900	$ 18,481,660	$	$	$ 18,481,660
					-
					-
					-
					-
					-
					-
					-
					-
					-
					-
					-
					-
					-
					-
					-
					-
					-
					-
					-
					-
Total Expenditures for EPA*		$ 18,481,660	$ -	$ -	18,481,660
Revenue 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.

NOTES TO THE SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2016

NOTE 1: PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the District under programs of the federal governmental for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

Summary of Significant Accounting Policies

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

Schedule of Expenditures of State Financial Assistance – Grants

The accompanying schedule of expenditures of state financial assistance – grants includes state award activity for the year ended June 30, 2016. Expenditures reported on the schedule are reported on the modified accrual basis of accounting.

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

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

NOTES TO THE SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2016

NOTE 1: PURPOSE OF SCHEDULES

Reconciliation of 50 Percent Law Calculation

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

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 REPORT

Vicenti, Lloyd & Stutzman, 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
Pasadena, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of the Pasadena Area Community College District (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 14, 2016.

Internal Control Over Financial Reporting

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

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

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.

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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 the 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 Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vicenti, Lloyd & Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
November 14, 2016

Vicenti, Lloyd & Stutzman, CPAs

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

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

Report on Compliance for Each Major Federal Program

We have audited Pasadena Area Community College District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

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

Purpose of this Report

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

Vicenti, Lloyd & Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
November 14, 2016

Vicenti, Lloyd & Stutzman, CPAs

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

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

We have audited the Pasadena Area Community College District's (the District) compliance with the types of compliance requirements described in the *2015-16 Contracted District Audit Manual,* published by the California Community Colleges Chancellor's Office for the year ended June 30, 2016. The District's state compliance requirements are identified in the table provided.

Management's Responsibility

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

Auditor's Responsibility

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2015-16 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.

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INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Compliance Requirements Tested

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

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
429	Student Support Services Program	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
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

Opinion on State Compliance

In our opinion, the District complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2016.

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 *2015-16 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 14, 2016

FINDINGS AND QUESTIONED COSTS

PASADENA AREA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS
June 30, 2016

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

Material weakness(es) identified?		*Yes*	X	*No*
Significant deficiency(ies) identified?		*Yes*	X	*None Reported*
Noncompliance material to financial statements noted?		*Yes*	X	*No*

Federal Awards

Internal control over major federal awards:

Material weakness(es) identified?		*Yes*	X	*No*
Significant deficiency(ies) identified?		*Yes*	X	*None Reported*

Type of auditor's report issued on compliance for major federal programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?		*Yes*	X	*No*

Identification of Major Federal Programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.007, 84.032, 84.033, 84.063	Student Financial Aid Cluster

Dollar threshold used to distinguish between type A and type B programs: $1,210,851

Auditee qualified as low-risk auditee?	X	*Yes*		*No*

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO THE FINANCIAL STATEMENTS
June 30, 2016

There were no findings and questioned costs related to basic financial statements for the year ended June 30, 2016.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS June 30, 2016

FEDERAL AWARDS FINDINGS

There were no findings and questioned costs related to federal awards for June 30, 2016.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS RELATED TO STATE AWARDS
June 30, 2016

STATE AWARDS FINDINGS

There were no findings and questioned costs related to state awards for June 30, 2016.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDING AND QUESTIONED COSTS
June 30, 2016

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.

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.

STATUS OF PRIOR YEAR FINDING AND QUESTIONED COSTS
June 30, 2016

2015-001 Return to Title IV

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

Current Status: Implemented

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.

Current Status: Implemented

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.

STATUS OF PRIOR YEAR FINDING AND QUESTIONED COSTS
June 30, 2016

2015-003 SECTION 424 - STATE GENERAL APPORTIONMENT SYSTEM

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.

Current Status: Implemented

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.

Current Status: Implemented for Spring 2016. No FTES reported for Fall 2015.