



**PCC**

**PASADENA AREA  
COMMUNITY COLLEGE  
DISTRICT**

---

**ANNUAL FINANCIAL REPORT**

---

**JUNE 30, 2007**



# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## TABLE OF CONTENTS

JUNE 30, 2007

---

### ***FINANCIAL SECTION***

Independent Auditors' Report	2
Management's Discussions and Analysis	4
Basic Financial Statements	
Statements of Net Assets	10
Statements of Revenues, Expenses, and Changes in Net Assets	11
Statements of Cash Flows	12
Discretely Presented Component Unit - Pasadena City College Foundation, Inc.	
Statements of Financial Position	14
Statements of Activities	15
Statements of Cash Flows	16
Notes to Financial Statements	17

### ***SUPPLEMENTARY INFORMATION***

District Organization	41
Schedule of Expenditures of Federal Awards	42
Schedule of Expenditures of State Awards	44
Schedule of Workload Measures for State General Apportionment - Annual/Actual Attendance	45
Reconciliation of Annual Financial and Budget Report (CCFS-311) with Fund Financial Statements	46
Reconciliation of the Governmental Fund Balance Sheets to the Statement of Net Assets	47
Note to Supplementary Information	48

### ***INDEPENDENT AUDITORS' REPORTS***

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	50
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	52
Report on State Compliance	54

### ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

Summary of Auditors' Results	57
Financial Statement Findings and Recommendations	58
Federal Awards Findings and Questioned Costs	61
State Awards Findings and Questioned Costs	62
Summary Schedule of Prior Audit Findings	65

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## TABLE OF CONTENTS

JUNE 30, 2007

---

### *ADDITIONAL SUPPLEMENTARY INFORMATION*

Governmental Funds	
Balance Sheets - (Unaudited)	68
Statements of Revenues, Expenditures, and Changes in Fund Balance - (Unaudited)	69
Proprietary Funds	
Balance Sheets - (Unaudited)	70
Statements of Revenues, Expenses, and Changes in Retained Earnings - (Unaudited)	71
Statements of Cash Flows - (Unaudited)	72
Fiduciary Funds	
Balance Sheets - (Unaudited)	73
Statements of Revenues, Expenditures, and Changes in Fund Balance - (Unaudited)	74
Note to Additional Supplementary Information	75

---

---

*FINANCIAL SECTION*

---

---

*This page left blank intentionally.*



## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Pasadena Area Community College District  
Pasadena, California

We have audited the accompanying basic financial statements of the Pasadena Area Community College District (the District) as of and for the years ended June 30, 2007 and 2006, and its discretely presented component unit, Pasadena City College Foundation, Inc., as listed in the Table of Contents. These basic 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 basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic 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, 2007 and 2006, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2008, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, as listed in the Table of Contents, 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.

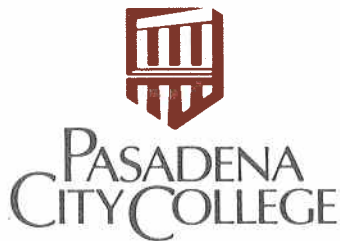
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal Awards, which is required by U.S. 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 68 through 75 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.

*Wawrinek, Fine, Day & Co. LLP*

Rancho Cucamonga, California  
January 10, 2008





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, 2007. This analysis is presented with comparative information from our June 30, 2006 and June 30, 2005, fiscal year ends to highlight changes from one year to the next. This section of our report should be read in conjunction with the basic financial statements, including footnotes. Responsibility for the completeness and accuracy of this information rests with the District management.

### ***USING THIS ANNUAL REPORT***

As required by generally accepted accounting principles, the annual report consists of three basic financial statements that provide information on the District's activities as a whole: the Statement of Net 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.

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

### ***FINANCIAL HIGHLIGHTS***

- The District's primary funding source is State apportionment based on a new funding formula adopted in the 2006-2007 fiscal year. The new funding formula is the result of a task force to equalize community college funding and make allocation processes more transparent. The formula was included in Senate Bill 361 authored by Jack Scott and was passed by the State Legislature in late summer 2006. Funding is still based on State apportionment, enrollment fees, and property taxes. The major provisions of the formula are providing funding at or above the 90<sup>th</sup> percentile of funding per full time credit student. The primary basis of this apportionment is the calculation of Full-Time Equivalent Students (FTES). Per the new funding formula, the base allocation of \$6 million for the District includes \$5 million for the Colorado campus and \$1 million for the Foothill campus. The District's credit FTES were 20,909 and 20,498 for the 2007 and 2006 fiscal years, respectively.

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2007**

---

- The District ended the year with an Unrestricted General Fund balance of \$14,492,775. The State Chancellor's Office recommends reserve levels of five percent of total General Fund expenditures, \$5,797,161, to be set aside for economic uncertainties. We have met this recommendation.
- The primary expenditure of the District is for the salaries and benefits of the Academic, Classified, and Administrative salaries of District employees. Approximately 86 percent of General Fund resources are consumed by employee compensation.
- 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 \$20.5 million. This represents a decrease of \$2.5 million from the 2005-2006 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, 2007**

Condensed financial information is as follows:

### Statement of Net Assets as of June 30,

(Amounts in thousands)

	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>ASSETS</b>			
Current Assets			
Cash, investments, and short-term receivables	\$ 157,774	\$ 67,491	\$ 64,208
Inventory and other assets	1,569	1,413	1,615
Total Current Assets	<u>159,343</u>	<u>68,904</u>	<u>65,823</u>
Noncurrent Assets			
Capital assets, net of depreciation	131,271	133,841	135,276
Total Assets	<u>\$ 290,614</u>	<u>\$ 202,745</u>	<u>\$ 201,099</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable and accrued liabilities	\$ 11,890	\$ 10,223	\$ 9,337
Other current liabilities	493	504	495
Deferred revenue	8,116	5,204	6,264
Claims liability	1,500	1,625	1,275
Amounts held in trust	1,938	6,786	6,843
Long-term obligations - current portion	10,722	3,545	3,454
Total Current Liabilities	<u>34,659</u>	<u>27,887</u>	<u>27,668</u>
Noncurrent Liabilities			
Long-term obligations - current portion	100,691	32,740	34,348
Total Liabilities	<u>135,350</u>	<u>60,627</u>	<u>62,016</u>
<b>NET ASSETS</b>			
Invested in capital assets	103,230	108,049	109,033
Restricted for expendable purposes	24,959	9,887	7,537
Unrestricted	27,075	24,182	22,513
Total Net Assets	<u>155,264</u>	<u>142,118</u>	<u>139,083</u>
Total Liabilities and Net Assets	<u>\$ 290,614</u>	<u>\$ 202,745</u>	<u>\$ 201,099</u>

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.

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2007**

---

Long-term obligations consists primarily of the general obligation bond issue, 2003 certificates of participation, and compensated absences. Long-term obligations increased approximately \$75 million due to 2006 Series B and C of Measure P issuance for the general obligation bonds.

### Statement of Operating Results for the Year Ended June 30,

(Amounts in thousands)

	2007	2006	2005
<b>OPERATING REVENUES</b>			
Tuition and fees	\$ 16,839	\$ 16,359	\$ 16,443
Grants and contracts	27,721	26,712	29,541
Auxiliary sales and charges	6,583	6,214	6,319
Internal service sales and charges	4,603	3,053	4,576
Total Operating Revenues	<u>55,746</u>	<u>52,338</u>	<u>56,879</u>
<b>OPERATING EXPENSES</b>			
Salaries and benefits	109,634	99,946	94,676
Supplies and maintenance	45,226	40,180	38,834
Depreciation	6,490	4,871	3,559
Total Operating Expenses	<u>161,350</u>	<u>144,997</u>	<u>137,069</u>
<b>NET LOSS ON OPERATIONS</b>	<u>(105,604)</u>	<u>(92,659)</u>	<u>(80,190)</u>
<b>NONOPERATING REVENUES AND (EXPENSES)</b>			
State apportionments	80,403	68,694	55,899
Property taxes	26,983	17,351	22,733
State revenue	3,939	3,816	3,360
Investment income, net	5,491	1,804	860
Interest expense	(3,164)	(1,496)	(1,625)
Other nonoperating revenues and transfers	3,070	4,052	3,637
Total Nonoperating Revenues	<u>116,722</u>	<u>94,221</u>	<u>84,864</u>
<b>OTHER REVENUES</b>			
State revenues, capital	1,191	441	1,080
Local revenues, capital	837	1,032	480
Total Other Revenues	<u>2,028</u>	<u>1,473</u>	<u>1,560</u>
<b>NET CHANGE IN NET ASSETS</b>	<u>\$ 13,146</u>	<u>\$ 3,035</u>	<u>\$ 6,234</u>

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

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2007**

---

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 resources of revenue are from the general population of the State of California, and not from the direct users of the educational services (students), they are considered to be nonoperating. As a result, the operating loss of \$105 million is balanced by the other funding sources. Total District revenues exceeded all expenditures sources by \$13 million for the year ended June 30, 2007.

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 9 of the financial statements.

### **Statement of Cash Flows for the Year Ended June 30,**

(Amounts in thousands)

	2007	2006	2005
CASH FLOWS FROM			
Operating activities	\$ (99,889)	\$ (87,879)	\$ (76,690)
Noncapital financing activities	115,439	91,727	84,317
Capital financing activities	70,563	(5,097)	(14,518)
Investing activities	9,507	2,024	3,166
Net Change in Cash and Cash Equivalents	<u>\$ 95,620</u>	<u>\$ 775</u>	<u>\$ (3,725)</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.

