

**PCC**

**PASADENA AREA  
COMMUNITY COLLEGE  
DISTRICT**

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ANNUAL FINANCIAL REPORT

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**JUNE 30, 2004**

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

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JUNE 30, 2004

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**PASADENA AREA COMMUNITY COLLEGE DISTRICT**

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***FINANCIAL SECTION***

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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Pasadena Area Community College District  
Pasadena, California

We have audited the accompanying basic financial statements of the Pasadena Area Community College District (the District) as of and for the years ended June 30, 2004 and 2003, and its discretely presented component unit, Pasadena City College Foundation, Inc., as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Pasadena Area Community College District and its discretely presented component unit, Pasadena City College Foundation, Inc., as of June 30, 2004 and 2003, and the respective changes in financial position and cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 4 through 9 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

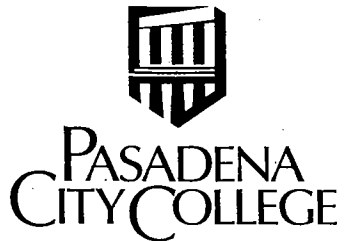
In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2004, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

As discussed in Note 1B to the financial statements, the District has adopted the provisions of the Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations are Component Units*, during the year ended June 30, 2004.

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

*Wawinek, Irine, Day & Co. LLP*

Rancho Cucamonga, California  
October 8, 2004



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, 2004. This analysis is presented with comparative information from our June 30, 2003, fiscal year end to highlight changes from one year to the next. This section of our report should be read in conjunction with the basic financial statements, including footnotes.

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

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

The focus of the Statement of Net Assets is designed to be similar to bottom line results for the District. This statement combines and consolidates current financial resources (net short-term spendable resources) with capital assets and long-term obligations. The Statement of Revenues, Expenses, and Changes in Net Assets focuses on the costs of the District's operational activities, which are supported mainly by property taxes and by State and other revenues. This approach is intended to summarize and simplify the user's analysis of the cost of various District services to students and the public. The Statement of Cash Flows provides an analysis of the sources and uses of cash within the operations of the District.

### ***FINANCIAL HIGHLIGHTS***

- The District has weathered through the recent State budget crisis without any layoffs of full-time employees.
- The District's 2003-2004 Adopted Budget included \$1,000,000 in frozen unfilled full-time positions in order to balance the budget in response to the State budget crisis cutback in funding for community colleges.
- The District's primary funding source is "Program-Based Funding" received from the State of California through the State Chancellor's Office. Program-Based Funding is comprised of State apportionment, local property taxes, and student enrollment fees, which are currently \$18 per unit. The primary basis of this apportionment is the calculation of Full-Time Equivalent Students (FTES). Our Credit FTES were 20,164 and 19,842 for the 2004 and 2003 fiscal years, respectively. Our actual funding for these FTES was based upon 19,578 and 19,481, respectively.
- The District ended the year with an Unrestricted General Fund balance of \$9,646,620; an increase of \$3,178,316 over the prior year. Included in the ending balance is approximately \$1,000,000 in carryover for the State Part-Time Faculty Augmentation Program to be distributed in the 2004-2005 fiscal year. The ending balance also includes approximately \$1,700,000 in restricted Partnership for Excellence carryover funds. The State Chancellor's Office recommends reserve levels of five percent of total General Fund expenditures be set aside for economic uncertainties.



# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2004**

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- The primary expenditure of the District is for the salaries and benefits of the Academic, Classified, and Administrative salaries of District employees. Approximately 87 percent of General Fund resources are consumed by employee compensation. These costs decreased over the 2002-2003 fiscal year by approximately \$4,000,000.
- The District has begun several construction and modernization Measure P projects throughout the District. These projects will be funded through the March 2002 voter approved \$150,000,000 Measure P general obligation bond program. The District has issued the first \$33,000,000 of bonds and has started the first major construction project – a new on-campus Parking Structure for students and staff. The new 2,001 space Parking Structure will be available for the 2005 winter semester.
- A Citizen's Oversight Committee was formed under Proposition 39 requirements and meets quarterly.
- The District provides student financial aid to qualifying students of the District in the amount of approximately \$20.0 million. This represents an increase of approximately \$4.2 million over the 2002-2003 fiscal year. This aid is provided through grants, loans, and tuition reductions from the Federal government, State Chancellor's Office, and local funding.

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2004

Condensed financial information is as follows: (in thousands)

### NET ASSETS

As of June 30,

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Current Assets		
Cash, investments, and short term receivables	\$ 69,416	\$ 75,926
Inventory and other assets	1,421	5,083
Total Current Assets	<u>70,837</u>	<u>81,009</u>
Noncurrent Assets		
Capital assets, net of depreciation	129,809	116,572
Total Assets	<u>\$ 200,646</u>	<u>\$ 197,581</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 11,800	\$ 8,013
Other current liabilities	495	513
Deferred revenue	5,019	5,717
Claims liability	1,325	1,250
Amounts held in trust	8,339	7,876
Long-term liabilities - current portion	4,952	3,048
Total Current Liabilities	<u>31,930</u>	<u>26,417</u>
Noncurrent Liabilities		
Long-term liabilities	35,867	40,279
Total Liabilities	<u>67,797</u>	<u>66,696</u>
<b>NET ASSETS</b>		
Invested in capital assets	108,317	107,334
Restricted for expendable purposes	4,778	6,254
Unrestricted	19,754	17,297
Total Net Assets	<u>132,849</u>	<u>130,885</u>
Total Liabilities and Net Assets	<u>\$ 200,646</u>	<u>\$ 197,581</u>

This schedule has been prepared from the District's Statement 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 Statement of Cash Flows (page 12).

Capital assets, net of depreciation is the net historical value (original cost) of land, buildings, construction in progress, and equipment less accumulated depreciation. Capital assets increased approximately \$13,000,000 due to the projects funded by the general obligation bond.

Long-term debt consists primarily of the general obligation bond issue, 2003 certificates of participation, and compensated absences. Long-term debt decreased approximately \$2,500,000 primarily due to the debt service payment for the general obligation bond.

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2004

Many of the unrestricted net assets have been designated by the Board or by contracts for such purposes as Federal and State grants, outstanding commitments on contracts, debt service, and bookstore and general reserves for the ongoing financial health of the District.

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

	2004	2003
<b>OPERATING REVENUES</b>		
Tuition and fees	\$ 14,090	\$ 13,065
Grants and contracts	30,882	29,013
Auxiliary sales and charges	6,475	6,884
Internal service sales and charges	2,894	2,726
Total Operating Revenues	<u>54,341</u>	<u>51,688</u>
<b>OPERATING EXPENSES</b>		
Salaries and benefits	88,060	91,307
Supplies and maintenance	37,259	39,347
Depreciation	3,619	2,902
Total Operating Expenses	<u>128,938</u>	<u>133,556</u>
<b>NET LOSS ON OPERATIONS</b>	<u>(74,597)</u>	<u>(81,868)</u>
<b>NONOPERATING REVENUES AND (EXPENSES)</b>		
State apportionments	37,413	40,791
Property taxes	31,840	28,972
State revenue	3,111	2,982
Investment income, net	656	699
Interest income	16	46
Interest expense	(2,542)	(460)
Other nonoperating revenues and transfers	4,680	3,193
Total Nonoperating Revenues	<u>75,174</u>	<u>76,223</u>
<b>OTHER REVENUES</b>		
State revenues, capital	803	248
Local revenues, capital	584	640
Total Other Revenues	<u>1,387</u>	<u>888</u>
<b>NET INCREASE (DECREASE) IN NET ASSETS</b>	<u>\$ 1,964</u>	<u>\$ (4,757)</u>

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

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2004**

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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 sources of revenue are from the general population of the State of California, and not from the direct users of the educational services, they are considered to be nonoperating. As a result, the operating loss of \$74,597,381 is balanced by the other funding sources. Total District revenues exceeded all expenditures sources by \$1,964,568 for the year ended June 30, 2004.

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

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

The interest income is primarily the result of cash held at the Los Angeles County Treasury. The interest expense relates to interest payments on the Certificates of Participation, lease commitments, and a note payable described in Note 8 of the financial statements.

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

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.

	<u>2004</u>	<u>2003</u>
<b>CASH PROVIDED BY (USED IN)</b>		
Operating activities	\$ (71,651)	\$ (78,063)
Noncapital financing activities	73,733	78,316
Capital financing activities	(17,443)	31,311
Investing activities	1,522	1,401
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ (13,839)</u>	<u>\$ 32,965</u>

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.

The District issued the first of a series of voter approved General Obligation Bonds in June 2003. This resulted in an increase in our cash position in the amount of \$33,000,000. The proceeds from this issuance were deposited in the Los Angeles County Treasury.

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2004

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

The economic position of Pasadena Area Community College District is closely tied to the State of California as State apportionments and property taxes allocated to the District represent approximately 80 percent of the unrestricted resources of the District. The funding formula for the 2004-2005 fiscal year has not been finalized; however, the Governor's fiscal year 2004-2005 budget for community colleges contains a 2.41 percent cost of living increase and growth funds. The State economy is slowly improving, and the Proposition 98 minimum guarantees plays a major factor in the State appropriations for higher education. Student tuition will be increasing to \$26 per unit for the 2004-2005 fiscal year. However, due to the components of the funding formula, the District will retain only two percent of this tuition increase.

The District's contribution to the Public Employees Retirement System (PERS) on behalf of employees is anticipated to increase dramatically in the coming year due to a decrease in the PERS investment portfolio earnings. Medical benefit insurance costs are continuing the upward trend in costs. Management is closely monitoring all of these factors in an effort to control the ultimate impact on the District's financial health.

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

### *CONTACTING THE DISTRICT*

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

**PASADENA AREA COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF NET ASSETS  
JUNE 30,**

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,986,401	\$ 4,155,498
Investments	59,267,380	71,770,596
Accounts receivable	7,495,465	2,894,088
Student loans receivable	666,633	725,717
Prepaid expenses	169,993	115,351
Stores inventories	1,250,706	1,347,448
<b>Total Current Assets</b>	<u>70,836,578</u>	<u>81,008,698</u>
<b>NONCURRENT ASSETS</b>		
Capital assets, net of depreciation	129,809,717	116,572,389
<b>Total Noncurrent Assets</b>	<u>129,809,717</u>	<u>116,572,389</u>
<b>TOTAL ASSETS</b>	<u>200,646,295</u>	<u>197,581,087</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	11,617,586	7,986,415
Accrued interest payable	182,859	26,445
Other current liabilities	494,786	513,301
Deferred revenue	5,018,718	5,717,325
Claims liability	1,325,000	1,250,000
Amounts held in trust on behalf of others	8,338,526	7,876,349
Accrued compensated absences payable	1,822,332	398,352
Bonds and notes payable	2,954,457	2,444,293
Lease obligations	175,402	204,964
<b>Total Current Liabilities</b>	<u>31,929,666</u>	<u>26,417,444</u>
<b>NONCURRENT LIABILITIES</b>		
Accrued compensated absences payable	512,778	1,991,763
Bonds and notes payable	34,903,250	37,767,707
Lease obligations	451,109	519,249
<b>Total Noncurrent Liabilities</b>	<u>35,867,137</u>	<u>40,278,719</u>
<b>TOTAL LIABILITIES</b>	<u>67,796,803</u>	<u>66,696,163</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	108,317,356	107,334,397
Restricted for:		
Debt service	763,101	2,680,681
Capital projects	4,015,386	3,572,487
Unrestricted	19,753,649	17,297,359
<b>TOTAL NET ASSETS</b>	<u>\$ 132,849,492</u>	<u>\$ 130,884,924</u>

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

**PASADENA AREA COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30,**

	<u>2004</u>	<u>2003</u>
<b>OPERATING REVENUES</b>		
Tuition and Fees	\$ 18,254,419	\$ 15,481,465
Less: Scholarship discount and allowance	<u>(4,164,892)</u>	<u>(2,416,799)</u>
Net tuition and fees	<u>14,089,527</u>	<u>13,064,666</u>
Grants and Contracts, noncapital:		
Federal	16,768,293	14,915,481
State	14,113,764	14,097,845
Auxiliary Enterprise Sales and Charges		
Bookstore	6,474,765	6,884,131
Internal Service Sales and Charges	<u>2,894,566</u>	<u>2,725,629</u>
<b>TOTAL OPERATING REVENUES</b>	<u>54,340,915</u>	<u>51,687,752</u>
<b>OPERATING EXPENSES</b>		
Salaries	69,951,899	75,737,598
Employee benefits	18,107,827	15,569,100
Supplies, materials, and other operating expenses and services	36,270,622	35,041,249
Equipment, maintenance, and repairs	988,675	4,305,355
Depreciation	<u>3,619,273</u>	<u>2,902,522</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>128,938,296</u>	<u>133,555,824</u>
<b>OPERATING LOSS</b>	<u>(74,597,381)</u>	<u>(81,868,072)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State apportionments, noncapital	37,413,194	40,790,574
Local property taxes	31,839,447	28,971,629
State taxes and other revenues	3,111,370	2,981,900
Investment income, net	656,233	698,946
Interest expense on capital related debt	(2,541,780)	(459,795)
Interest income on capital asset-related debt, net	16,186	46,502
Transfer to agency fund	(440,000)	(430,967)
Other nonoperating revenue	<u>5,119,367</u>	<u>3,623,959</u>
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>75,174,017</u>	<u>76,222,748</u>
<b>LOSS BEFORE OTHER REVENUES AND EXPENSES</b>	<u>576,636</u>	<u>(5,645,324)</u>
State revenues, capital	803,705	248,612
Local revenues, capital	<u>584,227</u>	<u>639,885</u>
<b>TOTAL INCOME BEFORE OTHER REVENUES AND EXPENSES</b>	<u>1,387,932</u>	<u>888,497</u>
<b>NET INCREASE (DECREASE) IN NET ASSETS</b>	1,964,568	(4,756,827)
<b>NET ASSETS, BEGINNING OF YEAR - RESTATED</b>	<u>130,884,924</u>	<u>135,641,751</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 132,849,492</u>	<u>\$ 130,884,924</u>

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

**PASADENA AREA COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30,**

	<u>2004</u>	<u>2003</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees	\$ 13,118,229	\$ 13,685,410
Grants and contracts	30,461,279	30,163,267
Payments to (on behalf of) employees	(88,048,334)	(91,912,923)
Payments to vendors and suppliers	(20,404,209)	(25,782,022)
Payments for scholarships and grants	(15,831,892)	(12,505,246)
Auxiliary sales and charges	9,053,120	9,113,959
Other receipts (payments)	-	(825,519)
<b>Net Cash Used by Operating Activities</b>	<u>(71,651,807)</u>	<u>(78,063,074)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State apportionments	35,335,932	41,979,513
Property taxes	34,308,990	29,210,952
State taxes and other revenues	2,253,937	2,611,847
Other receipts (payments)	1,834,492	4,513,847
<b>Net Cash Provided by Noncapital Financing Activities</b>	<u>73,733,351</u>	<u>78,316,159</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
State revenues, capital projects	803,705	199,622
Local revenue, capital projects	713,785	639,885
Proceeds from capital debt	5,485,738	33,000,000
Acquisition and construction of capital assets	(14,139,680)	(1,278,072)
Principal paid on capital debt and leases	(7,937,733)	(863,482)
Interest received on capital debt	16,186	46,502
Interest paid on capital debt and leases	(2,385,366)	(433,350)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>(17,443,365)</u>	<u>31,311,105</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	832,870	-
Investment income	689,508	875,698
Purchase of investments and related fees	-	524,710
<b>Net Cash Provided by Investing Activities</b>	<u>1,522,378</u>	<u>1,400,408</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(13,839,443)	32,964,598
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>67,387,938</u>	<u>34,423,340</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 53,548,495</u>	<u>\$ 67,387,938</u>

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



PASADENA AREA COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS, CONTINUED  
FOR THE YEAR ENDED JUNE 30,

	<u>2004</u>	<u>2003</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating loss	\$(74,597,381)	\$(81,868,072)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	3,619,273	2,902,522
Changes in assets and liabilities:		
Receivables, net	(803,364)	2,493,237
Inventories	96,742	(114,827)
Prepaid items	(54,642)	(46,470)
Accounts payable and accrued liabilities	915,730	(221,446)
Deferred revenue	(828,165)	(354,130)
Funds held for others	-	(825,519)
Compensated absences	-	(28,369)
<b>Total Adjustments</b>	<u>2,945,574</u>	<u>3,804,998</u>
<b>Net Cash Used by Operating Activities</b>	<u>\$(71,651,807)</u>	<u>\$(78,063,074)</u>
 <b>Cash and Cash Equivalents Consist of the Following:</b>		
Cash in banks	\$ 1,986,401	\$ 4,155,498
Cash in county treasury	51,562,094	63,232,440
<b>Total Cash and Cash Equivalents</b>	<u>\$ 53,548,495</u>	<u>\$ 67,387,938</u>

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

**PASADENA AREA COMMUNITY COLLEGE DISTRICT**

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

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash - unrestricted	\$ 312,138	\$ 600,163
Cash - restricted	145,851	324,615
Accounts receivable	20,299	35,295
Prepaid expenditures	2,106	2,106
<b>Total Current Assets</b>	<u>480,394</u>	<u>962,179</u>
<b>NONCURRENT ASSETS</b>		
Investments - unrestricted	255,923	-
Investments - restricted	4,689,000	4,310,473
Accounts receivable	-	40,193
Equipment, net	8,151	121
<b>Total Noncurrent Assets</b>	<u>4,953,074</u>	<u>4,350,787</u>
<b>TOTAL ASSETS</b>	<u>\$ 5,433,468</u>	<u>\$ 5,312,966</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 4,559	\$ -
Lease payable	7,927	-
<b>TOTAL LIABILITIES</b>	<u>12,486</u>	<u>-</u>
<b>NET ASSETS</b>		
Unrestricted	566,131	603,920
Temporarily restricted	1,981,596	2,034,432
Permanently restricted	2,873,255	2,674,614
<b>TOTAL NET ASSETS</b>	<u>5,420,982</u>	<u>5,312,966</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 5,433,468</u>	<u>\$ 5,312,966</u>

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

**PASADENA AREA COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF ACTIVITIES  
DISCRETELY PRESENTED COMPONENT UNIT  
PASADENA CITY COLLEGE FOUNDATION, INC.  
FOR THE YEAR ENDED JUNE 30,**

	2004			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>REVENUES AND OTHER SUPPORT</b>				
Donations	\$ 47,518	\$ 433,961	\$ 29,661	\$ 511,140
Interest and dividends	15,716	51,168	28,475	95,359
In-kind receipts	120,854	-	-	120,854
Miscellaneous revenue	12,088	-	-	12,088
Net assets released from restrictions	952,879	(855,630)	(97,249)	-
<b>Total Revenues and Other Support</b>	<u>1,149,055</u>	<u>(370,501)</u>	<u>(39,113)</u>	<u>739,441</u>
<b>EXPENSES</b>				
Operating	194,763	-	-	194,763
Program	955,638	-	-	955,638
Fundraising	40,712	-	-	40,712
<b>Total Expenses</b>	<u>1,191,113</u>	<u>-</u>	<u>-</u>	<u>1,191,113</u>
<b>OTHER INCOME AND EXPENSE</b>				
Realized gain (loss) on sale of investments	29,511	103,397	40,211	173,119
Unrealized gain (loss)	6,856	182,170	197,543	386,569
Transfers	(32,098)	32,098	-	-
<b>Total Other Income and (Expense)</b>	<u>4,269</u>	<u>317,665</u>	<u>237,754</u>	<u>559,688</u>
<b>CHANGE IN NET ASSETS</b>	(37,789)	(52,836)	198,641	108,016
<b>NET ASSETS, BEGINNING OF YEAR</b>	603,920	2,034,432	2,674,614	5,312,966
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 566,131</u>	<u>\$ 1,981,596</u>	<u>\$ 2,873,255</u>	<u>\$ 5,420,982</u>

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

**2003**

<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
\$ 64,546	\$ 566,724	\$ 238,003	\$ 869,273
11,394	51,680	12,699	75,773
162,048	-	-	162,048
-	-	-	-
967,922	(912,351)	(55,571)	-
<u>1,205,910</u>	<u>(293,947)</u>	<u>195,131</u>	<u>1,107,094</u>
192,153	-	-	192,153
964,579	-	-	964,579
16,937	-	-	16,937
<u>1,173,669</u>	<u>-</u>	<u>-</u>	<u>1,173,669</u>
(13,430)	(105,339)	(13,402)	(132,171)
49,944	121,398	(3,019)	168,323
-	-	-	-
<u>36,514</u>	<u>16,059</u>	<u>(16,421)</u>	<u>36,152</u>
68,755	(277,888)	178,710	(30,423)
535,165	2,312,320	2,495,904	5,343,389
<u>\$ 603,920</u>	<u>\$ 2,034,432</u>	<u>\$ 2,674,614</u>	<u>\$ 5,312,966</u>

**PASADENA AREA COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF CASH FLOWS  
DISCRETELY PRESENTED COMPONENT UNIT  
PASADENA CITY COLLEGE FOUNDATION, INC.  
FOR THE YEAR ENDED JUNE 30,**

	<u>2004</u>	<u>2003</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 108,016	\$ (30,423)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities		
Unrealized gain	(386,569)	(168,323)
Depreciation	1,027	243
Bad debt expense	53,958	-
Changes in Assets and Liabilities		
Decrease accounts receivable	1,231	119,343
Increase (Decrease) accounts payable	4,559	(7,402)
Increase in lease payable	7,927	-
<b>Net Cash Used by Operating Activities</b>	<u>(209,851)</u>	<u>(86,562)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Purchase of equipment	<u>(9,057)</u>	-
<b>Net Cash Used by Financing Activities</b>	<u>(9,057)</u>	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(247,881)	(1,960,486)
Sale of investments	-	1,339,298
<b>Net Cash Used by Investing Activities</b>	<u>(247,881)</u>	<u>(621,188)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(466,789)	(707,750)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	924,778	1,632,528
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 457,989</u>	<u>\$ 924,778</u>

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

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004 AND 2003

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **A. 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 Los Angeles County. The District operates under a locally elected seven-member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. Currently, the District operates one community college located in Pasadena, California.

#### **B. Financial Reporting Entity**

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

As defined by generally accepted accounting principles established by the GASB, the financial reporting entity consist of the primary government (the District), as well as the following component units:

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

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

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

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

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004 AND 2003

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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 as the District as if the activity was the District's. Within the supplementary information section of the report, the activity is included as the Capital Outlay Projects Fund and the Other Debt Service Fund. Certificates of participation issued by the Corporation are included as long-term liabilities in the government-wide financial statements. 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. Summarized financial information is presented in Note 13 to the financial statements. The JPAs are the Statewide Association of Community Colleges (SWACC) and the Schools Alliance for Workers' Compensation Excess II (SAWCX II).

### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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

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

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

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004 AND 2003

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

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

**D. The following is a summary of the more significant policies:**

- **Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of one year or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

- **Investments**

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

- **Accounts Receivable**

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

- **Prepaid Expenditures**

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

- **Inventory**

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



# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004 AND 2003

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- **Capital Assets and Depreciation**

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

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

- **Accrued Liabilities and Long-term Obligations**

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

- **Compensated Absences**

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

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. 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, 2004 AND 2003

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

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

- **Operating Revenues and Expenses**

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

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

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

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004 AND 2003

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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.

### **E. 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.

### **F. Property Tax**

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 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.

### **G. Federal Financial Assistance Programs**

The District participates in federally funded Pell Grants, SEOG Grants, Federal Work-Study, and Stafford Loan programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to students in the form of reduced tuition. These programs are audited in accordance with the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget's revised Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations," and the related *Compliance Supplement*. During the year ended June 30, 2004 and 2003, the District distributed \$999,594 and \$983,706, respectively, in direct lending through the U.S. Department of Education. These amounts have not been included as revenues or expenses within the accompanying financial statements as the amounts were passed directly to qualifying students however the amounts are included on the Schedule of Federal Financial Assistance.

### **H. Reclassifications**

Certain reclassifications were made to prior year's presentation to conform to current year.

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004 AND 2003

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### I. 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.

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.

### ***NOTE 2 - DEPOSITS AND INVESTMENTS***

#### **A. Policies and Practices**

The District is considered to be an involuntary participant in an external investment pool since the District is required to deposit all receipts and collections of monies with their county treasurer. In addition, the District is authorized to maintain deposits with certain financial institutions that are federally insured up to \$100,000. *California Government Code* Sections 16520-16522 require California banks and savings and loan associations to secure the District's deposits by pledging government securities as collateral. The market value of pledged securities must equal 110 percent of an agency's deposits.

Under provision of the District's investment policy, and in accordance with Sections 53601 and 53602 of the *California Government Code*, the District may also make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004 AND 2003

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### **B. Deposits**

At June 30, 2004 and 2003, the carrying amounts of the District's deposits were \$1,986,401 and \$4,155,498, respectively. The bank balances totaled \$1,852,344 and \$4,134,351, respectively. Of these amounts, \$173,336 and \$351,128 were federally insured by the Federal Deposit Insurance Corporation. The balances of \$1,679,008 and \$3,783,223, respectively, were collateralized with securities held by the individual financial institutions.

### **C. Investments**

The District's investments are categorized to give an indication of the level of risk assumed by the District at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the counterparty's trust department or agent in the District's name holds the securities. Category 3 includes uninsured and unregistered investments for which the securities are held by the financial institution's trust department or agent but not in the District's name. Deposits with the county treasury are not categorized because they do not represent securities, which exist in physical or book entry form. The deposits with county treasury are valued using the amortized cost method (which approximates fair value). The fair values were provided by the county.

**PASADENA AREA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004 AND 2003**

The investments are as follows:

**June 30, 2004**

	Bank Balance - Category			Reported Amount	Fair Value
	1	2	3		
INVESTMENTS					
Categorized					
Savings accounts	\$ -	\$ -	\$ 7,705,286	\$ 7,705,286	\$ 7,705,286
Uncategorized					
Deposits with county treasury				51,562,094	51,710,593
Total Investments				<u>\$59,267,380</u>	<u>\$59,415,879</u>

**June 30, 2003**

	Bank Balance - Category			Reported Amount	Fair Value
	1	2	3		
INVESTMENTS					
Categorized					
Savings accounts	\$ -	\$ -	\$ 7,319,641	\$ 7,319,641	\$ 7,319,641
Uncategorized					
U.S. Bank - Treasury Notes				1,218,515	1,218,515
Deposits with county treasury				63,232,440	63,341,330
Total Investments				<u>\$71,770,596</u>	<u>\$71,879,486</u>

**PASADENA AREA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004 AND 2003**

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**NOTE 3 - ACCOUNTS RECEIVABLES**

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

**June 30, 2004**

Federal Government	
Categorical aid	\$ 1,116,518
State Government	
Apportionment	2,077,262
Categorical aid	140,122
Lottery	1,443,184
Other State sources	1,157,208
Local Government	
Other local sources	1,561,171
Total	<u>\$ 7,495,465</u>
Student receivables	<u>\$ 666,633</u>

**June 30, 2003**

Federal Government	
Categorical aid	\$ 583,084
State Government	
Categorical aid	123,096
Lottery	585,751
Other State sources	138,995
Local Government	
Interest	33,275
Other local sources	1,429,887
Total	<u>\$ 2,894,088</u>
Student receivables	<u>\$ 725,717</u>

**PASADENA AREA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004 AND 2003**

**NOTE 4 - CAPITAL ASSETS**

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

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

Depreciation expense was \$3,619,273 and \$2,902,522 for the years ended June 30, 2004 and 2003, respectively.

**NOTE 5 - INTERFUND TRANSACTIONS**

**A. Interfund Receivables/Payables (Due To/Due From)**

Interfund receivable and payable balances consist of amounts owed between funds as a result of the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions recorded in the accounting system, and (3) payments between funds occur. These interfund transactions have been eliminated through consolidation within the entity-wide financial statements.



**PASADENA AREA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004 AND 2003**

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**B. 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.

**NOTE 6 - ACCOUNTS PAYABLE**

Accounts payable consisted of the following:

**June 30, 2004**

Accrued payroll	\$ 5,962,132
Construction	2,978,727
Other	2,676,727
Total	<u>\$ 11,617,586</u>

**June 30, 2003**

Accrued payroll	\$ 5,899,958
Construction	261,806
Other	1,824,651
Total	<u>\$ 7,986,415</u>

**PASADENA AREA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004 AND 2003**

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***NOTE 7 - DEFERRED REVENUE***

Deferred revenue consisted of the following:

**June 30, 2004**

State categorical aid	\$ 1,379,729
Other State	129,558
Student fees	2,730,848
Other local	778,583
Total	<u>\$ 5,018,718</u>

**June 30, 2003**

State categorical aid	\$ 1,309,131
Student fees	3,702,146
Other local	706,048
Total	<u>\$ 5,717,325</u>

**PASADENA AREA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004 AND 2003**

**NOTE 8 - LONG-TERM DEBT**

**A. Long-Term Debt Summary**

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

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

**B. Description of Debt**

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, 2004, \$33,000,000 had been issued and \$31,150,000 was outstanding. Interest rates on the bonds range from two percent to five percent.

The 1993 certificates of participation were issued in November 1993 in the amount of \$8,685,000 to fund the parking structure. At June 30, 2004, the balance outstanding was zero. The certificates were paid off with the issuance of the Certificates of Participation 2003 Series A in September 2003.

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, 2004, the balance outstanding was \$5,380,000. 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, 2004, the balance outstanding was \$1,327,707. 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 2009.

**PASADENA AREA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004 AND 2003**

**C. Bonded Debt**

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2003	Issued	Redeemed	Bonds Outstanding June 30, 2004
6/1/2003	6/1/2028	2.00-5.00%	\$ 33,000,000	\$ 33,000,000	\$ -	\$ 1,850,000	\$ 31,150,000

The general obligation bonds mature through 2028 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2005	\$ 2,310,000	\$ 1,391,512	\$ 3,701,512
2006	800,000	1,299,112	2,099,112
2007	815,000	1,283,113	2,098,113
2008	835,000	1,264,775	2,099,775
2009	855,000	1,243,900	2,098,900
2010-2014	4,735,000	5,766,500	10,501,500
2015-2019	5,865,000	4,642,250	10,507,250
2020-2024	7,480,000	3,022,000	10,502,000
2025-2028	7,455,000	954,750	8,409,750
Total	\$ 31,150,000	\$ 20,867,912	\$ 52,017,912

**D. 2003 Certificates of Participation Series A**

The certificates of participation mature through 2014 as follows:

Year Ending June 30,	Principal	Interest	Total
2005	\$ 485,000	\$ 173,550	\$ 658,550
2006	485,000	163,244	648,244
2007	495,000	151,600	646,600
2008	505,000	137,837	642,837
2009	520,000	122,463	642,463
2010-2014	2,890,000	308,644	3,198,644
Total	\$ 5,380,000	\$ 1,057,338	\$ 6,437,338

**PASADENA AREA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004 AND 2003**

**E. 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>
2005	\$ 159,457	\$ 70,543	\$ 230,000
2006	169,500	60,500	230,000
2007	179,543	50,457	230,000
2008	189,707	40,293	230,000
2009	199,750	30,250	230,000
2010-2011	429,750	30,250	460,000
Total	<u>\$ 1,327,707</u>	<u>\$ 282,293</u>	<u>\$ 1,610,000</u>

**F. Capital Leases**

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

Balance, July 1, 2003	\$ 795,839
Additions	105,378
Payments and adjustments	212,853
Balance, June 30, 2004	<u>\$ 688,364</u>

The capital leases have minimum lease payments as follows:

<u>Year Ending June 30,</u>	<u>Lease Payment</u>
2005	\$ 192,750
2006	155,388
2007	139,812
2008	134,971
2009	65,443
Total	<u>688,364</u>
Less: Amount Representing Interest	61,853
Present Value of Minimum Lease Payments	<u>\$ 626,511</u>

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004 AND 2003

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### ***NOTE 9 - POSTEMPLOYMENT BENEFITS***

The District provides medical, dental, and vision insurance coverage, as prescribed in the various employee union contracts, to retirees meeting plan eligibility requirements. Eligible employees retiring from the District may become eligible for these benefits when the requirements are met. The eligibility requirement for employees participating in PERS is a minimum age of 55 and a minimum ten years of continuous service with the District. Additional age and service criteria may be required. The eligibility requirement for employees participating in STRS is a minimum age of 60 with five years of service, or age 50 with 30 years of service. In addition, the District also has minimum continuous service requirements for retirement that range from three years to ten years and varies by employee class. The District recognizes expenditures for these postemployment health benefits on a pay-as-you-go-basis. During the 2003-2004 fiscal year, the District provided insurance premium benefits to 41 retired employees with total expenditures of \$471,886.

### ***NOTE 10 - RISK MANAGEMENT***

#### **A. 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, 2004, the District contracted with the Statewide Association of Community Colleges (SWACC) Joint Powers Authority for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

#### **B. Workers' Compensation**

For fiscal year 2004, the District participated in the Schools Alliance for Workers' Compensation Excess II (SAWCX II) Joint Powers Authority (JPA), an insurance purchasing pool. The District is self insured for the first \$150,000 of each workers' compensation claim. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to K-12 and community college districts that can meet the JPA's selection criteria.

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004 AND 2003

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### **NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS**

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

#### **A. STRS**

##### **Plan Description**

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

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

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004 AND 2003

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### Funding Policy

Active members of the DB Plan are required to contribute eight percent of their salary while the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2003-2004 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The CB Benefit Program is an alternative STRS contribution plan for instructors. Instructors who choose not to sign up for the DB Plan or FICA may participate in the CB Benefit Program. The District contribution rate for the CB Benefit Program is always a minimum of four percent with the sum of the District and employee contribution always being equal or greater than eight percent.

### Annual Pension Cost

The District's total contributions to STRS for the fiscal years ended June 30, 2004, 2003, and 2002, were \$3,397,099, \$3,497,262, and \$2,581,783, respectively and equal 100 percent of the required contributions for each year. The State of California may make additional direct payments for retirement benefits to the STRS on behalf of all community colleges in the State. The revenue and expenditures associated with these payments, if any, have not been included in these financial statements.

## **B. CalPERS**

### Plan Description

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

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



# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004 AND 2003

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### **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 2003-2004 was 10.42 percent of annual payroll.

### **Annual Pension Cost**

The District's contributions to CalPERS for fiscal years ending June 30, 2004, 2003, and 2002, were \$1,884,964, \$532,029, and \$0, respectively, and equaled 100 percent of the required contributions for each year. The actuarial assumptions used as part of the June 30, 2001, actuarial valuation (the most recent actuarial information available) included (a) an 8.25 percent investment rate of return (net of administrative expense); (b) an overall growth in payroll of 3.75 percent annually; and (c) an inflation component of 3.5 percent compounded annually that is a component of assumed wage growth, and assumed future post-retirement cost of living increases. The actuarial value of pension fund assets was determined by using a technique to smooth the effect of short-term volatility in the market value of investments.

### **C. On Behalf Payments**

The State of California makes contributions to STRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to STRS which amounted to \$938,834 (2.28 percent) of salaries subject to STRS. No contributions were made for PERS for the year ended June 30, 2004. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures, however, guidance received from the California Department of Education advises local educational agencies not to record these amounts. These amounts also have not been recorded in these financial statements.

### **D. Social Security**

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

**PASADENA AREA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004 AND 2003**

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***NOTE 12 - COMMITMENTS AND CONTINGENCIES***

**A. Grants**

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2004.

**B. 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, 2004.

**C. Construction Commitments**

As of June 30, 2004, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
Delmar/Bonnie Parking Structure	\$ 6,660,105	11/30/04
Industrial Technology Building Project	1,396,948	12/31/06
	<u>\$ 8,057,053</u>	

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

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

The District is also a member of the Schools Alliance for Workers' Compensation Excess II (SAWCX II) 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.

The JPAs reported no long-term debt outstanding at June 30, 2003. The District's share of year-end assets, liabilities, or fund equity has not been calculated.

**PASADENA AREA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004 AND 2003**

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Current year condensed audited financial information is as follows:

	SWACC	SAWCX II
	<u>June 30, 2003*</u>	<u>June 30, 2003*</u>
Assets	\$ 23,578,730	\$ 31,500,067
Liabilities	(13,977,302)	(24,535,587)
Fund Equity	<u>\$ 9,601,428</u>	<u>\$ 6,964,480</u>
Revenues	11,424,535	20,528,613
Expenses	(11,896,839)	(1,197,326)
Net Increase (Decrease) in Fund Equity	<u>\$ (472,304)</u>	<u>\$ 19,331,287</u>
 Payments for the Current Year	 <u>\$ 492,867</u>	 <u>\$ 251,363</u>

\* Most recent information available.

***NOTE 14 - NEW ACCOUNTING PRONOUNCEMENT***

The Governmental Accounting Standards Board (GASB) issued GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, in June 2004. The pronouncement will require employers providing healthcare benefits to retirees to recognize and account for the costs for providing these benefits on an accrual basis and provide footnote disclose on the progress toward funding the benefits. The implementation date for this pronouncement will be staggered in three phases based upon the entity's revenues, similar to the implementation for GASB Statements No. 34 and 35. GASB Statement No. 45 will be effective for the Pasadena Area Community College District on July 1, 2007. The effect of this pronouncement on the financial condition of the District has not been determined.

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***SUPPLEMENTARY INFORMATION***

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# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## DISTRICT ORGANIZATION JUNE 30, 2004

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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.

### BOARD OF TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Ms. Susanna H. Miele	President	November 2007
Dr. Jeanette Mann	Vice President	November 2007
Mr. Geoffrey L. Baum	Clerk	November 2005
Ms. Consuelo Rey Castro	Member	November 2005
Mr. John Martin	Member	November 2007
Ms. Beth Wells-Miller	Member	November 2005
Mr. Warren L. Weber	Member	November 2005
Mr. Manny Torres	Student Trustee	July 2004

### ADMINISTRATION

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

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PASADENA AREA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2004

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Catalog Number	Total Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>		
Passed through the California State Chancellor's Office		
VATEA I-C	84.048	\$ 612,110
VATEA II, Tech-Prep Education Grant	84.048	82,464
Title V - Strengthening Institutions	84.031S	371,414
TRIO - Student Support Services and Student Grants	84.042A	269,828
TRIO - Upward Bound	84.047A	296,998
TRIO - Upward Bound Math and Science	84.047M	258,873
Adult Basic Education	84.002A	272,226
Adult Basic Education and Family Literacy Act P.L. 105-220	84.002A	35,560
Fund for Improvement of Post Secondary Education	84.116Z	87,976
<b>Student Financial Aid Cluster [1]</b>		
Pell Grant	84.063	13,347,390
Pell Grant Administration Grant	84.063	25,795
Supplemental Educational Opportunity Grant	84.007	436,720
Supplemental Educational Opportunity Grant Administration	84.007	22,380
Federal Work-Study Program	84.033	285,119
Federal Work-Study Program - ACA	84.033	14,256
Perkins Loan Program	84.038	49,550
Perkins Administration	84.038	5,000
Federal Family Education Loans	84.032	950,044
<b>NASA</b>		
Smart Scientists Mentoring	43.001	34,185
<b>U.S. DEPARTMENT OF AGRICULTURE</b>		
Forest Reserve	10.665	49,439
<b>NATIONAL SCIENCE FOUNDATION</b>		
Advanced Technological Programs		
Uplift and Exhumation Fault Zone	47.076	40,664
Computer, Science, Engineering, and Math	47.076	84,415
Chemistry and Biology	47.076	49,945
Research Apprenticeship JPL	47.076	933
National Science Foundation Cal State	47.076	11,237
National Science Foundation Cal State	47.041	3,000
Subtotal		17,697,521
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		
Child Development Program	93.575	25,674
Child Development Program - Infant and Toddler	93.576	2,505
Child Development Program	84.335A	36,397
Child Development Program	84.335A	1,678
Subtotal		66,254
<b>DEPARTMENT OF LABOR</b>		
Veterans Education	17.804	2,212
<b>DEPARTMENT OF LABOR</b>		
Energy Challenge	None	2,000
		\$ 17,767,987

[1] Tested as a major program.

See accompanying note to supplementary information.



**PASADENA AREA COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2004**

PROGRAM	Program Entitlements		
	Current Year	Prior Year	Total Entitlement
<b>GENERAL FUND</b>			
California Articulation Number System (CAN)	\$ 5,000	\$ 1,673	\$ 6,673
Calworks	541,133	149,272	690,405
Child Development Program - State Preschool (GPRE9122)	191,602	156	191,758
Child Development Program - Infants and Toddlers (GPRE9167)	377,900	-	377,900
Child Development Program - Renovation and Repair	20,500	-	20,500
Child Development Program - Playground Compliance	12,457	-	12,457
Cooperative Agencies Resources For Education (CARE)	132,900	3,628	136,528
Disabled Students Program and Services (DSPS)	938,561	27,466	966,027
Economic Development - Applied Biological Technology	169,930	-	169,930
Economic Development - Multimedia Entertainment Center	169,930	41,755	211,685
Extended Opportunity Program and Services (EOP&S)	1,382,638	262,023	1,644,661
Associate Degree - Nursing Program	73,651	10,266	83,917
Foster Care Education Program	121,776	-	121,776
Matriculation - Credit	700,310	23,920	724,230
Matriculation - Non Credit	153,194	105,951	259,145
Matriculation - Administration	389,400	52,801	442,201
LA County School to Work	5,000	-	5,000
MESA	40,750	-	40,750
Staff Development - AB1725	-	28,206	28,206
Staff Diversity - AB1725	22,441	24,337	46,778
TANF	126,805	-	126,805
Telecommunications and Technology	64,234	133,672	197,906
Human Resources Tech Training	-	52,281	52,281
Cal Grant "B"	1,556,920	46,586	1,603,506
Cal Grant "C"	23,544	288	23,832
Family and Consumer Sciences Statewide Collaborative Grant			
Child Development	5,098	-	5,098
Fashion	5,245	-	5,245
Transfer and Articulation	-	4,137	4,137
SFAA Augmentation	638,938	-	638,938
Instructional Equipment	484,507	254,350	738,857
Student Financial Aid Administration	170,047	-	170,047

See accompanying note to supplementary information.

Program Revenues				
Cash Received	Accounts Receivable	Deferred Revenue	Total Revenue	Program Expenditures
\$ 6,673	\$ -	\$ -	\$ 6,673	\$ 6,673
873,797	-	318,908	554,889	554,889
191,758	-	-	191,758	191,758
320,887	-	-	320,887	320,887
20,500	-	-	20,500	7,254
12,457	-	-	12,457	9,672
136,528	-	-	136,528	136,528
966,027	-	-	966,027	966,027
169,930	-	105	169,825	169,825
291,923	-	87,718	204,205	204,205
1,482,541	-	123,965	1,358,576	1,358,576
61,527	22,390	-	83,917	83,917
60,888	50,082	-	110,970	110,970
724,230	-	46,751	677,479	677,479
259,145	-	143,732	115,413	115,413
361,253	-	202,071	159,182	159,182
-	5,000	-	5,000	5,000
-	33,618	-	33,618	33,618
28,206	-	13,217	14,989	14,989
47,485	-	29,019	18,466	18,466
126,805	-	-	126,805	126,805
197,906	-	121,463	76,443	76,443
52,281	-	29,659	22,622	22,622
1,579,380	24,126	14,783	1,588,723	1,588,723
23,832	-	-	23,832	23,832
1,500	2,221	-	3,721	3,721
1,500	2,685	-	4,185	4,185
4,137	-	-	4,137	4,137
638,938	-	4,240	634,698	634,698
738,857	-	244,098	494,759	494,760
170,047	-	-	170,047	170,047
<u>\$ 9,550,938</u>	<u>\$ 140,122</u>	<u>\$ 1,379,729</u>	<u>\$ 8,311,331</u>	<u>\$ 8,295,301</u>

**PASADENA AREA COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF WORKLOAD MEASURES FOR STATE APPORTIONMENT  
ANNUALIZED ATTENDANCE AND ANNUAL APPRENTICESHIP HOURS  
OF INSTRUCTION  
FOR THE YEAR ENDED JUNE 30, 2004**

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
<b>A. <u>Credit Full-Time Equivalent Student (FTES)</u></b>			
1. Summer	1,471	-	1,471
2. Weekly census	16,288	-	16,288
3. Daily census	1,343	-	1,343
4. Actual hours of attendance	497	-	497
5. Independent study/work experience	458	-	458
Subtotal	20,057	-	20,057
<b>B. <u>Noncredit FTES</u></b>			
1. Summer	255	-	255
2. Actual hours of attendance	1,710	-	1,710
Subtotal	1,965	-	1,965
Total FTES	22,022	-	22,022
<b>C. <u>Basic Skills Courses</u></b>			
1. Credit			863
2. Non credit			708
Total Basic Skills FTES			1,571
<b>D. <u>FTES Generated in Leased Space</u></b>			
			118
<b>E. <u>Gross Square Footage</u></b>			
Existing facilities			1,028,053

See accompanying note to supplementary information.

**PASADENA AREA COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET  
REPORT WITH AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004**

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There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2004.

See accompanying note to supplementary information.

**PASADENA AREA COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2004**

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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 Funds	\$10,259,444
Special Revenue Funds	27,230
Capital Project Funds	21,007,243
Debt Service Funds	763,101
Enterprise Funds	3,049,221
Internal Service Funds	8,760,352
Fiduciary Funds	8,988,349

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

**- All District Funds** **\$ 52,854,940**

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	175,008,543	
Accumulated depreciation is	(45,198,826)	
Less fixed assets already recorded in the enterprise and fiduciary funds	<u>(474,452)</u>	129,335,265

Amounts held in trust on behalf of others (Trust and Agency Funds). (8,338,526)

In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term debt is recognized when it is incurred. (182,859)

Long-term liabilities at year end consist of:

Bonds payable	31,150,000	
Certificates of participation	5,380,000	
Notes payable	1,327,707	
Capital leases payable	626,511	
Compensated absences (vacations)	<u>2,335,110</u>	<u>(40,819,328)</u>
<b>Total Net Assets</b>		<b><u>\$ 132,849,492</u></b>

See accompanying note to supplementary information.

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2004

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### *NOTE 1 - PURPOSE OF SCHEDULES*

#### **A. 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.

#### **B. 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.

#### **C. Schedule of Workload Measures for State Apportionment Annualized Attendance and Annual Apprenticeship Hours of Instruction**

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

#### **D. Reconciliation of Annual Financial and Budget Report with Audited 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.

#### **E. Reconciliation of the Governmental Funds Balance Sheet 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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***ADDITIONAL SUPPLEMENTARY INFORMATION***

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**PASADENA AREA COMMUNITY COLLEGE DISTRICT**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2004**

	<u>General Funds</u>		<u>Special Revenue Fund</u>
	<u>General Unrestricted</u>	<u>General Restricted</u>	<u>Child Development</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 32,500	\$ -	\$ -
Investments	13,559,203	2,837,002	84,978
Accounts receivable	5,161,017	1,085,742	7,932
Prepaid expenses	27,675	44,499	-
Stores inventory	58,333	-	-
<b>Total Assets</b>	<b>\$ 18,838,728</b>	<b>\$ 3,967,243</b>	<b>\$ 92,910</b>
<b>LIABILITIES AND FUND EQUITY</b>			
<b>LIABILITIES</b>			
Accounts payable	6,945,189	799,733	59,201
Deferred revenue	2,246,919	2,554,686	6,479
<b>Total Liabilities</b>	<b>9,192,108</b>	<b>3,354,419</b>	<b>65,680</b>
<b>FUND EQUITY</b>			
Fund Balances			
Reserved	3,430,967	-	-
Unreserved			
Designated	6,215,653	612,824	27,230
<b>Total Fund Equity</b>	<b>9,646,620</b>	<b>612,824</b>	<b>27,230</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 18,838,728</b>	<b>\$ 3,967,243</b>	<b>\$ 92,910</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	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,500
762,357	744	3,004,966	19,783,442	1,148,614	41,181,306
-	-	95,763	-	77,104	6,427,558
-	-	-	5,500	-	77,674
-	-	-	-	-	58,333
<u>\$ 762,357</u>	<u>\$ 744</u>	<u>\$ 3,100,729</u>	<u>\$ 19,788,942</u>	<u>\$ 1,225,718</u>	<u>\$ 47,777,371</u>
-	-	-	2,797,085	133,930	10,735,138
-	-	123,025	-	54,106	4,985,215
-	-	<u>123,025</u>	<u>2,797,085</u>	<u>188,036</u>	<u>15,720,353</u>
-	-	-	-	-	3,430,967
762,357	744	2,977,704	16,991,857	1,037,682	28,626,051
<u>762,357</u>	<u>744</u>	<u>2,977,704</u>	<u>16,991,857</u>	<u>1,037,682</u>	<u>32,057,018</u>
<u>\$ 762,357</u>	<u>\$ 744</u>	<u>\$ 3,100,729</u>	<u>\$ 19,788,942</u>	<u>\$ 1,225,718</u>	<u>\$ 47,777,371</u>

PASADENA AREA COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2004

	General Funds		Special Revenue Fund
	General Unrestricted	General Restricted	Child Development
<b>REVENUES</b>			
Federal revenues	\$ 201,034	\$ 2,683,583	\$ 64,854
State revenues	45,952,097	6,096,366	545,602
Local revenues	45,766,590	2,069,791	194,565
<b>Total Revenues</b>	<u>91,919,721</u>	<u>10,849,740</u>	<u>805,021</u>
<b>EXPENDITURES</b>			
Current Expenditures			
Academic salaries	44,149,318	1,899,120	-
Classified salaries	18,021,291	4,105,007	630,714
Employee benefits	16,736,922	1,134,138	112,986
Books and supplies	1,423,573	809,486	21,626
Services and operating expenditures	7,269,396	1,310,054	128,233
Capital outlay	779,686	848,386	10,321
Debt service - principal	-	-	-
Debt service - interest and other	-	-	-
<b>Total Expenditures</b>	<u>88,380,186</u>	<u>10,106,191</u>	<u>903,880</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>3,539,535</u>	<u>743,549</u>	<u>(98,859)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	800,000	4,808	114,000
Operating transfers out	(1,149,632)	(74,333)	-
Other sources	9,962	-	-
Other uses	(21,549)	(644,512)	-
<b>Total Other Financing Sources (Uses)</b>	<u>(361,219)</u>	<u>(714,037)</u>	<u>114,000</u>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<u>3,178,316</u>	<u>29,512</u>	<u>15,141</u>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>6,468,304</u>	<u>583,312</u>	<u>12,089</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 9,646,620</u>	<u>\$ 612,824</u>	<u>\$ 27,230</u>

See accompanying note to additional supplementary information.

Debt Service Funds		Capital Project Funds			Total Governmental Funds
Bond Interest and Redemption	Other Debt Service	Capital Outlay Projects	Revenue Bond Construction	Schedule Maintenance	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,949,471
31,193	-	199,294	-	604,411	53,428,963
2,469,543	16,186	607,454	290,361	20,731	51,435,221
<u>2,500,736</u>	<u>16,186</u>	<u>806,748</u>	<u>290,361</u>	<u>625,142</u>	<u>107,813,655</u>
-	-	-	-	-	46,048,438
-	-	-	-	-	22,757,012
-	-	-	-	-	17,984,046
-	-	9,777	5,776	-	2,270,238
-	-	79,907	107,122	140,239	9,034,951
-	-	346,229	14,883,827	1,138,751	18,007,200
1,850,000	5,884,293	-	-	-	7,734,293
1,350,545	1,034,821	-	-	-	2,385,366
<u>3,200,545</u>	<u>6,919,114</u>	<u>435,913</u>	<u>14,996,725</u>	<u>1,278,990</u>	<u>126,221,544</u>
(699,809)	(6,902,928)	370,835	(14,706,364)	(653,848)	(18,407,889)
-	305,157	-	-	-	1,223,965
-	-	-	-	-	(1,223,965)
-	5,380,000	725,912	-	-	6,115,874
-	-	-	-	-	(666,061)
-	<u>5,685,157</u>	<u>725,912</u>	-	-	<u>5,449,813</u>
(699,809)	(1,217,771)	1,096,747	(14,706,364)	(653,848)	(12,958,076)
1,462,166	1,218,515	1,880,957	31,698,221	1,691,530	45,015,094
<u>\$ 762,357</u>	<u>\$ 744</u>	<u>\$ 2,977,704</u>	<u>\$ 16,991,857</u>	<u>\$ 1,037,682</u>	<u>\$ 32,057,018</u>

PASADENA AREA COMMUNITY COLLEGE DISTRICT

**BALANCE SHEET  
 PROPRIETARY FUNDS  
 JUNE 30, 2004**

	<b>Enterprise Fund Bookstore</b>	<b>Internal Service Fund</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 545,805	\$ 75,000
Investments	600,074	9,999,891
Accounts receivable	385,962	1,080
Prepaid expenses	16,701	75,618
Stores inventory	1,192,373	-
Furniture and equipment (net)	442,209	-
<b>Total Assets</b>	<b>\$ 3,183,124</b>	<b>\$ 10,151,589</b>
<b>LIABILITIES AND FUND EQUITY</b>		
<b>LIABILITIES</b>		
Accounts payable	133,903	55,897
Deferred revenue	-	10,340
Claim liabilities	-	1,325,000
<b>Total Liabilities</b>	<b>133,903</b>	<b>1,391,237</b>
<b>FUND EQUITY</b>		
Retained earnings	3,049,221	8,760,352
<b>Total Liabilities and Fund Equity</b>	<b>\$ 3,183,124</b>	<b>\$ 10,151,589</b>

See accompanying note to additional supplementary information.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
 RETAINED EARNINGS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2004

	<u>Enterprise Fund Bookstore</u>	<u>Internal Service Fund</u>
<b>OPERATING REVENUES</b>		
Sales and other local revenues	\$ 6,474,765	\$ 2,757,130
<b>OPERATING EXPENSES</b>		
Classified salaries	758,934	44,168
Employee benefits	105,248	18,533
Books and supplies	5,096,884	1,061
Services and other operating expenditures	-	3,369,535
Capital outlay	2,217	849
<b>Total Operating Expenses</b>	<u>5,963,283</u>	<u>3,434,146</u>
<b>Operating Income (Loss)</b>	<u>511,482</u>	<u>(677,016)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	-	131,931
Miscellaneous revenues	-	137,436
Operating transfers out	(440,000)	-
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(440,000)</u>	<u>269,367</u>
<b>NET INCOME (LOSS)</b>	71,482	(407,649)
<b>RETAINED EARNINGS, BEGINNING OF YEAR</b>	<u>2,977,739</u>	<u>9,168,001</u>
<b>RETAINED EARNINGS, END OF YEAR</b>	<u>\$ 3,049,221</u>	<u>\$ 8,760,352</u>

See accompanying note to additional supplementary information.

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**PASADENA AREA COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2004**

	<u>Enterprise Funds</u>	<u>Internal Service Fund</u>
	<u>Bookstore</u>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from user charges	\$ 6,474,765	\$ 2,757,130
Cash payments to employees for services	(758,934)	(44,168)
Cash payments to suppliers for goods and services	(5,280,015)	(1,061)
Cash payments for other operating expenses	(107,465)	(3,333,664)
Net Cash Provided (Used) for Operating Activities	<u>328,351</u>	<u>(621,763)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Nonoperating revenue (Transfers out)	(440,000)	137,436
Net Cash Provided (Used) from Noncapital Financing Activities	<u>(440,000)</u>	<u>137,436</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital contributions	-	-
Acquisition of capital assets	(19,999)	-
Net Cash Used for Capital and Related Financing Activities	<u>(19,999)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	-	131,931
Net Cash Provided from Investing Activities	<u>-</u>	<u>131,931</u>
Net decrease in cash and cash equivalents	(131,648)	(352,396)
Cash and cash equivalents - Beginning	1,277,527	10,427,287
Cash and cash equivalents - Ending	<u>\$ 1,145,879</u>	<u>\$ 10,074,891</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ 511,482	\$ (677,016)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	87,450	-
Changes in assets and liabilities:		
Receivables	(316,411)	200
Prepaid	3,232	(44,103)
Inventories	63,534	-
Accounts payable	(20,936)	22,990
Claims liability	-	75,000
Deferred revenue	-	1,166
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ 328,351</u>	<u>\$ (621,763)</u>

See accompanying note to additional supplementary information.



PASADENA AREA COMMUNITY COLLEGE DISTRICT

**BALANCE SHEET  
FIDUCIARY FUNDS  
JUNE 30, 2004**

	<u>Associated Students Trust</u>	<u>Student Representation Fee</u>	<u>Student Financial Aid</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 187,890	\$ 126,612	\$ 132,025
Investments	-	-	380,897
Accounts receivable	-	-	680,865
Student loans receivable	-	-	666,633
Fixed assets	31,273	-	-
<b>Total Assets</b>	<u>\$ 219,163</u>	<u>\$ 126,612</u>	<u>\$ 1,860,420</u>
<b>LIABILITIES AND FUND EQUITY</b>			
<b>LIABILITIES</b>			
Accounts payable	-	-	692,648
Other current liabilities	-	-	494,786
Deferred revenue	-	-	23,163
Due to student groups	219,163	126,612	-
<b>Total Liabilities</b>	<u>219,163</u>	<u>126,612</u>	<u>1,210,597</u>
<b>FUND EQUITY</b>			
Fund Balances			
Reserved	-	-	649,823
<b>Total Fund Equity</b>	<u>-</u>	<u>-</u>	<u>649,823</u>
<b>Total Liabilities and Fund Equity</b>	<u>\$ 219,163</u>	<u>\$ 126,612</u>	<u>\$ 1,860,420</u>

See accompanying note to additional supplementary information.

<b>Scholarship and Loan</b>	<b>Other Trust</b>	<b>Total</b>
\$ 180,345	\$ 706,224	\$ 1,333,096
6,226,509	878,703	7,486,109
-	-	680,865
-	-	666,633
970	-	32,243
<u>\$ 6,407,824</u>	<u>\$ 1,584,927</u>	<u>\$ 10,198,946</u>
-	-	692,648
-	-	494,786
-	-	23,163
-	-	345,775
<u>-</u>	<u>-</u>	<u>1,556,372</u>
6,407,824	1,584,927	8,642,574
<u>6,407,824</u>	<u>1,584,927</u>	<u>8,642,574</u>
<u>\$ 6,407,824</u>	<u>\$ 1,584,927</u>	<u>\$ 10,198,946</u>

PASADENA AREA COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCE  
 FIDUCIARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2004

	Associated Students Trust	Student Representation Fee	Student Financial Aid
<b>REVENUES</b>			
Federal revenues	\$ -	\$ -	\$13,818,822
State revenues	-	-	2,013,070
Local revenues	32,628	43,988	1,961
<b>Total Revenues</b>	<u>32,628</u>	<u>43,988</u>	<u>15,833,853</u>
<b>EXPENDITURES</b>			
Current Expenditures			
Classified salaries	-	1,814	-
Employee benefits	371	-	-
Books and supplies	28,538	7,572	-
Services and operating expenditures	97,616	36,246	-
Capital outlay	-	-	-
<b>Total Expenditures</b>	<u>126,525</u>	<u>45,632</u>	<u>-</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(93,897)</u>	<u>(1,644)</u>	<u>15,833,853</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	125,000	-	-
Other sources	-	1,644	-
Other uses	(31,103)	-	(15,831,892)
<b>Total Other Financing Sources (Uses)</b>	<u>93,897</u>	<u>1,644</u>	<u>(15,831,892)</u>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES</b>	-	-	1,961
<b>FUND BALANCE, BEGINNING OF YEAR</b>	-	-	647,862
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 649,823</u>

See accompanying note to additional supplementary information.

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<b>Scholarship and Loan</b>	<b>Other Trust</b>	<b>Total</b>
\$ -	\$ -	\$ 13,818,822
-	-	2,013,070
2,324,938	2,085,828	4,489,343
<u>2,324,938</u>	<u>2,085,828</u>	<u>20,321,235</u>
-	196,589	198,403
-	35,162	35,533
-	607,660	643,770
1,989,667	1,414,209	3,537,738
-	49,762	49,762
<u>1,989,667</u>	<u>2,303,382</u>	<u>4,465,206</u>
<u>335,271</u>	<u>(217,554)</u>	<u>15,856,029</u>
-	315,000	440,000
-	-	1,644
-	-	(15,862,995)
<u>-</u>	<u>315,000</u>	<u>(15,421,351)</u>
335,271	97,446	434,678
6,072,553	1,487,481	8,207,896
<u>\$ 6,407,824</u>	<u>\$ 1,584,927</u>	<u>\$ 8,642,574</u>

**PASADENA AREA COMMUNITY COLLEGE DISTRICT**

**NOTE TO ADDITIONAL SUPPLEMENTARY INFORMATION  
JUNE 30, 2004**

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***NOTE 1 - PURPOSE OF SCHEDULES***

**Fund Financial Statements**

The Fund Financial Statements provide information on the District's individual funds as reported to the State Chancellor's Office. These funds are presented on the modified accrual basis of accounting.

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***INDEPENDENT AUDITORS' REPORTS***

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

Board of Trustees  
Pasadena Area Community College District  
Pasadena, California

We have audited the basic financial statements of Pasadena Area Community College District (the District) as of and for the year ended June 30, 2004, and have issued our report thereon dated October 8, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Pasadena Area Community College District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain matters involving the internal control over financial reporting which we have reported to management of the District in a separate letter dated October 8, 2004.

Compliance and Other Matters

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



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

*Vaurinek, Irine, Day & Co. LLP*

Rancho Cucamonga, California

October 8, 2004



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

Board of Trustees  
Pasadena Area Community College District  
Pasadena, California

Compliance

We have audited the compliance of Pasadena Area Community College District 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, 2004. The District's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, Pasadena Area Community College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2004.

### Internal Control Over Compliance

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

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

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

*Vaurinek, Irine, Day, & Co. LLP*

Rancho Cucamonga, California  
October 8, 2004



## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees  
Pasadena Area Community College District  
Pasadena, California

We have audited the financial statements of the Pasadena Area Community College District for the year ended June 30, 2004, and have issued our report thereon dated October 8, 2004.

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

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

### General Directives

#### MIS Implementation - Required Data Elements

##### Compliance Requirement

Each district shall have the ability to support timely, accurate, and complete information for the following workload measures used in the calculation of State General Apportionment:

- Credit Full-Time Equivalent Student (FTES) is weekly census, daily census, actual hour of attendance, and apprenticeship courses.
- Noncredit FTES in actual hours of attendance courses.
- Credit Student Headcount Data.
- Gross square footage and FTES growth in leased facilities.

## Administrative

### Fiscal Operations - Salaries of Classroom Instructors (50 Percent Law)

#### Compliance Requirement

Each district's salaries of classroom instructors shall equal or exceed 50 percent of the district's current expense of education in accordance with Section 84362 of the *California Education Code*.

### Fiscal Operation - Gann Limit Calculation

#### Compliance Requirement

Each district shall calculate and adopt an appropriation limit annually in a public meeting. The calculation and adoption shall be verified by certified public accountants as part of the annual audit of financial statements.

### Apportionments - Students Actively Enrolled

#### Compliance Requirement

Each district shall claim, for apportionment purposes only, the attendance of students actively enrolled in a course section as of the census date (if census procedures are used to record attendance in the course section).

### Apportionments - Enrollment Fees

#### Compliance Requirement

Community colleges are required to report the total amount students should have paid for enrollment fees for the purpose of determining each district's share of apportionment revenue.

### Apportionment - Instructional Service Agreements/Contracts

#### Compliance Requirement

Community colleges may claim FTES for classes given at a contractor's site and use the contractor's employees as instructors for the classes if the following requirements are met:

- Programs must be approved by the State Chancellor's Office and courses must be part of those approved programs, or the District must have received delegated authority to separately approve those courses.
- Courses must be open to the general public.
- Students must be under the immediate supervision of a District employee.
- The District employee must possess valid credentials or meet the minimum qualifications required for the assignment.

### Apportionment - Residency Determination for Credit Classes

#### Compliance Requirement

District internal fiscal controls should ensure that State apportionment for credit course is only claimed for student attendance allowed by statute and regulation. Student residence at the time of registration is a major factor for allowing districts to claim State apportionment for credit courses.

### Apportionment - Concurrent Enrollment of K-12 Students in Community College Courses

#### Compliance Requirement

A community college district may claim FTES for the attendance of K-12 pupils who take courses offered by the district under this concurrent enrollment arrangement only if it complies with all related California Education Code sections.

### Open Enrollment

#### Compliance Requirement

Community colleges shall comply with Title 5 provisions of the *California Code of Regulations* related to open enrollment by the general public for all courses being submitted for State apportionment funding.

## **Student Services**

### Uses of Matriculation Funds

#### Compliance Requirement

The District is required to use local funds to support at least 75 percent of the matriculation activities with the remaining expenditures claimable against the State matriculation allocation. All expenditures related to the allocation, both State and locally funded portions, must be consistent with the District's State-approved matriculation plan and identifiable as matriculation related activities as authorized by the Seymour-Campbell Matriculation Act of 1986.

## **Special Programs**

### Extended Opportunity Programs and Services - (EOP&S) - Allocation of Costs

#### Compliance Requirement

Salaries of instructors teaching FTES generating classes, school counselors providing academic advisement, Student Services at the Dean level or above, and financial aid officers conducting need analysis are not considered supportable charges against EOP&S accounts unless their activities require them to perform additional functions for the EOP&S program that are beyond the scope of services provided to all students in the normal performance of the regular duty assignments. These activities may be supported only to the extent of the supplementary services provided for EOP&S.

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

Compliance Requirement

Districts accepting EOP&S funds are required to contribute from non-EOP&S sources the salary of the EOP&S administrator/director at the rate of 100 percent of salary and benefits for formal program activities associated with the implementation and operation of EOP&S specific activities over and above general supervision of EOP&S activities.

**Facilities Program**

Scheduled Maintenance Program

Compliance Requirement

Funds provided by the State must be used to supplement, not supplant, District deferred maintenance funds. This is defined as the amount spent in fiscal year 1995-96 for Operation and Maintenance of Plant increased by an amount equal to the State's contribution and District's match for the Scheduled Maintenance Program for the year being audited.

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 2004-1 described in the accompanying Schedule of State Awards 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, 2004.

This report is intended solely for the information of the Board of Trustees, District Management, audit committee, and others within the District, the California Community Colleges Chancellor'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.

*Maureen K. Irvine, Day & Co. LLP*

Rancho Cucamonga, California

October 8, 2004

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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, 2004**

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**FINANCIAL STATEMENTS**

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

**FEDERAL AWARDS**

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>No</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, and 84.063	Student Financial Aid Cluster
_____	_____
_____	_____

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 533,040</u>
Auditee qualified as low-risk auditee?	<u>No</u>

**STATE AWARDS**

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>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, 2004**

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There were no findings representing reportable conditions, material weaknesses, and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

**PASADENA AREA COMMUNITY COLLEGE DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2004**

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There were no findings representing reportable conditions, material weaknesses, and/or instances of noncompliance including questioned costs that are required to be reported by OMB Circular A-133.

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2004

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The following findings represent instances of noncompliance and/or questioned costs relating to State program laws and regulations.

### 2004-1 Finding

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

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

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

### Recommendation

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

### District Response

The Management Information Services (MIS) Office, the Admissions, Records, and Registration Office, and the Institutional Planning and Research Office will be responsible for the follow-up and corrections to the computer programs and internal processes that determine whether or not a student who repeats a course is eligible for apportionment funding under Title V regulations.

**PASADENA AREA COMMUNITY COLLEGE DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2004**

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There were no audit findings reported in the prior year's schedule of audit findings and questioned costs.