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PASADENA AREA
COMMUNITY COLLEGE
DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2005

PASADENA AREA COMMUNITY COLLEGE DISTRICT

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Pasadena Area Community College District
Pasadena, California

We have audited the accompanying financial statements of the Pasadena Area Community College District (the District) as of and for the years ended June 30, 2005 and 2004, and its discretely presented component unit, Pasadena City College Foundation, Inc., as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Pasadena Area Community College District and its discretely presented component unit, Pasadena City College Foundation, Inc., as of June 30, 2005 and 2004, and the respective changes in financial position and cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 4 through 9 is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. This supplementary information is the responsibility of the District's management. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2005, 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 or 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* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal Awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Additional Supplementary Information on pages 63 through 70 has been presented at the request of District management for purposes of additional analysis. We have applied certain limited procedures consisting primarily of analysis and inquiry regarding presentation; however, we did not audit the information. Accordingly, we express no opinion on them.

Harmon K. Irine, Day & Co. LLP

Rancho Cucamonga, California
October 14, 2005



Office of the Vice President
for Administrative Services

This section of our annual financial report offers a narrative overview and analysis of the financial activities of Pasadena Area Community College District (the District) for the year ended June 30, 2005. This analysis is presented with comparative information from our June 30, 2004 and June 30, 2003, fiscal year ends to highlight changes from one year to the next. This section of our report should be read in conjunction with the basic financial statements, including footnotes.

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 Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows.

The focus of the Statement of Net Assets 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 Assets focuses on the costs of the District's operational activities, which are supported mainly by property taxes and by State and other revenues. 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 within the operations of the District.

FINANCIAL HIGHLIGHTS

- The District has weathered through the recent State budget crisis without any layoffs of full-time employees.
- The District's 2004-2005 Adopted Budget included the reinstatement of \$1,000,000 in frozen unfilled full-time positions that had been used to balance the 2003-2004 budget in response to the prior years' State budget crisis cutback in funding for community colleges.
- The District's primary funding source is "Program-Based Funding" received from the State of California through the State Chancellor's Office. Program-Based Funding is comprised of State apportionment, local property taxes, and student enrollment fees. The primary basis of this apportionment is the calculation of Full-Time Equivalent Students (FTES). Our Credit FTES were 20,219 and 20,057 for the 2005 and 2004 fiscal years, respectively. Our actual funding for these FTES was based upon 20,219 and 19,584, respectively.
- The District ended the year with an Unrestricted General Fund balance of \$10,960,058. Included in this ending balance is approximately \$998,221 in carryover for the 2004-2005 State Part-Time Faculty Augmentation Program to be distributed in the 2005-2006 fiscal year. The ending balance also includes approximately \$1,855,794 in restricted Partnership for Excellence carryover funds. The State Chancellor's Office recommends reserve levels of five percent of total General Fund expenditures, approximately \$5.2 million, be set aside for economic uncertainties. We have met this recommendation.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2005

- The primary expenditure of the District is for the salaries and benefits of the Academic, Classified, and Administrative salaries of District employees. Approximately 70 percent of General Fund resources are consumed by employee compensation.
- The District has begun several construction and modernization Measure P projects throughout the District. These projects will be funded through the March 2002 voter approved \$150,000,000 Measure P general obligation bond program. The District has issued the first \$33,000,000 of bonds and has completed the first major construction project – a new on-campus Parking Structure for students and staff.
- A Citizen's Oversight Committee was formed under Proposition 39 requirements and meets quarterly. The meetings are held on the last Wednesday of January, April, July, and October at Pasadena City College in room C233 at 6:00 pm and are open to the public.
- The District provides student financial aid to qualifying students of the District in the amount of approximately \$22.2 million. This represents an increase of approximately \$2.9 million over the 2003-2004 fiscal year. This aid is provided through grants, loans, and tuition reductions from the Federal government, State Chancellor's Office, and local funding.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2005

Condensed financial information is as follows: (in thousands)

NET ASSETS

As of June 30,

	2005	2004	2003
ASSETS			
Current Assets			
Cash, investments, and short term receivables	\$ 64,208	\$ 69,416	\$ 75,926
Inventory and other assets	1,615	1,421	5,083
Total Current Assets	65,823	70,837	81,009
Noncurrent Assets			
Capital assets, net of depreciation	135,276	129,809	116,572
Total Assets	\$ 201,099	\$ 200,646	\$ 197,581
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	9,337	11,800	8,013
Other current liabilities	495	495	513
Deferred revenue	6,264	5,019	5,717
Claims liability	1,275	1,325	1,250
Amounts held in trust	6,843	8,339	7,876
Long-term liabilities - current portion	3,454	4,952	3,048
Total Current Liabilities	27,668	31,930	26,417
Noncurrent Liabilities			
Long-term liabilities	34,348	35,867	40,279
Total Liabilities	62,016	67,797	66,696
NET ASSETS			
Invested in capital assets	109,033	108,317	107,334
Restricted for expendable purposes	7,537	4,778	6,254
Unrestricted	22,513	19,754	17,297
Total Net Assets	139,083	132,849	130,885
Total Liabilities and Net Assets	\$ 201,099	\$ 200,646	\$ 197,581

This schedule has been prepared from the District's Statements of Net Assets (page 10), which is presented on an accrual basis of accounting whereby capital assets are capitalized, and depreciated and all liabilities of the District are recognized.

Cash and short-term investments consist primarily of funds held in the Los Angeles County Treasury. The changes in the cash position are explained in the Statements of Cash Flows (page 12).

Capital assets, net of depreciation is the net historical value (original cost) of land, buildings, construction in progress, and equipment less accumulated depreciation. Capital assets increased approximately \$8.9 million due to the projects funded by the general obligation bond.

Long-term debt consists primarily of the general obligation bond issue, 2003 certificates of participation, and compensated absences. Long-term debt decreased approximately \$3.0 million primarily due to the debt service payment for the general obligation bond and certificates of participation.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2005

Operating Results for the Year Ended June 30,

	2005	2004	2003
OPERATING REVENUES			
Tuition and fees	\$ 16,443	\$ 14,090	\$ 13,065
Grants and contracts	29,541	30,882	29,013
Auxiliary sales and charges	6,319	6,475	6,884
Internal service sales and charges	4,576	2,894	2,726
Total Operating Revenues	56,879	54,341	51,688
OPERATING EXPENSES			
Salaries and benefits	94,676	88,060	91,307
Supplies and maintenance	38,834	37,259	39,347
Depreciation	3,559	3,619	2,902
Total Operating Expenses	137,069	128,938	133,556
NET LOSS ON OPERATIONS	(80,190)	(74,597)	(81,868)
NONOPERATING REVENUES AND (EXPENSES)			
State apportionments	55,899	37,413	40,791
Property taxes	22,733	34,309	28,972
State revenue	3,360	3,111	2,982
Investment income, net	860	656	699
Interest income	-	16	46
Interest expense	(1,625)	(2,542)	(460)
Other nonoperating revenues and transfers	3,637	2,211	3,193
Total Nonoperating Revenues	84,864	75,174	76,223
OTHER REVENUES			
State revenues, capital	1,080	803	248
Local revenues, capital	480	584	640
Total Other Revenues	1,560	1,387	888
NET CHANGE IN NET ASSETS	\$ 6,234	\$ 1,964	\$ (4,757)

This schedule has been prepared from the Statements of Revenues, Expenses, and Changes in Net Assets (page 11).

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. These components include the State apportionment and local property taxes. As these sources of revenue are from the general population of the State of California, and not from the direct users of the educational services, they are considered to be nonoperating. As a result, the operating loss of \$80.1 million is balanced by the other funding sources. Total District revenues exceeded all expenditures sources by \$6.2 million for the year ended June 30, 2005.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2005

Auxiliary revenue consists of bookstore net 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.

Grant and contract revenues 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 certificates of participation, lease commitments, and a note payable described in Note 8 of the financial statements.

Statement of Cash Flows for the Year Ended June 30,

	<u>2005</u>	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM			
Operating activities	\$ (76,690)	\$ (71,651)	\$ (78,063)
Noncapital financing activities	84,317	73,733	78,316
Capital financing activities	(14,518)	(17,443)	31,311
Investing activities	3,166	1,522	1,401
Net Change in Cash and Cash Equivalents	<u>\$ (3,725)</u>	<u>\$ (13,839)</u>	<u>\$ 32,965</u>

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 student tuition and fees and Federal, State, and local grants and contracts. The primary operating expense of the District is the payment of salaries and benefits to instructional and classified support staff, as well as District administrators.

ECONOMIC FACTORS AFFECTING THE FUTURE OF PASADENA AREA COMMUNITY COLLEGE DISTRICT

The economic position of Pasadena Area Community College District is closely tied to the State of California as State apportionments and property taxes allocated to the District represent approximately 80 percent of the unrestricted resources of the District. The funding formula for the 2005-2006 fiscal year has not been finalized; however, the Governor's fiscal year 2005-2006 budget for community colleges contains a 2.41 percent cost of living increase and growth funds. The State economy is slowly improving, and the Proposition 98 minimum guarantees plays a major factor in the State appropriations for higher education. Student tuition will not be increasing for the 2005-2006 fiscal year.

Medical benefit insurance costs are continuing the upward trend in costs. Management is closely monitoring all of these factors in an effort to control the ultimate impact on the District's financial health.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2005

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

CONTACTING THE DISTRICT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the District at: Pasadena Area Community College District, 1570 East Colorado Blvd., Pasadena, CA, 91106-2003 or call (626) 585-7258.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

STATEMENTS OF NET ASSETS JUNE 30, 2005 AND 2004

	2005	2004
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,211,974	\$ 1,986,401
Investments	52,010,933	59,267,380
Accounts receivable	8,320,098	7,495,465
Student loans receivable	665,360	666,633
Prepaid expenses	263,617	169,993
Stores inventories	1,351,123	1,250,706
Total Current Assets	65,823,105	70,836,578
NONCURRENT ASSETS		
Capital assets, net of accumulated depreciation	135,276,289	129,809,717
Total Noncurrent Assets	135,276,289	129,809,717
TOTAL ASSETS	201,099,394	200,646,295
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	9,165,417	11,617,586
Accrued interest payable	171,522	182,859
Other current liabilities	494,364	494,786
Deferred revenue	6,264,333	5,018,718
Claims liability	1,275,000	1,325,000
Amounts held in trust on behalf of others	6,843,018	8,338,526
Accrued compensated absences payable	1,853,954	1,822,332
Bonds and notes payable	1,454,500	2,954,457
Lease obligations	145,832	175,402
Total Current Liabilities	27,667,940	31,929,666
NONCURRENT LIABILITIES		
Accrued compensated absences payable	529,995	512,778
Bonds and notes payable	33,448,750	34,903,250
Lease obligations	369,501	451,109
Total Noncurrent Liabilities	34,348,246	35,867,137
TOTAL LIABILITIES	62,016,186	67,796,803
NET ASSETS		
Invested in capital assets, net of related debt	109,033,316	108,317,356
Restricted for:		
Debt service	815,136	763,101
Capital projects	6,721,863	4,015,386
Unrestricted	22,512,893	19,753,649
TOTAL NET ASSETS	\$ 139,083,208	\$ 132,849,492

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

PASADENA AREA COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	2005	2004
OPERATING REVENUES		
Student Tuition and Fees	\$ 23,296,540	\$ 18,254,419
Less: Scholarship discount and allowance	(6,853,855)	(4,164,892)
Net tuition and fees	16,442,685	14,089,527
Grants and Contracts, noncapital:		
Federal	15,850,455	16,768,293
State	13,690,887	14,113,764
Auxiliary Enterprise Sales and Charges		
Bookstore	6,319,177	6,474,765
Internal Service Sales and Charges	4,576,112	2,894,566
TOTAL OPERATING REVENUES	56,879,316	54,340,915
OPERATING EXPENSES		
Salaries	73,671,070	69,951,899
Employee benefits	21,004,769	18,107,827
Supplies, materials, and other operating expenses and services	36,445,214	36,270,622
Equipment, maintenance, and repairs	2,389,217	988,675
Depreciation	3,559,498	3,619,273
TOTAL OPERATING EXPENSES	137,069,768	128,938,296
OPERATING LOSS	(80,190,452)	(74,597,381)
NONOPERATING REVENUES (EXPENSES)		
State apportionments, noncapital	55,899,434	37,413,194
Local property taxes	22,732,719	34,308,990
State taxes and other revenues	3,359,792	3,111,370
Investment income, net	860,136	656,233
Interest expense on capital related debt	(1,624,998)	(2,541,780)
Interest income on capital asset-related debt, net	17	16,186
Transfer to agency fund	(346,416)	(440,000)
Other nonoperating revenue	3,983,629	2,649,824
TOTAL NONOPERATING REVENUES (EXPENSES)	84,864,313	75,174,017
LOSS BEFORE OTHER REVENUES	4,673,861	576,636
State revenues, capital	1,080,062	803,705
Local revenues, capital	479,793	584,227
TOTAL OTHER REVENUES	1,559,855	1,387,932
CHANGE IN NET ASSETS	6,233,716	1,964,568
NET ASSETS, BEGINNING OF YEAR	132,849,492	130,884,924
NET ASSETS, END OF YEAR	\$ 139,083,208	\$ 132,849,492

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

PASADENA AREA COMMUNITY COLLEGE DISTRICT

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 17,682,209	\$ 13,118,229
Grants and contracts	29,832,650	30,461,279
Payments to or on behalf of employees	(93,707,118)	(88,048,334)
Payments to vendors for supplies and services	(24,769,368)	(20,404,209)
Payments to students for scholarships and grants	(15,182,598)	(15,831,892)
Auxiliary sales and charges	10,949,793	9,053,120
Other payments	(1,495,508)	-
Net Cash Flows From Operating Activities	(76,689,940)	(71,651,807)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State apportionments	53,558,190	35,335,932
Property taxes	22,732,719	34,308,990
State taxes and other revenues	3,169,858	2,253,937
Other receipts	4,856,422	1,834,492
Net Cash Flows From Noncapital Financing Activities	84,317,189	73,733,351
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State revenues, capital projects	1,080,062	803,705
Local revenue, capital projects	350,235	713,785
Proceeds from capital debt	89,843	5,485,738
Acquisition and construction of capital assets	(11,246,603)	(14,139,680)
Principal paid on capital debt and leases	(3,155,478)	(7,937,733)
Interest received on capital debt	17	16,186
Interest paid on capital debt and leases	(1,636,335)	(2,385,366)
Net Cash Flows From Capital and Related Financing Activities	(14,518,259)	(17,443,365)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	2,306,269	832,870
Investment income	860,136	689,508
Net Cash Flows From Investing Activities	3,166,405	1,522,378
NET CHANGE IN CASH AND CASH EQUIVALENTS	(3,724,605)	(13,839,443)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	53,548,495	67,387,938
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 49,823,890	\$ 53,548,495

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

PASADENA AREA COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF CASH FLOWS, CONTINUED
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Loss	<u>\$(80,190,452)</u>	<u>\$(74,597,381)</u>
Adjustments to Reconcile Operating Loss to Net Cash		
Flows From Operating Activities:		
Depreciation expense	3,559,498	3,619,273
Changes in Assets and Liabilities:		
Receivables, net	488,609	(803,364)
Inventories	(100,417)	96,742
Prepaid items	(93,624)	(54,642)
Accounts payable and accrued liabilities	(233,219)	915,730
Deferred revenue	1,375,173	(828,165)
Funds held for others	<u>(1,495,508)</u>	<u>-</u>
Total Adjustments	<u>3,500,512</u>	<u>2,945,574</u>
Net Cash Flows From Operating Activities	<u><u>\$(76,689,940)</u></u>	<u><u>\$(71,651,807)</u></u>
 Cash and Cash Equivalents Consist of the Following:		
Cash in banks	3,211,974	1,986,401
Cash in county treasury	46,611,916	51,562,094
Total Cash and Cash Equivalents	<u><u>\$ 49,823,890</u></u>	<u><u>\$ 53,548,495</u></u>

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

PASADENA AREA COMMUNITY COLLEGE DISTRICT

**STATEMENT OF FINANCIAL POSITION
DISCRETELY PRESENTED COMPONENT UNIT
PASADENA CITY COLLEGE FOUNDATION, INC.
JUNE 30, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
ASSETS		
CURRENT ASSETS		
Cash - unrestricted	\$ 392,120	\$ 312,138
Cash - restricted	24,702	145,851
Accounts receivable	28,841	20,299
Prepaid expenditures	2,106	2,106
Total Current Assets	<u>447,769</u>	<u>480,394</u>
NONCURRENT ASSETS		
Investments - unrestricted	155,559	255,923
Investments - restricted	5,365,144	4,689,000
Equipment, net	8,151	8,151
Total Noncurrent Assets	<u>5,528,854</u>	<u>4,953,074</u>
TOTAL ASSETS	<u>\$ 5,976,623</u>	<u>\$ 5,433,468</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	-	4,559
Lease payable	7,927	7,927
TOTAL LIABILITIES	<u>7,927</u>	<u>12,486</u>
NET ASSETS		
Unrestricted	558,850	566,131
Temporarily restricted	2,431,574	1,981,596
Permanently restricted	2,978,272	2,873,255
TOTAL NET ASSETS	<u>5,968,696</u>	<u>5,420,982</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,976,623</u>	<u>\$ 5,433,468</u>

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

PASADENA AREA COMMUNITY COLLEGE DISTRICT

STATEMENT OF ACTIVITIES DISCRETELY PRESENTED COMPONENT UNIT PASADENA CITY COLLEGE FOUNDATION, INC. FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	2005			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUES AND OTHER SUPPORT				
Donations	\$ 50,748	\$ 576,933	\$ 49,373	\$ 677,054
Interest and dividends	40,337	80,813	9,312	130,462
In-kind receipts	164,353	-	-	164,353
Miscellaneous revenue	111	1,723	-	1,834
Net assets released from restrictions	573,139	(531,959)	(41,180)	-
Total Revenues and Other Support	<u>828,688</u>	<u>127,510</u>	<u>17,505</u>	<u>973,703</u>
EXPENSES				
Operating	137,155	-	-	137,155
Program	677,614	-	-	677,614
Fundraising	36,200	-	-	36,200
Total Expenses	<u>850,969</u>	<u>-</u>	<u>-</u>	<u>850,969</u>
OTHER INCOME AND (EXPENSE)				
Realized gain (loss) on sale of investments	16,201	29,741	39,799	85,741
Unrealized gain (loss)	(1,201)	209,931	47,713	256,443
Transfers	-	82,796	-	82,796
Total Other Income and (Expense)	<u>15,000</u>	<u>322,468</u>	<u>87,512</u>	<u>424,980</u>
CHANGE IN NET ASSETS	(7,281)	449,978	105,017	547,714
NET ASSETS, BEGINNING OF YEAR	<u>566,131</u>	<u>1,981,596</u>	<u>2,873,255</u>	<u>5,420,982</u>
NET ASSETS, END OF YEAR	<u>\$ 558,850</u>	<u>\$ 2,431,574</u>	<u>\$ 2,978,272</u>	<u>\$ 5,968,696</u>

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

2004			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 47,518	\$ 433,961	\$ 29,661	\$ 511,140
15,716	51,168	28,475	95,359
120,854	-	-	120,854
12,088	-	-	12,088
952,879	(855,630)	(97,249)	-
1,149,055	(370,501)	(39,113)	739,441
194,763	-	-	194,763
955,638	-	-	955,638
40,712	-	-	40,712
1,191,113	-	-	1,191,113
29,511	103,397	40,211	173,119
6,856	182,170	197,543	386,569
(32,098)	32,098	-	-
4,269	317,665	237,754	559,688
(37,789)	(52,836)	198,641	108,016
603,920	2,034,432	2,674,614	5,312,966
\$ 566,131	\$ 1,981,596	\$ 2,873,255	\$ 5,420,982

PASADENA AREA COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS DISCRETELY PRESENTED COMPONENT UNIT PASADENA CITY COLLEGE FOUNDATION, INC. FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 547,714	\$ 108,016
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities		
Unrealized gain	(256,443)	(386,569)
Depreciation	-	1,027
Bad debt expense	-	53,958
Changes in Assets and Liabilities		
(Increase) Decrease accounts receivable	(8,542)	1,231
Increase (Decrease) accounts payable	(4,559)	4,559
Increase in lease payable	-	7,927
Net Cash Flows From Operating Activities	<u>278,170</u>	<u>(209,851)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Purchase of equipment	-	(9,057)
Net Cash Flows From Financing Activities	<u>-</u>	<u>(9,057)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(319,337)	(247,881)
Net Cash Flows From Investing Activities	<u>(319,337)</u>	<u>(247,881)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(41,167)	(466,789)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	457,989	924,778
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 416,822</u>	<u>\$ 457,989</u>

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

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005 AND 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Pasadena Area Community College District (the District) was established in 1967 as a political subdivision of the State of California and provides post secondary educational services to residents of Los Angeles County. The District operates under a locally elected seven-member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund, special revenue funds, and capital project funds, but these budgets are managed at the department level. Currently, the District operates one community college located in Pasadena, California.

Financial Reporting Entity

During the year ended June 30, 2004, the District adopted Governmental Accounting Standard Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units*. This statement amends GASB Statement No. 14, *The Financial Reporting Entity*, to provide additional guidance to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District.

- **Pasadena City College Foundation, Inc.**

The Pasadena City College Foundation, Inc. (the Foundation) is a legally separate, tax-exempt component unit of the District. The Foundation acts primarily as a fundraising organization to provide grants and scholarships to students and support to employees, programs, and departments of the District. The thirty-member Board of the Foundation consists of community members, alumni, and other supporters of the Foundation. Although the District does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the District by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the District, the Foundation is considered a component unit of the District. The Foundation is reported in separate financial statements because of the difference in its reporting model, as further described below.

The Foundation is a not-for-profit organization that reports its financial results under Financial Accounting Standards Board (FASB) Statements. Most significant to the Foundation's operations and reporting model are FASB Statement No. 116, *Accounting for Contributions Received and Contributions Made*, and FASB Statement No. 117, *Financial Reporting for Not-For-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the District's financial reporting entity for these differences.

Financial statements for the Foundation can be obtained by calling the Foundation at (626) 585-7363.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005 AND 2004

- **The Los Angeles County Schools Regionalized Business Service Corporation**

The Los Angeles County Schools Regionalized Business Service Corporation (the Corporation) is a legally separate organization component unit of the District. The Corporation was formed to issue debt specifically for the acquisition and construction of capital assets for the District. The financial activity has been "blended" or consolidated within the financial statements as the District as if the activity was the District's. Within the other supplementary information section of the report, the activity is included as the Capital Outlay Projects Fund and the Other Debt Service Fund. Certificates of participation issued by the Corporation are included as long-term liabilities in of the District. Individually-prepared financial statements are not prepared for the Corporation.

- **Joint Powers Agencies and Public Entity Risk Pools**

The District is associated with two joint powers agencies (JPAs). These organizations do not meet the criteria for inclusion as component units of the District. The JPAs are the Statewide Association of Community Colleges (SWACC) and the Schools Alliance for Workers' Compensation Excess II (SAWCX II).

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities. Accordingly, the District's 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 and intra-fund transactions have been eliminated.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 90 days of fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, certain grants, entitlements, and donations. Revenue from State apportionments is generally recognized in the fiscal year in which it is apportioned from the State. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to colleges and universities, as well as those prescribed by the California Community College's Chancellor's Office. The District reports are based on all applicable Governmental Accounting Standards Board (GASB) pronouncements, as well as applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005 AND 2004

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

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

The following is a summary of the more significant policies:

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand and demand deposits. Cash equivalents also include cash with county treasury balances for purposes of the statements of cash flows.

Investments

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and for External Investment Pools*, investments are stated at fair value. Fair value is estimated based on published market prices at year-end. Investments for which there are no quoted market prices are not material.

Accounts Receivable

Accounts receivable include amounts due from the Federal, State, and/or local governments or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. Management has analyzed these accounts and believes all amounts are fully collectable.

Prepaid Expenditures

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

Inventory

Inventory consists primarily of bookstore merchandise and supplies held for resale to the students and faculty of the college. Inventories are stated at cost, utilizing the weighted average method. The cost is recorded as an expense as the inventory is consumed.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005 AND 2004

Capital Assets and Depreciation

Capital assets are long-lived assets of the District as a whole and include land, construction-in-progress, buildings, leasehold improvements, and equipment. The District maintains an initial unit cost capitalization threshold of \$5,000. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. The District does not possess any infrastructure. Donated capital assets are recorded at estimated fair market value at the date of donation. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Major outlays for capital improvements are capitalized as construction-in-progress as the projects are constructed.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 50 years; improvements, 20 years; equipment, 5 to 15 years.

Accrued Liabilities and Long-Term Obligations

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

Compensated Absences

Accumulated unpaid vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave.

Deferred Revenue

Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Deferred revenues include (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year and (2) amounts received from Federal and State grants received before the eligibility requirements are met are recorded as deferred revenue.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005 AND 2004

Net Assets

GASB Statements No. 34 and No. 35 report equity as "Net Assets." Net assets are classified according to external donor restrictions or availability of assets for satisfaction of District obligations according to the following net asset categories:

Invested in Capital Assets, Net of Related Debt - Capital Assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Restricted - Expendable - Net assets whose use by the District is subject to externally imposed constraints that can be fulfilled by actions of the District pursuant to those constraints or by the passage of time.

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

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed.

Operating Revenues and Expenses

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

Operating revenues - Operating revenues include activities that have the characteristics of exchange transactions, such as, (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most Federal, State, and local grants and contracts and Federal appropriations, and (4) interest on institutional student loans.

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

Classification of Expenses - Nearly all the District's expenses are from exchange transactions and are classified as either operating or nonoperating according to the following criteria:

Operating expenses - Operating expenses are necessary costs to provide the services of the District and include employee salaries and benefits, supplies, operating expenses, and student financial aid.

Nonoperating expenses - Nonoperating expenses include interest expense and other expenses not directly related to the services of the District.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005 AND 2004

Estimates

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

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. The County Assessor is responsible for assessment of all taxable real property. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Los Angeles bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, Federal Work-Study, and Stafford Loan programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to students in the form of reduced tuition. These programs are audited in accordance with the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget's revised Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the related *Compliance Supplement*. During the year ended June 30, 2005 and 2004, the District distributed \$960,128 and \$999,594, respectively, in direct lending through the U.S. Department of Education.

Component Unit

The Pasadena City College Foundation, Inc. maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors. Accordingly, net assets and the changes in net assets are classified as follows:

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that will be met by actions of the Foundation and/or the passage of time.

Unrestricted Net Assets - Net assets not subject to donor-imposed restrictions.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005 AND 2004

Revenues are reported as increases in the unrestricted net assets classification unless use of the related assets is limited by donor-imposed restrictions. Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met. Contributions for in-kind gifts from outside sources are recorded at their fair market value on the date of the donation.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Investments are reported at fair value based upon quoted market prices.

Investments are reported at fair value based upon quoted market prices.

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and related California Franchise Tax Codes.

Newly Issued Accounting Pronouncements

- **GASB Statement No. 40:** In March 2003, GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures*, which amends Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, and addresses additional risks to which governments are exposed. Under Statement No. 40, State and local governments are required to disclose information covering four principal areas:
 - Investment credit risk disclosures, including credit quality information issued by rating agencies;
 - Interest rate disclosures that include investment maturity information, such as weighted average maturities or specification identification of securities;
 - Interest rate sensitivity for investments that are highly sensitive to changes in interest rates (ex: inverse floaters, enhanced variable-rate investments, and certain asset-backed securities;); and
 - Foreign exchange exposures that would indicate the foreign investment's denomination.

The GASB Statement No. 40 provisions are effective for financial statements for periods beginning after June 30, 2004, and are included in *NOTE 2 - CASH AND INVESTMENTS*.

- **GASB Statement No. 42:** In November 2003, GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This statement establishes accounting and financial reporting standards for impairment of capital assets. The provisions of this statement are effective for periods beginning after December 2004 and will be implemented by the District in fiscal year 2005-2006.
- **GASB Statement No. 43:** In April 2004, GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefits Other than Pension Plans*. The standards in this statement apply for trust funds included in the financial reports of plan sponsors or employers, as well as for the stand-alone financial reports of OPEB plans or the public employee retirements systems, or other third parties that administer them. The provisions of this statement are effective for periods beginning after December 15, 2005. The District is not a plan sponsor of an OPEB Plan.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005 AND 2004

- **GASB Statement No. 45:** In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. This statement establishes standards for the measurement, recognition and display of OPEB expense, expenditures and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports of State and local governmental employers. This statement generally provides for prospective implementation - that is, that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. The District is in the process of determining the impact the implementation of this statement will have on the government-wide statements of net assets and activities. This statement is effective for periods beginning after December 15, 2006, depending upon the size of the governmental entities' financial activity. The District will be implementing the requirements of this standard in the 2007-2008 fiscal year.
- **GASB Statement No. 46:** In December 2004, GASB issued Statement No. 46, *Net Assets Restricted by Enabling Legislation*, an amendment of GASB Statement No. 34. This statement clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government can compel a government to honor. Accordingly, it clarifies the determination of restricted net assets within the statement of net assets. This statement is not effective until June 30, 2006 (2006-2007 fiscal year). The District has not determined its effect on the financial statements.
- **GASB Statement No. 47:** In June 2005, GASB issued Statement No. 47, *Accounting for Termination Benefits*. This statement establishes accounting standards for termination benefits. This statement is not effective until June 30, 2006 (2006-2007 fiscal year). The District has not determined its effect on the financial statements.

Comparative Financial Information

Comparative financial information for the prior year has been presented for additional analysis; certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE 2 - CASH AND INVESTMENTS

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005 AND 2004

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Authorized Under Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005 AND 2004

Summary of Deposits and Investments

Deposits and investments as of June 30, 2005, consist of the following:

Cash on hand and in banks	\$ 3,104,474
Cash in revolving	107,500
Investments	<u>52,010,933</u>
Total Deposits and Investments	<u>\$ 55,222,907</u>

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Specific Identification

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

Investment Type	Fair Value	Maturity Date
County Pool - Los Angeles	\$ 46,500,667	132 days*
Certificates of Deposit	1,898,324	3,732 days*
Stocks	2,957,185	Not Applicable
Corporate Bonds	20,568	June 1, 2006
Mutual Funds	522,940	Not Applicable
Total	<u>\$ 51,899,684</u>	

* Weighted average days to maturity.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005 AND 2004

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

Investment Type	Fair Value	Minimum Legal Rating	Rating June 30, 2005
County Pool - Los Angeles	\$ 46,500,667	Not Required	Not Rated
Certificates of Deposit	1,898,324	Not Required	Not Rated
Stocks	2,957,185	Not Required	Not Rated
Corporate Bonds	20,568	Not Required	A1
Mutual Funds	522,940	Not Required	Not Rated
Total	<u>\$ 51,899,684</u>		

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk. As of June 30, 2005, the District's bank balance of \$2,807,951 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005 AND 2004

NOTE 3 - ACCOUNTS RECEIVABLES

Accounts receivable for the District consisted primarily of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

The accounts receivable are as follows:

	2005	2004
Federal Government		
Categorical aid	\$ 749,753	\$ 1,116,518
State Government		
Apportionment	4,418,506	2,077,262
Categorical aid	77,092	140,122
Lottery	1,633,118	1,443,184
Other State sources	101,256	1,157,208
Local Government		
Earned salary advance	476,856	479,893
Other local sources	863,517	1,081,278
Total	<u>\$ 8,320,098</u>	<u>\$ 7,495,465</u>
Student receivables	<u>\$ 665,360</u>	<u>\$ 666,633</u>

Discretely Presented Component Unit

The Foundation's accounts receivable consist primarily of short-term donations. In the opinion of management, all amounts have been deemed to be fully collectable.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005 AND 2004

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2005, was as follows:

	Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	\$ 10,396,408	\$ -	\$ -	\$ 10,396,408
Construction in progress	16,690,866	8,455,160	24,720,758	425,268
Total Capital Assets Not Being Depreciated	27,087,274	8,455,160	24,720,758	10,821,676
Capital Assets Being Depreciated				
Buildings and improvements	125,636,224	24,720,758	-	150,356,982
Site improvements	10,518,358	216,462	-	10,734,820
Equipment	11,766,687	354,448	143,715	11,977,420
Total Capital Assets Being Depreciated	147,921,269	25,291,668	143,715	173,069,222
Total Capital Assets	175,008,543	33,746,828	24,864,473	183,890,898
Less Accumulated Depreciation				
Buildings and improvements	35,192,731	2,383,121	-	37,575,852
Site improvements	2,665,390	425,902	-	3,091,292
Equipment	7,340,705	750,475	143,715	7,947,465
Total Accumulated Depreciation	45,198,826	3,559,498	143,715	48,614,609
Net Capital Assets	\$ 129,809,717	\$ 30,187,330	\$ 24,720,758	\$ 135,276,289

Depreciation expense for the year was \$3,559,498.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005 AND 2004

Capital asset activity for the District for the fiscal year ended June 30, 2004, was as follows:

	Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	\$ 10,396,408	\$ -	\$ -	\$ 10,396,408
Construction in progress	1,935,806	16,375,077	1,620,017	16,690,866
Total Capital Assets Not Being Depreciated	12,332,214	16,375,077	1,620,017	27,087,274
Capital Assets Being Depreciated				
Buildings and improvements	124,016,207	1,620,017	-	125,636,224
Site improvements	10,478,199	40,159	-	10,518,358
Equipment	12,122,283	441,365	796,961	11,766,687
Total Capital Assets Being Depreciated	146,616,689	2,101,541	796,961	147,921,269
Total Capital Assets	158,948,903	18,476,618	2,416,978	175,008,543
Less Accumulated Depreciation				
Buildings and improvements	33,087,527	2,105,204	-	35,192,731
Site improvements	2,244,900	420,490	-	2,665,390
Equipment	7,044,087	1,093,579	796,961	7,340,705
Total Accumulated Depreciation	42,376,514	3,619,273	796,961	45,198,826
Net Capital Assets	\$ 116,572,389	\$ 14,857,345	\$ 1,620,017	\$ 129,809,717

Depreciation expense for the year was \$3,619,273.

NOTE 5 - INTERFUND TRANSACTIONS

Operating Transfers

Operating transfers between District governmental funds are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. These operating transfers have been eliminated through consolidation within the entity-wide financial statements.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005 AND 2004

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	2005	2004
Accrued payroll and benefits	\$ 6,148,970	\$ 5,962,132
Load banking	730,007	804,722
Construction	758,194	2,978,727
Other	1,528,246	1,872,005
Total	<u>\$ 9,165,417</u>	<u>\$ 11,617,586</u>

Discretely Presented Component Unit

The accounts payable of Foundation consist primarily of amounts owed to vendors for supplies and services.

NOTE 7 - DEFERRED REVENUE

Deferred revenue for the District consisted of the following:

	2005	2004
State categorical aid	\$ 1,239,969	\$ 1,379,729
Other State	-	129,558
Student fees	3,970,372	2,730,848
Radio agreement	571,208	-
Other local	482,784	778,583
Total	<u>\$ 6,264,333</u>	<u>\$ 5,018,718</u>

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005 AND 2004

NOTE 8 - LONG-TERM DEBT

Long-Term Debt Summary

The changes in the District's long-term obligations during the 2005 fiscal year consisted of the following:

	Beginning Balance	Additions	Deductions	Ending Balance	Amount Due Within One Year
Bonds and Notes Payable					
General obligations bonds	\$31,150,000	\$ -	\$2,310,000	\$28,840,000	\$ 800,000
2003 Certificates of participation, Series A	5,380,000	-	485,000	4,895,000	485,000
Note payable	1,327,707	-	159,457	1,168,250	169,500
Total Bonds and Notes Payable	37,857,707	-	2,954,457	34,903,250	1,454,500
Other Liabilities					
Compensated absences	2,335,110	48,839	-	2,383,949	1,853,954
Capital leases	626,511	89,843	201,021	515,333	145,832
Total Other Liabilities	2,961,621	138,682	201,021	2,899,282	1,999,786
Total Long-Term Liabilities	\$40,819,328	\$ 138,682	\$3,155,478	\$37,802,532	\$ 3,454,286

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005 AND 2004

The changes in the District's long-term obligations during the 2004 fiscal year consisted of the following:

	Beginning Balance	Additions	Deductions	Ending Balance	Amount Due Within One Year
Bonds and Notes Payable					
General obligations bonds	\$33,000,000	\$ -	\$ 1,850,000	\$31,150,000	\$ 2,310,000
1993 Certificates of participation, Series A	5,735,000	-	5,735,000	-	-
2003 Certificates of participation, Series A	-	5,380,000	-	5,380,000	485,000
Note payable	1,477,000	-	149,293	1,327,707	159,457
Total Bonds and Notes Payable	40,212,000	5,380,000	7,734,293	37,857,707	2,954,457
Other Liabilities					
Compensated absences	2,390,115	-	55,005	2,335,110	1,822,332
Capital leases	724,213	105,738	203,440	626,511	175,402
Total Other Liabilities	3,114,328	105,738	258,445	2,961,621	1,997,734
Total Long-Term Liabilities	\$43,326,328	\$ 5,485,738	\$ 7,992,738	\$40,819,328	\$ 4,952,191

Description of Debt

Payments of the general obligation bonds are to be made by the Bond Interest and Redemption Fund with local tax collections. Payments for the certificates of participation (COPs) and the notes payable obligation are made by the Other Debt Service Fund. The compensated absences will be paid by the fund for which the employee worked. Capital lease payments are made out of the General Unrestricted Fund.

General obligation bonds were approved by a local election in March 2002. The total amount approved by the voters was \$150,000,000. At June 30, 2005, \$33,000,000 had been issued and \$28,840,000 was outstanding. Interest rates on the bonds range from two percent to five percent.

The 2003 certificates of participation were issued in September 2003 in the amount of \$5,380,000 to prepay its proportionate share of the 1993 Certificates of Participation Series A. At June 30, 2005, the balance outstanding was \$4,895,000. The certificates mature through 2014 with interest rates ranging from 2.000 percent to 4.625 percent.

The notes payable were issued in 1996 in the amount of \$2,240,000 to fund energy-retrofitting projects throughout the District. At June 30, 2005, the balance outstanding was \$1,168,250. The notes mature through 2011.

The District has utilized capital leases purchase agreements to purchase primarily equipment. The current lease purchase agreements will be paid through 2010.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005 AND 2004

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2004	Issued	Redeemed	Bonds Outstanding June 30, 2005
6/1/2003	6/1/2028	2.00-5.00%	\$ 33,000,000	<u>\$ 31,150,000</u>	<u>\$ -</u>	<u>\$ 2,310,000</u>	<u>\$ 28,840,000</u>

The general obligation bonds mature through 2028 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2006	\$ 800,000	\$ 1,299,112	\$ 2,099,112
2007	815,000	1,283,113	2,098,113
2008	835,000	1,264,775	2,099,775
2009	855,000	1,243,900	2,098,900
2010	880,000	1,218,250	2,098,250
2011-2015	4,915,000	5,588,250	10,503,250
2016-2020	6,160,000	4,349,000	10,509,000
2021-2025	7,855,000	2,648,000	10,503,000
2026-2028	5,725,000	582,000	6,307,000
Total	<u>\$ 28,840,000</u>	<u>\$ 19,476,400</u>	<u>\$ 48,316,400</u>

2003 Certificates of Participation Series A

The certificates of participation mature through 2014 as follows:

Year Ending June 30,	Principal	Interest	Total
2006	\$ 485,000	\$ 163,244	\$ 648,244
2007	495,000	151,600	646,600
2008	505,000	137,837	642,837
2009	520,000	122,463	642,463
2010	535,000	105,300	640,300
2011-2014	2,355,000	203,344	2,558,344
Total	<u>\$ 4,895,000</u>	<u>\$ 883,788</u>	<u>\$ 5,778,788</u>

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005 AND 2004

Notes Payable

The notes payable mature through 2011 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2006	\$ 169,500	\$ 60,500	\$ 230,000
2007	179,543	50,457	230,000
2008	189,707	40,293	230,000
2009	199,750	30,250	230,000
2010	209,793	20,207	230,000
2011	219,957	10,043	230,000
Total	<u>\$ 1,168,250</u>	<u>\$ 211,750</u>	<u>\$ 1,380,000</u>

Capital Leases

The District's liability on lease agreements with options to purchase are summarized below:

Balance, July 1, 2004	\$ 688,364
Additions	98,729
Payments and adjustments	220,793
Balance, June 30, 2005	<u>\$ 566,300</u>

The capital leases have minimum lease payments as follows:

<u>Year Ending June 30,</u>	<u>Lease Payment</u>
2006	\$ 160,255
2007	159,558
2008	154,717
2009	85,189
2010	6,581
Total	<u>566,300</u>
Less: Amount Representing Interest	<u>50,967</u>
Present Value of Minimum Lease Payments	<u>\$ 515,333</u>

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005 AND 2004

NOTE 9 - POSTEMPLOYMENT BENEFITS

The District provides medical, dental, and vision insurance coverage, as prescribed in the various employee union contracts, to retirees meeting plan eligibility requirements. Eligible employees retiring from the District may become eligible for these benefits when the requirements are met. The eligibility requirement for employees participating in PERS is a minimum age of 55 and a minimum ten years of continuous service with the District. Additional age and service criteria may be required. The eligibility requirement for employees participating in STRS is a minimum age of 60 with five years of service, or age 50 with 30 years of service. In addition, the District also has minimum continuous service requirements for retirement that range from three years to ten years and varies by employee class. The District recognizes expenditures for these postemployment health benefits on a pay-as-you-go-basis. During the 2005 fiscal year, the District provided insurance premium benefits to 41 retired employees with total expenditures of \$562,733.

NOTE 10 - RISK MANAGEMENT

Property and Liability

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; and natural disasters. During fiscal year ending June 30, 2005, the District contracted with the Statewide Association of Community Colleges (SWACC) Joint Powers Authority for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2005, the District participated in the Schools Alliance for Workers' Compensation Excess II (SAWCX II) Joint Powers Authority (JPA), an insurance purchasing pool. The District is self insured for the first \$150,000 of each workers' compensation claim. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to K-12 and community college districts that can meet the JPA's selection criteria.

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005 AND 2004

STRS

Plan Description

All certificated employees and those employees meeting minimum standards adopted by the Board of Governors of the California Community Colleges and employed 50 percent or more of a full-time equivalent position participate in the Defined Benefit Plan (DB Plan). Part-time educators hired under a contract of less than 50 percent or on an hourly or daily basis without contract may elect membership in the Cash Balance Benefit Program (CB Benefit Program). Since January 1, 1999, both of these plans have been part of the State Teachers' Retirement System (STRS), a cost-sharing, multiple-employer contributory public employee retirement system. The State Teachers' Retirement Law (Part 13 of the *California Education Code*, Section 22000 et seq.) established benefit provisions for STRS. Copies of the STRS annual financial report may be obtained from the STRS Executive Office, 7667 Folsom Boulevard, Sacramento, California 95851.

The STRS, a defined benefit pension plan, provides retirement, disability, and death benefits, and depending on which component of the STRS the employee is in, post-retirement cost-of-living adjustments may also be offered. Employees in the DB Plan attaining the age of 60 with five years of credited California service (service) are eligible for "normal" retirement and are entitled to a monthly benefit of two percent of their final compensation for each year of service. Final compensation is generally defined as the average salary earnable for the highest three consecutive years of service. The plan permits early retirement options at age 55 or as early as age 50 with at least 30 years of service. While early retirement can reduce the two percent age factor used at age 60, service of 30 or more years will increase the percentage age factor to be applied. Disability benefits are generally the maximum of 50 percent of final compensation for most applicants. Eligible dependent children can increase this benefit up to a maximum of 90 percent of final compensation. After five years of credited service, members become 100 percent vested in retirement benefits earned to date. If a member's employment is terminated, the accumulated member contributions are refundable. The features of the CB Benefit Program include immediate vesting, variable contribution rates that can be bargained, guaranteed interest rates, and flexible retirement options. Participation in the CB benefit plan is optional; however, if the employee selects the CB benefit plan and their basis of employment changes to half time or more, the member will automatically become a member of the DB Plan.

Funding Policy

Active members of the DB Plan are required to contribute eight percent of their salary while the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2004-2005 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The CB Benefit Program is an alternative STRS contribution plan for instructors. Instructors who choose not to sign up for the DB Plan or FICA may participate in the CB Benefit Program. The District contribution rate for the CB Benefit Program is always a minimum of four percent with the sum of the District and employee contribution always being equal or greater than eight percent.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005 AND 2004

Annual Pension Cost

The District's total contributions to STRS for the fiscal years ended June 30, 2005, 2004, and 2003, were \$3,592,479, \$3,397,099, and \$3,497,262, respectively and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

All full-time classified employees participate in the CalPERS, an agent multiple-employer contributory public employee retirement system that act as a common investment and administrative agent for participating public entities within the State of California. The Pasadena Area Community College District is part of a "cost-sharing" pool with CalPERS. Employees are eligible for retirement as early as age 50 with five years of service. At age 55, the employee is entitled to a monthly benefit of 2.0 percent of final compensation for each year of service credit. Retirement compensation is reduced if the plan is coordinated with Social Security. Retirement after age 55 will increase the percentage rate to a maximum of 2.5 percent at age 63 with an increased rate. The plan also provides death and disability benefits. Retirement benefits fully vest after five years of credited service. Upon separation from the Fund, members' accumulated contributions are refundable with interest credited through the date of separation.

The Public Employees' Retirement Law (Part 3 of the *California Government Code*, Section 20000 et seq.) establishes benefit provisions for CalPERS. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

Active plan members are required to contribute seven percent of their salary (seven percent of monthly salary over \$133.33 if the member participates in Social Security), and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The District's contribution rate to CalPERS for fiscal year 2004-2005 was 9.952 percent of annual payroll.

Annual Pension Cost

The District's contributions to CalPERS for fiscal years ending June 30, 2005, 2004, and 2003, were \$1,800,512, \$1,884,964, and \$532,029, respectively, and equaled 100 percent of the required contributions for each year.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005 AND 2004

On Behalf Payments

The State of California makes contributions to STRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to STRS which amounted to \$1,966,937 (4.517 percent) of salaries subject to STRS. No contributions from the State were made for PERS for the year ended June 30, 2005. These amounts have been reflected in the financial statements as a component of nonoperating revenue and employee benefit expense.

Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (STRS or PERS) must be covered by Social Security or an alternative plan. The District has elected to cover all employees other than STRS members by Social Security. STRS members at the District intend to begin the process to increase coverage by Social Security.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2005.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2005.

Construction Commitments

As of June 30, 2005, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
Industrial Technology Building Project	\$ 1,091,508	05/01/09
Campus Center	1,510,143	05/01/09
M/P Technology Infrastructure	301,860	05/01/09
	<u>\$ 2,903,511</u>	

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005 AND 2004

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

The District is a member of the Statewide Association of Community Colleges (SWACC) joint powers authority (JPA). The District pays premiums for its property liability coverage. The relationship between the District and the JPA is such that it is not a component unit of the District for financial reporting purposes.

The District is also a member of the Schools Alliance for Workers' Compensation Excess II (SAWCX II) joint powers authority (JPA). The District pays premiums for excess workers' compensation coverage. The relationship between the District and the JPA is such that it is not a component unit of the District for financial reporting purposes.

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

During the year ended June 30, 2005, the District made payments of \$569,438 and \$271,128 to SWACC and SAWCX II, respectively.

SUPPLEMENTARY INFORMATION

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PASADENA AREA COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION JUNE 30, 2005

The Pasadena Area Community College District was established in 1967 and is located in Los Angeles County. There were no changes in the boundaries of the District during the current year.

BOARD OF TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Dr. Jeanette Mann	President	November 2007
Mr. Geoffrey L. Baum	Vice President	November 2005
Ms. Consuelo Rey Castro	Clerk	November 2005
Mr. John Martin	Member	November 2007
Ms. Susanna H. Miele	Member	November 2007
Mr. Warren L. Weber	Member	November 2005
Ms. Beth Wells-Miller	Member	November 2005
Mr. Nicholas Szamet	Student Trustee	July 2006

ADMINISTRATION

Dr. James Kossler	President and District Superintendent
Mr. Peter Hardash	Vice President, Administrative Services
Dr. Jacqueline Jacobs	Vice President, Instructional Administration
Dr. Lisa Sugimoto	Vice President, Student and Learning Services
Ms. Janet Levine	Dean, External Relations
Mr. Vic Collins	Interim Dean, Human Resources
Dr. Stuart Wilcox	Dean, Planning and Research

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PASADENA AREA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2005

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Catalog Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION		
Passed through the California State Chancellor's Office		
VATEA I-C [1]	84.048	\$ 635,266
VATEA II, Tech-Prep Education Grant [1]	84.048	65,680
Title V - Strengthening Institutions	84.031S	318,364
Adult Basic Education	84.002A	196,900
TRIO - Student Support Services and Student Grants [1]	84.042A	271,208
TRIO - Upward Bound [1]	84.047A	182,682
TRIO - Upward Bound Math and Science [1]	84.047M	208,235
Collaboration to Improve Student Persistence and Degree Completion	84.031S	65,122
Biotech Training Program	84.116Z	4,419
Child Development Program	84.335A	57,064
		<u>2,004,940</u>
Student Financial Aid Cluster [1]		
Pell Grant	84.063	11,793,495
Pell Grant Administration Grant	84.063	24,835
Supplemental Educational Opportunity Grant	84.007	401,005
Supplemental Educational Opportunity Grant Administration	84.007	20,608
Federal Work-Study Program	84.033	364,457
Federal Work-Study Program - ACA	84.033	32,464
Perkins Loan Program	84.038	75,125
Nursing Loan Program	[2]	29,182
Federal Family Education Loans	84.032	885,003
		<u>13,626,174</u>
National Aeronautics and Space Administration		
Smart Scientists Mentoring	43.001	101,694
Synergetic Education and Research Space Sciences	43.001	25,039
		<u>126,733</u>
U.S. DEPARTMENT OF AGRICULTURE		
Forest Reserve	10.665	<u>39,977</u>
FEDERAL ASSIGNMENT AGREEMENTS		
Veterans Education	17.804	<u>2,450</u>
NATIONAL SCIENCE FOUNDATION		
Advanced Technological Programs		
Uplift and Exhumation Fault Zone	47.076	19,972
Computer, Science, Engineering, and Math	47.076	95,228
Research Apprenticeship JPL	47.076	1,857
National Science Foundation Cal State	47.041	3,221
Subtotal		<u>120,278</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Child Development Program	93.596	26,293
Child Development Program - Infant and Toddler	93.575	5,224
Child Development Program	93.575	2,137
Subtotal		<u>33,654</u>
		<u>\$ 15,954,206</u>

[1] Tested as a major program.

[2] Federal Catalog Number not available.

See accompanying note to supplementary information.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2005

PROGRAM	Program Entitlements		
	Current Year	Prior Year	Total Entitlement
GENERAL FUND			
Block Grant	\$ 476,904	\$ -	\$ 476,904
California Articulation Number System (CAN)	5,000	-	5,000
Calworks	530,893	318,908	849,801
Child Development Program - State Preschool (GPRES122)	196,220	-	196,220
Child Development Program - Infants and Toddlers (GPRES167)	345,771	-	345,771
Child Development Program - Renovation and Repair	-	-	-
Child Development Program - Playground Compliance	-	-	-
Child Development Program - Pre-Kindergarten Resource	2,080	-	2,080
Cooperative Agencies Resources For Education (CARE)	139,592	-	139,592
Disabled Students Program and Services (DSPS)	928,385	-	928,385
Economic Development - Applied Biological Technology	178,875	105	178,980
Economic Development - Multimedia Entertainment Center	178,875	87,718	266,593
Extended Opportunity Program and Services (EOP&S)	1,046,581	-	1,046,581
Extended Opportunity Program and Services (EOP&S)	338,158	123,965	462,123
Associate Degree - Nursing Program	131,999	-	131,999
Foster Care Education Program	121,776	-	121,776
Matriculation - Credit	726,753	46,751	773,504
Matriculation - Non Credit	375,189	143,732	518,921
Matriculation - Administration	317,900	202,071	519,971
MESA	81,500	-	81,500
Staff Development - AB1725	-	13,217	13,217
Staff Diversity - AB1725	22,982	47,605	70,587
Temporary Assistance for Needy Families	122,821	-	122,821
Telecommunications and Technology	53,103	121,463	174,566
Human Resources Tech Training	-	29,659	29,659
Cal Grant "B"	1,769,721	14,783	1,784,504
Cal Grant "C"	38,358	-	38,358
Family and Consumer Sciences Statewide Collaborative Grant			
Child Development	-	1,377	1,377
Fashion	-	1,060	1,060
SFAA Augmentation	661,712	4,240	665,952
Instructional Equipment	507,822	244,098	751,920
Student Financial Aid Administration	216,676	-	216,676

See accompanying note to supplementary information.

Cash Received	Accounts Receivable/ (Payable)	Deferred Revenue	Total Revenue	Program Expenditures
\$ 476,904	\$ -	\$ -	\$ 476,904	\$ -
5,000	-	-	5,000	5,000
714,286	-	165,496	548,790	548,790
180,995	5,693	-	186,688	186,688
307,778	(17,071)	-	290,707	290,707
-	-	-	-	13,098
-	-	-	-	2,785
2,080	-	-	2,080	2,080
139,562	-	-	139,562	139,562
928,385	-	-	928,385	928,385
179,033	-	2,653	176,380	176,380
186,030	-	26,401	159,629	159,629
1,046,581	-	-	1,046,581	1,046,581
268,087	-	55,751	212,336	212,336
116,087	15,912	59,481	72,518	72,518
60,888	43,594	-	104,482	104,482
766,005	7,500	-	773,505	773,505
498,854	-	191,407	307,447	307,447
519,328	-	403,219	116,109	116,109
61,125	4,393	-	65,518	65,518
13,217	-	3,184	10,033	10,033
70,587	-	38,639	31,948	31,948
122,821	-	-	122,821	122,821
179,831	-	67,749	112,082	112,082
29,659	-	22,731	6,928	6,928
1,762,814	-	16,397	1,746,417	1,746,417
38,358	-	-	38,358	38,358
1,377	-	-	1,377	1,377
1,060	-	-	1,060	1,060
661,712	-	-	661,712	661,712
779,021	-	186,861	592,160	565,059
216,676	-	-	216,676	216,676
<u>\$ 10,334,141</u>	<u>\$ 60,021</u>	<u>\$ 1,239,969</u>	<u>\$ 9,154,193</u>	<u>\$ 8,666,071</u>

PASADENA AREA COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR STATE APPORTIONMENT
ANNUALIZED ATTENDANCE AND ANNUAL APPRENTICESHIP HOURS
OF INSTRUCTION
FOR THE YEAR ENDED JUNE 30, 2005**

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
A. <u>Credit Full-Time Equivalent Student (FTES)</u>			
1. Summer	1,649	-	1,649
2. Weekly census	16,171	-	16,171
3. Daily census	1,322	-	1,322
4. Actual hours of attendance	566	-	566
5. Independent study/work experience	511	-	511
Subtotal	20,219	-	20,219
B. <u>Noncredit FTES</u>			
1. Summer	247	-	247
2. Actual hours of attendance	1,641	-	1,641
Subtotal	1,888	-	1,888
Total FTES	22,107	-	22,107
C. <u>Basic Skills Courses</u>			
1. Credit			841
2. Non credit			704
Total Basic Skills FTES			1,545
D. <u>FTES Generated in Leased Space</u>			87
E. <u>Gross Square Footage</u>			
Existing facilities			1,028,053

See accompanying note to supplementary information.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH FUND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2005.

See accompanying note to supplementary information.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEETS TO THE STATEMENT OF NET ASSETS JUNE 30, 2005

Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:

Total Fund Balance and Due to Student Groups:

General Fund	\$ 11,572,882
Special Revenue Funds	20,000
Capital Project Funds	15,897,473
Debt Service Funds	815,136
Enterprise Funds	3,044,431
Internal Service Funds	10,158,438
Fiduciary Funds	<u>7,495,701</u>

Total Fund Balance and Due to Student Groups

- All District Funds \$ 49,004,061

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

The cost of capital assets is	183,890,898	
Accumulated depreciation is	(48,614,609)	
Less fixed assets already recorded in the enterprise and fiduciary funds	<u>(380,070)</u>	134,896,219

Amounts held in trust on behalf of others (Trust and Agency Funds). (6,843,018)

In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term debt is recognized when it is incurred. (171,522)

Long-term liabilities at year end consist of:

Bonds payable	28,840,000	
Certificates of participation	4,895,000	
Notes payable	1,168,250	
Capital leases payable	515,333	
Compensated absences (vacations)	<u>2,383,949</u>	(37,802,532)
Total Net Assets		<u>\$ 139,083,208</u>

See accompanying note to supplementary information.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2005

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Schedule of Expenditures of State Awards

The accompanying schedule of expenditures of State awards includes the State grant activity of the District and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Schedule of Workload Measures for State Apportionment Annualized Attendance and Annual Apprenticeship Hours of Instruction

Full-Time Equivalent Students (FTES) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to community college districts. This schedule provides information regarding the attendance of students throughout the District.

Reconciliation of Annual Financial and Budget Report with Fund Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Form CCFS-311 to the audited financial statements.

Reconciliation of the Governmental Funds Balance Sheets to the Statement of Net Assets

This schedule provides a reconciliation of the adjustments necessary to bring the District's fund financial statements, prepared on a modified accrual basis, to the accrual basis required under GASB Statement No. 35.

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INDEPENDENT AUDITORS' REPORTS

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees
Pasadena Area Community College District
Pasadena, California

We have audited the financial statements of Pasadena Area Community College District (the District) as of and for the years ended June 30, 2005 and 2004, and have issued our report thereon dated October 14, 2005. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Pasadena Area Community College District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain matters involving the internal control over financial reporting which we have reported to management of Pasadena Area Community College District in a separate letter dated October 14, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pasadena Area Community College District's basic 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the Board of Trustees, District Management, the California State Chancellor's Office, and the District's Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vaurinek, Irine, Day & Co. LLP

Rancho Cucamonga, California
October 14, 2005



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees
Pasadena Area Community College District
Pasadena, California

Compliance

We have audited the compliance of Pasadena Area Community College District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2005. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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 of America, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, Pasadena Area Community College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Pasadena Area Community College District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Pasadena Area Community College District's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Trustees, District Management, the California State Chancellor's Office, and the District's Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vaurinek, Irine, Day & Co. LLP

Rancho Cucamonga, California
October 14, 2005



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
Pasadena Area Community College District
Pasadena, California

We have audited the financial statements of the Pasadena Area Community College District (the District) for the years ended June 30, 2005 and 2004, and have issued our report thereon dated October 14, 2005.

Our audit was made in accordance with auditing standards generally accepted in the United States of America and the standards for financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the following State laws and regulations in accordance with Section 400 of the Chancellor's Office's *California Community Colleges Contracted Audit Manual (CDAM)*.

General Directives

- MIS Implementation - Required Data Elements

Administrative

- Fiscal Operations - Salaries of Classroom Instructors (50 Percent Law)
- Fiscal Operation - Gann Limit Calculation
- Apportionments - Apportionment for Instructional Service Agreements/Contracts
- Apportionments - Residency Determination for Credit Courses
- Apportionment - Concurrent Enrollment of K-12 Students in Community College Credit Courses
- Apportionment - Enrollment Fee
- Open Enrollment
- Minimum Conditions - "Standard of Scholarship"
- Student Fees - Instructional Materials and Health Fees

Student Services

- Matriculation - Uses of Matriculation Funds

Special Programs

- Extended Opportunity Programs and Services (EOP&S) - Allocation of Costs
- Extended Opportunity Programs and Services (EOP&S) - Administrator/Director Requirements

Facilities Program

- Scheduled Maintenance Program

Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included 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 examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the Pasadena Area Community College District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2005.

This report is intended solely for the information of the Board of Trustees, District Management, and the California State Chancellor's Office, and is not intended to be and should not be used by anyone other than these specified parties.

Vaurink, Dine, Day & Co. LLP

Rancho Cucamonga, California
October 14, 2005

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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PASADENA AREA COMMUNITY COLLEGE DISTRICT

SUMMARY OF AUDITORS' RESULTS FOR THE YEAR ENDED JUNE 30, 2005

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	
Identification of major programs:	<u>No</u>

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.032, 84.033, 84.038, 84.007, 84.063</u>	<u>Student Financial Aid Cluster</u>
<u>84.048</u>	<u>VATEA Cluster</u>
<u>84.042, 84.047</u>	<u>TRIO Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 478,626</u>
Auditee qualified as low-risk auditee?	<u>No</u>

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for State programs:	<u>Unqualified</u>

PASADENA AREA COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2005**

None reported.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

None reported.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

None reported.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2005

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of audit findings and questioned costs.

State Compliance

2004-1 Finding

During our testing of admissions and records, it was noted that the District was not in compliance with California Code of Regulation Title 5, Section 58161. This code imposes limitations on the number of times a student may repeat a course and be claimed for State apportionment. The code recognizes three basic situations:

1. A student may be claimed for apportionment of one repetition if the student has previously received a substandard grade (D, F, or NC), if the District determines that the student needs to repeat the course due to lapse of time, or if the student can demonstrate that his or her previous grade was, at least in part, due to the rest of extenuating circumstances.
2. A student may repeat a course and be claimed for apportionment any number of times to meet a legally mandated training requirement.
3. A student may repeat a course and be claimed for apportionment for three semesters or five quarters where the course content changes each time the course is taken and the student is gaining an expanded educational experience either because skills or proficiencies are enhanced by supervised repetition or because active participation in individual or group assignments is the basic means of learning.

In our testing, we noted all students who repeated a course more than one time were claimed for apportionment on the District 320 Attendance Report, which is a violation of Title 5, section 58161.

Recommendation

The District should review the policies and procedures in regard of the calculation of apportionment for students who are repeating class courses where they are not in compliance of State code of regulations Title 5, Section 58161. The District should consider reporting all students who repeat courses multiple times separately and/or code each student differently to help recognize students that should not be reported on the District Apportionment Attendance Report. Based on analysis performed by the District and the auditor, the effect of correcting this programming error will not result in a negative adjustment to the FTES reporting for the current year. No adjustment is recommended to the CCFS-320 attendance reports.

Current Status

Implemented.

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ADDITIONAL SUPPLEMENTARY INFORMATION

PASADENA AREA COMMUNITY COLLEGE DISTRICT

GOVERNMENTAL FUNDS BALANCE SHEETS - (UNAUDITED) JUNE 30, 2005

	General Funds		Special Revenue Fund
	General Unrestricted	General Restricted	Child Development
ASSETS			
Cash and cash equivalents	\$ 322,397	\$ 84,811	\$ 13,278
Investments	14,987,488	2,363,443	73,354
Accounts receivable	6,559,567	1,297,679	21,994
Prepaid expenses	101,838	4,167	-
Stores inventory	43,852	-	-
Total Assets	<u>\$ 22,015,142</u>	<u>\$ 3,750,100</u>	<u>\$ 108,626</u>
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts payable	7,404,500	793,010	88,626
Deferred revenue	3,650,584	2,344,266	-
Total Liabilities	<u>11,055,084</u>	<u>3,137,276</u>	<u>88,626</u>
FUND EQUITY			
Fund Balances			
Reserved	3,763,230	-	-
Unreserved			
Designated	7,196,828	612,824	20,000
Total Fund Equity	<u>10,960,058</u>	<u>612,824</u>	<u>20,000</u>
Total Liabilities and Fund Equity	<u>\$ 22,015,142</u>	<u>\$ 3,750,100</u>	<u>\$ 108,626</u>

See accompanying note to additional supplementary information.

Debt Service Funds		Capital Project Funds			Total Governmental Funds
Bond Interest and Redemption	Other Debt Service	Capital Outlay Projects	Revenue Bond Construction	Schedule Maintenance	
\$ -	\$ -	\$ 46,642	\$ -	\$ -	\$ 467,128
814,427	709	5,148,731	9,661,377	1,940,441	34,989,970
-	-	19,086	-	82,254	7,980,580
-	-	-	-	-	106,005
-	-	-	-	-	43,852
<u>\$ 814,427</u>	<u>\$ 709</u>	<u>\$ 5,214,459</u>	<u>\$ 9,661,377</u>	<u>\$ 2,022,695</u>	<u>\$ 43,587,535</u>
-	-	138,426	485,767	134,001	9,044,330
-	-	188,758	-	54,106	6,237,714
-	-	327,184	485,767	188,107	15,282,044
-	-	-	-	-	3,763,230
814,427	709	4,887,275	9,175,610	1,834,588	24,542,261
814,427	709	4,887,275	9,175,610	1,834,588	28,305,491
<u>\$ 814,427</u>	<u>\$ 709</u>	<u>\$ 5,214,459</u>	<u>\$ 9,661,377</u>	<u>\$ 2,022,695</u>	<u>\$ 43,587,535</u>

PASADENA AREA COMMUNITY COLLEGE DISTRICT

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - (UNAUDITED)

FOR THE YEAR ENDED JUNE 30, 2005

	General Funds		Special Revenue Fund
	General Unrestricted	General Restricted	Child Development
REVENUES			
Federal revenues	\$ 176,662	\$ 2,394,003	\$ 89,081
State revenues	64,040,839	6,397,343	479,475
Local revenues	34,854,036	2,675,961	241,376
Total Revenues	<u>99,071,537</u>	<u>11,467,307</u>	<u>809,932</u>
EXPENDITURES			
Current Expenditures			
Academic salaries	47,360,138	2,009,474	-
Classified salaries	19,051,143	3,935,382	599,097
Employee benefits	17,549,567	1,105,430	162,623
Books and supplies	1,572,335	969,393	31,014
Services and operating expenditures	7,888,215	1,515,462	130,855
Capital outlay	1,420,624	816,199	7,573
Debt service - principal	-	-	-
Debt service - interest and other	-	-	-
Total Expenditures	<u>94,842,022</u>	<u>10,351,340</u>	<u>931,162</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>4,229,515</u>	<u>1,115,967</u>	<u>(121,230)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	175,172	114,000
Operating transfers out	(2,923,291)	(659,000)	-
Other sources	8,611	-	-
Other uses	(1,397)	(632,139)	-
Total Other Financing Sources (Uses)	<u>(2,916,077)</u>	<u>(1,115,967)</u>	<u>114,000</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>1,313,438</u>	<u>-</u>	<u>(7,230)</u>
FUND BALANCE, BEGINNING OF YEAR	<u>9,646,620</u>	<u>612,824</u>	<u>27,230</u>
FUND BALANCE, END OF YEAR	<u>\$ 10,960,058</u>	<u>\$ 612,824</u>	<u>\$ 20,000</u>

See accompanying note to additional supplementary information.

Debt Service Funds		Capital Project Funds			Total Governmental Funds
Bond Interest and Redemption	Other Debt Service	Capital Outlay Projects	Revenue Bond Construction	Schedule Maintenance	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,659,746
41,580	-	19,002	-	1,061,060	72,039,299
3,712,003	17	540,738	302,441	18,997	42,345,569
3,753,583	17	559,740	302,441	1,080,057	117,044,614
-	-	-	-	-	49,369,612
-	-	-	-	-	23,585,622
-	-	-	-	-	18,817,620
-	-	-	31	-	2,572,773
-	-	32,914	46,504	-	9,613,950
-	-	267,255	8,072,153	1,037,043	11,620,847
2,310,000	644,457	-	-	-	2,954,457
1,391,513	244,822	-	-	-	1,636,335
3,701,513	889,279	300,169	8,118,688	1,037,043	120,171,216
52,070	(889,262)	259,571	(7,816,247)	43,014	(3,126,602)
-	889,227	1,650,000	-	753,892	3,582,291
-	-	-	-	-	(3,582,291)
-	-	-	-	-	8,611
-	-	-	-	-	(633,536)
-	889,227	1,650,000	-	753,892	(624,925)
52,070	(35)	1,909,571	(7,816,247)	796,906	(3,751,527)
762,357	744	2,977,704	16,991,857	1,037,682	32,057,018
\$ 814,427	\$ 709	\$ 4,887,275	\$ 9,175,610	\$ 1,834,588	\$ 28,305,491

PASADENA AREA COMMUNITY COLLEGE DISTRICT

PROPRIETARY FUNDS

BALANCE SHEETS - (UNAUDITED)

JUNE 30, 2005

	Enterprise Fund Bookstore	Internal Service Fund
ASSETS		
Cash and cash equivalents	\$ 702,025	\$ 75,000
Investments	413,732	11,257,075
Accounts receivable	331,218	1,320
Prepaid expenses	17,852	139,760
Stores inventory	1,307,271	-
Furniture and equipment (net)	357,333	-
Total Assets	\$ 3,129,431	\$ 11,473,155
LIABILITIES AND FUND EQUITY		
LIABILITIES		
Accounts payable	85,000	29,495
Deferred revenue	-	10,222
Claim liabilities	-	1,275,000
Total Liabilities	85,000	1,314,717
FUND EQUITY		
Retained earnings	3,044,431	10,158,438
Total Liabilities and Fund Equity	\$ 3,129,431	\$ 11,473,155

See accompanying note to additional supplementary information.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

PROPRIETARY FUNDS

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN
RETAINED EARNINGS - (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2005**

	Enterprise Fund Bookstore	Internal Service Fund
OPERATING REVENUES		
Sales and other local revenues	\$ 6,319,177	\$ 4,423,722
OPERATING EXPENSES		
Classified salaries	619,523	47,474
Employee benefits	201,086	19,126
Books and supplies	5,038,840	645
Services and other operating expenditures	118,102	3,284,770
Total Operating Expenses	5,977,551	3,352,015
Operating Income	341,626	1,071,707
NONOPERATING REVENUES (EXPENSES)		
Interest income	-	173,989
Miscellaneous revenues	-	152,390
Operating transfers out	(346,416)	-
Total Nonoperating Revenues (Expenses)	(346,416)	326,379
NET INCOME (LOSS)	(4,790)	1,398,086
RETAINED EARNINGS, BEGINNING OF YEAR	3,049,221	8,760,352
RETAINED EARNINGS, END OF YEAR	\$ 3,044,431	\$ 10,158,438

See accompanying note to additional supplementary information.

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PASADENA AREA COMMUNITY COLLEGE DISTRICT

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS - (UNAUDITED) FOR THE YEAR ENDED JUNE 30, 2005

	<u>Enterprise Funds</u>	<u>Internal Service Fund</u>
	<u>Bookstore</u>	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from sales and user charges	\$ 6,373,921	\$ 4,423,722
Cash payments to employees for services	(820,609)	(66,600)
Cash payments to suppliers for goods and services	(5,203,792)	(645)
Cash payments for other operating expenses	(20,994)	(3,425,432)
Net Cash Flows From Operating Activities	<u>328,526</u>	<u>931,045</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Nonoperating revenue (Transfers out)	<u>(346,416)</u>	<u>152,390</u>
Net Cash Flows From Noncapital Financing Activities	<u>(346,416)</u>	<u>152,390</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	<u>(12,232)</u>	<u>-</u>
Net Cash Flows From Capital and Related Financing Activities	<u>(12,232)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	<u>-</u>	<u>173,749</u>
Net Cash From Investing Activities	<u>-</u>	<u>173,749</u>
Change in cash and cash equivalents	<u>(30,122)</u>	<u>1,257,184</u>
Cash and cash equivalents - Beginning	1,145,879	10,074,891
Cash and cash equivalents - Ending	<u>\$ 1,115,757</u>	<u>\$ 11,332,075</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income	341,626	1,071,707
Adjustments to reconcile operating income to net cash flows from operating activities:		
Depreciation	97,108	-
Changes in assets and liabilities:		
Receivables	54,744	-
Prepaid	(1,151)	(64,142)
Inventories	(114,898)	-
Accounts payable	(48,903)	(26,402)
Claims liability	-	(50,000)
Deferred revenue	-	(118)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 328,526</u>	<u>\$ 931,045</u>

See accompanying note to additional supplementary information.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

**FIDUCIARY FUNDS
BALANCE SHEETS - (UNAUDITED)
JUNE 30, 2005**

	Associated Students Trust	Student Representation Fee	Student Financial Aid
ASSETS			
Cash and cash equivalents	\$ 175,585	\$ 167,968	\$ 132,825
Investments	-	-	364,871
Accounts receivable	-	-	6,980
Student loans receivable	-	-	665,360
Fixed assets, net	22,290	-	-
Total Assets	<u>\$ 197,875</u>	<u>\$ 167,968</u>	<u>\$ 1,170,036</u>
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts payable	-	-	6,592
Other current liabilities	-	-	494,364
Deferred revenue	-	-	16,397
Due to student groups	197,875	167,968	-
Total Liabilities	<u>197,875</u>	<u>167,968</u>	<u>517,353</u>
FUND EQUITY			
Fund Balances			
Reserved	-	-	652,683
Total Fund Equity	<u>-</u>	<u>-</u>	<u>652,683</u>
Total Liabilities and Fund Equity	<u>\$ 197,875</u>	<u>\$ 167,968</u>	<u>\$ 1,170,036</u>

See accompanying note to additional supplementary information.

Scholarship and Loan	Other Trust	Total
\$ 683,771	\$ 807,672	\$ 1,967,821
4,133,788	851,497	5,350,156
-	-	6,980
-	-	665,360
447	-	22,737
<u>\$ 4,818,006</u>	<u>\$ 1,659,169</u>	<u>\$ 8,013,054</u>
-	-	6,592
-	-	494,364
-	-	16,397
-	-	365,843
<u>-</u>	<u>-</u>	<u>883,196</u>
4,818,006	1,659,169	7,129,858
<u>4,818,006</u>	<u>1,659,169</u>	<u>7,129,858</u>
<u>\$ 4,818,006</u>	<u>\$ 1,659,169</u>	<u>\$ 8,013,054</u>

PASADENA AREA COMMUNITY COLLEGE DISTRICT

FIDUCIARY FUNDS

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN

FUND BALANCE - (UNAUDITED)

FOR THE YEAR ENDED JUNE 30, 2005

	Associated Students Trust	Student Representation Fee	Student Financial Aid
REVENUES			
Federal revenues	\$ -	\$ -	\$13,190,709
State revenues	-	-	1,990,876
Local revenues	24,518	79,412	3,873
Total Revenues	<u>24,518</u>	<u>79,412</u>	<u>15,185,458</u>
EXPENDITURES			
Current Expenditures			
Classified salaries	-	-	-
Employee benefits	-	-	-
Books and supplies	83,900	927	-
Services and operating expenditures	68,030	37,129	-
Capital outlay	-	-	-
Total Expenditures	<u>151,930</u>	<u>38,056</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(127,412)</u>	<u>41,356</u>	<u>15,185,458</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	100,925	-	-
Other sources	26,487	-	-
Other uses	-	(41,356)	(15,182,598)
Total Other Financing Sources (Uses)	<u>127,412</u>	<u>(41,356)</u>	<u>(15,182,598)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	-	-	2,860
FUND BALANCE, BEGINNING OF YEAR	-	-	649,823
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 652,683</u>

See accompanying note to additional supplementary information.

Scholarship and Loan	Other Trust	Total
\$ -	\$ -	\$ 13,190,709
-	-	1,990,876
498,503	2,421,575	3,027,881
<u>498,503</u>	<u>2,421,575</u>	<u>18,209,466</u>
-	215,918	215,918
-	47,285	47,285
-	565,647	650,474
2,088,321	1,735,113	3,928,593
-	28,861	28,861
<u>2,088,321</u>	<u>2,592,824</u>	<u>4,871,131</u>
<u>(1,589,818)</u>	<u>(171,249)</u>	<u>13,338,335</u>
-	245,491	346,416
-	-	26,487
-	-	(15,223,954)
<u>-</u>	<u>245,491</u>	<u>(14,851,051)</u>
(1,589,818)	74,242	(1,512,716)
6,407,824	1,584,927	8,642,574
<u>\$ 4,818,006</u>	<u>\$ 1,659,169</u>	<u>\$ 7,129,858</u>

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTE TO ADDITIONAL SUPPLEMENTARY INFORMATION JUNE 30, 2005

NOTE 1 - PURPOSE OF SCHEDULES

Fund Financial Statements

The accompanying financial statements report the governmental, proprietary, and fiduciary fund activities of Pasadena Area Community College District and are presented on the modified accrual basis of accounting. Therefore, some amounts presented in these financial statements may differ from amounts presented in, or used in, the preparation of the financial statements. The information is presented at the request of the District management.