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PASADENA AREA  
COMMUNITY COLLEGE  
DISTRICT

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ANNUAL FINANCIAL REPORT

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**JUNE 30, 2008**

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

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JUNE 30, 2008

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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 basic financial statements of the business-type activities of the Pasadena Area Community College District (the District) as of and for the years ended June 30, 2008 and 2007, 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 business-type activities of the Pasadena Area Community College District and its discretely presented component unit as of June 30, 2008 and 2007, 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 December 4, 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 is important for 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 Governmental Accounting Standards Board. 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*, is presented for purposes of additional analysis and is 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, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Additional Supplementary Information on pages 74 through 81 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.

*Vaurinek, Irine, Day & Co. LLP*

Rancho Cucamonga, California

December 4, 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, 2008. This analysis is presented with comparative information from our June 30, 2007 and June 30, 2006, 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 Pasadena Area Community College District's financial statements are presented in accordance with Governmental Accounting Standards Board Statements No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and No. 35, *Basic Financial Statements - and Management Discussion and Analysis - for Public College and Universities*. These statements allow for the presentation of financial activity and results of operations which focuses on the District as a whole. The entity-wide financial statements present the overall results of operations whereby all of the District's activities are consolidated into one total versus the traditional presentation by fund type. The focus of the Statement of Net 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 with revenues and expenses categorized as operating and nonoperating, and expenses are reported by natural classification. This approach is intended to summarize and simplify the user's analysis of the cost of various District services to students and the public. The Statement of Cash Flows provides an analysis of the sources and uses of cash within the operations of the District.

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

# **PASADENA AREA COMMUNITY COLLEGE DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2008**

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### ***FINANCIAL HIGHLIGHTS***

- The District ended the year with an Unrestricted General Fund balance of \$15,862,854. The State System's Office recommends reserve levels of five percent of total General Fund expenditures, \$6,017,586, 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 88 percent of District operating expenditures 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 \$23.6 million. This represents an increase of \$3.1 million from the 2006-2007 fiscal year. This aid is provided through grants, loans, and tuition reductions from the Federal government, State System's Office, and local funding.
- District's credit FTES were 22,759 and 20,909 for the 2008 and 2007 fiscal years, respectively.



# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

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Condensed financial information is as follows:

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

(Amounts in thousands)

	2008	2007	2006
<b>ASSETS</b>			
Current Assets			
Cash, investments, and short-term receivables	\$ 159,420	\$ 157,774	\$ 67,491
Inventory and other assets	2,292	1,569	1,413
Total Current Assets	<u>161,712</u>	<u>159,343</u>	<u>68,904</u>
Noncurrent Assets			
Capital assets, net of depreciation	147,711	131,271	133,841
Total Assets	<u>\$ 309,423</u>	<u>\$ 290,614</u>	<u>\$ 202,745</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable and accrued liabilities	\$ 21,704	\$ 11,890	\$ 10,223
Other current liabilities	462	493	504
Deferred revenue	8,234	8,116	5,204
Claims liability	1,500	1,500	1,625
Amounts held in trust	2,066	1,938	6,786
Long-term obligations - current portion	11,563	10,722	3,545
Total Current Liabilities	<u>45,529</u>	<u>34,659</u>	<u>27,887</u>
Noncurrent Liabilities			
Long-term obligations - current portion	92,679	100,691	32,740
Total Liabilities	<u>138,208</u>	<u>135,350</u>	<u>60,627</u>
<b>NET ASSETS</b>			
Invested in capital assets	112,107	103,230	108,049
Restricted for expendable purposes	25,660	23,586	9,887
Unrestricted	33,448	28,448	24,182
Total Net Assets	<u>171,215</u>	<u>155,264</u>	<u>142,118</u>
Total Liabilities and Net Assets	<u>\$ 309,423</u>	<u>\$ 290,614</u>	<u>\$ 202,745</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, 2008

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Long-term obligations consists primarily of the general obligation bond issue, 2003 certificates of participation, and compensated absences. Long-term obligations decreased by approximately \$7 million as the District repays the bond obligations.

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

(Amounts in thousands)

	2008	2007	2006
OPERATING REVENUES			
Tuition and fees	\$ 18,786	\$ 16,839	\$ 16,359
Grants and contracts	32,014	27,625	26,712
Auxiliary sales and charges	6,884	6,583	6,214
Other operating revenues	5,323	4,603	3,053
Total Operating Revenues	63,007	55,650	52,338
OPERATING EXPENSES			
Salaries and benefits	117,861	109,634	99,946
Supplies and maintenance	45,534	45,226	40,180
Depreciation	6,927	6,490	4,871
Total Operating Expenses	170,322	161,350	144,997
NET LOSS ON OPERATIONS	(107,315)	(105,700)	(92,659)
NONOPERATING REVENUES AND (EXPENSES)			
State apportionments	83,071	80,403	68,694
Property taxes	27,609	27,080	17,351
State revenue	3,269	3,939	3,816
Investment income, net	8,510	5,491	1,804
Interest expense	(4,611)	(3,164)	(1,496)
Other nonoperating revenues and transfers	4,358	3,070	4,052
Total Nonoperating Revenues	122,206	116,819	94,221
OTHER REVENUES			
State revenues, capital	394	1,191	441
Local revenues, capital	666	837	1,032
Total Other Revenues	1,060	2,028	1,473
NET CHANGE IN NET ASSETS	\$ 15,951	\$ 13,147	\$ 3,035

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, 2008

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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 \$107 million is balanced by the other funding sources. Total District revenues exceeded all expenditures sources by \$16 million for the year ended June 30, 2008.

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)

	2008	2007	2006
CASH FLOWS FROM			
Operating activities	\$ (103,193)	\$ (99,889)	\$ (87,879)
Noncapital financing activities	108,438	103,808	91,727
Capital financing activities	(14,416)	82,291	(5,097)
Investing activities	8,797	10,287	2,024
Net Change in Cash and Cash Equivalents	<u>\$ (374)</u>	<u>\$ 96,497</u>	<u>\$ 775</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.

# **PASADENA AREA COMMUNITY COLLEGE DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2008**

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### ***ECONOMIC FACTORS AFFECTING THE FUTURE OF PASADENA AREA COMMUNITY COLLEGE DISTRICT***

The economic position of the Pasadena Area Community College District is closely tied to California's economic position as State apportionments and property taxes allocated to the District represent approximately 80 percent of the unrestricted General Fund. The 2008-2009 State budget for community colleges contains an .87 percent cost of living increase and growth funds of approximately 2.0 percent. The State economy is in decline with a projected deficit for the 2008-2010 years in the range of \$25-\$30 billion, and these deficits will impact all education segments in the State. Unfortunately, these budget cuts come at a time when the college enrollment is increasing, putting additional pressure on our already scarce resources. The System's Office has advised districts to expect mid-year budget cuts in early 2009. Management is monitoring closely all factors in an effort to control the ultimate impact of budget cuts on the District's financial health and on our ability to serve our students.

The 2008-2009 fiscal year will bring several significant construction events. It is anticipated that the Industrial Technologies Building, the Campus Center addition and renovation, and the Bookstore projects will be essentially completed. In addition, the District will break ground for the new Arts Building which will rise in place of the K Building. It is likely that the District will sell the final series of bonds authorized by Measure P sometime in the spring of 2009.

There are 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, 2008 AND 2007

	2008	2007
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,242,867	\$ 3,080,618
Investments - unrestricted	20,246,723	18,245,126
Investments - restricted	124,232,342	125,770,258
Accounts receivable	12,030,644	10,063,453
Student loans receivable	667,615	614,249
Prepaid expenses - current portion	1,084,614	455,837
Stores inventories	1,207,224	1,113,161
<b>Total Current Assets</b>	<b>161,712,029</b>	<b>159,342,702</b>
<b>NONCURRENT ASSETS</b>		
Nondepreciable capital assets	34,504,382	13,247,863
Depreciable capital assets, net of accumulated depreciation	113,206,600	118,023,533
<b>Total Noncurrent Assets</b>	<b>147,710,982</b>	<b>131,271,396</b>
<b>TOTAL ASSETS</b>	<b>309,423,011</b>	<b>290,614,098</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	20,436,920	10,516,793
Accrued interest payable	1,266,780	1,373,418
Other current liabilities	462,205	492,787
Deferred revenue	8,233,608	8,116,423
Claims liability	1,500,000	1,500,000
Amounts held in custody on behalf of others	2,066,887	1,938,213
Accrued compensated absences payable	2,040,944	1,919,832
Bonds and notes payable	9,434,650	8,660,529
Lease obligations	87,106	140,873
<b>Total Current Liabilities</b>	<b>45,529,100</b>	<b>34,658,868</b>
<b>NONCURRENT LIABILITIES</b>		
Accrued compensated absences payable	955,372	814,550
Bonds and notes payable	91,704,755	99,791,848
Lease obligations	18,461	84,847
<b>Total Noncurrent Liabilities</b>	<b>92,678,588</b>	<b>100,691,245</b>
<b>TOTAL LIABILITIES</b>	<b>138,207,688</b>	<b>135,350,113</b>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	112,106,725	103,230,708
Restricted for:		
Debt service	8,922,388	8,682,350
Capital projects	16,738,182	14,902,946
Unrestricted	33,448,028	28,447,981
<b>TOTAL NET ASSETS</b>	<b>\$ 171,215,323</b>	<b>\$ 155,263,985</b>

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

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	<b>2008</b>	<b>2007</b>
<b>OPERATING REVENUES</b>		
Student Tuition and Fees	\$ 23,701,781	\$ 22,907,839
Less: Scholarship discount and allowance	(4,915,872)	(6,068,446)
Net tuition and fees	18,785,909	16,839,393
Grants and Contracts, noncapital:		
Federal	19,930,686	16,370,363
State	12,083,545	11,254,269
Auxiliary Enterprise Sales and Charges		
Bookstore	6,883,658	6,582,576
Other Operating Revenues	5,323,646	4,603,061
<b>TOTAL OPERATING REVENUES</b>	<b>63,007,444</b>	<b>55,649,662</b>
<b>OPERATING EXPENSES</b>		
Salaries	91,521,899	85,424,787
Employee benefits	26,339,000	24,209,276
Supplies, materials, and other operating expenses and services	43,355,659	41,583,750
Equipment, maintenance, and repairs	2,178,956	3,642,511
Depreciation	6,926,851	6,489,803
<b>TOTAL OPERATING EXPENSES</b>	<b>170,322,365</b>	<b>161,350,127</b>
<b>OPERATING LOSS</b>	<b>(107,314,921)</b>	<b>(105,700,465)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State apportionments, noncapital	83,071,149	80,402,701
Local property taxes levied for general purposes	16,317,372	15,351,994
Local property taxes levied for debt repayment	11,291,862	11,727,932
State taxes and other revenues	3,268,614	3,938,763
Investment income	8,510,000	5,491,268
Interest expense on capital related debt	(4,611,433)	(3,163,653)
Investment income on capital asset-related debt, net	451	45
Transfer to agency fund	(341,072)	(212,134)
Other nonoperating revenue	4,699,487	3,281,734
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>122,206,430</b>	<b>116,818,650</b>
<b>INCOME BEFORE OTHER REVENUES</b>	<b>14,891,509</b>	<b>11,118,185</b>
State revenues, capital	393,853	1,191,013
Local revenues, capital	665,976	836,818
<b>TOTAL OTHER REVENUES</b>	<b>1,059,829</b>	<b>2,027,831</b>
<b>CHANGE IN NET ASSETS</b>	<b>15,951,338</b>	<b>13,146,016</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>155,263,985</b>	<b>142,117,969</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 171,215,323</b>	<b>\$ 155,263,985</b>

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, 2008 AND 2007

	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees	\$ 18,807,898	\$ 17,664,385
Grants and contracts	28,682,424	29,681,593
Payments to or on behalf of employees	(117,601,712)	(109,092,885)
Payments to vendors for supplies and services	(29,119,643)	(29,771,831)
Payments to students for scholarships and grants	(15,751,872)	(15,108,106)
Auxiliary sales and charges	11,947,907	11,298,159
Other payments	(158,362)	(4,560,516)
<b>Net Cash Flows From Operating Activities</b>	<b>(103,193,360)</b>	<b>(99,889,201)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State apportionments	83,010,361	82,661,715
Property taxes - nondebt related	16,317,372	15,351,994
State taxes and other revenues	3,487,659	3,085,743
Other receipts	5,622,446	2,708,615
<b>Net Cash Flows From Noncapital Financing Activities</b>	<b>108,437,838</b>	<b>103,808,067</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
State revenues, capital projects	1,059,829	836,818
Local revenue, capital projects	2,414,412	1,191,013
Property taxes - related to capital debt	11,291,862	11,727,932
Proceeds from capital debt	-	98,313,170
Acquisition and construction of capital assets	(14,616,530)	(4,367,836)
Principal paid on capital debt and leases	(9,847,537)	(23,453,955)
Interest received on capital debt	451	45
Interest paid on capital debt and leases	(4,718,071)	(1,956,332)
<b>Net Cash Flows From Capital and Related Financing Activities</b>	<b>(14,415,584)</b>	<b>82,290,855</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	282,736	4,015,741
Investment income	8,514,280	6,271,406
<b>Net Cash Flows From Investing Activities</b>	<b>8,797,016</b>	<b>10,287,147</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(374,090)</b>	<b>96,496,868</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>147,096,022</b>	<b>50,599,154</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 146,721,932</b>	<b>\$ 147,096,022</b>

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, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating Loss	<u>\$ (107,314,921)</u>	<u>\$ (105,700,465)</u>
Adjustments to Reconcile Operating Loss to Net Cash		
Flows From Operating Activities:		
Depreciation and amortization expense	6,926,851	6,489,803
Changes in Assets and Liabilities:		
Receivables, net	(1,575,690)	(10,043)
Stores inventories	(94,063)	88,513
Prepaid expenses	(628,777)	(244,911)
Accounts payable and accrued liabilities	(465,583)	1,136,497
Deferred revenue	117,185	2,911,921
Funds held for others	(158,362)	(4,560,516)
<b>Net Cash Flows From Operating Activities</b>	<u><u>\$ (103,193,360)</u></u>	<u><u>\$ (99,889,201)</u></u>
<b>Cash and Cash Equivalents Consist of the Following:</b>		
Cash in banks	\$ 2,242,867	\$ 3,080,618
Cash in county treasury - unrestricted	20,246,723	18,245,126
Cash in county treasury - restricted	124,232,342	125,770,258
<b>Total Cash and Cash Equivalents</b>	<u><u>\$ 146,721,932</u></u>	<u><u>\$ 147,096,002</u></u>
<b>Noncash Transactions</b>		
On behalf payments for benefits	<u><u>\$ 2,410,925</u></u>	<u><u>\$ 2,269,632</u></u>

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



# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## STATEMENTS OF FINANCIAL POSITION DISCRETELY PRESENTED COMPONENT UNIT PASADENA CITY COLLEGE FOUNDATION, INC. JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash - unrestricted	\$ 458,570	\$ 1,291,379
Cash - restricted	371,223	-
Accounts receivable	200,000	200,000
<b>Total Current Assets</b>	<u>1,029,793</u>	<u>1,491,379</u>
<b>NONCURRENT ASSETS</b>		
Investments - unrestricted	-	4,645
Investments - restricted	11,103,661	11,333,038
Land held for sale	10,850	10,850
<b>Total Noncurrent Assets</b>	<u>11,114,511</u>	<u>11,348,533</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 12,144,304</u></u>	<u><u>\$ 12,839,912</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable	\$ 81,320	\$ -
<b>NET ASSETS</b>		
Unrestricted	1,166,960	1,306,874
Temporarily restricted	6,205,592	6,816,047
Permanently restricted	4,690,432	4,716,991
<b>TOTAL NET ASSETS</b>	<u>12,062,984</u>	<u>12,839,912</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 12,144,304</u></u>	<u><u>\$ 12,839,912</u></u>

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

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## STATEMENTS OF ACTIVITIES DISCRETELY PRESENTED COMPONENT UNIT PASADENA CITY COLLEGE FOUNDATION, INC. FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES AND OTHER SUPPORT</b>				
Donations	\$ 69,409	\$ 1,207,210	\$ 100,000	\$ 1,376,619
In-kind receipts	239,591	-	-	239,591
Special events	6,070	19,814	-	25,884
Student fees	-	22,885	-	22,885
Miscellaneous revenue	-	6,171	-	6,171
Assets released from restrictions	1,064,092	(1,064,092)	-	-
<b>Total Revenues and Other Support</b>	<b>1,379,162</b>	<b>191,988</b>	<b>100,000</b>	<b>1,671,150</b>
<b>EXPENSES</b>				
Operating	325,443	-	-	325,443
Program	1,426,027	-	-	1,426,027
Fundraising	24,119	-	-	24,119
<b>Total Expenses</b>	<b>1,775,589</b>	<b>-</b>	<b>-</b>	<b>1,775,589</b>
<b>OTHER INCOME AND (EXPENSE)</b>				
Realized gain on sale of investments	362,914	-	-	362,914
Unrealized gain (loss)	-	(773,024)	(607,376)	(1,380,400)
Interest and dividends	344,997	-	-	344,997
Transfers	(451,398)	(29,419)	480,817	-
Transfers from Pasadena Area Community College District	-	-	-	-
<b>Total Other Income and (Expense)</b>	<b>256,513</b>	<b>(802,443)</b>	<b>(126,559)</b>	<b>(672,489)</b>
<b>CHANGE IN NET ASSETS</b>	<b>(139,914)</b>	<b>(610,455)</b>	<b>(26,559)</b>	<b>(776,928)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>1,306,874</b>	<b>6,816,047</b>	<b>4,716,991</b>	<b>12,839,912</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 1,166,960</b>	<b>\$ 6,205,592</b>	<b>\$ 4,690,432</b>	<b>\$ 12,062,984</b>

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

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2007			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 277,119	\$ 710,991	\$ 70,125	\$ 1,058,235
244,244	-	-	244,244
26,965	14,684	-	41,649
-	48,549	-	48,549
-	17,940	-	17,940
1,085,131	(1,085,131)	-	-
1,633,459	(292,967)	70,125	1,410,617
272,795	-	-	272,795
1,318,660	-	-	1,318,660
11,230	-	-	11,230
1,602,685	-	-	1,602,685
95,092	387,608	-	482,700
137,487	560,417	-	697,904
72,101	293,893	-	365,994
265,543	4,917	(270,460)	-
-	3,623,321	1,089,531	4,712,852
570,223	4,870,156	819,071	6,259,450
600,997	4,577,189	889,196	6,067,382
705,877	2,238,858	3,827,795	6,772,530
\$ 1,306,874	\$ 6,816,047	\$ 4,716,991	\$ 12,839,912

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## STATEMENTS OF CASH FLOWS DISCRETELY PRESENTED COMPONENT UNIT PASADENA CITY COLLEGE FOUNDATION, INC. FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (776,928)	\$ 6,067,382
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities		
Contributions for long-term purposes	(1,307,210)	-
Unrealized (gain) loss	1,380,400	(697,904)
Changes in Assets and Liabilities		
Increase in other non-current assets	-	(10,850)
Increase in accounts payable	81,320	-
<b>Net Cash Flows From Operating Activities</b>	<u>(622,418)</u>	<u>5,358,628</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	3,437,529	(4,525,179)
Purchase of investments	(4,955,130)	-
<b>Net Cash Flows From Investing Activities</b>	<u>(1,517,601)</u>	<u>(4,525,179)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Collections of contributions restricted for long-term purposes	1,307,210	781,116
<b>Net Cash Flows From Financing Activities</b>	<u>1,307,210</u>	<u>781,116</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(832,809)	833,449
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>1,291,379</u>	<u>457,930</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 458,570</u>	<u>\$ 1,291,379</u>

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

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008 AND 2007

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### NOTE 1 - ORGANIZATION

#### Organization

The Pasadena Area Community College District (the District) was established in 1967 as a political subdivision of the State of California and provides educational services to residents of the surrounding area. 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, capital project funds, and proprietary funds, but these budgets are managed at the department level. Currently, the District operates one community college located in Pasadena, California. While the District is a political subdivision of the State of California, it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 39.

#### Financial Reporting Entity

The District has adopted 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. The three components used to determine the presentation are: providing a "direct benefit", the "environment and ability to access/influence reporting", and the "significance" criterion. As defined by accounting principles generally accepted in the United States of America and established by the Governmental Accounting Standards Board, the financial reporting entity consists of the primary government, the District, and the following component units:

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

The Pasadena City College Foundation, Inc. (the Foundation) is a legally separate, tax-exempt organization. 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-one 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 under Internal Revenue Code (IRS) Section 501(c)(3) 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, 2008 AND 2007

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- **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 of 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 obligations 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).

### ***NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

#### **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 as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37 and No. 38. This presentation provides a comprehensive entity-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. 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 material 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.

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.

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008 AND 2007

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The accounting policies of the District conform to accounting principles generally accepted in the United States of America (US GAAP) as applicable to colleges and universities, as well as those prescribed by the California Community Colleges System's Office. The District reports are based on all applicable GASB pronouncements, as well as applicable FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. The District has not elected to apply FASB pronouncements after that date. When applicable, certain prior year amounts have been reclassified to conform to current year presentation. The budgetary and financial accounts of the District are maintained in accordance with the State System's Office's *Budget and Accounting Manual*.

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37 and No. 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

### 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. Restricted cash and cash equivalents represented balances restricted by external sources such as grants and contracts or specifically restricted for the repayment of capital debt.

### 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.

# **PASADENA AREA COMMUNITY COLLEGE DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008 AND 2007**

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### **Prepaid Expenses**

Prepaid expenses represent payments made to vendors and others for services that will benefit periods beyond June 30, 2008.

### **Stores Inventories**

Stores inventories consist 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.

### **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 for equipment and \$100,000 for land, construction-in-progress, buildings, and leasehold improvements. 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 to buildings and land that significantly increase the value or extend the useful life of the asset 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. Routine repairs and maintenance that do not extend the life of the building or equipment are charged as operating expenses in the year the expense is incurred.

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.

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.



# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

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### 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.

### 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. Net assets may be restricted for capital projects, debt repayment, and/or educational programs.

None of the District's restricted net assets have resulted from enabling legislation adopted by the District.

**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. Certain significant revenue streams relied upon for operation are classified as nonoperating as defined by GASB Statement No. 35. Classifications are as follows:

**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 (4) interest on institutional student loans.

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

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008 AND 2007

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**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.

### State Apportionments

Certain current year apportionments from the State are based on financial and statistical information of the previous year. Any corrections due to the recalculation of the apportionment are made in February of the subsequent year and are recorded in the District's financial records when received.

### On-Behalf Payments

GASB Statement No. 24 requires direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees for another legally separate entity be recognized as revenues and expenditures by the employer entity. The State of California makes direct on-behalf payments to the California State Teachers' Retirement Systems (CalSTRS) on behalf of all community colleges in California.

### 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 Taxes

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.

The voters of the District passed a General Obligation Bond in March 2002 for the acquisition, construction, and remodeling of District capital assets. As a result of the passage of the Bond, property taxes are assessed on the property within the District specifically for the repayment of the debt incurred. The taxes are billed and collected as noted above and remitted to the District when collected. The property tax received for the years ended June 30, 2008 and 2007, was \$11,291,862 and \$11,727,932, respectively.

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008 AND 2007

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### **Scholarship Discounts and Allowances**

Student tuition and fee revenue is reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Assets. Scholarship discounts and allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payments on the students' behalf. To the extent that fee waivers and discounts have been used to satisfy tuition and fee charges, the District has recorded a scholarship discount and allowance.

### **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. 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, 2008 and 2007, the District distributed \$1,027,453 and \$838,573, respectively, in direct lending through the U.S. Department of Education.

### **Interfund Activity**

Exchange transactions between funds of the District are reported as revenues and expenses within the Statement of Revenues, Expenses, and Changes in Net Assets. Flows of cash or goods from one fund to another without a requirement for repayment are recognized as interfund transfers within the District's fund financial statements. Amounts owing between funds for both exchange and non-exchange transactions are recorded as interfund receivables and payables within the District's fund financial statements. Interfund transfers and interfund receivables and payables are eliminated during the consolidation process in the entity-wide financial statements.

### **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, 2008 AND 2007

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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.

### **New Accounting Pronouncements**

In July 2004, GASB issued GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. This Statement will require local governmental employers who provide other postemployment benefits (OPEB) as part of the total compensation offered to employees to recognize the expense and related liabilities (assets) in the government-wide financial statements of net assets and activities. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of State and local governmental employers.

Current financial reporting practices for OPEB generally are based on pay-as-you-go financing approaches. They fail to measure or recognize the cost of OPEB during the periods when employees render the services or to provide relevant information about OPEB obligations and the extent to which progress is being made in funding those obligations.

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 will be required to implement the provisions of this Statement for the fiscal year ended June 30, 2009. The District is in the process of determining the impact the implementation of this Statement will have on the government-wide statement of net assets and activities.

In June 2005, GASB issued GASB Statement No. 47, *Accounting for Termination Benefits*. GASB Statement No. 47 addresses accounting for both voluntary and involuntary termination benefits. For termination benefits that affect an employer's obligations for defined benefit OPEB, the provisions of GASB Statement No. 47 should be applied simultaneously with the requirements of GASB Statement No. 45. For all other termination benefits, including those that affect an employer's obligations for defined benefit pension benefits, GASB Statement No. 47 is effective for financial statements for periods beginning after June 15, 2005. Earlier application of GASB Statement No. 47 is encouraged. The District will be required to implement the provisions of this Statement for fiscal year ended June 30, 2009.

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008 AND 2007

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In May 2007, GASB issued Statement No. 50, *Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27*. This Statement more closely aligns the financial reporting requirements for pensions with those for OPEB and, in doing so, enhances information disclosed in notes to financial statements or presented as RSI by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 27, *Accounting for Pensions by State and Local Governmental Employers*, to conform with requirements of Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. This Statement is effective for periods beginning after June 15, 2007, except for requirements related to the use of the entry age actuarial cost method for the purpose of reporting a surrogate funded status and funding progress of plans that use the aggregate actuarial cost method, which are effective for periods for which the financial statements and RSI contain information resulting from actuarial valuations as of June 15, 2007, or later.

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to those intangible assets, as applicable. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. The requirements of this Statement are effective for financial statements beginning after June 15, 2009. The provisions of this Statement generally are required to be applied retroactively. For governments that were classified as Phase 1 or Phase 2 governments for the purpose of implementing Statement No. 34, retroactive reporting is required for intangible assets acquired in fiscal years ending after June 30, 1980, except for those considered to have indefinite useful lives as of the effective date of this Statement and those that would be considered internally generated.

In November 2007, GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. This Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value and other information that they currently present for other investments reported at fair value. The guidance in this Statement is effective for financial statements for reporting periods beginning after June 15, 2008, with earlier application encouraged.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement is intended to improve how State and local governments report information about derivative instruments, financial arrangements used by governments to manage specific risks or make investments, in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements and is effective for financial statements for reporting periods beginning after June 15, 2009, with earlier application encouraged.

### **Comparative Financial Information**

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

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008 AND 2007

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### NOTE 3 - 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.

**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 accompanying 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 Corporate 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

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008 AND 2007

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### 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.

### Summary of Deposits and Investments

Deposits and investments as of June 30, 2008, consist of the following:

Cash on hand and in banks	\$ 2,135,367
Cash in revolving	107,500
Investments	<u>144,479,065</u>
Total Deposits and Investments	<u><u>\$ 146,721,932</u></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 primarily investing in the County investment pool.

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:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity Date</u>
County Pool - Los Angeles	\$ 142,699,272	556 days*
Certificates of Deposit	1,143,205	2,712 days*
Stocks	23,406	Not Applicable
Mutual Funds	<u>454,721</u>	Not Applicable
Total	<u><u>\$ 144,320,604</u></u>	

\* Weighted average days to maturity.

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008 AND 2007

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### 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. The District's investment in the County pool is not required to be rated, nor has it been rated as of June 30, 2008. 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, 2008
County Pool - Los Angeles	\$ 142,699,272	Not Applicable	Not Applicable
Certificates of Deposit	1,143,205	Not Applicable	Not Applicable
Stocks	23,406	Not Applicable	Not Applicable
Mutual Funds	454,721	Not Applicable	Not Applicable
Total	<u>\$ 144,320,604</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 for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2008, the District's bank balance of \$2,188,052 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, 2008 AND 2007

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### **NOTE 4 - 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:

	<u>2008</u>	<u>2007</u>
Federal Government		
Categorical aid	\$ 2,255,992	\$ 1,261,905
State Government		
Apportionment	4,953,868	4,893,080
Categorical aid	336,120	213,593
Lottery	1,486,994	1,706,039
Local Sources		
Earned salary advance	579,269	536,982
Interest	1,369,987	674,855
Other local sources	1,048,414	776,999
Total	<u>\$ 12,030,644</u>	<u>\$ 10,063,453</u>
Student receivables	<u>\$ 667,615</u>	<u>\$ 614,249</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.

### **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, 2008 AND 2007

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### NOTE 6 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2008, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	\$ 10,396,408	\$ -	\$ -	\$ 10,396,408
Construction in progress	2,851,455	22,011,929	755,410	24,107,974
Total Capital Assets Not Being Depreciated	13,247,863	22,011,929	755,410	34,504,382
Capital Assets Being Depreciated				
Buildings and improvements	150,590,093	755,410	975,327	150,370,176
Site improvements	12,348,587	-	-	12,348,587
Equipment	12,767,939	1,354,508	293,065	13,829,382
Total Capital Assets Being Depreciated	175,706,619	2,109,918	1,268,392	176,548,145
Total Capital Assets	188,954,482	24,121,847	2,023,802	211,052,527
Less Accumulated Depreciation				
Buildings and improvements	45,562,247	5,238,467	975,327	49,825,387
Site improvements	3,639,227	753,369	-	4,392,596
Equipment	8,481,612	935,015	293,065	9,123,562
Total Accumulated Depreciation	57,683,086	6,926,851	1,268,392	63,341,545
Net Capital Assets	\$ 131,271,396	\$ 17,194,996	\$ 755,410	\$ 147,710,982

Depreciation expense for the year was \$6,926,851.

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008 AND 2007

Capital asset activity for the District for the fiscal year ended June 30, 2007, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	\$ 10,396,408	\$ -	\$ -	\$ 10,396,408
Construction in progress	1,226,648	2,424,416	799,609	2,851,455
Total Capital Assets Not Being Depreciated	11,623,056	2,424,416	799,609	13,247,863
Capital Assets Being Depreciated				
Buildings and improvements	151,216,618	307,475	934,000	150,590,093
Site improvements	11,856,453	492,134	-	12,348,587
Equipment	12,027,830	1,495,999	755,890	12,767,939
Total Capital Assets Being Depreciated	175,100,901	2,295,608	1,689,890	175,706,619
Total Capital Assets	186,723,957	4,720,024	2,489,499	188,954,482
Less Accumulated Depreciation				
Buildings and improvements	41,249,432	5,246,815	934,000	45,562,247
Site improvements	3,215,251	423,976	-	3,639,227
Equipment	8,418,490	819,012	755,890	8,481,612
Total Accumulated Depreciation	52,883,173	6,489,803	1,689,890	57,683,086
Net Capital Assets	\$ 133,840,784	\$ (1,769,779)	\$ 799,609	\$ 131,271,396

Depreciation expense for the year was \$6,489,803.

### NOTE 7 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	2008	2007
Accrued payroll and benefits	\$ 6,799,317	\$ 6,802,809
Load banking	910,287	867,255
Construction	9,027,654	277,747
Other	3,699,662	2,568,982
Total	\$ 20,436,920	\$ 10,516,793

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008 AND 2007

### NOTE 8 - DEFERRED REVENUE

Deferred revenue for the District consisted of the following:

	2008	2007
Federal categorical aid	\$ 28,350	\$ -
State categorical aid	3,090,702	3,329,746
Student fees	3,793,085	3,771,095
Radio agreement	806,266	614,782
Other local	515,205	400,800
Total	<u>\$ 8,233,608</u>	<u>\$ 8,116,423</u>

### NOTE 9 - LONG-TERM OBLIGATIONS

#### Summary

The changes in the District's long-term obligations during the 2008 fiscal year consisted of the following:

	Beginning Balance	Additions	Deductions	Ending Balance	Amount Due Within One Year
Bonds and Notes Payable					
General Obligations Bonds, Election 2002, Series A	\$ 5,405,000	\$ -	\$ 835,000	\$ 4,570,000	\$ 855,000
General Obligations Bonds, Election 2002, Series B	65,000,000	-	6,160,000	58,840,000	6,860,000
Unamortized premium	1,965,547	-	78,622	1,886,925	-
General Obligation Bonds, 2006 Refunding, Series C	23,764,887	2,393,199	990,000	25,168,086	999,900
Unamortized premium	7,582,736	-	947,842	6,634,894	-
2003 Certificates of Participation, Series A	3,915,000	-	505,000	3,410,000	520,000
Note payable	819,207	-	189,707	629,500	199,750
Total Bonds and Notes Payable	<u>108,452,377</u>	<u>2,393,199</u>	<u>9,706,171</u>	<u>101,139,405</u>	<u>9,434,650</u>
Other Obligations					
Compensated absences	2,734,382	261,934	-	2,996,316	2,040,944
Capital leases	225,720	21,213	141,366	105,567	87,106
Total Other Obligations	<u>2,960,102</u>	<u>283,147</u>	<u>141,366</u>	<u>3,101,883</u>	<u>2,128,050</u>
Total Long-Term Obligations	<u>\$ 111,412,479</u>	<u>\$ 2,676,346</u>	<u>\$ 9,847,537</u>	<u>\$ 104,241,288</u>	<u>\$ 11,562,700</u>

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008 AND 2007

The changes in the District's long-term obligations during the 2007 fiscal year consisted of the following:

	Beginning Balance	Additions	Deductions	Refunded	Ending Balance	Amount Due Within One Year
<b>Bonds and Notes Payable</b>						
General Obligations Bonds, Election 2002, Series A	\$ 28,040,000	\$ -	\$ 815,000	\$ 21,820,000	\$ 5,405,000	\$ 835,000
General Obligations Bonds, Election 2002, Series B	-	65,000,000	-	-	65,000,000	6,160,000
Unamortized premium	-	1,965,547	-	-	1,965,547	-
General Obligation Bonds, 2006 Refunding, Series C	-	23,764,887	-	-	23,764,887	970,822
Unamortized premium	-	7,582,736	-	-	7,582,736	-
2003 Certificates of Participation, Series A	4,410,000	-	495,000	-	3,915,000	505,000
Note payable	998,750	-	179,543	-	819,207	189,707
Total Bonds and Notes Payable	<u>33,448,750</u>	<u>98,313,170</u>	<u>1,489,543</u>	<u>21,820,000</u>	<u>108,452,377</u>	<u>8,660,529</u>
<b>Other Obligations</b>						
Compensated absences	2,465,790	268,592	-	-	2,734,382	1,919,832
Capital leases	370,132	-	144,412	-	225,720	140,873
Total Other Obligations	<u>2,835,922</u>	<u>268,592</u>	<u>144,412</u>	<u>-</u>	<u>2,960,102</u>	<u>2,060,705</u>
Total Long-Term Obligations	<u>\$ 36,284,672</u>	<u>\$ 98,581,762</u>	<u>\$ 1,633,955</u>	<u>\$ 21,820,000</u>	<u>\$ 111,412,479</u>	<u>\$ 10,721,234</u>

### Description of Debt

Payments of the general obligation bonds are to be made by the Bond Interest and Redemption Fund with local property 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, 2008, \$120,657,774 had been issued and \$88,578,086 was outstanding. Interest rates on the bonds range from 2.00 percent to 5.25 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, 2008, the balance outstanding was \$3,410,000. 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, 2008, the balance outstanding was \$629,500. 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, 2008 AND 2007

### Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2007	Issued	Accreted Interest Addition	Redeemed	Bonds Outstanding June 30, 2008
6/1/2003	6/1/2013	2.00%-5.00%	\$ 33,000,000	\$ 5,405,000	\$ -	\$ -	\$ 835,000	\$ 4,570,000
7/12/2006	8/1/2031	4.50%-5.25%	65,000,000	65,000,000	-	-	6,160,000	58,840,000
7/12/2006	8/1/2014	3.95%-4.44%	22,657,774	23,764,887	-	2,393,199	990,000	25,168,086
				<u>\$94,169,887</u>	<u>\$ -</u>	<u>\$2,393,199</u>	<u>\$7,985,000</u>	<u>\$ 88,578,086</u>

### General Obligation Bond 2002 Series A

The general obligation bonds mature through 2013 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2009	\$ 855,000	\$ 163,100	\$ 1,018,100
2010	880,000	137,450	1,017,450
2011	910,000	108,850	1,018,850
2012	945,000	77,000	1,022,000
2013	980,000	39,200	1,019,200
Total	<u>\$ 4,570,000</u>	<u>\$ 525,600</u>	<u>\$ 5,095,600</u>

### General Obligation Bond 2002 Series B

The general obligation bonds mature through 2032 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2009	\$ 6,860,000	\$ 2,696,988	\$ 9,556,988
2010	1,390,000	2,511,363	3,901,363
2011	1,635,000	2,443,300	4,078,300
2012	1,395,000	2,375,125	3,770,125
2013	1,460,000	2,310,888	3,770,888
2014-2018	8,360,000	10,478,423	18,838,423
2019-2023	10,590,000	8,167,883	18,757,883
2024-2028	13,640,000	5,042,624	18,682,624
2029-2032	13,510,000	1,383,137	14,893,137
Total	<u>\$ 58,840,000</u>	<u>\$ 37,409,731</u>	<u>\$ 96,249,731</u>

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008 AND 2007

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### General Obligation Bond 2006 Series C

The general obligation bonds mature through 2015 as follows:

<u>Fiscal Year</u>	<u>Principal (Including accreted interest to date)</u>	<u>Accreted Interest</u>	<u>Total</u>
2009	\$ 999,900	\$ 59,119	\$ 1,059,019
2010	5,151,816	1,345,920	6,497,736
2011	4,696,743	1,812,031	6,508,774
2012	4,239,465	2,220,132	6,459,597
2013	3,893,171	2,632,975	6,526,146
2014-2015	6,186,991	5,765,758	11,952,749
Total	<u>\$ 25,168,086</u>	<u>\$ 13,835,935</u>	<u>\$ 39,004,021</u>

### 2003 Certificates of Participation Series A

The certificates of participation mature through 2014 as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 520,000	\$ 122,463	\$ 642,463
2010	535,000	105,300	640,300
2011	555,000	85,531	640,531
2012	575,000	63,625	638,625
2013	600,000	40,125	640,125
2014	625,000	14,063	639,063
Total	<u>\$ 3,410,000</u>	<u>\$ 431,107</u>	<u>\$ 3,841,107</u>

### 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>
2009	\$ 199,750	\$ 30,250	\$ 230,000
2010	209,793	20,207	230,000
2011	219,957	10,043	230,000
Total	<u>\$ 629,500</u>	<u>\$ 60,500</u>	<u>\$ 690,000</u>

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008 AND 2007

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### Capital Leases

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

Balance, July 1, 2007	\$ 248,044
Additions	23,311
Payments	155,347
Balance, June 30, 2008	<u>\$ 116,008</u>

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2009	\$ 95,721
2010	20,287
Total	116,008
Less: Amount Representing Interest	10,441
Present Value of Minimum Lease Payments	<u>\$ 105,567</u>

### Accumulated Unpaid Employee Vacation

The total accumulated unpaid employee vacation for the District at June 30, 2008, amounted to \$2,996,316 of which \$2,040,944 is considered current.

### ***NOTE 10 - 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 CalPERS and CalSTRS is a minimum age of 55 and a minimum 14 years of service with the District. The District recognizes expenditures for these postemployment health benefits on a pay-as-you-go-basis. During the 2008 fiscal year, the District provided insurance premium benefits to 42 retired employees with total expenditures of \$638,151.



# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008 AND 2007

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### ***NOTE 11 - 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, 2008, the District is a member of the Statewide Association of Community Colleges (SWACC) Joint Powers Authority (JPA) 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 2008, the District participated in the Schools Alliance for Workers' Compensation Excess II (SAWCX II) JPA, an insurance purchasing pool. The District is self insured for the first \$500,000 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 ensures 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.

Coverage provided by SAWCX II for property and liability and workers' compensation is as follows:

<u>Insurance Program/Company Name</u>	<u>Type of Coverage</u>	<u>Limits</u>
Self-Insured	Workers' Compensation	\$ 500,000
ARCH Specialty	Excess Workers' Compensation	\$ 25,000
SAWCX II	Property and Liability	\$ 1,000,000

### ***NOTE 12 - 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 California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

# **PASADENA AREA COMMUNITY COLLEGE DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008 AND 2007**

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### **CalSTRS**

#### **Plan Description**

The District contributes to CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

#### **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 CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2007-2008 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 CalSTRS 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. The District's total contributions to CalSTRS for the fiscal years ended June 30, 2008, 2007, and 2006, were \$4,226,897, \$4,145,332, and \$3,816,744, respectively, and equal 100 percent of the required contributions for each year.

### **CalPERS**

#### **Plan Description**

The District contributes to the School Employer Pool under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. 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, CA 95811.

#### **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 2007-2008 was 9.306 percent of annual payroll. The District's contributions to CalPERS for fiscal years ending June 30, 2008, 2007, and 2006, were \$1,529,727, \$1,793,019, and \$1,640,728, respectively, and equaled 100 percent of the required contributions for each year.

# **PASADENA AREA COMMUNITY COLLEGE DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008 AND 2007**

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### **On-Behalf Payments**

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS which amounted to \$2,410,925, \$2,269,632, and \$1,966,937 (4.517 percent) of salaries subject to CalSTRS for the years ended June 30, 2008, 2007, and 2006, respectively. No contributions from the State were made for CalPERS for the year ended June 30, 2008. 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 (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. Only CalPERS members are covered by social security. All others who are not members of CalSTRS are members of an alternative retirement plan referred to as APPLE.

### ***NOTE 13 - 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 District. 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, 2008.

#### **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, 2008.

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008 AND 2007

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### Construction Commitments

As of June 30, 2008, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
Campus Center	\$ 18,125,800	September 2009
Industrial Technology Building Project	13,105,632	September 2009
*Arts Building	2,304,000	December 2011
*Construction Management	531,369	December 2011
*Classroom Conversions	313,811	December 2011
*Elevator Upgrades	78,052	June 2011
*HVAC Electrical Upgrades	14,250	June 2011
	<u>\$ 34,472,914</u>	

\*Funded through Measure P

### ***NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES***

The District is a member of the Statewide Association of Community Colleges (SWACC) 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) 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, 2008, the District made payments of \$700,845 and \$524,878 to SWACC and SAWCX II, respectively.

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***SUPPLEMENTARY INFORMATION***

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# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## DISTRICT ORGANIZATION JUNE 30, 2008

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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. The District is accredited by The Western Association of Schools and Colleges (WASC), which is one of six regional associations that accredit public and private schools, colleges, and universities in the United States.

### BOARD OF TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Mr. John Martin	President	November 2011
Dr. Jeanette Mann	Vice President	November 2011
Dr. Hilary Bradbury-Huang	Clerk	November 2009
Mr. Geoffrey L. Baum	Member	November 2009
Dr. Consuelo Rey Castro	Member	November 2009
Mr. William Thomson	Member	November 2011
Ms. Beth Wells-Miller	Member	November 2009
Mr. Sean O'Connor	Student Trustee	June 30, 2008

### ADMINISTRATION

Dr. Paulette J. Perfumo	President and District Superintendent
Ms. Kindred Murillo	Vice President, Administrative Services
Dr. Jacqueline Jacobs	Vice President, Instructional Administration
Dr. Lisa Sugimoto	Vice President, Student and Learning Services
Mrs. Elaine Chapman	Interim Dean, External Relations
Mr. Jorge Aguiñiga	Dean, Human Resources
Dr. Stuart Wilcox	Dean, Planning and Research

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Program Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>		
Passed through the California State System's Office		
VATEA I-C	84.048	\$ 610,285
VATEA II, Tech-Prep Education Grant	84.243	76,648
Workforce Investment Act: Adult Basic Education	84.002A	160,787
Workforce Investment Act: Foster Nursing Student Success	84.002A	134,999
Passed through the Regents of the University of California		
Copernicus Project	84.336B	118,880
CCAMPIS - Child Development Program	84.355A	141,553
Collaboration to Improve Student Persistence and Degree Completion	84.031S	192,019
<b>TRIO CLUSTER</b>		
TRIO - Student Support Services and Student Grants	84.042A	155,053
TRIO - Upward Bound	84.047A	263,791
TRIO - Upward Bound Math and Science	84.047M	241,285
Subtotal TRIO Cluster		<u>660,129</u>
<b>STUDENT FINANCIAL AID CLUSTER</b>		
<b>U.S. DEPARTMENT OF EDUCATION</b>		
Pell Grant	84.063	15,222,697
Pell Grant Administration Grant	84.063	27,025
Supplemental Educational Opportunity Grant	84.007	398,773
Supplemental Educational Opportunity Grant Administration	84.007	21,878
Federal Work-Study Program	84.033	458,121
Federal Work-Study Program - Administrative Cost Allocation	84.033	41,942
Perkins Loan Program	84.038	103,024
Federal Family Education Loans	84.032	1,027,453
Academic Competitiveness Grants	84.375	14,200
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		
Nursing Loan Program	93.364	30,195
Subtotal Student Financial Aid Cluster		<u>17,345,308</u>

See accompanying note to supplementary information.

**PASADENA AREA COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2008**

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>CFDA Number</b>	<b>Program Expenditures</b>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		
Passed through the California State System's Office		
Foster Care Education Program	93.658	\$ 50,015
Temporary Assistance for Needy Families (TANF)	93.558	82,496
Passed through the Foundation for California Community Colleges		
Passed through the California Department of Education		
Child Development Program	93.596	24,437
Child Development Program - Infant and Toddler	93.575	3,120
Child Development Program - Facilities Renovation and Repair	93.575	7,510
Child Development Program - Instructional Materials	93.575	2,389
<b>U.S. DEPARTMENT OF AGRICULTURE</b>		
Forest Reserve	10.665	46,580
<b>U.S. DEPARTMENT OF VETERANS AFFAIRS</b>		
Veterans Education	64.000	2,191
<b>NATIONAL SCIENCE FOUNDATION</b>		
Providing More to Increase Stem Majors	47.047	344,731
Total Federal Expenditures		<u>\$ 20,004,077</u>

See accompanying note to supplementary information.



# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF EXPENDITURES OF STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2008

PROGRAM	Program Entitlements		
	Current Year	Prior Year	Total Entitlement
Associate Degree - Nursing Program	\$ 57,142	\$ -	\$ 57,142
Basic Skills	359,560	385,810	745,370
Block Grant	66,247	772,976	839,223
Cal Grant "B"	1,811,740	(6,954)	1,804,786
Cal Grant "C"	26,928	-	26,928
California High School Exit Exam (CAHSEE)	225,160	90,570	315,730
CalWORKs	616,369	-	616,369
CalWORKs - Carryover	-	164,960	164,960
CalWORKs - Regional Effort	5,000	-	5,000
Capacity Building/Nursing	301,513	216,445	517,958
Career Technical	-	545,094	545,094
Child Development Program	199,630	-	199,630
Child Development Program	463,979	-	463,979
Cooperative Agencies Resources For Education (CARE)	138,088	-	138,088
Disabled Students Program and Services (DSPS)	1,278,030	-	1,278,030
Economic Development - Applied Biological Technology	205,000	6,179	211,179
Economic Development - Multimedia Entertainment Center	205,000	7,808	212,808
Extended Opportunity Program and Services (EOP&S)	1,165,861	-	1,165,861
Extended Opportunity Program and Services (EOP&S)	86,295	-	86,295
Faculty/Staff Professional Development	99,991	-	99,991
Foster Care Education Program	72,398	-	72,398
Human Resources Tech Training	-	14,691	14,691
Independent Living Skills "A"	10,210	-	10,210
Instructional Equipment/On-going	243,411	316,298	559,709
Matriculation - Credit	1,220,967	902	1,221,869
Matriculation - Non Credit	401,880	-	401,880
Matriculation - Administration	473,000	-	473,000
Matriculation - Administration	-	172,174	172,174
Matriculation - Administration	-	227,512	227,512
MESA	81,500	-	81,500
Quick Start Biotechnologies	271,114	-	271,114
SFAA Augmentation	625,218	34,000	659,218
Staff Development - AB1725	-	1,279	1,279
Staff Diversity - AB1725	22,693	38,754	61,447
Statewide Strategic Initiative Hub	121,000	121,000	242,000
Student Financial Aid Administration	215,263	-	215,263
Student Services Automated Reporting	410,630	-	410,630
Telecommunications and Technology	45,183	70,484	115,667
Transfer and Articulation	5,000	-	5,000

See accompanying note to supplementary information.

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Cash Received	Accounts Receivable	Deferred Revenue	Total Revenue	Program Expenditures
\$ 57,142	\$ -	\$ -	\$ 57,142	\$ 57,142
745,370	-	727,512	17,858	17,858
839,223	-	750,509	88,714	88,714
1,803,475	1,311	-	1,804,786	1,804,786
26,928	-	-	26,928	26,928
123,035	97,994	-	221,029	221,029
616,369	-	63,463	552,906	552,906
164,960	-	164,960	-	-
5,000	-	194	4,806	4,806
437,558	-	301,513	136,045	136,045
545,094	-	97,093	448,001	448,001
173,321	10,190	-	183,511	183,511
419,963	-	19,910	400,053	400,053
138,088	-	802	137,286	137,286
1,278,030	-	-	1,278,030	1,278,030
206,574	-	-	206,574	206,574
190,014	22,406	-	212,420	212,420
1,165,861	-	593	1,165,268	1,165,268
86,295	-	43,438	42,857	42,857
99,991	-	57,155	42,836	42,836
-	72,060	-	72,060	72,060
14,691	-	3,034	11,657	11,657
655	8,558	-	9,213	9,213
559,709	-	350,829	208,880	208,880
1,221,869	-	-	1,221,869	1,221,869
401,880	-	24,362	377,518	377,518
359,855	-	141,320	218,535	218,535
172,174	-	-	172,174	172,174
227,512	-	-	227,512	227,512
61,125	20,375	-	81,500	81,500
127,465	103,226	-	230,691	230,691
659,218	-	-	659,218	659,218
1,279	-	-	1,279	1,279
61,447	-	30,734	30,713	30,713
159,621	-	54,938	104,683	104,683
215,263	-	-	215,263	215,263
410,630	-	206,677	203,953	203,953
115,667	-	51,666	64,001	64,001
5,000	-	-	5,000	5,000
<u>\$ 13,897,351</u>	<u>\$ 336,120</u>	<u>\$ 3,090,702</u>	<u>\$ 11,142,769</u>	<u>\$ 11,142,769</u>

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT - ANNUAL/ACTUAL ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2008

CATEGORIES	Revised Reported Data	Audit Adjustments	Audited Data
<b>A. Summer Intersession</b>			
1. Noncredit	187	-	187
2. Credit	1,672	-	1,672
<b>B. Summer Intersession</b>			
1. Noncredit	-	-	-
2. Credit	4	-	4
<b>C. Primary Terms</b>			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	16,612	-	16,612
(b) Daily Census Contact Hours	1,934	-	1,934
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	1,219	-	1,219
(b) Credit	392	-	392
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	599	-	599
(b) Daily Census Contact Hours	140	-	140
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
<b>D. Total FTES</b>	<u>22,759</u>	<u>-</u>	<u>22,759</u>
<b>E. Basic Skills courses and Immigrant Education (FTES)</b>			
1. Noncredit	790	-	790
2. Credit	<u>636</u>	<u>-</u>	<u>636</u>
	<u>1,426</u>	<u>-</u>	<u>1,426</u>

See accompanying note to supplementary information.

## PASADENA AREA COMMUNITY COLLEGE DISTRICT

### RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH FUND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

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Summarized below are the fund balance reconciliations between the Annual Financial and Budget Report (CCFS-311) and the fund financial statements.

	<u>General</u>
FUND BALANCE	
Balance, June 30, 2008, (CCFS-311)	\$ 383,537
Decrease in:	
Deferred revenue	<u>1,867,155</u>
Balance, June 30, 2008, Fund Financial Statement	<u><u>\$ 2,250,692</u></u>

See accompanying note to supplementary information.

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEETS TO THE STATEMENT OF NET ASSETS JUNE 30, 2008

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

#### Total Fund Balance and Due to Student Groups:

General Fund	\$ 18,113,546
Special Revenue Funds	131,909
Capital Project Funds	82,378,897
Debt Service Funds	10,189,168
Enterprise Funds	2,781,146
Internal Service Funds	14,739,018
Fiduciary Funds	<u>2,768,070</u>

#### Total Fund Balance and Due to Student Groups

- All District Funds \$ 131,101,754

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	211,052,527	
Accumulated depreciation is	(63,341,545)	
Less fixed assets already recorded in the enterprise and fiduciary funds	<u>(22,458)</u>	147,688,524

Amounts held in trust on behalf of others (Trust and Agency Funds). (2,066,887)

In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred. (1,266,780)

Long-term obligations at year end consist of:

Bonds payable	88,578,086	
Unamortized premium	8,521,819	
Certificates of participation	3,410,000	
Notes payable	629,500	
Capital leases payable	105,567	
Compensated absences (vacations)	<u>2,996,316</u>	(104,241,288)
<b>Total Net Assets</b>		<u><u>\$ 171,215,323</u></u>

See accompanying note to supplementary information.

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2008

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### **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.

Total expenditures by department are as follows:

<b>U.S. Department of Education</b>	\$ 19,410,413
<b>U.S. Department of Health and Human Services</b>	264,376
<b>U.S. Department of Agriculture</b>	46,580
<b>U.S. Department of Veterans Affairs</b>	2,191
<b>National Science Foundation</b>	344,731
	<u>\$ 20,068,291</u>

#### **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 General Apportionment - Annual/Actual Attendance**

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 (CCFS-331) 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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**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 the business-type activities of the Pasadena Area Community College District (the District) for the years ended June 30, 2008 and 2007, and have issued our report thereon dated December 4, 2008. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audits, we considered Pasadena Area Community College District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pasadena Area Community College District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Pasadena Area Community College District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2008-3 and 2008-4 to be significant deficiencies in internal control over financial reporting.



A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

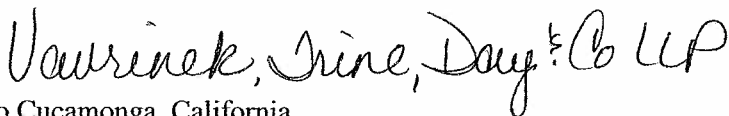
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies, and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2008-1 and 2008-2 to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Pasadena Area Community College District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, 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*.

Pasadena Area Community College District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Pasadena Area Community College District's responses and, accordingly, express no opinion on them.

This report is intended solely for the information and use of the Board of Trustees, Audit Committee, District Management, the California Community Colleges System'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.

A handwritten signature in cursive script that reads "Vaurinek, Irene, Day". To the right of the signature is a circular stamp containing the letters "CB" and the word "UP" below it.

Rancho Cucamonga, California  
December 4, 2008



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND ON 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, 2008. Pasadena Area Community College District's major Federal programs are identified in the summary of auditors' 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 Pasadena Area Community College District's management. Our responsibility is to express an opinion on Pasadena Area Community College 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; 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 Pasadena Area Community College 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 of Pasadena Area Community College 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, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2008-5.

## Internal Control Over Compliance

The management of Pasadena Area Community College District is responsible for establishing and maintaining effective internal control over compliance with the 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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Pasadena Area Community College District's internal control over compliance.

A *control deficiency* in a district's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Pasadena Area Community College District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Pasadena Area Community College District's response and, accordingly, we express no opinion.

This report is intended solely for the information and use of the Board of Trustees, Audit Committee, District Management, the California Community Colleges System'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 1 Co. LLP*

Rancho Cucamonga, California  
December 4, 2008



## 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, 2008 and 2007, and have issued our report thereon dated December 4, 2008.

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 System's Office's *California Community Colleges Contracted District Audit Manual (CDAM)*.

### General Directive

Section 424: MIS Implementation - State General Apportionment Funding System

### Administration

Section 435: Open Enrollment

Section 437: Student Fees - Instructional Materials and Health Fees

Section 423: Apportionment of Instructional Service Agreements/Contracts

Section 425: Residency Determination for Credit Courses

Section 427: Concurrent Enrollment of K-12 Students in Community College Credit Courses

Section 432: Enrollment Fee

Section 421: Salaries of Classroom Instructors (50% Law)

Section 426: Students Actively Enrolled

Section 431: Gann Limit Calculation

## **Student Services**

Section 428: Use of Matriculation Funds

Section 433: CalWORKs - Use of State and Federal TANF Funding

## **Facilities**

Section 434: Scheduled Maintenance Program

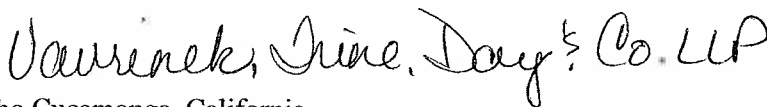
Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

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, except for finding 2008-6 as described in the accompanying Schedule of State Award Findings and Questioned Costs, the Pasadena Area Community College District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2008.

Pasadena Area Community College District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Pasadena Area Community College District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information of the Board of Trustees, Audit Committee, District Management, the California Community Colleges System's Office, the California Department of Finance, and the California Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.



Rancho Cucamonga, California  
December 4, 2008

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***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, 2008

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### FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>Yes</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>Yes</u>
Noncompliance material to financial statements noted?	<u>No</u>

### FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>Yes</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)	<u>Yes</u>
Identification of major programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.032, 84.033, 84.038, 84.007, 84.063, 84.375, and 93.364	<u>Student Financial Aid Cluster</u>
84.042A, 84.047A, 84.047M	<u>Trio Cluster</u>
84.048	<u>VATEA</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 602,049</u>
Auditee qualified as low-risk auditee?	<u>No</u>

### STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>Yes</u>
Type of auditors' report issued on compliance for State programs:	<u>Qualified</u>

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2008

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The following findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

### STUDENT BUSINESS OFFICE

#### Material Weakness Over Internal Control

##### 2008-1 Finding

The Office of Student Business Services (SBS) maintains the accounts for the Trust and Agency funds, Scholarship and Loan funds, Associated Student Government funds, and the Bookstore. The Accounting Office is decentralized from the District Business Office. While a review process was established for the SBS mid-year, the activity has not been consistently forwarded to the Vice President, Business Services.

The investments maintained within the funds accounted for through the Student Business Office accounts have been monitored during the year through the use of manual spreadsheets that do not properly account for the gains and losses (both realized and unrealized) at year end. At June 30, 2008, the adjustments were immaterial to the financial statements; however, this represents an internal control weakness.

Written policies to provide guidance related to the proper accounting and processing of activity during the year have not been updated to take into account current practices and procedures. As an example, we noted there is not an investment policy with the types of approved investments, a capitalization policy for equipment noting useful lives, and depreciation.

#### Recommendation

Approved policies noting the overarching principals to be followed in the Student Business Office should be updated periodically to ensure that all practices are documented and followed. These policies should then be available to all staff to ensure proper accounting controls over all transactions are known and followed. This procedure manual can also be a useful tool in the training and development of new staff brought into the Student Business Office. Current practice of utilizing manual spreadsheets to record the transactions for investments should be automated to provide for efficiencies and accuracy in postings.



# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2008

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### Management Response

The Office of Student Business Services (SBS) reports all financial transactions to the Vice President of Administrative Services on a monthly basis. Reporting is prepared monthly by the SBS staff, reviewed by the Supervisor, and forwarded to the Vice President of Administrative Services.

Due to the staffing change from Vice President to Interim Vice President, reporting for the 2008-2009 fiscal year has been forwarded to the Director of Fiscal Services for her perusal.

The unrealized gains and losses in 2007-2008 were included as part of the financial statements as a notational item and were not posted to the general ledger. The 2008-2009 monthly investment information is now being posted directly to the general ledger module.

The Investment Policy is currently under review and will reflect the types of approved investments.

SBS has adopted the Capitalization Policy used by the District. For the 2007-2008 year-end, all assets that were previously booked to the general ledger under the approved limit of \$5,000 have been expensed.

The Policy and Procedure Manual for Student Business Services is currently being reviewed. Updates and changes will be made and provided to all staff.

### COLLEGE BOOKSTORE PROCEDURES

#### Material Weakness Over Internal Controls

#### 2008-2 Finding

The Bookstore receives and processes credit cards for online purchasing activity. Currently, the staff of the Bookstore do not utilize the electronic transmittal processing for the credit card activity. The bank credit card processing protocol requires either an electronic signature verification or actual signature as evidence that the card holder approved the transaction. This information has not been maintained. Additionally, these credit card transactions are manually entered on an in-store credit card reading machine rather than the electronic processing that is available.

#### Context

The Bookstore processes over \$6.8 million annually in revenues. The portion that is attributable to internet sales is an increasing component of the total activity.

#### Effect

By not receiving and recording the electronic signature authorization, the Bookstore is at risk that the sale will be subsequently invalidated by the bank if there is a question as to the authenticity of the transaction. Additionally, the manual input of credit card transactions increases the possibility that errors in the transaction will occur.

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2008

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### **Cause**

Current procedures have not been updated to include the electronic processing of internet credit card sales. The Bookstore also has not upgraded the credit card recording equipment to allow for electronic signatures and transmission of the activity directly to the bank for online transactions.

### **Recommendation**

The Bookstore should discuss with their credit card processing financial institution the proper procedures to follow for internet sales and should install the proper security requirements for electronic signature that will ensure all sales are valid and approved by the cardholder. The process should be a smooth and seamless electronic reporting of sales and not require the manual processing that is currently being used.

### **Management Response**

The District will implement the auditor's recommendation to establish proper procedures for internet sales and install proper security requirements for electronic signature.

### **Significant Deficiency Over Internal Controls**

#### **2008-3 Finding**

The Bookstore inventory process at year end did not take into account the valuation and disposal inventory that had been determined to be obsolete in both the current and prior year. We also noted the Bookstore has not implemented the inventory accounting software system that has been available for the last two years. Inventory is manually calculated, costed, and reported. As a result, the reconciliation of the inventory balance was not completed until October although the inventory counts took place in March.

### **Context**

The Bookstore inventory at June 30, 2008, was approximately \$1.2 million. The obsolete inventory was approximately \$69,000.

### **Effect**

By not accounting and reconciling the inventory counts and valuation in a timely manner, the potential exists that items are misplaced, miscoded, or not priced appropriately.

## **PASADENA AREA COMMUNITY COLLEGE DISTRICT**

### **FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2008**

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#### **Recommendation**

The Bookstore manager should implement the inventory software system that has been purchased to ensure that proper reconciliations of the inventory at year end are completed within a reasonable period of time. The reconciliations should be completed within two weeks of the actual inventory counts and forwarded to the Business Office for posting in the accounting records. The actual inventory should also properly identify items that are obsolete and document the disposal through reduced sale, donation, or permanent disposal. The valuation of the inventory should be adjusted appropriately.

#### **Management Response**

The District will implement the auditor's recommendation to implement the inventory software system. This will allow the Bookstore to complete the inventory in a timely manner. Obsolete inventory will be identified, documented, and disposed.

#### **COMMUNITY EDUCATION CENTER CASH HANDLING**

##### **Significant Deficiency Over Internal Controls**

#### **2008-4 Finding**

The Community Education Center (CEC) processes student fees received for parking, transcripts, and registration which are then forwarded to the Student Business Services (SBS) Office for deposit and posting to the accounts. All procedures related to the collection of cash and deposit with SBS are primarily performed by one person. The CEC has not used prenumbered receipts to account for registration fees or transcript fees received. Reconciliations of the deposits are performed by the same individual receiving the funds. While receipts are maintained in a locked safe, it appears only one person has access to the safe. When that person is not on site, the safe is locked and the contents are not accessible by others. Deposits to SBS are not made on a regular or timely basis. A written procedure manual is not available for CEC to match their actual processes to.

##### **Context**

The Community Education Center processes in excess of \$500,000 in fees and receipts annually.

##### **Effect**

By not having the proper segregation of duties within the receipting and reconciliation process, errors could be made in the deposit to SBS and not be noted in a timely manner. Without prenumbered cash receipts, SBS does not have a way to reconcile the deposits received to the amount which has been collected and does not have a way to determine how long the funds have been held by the CEC.

## **PASADENA AREA COMMUNITY COLLEGE DISTRICT**

### **FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2008**

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#### **Recommendation**

Written procedures should be developed, reviewed, and approved by SBS for funds received at the Community Education Center. These procedures should include receipting and reconciliation of the funds and a requirement that monies are not held for extended periods of time. We recommend deposits be made at least weekly. Access to the safe should be maintained even when the primary employee for the admissions and records office of CEC is out, whether on District business or on personal time off.

#### **Management Response**

The District will provide the Community Education Center written instructions on proper handling of cash. Daily or weekly deposits will be made (depending on amount of deposit). Deposits totaling \$500 or more will require daily deposits. Both the Division Dean and the CEC Supervisor will have access to the safe.

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2008

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The following finding represents a significant deficiencies and instance of noncompliance that is required to be reported by OMB Circular A-133.

### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA)

#### 2008-5 Finding

##### Programs Affected

Identified through the "Condition" Section below.

##### Criteria or Specific Requirement

OMB Circular A-133 requires the auditee to prepare a Schedule of Expenditures of Federal Awards (SEFA) for the period covered by the auditee's financial statements. At a minimum, the schedule should:

- List individual Federal programs by awarding agency.
- Include, for Federal awards received as a sub-recipient, the name of the pass-through entity and the identifying number assigned by the pass-through entity.
- Provide the total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.

##### Condition

Significant deficiency over internal controls and compliance.

A complete SEFA was prepared by the District; however, the following errors and omissions in the initial SEFA were noted:

1. The following programs were not properly identified as pass-through funded programs:
  - a. The Copernicus Project (CFDA #94.336B)
  - b. TRIO Cluster (CFDA #84.074A and 84.047M)
  - c. Child Development Program (CFDA #93.596), Child Development Program – Infant and Toddler (CFDA# 93.575), and Child Development Program – Instructional Materials (CFDA #93.575)
2. No CFDA number was presented on the original SEFA for the following programs:
  - a. Workforce Investment Act: Foster Nursing Student Success (CFDA #84.002A)
  - b. Temporary Assistance for Needy Families (CFDA #93.558)
  - c. Nursing Loan Program (CFDA #93.364)
  - d. Academic Competitiveness Grants (CFDA #84.375)
  - e. Veterans Education Representative Fee (CFDA #64.000)
  - f. Providing More to Increase STEM Majors (CFDA #84.047)

## **PASADENA AREA COMMUNITY COLLEGE DISTRICT**

### **FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2008**

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3. The following programs were presented on the original SEFA as being funded by the improper Federal agency:
  - a. TANF (CFDA #93.558) classified as U.S. Department of Education rather than the U.S. Department of Health and Human Services.
  - b. Nursing Loan Program (CFDA #93.364) classified as U.S. Department of Education rather than the U.S. Department of Health and Human Services.
  - c. Veterans Education Representative Fee (CFDA #64.000) was classified as a Federal Assignments Agreement rather than the U.S. Department of Veterans Affairs.
4. One Federal program was accounted for within the State awards schedule. Although the Federal funding was properly accounted for within the general ledger, it was not presented on the SEFA, Foster Care Education Program (CFDA # 93.658).
5. One program included on the SEFA, (TANF Child Development Careers), is a State funded program through the California Department of Education. This program was accounted for within the general ledger as a Federal award and required a reclassification entry to account for the State funding.

#### **Effect**

By not properly reporting the critical criteria for the Federal programs, the District is at risk of mis-identifying grant requirements as set by the Federal Awarding Agency. Additionally, without the reporting of program expenditures with the proper identifications listed above, the District is at risk of a compliance reporting deficiency.

#### **Cause**

It appears the monitoring of the Federal programs is performed by several individuals during the year and then reporting information is submitted to one individual in the Business Office for preparation of the annual Schedule of Expenditures of Federal Awards. This individual is not provided sufficient information that is available on the grant contracts and agreements such as CFDA number and Federal funding agency. The one program that was omitted from the SEFA has a Federal and State funding component and appears to be an oversight.

#### **Questioned Costs**

None; the expenditures were properly incurred for the program.

#### **Recommendation**

It is recommended the personnel involved in the preparation and presentation of the SEFA review procedures for collection of data to be reported with the various program managers. Additionally, it is recommended the program managers provided the grant award letters and contracts to the Business Office to ensure proper reporting.

#### **Management Response**

The District has implemented the auditor's recommendation. The spreadsheet for the SEFA has been updated with all necessary corrections.

# **PASADENA AREA COMMUNITY COLLEGE DISTRICT**

## **STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2008**

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The following finding represents an instance of noncompliance relating to State program laws and regulations:

### **STUDENTS ACTIVELY ENROLLED**

#### **2008-6 Finding**

##### **Criteria or Specific Requirement**

California Code of Regulations, Title V requires that only the attendance of students actively enrolled in a course section as of the census date may be claimed for apportionment purposes.

##### **Condition**

As noted in the prior year report, the District does not have a procedure in place to monitor that all rosters for all teachers are turned in on census day. Because of this, not all instructors are clearing their rosters as of census date of students who are not actively enrolled in their class. It was also observed that students can petition the Admissions and Records Office to withdraw the "W" or "F" noted on transcripts noting they did not attend any class sessions.

##### **Questioned Costs**

Unknown

##### **Effect**

By not clearing the class roster as of census date, the possibility exists that the attendance of inactive students is being claimed for apportionment purposes are included within the supporting documents.

##### **Cause**

The District's established policies and procedure guidelines to instructors to accurately report the students actively enrolled in their classes as of census date is not being adhered to. There is not a current report from the attendance system that will identify and report those classes that have not had the census date attendance rosters forwarded to the admissions and records office for review and follow-up.

##### **Recommendation**

The information systems office should assist in developing a report which will identify all classes where the attendance rosters have not been provided. The established policy that these rosters are required to be completed as of census date should be forwarded to all instructors as a reminder that the procedure is required by the California Code of Regulations, Title V.

## **PASADENA AREA COMMUNITY COLLEGE DISTRICT**

### **STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2008**

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#### **Management Response**

1. The College's "Official Bulletin", as published every semester by the Office of Admissions and Records, contains a paragraph on the Attendance Accounting Procedures addressing the Title V Regulations referenced in the recommendation.
  - a. E.g. for Fall 2008 semester: "State regulations (Title 5) and PCC policy require instructors to drop any student who is "no show" and students who have become inactive in the course up to the census date of the course. This can be accomplished by submitting drops online by September 13 or by submitting the census student drop form to the Records Office by 12:00 noon on September 15."
2. The Offices of Instruction and Admissions and Records will re-emphasize the importance of these regulations and notify the Instructional Division Offices of faculty that are negligent in submitting this information within the time constraints.
3. Management Information Services will:
  - a. Utilize the features within the Online Services and Drop Form Processing Modules to track those sections for which the instructor of record has submitted the required census attendance information.
  - b. Will produce a report that is routed to Records and to the appropriate instructional division giving a list of faculty and sections that are missing the submittal of census information.
  - c. Ensure that any replacement Student Information System contain this tracking feature to ensure compliance.



# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2008

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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.

### ***FINANCIAL STATEMENT FINDINGS***

#### **STUDENT BUSINESS OFFICE**

##### **Material Weakness Over Internal Control**

#### **2007-1 Finding**

The Student Business Office maintains the accounts for the Trust and Agency funds, Scholarship and Loan funds, Associated Student Government funds, and the Bookstore. The accounting office is decentralized from the District Business Office. This has resulted in a lack of oversight and monitoring of the activities and accounts of the Student Business Office. We noted multiple clerical errors in the financial information and supporting documentation that were provided for the year end audit process. Financial information has not been consistently reviewed during the year to ensure all activity is properly accounted for and reconciled.

The investments maintained within the funds accounted for through the Student Business Office accounts have been monitored during the year through the use of manual spreadsheets that do not properly account for the gains and losses (both realized and unrealized) at year end. As a result, audit adjustments are required to properly record the market value of the investment portfolio.

There are no written policies to provide guidance related to the proper accounting and processing of activity during the year. As an example, we noted there is not an investment policy with the types of approved investments, a capitalization policy for equipment noting useful lives and depreciation. There has not been written procedures established to provide the proper authorization, internal control, and accounting guidance for such transactions as the sale or disposal of capital assets, the recording of investment income, and the proper accounting transactions within the prepaid gift card and scholarship accounts.

#### **Recommendation**

Approved policies noting the overarching principals to be followed in the Student Business Office should be developed and approved. These policies should then be supported with written procedures that will be the basis for ensuring proper accounting controls over all transactions are known and followed by all accounting office staff. This procedure manual can also be a useful tool in the training and development of new staff brought into the Student Business Office.

#### **Current Status**

Improved. See current year finding 2008-1.

# **PASADENA AREA COMMUNITY COLLEGE DISTRICT**

## **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2008**

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### **BOOKSTORE INVENTORY**

#### **Material Weakness Over Internal Control**

##### **2007-2 Finding**

The Bookstore inventory was not completed in a timely manner. As a result of the construction of the new student center, the Bookstore was relocated in May, 2007. The actual inventory counts to verify the March 31, 2007, were not concluded until after May 10, 2007. As a result, it is possible that inventory was received or sold and not properly accounted for within the inventory process.

We noted the Bookstore has not utilized the inventory accounting software system. Inventory is manually calculated, costed, and reported.

#### **Recommendation**

The controls over the inventory of the Bookstore need to be strengthened through the use of the software system that has been purchased for the inventory accounting. Inventory of the Bookstore should be monitored through the year with spot-checks of the actual inventory on hand and accurate counts of the year end inventory. The year end inventory should be counted as of the last day of the year in a secure environment with no purchases or sales during the process. A review of the actual inventory procedures should be conducted by the manager of the Bookstore and the actual accounts reconciled to the accounting records with large discrepancies noted and provided to the Business Manager for review and approval in a timely manner.

#### **Current Status**

Not implemented. See current year finding 2008-3.

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2008

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### CAPITAL ASSET ACCOUNTING

#### Material Weakness Over Internal Control

##### 2007-3 Finding

There is a lack of sufficient monitoring of the District's capital assets. A physical inventory of the equipment in use throughout the District has been initiated, but has not been completed or analyzed to verify the continued existence of equipment purchased by the District. The Purchasing Department is currently responsible for the maintenance of the capital asset accounting module. We noted the additions to the system were not brought in until after the close of the fiscal year. Numerous errors and omissions in the asset listing were noted and required adjustment as a result of the audit. The current year purchases were not reconciled between the general ledger object codes and the additions to the fixed asset system.

The construction costs of new building projects has not been captured on the fixed asset system to allow for proper monitoring of construction in process or the completion of building projects placed in service. This information is available within the District's Business Services Office, but has not been accessed by Purchasing for the reconciliation process. As the District continues with the Bond projects, this process is essential to ensure that all construction projects, buildings, and their related depreciation are properly accounted for within the financial records.

#### Recommendation

The accounting for the capital assets – equipment, improvements, and buildings – must be maintained during the year. In order to ensure all equipment purchased by the District is being used in its intended program and purpose, a physical inventory of all items should be conducted on a routine basis. The physical inventory should be planned to ensure a full count of all items is conducted at least every three years. A system to provide adequate internal control over the recording of the capital assets in all categories should be implemented with reconciliations prepared to the general ledger accounts at least semi annually. The final accounting of the assets and the related depreciation should be completed within the District's closing cycle.

#### Current Status

Implemented.

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2008

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### *STATE AWARD FINDINGS*

#### **GANN LIMIT CALCULATION**

##### **2007-4 Finding**

##### **Criteria or Specific Requirement**

Article XIIB of the California Constitution requires each community college district to compute its annual Appropriation Limit (GANN Limit). Government Code Section 7908(c) requires each community college district to report to the Chancellor for the California Community Colleges and to the Director of the Department of Finance at least annually its Appropriations Limit. The Chancellor for the California Community Colleges requires this information to be reported in the Annual Financial and Budget Report, CCFS-311, and audited for compliance with the calculation requirements.

##### **Condition**

The Gann Limit Calculation reported in the Annual Financial and Budget Report, CCFS-311, contained an error in that the reported FTES for both the 2005-2006 year and the 2006-2007 year did not match the District's Annual Report of FTES (CCFS-320) for the Second Period as required in the instructions.

##### **Questioned Costs**

None.

##### **Effect**

The inaccurate reporting of the FTES results in inaccurate reporting of the actual Appropriations Limit for the 2006-2007 year. As this information rolls forward into subsequent years, this inaccuracy will continue until the correct FTES are included within the supporting documents. This has resulted in a reporting error for the District.

##### **Cause**

Information provided for the GANN Limit calculation was not reviewed in conjunction with the instructions for the calculation.

##### **Recommendation**

The instructions for the GANN Limit Calculation should be thoroughly read and understood by the supervisory individuals responsible for the preparation and reporting of the Appropriations Limit. A review of the calculation prior to final submission should be prepared and documented.

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2008

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### Current Status

Implemented.

### STUDENTS ACTIVELY ENROLLED

#### 2007-5 Finding

##### Criteria or Specific Requirement

California Code of Regulations, Title 5 requires that only the attendance of students actively enrolled in a course section as of the census date may be claimed for apportionment purposes.

##### Condition

Instructors do not appear to be clearing their rosters as of census date of students who are not attending the class. Students petition the admissions and records office to withdraw the "W" or "F" noted on transcripts noting they did not attend any class sessions.

##### Questioned Costs

Unknown

##### Effect

By not clearing the class roster as of census date, the possibility exists that the attendance of inactive students is being claimed for apportionment purposes are included within the supporting documents.

##### Cause

The District's established policies and procedure guidelines to instructors to accurately report the students actively enrolled in their classes as of census date is not being adhered to. There is not a current report from the attendance system that will identify and report those classes that have not had the census date attendance rosters forwarded to the admissions and records office for review and follow-up.

##### Recommendation

The information systems office should assist in developing a report which will identify all classes where the attendance rosters have not been provided. The established policy that these rosters are required to be completed as of census date should be forwarded to all instructors as a reminder that the procedure is required by the California Code of Regulations, Title V.

### Current Status

Not implemented. See current year finding 2008-6.

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***ADDITIONAL SUPPLEMENTARY INFORMATION***

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# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## GOVERNMENTAL FUNDS BALANCE SHEETS - (UNAUDITED) JUNE 30, 2008

	<b>General Funds</b>		<b>Special Revenue Fund</b>
	<b>General Unrestricted</b>	<b>General Restricted</b>	<b>Child Development</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 514,753	\$ 338,583	\$ 21,495
Investments	20,246,723	5,720,172	143,425
Accounts receivable	7,376,758	1,772,280	50,342
Prepaid expenses	97,501	22,463	348
Stores inventories	37,807	-	-
<b>Total Assets</b>	<b>\$ 28,273,542</b>	<b>\$ 7,853,498</b>	<b>\$ 215,610</b>
<b>LIABILITIES AND FUND EQUITY</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 8,875,463	\$ 1,056,549	\$ 63,791
Deferred revenue	3,535,225	4,546,257	19,910
<b>Total Liabilities</b>	<b>12,410,688</b>	<b>5,602,806</b>	<b>83,701</b>
<b>FUND EQUITY</b>			
Fund Balances			
Reserved	135,308	-	-
Unreserved			
Designated	-	2,250,692	131,909
Undesignated	15,727,546	-	-
<b>Total Fund Equity</b>	<b>15,862,854</b>	<b>2,250,692</b>	<b>131,909</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 28,273,542</b>	<b>\$ 7,853,498</b>	<b>\$ 215,610</b>

See accompanying note to additional supplementary information.

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Debt Service Funds		Capital Project Funds			Total Governmental Funds
Bond Interest and Redemption	Other Debt Service	Capital Outlay Projects	Revenue Bond Construction	Schedule Maintenance	
\$ -	\$ -	\$ 21,153	\$ 774	\$ -	\$ 896,758
10,188,669	494	14,624,899	71,290,677	4,681,084	126,896,143
-	5	142,032	724,284	46,358	10,112,059
-	-	-	-	-	120,312
-	-	-	-	-	37,807
<u>\$ 10,188,669</u>	<u>\$ 499</u>	<u>\$ 14,788,084</u>	<u>\$ 72,015,735</u>	<u>\$ 4,727,442</u>	<u>\$ 138,063,079</u>
\$ -	\$ -	\$ 2,300,257	\$ 6,375,020	\$ 352,377	\$ 19,023,457
-	-	70,604	-	54,106	8,226,102
<u>-</u>	<u>-</u>	<u>2,370,861</u>	<u>6,375,020</u>	<u>406,483</u>	<u>27,249,559</u>
-	-	-	-	-	135,308
10,188,669	499	12,417,223	65,640,715	4,320,959	94,950,666
-	-	-	-	-	15,727,546
<u>10,188,669</u>	<u>499</u>	<u>12,417,223</u>	<u>65,640,715</u>	<u>4,320,959</u>	<u>110,813,520</u>
<u>\$ 10,188,669</u>	<u>\$ 499</u>	<u>\$ 14,788,084</u>	<u>\$ 72,015,735</u>	<u>\$ 4,727,442</u>	<u>\$ 138,063,079</u>



# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## GOVERNMENTAL FUNDS

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

#### IN FUND BALANCE - (UNAUDITED)

#### FOR THE YEAR ENDED JUNE 30, 2008

	<b>General Funds</b>		<b>Special Revenue Fund</b>
	<b>General Unrestricted</b>	<b>General Restricted</b>	<b>Child Development</b>
<b>REVENUES</b>			
Federal revenues	\$ 188,811	\$ 2,891,091	\$ 164,664
State revenues	87,347,433	8,459,616	583,564
Local revenues	34,139,440	4,661,559	219,187
<b>Total Revenues</b>	<b>121,675,684</b>	<b>16,012,266</b>	<b>967,415</b>
<b>EXPENDITURES</b>			
Current Expenditures			
Academic salaries	58,794,627	3,034,340	-
Classified salaries	22,848,703	4,929,336	771,747
Employee benefits	21,694,743	1,353,460	141,379
Books and supplies	1,894,793	858,822	35,176
Services and operating expenditures	9,569,011	1,730,249	44,804
Capital outlay	1,614,442	1,229,512	2,867
Debt service - principal	-	-	-
Debt service - interest and other	-	-	-
<b>Total Expenditures</b>	<b>116,416,319</b>	<b>13,135,719</b>	<b>995,973</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>5,259,365</b>	<b>2,876,547</b>	<b>(28,558)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	-	499,130	33,001
Operating transfers out	(3,932,147)	(641,630)	-
Other sources	46,113	-	-
Other uses	(3,252)	(483,355)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(3,889,286)</b>	<b>(625,855)</b>	<b>33,001</b>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>1,370,079</b>	<b>2,250,692</b>	<b>4,443</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>14,492,775</b>	<b>-</b>	<b>127,466</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$15,862,854</b>	<b>\$ 2,250,692</b>	<b>\$ 131,909</b>

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	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,244,566
93,268	-	83,334	-	310,519	96,877,734
11,198,594	451	1,412,016	4,857,545	247,364	56,736,156
11,291,862	451	1,495,350	4,857,545	557,883	156,858,456
-	-	-	-	-	61,828,967
-	-	-	33,053	-	28,582,839
-	-	-	8,990	-	23,198,572
-	-	10,153	172	-	2,799,116
-	-	53,819	148,285	20,940	11,567,108
-	-	2,733,375	19,663,739	580,226	25,824,161
7,985,000	694,707	-	-	-	8,679,707
3,173,913	177,423	-	-	-	3,351,336
11,158,913	872,130	2,797,347	19,854,239	601,166	165,831,806
132,949	(871,679)	(1,301,997)	(14,996,694)	(43,283)	(8,973,350)
-	872,130	2,295,000	-	874,516	4,573,777
-	-	-	-	-	(4,573,777)
-	-	11,000	-	-	57,113
-	-	-	-	-	(486,607)
-	872,130	2,306,000	-	874,516	(429,494)
132,949	451	1,004,003	(14,996,694)	831,233	(9,402,844)
10,055,720	48	11,413,220	80,637,409	3,489,726	120,216,364
\$ 10,188,669	\$ 499	\$ 12,417,223	\$ 65,640,715	\$ 4,320,959	\$ 110,813,520

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## PROPRIETARY FUNDS BALANCE SHEETS - (UNAUDITED) JUNE 30, 2008

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	<b>Enterprise Fund Bookstore</b>	<b>Internal Service Fund</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 90,165	\$ 75,000
Investments	603,364	15,741,365
Accounts receivable	413,063	154,619
Prepaid expenses	665,837	298,465
Stores inventories	1,169,417	-
Furniture and equipment (net)	22,458	-
<b>Total Assets</b>	<b>\$ 2,964,304</b>	<b>\$ 16,269,449</b>
<b>LIABILITIES AND FUND EQUITY</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 183,158	\$ 22,925
Deferred revenue	-	7,506
Claim liabilities	-	1,500,000
<b>Total Liabilities</b>	<b>183,158</b>	<b>1,530,431</b>
<b>FUND EQUITY</b>		
Retained earnings	2,781,146	14,739,018
<b>Total Liabilities and Fund Equity</b>	<b>\$ 2,964,304</b>	<b>\$ 16,269,449</b>

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, 2008

	<u>Enterprise Fund Bookstore</u>	<u>Internal Service Fund</u>
<b>OPERATING REVENUES</b>		
Sales and other local revenues	\$ 6,883,658	\$ 4,946,171
<b>OPERATING EXPENSES</b>		
Classified salaries	792,335	55,824
Employee benefits	322,637	406,866
Books and supplies	5,117,382	701
Services and other operating expenditures	550,777	4,130,308
<b>Total Operating Expenses</b>	<u>6,783,131</u>	<u>4,593,699</u>
<b>Operating Income</b>	<u>100,527</u>	<u>352,472</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	89,824	872,236
Miscellaneous revenues	-	377,475
Operating transfers out	<u>(341,072)</u>	<u>-</u>
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(251,248)</u>	<u>1,249,711</u>
<b>NET INCOME (LOSS)</b>	(150,721)	1,602,183
<b>RETAINED EARNINGS, BEGINNING OF YEAR</b>	<u>2,931,867</u>	<u>13,136,835</u>
<b>RETAINED EARNINGS, END OF YEAR</b>	<u><u>\$ 2,781,146</u></u>	<u><u>\$ 14,739,018</u></u>

See accompanying note to additional supplementary information.

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## PROPRIETARY FUNDS STATEMENTS OF CASH FLOWS - (UNAUDITED) FOR THE YEAR ENDED JUNE 30, 2008

	<b>Enterprise Funds</b>	<b>Internal Service Fund</b>
	<b>Bookstore</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from sales and user charges	\$ 7,557,628	\$ 4,946,171
Cash payments to employees for services	(1,114,972)	(462,690)
Cash payments to suppliers for goods and services	(4,524,803)	(701)
Cash payments for other operating expenses	(405,237)	(4,181,834)
Net Cash Flows From Operating Activities	<u>1,512,616</u>	<u>300,946</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Nonoperating revenue (Transfers out)	(341,072)	377,475
Net Cash Flows From Noncapital Financing Activities	<u>(341,072)</u>	<u>377,475</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	89,824	872,236
Net Cash Flows From Investing Activities	<u>89,824</u>	<u>872,236</u>
Change in cash and cash equivalents	1,261,368	1,550,657
Cash and cash equivalents - Beginning	1,519,778	14,265,708
Cash and cash equivalents - Ending	<u>\$ 2,781,146</u>	<u>\$ 15,816,365</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Operating income	\$ 100,527	\$ 352,472
Adjustments to reconcile operating income to net cash flows from operating activities:		
Depreciation	93,879	-
Changes in assets and liabilities:		
Receivables	(172,091)	(87,306)
Prepaid	658,394	53,508
Inventories	79,392	-
Accounts payable	78,545	(16,201)
Deferred revenue	-	(1,527)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>\$ 838,646</u>	<u>\$ 300,946</u>

See accompanying note to additional supplementary information.

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## FIDUCIARY FUNDS BALANCE SHEETS - (UNAUDITED) JUNE 30, 2008

	Associated Students Trust	Student Representation Fee	Student Financial Aid
<b>ASSETS</b>			
Cash and cash equivalents	\$ 221,402	\$ 231,150	\$ 132,025
Investments	-	-	220,225
Accounts receivable	-	-	1,350,903
Student loans receivable	-	-	667,615
<b>Total Assets</b>	<b>\$ 221,402</b>	<b>\$ 231,150</b>	<b>\$ 2,370,768</b>
<b>LIABILITIES AND FUND EQUITY</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ -	\$ 1,207,380
Other current liabilities	-	-	462,205
Due to student groups	221,402	231,150	-
<b>Total Liabilities</b>	<b>221,402</b>	<b>231,150</b>	<b>1,669,585</b>
<b>FUND EQUITY</b>			
Fund Balances			
Reserved	-	-	701,183
<b>Total Fund Equity</b>	<b>-</b>	<b>-</b>	<b>701,183</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 221,402</b>	<b>\$ 231,150</b>	<b>\$ 2,370,768</b>

See accompanying note to additional supplementary information.

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<b>Other Trust</b>	<b>Total</b>
\$ 596,367	\$ 1,180,944
1,017,968	1,238,193
-	1,350,903
-	667,615
<u>\$ 1,614,335</u>	<u>\$ 4,437,655</u>

\$ -	\$ 1,207,380
-	462,205
-	452,552
<u>-</u>	<u>2,122,137</u>

<u>1,614,335</u>	<u>2,315,518</u>
<u>1,614,335</u>	<u>2,315,518</u>
<u>\$ 1,614,335</u>	<u>\$ 4,437,655</u>

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## FIDUCIARY FUNDS

### STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - (UNAUDITED) FOR THE YEAR ENDED JUNE 30, 2008

	Associated Students Trust	Student Representation Fee	Student Financial Aid
<b>REVENUES</b>			
Federal revenues	\$ -	\$ -	\$16,686,120
State revenues	-	-	2,032,695
Local revenues	99,281	41,029	11,535
<b>Total Revenues</b>	<u>99,281</u>	<u>41,029</u>	<u>18,730,350</u>
<b>EXPENDITURES</b>			
Current Expenditures			
Classified salaries	-	-	-
Employee benefits	286	-	-
Books and supplies	68,304	6,261	-
Services and operating expenditures	53,188	71,646	-
Capital outlay	-	-	-
<b>Total Expenditures</b>	<u>121,778</u>	<u>77,907</u>	<u>-</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(22,497)</u>	<u>(36,878)</u>	<u>18,730,350</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	72,460	-	-
Other uses	(49,963)	36,878	(18,703,660)
<b>Total Other Financing Sources (Uses)</b>	<u>22,497</u>	<u>36,878</u>	<u>(18,703,660)</u>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	-	-	26,690
<b>FUND BALANCE, BEGINNING OF YEAR</b>	-	-	674,493
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 701,183</u>

See accompanying note to additional supplementary information.



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<b>Other Trust</b>	<b>Total</b>
\$ -	\$ 16,686,120
-	2,032,695
2,012,262	2,164,107
<u>2,012,262</u>	<u>20,882,922</u>
192,239	192,239
36,857	37,143
555,395	629,960
1,333,817	1,458,651
46,977	46,977
<u>2,165,285</u>	<u>2,364,970</u>
<u>(153,023)</u>	<u>18,517,952</u>
268,612	341,072
-	(18,716,745)
<u>268,612</u>	<u>(18,375,673)</u>
115,589	142,279
1,498,746	2,173,239
<u>\$ 1,614,335</u>	<u>\$ 2,315,518</u>

# **PASADENA AREA COMMUNITY COLLEGE DISTRICT**

## **NOTE TO ADDITIONAL SUPPLEMENTARY INFORMATION JUNE 30, 2008**

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### ***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 unaudited and is presented at the request of the District management.