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**PASADENA AREA
COMMUNITY COLLEGE
DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2007

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, 2007 and 2006, and its discretely presented component unit, Pasadena City College Foundation, Inc., as listed in the Table of Contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Pasadena Area Community College District and its discretely presented component unit, Pasadena City College Foundation, Inc., as of June 30, 2007 and 2006, and the respective changes in financial position and cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

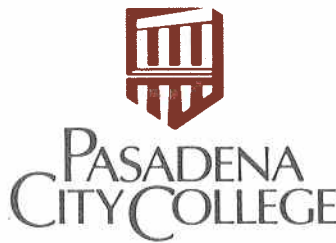
The Management's Discussion and Analysis, as listed in the Table of Contents, is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. This supplementary information is the responsibility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

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

The Additional Supplementary Information on pages 68 through 75 has been presented at the request of District management for purposes of additional analysis. We have applied certain limited procedures consisting primarily of analysis and inquiry regarding presentation; however, we did not audit the information. Accordingly, we express no opinion on them.

Wawinek, Fine, Day & Co. LLP

Rancho Cucamonga, California
January 10, 2008



Office of the Vice President
for Administrative Services

This section of our annual financial report offers a narrative overview and analysis of the financial activities of Pasadena Area Community College District (the District) for the year ended June 30, 2007. This analysis is presented with comparative information from our June 30, 2006 and June 30, 2005, fiscal year ends to highlight changes from one year to the next. This section of our report should be read in conjunction with the basic financial statements, including footnotes. Responsibility for the completeness and accuracy of this information rests with the District management.

USING THIS ANNUAL REPORT

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

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

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

FINANCIAL HIGHLIGHTS

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

PASADENA AREA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

- The District ended the year with an Unrestricted General Fund balance of \$14,492,775. The State Chancellor's Office recommends reserve levels of five percent of total General Fund expenditures, \$5,797,161, to be set aside for economic uncertainties. We have met this recommendation.
- The primary expenditure of the District is for the salaries and benefits of the Academic, Classified, and Administrative salaries of District employees. Approximately 86 percent of General Fund resources are consumed by employee compensation.
- A Citizen's Oversight Committee was formed under Proposition 39 requirements and meets quarterly. The meetings are held on the last Wednesday of January, April, July, and October at Pasadena City College in room C233 at 6:00 pm and are open to the public.
- The District provides student financial aid to qualifying students of the District in the amount of approximately \$20.5 million. This represents a decrease of \$2.5 million from the 2005-2006 fiscal year. This aid is provided through grants, loans, and tuition reductions from the Federal government, State Chancellor's Office, and local funding.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

Condensed financial information is as follows:

Statement of Net Assets as of June 30,

(Amounts in thousands)

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

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

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

Capital assets, net of depreciation is the net historical value (original cost) of land, buildings, construction in progress, and equipment less accumulated depreciation.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

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

Statement of Operating Results for the Year Ended June 30,

(Amounts in thousands)

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

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

PASADENA AREA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

The operating revenue for the District is specifically defined as revenues from users of the colleges' facilities and programs. Excluded from the operating revenues are the components of the primary source of District funding - the State apportionment process. These components include the State apportionment and local property taxes. As these resources of revenue are from the general population of the State of California, and not from the direct users of the educational services (students), they are considered to be nonoperating. As a result, the operating loss of \$105 million is balanced by the other funding sources. Total District revenues exceeded all expenditures sources by \$13 million for the year ended June 30, 2007.

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

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

The interest income is primarily the result of cash held at the Los Angeles County Treasury. The interest expense relates to interest payments on the certificates of participation, lease commitments, and a note payable described in Note 9 of the financial statements.

Statement of Cash Flows for the Year Ended June 30,

(Amounts in thousands)

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

The Statement of Cash Flows provides information about cash receipts and payments during the year. This statement also assists users in assessing the District's ability to meet its obligations as they come due and its need for external financing.

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

PASADENA AREA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

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 General Fund. The 2007-2008 budget for community colleges contains a 4.53 percent cost of living increase and growth funds of two percent. The State economy is currently declining with a projected deficit of 14 billion over the next two years. The current pending State budget problems may reach into the 2007-2008 fiscal year and education budget reductions are projected for 2008-2009.

The Proposition 98 minimum guarantees plays a major factor in the State appropriations for higher education and the California Community College Initiative is on the ballot in February 2008. This initiative will remove the community college system as part of the K-12 Proposition 98 funding and could have a significant positive impact on community college funding.

Management is closely monitoring all of these factors in an effort to control the ultimate impact on the District's financial health and maintain fiscal stability.

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

CONTACTING THE DISTRICT

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

PASADENA AREA COMMUNITY COLLEGE DISTRICT

STATEMENTS OF NET ASSETS

JUNE 30, 2007 AND 2006

	2007	2006
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,080,618	\$ 3,595,053
Investments	144,015,384	52,183,458
Accounts receivable	10,063,453	11,156,230
Student loans receivable	614,249	556,438
Prepaid expenses	455,837	210,926
Stores inventories	1,113,161	1,201,674
Total Current Assets	159,342,702	68,903,779
NONCURRENT ASSETS		
Nondepreciable capital assets	13,247,863	11,623,056
Depreciable capital assets, net of accumulated depreciation	118,023,533	122,217,728
Total Noncurrent Assets	131,271,396	133,840,784
TOTAL ASSETS	290,614,098	202,744,563
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	10,516,793	10,056,450
Accrued interest payable	1,373,418	166,097
Other current liabilities	492,787	504,108
Deferred revenue	8,116,423	5,204,502
Claims liability	1,500,000	1,625,000
Amounts held in trust on behalf of others	1,938,213	6,785,765
Accrued compensated absences payable	1,919,832	1,909,832
Bonds and notes payable	8,660,529	1,489,543
Lease obligations	140,873	145,198
Total Current Liabilities	34,658,868	27,886,495
NONCURRENT LIABILITIES		
Accrued compensated absences payable	814,550	555,958
Bonds and notes payable	99,791,848	31,959,207
Lease obligations	84,847	224,934
Total Noncurrent Liabilities	100,691,245	32,740,099
TOTAL LIABILITIES	135,350,113	60,626,594
NET ASSETS		
Invested in capital assets, net of related debt	103,230,708	108,049,045
Restricted for:		
Debt service	10,055,768	892,742
Capital projects	14,902,946	8,994,264
Unrestricted	27,074,563	24,181,918
TOTAL NET ASSETS	\$ 155,263,985	\$ 142,117,969

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

PASADENA AREA COMMUNITY COLLEGE DISTRICT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
OPERATING REVENUES		
Student Tuition and Fees	\$ 22,907,839	\$ 23,344,325
Less: Scholarship discount and allowance	(6,068,446)	(6,985,732)
Net tuition and fees	16,839,393	16,358,593
Grants and Contracts, noncapital:		
Federal	16,370,363	16,706,924
State	11,350,731	10,005,514
Auxiliary Enterprise Sales and Charges		
Bookstore	6,582,576	6,213,893
Internal Service Sales and Charges	4,603,061	3,052,965
TOTAL OPERATING REVENUES	55,746,124	52,337,889
OPERATING EXPENSES		
Salaries	85,424,787	78,438,825
Employee benefits	24,209,276	21,506,995
Supplies, materials, and other operating expenses and services	41,583,750	37,882,071
Equipment, maintenance, and repairs	3,642,511	2,298,441
Depreciation	6,489,803	4,871,411
TOTAL OPERATING EXPENSES	161,350,127	144,997,743
OPERATING LOSS	(105,604,003)	(92,659,854)
NONOPERATING REVENUES (EXPENSES)		
State apportionments, noncapital	80,402,701	68,694,008
Local property taxes	26,983,464	17,351,121
State taxes and other revenues	3,938,763	3,816,077
Investment income, net	5,491,268	1,804,591
Interest expense on capital related debt	(3,163,653)	(1,496,494)
Interest income on capital asset-related debt, net	45	44
Transfer to agency fund	(212,134)	(436,742)
Other nonoperating revenue	3,281,734	4,488,590
TOTAL NONOPERATING REVENUES (EXPENSES)	116,722,188	94,221,195
INCOME BEFORE OTHER REVENUES	11,118,185	1,561,341
State revenues, capital	1,191,013	440,973
Local revenues, capital	836,818	1,032,447
TOTAL OTHER REVENUES	2,027,831	1,473,420
CHANGE IN NET ASSETS	13,146,016	3,034,761
NET ASSETS, BEGINNING OF YEAR	142,117,969	139,083,208
NET ASSETS, END OF YEAR	\$ 155,263,985	\$ 142,117,969

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

PASADENA AREA COMMUNITY COLLEGE DISTRICT

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 17,664,385	\$ 15,334,325
Grants and contracts	29,681,593	26,337,738
Payments to or on behalf of employees	(109,092,885)	(99,405,604)
Payments to vendors for supplies and services	(29,771,831)	(23,373,957)
Payments to students for scholarships and grants	(15,108,106)	(15,892,849)
Auxiliary sales and charges	11,298,159	9,178,589
Other payments	(4,560,516)	(57,253)
Net Cash Flows From Operating Activities	(99,889,201)	(87,879,011)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State apportionments	82,661,715	65,960,420
Property taxes	26,983,464	17,351,121
State taxes and other revenues	3,085,743	4,596,176
Other receipts	2,708,615	3,819,395
Net Cash Flows From Noncapital Financing Activities	115,439,537	91,727,112
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State revenues, capital projects	836,818	440,973
Local revenue, capital projects	1,191,013	1,032,447
Proceeds from capital debt	98,313,170	-
Acquisition and construction of capital assets	(4,367,836)	(3,468,932)
Principal paid on capital debt and leases	(23,453,955)	(1,599,701)
Interest received on capital debt	45	44
Interest paid on capital debt and leases	(1,956,332)	(1,501,919)
Net Cash Flows From Capital and Related Financing Activities	70,562,923	(5,097,088)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	4,015,741	219,660
Investment income	5,491,268	1,804,591
Net Cash Flows From Investing Activities	9,507,009	2,024,251
NET CHANGE IN CASH AND CASH EQUIVALENTS	95,620,268	775,264
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	50,599,154	49,823,890
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 146,219,422	\$ 50,599,154

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

PASADENA AREA COMMUNITY COLLEGE DISTRICT

STATEMENTS OF CASH FLOWS, CONTINUED FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Loss	<u>\$(105,604,003)</u>	<u>\$ (92,659,854)</u>
Adjustments to Reconcile Operating Loss to Net Cash		
Flows From Operating Activities:		
Depreciation expense	6,489,803	4,871,411
Changes in Assets and Liabilities:		
Receivables, net	(10,043)	(541,268)
Inventories	88,513	149,449
Prepaid items	(244,911)	52,691
Accounts payable and accrued liabilities	1,040,035	1,365,644
Deferred revenue	2,911,921	(1,059,831)
Funds held for others	<u>(4,560,516)</u>	<u>(57,253)</u>
Total Adjustments	<u>5,714,802</u>	<u>4,780,843</u>
Net Cash Flows From Operating Activities	<u><u>\$ (99,889,201)</u></u>	<u><u>\$ (87,879,011)</u></u>
Cash and Cash Equivalents Consist of the Following:		
Cash in banks	\$ 3,082,981	\$ 3,595,053
Cash in county treasury	<u>143,136,441</u>	<u>47,004,101</u>
Total Cash and Cash Equivalents	<u><u>\$ 146,219,422</u></u>	<u><u>\$ 50,599,154</u></u>
Noncash Transactions		
On behalf payments for benefits	<u><u>\$ 2,269,632</u></u>	<u><u>\$ 2,089,725</u></u>

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

PASADENA AREA COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF FINANCIAL POSITION
DISCRETELY PRESENTED COMPONENT UNIT
PASADENA CITY COLLEGE FOUNDATION, INC.
JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
ASSETS		
CURRENT ASSETS		
Cash - unrestricted	\$ 1,291,379	\$ 457,930
Accounts receivable	200,000	200,000
Total Current Assets	<u>1,491,379</u>	<u>657,930</u>
NONCURRENT ASSETS		
Investments - unrestricted	4,645	47,947
Investments - restricted	11,333,038	6,066,653
Land held for sale	10,850	-
Total Noncurrent Assets	<u>11,348,533</u>	<u>6,114,600</u>
TOTAL ASSETS	<u>\$ 12,839,912</u>	<u>\$ 6,772,530</u>
LIABILITIES AND NET ASSETS		
TOTAL LIABILITIES	<u>-</u>	<u>-</u>
NET ASSETS		
Unrestricted	1,306,874	705,877
Temporarily restricted	6,816,047	2,238,858
Permanently restricted	4,716,991	3,827,795
TOTAL NET ASSETS	<u>12,839,912</u>	<u>6,772,530</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 12,839,912</u>	<u>\$ 6,772,530</u>

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

PASADENA AREA COMMUNITY COLLEGE DISTRICT

STATEMENTS OF ACTIVITIES DISCRETELY PRESENTED COMPONENT UNIT PASADENA CITY COLLEGE FOUNDATION, INC. FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	2007			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUES AND OTHER SUPPORT				
Donations	\$ 277,119	\$ 710,991	\$ 70,125	\$ 1,058,235
In-kind receipts	244,244	-	-	244,244
Special events	26,965	14,684	-	41,649
Student fees	-	48,549	-	48,549
Miscellaneous revenue	-	17,940	-	17,940
Assets released from restrictions	1,085,131	(1,085,131)	-	-
Total Revenues and Other Support	1,633,459	(292,967)	70,125	1,410,617
EXPENSES				
Operating	272,795	-	-	272,795
Program	1,318,660	-	-	1,318,660
Fundraising	11,230	-	-	11,230
Total Expenses	1,602,685	-	-	1,602,685
OTHER INCOME AND (EXPENSE)				
Realized gain on sale of investments	95,092	387,608	-	482,700
Unrealized gain (loss)	137,487	560,417	-	697,904
Interest and dividends	72,101	293,893	-	365,994
Transfers	265,543	4,917	(270,460)	-
Transfers from Pasadena Area Community College District	-	3,623,321	1,089,531	4,712,852
Total Other Income and (Expense)	570,223	4,870,156	819,071	6,259,450
CHANGE IN NET ASSETS	600,997	4,577,189	889,196	6,067,382
NET ASSETS, BEGINNING OF YEAR	705,877	2,238,858	3,827,795	6,772,530
NET ASSETS, END OF YEAR	\$ 1,306,874	\$ 6,816,047	\$ 4,716,991	\$ 12,839,912

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

2006			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 108,617	\$ 636,209	\$ 295,000	\$ 1,039,826
462,496	-	-	462,496
3,680	1,695	-	5,375
-	-	-	-
8,929	74,409	-	83,338
473,892	(473,892)	-	-
<u>1,057,614</u>	<u>238,421</u>	<u>295,000</u>	<u>1,591,035</u>
173,871	-	-	173,871
1,152,155	-	-	1,152,155
7,455	-	-	7,455
<u>1,333,481</u>	<u>-</u>	<u>-</u>	<u>1,333,481</u>
275,759	-	-	275,759
88,383	-	-	88,383
58,752	112,926	10,460	182,138
-	-	-	-
-	(544,063)	544,063	-
<u>422,894</u>	<u>(431,137)</u>	<u>554,523</u>	<u>546,280</u>
147,027	(192,716)	849,523	803,834
558,850	2,431,574	2,978,272	5,968,696
<u>\$ 705,877</u>	<u>\$ 2,238,858</u>	<u>\$ 3,827,795</u>	<u>\$ 6,772,530</u>

PASADENA AREA COMMUNITY COLLEGE DISTRICT

STATEMENTS OF CASH FLOWS DISCRETELY PRESENTED COMPONENT UNIT PASADENA CITY COLLEGE FOUNDATION, INC. FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 6,067,382	\$ 803,834
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities		
Unrealized gain	(697,904)	(88,383)
Changes in Assets and Liabilities		
Increase in accounts receivable	-	(171,159)
Increase in other non-current assets	(10,850)	-
Decrease in lease payable	-	(7,927)
Net Cash Flows From Operating Activities	<u>5,358,628</u>	<u>536,365</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	<u>(4,525,179)</u>	<u>(495,257)</u>
Net Cash Flows From Investing Activities	<u>(4,525,179)</u>	<u>(495,257)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	833,449	41,108
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	457,930	416,822
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,291,379</u>	<u>\$ 457,930</u>

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

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

NOTE 1 - ORGANIZATION

Organization

The Pasadena Area Community College District (the District) was established in 1967 as a political subdivision of the State of California and provides post secondary educational services to residents of the surrounding area. The District operates under a locally elected seven-member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund, special revenue funds, capital project funds, and proprietary funds, but these budgets are managed at the department level. Currently, the District operates one community college located in Pasadena, California. While the District is a political subdivision of the State of California, it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 39.

Financial Reporting Entity

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

As defined by generally accepted accounting principles established by the Governmental Accounting Standards Board, the financial reporting entity consists 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 organization. The Foundation acts primarily as a fundraising organization to provide grants and scholarships to students and support to employees, programs, and departments of the District. The thirty-one member Board of the Foundation consists of community members, alumni, and other supporters of the Foundation. Although the District does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the District by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the District, the Foundation is considered a component unit of the District. The Foundation is reported in separate financial statements because of the difference in its reporting model, as further described below.

The Foundation is a not-for-profit organization under Internal Revenue Code (IRS) Section 501(c)(3) that reports its financial results under Financial Accounting Standards Board (FASB) Statements. Most significant to the Foundation's operations and reporting model are FASB Statement No. 116, *Accounting for Contributions Received and Contributions Made*, and FASB Statement No. 117, *Financial Reporting for Not-For-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the District's financial reporting entity for these differences.

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

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37 and No. 38. 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. Generally, available is defined as collectible within 90 days.

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

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

The accounting policies of the District conform to accounting principles generally accepted in the United States of America (US GAAP) as applicable to colleges and universities, as well as those prescribed by the California Community Colleges Chancellor's Office. The District reports are based on all applicable GASB pronouncements, as well as applicable FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. When applicable, certain prior year amounts have been reclassified to conform to current year presentation. The budgetary and financial accounts of the District are maintained in accordance with the State Chancellor's Office Budget and Accounting Manual.

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

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

Cash and Cash Equivalents

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

Restricted Cash and Cash Equivalents

Cash balances restricted by external sources such as grants and contracts are classified as restricted cash and cash equivalents in the Statement of Net Assets.

Investments

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

Accounts Receivable

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

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

Prepaid Expenditures

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

Inventory

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

Capital Assets and Depreciation

Capital assets are long-lived assets of the District as a whole and include land, construction-in-progress, buildings, leasehold improvements, and equipment. The District maintains an initial unit cost capitalization threshold of \$5,000 for equipment and \$100,000 for land, construction-in-progress, buildings, and leasehold improvements. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. The District does not possess any infrastructure. Donated capital assets are recorded at estimated fair market value at the date of donation. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Major outlays for capital improvements are capitalized as construction-in-progress as the projects are constructed. Routine repairs and maintenance that do not extend the life of the building or equipment are charged as operating expenses in the year the expense is incurred.

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

Accrued Liabilities and Long-Term Obligations

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

Compensated Absences

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

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

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

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 (4) interest on institutional student loans.

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

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

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

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

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

State Apportionments

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

On-Behalf Payments

GASB Statement No. 24 requires direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees for another legally separate entity be recognized as revenues and expenditures by the employer entity. The State of California makes direct on-behalf payments to the State Teachers Retirement Systems (STRS) on behalf of all community colleges in California. The amount of on-behalf payments was \$2,269,632 for STRS.

Estimates

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

Property Tax

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

Scholarship Discounts and Allowances

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

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, Federal Work-Study, and Stafford Loan programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. These programs are audited in accordance with the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget's revised Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the related *Compliance Supplement*. During the year ended June 30, 2007 and 2006, the District distributed \$838,573 and \$859,537, respectively, in direct lending through the U.S. Department of Education.

Interfund Activity

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

Component Unit

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

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

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

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

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.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

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

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

New Accounting Pronouncement

GASB Statement No. 45: In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. This statement establishes standards for the measurement, recognition and display of OPEB expense, expenditures and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports of State and local governmental employers. This statement generally provides for prospective implementation - that is, that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. The District is in the process of determining the impact the implementation of this statement will have on the government-wide statements of net assets and activities. This statement is effective for periods beginning after December 15, 2006, depending upon the size of the governmental entities' financial activity. The District will be implementing the requirements of this standard in the 2007-2008 fiscal year.

Comparative Financial Information

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

NOTE 3 - CASH AND INVESTMENTS

Policies and Practices

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

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

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

General Authorizations

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

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

Authorized Under Debt Agreements

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

Summary of Deposits and Investments

Deposits and investments as of June 30, 2007, consist of the following:

Cash on hand and in banks	\$ 2,973,118
Cash in revolving	107,500
Investments	144,015,384
Total Deposits and Investments	<u>\$ 147,096,002</u>

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by primarily investing in the County investment pool.

Specific Identification

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

Investment Type	Fair Value	Maturity Date
County Pool - Los Angeles	\$ 142,888,602	543 days*
Certificates of Deposit	359,172	1,220
Stocks	102,885	Not Applicable
Mutual Funds	416,385	Not Applicable
Total	<u>\$ 143,767,044</u>	

* Weighted average days to maturity.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the County pool is not required to be rated, nor has it been rated as of June 30, 2007. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

Investment Type	Fair Value	Minimum Legal Rating	Rating June 30, 2007
County Pool - Los Angeles	\$ 142,888,602	Not Applicable	Not Applicable
Certificates of Deposit	359,172	Not Applicable	Not Applicable
Stocks	102,885	Not Applicable	Not Applicable
Mutual Funds	416,385	Not Applicable	Not Applicable
Total	<u>\$ 143,767,044</u>		

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2007, the District's bank balance of \$3,395,815 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 4 - ACCOUNTS RECEIVABLES

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

The accounts receivable are as follows:

	2007	2006
Federal Government		
Categorical aid	\$ 1,261,905	\$ 1,039,338
State Government		
Apportionment	4,893,080	7,152,094
Categorical aid	213,593	349,428
Lottery	1,706,039	853,019
Local Government		
Earned salary advance	536,982	476,856
Other local sources	1,451,854	1,285,495
Total	<u>\$ 10,063,453</u>	<u>\$ 11,156,230</u>
Student receivables	<u>\$ 614,249</u>	<u>\$ 556,438</u>

Discretely Presented Component Unit

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

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

NOTE 5 - INTERFUND TRANSACTIONS

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.

Operating Transfers

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

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

NOTE 6 - CAPITAL ASSETS

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

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

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

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

Capital asset activity for the District for the fiscal year ended June 30, 2006, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	\$ 10,396,408	\$ -	\$ -	\$ 10,396,408
Construction in progress	425,268	1,661,016	859,636	1,226,648
Total Capital Assets Not Being Depreciated	10,821,676	1,661,016	859,636	11,623,056
Capital Assets Being Depreciated				
Buildings and improvements	150,356,982	859,636	-	151,216,618
Site improvements	10,734,820	1,121,633	-	11,856,453
Equipment	11,977,420	653,257	602,847	12,027,830
Total Capital Assets Being Depreciated	173,069,222	2,634,526	602,847	175,100,901
Total Capital Assets	183,890,898	4,295,542	1,462,483	186,723,957
Less Accumulated Depreciation				
Buildings and improvements	37,575,852	3,673,580	-	41,249,432
Site improvements	3,091,292	123,959	-	3,215,251
Equipment	7,947,465	1,073,872	602,847	8,418,490
Total Accumulated Depreciation	48,614,609	4,871,411	602,847	52,883,173
Net Capital Assets	\$ 135,276,289	\$ (575,869)	\$ 859,636	\$ 133,840,784

Depreciation expense for the year was \$4,871,411.

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	2007	2006
Accrued payroll and benefits	\$ 6,802,809	\$ 6,597,876
Load banking	867,255	739,476
Construction	277,747	725,168
Other	2,568,982	1,993,930
Total	\$ 10,516,793	\$ 10,056,450

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

NOTE 8 - DEFERRED REVENUE

Deferred revenue for the District consisted of the following:

	2007	2006
State categorical aid	\$ 3,329,746	\$ 1,318,268
Student fees	3,771,095	2,946,104
Radio agreement	614,782	-
Other local	400,800	940,130
Total	<u>\$ 8,116,423</u>	<u>\$ 5,204,502</u>

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

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

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

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

The changes in the District's long-term obligations during the 2006 fiscal year consisted of the following:

	Beginning Balance	Additions	Deductions	Ending Balance	Amount Due Within One Year
Bonds and Notes Payable					
General obligations bonds	\$28,840,000	\$ -	\$ 800,000	\$28,040,000	\$ 815,000
2003 Certificates of participation, Series A	4,895,000	-	485,000	4,410,000	495,000
Note payable	1,168,250	-	169,500	998,750	179,543
Total Bonds and Notes Payable	34,903,250	-	1,454,500	33,448,750	1,489,543
Other Obligations					
Compensated absences	2,383,949	81,841	-	2,465,790	1,909,832
Capital leases	515,333	-	145,201	370,132	145,198
Total Other Obligations	2,899,282	81,841	145,201	2,835,922	2,055,030
Total Long-Term Obligations	\$37,802,532	\$ 81,841	\$ 1,599,701	\$36,284,672	\$ 3,544,573

Description of Debt

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

General obligation bonds were approved by a local election in March 2002. The total amount approved by the voters was \$150,000,000. At June 30, 2007, \$98,000,000 had been issued and \$94,169,887 was outstanding. Interest rates on the bonds range from two percent to 5.25 percent.

The 2003 certificates of participation were issued in September 2003 in the amount of \$5,380,000 to prepay its proportionate share of the 1993 Certificates of Participation Series A. At June 30, 2007, the balance outstanding was \$3,915,000. 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, 2007, the balance outstanding was \$819,207. The notes mature through 2011.

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

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2006	Issued	Accreted Interest Addition	Redeemed	Bonds Outstanding June 30, 2007
6/1/2003	6/1/2013	2.00%-5.00%	\$33,000,000	\$28,040,000	\$ -	\$ -	\$22,635,000	\$ 5,405,000
7/12/2006	8/1/2031	4.50%-5.25%	65,000,000	-	65,000,000	-	-	65,000,000
7/12/2006	8/1/2014	3.95%-4.44%	22,657,774	-	22,657,774	1,107,113	-	23,764,887
				<u>\$28,040,000</u>	<u>\$87,657,774</u>	<u>\$1,107,113</u>	<u>\$22,635,000</u>	<u>\$94,169,887</u>

General Obligation Bond 2002 Series A

The general obligation bonds mature through 2013 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2008	\$ 835,000	\$ 183,975	\$ 1,018,975
2009	855,000	163,100	1,018,100
2010	880,000	137,450	1,017,450
2011	910,000	108,850	1,018,850
2012	945,000	77,000	1,022,000
2013	980,000	39,200	1,019,200
Total	<u>\$ 5,405,000</u>	<u>\$ 709,575</u>	<u>\$ 6,114,575</u>

General Obligation Bond 2002 Series B

The general obligation bonds mature through 2032 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2008	\$ 6,160,000	\$ 2,989,938	\$ 9,149,938
2009	6,860,000	2,696,988	9,556,988
2010	1,390,000	2,511,363	3,901,363
2011	1,635,000	2,443,300	4,078,300
2012	1,395,000	2,375,125	3,770,125
2013-2017	7,995,000	10,850,974	18,845,974
2018-2022	10,080,000	8,698,376	18,778,376
2023-2027	12,975,000	5,719,443	18,694,443
2028-2032	16,510,000	2,114,162	18,624,162
Total	<u>\$ 65,000,000</u>	<u>\$ 40,399,669</u>	<u>\$ 105,399,669</u>

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

General Obligation Bond 2006 Series C

The general obligation bonds mature through 2015 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2008	\$ 970,822	\$ 19,178	\$ 990,000
2009	960,881	59,119	1,020,000
2010	4,654,080	1,345,920	6,000,000
2011	4,242,969	1,812,031	6,055,000
2012	3,829,868	2,220,132	6,050,000
2013-2015	9,106,267	8,398,733	17,505,000
Total	<u>\$ 23,764,887</u>	<u>\$ 13,855,113</u>	<u>\$ 37,620,000</u>

2003 Certificates of Participation Series A

The certificates of participation mature through 2014 as follows:

Year Ending June 30,	Principal	Interest	Total
2008	\$ 505,000	\$ 137,837	\$ 642,837
2009	520,000	122,463	642,463
2010	535,000	105,300	640,300
2011	555,000	85,531	640,531
2012	575,000	63,625	638,625
2013-2014	1,225,000	54,188	1,279,188
Total	<u>\$ 3,915,000</u>	<u>\$ 568,944</u>	<u>\$ 4,483,944</u>

Notes Payable

The notes payable mature through 2011 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2008	\$ 189,707	\$ 40,293	\$ 230,000
2009	199,750	30,250	230,000
2010	209,793	20,207	230,000
2011	219,957	10,043	230,000
Total	<u>\$ 819,207</u>	<u>\$ 100,793</u>	<u>\$ 920,000</u>

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

Capital Leases

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

Balance, July 1, 2006	\$ 406,739
Payments	158,695
Balance, June 30, 2007	<u>\$ 248,044</u>

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2008	\$ 154,805
2009	86,658
2010	6,581
Total	248,044
Less: Amount Representing Interest	22,324
Present Value of Minimum Lease Payments	<u>\$ 225,720</u>

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2007, amounted to \$2,734,382.

NOTE 10 - POSTEMPLOYMENT BENEFITS

The District provides medical, dental, and vision insurance coverage, as prescribed in the various employee union contracts, to retirees meeting plan eligibility requirements. Eligible employees retiring from the District may become eligible for these benefits when the requirements are met. The eligibility requirement for employees participating in 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 2007 fiscal year, the District provided insurance premium benefits to 42 retired employees with total expenditures of \$569,894.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

NOTE 11 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year ending June 30, 2007, the District contracted with the Statewide Association of Community Colleges (SWACC) Joint Powers Authority for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2007, 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 ensures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to K-12 and community college districts that can meet the JPA's selection criteria.

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

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

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.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

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

Funding Policy

Active members of the DB Plan are required to contribute eight percent of their salary while the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2006-2007 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, 2007, 2006, and 2005, were \$4,145,332, \$3,816,744, and \$3,592,479, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

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

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

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

Funding Policy

Active plan members are required to contribute seven percent of their salary (seven percent of monthly salary over \$133.33 if the member participates in Social Security), and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The District's contribution rate to CalPERS for fiscal year 2006-2007 was 9.124 percent of annual payroll.

Annual Pension Cost

The District's contributions to CalPERS for fiscal years ending June 30, 2007, 2006, and 2005, were \$1,793,019, \$1,640,728, and \$1,800,512, respectively, and equaled 100 percent of the required contributions for each year.

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 \$2,269,632 (4.517 percent) of salaries subject to STRS. No contributions from the State were made for PERS for the year ended June 30, 2007. These amounts have been reflected in the financial statements as a component of nonoperating revenue and employee benefit expense.

Social Security

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

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2007.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

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, 2007.

Construction Commitments

As of June 30, 2007, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECTS	Remaining Construction Commitment	Expected Date of Completion
Industrial Technology Building Project	\$ 416,680	02/28/09
Arts Building	3,218,000	02/28/09
Campus Center	514,366	03/01/11
Classroom Conversions	783,992	06/30/11
Elevator Upgrades	124,341	06/30/11
Restroom Upgrades	297,900	06/30/11
Access Compliance to "C" Building	26,572	06/30/11
M/P Technology Infrastructure	46,768	06/30/11
	<u>\$ 5,428,619</u>	

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

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

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

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

During the year ended June 30, 2007, the District made payments of \$596,027 and \$375,548 to SWACC and SAWCX II, respectively.

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SUPPLEMENTARY INFORMATION

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PASADENA AREA COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION

JUNE 30, 2007

The Pasadena Area Community College District was established in 1967 and is located in Los Angeles County. There were no changes in the boundaries of the District during the current year. The District is accredited by The Western Association of Schools and Colleges (WASC), which is one of six regional associations that accredit public and private schools, colleges, and universities in the United States.

BOARD OF TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Dr. Consuelo Rey Castro	President	November 2009
Mr. John Martin	Vice President	November 2007
Ms. Susanna H. Miele	Clerk	November 2007
Mr. Geoffrey L. Baum	Member	November 2009
Dr. Hilary Bradbury-Huang	Member	November 2009
Dr. Jeanette Mann	Member	November 2007
Ms. Beth Wells-Miller	Member	November 2009
Mr. Michael Sansosti	Student Trustee	July 1, 2007

ADMINISTRATION

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

PASADENA AREA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION		
Passed through the California State Chancellor's Office		
VATEA I-C	84.048	\$ 615,286
VATEA II, Tech-Prep Education Grant	84.048	80,954
Adult Basic Education	84.002A	173,229
TRIO - Student Support Services and Student Grants	84.042A	298,639
TRIO - Upward Bound	84.047A	343,433
TRIO - Upward Bound Math and Science	84.047M	229,295
Collaboration to Improve Student Persistence and Degree Completion	84.031S	259,972
Copernicus Project	84.336B	84,665
Foster Nursing Student Success	84.000	133,328
Child Development Program	84.335A	98,938
		<u>2,317,739</u>
Student Financial Aid Cluster		
Pell Grant	84.063	11,812,044
Pell Grant Administration Grant	84.063	23,805
Supplemental Educational Opportunity Grant	84.007	440,656
Supplemental Educational Opportunity Grant Administration	84.007	57,743
Federal Work-Study Program	84.033	427,325
Federal Work-Study Program - Administrative Cost Allocation	84.033	5,692
Perkins Loan Program	84.038	77,813
Nursing Loan Program	93.364	16,672
Federal Family Education Loans	84.032	838,573
Academic Competitiveness Grants	84.375	9,725
		<u>13,710,048</u>
National Aeronautics and Space Administration		
Synergetic Education and Research Space Sciences	43.001	43,207
U.S. DEPARTMENT OF AGRICULTURE		
Forest Reserve	10.665	47,306
FEDERAL ASSIGNMENT AGREEMENTS		
Veterans Education	64.000	2,177
Other Federal Rev/Mathematics	64.000	10,534
NATIONAL SCIENCE FOUNDATION		
Providing More to Increase Stem Majors	47.076	<u>221,139</u>
		<u>324,363</u>

See accompanying note to supplementary information.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Program Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Temporary Assistance for Needy Families CDC	93.558	\$ 69,996
Child Development Program	93.596	26,293
Child Development Program - (A)	93.575	15,537
		<u>111,826</u>
Total Federal Expenditures		<u><u>\$ 16,463,976</u></u>

See accompanying note to supplementary information.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2007

PROGRAM	Program Entitlements		
	Current Year	Prior Year	Total Entitlement
GENERAL FUND			
Instructional Equipment Block Grant - One-Time	\$ 939,316	\$ -	\$ 939,316
Schedule Maintenance Block Grant - One-Time	939,316	-	939,316
CalWORKs	596,095	-	596,095
CalWORKs	-	164,960	164,960
California High School Exit Exam (CAHSEE)	96,000	-	96,000
Child Development Program	216,628	-	216,628
Child Development Program	442,732	-	442,732
Cooperative Agencies Resources For Education (CARE)	139,056	-	139,056
Disabled Students Program and Services (DSPS)	1,118,761	-	1,118,761
Economic Development - Applied Biological Technology	205,000	-	205,000
Economic Development - Multimedia Entertainment Center	205,000	1,818	206,818
Extended Opportunity Program and Services (EOP&S)	1,098,481	-	1,098,481
Extended Opportunity Program and Services (EOP&S)	241,835	-	241,835
Associate Degree - Nursing Program	57,142	15,556	72,698
Foster Care Education Program	111,698	-	111,698
Foster Care Education Program - Prior year	-	8,542	8,542
Matriculation - Credit	1,145,823	-	1,145,823
Matriculation - Non Credit	412,261	-	412,261
Matriculation - Administration	246,150	-	246,150
Matriculation - Administration	-	172,174	172,174
Matriculation - Administration	-	227,512	227,512
MESA	84,000	-	84,000
Staff Development - AB1725	-	1,312	1,312
Staff Diversity - AB1725	58,334	-	58,334
Temporary Assistance for Needy Families	116,680	-	116,680
Telecommunications and Technology	46,958	65,393	112,351
Human Resources Tech Training	20,195	-	20,195
Cal Grant "B"	1,806,382	(9,111)	1,797,271
Cal Grant "C"	25,740	-	25,740
Family and Consumer Sciences Statewide Collaborative Grant	-	-	-
Transfer and Articulation	5,000	-	5,000
SFAA Augmentation	644,865	-	644,865
Instructional Equipment/On-going	251,674	588,774	840,448
Schedule Maintenance/On-going	251,697	-	251,697
Student Financial Aid Administration	209,091	-	209,091
Capacity Building/Nursing	166,650	104,917	271,567
Quick Start Biotechnologies	210,488	-	210,488
Statewide Strategic Initiative Hub	121,000	-	121,000
Faculty/Staff Professional Development	99,991	-	99,991
Career Technical	795,686	-	795,686
Basic Skills	414,415	-	414,415

See accompanying note to supplementary information.

Cash Received	Accounts Receivable	Deferred Revenue	Total Revenue	Program Expenditures
\$ 939,316	\$ -	\$ 772,976	\$ 166,340	\$ 166,340
939,316	-	-	939,316	-
579,349	16,746	-	596,095	596,095
164,960	-	164,960	-	-
38,400	-	32,970	5,430	5,430
171,983	5,723	-	177,706	177,706
378,106	55,436	-	433,542	433,542
139,056	-	-	139,056	139,056
-	-	-	-	1,118,761
205,000	-	6,179	198,821	198,821
206,782	-	7,808	198,974	198,974
1,098,481	-	15,681	1,082,800	1,082,800
241,835	-	122,374	119,461	119,461
96,731	-	24,066	72,665	72,665
83,346	24,806	-	108,152	108,152
8,542	-	-	8,542	8,542
1,145,823	-	45,220	1,100,603	1,100,603
412,261	-	12,379	399,882	399,882
246,150	-	73,932	172,218	172,218
172,174	-	172,174	-	-
227,512	-	227,512	-	-
61,125	22,875	-	84,000	84,000
1,312	-	1,279	33	33
58,334	-	38,283	20,051	20,051
116,680	-	-	116,680	116,680
112,351	-	70,484	41,867	41,867
20,195	-	14,691	5,504	5,504
1,797,271	-	9,537	1,787,734	1,787,734
25,740	-	-	25,740	25,740
-	-	-	-	-
5,000	-	-	5,000	5,000
644,865	-	34,000	610,865	610,865
840,448	-	316,299	524,149	524,149
251,697	-	-	251,697	-
209,091	-	-	209,091	209,091
321,362	-	136,045	185,317	185,317
84,237	88,007	-	172,244	172,244
-	-	-	-	-
99,991	-	99,991	-	-
795,686	-	545,095	250,591	250,591
414,415	-	385,810	28,605	28,605
<u>\$ 13,354,923</u>	<u>\$ 213,593</u>	<u>\$ 3,329,745</u>	<u>\$ 10,238,771</u>	<u>\$ 10,166,519</u>

PASADENA AREA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT - ANNUAL/ACTUAL ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2007

CATEGORIES	Revised Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession			
1. Noncredit	194	-	194
2. Credit	1,661	-	1,661
B. Summer Intersession			
1. Noncredit	-	-	-
2. Credit	253	-	253
C. Primary Terms			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	16,144	-	16,144
(b) Daily Census Contact Hours	1,751	-	1,751
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	1,187	-	1,187
(b) Credit	475	-	475
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	493	-	493
(b) Daily Census Contact Hours	132	-	132
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	<u>22,290</u>	<u>-</u>	<u>22,290</u>
E. Basic Skills courses and Immigrant Education (FTES)			
1. Noncredit	744	-	744
2. Credit	638	-	638
	<u>1,382</u>	<u>-</u>	<u>1,382</u>

See accompanying note to supplementary information.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET (CCFS-311)
REPORT WITH FUND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2007.

See accompanying note to supplementary information.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEETS TO THE STATEMENT OF NET ASSETS JUNE 30, 2007

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

Total Fund Balance and Due to Student Groups:

General Fund	\$ 14,492,775
Special Revenue Funds	127,466
Capital Project Funds	95,540,355
Debt Service Funds	10,055,768
Enterprise Funds	2,931,867
Internal Service Funds	13,136,835
Fiduciary Funds	<u>2,612,706</u>

Total Fund Balance and Due to Student Groups

- All District Funds \$ 138,897,772

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	188,954,482	
Accumulated depreciation is	(57,683,086)	
Less fixed assets already recorded in the enterprise and fiduciary funds	<u>(181,073)</u>	131,090,323
Amounts held in trust on behalf of others (Trust and Agency Funds).		(1,938,213)

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

(1,373,418)

Long-term obligations at year end consist of:

Bonds payable	94,169,887	
Unamortized premium	9,548,283	
Certificates of participation	3,915,000	
Notes payable	819,207	
Capital leases payable	225,720	
Compensated absences (vacations)	<u>2,734,382</u>	(111,412,479)
Total Net Assets		<u>\$ 155,263,985</u>

See accompanying note to supplementary information.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION

JUNE 30, 2007

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

Schedule of Expenditures of State Awards

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

Schedule of Workload Measures for State General Apportionment - Annual/Actual Attendance

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

Reconciliation of Annual Financial and Budget Report with Fund Financial Statements

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

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

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

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INDEPENDENT AUDITORS' REPORTS

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

Board of Trustees
Pasadena Area Community College District
Pasadena, California

We have audited the financial statements of Pasadena Area Community College District (the District) as of and for the years ended June 30, 2007 and 2006, and have issued our report thereon dated January 10, 2008. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses in internal control over financial reporting (items 2007-1 through 2007-3).

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2007-1 through 2007-3 to be material weaknesses.

Compliance and Other Matters

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

We noted certain matters that we reported to management of Pasadena Area Community College District in a separate letter dated January 10, 2008.

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

This report is intended solely for the information and use of the Board of Trustees, Audit Committee, District Management, the California Community Colleges 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
January 10, 2008



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

Board of Trustees
Pasadena Area Community College District
Pasadena, California

Compliance

We have audited the compliance of Pasadena Area Community College District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2007. Pasadena Area Community College District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Pasadena Area Community College District's management. Our responsibility is to express an opinion on Pasadena Area Community College District's compliance based on our audit.

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

In our opinion, Pasadena Area Community College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Pasadena Area Community College District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Pasadena Area Community College District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Pasadena Area Community College District's internal control over compliance.

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

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

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

This report is intended solely for the information and use of the Board of Trustees, Audit Committee, District Management, the California Community Colleges 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, June Day & Co. LLP

Rancho Cucamonga, California
January 10, 2008



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
Pasadena Area Community College District
Pasadena, California

We have audited the financial statements of the Pasadena Area Community College District (the District) for the years ended June 30, 2007 and 2006, and have issued our report thereon dated January 10, 2008.

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

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

General Directive

Section 424: MIS Implementation - State General Apportionment Funding System

Administration

Section 435: Open Enrollment

Section 436: Minimum Conditions - Standards of Scholarship

Section 437: Student Fee - Instructional Materials and Health Fees

Section 423: Apportionment of Instructional Service Agreements/Contracts

Section 425: Residency Determination for Credit Courses

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

Section 432: Enrollment Fee

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

Section 426: Students Actively Enrolled

Section 431: Gann Limit Calculation

Student Services

Section 428: Use of Matriculation Funds

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

Facilities

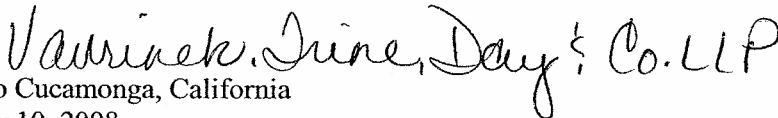
Section 434: Scheduled Maintenance Program

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

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, except for findings 2007-4 and 2007-5 as described in the accompanying Schedule of State Award Findings and Questioned Costs, the Pasadena Area Community College District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2007.

This report is intended solely for the information of the Board of Trustees, Audit Committee, District Management, 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.


Rancho Cucamonga, California
January 10, 2008

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, 2007

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>Yes</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>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>
Significant deficiencies 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>
<u>84.032, 84.033, 84.038, 84.007, 84.063,</u>	<u>Student Financial Aid Cluster</u>
<u>84.000, and 84.375</u>	<u></u>
<u></u>	<u></u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 493,919</u>
Auditee qualified as low-risk auditee?	<u>No</u>

STATE AWARDS

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

PASADENA AREA COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2007

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

STUDENT BUSINESS OFFICE

Material Weakness Over Internal Control

2007-1 Finding

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

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

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

Recommendation

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

Response of District Officials

The District has transferred the Scholarship Loan Fund to the PCC Foundation to where scholarship oversight is more appropriate. The Student Business Office is operated by the Associated Students of PCC as a separate auxiliary, so the District will work with Associated Students to update old policies and develop new policies to provide a written foundation for proper accounting controls for all transactions.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2007

BOOKSTORE INVENTORY

Material Weakness Over Internal Control

2007-2 Finding

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

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

Recommendation

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

Response of District Officials

The District is reviewing the procedures for inventory and appropriate software for effective Bookstore operations. The Bookstore software will be reviewed in a third party assessment of all District technology in the Spring of 2008, and recommendations will be made for improvements. The Director of the Bookstore will monitor the inventory on a regular basis and ensure reconciliations to accounting records are completed in timely manner.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2007

CAPITAL ASSET ACCOUNTING

Material Weakness Over Internal Control

2007-3 Finding

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

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

Recommendation

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

Response of District Officials

The District will bring the management of capital assets into compliance through routine inventories, a regular planned cycle of physical inventories, increased supervision and internal control of physical assets, and increased communication between accounting, purchasing, and facilities.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007**

None reported.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2007

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

GANN LIMIT CALCULATION

2007-4 Finding

Criteria or Specific Requirement

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

Condition

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

Questioned Costs

None.

Effect

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

Cause

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

Recommendation

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

PASADENA AREA COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2007

Response of District Officials

The Gann Limit Calculation has been corrected according to the instructions and an amended consent item is on the Board of Trustees agenda Wednesday, December 12, 2007. The Director of Fiscal Services adjusted the Gann Limit Calculation for the past five years so the basis for the 2006-2007 was based on second principal apportionment (P2) Full Time Equivalent Students (FTES).

STUDENTS ACTIVELY ENROLLED

2007-5 Finding

Criteria or Specific Requirement

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

Condition

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

Questioned Costs

Unknown

Effect

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

Cause

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

Recommendation

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

PASADENA AREA COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2007

Response of District Officials

The Vice President of Instruction and the Vice President of Student Learning and Services will work with the staff and faculty in Instruction and Admissions and Records to ensure dissemination of the procedures required by the California Code of Regulations, Title V. A report on all attendance rosters not turned in will be developed through information systems and instruction.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2007

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

STANDARDS OF SCHOLARSHIP

2006-1 Finding

Students are allowed to repeat a course to better a substandard grade one time for State Apportionment credit and to affect the overall grade point average (GPA). We noted that students' GPA was affected by the repeating of courses two or more times. The FTES calculation properly excluded those students not meeting the requirements for apportionment credit.

Recommendation

We recommend that the District monitor the calculation of the students' GPA to ensure that grades earned in the second repetition are not counted in calculation of the overall GPA.

Current Status

Implemented.

2006-2 Finding

The State Chancellor's Office provided direction to districts to complete a self-assessment of noncredit classes. The District completed the checklist for the computer/library lab courses and properly submitted them to the Chancellor's Office. However, the District did not complete the self-assessment checklists for all other noncredit courses.

Recommendation

We recommend that the District review their noncredit offerings for compliance with the State Chancellor's Office and complete the self-assessment checklists for all noncredit courses.

Current Status

Implemented.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2007

50 PERCENT LAW

2006-3 Finding

In our sample of five employees charged under the "Instructional Aide" account code, one employee tested does not appear to perform the duties specified for a classroom instructional aide. In accordance with California Code of Regulations, Title 5, a classroom instructional aide must assist instructors. The employee selected does not appear to meet these criteria. The non-inclusion of this employee in the calculation did not reduce the District's expenditures of unrestricted General Fund dollars below the 50 percent requirements of Title 5 Regulations.

Recommendation

We recommend a review of the duties and job descriptions of those employees charged under the "instructional aide" account codes. The District should ensure that all employees, classified as such, have duties which conform to the above listed descriptions of an instructional aide and that the nature of their duties is instructional in nature.

Current Status

Implemented.

ADDITIONAL SUPPLEMENTARY INFORMATION

PASADENA AREA COMMUNITY COLLEGE DISTRICT

GOVERNMENTAL FUNDS BALANCE SHEETS - (UNAUDITED) JUNE 30, 2007

	General Funds		Special Revenue Fund
	General Unrestricted	General Restricted	Child Development
ASSETS			
Cash and cash equivalents	\$ 261,840	\$ 29,171	\$ -
Investments	18,245,126	4,728,076	107,079
Accounts receivable	7,205,957	1,623,001	81,915
Prepaid expenses	95,637	784	-
Stores inventories	23,136	-	-
Total Assets	\$ 25,831,696	\$ 6,381,032	\$ 188,994
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts payable	\$ 8,453,231	\$ 1,391,874	\$ 61,528
Deferred revenue	2,885,690	4,989,158	-
Total Liabilities	11,338,921	6,381,032	61,528
FUND EQUITY			
Fund Balances			
Reserved	118,773	-	-
Unreserved			
Designated	-	-	127,466
Undesignated	14,374,002	-	-
Total Fund Equity	14,492,775	-	127,466
Total Liabilities and Fund Equity	\$ 25,831,696	\$ 6,381,032	\$ 188,994

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	
\$ -	\$ -	\$ 6,345	\$ -	\$ -	\$ 297,356
10,055,720	38	11,529,480	80,453,341	3,555,007	128,673,867
-	10	43,729	417,644	19,880	9,392,136
-	-	-	-	-	96,421
-	-	-	-	-	23,136
<u>\$ 10,055,720</u>	<u>\$ 48</u>	<u>\$ 11,579,554</u>	<u>\$ 80,870,985</u>	<u>\$ 3,574,887</u>	<u>\$ 138,482,916</u>
\$ -	\$ -	\$ 13,116	\$ 233,576	\$ 31,055	\$ 10,184,380
-	-	153,218	-	54,106	8,082,172
-	-	166,334	233,576	85,161	18,266,552
-	-	-	-	-	118,773
10,055,720	48	11,413,220	80,637,409	3,489,726	105,723,589
-	-	-	-	-	14,374,002
<u>10,055,720</u>	<u>48</u>	<u>11,413,220</u>	<u>80,637,409</u>	<u>3,489,726</u>	<u>120,216,364</u>
<u>\$ 10,055,720</u>	<u>\$ 48</u>	<u>\$ 11,579,554</u>	<u>\$ 80,870,985</u>	<u>\$ 3,574,887</u>	<u>\$ 138,482,916</u>

PASADENA AREA COMMUNITY COLLEGE DISTRICT

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - (UNAUDITED)

FOR THE YEAR ENDED JUNE 30, 2007

	General Funds		Special Revenue Fund
	General Unrestricted	General Restricted	Child Development
REVENUES			
Federal revenues	\$ 247,589	\$ 2,880,478	\$ 137,298
State revenues	85,302,438	7,692,174	611,248
Local revenues	32,168,862	3,147,079	200,392
Total Revenues	117,718,889	13,719,731	948,938
EXPENDITURES			
Current Expenditures			
Academic salaries	55,819,944	2,730,791	300
Classified salaries	20,513,591	4,607,134	667,956
Employee benefits	19,804,874	1,226,862	169,978
Books and supplies	2,513,010	1,092,610	37,395
Services and operating expenditures	8,776,957	1,711,832	45,317
Capital outlay	2,065,253	1,642,221	3,197
Debt service - principal	-	-	-
Debt service - interest and other	-	-	-
Total Expenditures	109,493,629	13,011,450	924,143
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	8,225,260	708,281	24,795
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	83,891	33,000
Operating transfers out	(6,233,593)	(650,007)	-
Other sources	29,914	-	-
Other uses	(15,988)	(466,128)	-
Total Other Financing Sources (Uses)	(6,219,667)	(1,032,244)	33,000
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	2,005,593	(323,963)	57,795
FUND BALANCE, BEGINNING OF YEAR	12,487,182	323,963	69,671
FUND BALANCE, END OF YEAR	\$14,492,775	\$ -	\$ 127,466

See accompanying note to additional supplementary information.

Debt Service Funds		Capital Project Funds			Total Governmental Funds
Bond Interest and Redemption	Other Debt Service	Capital Outlay Projects	Revenue Bond Construction	Schedule Maintenance	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,265,365
96,462	-	-	-	1,191,013	94,893,335
11,631,470	45	1,073,958	2,982,447	301,059	51,505,312
11,727,932	45	1,073,958	2,982,447	1,492,072	149,664,012
-	-	-	-	-	58,551,035
-	-	-	-	-	25,788,681
-	-	-	-	-	21,201,714
-	-	-	-	-	3,643,015
-	-	93,430	1,120,497	15,974	11,764,007
-	-	354,171	2,659,108	1,079,558	7,803,508
815,000	674,543	-	-	-	1,489,543
1,749,201	207,131	-	-	-	1,956,332
2,564,201	881,674	447,601	3,779,605	1,095,532	132,197,835
9,163,731	(881,629)	626,357	(797,158)	396,540	17,466,177
-	880,924	4,134,088	-	751,697	5,883,600
-	-	-	-	-	(6,883,600)
-	-	-	97,240,119	-	97,270,033
-	-	-	(23,832,695)	-	(24,314,811)
-	880,924	4,134,088	73,407,424	751,697	71,955,222
9,163,731	(705)	4,760,445	72,610,266	1,148,237	89,421,399
891,989	753	6,652,775	8,027,143	2,341,489	30,794,965
\$ 10,055,720	\$ 48	\$ 11,413,220	\$ 80,637,409	\$ 3,489,726	\$ 120,216,364

PASADENA AREA COMMUNITY COLLEGE DISTRICT

PROPRIETARY FUNDS BALANCE SHEETS - (UNAUDITED) JUNE 30, 2007

	Enterprise Fund Bookstore	Internal Service Fund
ASSETS		
Cash and cash equivalents	\$ 898,978	\$ 75,000
Investments	620,800	14,190,708
Accounts receivable	240,972	67,313
Prepaid expenses	7,443	351,973
Stores inventories	1,090,025	-
Furniture and equipment (net)	178,262	-
Total Assets	\$ 3,036,480	\$ 14,684,994
LIABILITIES AND FUND EQUITY		
LIABILITIES		
Accounts payable	\$ 104,613	\$ 39,126
Deferred revenue	-	9,033
Claim liabilities	-	1,500,000
Total Liabilities	104,613	1,548,159
FUND EQUITY		
Retained earnings	2,931,867	13,136,835
Total Liabilities and Fund Equity	\$ 3,036,480	\$ 14,684,994

See accompanying note to additional supplementary information.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

PROPRIETARY FUNDS

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS - (UNAUDITED) FOR THE YEAR ENDED JUNE 30, 2007

	Enterprise Fund Bookstore	Internal Service Fund
OPERATING REVENUES		
Sales and other local revenues	\$ 6,582,576	\$ 4,431,933
OPERATING EXPENSES		
Classified salaries	763,464	53,015
Employee benefits	366,444	371,486
Books and supplies	4,896,137	698
Services and other operating expenditures	318,909	3,372,596
Total Operating Expenses	6,344,954	3,797,795
Operating Income	237,622	634,138
NONOPERATING REVENUES (EXPENSES)		
Interest income	80,824	606,856
Miscellaneous revenues	-	171,128
Operating transfers in	-	1,000,000
Operating transfers out	(212,134)	-
Total Nonoperating Revenues (Expenses)	(131,310)	1,777,984
NET INCOME	106,312	2,412,122
RETAINED EARNINGS, BEGINNING OF YEAR	2,825,555	10,724,713
RETAINED EARNINGS, END OF YEAR	\$ 2,931,867	\$ 13,136,835

See accompanying note to additional supplementary information.

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PASADENA AREA COMMUNITY COLLEGE DISTRICT

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS - (UNAUDITED) FOR THE YEAR ENDED JUNE 30, 2007

	Enterprise Funds	Internal Service Fund
	Bookstore	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from sales and user charges	\$ 6,582,576	\$ 4,431,933
Cash payments to employees for services	(1,129,908)	(424,501)
Cash payments to suppliers for goods and services	(4,680,372)	(698)
Cash payments for other operating expenses	(263,910)	(3,740,351)
Net Cash Flows From Operating Activities	508,386	266,383
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Nonoperating revenue (Transfers out)	(212,134)	1,171,128
Net Cash Flows From Noncapital Financing Activities	(212,134)	1,171,128
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	80,824	606,856
Net Cash Flows From Investing Activities	80,824	606,856
Change in cash and cash equivalents	377,076	2,044,367
Cash and cash equivalents - Beginning	1,142,702	12,221,341
Cash and cash equivalents - Ending	\$ 1,519,778	\$ 14,265,708
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income	\$ 237,622	\$ 634,138
Adjustments to reconcile operating income to net cash flows from operating activities:		
Depreciation	92,142	-
Changes in assets and liabilities:		
Receivables	148,914	(36,392)
Prepaid	(9,132)	(212,213)
Inventories	(84,905)	-
Accounts payable	(52,298)	6,375
Claims liability	-	(125,000)
Deferred revenue	-	(528)
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 332,343	\$ 266,380

See accompanying note to additional supplementary information.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

FIDUCIARY FUNDS BALANCE SHEETS - (UNAUDITED) JUNE 30, 2007

	Associated Students Trust	Student Representation Fee	Student Financial Aid
ASSETS			
Cash and cash equivalents	\$ 168,628	\$ 268,028	\$ 132,025
Investments	-	-	271,866
Accounts receivable	-	-	363,032
Student loans receivable	-	-	614,249
Fixed assets, net	2,811	-	-
Total Assets	<u>\$ 171,439</u>	<u>\$ 268,028</u>	<u>\$ 1,381,172</u>
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ 188,674
Other current liabilities	-	-	492,787
Deferred revenue	-	-	25,218
Due to student groups	171,439	268,028	-
Total Liabilities	<u>171,439</u>	<u>268,028</u>	<u>706,679</u>
FUND EQUITY			
Fund Balances			
Reserved	-	-	674,493
Total Fund Equity	<u>-</u>	<u>-</u>	<u>674,493</u>
Total Liabilities and Fund Equity	<u>\$ 171,439</u>	<u>\$ 268,028</u>	<u>\$ 1,381,172</u>

See accompanying note to additional supplementary information.

Scholarship and Loan	Other Trust	Total
\$ -	\$ 1,240,603	\$ 1,809,284
-	258,143	530,009
-	-	363,032
-	-	614,249
-	-	2,811
<u>\$ -</u>	<u>\$ 1,498,746</u>	<u>\$ 3,319,385</u>
\$ -	\$ -	\$ 188,674
-	-	492,787
-	-	25,218
-	-	439,467
<u>-</u>	<u>-</u>	<u>1,146,146</u>
-	1,498,746	2,173,239
<u>-</u>	<u>1,498,746</u>	<u>2,173,239</u>
<u>\$ -</u>	<u>\$ 1,498,746</u>	<u>\$ 3,319,385</u>

PASADENA AREA COMMUNITY COLLEGE DISTRICT

FIDUCIARY FUNDS

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN

FUND BALANCE - (UNAUDITED)

FOR THE YEAR ENDED JUNE 30, 2007

	Associated Students Trust	Student Representation Fee	Student Financial Aid
REVENUES			
Federal revenues	\$ -	\$ -	\$ 13,104,998
State revenues	-	-	1,989,873
Local revenues	65,061	119,064	13,235
Total Revenues	<u>65,061</u>	<u>119,064</u>	<u>15,108,106</u>
EXPENDITURES			
Current Expenditures			
Classified salaries	-	-	-
Employee benefits	227	-	-
Books and supplies	68,146	4,887	-
Services and operating expenditures	89,307	47,743	-
Capital outlay	-	-	-
Total Expenditures	<u>157,680</u>	<u>52,630</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(92,619)</u>	<u>66,434</u>	<u>15,108,106</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	39,427	-	-
Other uses	53,192	(66,434)	(15,093,577)
Total Other Financing Sources (Uses)	<u>92,619</u>	<u>(66,434)</u>	<u>(15,093,577)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	-	-	14,529
FUND BALANCE, BEGINNING OF YEAR	-	-	659,964
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 674,493</u>

See accompanying note to additional supplementary information.

Scholarship and Loan	Other Trust	Total
\$ -	\$ -	\$ 13,104,998
-	-	1,989,873
297,400	1,889,988	2,384,748
<u>297,400</u>	<u>1,889,988</u>	<u>17,479,619</u>
-	201,146	201,146
-	56,763	56,990
-	529,133	602,166
5,115,402	1,290,936	6,543,388
-	27,510	27,510
<u>5,115,402</u>	<u>2,105,488</u>	<u>7,431,200</u>
<u>(4,818,002)</u>	<u>(215,500)</u>	<u>10,048,419</u>
-	172,707	212,134
-	-	(15,106,819)
<u>-</u>	<u>172,707</u>	<u>(14,894,685)</u>
(4,818,002)	(42,793)	(4,846,266)
4,818,002	1,541,539	7,019,505
<u>\$ -</u>	<u>\$ 1,498,746</u>	<u>\$ 2,173,239</u>

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTE TO ADDITIONAL SUPPLEMENTARY INFORMATION JUNE 30, 2007

NOTE 1 - PURPOSE OF SCHEDULES

Fund Financial Statements

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