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PASADENA AREA  
COMMUNITY COLLEGE  
DISTRICT

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ANNUAL FINANCIAL REPORT

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**JUNE 30, 2009**

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

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JUNE 30, 2009

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***FINANCIAL SECTION***

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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Pasadena Area Community College District  
Pasadena, California

We have audited the accompanying basic financial statements of the business-type activities of Pasadena Area Community College District (the District) as of and for the years ended June 30, 2009 and 2008, and its discretely presented component unit, Pasadena City College Foundation, Inc. (the Foundation), 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 opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Pasadena Area Community College District and its discretely presented component unit as of June 30, 2009 and 2008, 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.

As discussed in Note 1 and Note 10 to the Financial Statements, the accompanying financial statements reflect certain changes required as a result of the implementation of Governmental Accounting Standards Board (GASB) Statement No. 45 for the year ended June 30, 2009.

As discussed in Note 13 to the financial statements, the State of California continues to suffer the effects of a recessionary economy, which directly impacts the funding allocations of Pasadena Area Community College District.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2009, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important for assessing the results of our audit.

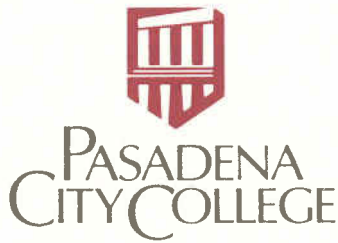
The Management's Discussion and Analysis, as listed in the Table of Contents, is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the District's management.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

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

The Additional Supplementary Information on pages 78 through 85 has been presented at the request of District management for purposes of additional analysis. 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.

*Vaurick Irine, Day & Co. LLP*

Rancho Cucamonga, California  
December 2, 2009



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, 2009. This analysis is presented with comparative information from our June 30, 2008 and June 30, 2007, fiscal year ends to highlight changes from one year to the next. This section of our report should be read in conjunction with the basic financial statements, including footnotes. Responsibility for the completeness and accuracy of this information rests with the District management.

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

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

The Pasadena Area Community College District's financial statements are presented in accordance with Governmental Accounting Standards Board Statements No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and No. 35, *Basic Financial Statements - and Management Discussion and Analysis - for Public College and Universities*. These statements allow for the presentation of financial activity and results of operations which focuses on the District as a whole. The entity-wide financial statements present the overall results of operations whereby all of the District's activities are consolidated into one total versus the traditional presentation by fund type. The focus of the Statement of Net Assets is designed to be similar to bottom line results for the District. This statement combines and consolidates current financial resources (net short-term spendable resources) with capital assets and long-term obligations. The Statement of Revenues, Expenses, and Changes in Net Assets focuses on the costs of the District's operational activities with revenues and expenses categorized as operating and nonoperating, and expenses are reported by natural classification. This approach is intended to summarize and simplify the user's analysis of the cost of various District services to students and the public. The Statement of Cash Flows provides an analysis of the sources and uses of cash within the operations of the District.

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

# **PASADENA AREA COMMUNITY COLLEGE DISTRICT**

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

**JUNE 30, 2009**

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### ***FINANCIAL HIGHLIGHTS***

- The District ended the year with an Unrestricted General Fund balance of \$18,558,842. The State System's Office recommends reserve levels of five percent of total General Fund expenditures, \$6,013,519, to be set aside for economic uncertainties. We have met this recommendation.
- The primary expenditure of the District is for the salaries and benefits of the Academic, Classified, and Administrative salaries of District employees. Approximately 88 percent of District operating expenditures are consumed by employee compensation.
- A Citizen's Oversight Committee was formed under Proposition 39 requirements and meets quarterly. The meetings are held on the last Wednesday of January, April, July, and October at Pasadena City College in room C233 at 6:00 pm and are open to the public.
- The District provides student financial aid to qualifying students of the District in the amount of approximately \$28 million. This represents an increase of \$4.4 million from the 2007-2008 fiscal year. This aid is provided through grants, loans, and tuition reductions from the Federal government, State System's Office, and local funding.
- The District's credit full-time equivalent student (FTES) were 22,686 and 21,353 for the 2009 and 2008 fiscal years, respectively.
- The District's total FTES including non-credit FTES for the years ended 2009 and 2008 were 24,055 and 22,759, respectively.



# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2009

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Condensed financial information is as follows:

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

(Amounts in thousands)

	2009	2008	2007
<b>ASSETS</b>			
Current Assets			
Cash, investments, and short-term receivables	\$ 121,441	\$ 158,841	\$ 157,774
Inventory and other assets	2,127	2,292	1,569
Total Current Assets	<u>123,568</u>	<u>161,133</u>	<u>159,343</u>
Noncurrent Assets			
Capital assets, net of depreciation	181,572	147,711	131,271
Total Assets	<u>\$ 305,140</u>	<u>\$ 308,844</u>	<u>\$ 290,614</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable and accrued liabilities	\$ 19,815	\$ 20,214	\$ 11,890
Other current liabilities	464	462	493
Deferred revenue	5,814	8,234	8,116
Claims liability	1,300	1,500	1,500
Amounts held in trust	2,237	2,067	1,938
Long-term obligations - current portion	11,073	11,563	10,722
Total Current Liabilities	<u>40,703</u>	<u>44,040</u>	<u>34,659</u>
Noncurrent Liabilities			
Long-term obligations - noncurrent portion	86,771	93,589	100,691
Total Liabilities	<u>127,474</u>	<u>137,629</u>	<u>135,350</u>
<b>NET ASSETS</b>			
Invested in capital assets	119,853	112,107	103,230
Restricted for expendable purposes	18,313	25,660	23,586
Unrestricted	39,500	33,448	28,448
Total Net Assets	<u>177,666</u>	<u>171,215</u>	<u>155,264</u>
Total Liabilities and Net Assets	<u>\$ 305,140</u>	<u>\$ 308,844</u>	<u>\$ 290,614</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, 2009

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Long-term obligations consist primarily of the general obligation bond issue, 2003 certificates of participation, and compensated absences. Long-term obligations decreased by approximately \$7.3 million as the District repays the bond obligations.

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

(Amounts in thousands)

	2009	2008	2007
OPERATING REVENUES			
Tuition and fees	\$ 19,052	\$ 18,786	\$ 16,839
Auxiliary sales and charges	6,839	6,884	6,583
Other operating revenues	171	377	4,603
Total Operating Revenues	<u>26,062</u>	<u>26,047</u>	<u>28,025</u>
OPERATING EXPENSES			
Salaries and benefits	117,106	112,915	109,634
Supplies and maintenance	50,654	45,534	45,226
Depreciation	8,135	6,927	6,490
Total Operating Expenses	<u>175,895</u>	<u>165,376</u>	<u>161,350</u>
NET LOSS ON OPERATIONS	<u>(149,833)</u>	<u>(139,329)</u>	<u>(133,325)</u>
NONOPERATING REVENUES AND (EXPENSES)			
State apportionments	83,825	83,071	80,403
Property taxes	28,895	27,609	27,080
Grants and contracts	39,433	32,014	27,625
State revenue	312	3,269	3,939
Investment income, net	2,734	8,510	5,491
Interest expense	(4,452)	(4,611)	(3,164)
Other nonoperating revenues and transfers	4,254	4,358	3,070
Total Nonoperating Revenues	<u>155,001</u>	<u>154,220</u>	<u>144,444</u>
OTHER REVENUES			
State revenues, capital	243	394	1,191
Local revenues, capital	1,039	666	837
Total Other Revenues	<u>1,282</u>	<u>1,060</u>	<u>2,028</u>
NET CHANGE IN NET ASSETS	<u>\$ 6,450</u>	<u>\$ 15,951</u>	<u>\$ 13,147</u>

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

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2009**

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The operating revenue for the District is specifically defined as revenues from users of the colleges' facilities and programs. Excluded from the operating revenues are the components of the primary source of District funding - the State apportionment process. These components include the State apportionment and local property taxes. As these resources of revenue are from the general population of the State of California, and not from the direct users of the educational services (students), they are considered to be nonoperating. As a result, the operating loss of \$149.8 million is balanced by the other funding sources. Total District revenues exceeded all expenditures sources by \$6.5 million for the year ended June 30, 2009.

Auxiliary revenue consists primarily 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)

	<u>2009</u>	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM			
Operating activities	\$ (141,635)	\$ (131,876)	\$ (99,889)
Noncapital financing activities	137,006	137,121	103,808
Capital financing activities	(45,802)	(14,416)	82,291
Investing activities	<u>3,575</u>	<u>8,797</u>	<u>10,287</u>
Net Change in Cash and Cash Equivalents	<u>\$ (46,856)</u>	<u>\$ (374)</u>	<u>\$ 96,497</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 and Bookstore net sales. 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, 2009**

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

The economic position of the Pasadena Area Community College District is closely tied to California's economic position as State apportionments and property taxes allocated to the District represent approximately 81 percent of the unrestricted General Fund. The 2009-2010 State budget for community colleges contains no cost of living increase and no growth funds. The State economy is in decline with a projected deficit for the 2008-2010 years in the range of \$25-\$30 billion, and these deficits will impact all education segments in the State. Unfortunately, these budget cuts come at a time when the college enrollment is increasing, putting additional pressure on our already scarce resources. The System's Office has advised districts to expect mid-year budget cuts in early 2010. Management is monitoring closely all factors in an effort to control the ultimate impact of budget cuts on the District's financial health and on our ability to serve our students.

The 2009-2010 fiscal year will bring several significant construction events. It is anticipated that the Industrial Technologies Building, the Campus Center addition and renovation, and the Bookstore projects will be essentially completed. In addition, the District will break ground for the new Arts Building which will rise in place of the K and T Buildings. It is likely that the District will sell the final series of bonds authorized by Measure P sometime in the fall of 2009.

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

### ***CONTACTING THE DISTRICT***

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

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## STATEMENTS OF NET ASSETS JUNE 30, 2009 AND 2008

	2009	2008
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,712,473	\$ 2,242,867
Investments - unrestricted	15,284,898	20,246,723
Investments - restricted	82,868,155	124,232,342
Accounts receivable	20,887,037	11,451,375
Student loans receivable	688,636	667,615
Prepaid expenses	904,873	1,084,614
Inventories	1,221,756	1,207,224
<b>Total Current Assets</b>	<b>123,567,828</b>	<b>161,132,760</b>
<b>NONCURRENT ASSETS</b>		
Nondepreciable capital assets	75,563,471	34,504,382
Depreciable capital assets, net of accumulated depreciation	106,008,253	113,206,600
<b>Total Noncurrent Assets</b>	<b>181,571,724</b>	<b>147,710,982</b>
<b>TOTAL ASSETS</b>	<b>305,139,552</b>	<b>308,843,742</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	18,697,840	18,947,364
Accrued interest payable	1,116,703	1,266,780
Other current liabilities	464,267	462,205
Deferred revenue	5,814,444	8,233,608
Claims liability	1,300,000	1,500,000
Amounts held in custody on behalf of others	2,236,753	2,066,887
Bonds and notes payable	9,014,793	9,434,650
Other long-term obligations	2,059,039	2,128,050
<b>Total Current Liabilities</b>	<b>40,703,839</b>	<b>44,039,544</b>
<b>NONCURRENT LIABILITIES</b>		
Bonds and notes payable	84,258,063	91,704,755
Other long-term obligations	2,512,034	1,884,120
<b>Total Noncurrent Liabilities</b>	<b>86,770,097</b>	<b>93,588,875</b>
<b>TOTAL LIABILITIES</b>	<b>127,473,936</b>	<b>137,628,419</b>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	114,411,347	112,106,725
Restricted for:		
Debt service	7,994,686	8,922,388
Capital projects	10,318,149	16,738,182
Unrestricted	44,941,434	33,448,028
<b>TOTAL NET ASSETS</b>	<b>\$ 177,665,616</b>	<b>\$ 171,215,323</b>

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

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
<b>OPERATING REVENUES</b>		
Student Tuition and Fees	\$ 24,764,502	\$ 23,701,781
Less: Scholarship discount and allowance	(5,712,888)	(4,915,872)
Net tuition and fees	19,051,614	18,785,909
Bookstore	6,839,258	6,883,658
Other operating revenues	171,473	377,475
<b>TOTAL OPERATING REVENUES</b>	<b>26,062,345</b>	<b>26,047,042</b>
<b>OPERATING EXPENSES</b>		
Salaries	93,815,555	91,521,899
Employee benefits	23,289,982	21,392,829
Supplies, materials, and other operating expenses and services	23,888,328	27,603,787
Student financial aid	22,360,671	15,751,872
Equipment, maintenance, and repairs	4,405,210	2,178,956
Depreciation	8,135,362	6,926,851
<b>TOTAL OPERATING EXPENSES</b>	<b>175,895,108</b>	<b>165,376,194</b>
<b>OPERATING LOSS</b>	<b>(149,832,763)</b>	<b>(139,329,152)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State apportionments, noncapital	83,824,833	83,071,149
Local property taxes levied for general purposes	18,377,752	16,317,372
Local property taxes levied for debt repayment	10,517,212	11,291,862
Grants and Contracts, noncapital:		
Federal	24,349,513	19,930,686
State	12,258,754	12,083,545
State lottery	3,137,021	3,268,614
Investment income	2,733,768	8,510,000
Interest expense on capital related debt	(4,451,360)	(4,611,433)
Transfer to agency fund	(254,115)	(341,072)
Other nonoperating revenue	4,507,472	4,699,938
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>155,000,850</b>	<b>154,220,661</b>
<b>INCOME BEFORE OTHER REVENUES</b>	<b>5,168,087</b>	<b>14,891,509</b>
State revenues, capital	243,547	393,853
Local revenues, capital	1,038,659	665,976
<b>TOTAL OTHER REVENUES</b>	<b>1,282,206</b>	<b>1,059,829</b>
<b>CHANGE IN NET ASSETS</b>	<b>6,450,293</b>	<b>15,951,338</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>171,215,323</b>	<b>155,263,985</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 177,665,616</b>	<b>\$ 171,215,323</b>

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

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	<b>2009</b>	<b>2008</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees	\$ 17,212,368	\$ 18,807,898
Payments to or on behalf of employees	(121,306,188)	(117,601,712)
Payments to vendors for supplies and services	(27,187,296)	(29,278,005)
Payments to students for scholarships and grants	(22,360,671)	(15,751,872)
Auxiliary sales and charges	12,006,616	11,947,907
<b>Net Cash Flows From Operating Activities</b>	<b>(141,635,171)</b>	<b>(131,875,784)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State apportionments	74,174,431	83,010,361
Property taxes - nondebt related	18,377,752	16,317,372
Grants and contracts	40,311,304	28,682,424
State taxes and other revenues	(17,107)	3,487,659
Other receipts	4,159,512	5,622,897
<b>Net Cash Flows From Noncapital Financing Activities</b>	<b>137,005,892</b>	<b>137,120,713</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
State revenues, capital projects	1,129,364	1,059,829
Local revenue, capital projects	2,982,633	2,414,412
Property taxes - related to capital debt	10,517,212	11,291,862
Acquisition and construction of capital assets	(45,037,658)	(14,616,530)
Principal paid on capital debt and leases	(10,538,383)	(9,847,537)
Interest paid on capital debt and leases	(4,855,552)	(4,718,071)
<b>Net Cash Flows From Capital and Related Financing Activities</b>	<b>(45,802,384)</b>	<b>(14,416,035)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income	3,575,257	8,797,016
<b>Net Cash Flows From Investing Activities</b>	<b>3,575,257</b>	<b>8,797,016</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(46,856,406)</b>	<b>(374,090)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>146,721,932</b>	<b>147,096,022</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 99,865,526</b>	<b>\$ 146,721,932</b>

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

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## STATEMENTS OF CASH FLOWS, CONTINUED FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating Loss	\$ (149,832,763)	\$ (139,329,152)
Adjustments to Reconcile Operating Loss to Net Cash		
Flows From Operating Activities:		
Depreciation and amortization expense	8,135,362	6,926,851
Changes in Assets and Liabilities:		
Receivables, net	(21,021)	(355,050)
Inventories	(14,532)	(94,063)
Prepaid expenses	179,741	(628,777)
Accounts payable and accrued liabilities	1,966,419	1,645,584
Deferred revenue	(2,296,481)	117,185
Compensated absences	(470,992)	(158,362)
Other postemployment benefits	719,096	-
<b>Total Adjustments</b>	<u>8,197,592</u>	<u>7,453,368</u>
<b>Net Cash Flows From Operating Activities</b>	<u>\$ (141,635,171)</u>	<u>\$ (131,875,784)</u>
 <b>Cash and Cash Equivalents Consist of the Following:</b>		
Cash in banks	\$ 1,712,473	\$ 2,242,867
Cash in county treasury	98,153,053	144,479,065
<b>Total Cash and Cash Equivalents</b>	<u>\$ 99,865,526</u>	<u>\$ 146,721,932</u>
 <b>Noncash Transactions</b>		
On behalf payments for benefits	<u>\$ 2,444,717</u>	<u>\$ 2,410,925</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, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash - unrestricted	\$ -	\$ 458,570
Cash - restricted	1,081,735	371,223
Pledge receivable - current	250,468	200,000
Due from operating fund	152,815	-
<b>Total Current Assets</b>	<u>1,485,018</u>	<u>1,029,793</u>
<b>NONCURRENT ASSETS</b>		
Investments - unrestricted	-	778,860
Investments - restricted	7,806,472	10,324,801
Pledge receivable - noncurrent	3,431,209	-
Land held for sale	10,850	10,850
<b>Total Noncurrent Assets</b>	<u>11,248,531</u>	<u>11,114,511</u>
<b>TOTAL ASSETS</b>	<u>\$ 12,733,549</u>	<u>\$ 12,144,304</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Due to restricted funds	\$ 152,815	\$ -
Accounts payable	-	81,320
<b>Total Liabilities</b>	<u>152,815</u>	<u>81,320</u>
<b>NET ASSETS</b>		
Unrestricted	(141,965)	1,166,960
Temporarily restricted	4,079,953	6,205,592
Permanently restricted	8,642,746	4,690,432
<b>TOTAL NET ASSETS</b>	<u>12,580,734</u>	<u>12,062,984</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 12,733,549</u>	<u>\$ 12,144,304</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, 2009 AND 2008

	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES</b>				
Donations	\$ 280,000	\$ 935,272	\$ 3,637,573	\$ 4,852,845
In-kind receipts	237,030	-	-	237,030
Special events	41,150	2,596	-	43,746
Student fees	-	4,066	-	4,066
Miscellaneous revenue	-	4,774	-	4,774
Assets released from restrictions	1,084,596	(1,084,596)	-	-
<b>Total Revenues</b>	<u>1,642,776</u>	<u>(137,888)</u>	<u>3,637,573</u>	<u>5,142,461</u>
<b>EXPENSES</b>				
Operating	279,731	-	-	279,731
Program	1,358,227	-	-	1,358,227
Fundraising	78,468	-	-	78,468
<b>Total Expenses</b>	<u>1,716,426</u>	<u>-</u>	<u>-</u>	<u>1,716,426</u>
<b>OTHER INCOME (EXPENSE)</b>				
Realized gain on sale of investments	-	(2,013,628)	-	(2,013,628)
Unrealized loss	(976,911)	(308,930)	-	(1,285,841)
Interest and dividends	105,409	285,775	-	391,184
Transfers	(68,778)	68,262	516	-
FSP 117-1 transfers	(396,102)	81,877	314,225	-
Foundation management fee	101,107	(101,107)	-	-
<b>Total Other Income and (Expense)</b>	<u>(1,235,275)</u>	<u>(1,987,751)</u>	<u>314,741</u>	<u>(2,908,285)</u>
<b>CHANGE IN NET ASSETS</b>	(1,308,925)	(2,125,639)	3,952,314	517,750
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>1,166,960</u>	<u>6,205,592</u>	<u>4,690,432</u>	<u>12,062,984</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ (141,965)</u>	<u>\$ 4,079,953</u>	<u>\$ 8,642,746</u>	<u>\$ 12,580,734</u>

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

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2008			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 69,409	\$ 1,207,210	\$ 100,000	\$ 1,376,619
239,591	-	-	239,591
6,070	19,814	-	25,884
-	22,885	-	22,885
-	6,171	-	6,171
1,064,092	(1,064,092)	-	-
<u>1,379,162</u>	<u>191,988</u>	<u>100,000</u>	<u>1,671,150</u>
325,443	-	-	325,443
1,426,027	-	-	1,426,027
24,119	-	-	24,119
<u>1,775,589</u>	<u>-</u>	<u>-</u>	<u>1,775,589</u>
362,914	-	-	362,914
-	(773,024)	(607,376)	(1,380,400)
344,997	-	-	344,997
(451,398)	(29,419)	480,817	-
-	-	-	-
-	-	-	-
<u>256,513</u>	<u>(802,443)</u>	<u>(126,559)</u>	<u>(672,489)</u>
(139,914)	(610,455)	(26,559)	(776,928)
1,306,874	6,816,047	4,716,991	12,839,912
<u>\$ 1,166,960</u>	<u>\$ 6,205,592</u>	<u>\$ 4,690,432</u>	<u>\$ 12,062,984</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, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 517,750	\$ (776,928)
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities		
Contributions for long-term purposes	(4,572,845)	(1,307,210)
Unrealized loss on long-term investments	1,285,841	1,380,400
Changes in Operating Assets and Liabilities		
Increase in due from operating fund	(152,815)	-
Increase (decrease) in accounts payable	(81,320)	81,320
Increase in due to restricted funds	152,815	-
<b>Net Cash Flows From Operating Activities</b>	<u>(2,850,574)</u>	<u>(622,418)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	8,094,366	4,010,401
Purchase of investments	(6,793,530)	(4,955,130)
<b>Net Cash Flows From Investing Activities</b>	<u>1,300,836</u>	<u>(944,729)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Collections of contributions restricted for long-term purposes	1,091,168	1,307,210
<b>Net Cash Flows From Financing Activities</b>	<u>1,091,168</u>	<u>1,307,210</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(458,570)	(259,937)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	458,570	718,507
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ -</u>	<u>\$ 458,570</u>

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

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

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### NOTE 1 - ORGANIZATION

#### Organization

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

#### Financial Reporting Entity

The District has adopted GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. This statement amends GASB Statement No. 14, *The Financial Reporting Entity*, to provide additional guidance to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District. The three components used to determine the presentation are: providing a "direct benefit", the "environment and ability to access/influence reporting", and the "significance" criterion. As defined by accounting principles generally accepted in the United States of America and established by the Governmental Accounting Standards Board, the financial reporting entity consists of the primary government, the District, and the following component units:

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

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

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

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

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

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

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

### ***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, No. 38, and No. 39. This presentation provides a comprehensive entity-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are classified as operating revenues. These transactions are recorded on the accrual basis when the exchange takes place. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, certain grants, entitlements, and donations are classified as nonoperating revenue. Federal and State grants received to provide direct grants to students are classified as nonoperating revenues because the District does not generally receive any direct benefit from the grants and are recognized in the fiscal year in which all eligibility requirements are satisfied. Eligibility requirements may include time and/or purpose requirements. Property tax revenue is recognized in the fiscal year received. State apportionment revenue is earned based upon criteria set forth from the Community Colleges System's Office and includes reporting of full-time equivalent student (FTES) attendance. The corresponding apportionment revenue is recognized in the period the FTES are generated.

Operating expenses are costs incurred to provide instructional services including support costs, auxiliary services, and depreciation of capital assets. All other expenses not meeting this definition are reported as nonoperating. Expenses are recorded on the accrual basis as they are incurred, when goods are received, or services are rendered.

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

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

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

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

### Cash and Cash Equivalents

The District's cash and cash equivalents consist of cash on hand, the imprest revolving fund balance, and demand deposits. In the statement of cash flows, cash includes cash in county treasury pool.

### Investments

Investments held at June 30, 2009 and 2008, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

### Accounts Receivable

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

### Prepaid Expenses

Prepaid expenses represent payments made to vendors and others for services that will benefit periods beyond June 30, 2009.

# **PASADENA AREA COMMUNITY COLLEGE DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008**

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### **Inventories**

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

### **Capital Assets and Depreciation**

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

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

### **Accrued Liabilities and Long-Term Obligations**

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

### **Compensated Absences**

Accumulated unpaid vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as usage, 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. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full time.



# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

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### Deferred Revenue

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

### Net Assets

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

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

**Restricted - Expendable** - Net assets whose use by the District is subject to externally imposed constraints that can be fulfilled by actions of the District pursuant to those constraints or by the passage of time. Net assets may be restricted for capital projects, debt repayment, and/or educational programs. None of the District's restricted net assets have resulted from enabling legislation adopted by the District.

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

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed. The entity-wide financial statements report \$18,312,835 of restricted net assets.

### 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. When known and measurable, these recalculations and corrections are accrued in the year in which the FTES are generated.

### On-Behalf Payments

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

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

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### Estimates

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

### Property Taxes

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

The voters of the District passed a General Obligation Bond in March 2002 for the acquisition, construction, and remodeling of District capital assets. As a result of the passage of the Bond, property taxes are assessed on the property within the District specifically for the repayment of the debt incurred. The taxes are billed and collected as noted above and remitted to the District when collected. The property tax revenue received for the repayment of the bonds for the years ended June 30, 2009 and 2008, was \$10,517,212 and \$11,291,862, respectively.

### Scholarship Discounts and Allowances

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

### Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, Federal Work-Study, Academic Competitiveness Grant, 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, 2009 and 2008, the District distributed \$1,664,675 and \$1,027,453, respectively, in direct lending through the U.S. Department of Education.

### Interfund Activity

Interfund transfers and interfund receivables and payables are eliminated during the consolidation process in the entity-wide financial statements.

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

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### Foundation Presentation

The Pasadena City College Foundation, Inc. presents its financial statements in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by the statement, the Foundation does not use fund accounting.

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

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

Investments are reported at fair value in accordance with SFAS No. 157.

### Changes in Accounting Principles

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

This Statement provided for prospective implementation – that is that employers set the beginning OPEB obligation at zero as of the beginning of the initial year. The District has implemented the provision of the Statement for the fiscal year ended June 30, 2009. The District had an annual required contribution of \$1,724,551 for the year June 30, 2009, and made a contribution of \$1,005,455 resulting in an OPEB obligation of \$719,096.

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

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### New Accounting Pronouncements

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Classifications*. The objectives of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this Statement are effective for the financial statements for periods beginning after June 15, 2010. The District does not anticipate a significant impact in reporting as a result of this Statement as fund financial information is not reported.

In April 2009, the GASB issued GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to incorporate the hierarchy of generally accepted accounting principles (GAAP) for State and local governments into the GASB authoritative literature. The "GAAP hierarchy" consists of the sources of accounting principles used in the preparation of financial statements for State and local governmental entities that are presented in conformity with GAAP and the framework for selecting those principles. GASB Statement No. 55 is effective immediately.

In April 2009, the GASB issued GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statement on Auditing Standards*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the AICPA's Statements on Auditing Standards. This Statement addresses three issues not included in the authoritative literature that establishes accounting principles: related party transactions, going concern considerations, and subsequent events. The presentation of principles used in the preparation of financial statements is more appropriately included in accounting and financial reporting standards rather than auditing literature. GASB Statement No. 56 is effective immediately.

### 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 - DEPOSITS 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. The District investment policies do not address risk criteria contained in GASB Statement No. 40.

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

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**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.

The pool is managed by the Los Angeles County Treasurer and is not registered as an investment company with the Securities Exchange Commission. Oversight of the pool is the responsibility of the County Treasury Oversight Committee. California Government Code statutes and the County Treasury Oversight Committee set forth the various investment policies that the treasurer follows.

### 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.

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

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### Summary of Deposits and Investments

Deposits and investments as of June 30, 2009, consist of the following:

#### Statement of Net Assets

Cash and cash equivalents	\$ 1,712,473
Investments - unrestricted	15,284,898
Investments - restricted	82,868,155
Total Cash and cash equivalents and Investments	<u>\$ 99,865,526</u>

#### Summary of Deposits and Investments

Cash on hand and in banks	\$ 1,562,273
Cash in revolving	150,200
Investments	98,153,053
Total Deposits and Investments	<u>\$ 99,865,526</u>

### Interest Rate Risk

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

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

Investment Type	Fair Value	Weighted Average Maturity in Days
County Pool - Los Angeles	\$ 87,594,429	495
Certificates of Deposit	1,250,747	636
Stocks	27,782	Not applicable
Mutual Funds	148,585	Not applicable
Foreign Currency	68,475	Not applicable
Municipal Bonds	300,000	Not applicable
Fixed Income	81,518	Not applicable
Total	<u>\$ 89,471,536</u>	

### 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 balance of the District's investments include funds held in the County Pool, Certificates of Deposits which are not rated, nor are they required to be rated. Ratings for the District's other investments were not available.

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

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### **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, 2009, the District's bank balance of \$1,421,640 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 collectable in full.

The accounts receivable are as follows:

	<u>2009</u>	<u>2008</u>
Federal Government		
Categorical aid	\$ 2,789,644	\$ 2,255,992
State Government		
Apportionment	14,604,270	4,953,868
Categorical aid	501,320	336,120
Lottery	1,504,101	1,486,994
Local Sources		
Interest	528,499	1,369,987
Other local sources	959,203	1,048,414
Total	<u>\$ 20,887,037</u>	<u>\$ 11,451,375</u>
Student receivables	<u>\$ 688,636</u>	<u>\$ 667,615</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, 2009 AND 2008

### NOTE 5 - INTERFUND TRANSACTIONS

#### Operating Transfers

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

### NOTE 6 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2009, 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	24,107,974	41,559,700	500,611	65,167,063
Total Capital Assets Not Being Depreciated	34,504,382	41,559,700	500,611	75,563,471
Capital Assets Being Depreciated				
Buildings and improvements	150,370,176	182,874	-	150,553,050
Site improvements	12,348,587	317,737	-	12,666,324
Equipment	13,829,382	484,808	492,289	13,821,901
Total Capital Assets Being Depreciated	176,548,145	985,419	492,289	177,041,275
Total Capital Assets	211,052,527	42,545,119	992,900	252,604,746
Less Accumulated Depreciation				
Buildings and improvements	49,825,387	5,516,221	-	55,341,608
Site improvements	4,392,596	1,619,627	-	6,012,223
Equipment	9,123,562	999,514	443,885	9,679,191
Total Accumulated Depreciation	63,341,545	8,135,362	443,885	71,033,022
Net Capital Assets	\$ 147,710,982	\$34,409,757	\$ 549,015	\$ 181,571,724

Depreciation expense for the year was \$8,135,362.



# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

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

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

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

### NOTE 7 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	2009	2008
Accrued payroll and benefits	\$ 7,600,562	\$ 6,799,317
Construction	2,498,265	5,342,042
Construction management	3,534,177	3,685,612
Vendor	5,064,836	3,120,393
Total	\$ 18,697,840	\$ 18,947,364

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

### NOTE 8 - DEFERRED REVENUE

Deferred revenue for the District consisted of the following:

	2009	2008
Federal categorical aid	\$ 404,882	\$ 28,350
State categorical aid	2,591,486	3,090,702
Student fees	1,974,860	3,793,085
Radio agreement	703,829	806,266
Other local	139,387	515,205
Total	<u>\$ 5,814,444</u>	<u>\$ 8,233,608</u>

### NOTE 9 - LONG-TERM OBLIGATIONS

#### Summary

The changes in the District's long-term obligations during the 2009 fiscal year consisted of the following:

	Beginning Balance	Additions	Deductions	Ending Balance	Amount Due Within One Year
Bonds and Notes Payable					
General Obligations Bonds, Election 2002, Series A	\$ 4,570,000	\$ -	\$ 855,000	\$ 3,715,000	\$ 880,000
General Obligations Bonds, Election 2002, Series B	58,840,000	-	6,860,000	51,980,000	1,390,000
Unamortized premium	1,886,925	-	68,785	1,818,140	-
General Obligation Bonds, 2006 Refunding, Series C	25,168,086	2,584,728	999,900	26,752,914	6,000,000 *
Unamortized premium	6,634,894	-	947,842	5,687,052	-
2003 Certificates of Participation, Series A	3,410,000	-	520,000	2,890,000	535,000
Note payable	629,500	-	199,750	429,750	209,793
Total Bonds and Notes Payable	<u>101,139,405</u>	<u>2,584,728</u>	<u>10,451,277</u>	<u>93,272,856</u>	<u>9,014,793</u>
Other Obligations					
Compensated absences	2,996,316	-	430,865	2,565,451	1,953,543
Load banking	910,287	-	40,127	870,160	-
Capital leases	105,567	397,905	87,106	416,366	105,496
Other postemployment benefits (net)	-	719,096	-	719,096	-
Total Other Obligations	<u>4,012,170</u>	<u>1,117,001</u>	<u>558,098</u>	<u>4,571,073</u>	<u>2,059,039</u>
Total Long-Term Obligations	<u>\$ 105,151,575</u>	<u>\$ 3,701,729</u>	<u>\$ 11,009,375</u>	<u>\$ 97,843,929</u>	<u>\$ 11,073,832</u>

\*Includes accreted interest at maturity.

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

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

	Beginning Balance	Additions	Deductions	Ending Balance	Amount Due Within One Year
<b>Bonds and Notes Payable</b>					
General Obligations Bonds, Election 2002, Series A	\$ 5,405,000	\$ -	\$ 835,000	\$ 4,570,000	\$ 855,000
General Obligations Bonds, Election 2002, Series B	65,000,000	-	6,160,000	58,840,000	6,860,000
Unamortized premium	1,965,547	-	78,622	1,886,925	-
General Obligation Bonds, 2006 Refunding, Series C	23,764,887	2,393,199	990,000	25,168,086	999,900
Unamortized premium	7,582,736	-	947,842	6,634,894	-
2003 Certificates of Participation, Series A	3,915,000	-	505,000	3,410,000	520,000
Note payable	819,207	-	189,707	629,500	199,750
<b>Total Bonds and Notes Payable</b>	<b>108,452,377</b>	<b>2,393,199</b>	<b>9,706,171</b>	<b>101,139,405</b>	<b>9,434,650</b>
<b>Other Obligations</b>					
Compensated absences	2,734,382	261,934	-	2,996,316	2,040,944
Load banking	-	910,287	-	910,287	-
Capital leases	225,720	21,213	141,366	105,567	87,106
<b>Total Other Obligations</b>	<b>2,960,102</b>	<b>1,193,434</b>	<b>141,366</b>	<b>4,012,170</b>	<b>2,128,050</b>
<b>Total Long-Term Obligations</b>	<b>\$ 111,412,479</b>	<b>\$ 3,586,633</b>	<b>\$ 9,847,537</b>	<b>\$ 105,151,575</b>	<b>\$ 11,562,700</b>

### 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. Load banking obligations are paid primarily from the General Unrestricted Fund. The OPEB obligation will be paid primarily from the Unrestricted General 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, 2009, \$120,657,774 had been issued and \$82,447,914 was outstanding. Interest rates on the bonds range from 2.00 percent to 5.25 percent.

The 2003 Certificates of Participation were issued in September 2003 in the amount of \$5,380,000 to prepay its proportionate share of the 1993 Certificates of Participation Series A. At June 30, 2009, the balance outstanding was \$2,890,000. 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, 2009, the balance outstanding was \$429,750. The notes mature through 2011.

The District has utilized capital leases purchase agreements to purchase land, buildings, and equipment. The current lease purchase agreements will be paid through 2014.

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

### Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2008	Issued	Accreted Interest Addition	Redeemed	Bonds Outstanding June 30, 2009
6/1/2003	6/1/2013	2.00%-5.00%	\$ 33,000,000	\$ 4,570,000	\$ -	\$ -	\$ 855,000	\$ 3,715,000
7/12/2006	8/1/2031	4.50%-5.25%	65,000,000	58,840,000	-	-	6,860,000	51,980,000
7/12/2006	8/1/2014	3.95%-4.44%	22,657,774	25,168,086	-	2,584,728	999,900	26,752,914
				<u>\$88,578,086</u>	<u>\$ -</u>	<u>\$2,584,728</u>	<u>\$8,714,900</u>	<u>\$ 82,447,914</u>

### General Obligation Bond 2002 Series A

The general obligation bonds mature through 2013 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
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>\$ 3,715,000</u>	<u>\$ 362,500</u>	<u>\$ 4,077,500</u>

### General Obligation Bond 2002 Series B

The general obligation bonds mature through 2032 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2010	\$ 1,390,000	\$ 1,271,319	\$ 2,661,319
2011	1,635,000	1,240,044	2,875,044
2012	1,395,000	1,203,256	2,598,256
2013	1,460,000	1,171,869	2,631,869
2014	1,525,000	1,139,019	2,664,019
2015-2019	8,750,000	10,079,538	18,829,538
2020-2024	11,135,000	7,605,019	18,740,019
2025-2029	14,325,000	4,349,663	18,674,663
2030-2032	10,365,000	794,123	11,159,123
Total	<u>\$ 51,980,000</u>	<u>\$ 28,853,850</u>	<u>\$ 80,833,850</u>

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

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### General Obligation Bond 2006 Series C

The general obligation bonds mature through 2015 as follows:

<u>Fiscal Year</u>	<u>Principal (Including accreted interest to date)</u>	<u>Accreted Interest</u>	<u>Total</u>
2010	\$ 5,702,796	\$ 297,204	\$ 6,000,000
2011	5,199,041	855,959	6,055,000
2012	4,692,864	1,357,136	6,050,000
2013	4,309,539	1,840,461	6,150,000
2014	3,674,774	2,130,226	5,805,000
2015	3,173,901	2,376,099	5,550,000
Total	<u>\$ 26,752,915</u>	<u>\$ 8,857,085</u>	<u>\$ 35,610,000</u>

### 2003 Certificates of Participation Series A

The certificates of participation mature through 2014 as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 535,000	\$ 105,300	\$ 640,300
2011	555,000	85,531	640,531
2012	575,000	63,625	638,625
2013	600,000	40,125	640,125
2014	625,000	14,063	639,063
Total	<u>\$ 2,890,000</u>	<u>\$ 308,644</u>	<u>\$ 3,198,644</u>

### Notes Payable

The notes payable mature through 2011 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2010	\$ 209,793	\$ 20,207	\$ 230,000
2011	219,957	10,043	230,000
Total	<u>\$ 429,750</u>	<u>\$ 30,250</u>	<u>\$ 460,000</u>

### Compensated Absences

Vacation earned, but not used, is accumulated and paid in accordance with the bargaining unit agreements of the classified employees of the District. The total accumulated unpaid employee vacation for the District at June 30, 2009 and 2008, is \$2,565,451 and \$2,996,316, respectively.

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

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### Load Banking

In accordance with the bargaining unit agreement with faculty, unpaid excess courses taught by faculty may be exchanged for reduced teaching load in future terms. The value is based on the salary of the faculty member when earned and is calculated using full time equivalent units. The accumulated unused value at June 30, 2009 and 2008, is \$870,160 and \$910,287, respectively.

### Capital Leases

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

Balance, July 1, 2008	\$ 116,008
Additions	445,159
Payments	<u>95,537</u>
Balance, June 30, 2009	<u><u>\$ 465,630</u></u>

The capital leases have minimum lease payments as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Lease</u> <u>Payment</u>
2010	\$ 117,978
2011	104,957
2012	100,090
2013	96,430
2014	<u>46,175</u>
Total	465,630
Less: Amount Representing Interest	<u>49,264</u>
Present Value of Minimum Lease Payments	<u><u>\$ 416,366</u></u>

### ***NOTE 10 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATION***

The District provides postemployment health care benefits for retired employees in accordance with negotiated contracts with the various bargaining units of the District.

### Plan Description

The District provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 61 retirees receiving benefits and 827 active plan members.

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

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### Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually through agreements between the District and the bargaining units. For fiscal year 2008-2009, the District contributed \$1,005,455 to the Plan, all of which was used for current premiums.

### Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the payments of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding costs) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	\$ 1,724,551
Annual OPEB cost (expense)	(1,005,455)
Increase in net OPEB obligation	719,096
Net OPEB obligation, July 1, 2008	-
Net OPEB obligation, June 30, 2009	<u>\$ 719,096</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2009 was as follows:

Year Ended June 30, 2009	Annual Required Contribution	Percentage Contributed	Net OPEB Obligation
	\$ 1,724,551	58.3%	\$ 719,096

### Funding Status and Funding Progress

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, follows the notes to the financial statements and presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Since this is the first year of implementation, only the current year information is presented.

The District has not established a trust for the purpose of funding postemployment benefits, but has designated resources in the amount of \$11,912,491 for this purpose. A designation is not a binding commitment and is not included in the actuarial determination of plan assets as the election to set aside funds is not the equivalent of irrevocable trust. Funding the benefits is not required by GASB Statement No. 45.

# **PASADENA AREA COMMUNITY COLLEGE DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008**

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### **Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial values of assets, consistent with the long-term perspective of the calculations.

In the August 25, 2008, actuarial valuation, the entity age normal method was used. The actuarial assumptions included a five percent investment rate of return. Healthcare cost trend rates are expected to increase four percent per year. The UAAL is being amortized at a level percentage of payroll. The remaining amortization period at July 1, 2009, was 30 years. The actuarial value of assets was not determined in this actuarial valuation.

### ***NOTE 11 - RISK MANAGEMENT***

#### **Insurance Coverages**

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. The District acquires coverage through joint powers authorities described in the following paragraph. The District provides health insurance benefits to eligible District employees, their families, and retired employees of the District.

#### **Joint Powers Authority Risk Pools**

During fiscal year ending June 30, 2009, 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 any reduction in coverage from the prior year.



# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

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### Workers' Compensation

For fiscal year 2009, the District participated in the Schools Alliance for Workers' Compensation Excess II (SAWCX II) JPA, an insurance purchasing pool. The District is self insured for the first \$500,000 of each workers' compensation claim. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to K-12 and community college districts that can meet the JPA's selection criteria.

Insurance Program/Company Name	Type of Coverage	Limits
Self-Insured	Property and Liability	\$ 25,000/\$50,000
SWACC	Liability	\$ 1,000,000
SWACC	Property	\$ 250,000,000
SELF	Excess Liability	\$ 14,000,000
Self-Insured	Workers' Compensation	\$ 500,000
SAWCX II	Excess Workers' Compensation	\$ 25,000,000

### NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

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

#### CalSTRS

##### Plan Description

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

# **PASADENA AREA COMMUNITY COLLEGE DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2009 AND 2008**

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### **Funding Policy**

Active members of the DB Plan are required to contribute 8.0 percent of their salary while the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2008-2009 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's total contributions to CalSTRS for the fiscal years ended June 30, 2009, 2008, and 2007, were \$4,465,113, \$4,226,897, and \$4,145,332, respectively, and equal 100 percent of the required contributions for each year.

### **CalPERS**

#### **Plan Description**

The District contributes to the School Employer Pool under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

#### **Funding Policy**

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 2008-2009 was 9.428 percent of covered payroll. The District's contributions to CalPERS for fiscal years ending June 30, 2009, 2008, and 2007, were \$2,128,647, \$1,529,727, and \$1,793,019, respectively, and equaled 100 percent of the required contributions for each year.

#### **On-Behalf Payments**

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS which amounted to \$2,444,717, \$2,410,925, and \$2,269,632 (4.52 percent) of salaries subject to CalSTRS for the years ended June 30, 2009, 2008, and 2007, respectively. No contributions from the State were made for CalPERS for the year ended June 30, 2009. These amounts have been reflected in the financial statements as a component of nonoperating revenue and employee benefit expense.

#### **Social Security**

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. Only CalPERS members are covered by social security. All others who are not members of CalSTRS are members of an alternative retirement plan referred to as APPLE.

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

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### *NOTE 13 - COMMITMENTS AND CONTINGENCIES*

#### **Deferral of State Apportionments**

Due to the inability of the California State legislature to enact a budget by June 30, 2009, certain apportionments owed to the District for funding of FTES, which are attributable to the 2008-2009 fiscal year have been deferred to the 2009-2010 fiscal year. The total amount of funding deferred into the 2009-2010 fiscal year was \$13.2 million. As of July 31, 2009, this amount has been received.

#### **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, 2009.

#### **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, 2009.

#### **Construction Commitments**

As of June 30, 2009, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
Campus Center	\$ 900,042	December 2009
Industrial Technology Building Project	440,559	December 2009
Arts Building	1,216,000	2012
Construction Management	526,017	2013
Classroom Conversions	175,641	2012
Elevator Upgrades	43,020	2011
Restroom Upgrades	12,640	2011
Technology Infrastructure Upgrades	789,957	September 2009
	<u>\$ 4,103,876</u>	

# **PASADENA AREA COMMUNITY COLLEGE DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008**

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

The District is a member of the Statewide Association of Community Colleges (SWACC) JPA and Schools Excess Liability Fund (SELF). The District pays premiums for its property liability and excess liability coverage. The relationship between the District and the JPA is such that it is not a component unit of the District for financial reporting purposes.

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

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

During the year ended June 30, 2009, the District made payments of \$617,454, \$160,920, and \$40,853 to SWACC, SAWCX II, and SELF, respectively.

### ***NOTE 15 - SUBSEQUENT EVENTS***

On July 21, 2009, the District issued \$10 million of Tax and Revenue Anticipation Notes. The notes mature on June 30, 2010, and yield 1.45 percent interest. The notes were sold to supplement cash flow. Repayment requirements are that a percentage of principal and interest be deposited with the Fiscal Agent each month beginning January 2009, until 100 percent of principal and interest due is on account in June 2010.

In October 2009, the District issued General Obligation Bonds, 2002 Election Series D and E in the amount of \$52 million. In 2002, voters of the Pasadena Area Community College District approved General Obligation Bond Measure P in the amount of \$150 million to fund the completion of the District Facilities Master Plan 2010.

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***REQUIRED SUPPLEMENTARY INFORMATION***

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**PASADENA AREA COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING  
PROGRESS  
FOR THE YEAR ENDED JUNE 30, 2009**

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal Method (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
August 1, 2008	\$ -	\$ 13,305,204	\$ 13,305,204	\$ -	\$ 59,954,963	22%

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***SUPPLEMENTARY INFORMATION***

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# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## DISTRICT ORGANIZATION JUNE 30, 2009

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The Pasadena Area Community College District was established in 1967 and is located in Los Angeles County. There were no changes in the boundaries of the District during the current year. The District is accredited by the Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges, 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. Jeanette Mann	President	November 2011
Dr. Hilary Bradbury-Huang	Vice President	November 2009
Dr. Consuelo Rey Castro	Clerk	November 2009
Mr. Geoffrey L. Baum	Member	November 2009
Mr. John Martin	Member	November 2011
Mr. William Thomson	Member	November 2011
Ms. Beth Wells-Miller	Member	November 2009
Mr. Brian Abadia	Student Trustee	June 30, 2010

### ADMINISTRATION

Dr. Paulette J. Perfumo	President and District Superintendent
Dr. Mark J. Zacovic	Interim Vice President, Administrative Services
Dr. Jacqueline Jacobs	Vice President, Instructional Administration
Dr. Lisa A. Sugimoto	Vice President, Student and Learning Services
Mrs. Elaine Chapman	Interim Dean, External Relations
Mr. Lyle K. Engeldinger	Dean, Human Resources
Mr. Robert B. Miller	Interim Dean, Educational Services
Dr. Stuart A. Wilcox	Dean, Planning and Research

See accompanying note to supplementary information.



# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2009

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Program Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>		
Federal Student Aid Cluster (Direct Funded):		
Pell Grant	84.063	\$ 18,227,368
Pell Grant Administration Grant	84.063	29,920
Supplemental Educational Opportunity Grant	84.007	414,367
Supplemental Educational Opportunity Grant Administration	84.007	21,590
Federal Work-Study Program	84.033	16,527
Federal Work-Study Program - Administrative Cost Allocation	84.033	436,860
Perkins Loan Program	84.038	35,584
Federal Family Education Loans	84.032	1,664,675
Academic Competitiveness Grants	84.375	49,325
Subtotal Student Financial Aid Cluster		<u>20,896,216</u>
TRIO Cluster (Direct funded):		
TRIO - Student Support Services and Student Grants	84.042A	367,581
TRIO - Upward Bound	84.047A	336,297
TRIO - Upward Bound Math and Science	84.047M	269,191
Subtotal TRIO Cluster		<u>973,069</u>
Passed through the California State System's Office		
Career Technical Education Collaborative Supplemental (CTEA)	84.048	172,671
CTEA Title I-C	84.048	729,611
Workforce Innovative Partnership	84.048	42,146
CTEA II, Tech-Prep Education Grant	84.243	81,405
Passed through the California Department of Education:		
Adult Education and Family Literacy Act - Adult Basic Education	84.002A	217,496
Workforce Investment Act: Foster Student Success	84.002A	132,818
Passed through the Regents of the University of California		
Copernicus Project	84.336B	114,346
CCAMPIS - Child Development Program	84.355A	196,152
Passed through Mount St. Mary's College		
Collaboration to Improve Student Persistence and Degree Completion	84.031S	262,394
Total Department of Education		<u>23,818,324</u>

See accompanying note to supplementary information.

**PASADENA AREA COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2009**

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>CFDA Number</b>	<b>Program Expenditures</b>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		
Nursing Loan Program	93.364	\$ 34,825
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		
Passed through the California State System's Office		
Foster Care Education Program	93.658	46,142
Temporary Assistance for Needy Families (TANF)	93.558	108,473
Passed through the Foundation for California Community Colleges		
TANF, Child Development Careers	93.575	47,345
Passed through the California Department of Education		
Child Development Program	93.596	19,755
Child Development Program - Infant and Toddler	93.575	2,945
Child Development Program - Facilities Renovation and Repair	93.575	2,418
Child Development Program - Instructional Materials	93.575	2,000
Total Department of Health and Human Services		<u>263,903</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>		
Forest Reserve	10.665	53,697
<b>CALIFORNIA DEPARTMENT OF EDUCATION</b>		
<b>NUTRITION SERVICES DIVISION</b>		
Child and Adult Care Food Program	10.558A	27,919
<b>U.S. DEPARTMENT OF VETERANS AFFAIRS</b>		
Veterans Education	64.000	2,128
<b>NATIONAL SCIENCE FOUNDATION</b>		
Providing More to Increase Stem Majors	47.076	253,422
Total Federal Expenditures		<u>\$ 24,419,393</u>

See accompanying note to supplementary information.

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF EXPENDITURES OF STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2009

PROGRAM	Program Entitlements		
	Current Year	Prior Year	Total Entitlement
Arches Aurora Project	\$ 3,907	\$ -	\$ 3,907
Basic Skills	346,859	1,111,142	1,458,001
Block Grant	-	750,509	750,509
Cal Grant "B"	1,797,652	(3,680)	1,793,972
Cal Grant "C"	23,904	-	23,904
California High School Exit Exam (CAHSEE)	294,970	94,702	389,672
CalWORKs	467,396	-	467,396
CalWORKs - Carryover	-	164,960	164,960
CalWORKs - Regional Effort	10,000	-	10,000
Capacity Building/Nursing	-	301,512	301,512
Career Technical	-	97,094	97,094
Child Development Program	463,979	-	463,979
Child Development Program	199,630	-	199,630
Child Development Program	2,760	-	2,760
Cooperative Agencies Resources For Education (CARE)	131,094	-	131,094
CTE 140 Community Collaborative Projects	400,000	-	400,000
CTE 141 Community Collaborative Projects	100,000	-	100,000
CTE 142 Community Collaborative Projects	250,000	-	250,000
Disabled Students Program and Services (DSPS)	1,220,361	-	1,220,361
Economic Development - Applied Biological Technology	205,000	-	205,000
Economic Development - Multimedia Entertainment Center	205,000	-	205,000
Equipment - Nursing/Allied Health	-	136,117	136,117
Extended Opportunity Program and Services (EOP&S)	60,500	-	60,500
Extended Opportunity Program and Services (EOP&S)	1,157,823	-	1,157,823
Faculty/Staff Professional Development	-	57,155	57,155
Foster Care Education Program	78,456	-	78,456
Human Resources Tech Training	-	3,034	3,034
Instructional Equipment	243,524	350,829	594,353
Matriculation - Credit	1,238,453	-	1,238,453
Matriculation - Non Credit	380,630	-	380,630
Matriculation - Administration	185,211	-	185,211
MESA	83,033	-	83,033
Quick Start Biotechnologies	-	80,424	80,424
SFAA Augmentation	618,261	-	618,261
Staff Diversity - AB1725	22,580	30,735	53,315
Statewide Strategic Initiative Hub	121,000	137,316	258,316
Student Financial Aid Administration	214,098	-	214,098
Student Services Automated Reporting	430,540	45,305	475,845
Telecommunications and Technology	36,036	51,666	87,702
Transfer and Articulation	4,000	-	4,000
Yess - CA	80,000	-	80,000

See accompanying note to supplementary information.

Program Revenues				
Cash Received	Accounts Receivable	Deferred Revenue	Total Revenue	Program Expenditures
\$ -	\$ 3,786	\$ -	\$ 3,786	\$ 3,786
1,458,001	-	89,037	1,368,964	1,368,964
750,509	-	750,509	-	-
1,793,972	-	7,565	1,786,407	1,786,407
23,904	-	-	23,904	23,904
117,988	188,067	-	306,055	306,055
442,396	18,038	-	460,434	460,434
164,960	-	-	164,960	164,960
10,000	-	-	10,000	10,000
301,512	-	221,103	80,409	80,409
97,094	-	-	97,094	97,094
328,724	19,881	-	348,605	348,605
168,131	12,197	-	180,328	180,328
1,397	161	-	1,558	1,558
131,184	-	10,110	121,074	121,074
400,000	-	400,000	-	-
100,000	-	100,000	-	-
250,000	-	250,000	-	-
1,220,361	-	38,936	1,181,425	1,181,425
197,115	7,885	-	205,000	205,000
197,115	7,885	-	205,000	205,000
136,117	-	44,003	92,114	92,114
60,500	-	917	59,583	59,583
1,157,823	-	30,031	1,127,792	1,127,792
57,155	-	23,245	33,910	33,910
47,307	30,885	-	78,192	78,192
3,034	-	1,760	1,274	1,274
594,353	-	322,018	272,335	272,335
1,238,453	-	8,608	1,229,845	1,229,845
380,630	-	20,408	360,222	360,222
153,681	10,260	-	163,941	163,941
29,213	43,058	-	72,271	72,271
8,598	71,826	-	80,424	80,424
618,261	-	-	618,261	618,261
53,315	-	31,842	21,473	21,473
169,253	19,874	8,061	181,066	181,066
214,098	-	-	214,098	214,098
384,405	-	181,995	202,410	202,410
87,702	-	51,338	36,364	36,364
4,000	-	-	4,000	4,000
10,995	67,517	-	78,512	78,512
<u>\$ 13,563,256</u>	<u>\$ 501,320</u>	<u>\$ 2,591,486</u>	<u>\$ 11,473,090</u>	<u>\$ 11,473,090</u>

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT - ANNUAL (ACTUAL) ATTENDANCE AS OF JUNE 30, 2009

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
<b>A. Summer Intersession</b>			
1. Noncredit	163	-	163
2. Credit	1,990	-	1,990
<b>B. Summer Intersession</b>			
2. Credit	5	-	5
<b>C. Primary Terms</b>			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	17,302	-	17,302
(b) Daily Census Contact Hours	2,197	-	2,197
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	1,206	-	1,206
(b) Credit	305	-	305
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	726	-	726
(b) Daily Census Contact Hours	161	-	161
<b>D. Total FTES</b>	<u>24,055</u>	<u>-</u>	<u>24,055</u>
<b>E. Basic Skills courses and Immigrant Education (FTES)</b>			
1. Noncredit	782	-	782
2. Credit	626	-	626
	<u>1,408</u>	<u>-</u>	<u>1,408</u>

See accompanying note to supplementary information.

# **PASADENA AREA COMMUNITY COLLEGE DISTRICT**

## **RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH FUND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009**

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There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2009.

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, 2009

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

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

General Fund	\$ 21,441,670
Special Revenue Funds	62,752
Capital Project Funds	42,288,838
Debt Service Funds	9,111,389
Enterprise Funds	3,025,572
Internal Service Funds	16,427,259
Fiduciary Funds	2,926,230

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

- All District Funds \$ 95,283,710

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	252,604,746	
Accumulated depreciation is	(71,033,022)	
Less fixed assets already recorded in the enterprise and fiduciary funds	<u>(7,486)</u>	181,564,238

Amounts held in trust on behalf of others (Trust and Agency Funds). (2,236,753)

A State Aid Receivable was recognized in the Statement of Net Assets that is not in the Governmental Funds. 1,363,149

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. (1,116,703)

Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term obligations at year-end consist of:

Bonds payable	82,447,914	
Unamortized premium	7,505,192	
Certificates of participation	2,890,000	
Notes payable	429,750	
Compensated absences (vacations)	2,565,451	
Load banking	218,256	
Capital leases payable	416,366	
Other postemployment benefits (net)	<u>719,096</u>	
Total Long-Term Obligations		(97,192,025)
Total Net Assets		<u><u>\$ 177,665,616</u></u>

See accompanying note to supplementary information.

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2009

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

#### **District Organization**

This schedule provides information about the District's governing board members and administration members.

#### **Schedule of Expenditures of Federal Awards (SEFA)**

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*. The following schedule reconciles revenues in the statement of revenues, expenses, and changes in net assets with the expenditures reported on the SEFA.

Total Federal Revenues Statement of Revenues, Expenses, and	
Changes in Net Assets:	\$ 24,349,513
Miscellaneous differences between revenues and expense	(69,880)
Total Schedule of Expenditures of Federal Awards	<u>\$ 24,419,393</u>

#### **Schedule of Expenditures of State Awards**

The accompanying schedule of expenditures of State awards includes the State grant activity of the District and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The information in this schedule is presented to comply with reporting requirements of the California State System's Office.

#### **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, including restricted categorical funding, are made to community college districts. This schedule provides information regarding the annual attendance measurements of students throughout the District.

#### **Reconciliation of Annual Financial and Budget Report (CCFS-311) 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 District's internal fund financial statements.

#### **Reconciliation of the Governmental Fund Balance Sheets to the Statement of Net Assets**

This schedule provides a reconciliation of the adjustments necessary to bring the District's internal fund financial statements, prepared on a modified accrual basis, to the entity-wide full accrual basis financial statements required under GASB Statements No. 34 and No. 35 business-type activities reporting model.



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***INDEPENDENT AUDITORS' REPORTS***

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

Board of Trustees  
Pasadena Area Community College District  
Pasadena, California

We have audited the financial statements of the business-type activities of Pasadena Area Community College District (the District) for the years ended June 30, 2009 and 2008, and have issued our report thereon dated December 2, 2009. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting as items 2009-1 through 2009-5.

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, we believe that none of the significant deficiencies described above is a material weakness.

### **Compliance and Other Matters**

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

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

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

*Vaurinek, Irine, Day & Co. LLP*

Rancho Cucamonga, California  
December 2, 2009



**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, 2009. 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, 2009.

## 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 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 System's Office, and the District's Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Vaurin & Irine, Day & Co. LLP*

Rancho Cucamonga, California  
December 2, 2009



## REPORT ON STATE COMPLIANCE

Board of Trustees  
Pasadena Area Community College District  
Pasadena, California

We have audited the compliance of Pasadena Area Community College District (the District) with the types of compliance requirements described in Section 400 of the California State System's Office's *California Community College District Audit Manual (CDAM)* that are applicable to community colleges in the State of California. The specific requirements are described below.

We conducted our audit of compliance 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements with State laws and regulations have 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.

### General Directive

Section 424: MIS Implementation - State General Apportionment Funding System

### Administration

Section 435: Open Enrollment

Section 437: Student Fees - Instructional Materials and Health Fees

### Apportionments

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 426: Students Actively Enrolled

## **Fiscal Operations**

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

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

In our opinion, Pasadena Area Community College District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2009. However, the results of our auditing procedures disclosed other instances of noncompliance with those requirements, which are required to be reported and are described in the accompanying schedule of findings and questioned costs as item 2009-6.

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

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

*Laurine June Day, CUP*

Rancho Cucamonga, California  
December 2, 2009

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

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# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## SUMMARY OF AUDITORS' RESULTS FOR THE YEAR ENDED JUNE 30, 2009

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### FINANCIAL STATEMENTS

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

### FEDERAL AWARDS

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

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
	Federal Student Aid Cluster:
84.063	Pell Grant
84.063	Pell Grant Administration Grant
84.007	Supplemental Educational Opportunity Grant
84.007	Supplemental Educational Opportunity Grant Administration
84.033	Federal Work-Study Program
84.033	Federal Work-Study Program - Administrative Cost Allocation
84.038	Perkins Loan Program
84.032	Federal Family Education Loans
84.375	Academic Competitiveness Grants

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 732,582</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>Unqualified</u>

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2009

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

### 2009-1 CAPITAL ASSETS

#### Criteria or Specific Requirement

Industry standards and best business practices require a system of internal control that will provide reliable, accurate, and timely financial information that has been reviewed and analyzed by management.

#### Condition

The Escape Capital Asset system lacks fundamental components of reporting the activity within the capital asset accounts. The capital assets system output is not generating reports that adequately support the reporting of capital assets. The Escape system reports provided contain the following problems:

- The amount in the report for accumulated depreciation and the amount reported as depreciation through the end of the current year do not agree to each other. Both depreciation expense and the accumulated depreciation are included on the report. The sum of each item's depreciation should equal the amount of total accumulated depreciation, but it does not.
- Construction in progress assets, once completed, are deleted from the system when reclassified to a building or site improvement depreciable asset classes. This impairs the audit trail and support for construction in progress.
- Capital asset disposal reports present the original cost of the asset, but not the related accumulated depreciation at the date of disposal.
- The Escape system does not produce a capital asset summary, so the information must be compiled manually and is prone to error.

#### Questioned Costs

None.

#### Context

We examined output reports and when performing rudimentary procedures such as agreeing the reported accumulated depreciation to the reported cumulative depreciation expense and noted that amounts that should agree to each other do not agree. Reports showing amounts reclassified between depreciable and nondepreciable assets are nonexistent, and necessary information to properly report disposals does not contain the appropriate necessary elements.

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2009

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### Effect

Capital assets reports must be compiled in the format of a footnote for the report. This process could result in significant misstatement and requires excessive manual and time consuming reconciliation by District staff.

### Cause

The issues are either programming or operational.

### Recommendation

The District should review the capabilities of the Escape Capital Asset system and decide whether there is a more complete system available for tracking the capital assets purchased and constructed and the related depreciation. Reprogramming of the current may suffice for the short term. Additionally, District staff that is being asked to monitor and review the information within the Capital Asset system should receive training on both the system and the accounting required to ensure all equipment and construction costs are captured as required by Board policy.

### District Response

The District plans to investigate the problems noted. We will determine if the problems are within our system programming or our processes and effect solutions.

## 2009-2 LOAD BANKING

### Criteria or Specific Requirement

Internal Revenue Regulation 1.451-2(a).

### Condition

Current procedures allow academic employees the ability to cash out banked instructional loads from prior periods. This essentially allows the employee to dictate the time and circumstances of recognizing the compensation which is contrary to Internal Revenue Code and regulations.

### Questioned Costs

Not available.

### Context

We examined District policies and practices and found that the employees are permitted discretion to cash out balances at any time and are not required to use the time off in future periods. Internal Revenue Code does not allow for discretion in the timing of compensation.

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2009

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### Effect

The practice triggers requirements to report the income in the year of constructive receipt. If the employee has the ability to access the balance, or cash out, then the balance must be reported as taxable income in the year earned.

### Cause

Improper application of Internal Revenue Code constructive receipt requirements.

### Recommendation

Policies should be clearly revised to conform to regulations as required by the Internal Revenue Service Code Section 1.451-2(a) and not allow employees to cash out banked balances.

### District Response

The District will examine policies and practices to ensure compliance with the Internal Revenue Code.

## 2009-3 FUND LIABILITIES

### Criteria or Specific Requirement

Governmental Accounting Standards Board (GASB) Interpretation 6.  
Chapter 5 of the California System's Office's *Budget and Accounting Manual*.

### Condition

Load banking is being reported as a current liability in the General Fund. The nature of the balance is primarily long-term and is required to be presented as a long-term obligation. Long-term obligation should be included in the Statement of Net Assets in the Entity-Wide Financial Statements instead of in the Governmental Funds.

### Questioned Costs

None.

### Context

GASB Statement No. 14 is cited in the *Budget and Accounting Manual* as the authoritative Governmental Accounting pronouncement covering the reporting of certain liabilities. This was amended by GASB Interpretation 6 for reporting periods beginning in 2002. Load banking is the type of liability that is addressed by this pronouncement.

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2009

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### Effect

The liability is significant, but the effect to current year expenditures is not significant material since the accrual has been on the books for several years.

### Cause

The District accounting policies, including the California System's Office's *Budget and Accounting Manual*, is in need of revision to conform to current accounting guidance.

### Recommendation

The District might consider restating the beginning balance for this and reporting it in the future as a long-term obligation. The District should correctly report the future obligations related to the compensated absences and adjust the General Fund in the 2009-2010 fiscal year.

### District Response

The District will update our accounting policies based on Governmental Accounting Standards Board Interpretation 6 and apply the standard.

## 2009-4 PARKING FEE SERVICE COLLECTIONS AND REMITTANCE

### Criteria or Specific Requirement

Industry standards and best business practices require a system of internal control that will provide reliable, accurate, and timely financial information that has been reviewed and analyzed by management.

### Condition

We identified checks from the third-party collection agency the District contracts with to collect parking related fees that were not addressed to an appropriate business office location.

### Questioned Costs

None.

### Context

We examined policies related to cash collections and noted that current procedures are changing relevant to collections of parking related fees. We noted that checks are not always addressed to the appropriate location on campus - Fiscal Services.

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2009

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### **Effect**

The possibility exists that the funds are not forwarded to Fiscal Services for deposit in the financial records of the District and may be misappropriated.

### **Cause**

The agency that the District contracts with is not currently remitting all collections to Fiscal Services for deposit.

### **Recommendation**

Management should examine accounting processes and develop appropriate internal controls including segregation of functions to ensure that funds due to the District are appropriately safeguarded. This would include notifying the agencies that the District contracts with of the appropriate mailing address. The internal controls could be improved by clearly segregating the process of collecting funds and reconciling activity.

### **District Response**

The District plans to notify the vendor of the appropriate location within the District to remit payment to. We will develop a process to provide segregation of functions to establish internal controls that ensure that we are receiving and accounting for all the funds that are owed to us through the agreement.

## **2009-5 RISK MANAGEMENT**

### **Criteria or Specific Requirement**

Industry standards and best business practices require a system of internal control that will provide reliable, accurate, and timely financial information that has been reviewed and analyzed by management.

### **Condition**

The analysis of workers' compensation claims reserves is not supported by a recent actuarial valuation.

### **Questioned Costs**

None.

### **Context**

The claims reserve is an estimate. The adequacy of the reserve should be based on an actuarially determined amount and should cover the current reporting period.

# **PASADENA AREA COMMUNITY COLLEGE DISTRICT**

## **FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2009**

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### **Effect**

The liability for open and future claims may be understated. Additionally, as the actuarial valuation is used to set the current assessment of the transfer to the self-insurance fund, the District may be undercharging programs and funds for the workers' compensation liability. The liability needs to be assessed at least annually to ensure that the provision for claims reserve is adequate based on changes in claims experience.

### **Cause**

The most recent actuarial was in 2005 and does not cover this fiscal period.

### **Recommendation**

An actuarial valuation should be obtained and utilized in the analysis of the adequacy of the claims reserve. In practice, an actuarially determined analysis of the current and future claims should be performed bi-annually with updated analysis performed during closing of the District records each year. The amount assessed per payroll dollar should be adjusted on a regular basis to ensure adequate funding of the self-insured workers' compensation liability.

### **District Response**

The District plans to obtain an actuarial valuation this year. Management plans to utilize the valuation to assess the adequacy of our reserve and adjust it as necessary.

**PASADENA AREA COMMUNITY COLLEGE DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2009**

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None reported.



# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

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

### **2009-6 STUDENTS ACTIVELY ENROLLED**

#### **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**

Procedures in place to clear rosters for students who do not attend are not effective. We continue to find students who were enrolled in courses as of census date who, by way of an approved petition, claim not to have attended the courses. This allows the student to not receive a grade in the course; however, the District is receiving apportionment credit.

#### **Questioned Costs**

Unknown.

#### **Context**

We selected a sample of 25 students to test the District process for clearing rosters of students before census day. We identified six students where FTES were reported that also had approved petitions to have withdrawals or failing grades removed from their transcripts. The reason for the petition indicated that the student had never attended the class. This type of condition contradicts assertions that the process in place is effective. This is the basis for our conclusion that the procedures in place are not effective.

#### **Effect**

The possibility exists the District has overstated FTES reported for apportionment funding purposes. The amount of the overstatement is not clear and could not be determined. However, the condition does result in exceptions in our testing sample each year. The District is not fully funded for FTES claimed; therefore, no questioned cost or FTES adjustment was identified. This comment was also noted in the prior year audit report.

#### **Cause**

Students are permitted to petition the Admissions and Records Office to withdraw the "W" or "F" noted on transcripts when they did not attend any class sessions. The District's established policies and procedure guidelines require instructors to accurately report the students actively enrolled in their classes as of census date. The policies are not being adhered to and instructors routinely submit rosters after established deadlines resulting in students being included in FTES reported.

## **PASADENA AREA COMMUNITY COLLEGE DISTRICT**

### **STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009**

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#### **Recommendation**

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 5. FTES should not be claimed for students who are not enrolled before business on the census day of the course. The Information Systems Office should assist in developing a report which will identify all classes where the attendance rosters have not been provided.

#### **District Response**

Census day reporting procedures will be strengthened by requiring Division Deans to prepare reports detailing accountability for the submission of census rosters.

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

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

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

#### **STUDENT BUSINESS OFFICE**

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

#### **2008-1 Finding**

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

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

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

#### **Recommendation**

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

#### **Current Status**

Implemented.

# **PASADENA AREA COMMUNITY COLLEGE DISTRICT**

## **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009**

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### **COLLEGE BOOKSTORE PROCEDURES**

#### **Material Weakness Over Internal Controls**

##### **2008-2 Finding**

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

#### **Context**

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

#### **Effect**

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

#### **Cause**

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

#### **Recommendation**

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

#### **Current Status**

Implemented.

# **PASADENA AREA COMMUNITY COLLEGE DISTRICT**

## **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009**

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

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

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

#### **Context**

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

#### **Effect**

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

#### **Recommendation**

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

#### **Current Status**

Implemented.

# **PASADENA AREA COMMUNITY COLLEGE DISTRICT**

## **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009**

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

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

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

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

#### **Context**

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

#### **Effect**

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

#### **Recommendation**

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

#### **Current Status**

Implemented.

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

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### *FEDERAL AWARD FINDINGS*

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

##### **2008-5 Finding**

##### **Programs Affected**

Identified through the "Condition" Section below.

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

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

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

##### **Condition**

Significant deficiency over internal controls and compliance.

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

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

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

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

### Effect

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

### Cause

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

### Questioned Costs

None; the expenditures were properly incurred for the program.

### Recommendation

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

### Current Status

Implemented.



# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

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### *STATE AWARD FINDINGS*

#### **STUDENTS ACTIVELY ENROLLED**

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

As noted in the prior year report, the District does not have a procedure in place to monitor that all rosters for all teachers are turned in on census day. Because of this, not all instructors are clearing their rosters as of census date of students who are not actively enrolled in their class.

##### **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 5.

##### **Current Status**

Not implemented. See current year finding 2009-6.

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***ADDITIONAL SUPPLEMENTARY INFORMATION***

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# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## GOVERNMENTAL FUNDS BALANCE SHEETS JUNE 30, 2009

	<b>General Funds</b>		<b>Special Revenue Fund</b>
	<b>General Unrestricted</b>	<b>General Restricted</b>	<b>Child Development</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 44,472	\$ 4,608	\$ -
Investments	15,284,898	5,852,612	45,219
Accounts receivable	15,105,858	2,176,170	101,370
Prepaid expenses	4,227	1,062	-
Inventories	40,855	-	-
<b>Total Assets</b>	<b>\$ 30,480,310</b>	<b>\$ 8,034,452</b>	<b>\$ 146,589</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 10,192,389	\$ 1,172,708	\$ 83,837
Deferred revenue	1,729,079	3,978,916	-
<b>Total Liabilities</b>	<b>11,921,468</b>	<b>5,151,624</b>	<b>83,837</b>
<b>FUND BALANCES</b>			
Reserved	222,026	-	-
Unreserved			
Designated	18,336,816	2,882,828	-
Undesignated	-	-	62,752
<b>Total Fund Balances</b>	<b>18,558,842</b>	<b>2,882,828</b>	<b>62,752</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 30,480,310</b>	<b>\$ 8,034,452</b>	<b>\$ 146,589</b>

See accompanying note to additional supplementary information.

Debt Service Funds		Capital Project Funds			Total Governmental Funds
Bond Interest and Redemption	Other Debt Service	Capital Outlay Projects	Revenue Bond Construction	Schedule Maintenance	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49,080
9,110,793	588	12,794,516	31,970,689	3,355,826	78,415,141
-	8	69,338	204,634	19,845	17,677,223
-	-	-	-	-	5,289
-	-	-	-	-	40,855
<u>\$ 9,110,793</u>	<u>\$ 596</u>	<u>\$ 12,863,854</u>	<u>\$ 32,175,323</u>	<u>\$ 3,375,671</u>	<u>\$ 96,187,588</u>
\$ -	\$ -	\$ 1,583	\$ 5,646,478	\$ 384,382	\$ 17,481,377
-	-	39,461	-	54,106	5,801,562
<u>-</u>	<u>-</u>	<u>41,044</u>	<u>5,646,478</u>	<u>438,488</u>	<u>23,282,939</u>
-	-	-	-	-	222,026
-	-	-	-	-	21,219,644
9,110,793	596	12,822,810	26,528,845	2,937,183	51,462,979
<u>9,110,793</u>	<u>596</u>	<u>12,822,810</u>	<u>26,528,845</u>	<u>2,937,183</u>	<u>72,904,649</u>
<u>\$ 9,110,793</u>	<u>\$ 596</u>	<u>\$ 12,863,854</u>	<u>\$ 32,175,323</u>	<u>\$ 3,375,671</u>	<u>\$ 96,187,588</u>

**PASADENA AREA COMMUNITY COLLEGE DISTRICT**

**GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2009**

	<b>General Funds</b>		<b>Special Revenue Fund</b>
	<b>General Unrestricted</b>	<b>General Restricted</b>	<b>Child Development</b>
<b>REVENUES</b>			
Federal revenues	\$ 226,788	\$ 3,468,322	\$ 236,660
State revenues	86,755,488	8,643,705	530,492
Local revenues	35,984,090	4,095,069	179,856
<b>Total Revenues</b>	<b>122,966,366</b>	<b>16,207,096</b>	<b>947,008</b>
<b>EXPENDITURES</b>			
Current Expenditures			
Academic salaries	60,190,292	3,490,122	-
Classified salaries	23,271,140	5,659,725	734,680
Employee benefits	22,617,299	1,675,394	200,060
Books and supplies	1,914,086	982,523	27,785
Services and operating expenditures	9,459,455	1,776,857	85,754
Capital outlay	1,104,822	998,152	887
Debt service - principal	-	-	-
Debt service - interest and other	-	-	-
<b>Total Expenditures</b>	<b>118,557,094</b>	<b>14,582,773</b>	<b>1,049,166</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>4,409,272</b>	<b>1,624,323</b>	<b>(102,158)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	-	81,175	33,001
Operating transfers out	(1,686,451)	(641,995)	-
Other uses	(26,833)	(431,367)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(1,713,284)</b>	<b>(992,187)</b>	<b>33,001</b>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>2,695,988</b>	<b>632,136</b>	<b>(69,157)</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>15,862,854</b>	<b>2,250,692</b>	<b>131,909</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 18,558,842</b>	<b>\$ 2,882,828</b>	<b>\$ 62,752</b>

See accompanying note to additional supplementary information.

Debt Service Funds		Capital Project Funds			Total Governmental Funds
Bond Interest and Redemption	Other Debt Service	Capital Outlay Projects	Revenue Bond Construction	Schedule Maintenance	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,931,770
83,559	-	-	-	243,547	96,256,791
10,433,653	-	1,038,659	1,436,875	103,811	53,272,013
10,517,212	-	1,038,659	1,436,875	347,358	153,460,574
-	-	-	-	-	63,680,414
-	-	-	42,730	-	29,708,275
-	-	-	13,048	-	24,505,801
-	-	7,307	12,682	-	2,944,383
-	-	106,543	600	21,286	11,450,495
-	-	1,619,222	40,479,685	1,951,123	46,153,891
8,714,900	719,750	-	-	-	9,434,650
2,880,188	153,148	-	-	-	3,033,336
11,595,088	872,898	1,733,072	40,548,745	1,972,409	190,911,245
(1,077,876)	(872,898)	(694,413)	(39,111,870)	(1,625,051)	(37,450,671)
-	872,995	1,100,000	-	241,275	2,328,446
-	-	-	-	-	(2,328,446)
-	-	-	-	-	(458,200)
-	872,995	1,100,000	-	241,275	(458,200)
(1,077,876)	97	405,587	(39,111,870)	(1,383,776)	(37,908,871)
10,188,669	499	12,417,223	65,640,715	4,320,959	110,813,520
\$ 9,110,793	\$ 596	\$ 12,822,810	\$ 26,528,845	\$ 2,937,183	\$ 72,904,649

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## PROPRIETARY FUNDS

### BALANCE SHEETS

JUNE 30, 2009

	<b>Enterprise Fund Bookstore</b>	<b>Internal Service Fund</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 274,256	\$ 75,000
Investments	796,586	17,537,681
Accounts receivable	367,384	93,830
Prepaid expenses	635,745	263,839
Inventories	1,180,901	-
Furniture and equipment (net)	7,486	-
<b>Total Assets</b>	<b>\$ 3,262,358</b>	<b>\$ 17,970,350</b>
<b>LIABILITIES AND FUND EQUITY</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 236,786	\$ 237,774
Deferred revenue	-	5,317
Claim liabilities	-	1,300,000
<b>Total Liabilities</b>	<b>236,786</b>	<b>1,543,091</b>
<b>FUND EQUITY</b>		
Retained earnings	3,025,572	16,427,259
<b>Total Liabilities and Fund Equity</b>	<b>\$ 3,262,358</b>	<b>\$ 17,970,350</b>

See accompanying note to additional supplementary information.

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## PROPRIETARY FUNDS STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS FOR THE YEAR ENDED JUNE 30, 2009

	<b>Enterprise Fund Bookstore</b>	<b>Internal Service Fund</b>
<b>OPERATING REVENUES</b>		
Sales and other local revenues	\$ 6,839,258	\$ 5,421,473
<b>OPERATING EXPENSES</b>		
Classified salaries	781,457	37,613
Employee benefits	299,258	391,515
Books and supplies	4,997,845	1,618
Services and other operating expenditures	338,458	3,697,329
<b>Total Operating Expenses</b>	<b>6,417,018</b>	<b>4,128,075</b>
<b>Operating Income</b>	<b>422,240</b>	<b>1,293,398</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	-	394,843
Miscellaneous revenues	76,301	-
Transfers out	(254,115)	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(177,814)</b>	<b>394,843</b>
<b>NET INCOME</b>	<b>244,426</b>	<b>1,688,241</b>
<b>RETAINED EARNINGS, BEGINNING OF YEAR</b>	<b>2,781,146</b>	<b>14,739,018</b>
<b>RETAINED EARNINGS, END OF YEAR</b>	<b>\$ 3,025,572</b>	<b>\$ 16,427,259</b>

See accompanying note to additional supplementary information.



# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## PROPRIETARY FUNDS STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2009

	<b>Enterprise Funds</b>	<b>Internal Service Fund</b>
	<b>Bookstore</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from sales and user charges	\$ 6,884,936	\$ 5,482,262
Cash payments to employees for services	(1,080,715)	(429,128)
Cash payments to suppliers for goods and services	(4,955,510)	(1,618)
Cash payments for other operating expenses	(293,584)	(3,650,043)
Net Cash Flows From Operating Activities	555,127	1,401,473
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Nonoperating revenue (Transfers out)	(254,115)	-
Net Cash Flows From Noncapital Financing Activities	(254,115)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	76,301	394,843
Net Cash Flows From Investing Activities	76,301	394,843
Change in cash and cash equivalents	377,313	1,796,316
Cash and cash equivalents - Beginning	693,529	15,816,365
Cash and cash equivalents - Ending	\$ 1,070,842	\$ 17,612,681
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Operating income	\$ 422,240	\$ 6,543,398
Adjustments to reconcile operating income to net cash flows from operating activities:		
Depreciation	14,782	-
Changes in assets and liabilities:		
Receivables	45,679	60,789
Prepaid	30,092	34,626
Inventories	(11,293)	-
Accounts payable	53,628	214,849
Claims liability	-	(200,000)
Deferred revenue	-	(2,189)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>\$ 555,128</b>	<b>\$ 6,651,473</b>

See accompanying note to additional supplementary information.

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## FIDUCIARY FUNDS BALANCE SHEETS JUNE 30, 2009

	Associated Students Trust	Student Representation Fee	Student Financial Aid
<b>ASSETS</b>			
Cash and cash equivalents	\$ 222,734	\$ 313,222	\$ 132,025
Investments	-	-	349,004
Accounts receivable	-	-	1,385,451
Student loans receivable	-	-	688,636
<b>Total Assets</b>	<u>\$ 222,734</u>	<u>\$ 313,222</u>	<u>\$ 2,555,116</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ -	\$ 1,393,807
Other current liabilities	-	-	464,267
Deferred revenue	-	-	7,565
Due to student groups	222,734	313,222	-
<b>Total Liabilities</b>	<u>222,734</u>	<u>313,222</u>	<u>1,865,639</u>
<b>FUND BALANCES</b>			
Undesignated	-	-	689,477
<b>Total Fund Balances</b>	<u>-</u>	<u>-</u>	<u>689,477</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 222,734</u>	<u>\$ 313,222</u>	<u>\$ 2,555,116</u>

See accompanying note to additional supplementary information.

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<b>Other Trust</b>	<b>Total</b>
\$ 646,156	\$ 1,314,137
1,054,641	1,403,645
-	1,385,451
-	688,636
<u>\$ 1,700,797</u>	<u>\$ 4,791,869</u>

\$ -	\$ 1,393,807
-	464,267
-	7,565
-	535,956
<u>-</u>	<u>2,401,595</u>

<u>1,700,797</u>	<u>2,390,274</u>
<u>1,700,797</u>	<u>2,390,274</u>
<u>\$ 1,700,797</u>	<u>\$ 4,791,869</u>

# PASADENA AREA COMMUNITY COLLEGE DISTRICT

## FIDUCIARY FUNDS

### STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2009

	Associated Students Trust	Student Representation Fee	Student Financial Aid
<b>REVENUES</b>			
Federal revenues	\$ -	\$ -	\$ 20,417,743
State revenues	-	-	1,927,774
Local revenues	98,005	124,133	3,448
<b>Total Revenues</b>	<u>98,005</u>	<u>124,133</u>	<u>22,348,965</u>
<b>EXPENDITURES</b>			
Current Expenditures			
Classified salaries	-	3,892	-
Employee benefits	99	-	-
Books and supplies	62,628	499	-
Services and operating expenditures	87,083	37,670	-
Capital outlay	-	-	-
<b>Total Expenditures</b>	<u>149,810</u>	<u>42,061</u>	<u>-</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(51,805)</u>	<u>82,072</u>	<u>22,348,965</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	53,137	-	-
Other uses	(1,332)	(82,072)	(22,360,671)
<b>Total Other Financing Sources (Uses)</b>	<u>51,805</u>	<u>(82,072)</u>	<u>(22,360,671)</u>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	-	-	(11,706)
<b>FUND BALANCE, BEGINNING OF YEAR</b>	-	-	701,183
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 689,477</u>

See accompanying note to additional supplementary information.

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<b>Other Trust</b>	<b>Total</b>
\$ -	\$ 20,417,743
-	1,927,774
1,961,423	2,187,009
<u>1,961,423</u>	<u>24,532,526</u>
196,343	200,235
37,306	37,405
602,510	665,637
1,223,358	1,348,111
16,422	16,422
<u>2,075,939</u>	<u>2,267,810</u>
<u>(114,516)</u>	<u>22,264,716</u>
200,978	254,115
-	(22,444,075)
<u>200,978</u>	<u>(22,189,960)</u>
86,462	74,756
1,614,335	2,315,518
<u>\$ 1,700,797</u>	<u>\$ 2,390,274</u>

# **PASADENA AREA COMMUNITY COLLEGE DISTRICT**

## **NOTE TO ADDITIONAL SUPPLEMENTARY INFORMATION JUNE 30, 2009**

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

#### **Fund Financial Statements**

The accompanying financial statements report the governmental, proprietary, and fiduciary fund activities of Pasadena Area Community College District and are presented on the modified accrual basis of accounting. Therefore, some amounts presented in these financial statements may differ from amounts presented in, or used in, the preparation of the financial statements. The information is not a required component of the financial statements in accordance with GASB Statements No. 34 and No. 35 and is presented at the request of the District management.