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PASADENA AREA
COMMUNITY COLLEGE
DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2010 AND 2009

PASADENA AREA COMMUNITY COLLEGE DISTRICT

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PASADENA AREA COMMUNITY COLLEGE DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of Trustees
Pasadena Area Community College District
Pasadena, California

We have audited the accompanying basic financial statements of Pasadena Area Community College District (the District) as of and for the years ended June 30, 2010 and 2009, 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 Pasadena Area Community College District and its discretely presented component unit as of June 30, 2010 and 2009, 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 15 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 16, 2010, 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 10 and the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 79 through 86 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.

Vaurinek, June Day & Co. LLP

Rancho Cucamonga, California
December 16, 2010



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, 2010. This analysis is presented with comparative information from our June 30, 2009 and June 30, 2008, 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 Chancellor'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 (REQUIRED SUPPLEMENTARY INFORMATION)

JUNE 30, 2010 AND 2009

FINANCIAL HIGHLIGHTS

- The District ended the year with an Unrestricted General Fund balance of \$19,766,934. The State Chancellor's Office recommends reserve levels of five percent of total General Fund expenditures, \$6,062,134, to be set aside for economic uncertainties. We have met this recommendation.
- The primary expenditure of the District is for the salaries and benefits of the Academic, Classified, and Administrative salaries of District employees. Approximately 86 percent of 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 \$35 million. This represents an increase of \$7 million from the 2008-2009 fiscal year. This aid is provided through grants, loans, and tuition reductions from the Federal government, State Chancellor's Office, and local funding.
- The District's credit full-time equivalent students (FTES) were 22,030 and 22,686 for the 2010 and 2009 fiscal years, respectively.
- The District's total FTES including non-credit FTES for the years ended 2010 and 2009, were 23,422 and 24,055, respectively.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION) JUNE 30, 2010 AND 2009

Condensed financial information is as follows:

Statement of Net Assets as of June 30,

(Amounts in thousands)

	<u>2010</u>	<u>2009</u>	<u>2008</u>
ASSETS			
Current Assets			
Cash, investments, and receivables	\$ 166,469	\$ 119,204	\$ 156,774
Inventory and other assets	1,762	2,127	2,292
Total Current Assets	<u>168,231</u>	<u>121,331</u>	<u>159,066</u>
Noncurrent Assets			
Capital assets, net of depreciation	184,803	181,572	147,711
Total Assets	<u>\$ 353,034</u>	<u>\$ 302,903</u>	<u>\$ 306,777</u>
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	\$ 11,748	\$ 19,815	\$ 20,214
Other current liabilities	468	464	462
Deferred revenue	5,208	5,814	8,234
Claims liability	1,250	1,300	1,500
Long-term obligations - current portion	10,640	12,253	11,563
Total Current Liabilities	<u>29,314</u>	<u>39,646</u>	<u>41,973</u>
Noncurrent Liabilities			
Long-term obligations - noncurrent portion	135,229	85,591	93,589
Total Liabilities	<u>164,543</u>	<u>125,237</u>	<u>135,562</u>
NET ASSETS			
Invested in capital assets	112,851	119,853	112,107
Restricted for expendable purposes	35,018	18,313	25,660
Unrestricted	40,622	39,500	33,448
Total Net Assets	<u>188,491</u>	<u>177,666</u>	<u>171,215</u>
 Total Liabilities and Net Assets	<u>\$ 353,034</u>	<u>\$ 302,903</u>	<u>\$ 306,777</u>

This schedule has been prepared from the District's Statements of Net Assets (page 11), 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 13).

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 (REQUIRED SUPPLEMENTARY INFORMATION)

JUNE 30, 2010 AND 2009

Long-term obligations consist primarily of the general obligation bond issue, 2003 certificates of participation, and compensated absences. Long-term obligations increased by approximately \$48 million as the District issued 2002 Series A and E and continued repayment of prior issuances.

Statement of Operating Results for the Year Ended June 30,

(Amounts in thousands)

	2010	2009	2008
OPERATING REVENUES			
Tuition and fees, (net)	\$ 19,867	\$ 19,052	\$ 18,786
Auxiliary sales and charges	6,443	6,839	6,884
Other operating revenues	212	171	377
Total Operating Revenues	<u>26,522</u>	<u>26,062</u>	<u>26,047</u>
OPERATING EXPENSES			
Salaries and benefits	112,036	117,106	112,915
Supplies and maintenance	24,318	28,293	29,782
Student financial aid	27,147	22,361	15,752
Depreciation	7,095	8,135	6,927
Total Operating Expenses	<u>170,596</u>	<u>175,895</u>	<u>165,376</u>
NET LOSS ON OPERATIONS	<u>(144,074)</u>	<u>(149,833)</u>	<u>(139,329)</u>
NONOPERATING REVENUES AND (EXPENSES)			
State apportionments	78,562	83,825	83,071
Property taxes	35,858	28,895	27,609
Grants and contracts	39,145	36,608	32,014
State revenue	3,451	3,137	3,269
Investment income	1,776	2,734	8,510
Interest expense	(6,195)	(4,451)	(4,611)
Other nonoperating revenues and transfers	(42)	4,253	4,358
Total Nonoperating Revenues and (Expenses)	<u>152,555</u>	<u>155,001</u>	<u>154,220</u>
OTHER REVENUES			
State revenues, capital	54	243	394
Local revenues, capital	2,290	1,039	666
Total Other Revenues	<u>2,344</u>	<u>1,282</u>	<u>1,060</u>
NET CHANGE IN NET ASSETS	<u>\$ 10,825</u>	<u>\$ 6,450</u>	<u>\$ 15,951</u>

This schedule has been prepared from the Statements of Revenues, Expenses, and Changes in Net Assets (page 12).

PASADENA AREA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)

JUNE 30, 2010 AND 2009

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 \$144.1 million is balanced by the other funding sources. Total District revenues exceeded all expenditures sources by \$10.8 million for the year ended June 30, 2010.

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 10 of the financial statements.

Statement of Cash Flows for the Year Ended June 30,

(Amounts in thousands)

	2010	2009	2008
CASH FLOWS FROM			
Operating activities	\$ (139,946)	\$ (143,872)	\$ (131,876)
Noncapital financing activities	138,507	137,006	137,121
Capital financing activities	46,257	(45,802)	(14,416)
Investing activities	1,971	3,575	8,797
Net Change in Cash and Cash Equivalents	<u>\$ 46,789</u>	<u>\$ (49,093)</u>	<u>\$ (374)</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 (REQUIRED SUPPLEMENTARY INFORMATION)

JUNE 30, 2010 AND 2009

In accordance with requirements set forth by the California Community Colleges Chancellor's Office, the District reports operating expenses by object code. Operating expenses by functional classification are as follows:

	Salaries and Benefits	Supplies, Material, and Other Expenses	Student Financial Aid	Other Outgo	Total
Instruction	\$ 58,389,663	\$ 1,563,448	\$ -	\$ -	\$ 59,953,111
Non-instruction	4,285,570	117,679	-	-	4,403,249
Academic support	12,610,651	1,012,304	-	-	13,622,955
Student services	13,032,073	847,299	-	-	13,879,372
Operation and maintenance of plant	6,980,628	4,621,250	-	-	11,601,878
Institutional support	13,992,365	4,122,468	-	-	18,114,833
Community services and economic development	483,390	424,588	-	-	907,978
Ancillary services and auxiliary	2,262,362	10,309,028	-	-	12,571,390
Student financial aid	-	-	27,146,779	-	27,146,779
Non-capitalized property items	-	1,300,188	-	-	1,300,188
Depreciation	-	-	-	7,094,792	7,094,792
Total	<u>\$ 112,036,702</u>	<u>\$ 24,318,252</u>	<u>\$ 27,146,779</u>	<u>\$ 7,094,792</u>	<u>\$ 170,596,525</u>

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 2010-2011 State budget for community colleges contains no cost of living increase. The State economy is still operating at very low levels, with a State budget that is balanced in name only. There is a significant possibility that mid-year budget adjustments will be required. This will impact all education segments in the State. Unfortunately, this comes at a time when the college enrollment is increasing, putting additional pressure on our already scarce resources. Management is closely monitoring 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 2010-2011 fiscal year will bring several significant construction events. The District will begin construction on the new Center for the Arts which will rise in place of the K and T Buildings. The elevator upgrade and restroom upgrade projects will commence within the next few months as well. The District sold the final series of bonds authorized by Measure P 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.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION) JUNE 30, 2010 AND 2009

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 - PRIMARY GOVERNMENT JUNE 30, 2010 AND 2009

	2010	2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,067,088	\$ 530,361
Investments - unrestricted	10,694,331	15,284,898
Investments - restricted	132,656,720	81,813,514
Accounts receivable	21,402,391	20,887,037
Student loans receivable	648,373	688,636
Prepaid expenses	810,230	904,873
Inventories	951,480	1,221,756
Total Current Assets	168,230,613	121,331,075
NONCURRENT ASSETS		
Nondepreciable capital assets	29,678,225	75,563,471
Depreciable capital assets, net of accumulated depreciation	155,125,357	106,008,253
Total Noncurrent Assets	184,803,582	181,571,724
TOTAL ASSETS	353,034,195	302,902,799
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	9,446,091	18,697,840
Accrued interest payable	2,302,199	1,116,703
Other current liabilities	467,868	464,267
Deferred revenue	5,207,936	5,814,444
Claims liability	1,250,000	1,300,000
Bonds and notes payable	10,544,704	10,194,374
Other long-term obligations	94,969	2,059,039
Total Current Liabilities	29,313,767	39,646,667
NONCURRENT LIABILITIES		
Bonds and notes payable	130,664,335	83,078,482
Other long-term obligations	4,565,049	2,512,034
Total Noncurrent Liabilities	135,229,384	85,590,516
TOTAL LIABILITIES	164,543,151	125,237,183
NET ASSETS		
Invested in capital assets, net of related debt	112,851,417	114,411,347
Restricted for:		
Debt service	12,328,057	7,994,686
Capital projects	22,689,389	10,318,149
Unrestricted	40,622,181	44,941,434
TOTAL NET ASSETS	\$ 188,491,044	\$ 177,665,616

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 - PRIMARY GOVERNMENT FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
OPERATING REVENUES		
Student Tuition and Fees	\$ 26,692,713	\$ 24,764,502
Less: Scholarship discount and allowance	(6,825,680)	(5,712,888)
Net tuition and fees	19,867,033	19,051,614
Auxiliary Enterprise Sales and Charges		
Bookstore	5,848,226	6,839,258
Other enterprise	595,167	-
Other operating revenues	212,061	171,473
TOTAL OPERATING REVENUES	26,522,487	26,062,345
OPERATING EXPENSES		
Salaries	88,808,507	93,815,555
Employee benefits	23,228,195	23,289,982
Supplies, materials, and other operating expenses and services	23,018,064	23,888,328
Student financial aid	27,146,779	22,360,671
Equipment, maintenance, and repairs	1,300,188	4,405,210
Depreciation	7,094,792	8,135,362
TOTAL OPERATING EXPENSES	170,596,525	175,895,108
OPERATING LOSS	(144,074,038)	(149,832,763)
NONOPERATING REVENUES (EXPENSES)		
State apportionments, noncapital	78,562,451	83,824,833
Local property taxes levied for general purposes	19,020,292	18,377,752
Local property taxes levied for debt repayment	16,838,217	10,517,212
Grants and Contracts, noncapital:		
Federal	29,426,578	24,349,513
State	9,718,156	12,258,754
State lottery	3,450,809	3,137,021
Investment income	1,775,559	2,733,768
Interest expense on capital related debt	(6,194,517)	(4,451,360)
Transfer to fiduciary funds	(301,185)	(254,115)
Other nonoperating revenue	258,773	4,507,472
TOTAL NONOPERATING REVENUES (EXPENSES)	152,555,133	155,000,850
INCOME BEFORE OTHER REVENUES	8,481,095	5,168,087
OTHER REVENUES		
State revenues, capital	54,106	243,547
Local revenues, capital	2,290,227	1,038,659
TOTAL OTHER REVENUES	2,344,333	1,282,206
CHANGE IN NET ASSETS	10,825,428	6,450,293
NET ASSETS, BEGINNING OF YEAR	177,665,616	171,215,323
NET ASSETS, END OF YEAR	\$ 188,491,044	\$ 177,665,616

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

PASADENA AREA COMMUNITY COLLEGE DISTRICT

STATEMENTS OF CASH FLOWS - PRIMARY GOVERNMENT FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 20,079,269	\$ 17,212,368
Payments to or on behalf of employees	(111,985,730)	(121,306,188)
Payments to vendors for supplies and services	(27,547,685)	(27,187,296)
Payments to students for scholarships and grants	(27,146,779)	(24,597,424)
Auxiliary sales and charges	6,655,454	12,006,616
Net Cash Flows From Operating Activities	(139,945,471)	(143,871,924)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State apportionments	76,893,295	74,174,431
Property taxes - nondebt related	19,020,292	18,377,752
Grants and contracts	41,409,925	40,311,304
State taxes and other revenues	(50,699)	(17,107)
Other receipts	1,234,170	4,159,512
Net Cash Flows From Noncapital Financing Activities	138,506,983	137,005,892
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State revenues, capital projects	386,644	1,129,364
Local revenue, capital projects	2,290,227	2,982,633
Property taxes - related to capital debt	16,838,217	10,517,212
Proceeds from issuance of capital debt	55,582,086	-
Acquisition and construction of capital assets	(15,779,519)	(45,037,658)
Principal paid on capital debt and leases	(10,298,926)	(10,538,383)
Interest paid on capital debt and leases	(2,761,735)	(4,855,552)
Net Cash Flows From Capital and Related Financing Activities	46,256,994	(45,802,384)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	1,970,860	3,575,257
Net Cash Flows From Investing Activities	1,970,860	3,575,257
NET CHANGE IN CASH AND CASH EQUIVALENTS	46,789,366	(49,093,159)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	97,628,773	146,721,932
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 144,418,139	\$ 97,628,773

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

PASADENA AREA COMMUNITY COLLEGE DISTRICT

STATEMENTS OF CASH FLOWS - PRIMARY GOVERNMENT, CONTINUED FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Loss	\$ (144,074,038)	\$ (149,832,763)
Adjustments to Reconcile Operating Loss to Net Cash		
Flows From Operating Activities:		
Depreciation	7,094,792	8,135,362
Changes in Operating Assets and Liabilities:		
Receivables, net	40,263	(21,021)
Inventories	270,276	(14,532)
Prepaid expenses	94,643	179,741
Accounts payable and accrued liabilities	(3,858,301)	(270,334)
Deferred revenue	293,397	(2,296,481)
Compensated absences	(597,783)	(470,992)
Other postemployment benefits	791,280	719,096
Total Adjustments	<u>4,128,567</u>	<u>5,960,839</u>
Net Cash Flows From Operating Activities	<u>\$ (139,945,471)</u>	<u>\$ (143,871,924)</u>
 Cash and Cash Equivalents Consist of the Following:		
Cash in banks	\$ 1,067,088	\$ 530,361
Cash in county treasury	143,351,051	97,098,412
Total Cash and Cash Equivalents	<u>\$ 144,418,139</u>	<u>\$ 97,628,773</u>
 Noncash Transactions		
On behalf payments for benefits	<u>\$ 2,169,934</u>	<u>\$ 2,444,717</u>

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

PASADENA AREA COMMUNITY COLLEGE DISTRICT

STATEMENTS OF FIDUCIARY NET ASSETS JUNE 30, 2010 AND 2009

	2010		2009	
	Trust	Agency Funds	Trust	Agency Funds
ASSETS				
Cash and cash equivalents	\$ 595,039	\$ 407,091	\$ 646,156	\$ 535,956
Investments	1,085,706	119,755	1,054,641	-
Total Assets	<u>1,680,745</u>	<u>\$ 526,846</u>	<u>1,700,797</u>	<u>\$ 535,956</u>
LIABILITIES				
Due to student groups	-	\$ 526,846	-	\$ 535,956
NET ASSETS				
Unreserved	1,680,745		1,700,797	
Total Net Assets	<u>\$ 1,680,745</u>		<u>\$ 1,700,797</u>	

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

PASADENA AREA COMMUNITY COLLEGE DISTRICT

STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
	Trust	Trust
ADDITIONS		
Local revenues	\$ 2,051,204	1,961,423
DEDUCTIONS		
Classified salaries	227,462	196,343
Employee benefits	49,965	37,306
Books and supplies	602,376	602,510
Services and operating expenditures	1,332,291	1,223,358
Capital outlay	96,750	16,422
Total Deductions	2,308,844	2,075,939
OTHER FINANCING SOURCES		
Operating transfers from primary government	237,588	200,978
Change in Net Assets	(20,052)	86,462
Net Assets - Beginning	1,700,797	1,614,335
Net Assets - Ending	\$ 1,680,745	\$ 1,700,797

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, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
CURRENT ASSETS		
Cash - unrestricted	\$ 30,895	\$ -
Cash - restricted	2,008,555	1,081,735
Pledge receivable - current	362,549	250,468
Due from operating fund	-	152,815
Total Current Assets	<u>2,401,999</u>	<u>1,485,018</u>
NONCURRENT ASSETS		
Investments - restricted	8,015,852	7,806,472
Pledge receivable - noncurrent	3,568,238	3,431,209
Land held for sale	10,850	10,850
Total Noncurrent Assets	<u>11,594,940</u>	<u>11,248,531</u>
TOTAL ASSETS	<u><u>\$ 13,996,939</u></u>	<u><u>\$ 12,733,549</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Due to restricted funds	\$ -	\$ 152,815
Accounts payable	90,000	-
Total Liabilities	<u>90,000</u>	<u>152,815</u>
NET ASSETS		
Unrestricted	41,745	(141,965)
Temporarily restricted	4,898,831	4,079,953
Permanently restricted	8,966,363	8,642,746
TOTAL NET ASSETS	<u>13,906,939</u>	<u>12,580,734</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 13,996,939</u></u>	<u><u>\$ 12,733,549</u></u>

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

PASADENA AREA COMMUNITY COLLEGE DISTRICT

STATEMENTS OF ACTIVITIES DISCRETELY PRESENTED COMPONENT UNIT PASADENA CITY COLLEGE FOUNDATION, INC. FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES				
Donations	\$ 33,971	\$ 1,419,167	\$ 100,000	\$ 1,553,138
In-kind receipts	399,957	-	-	399,957
Special events	3,700	-	-	3,700
Student fees	-	39,236	-	39,236
Government grants	-	38,790	-	38,790
Miscellaneous revenue	-	-	-	-
Assets released from restrictions	1,042,263	(1,042,263)	-	-
Total Revenues	1,479,891	454,930	100,000	2,034,821
EXPENSES				
Operating expenses	247,784	-	-	247,784
Program expenses	1,410,342	-	-	1,410,342
Fundraising expenses	10,472	-	-	10,472
Total Expenses	1,668,598	-	-	1,668,598
OTHER INCOME (EXPENSE)				
Realized loss on sale of investments	-	(143,304)	-	(143,304)
Unrealized gain (loss)	396,102	409,566	-	805,668
Interest and dividends	-	297,618	-	297,618
Reclassification of contributions	(23,685)	(199,932)	223,617	-
FSP 117-1 transfers	-	-	-	-
Total Other Income and (Expense)	372,417	363,948	223,617	959,982
CHANGE IN NET ASSETS	183,710	818,878	323,617	1,326,205
NET ASSETS, BEGINNING OF YEAR	(141,965)	4,079,953	8,642,746	12,580,734
NET ASSETS, END OF YEAR	\$ 41,745	\$ 4,898,831	\$ 8,966,363	\$ 13,906,939

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

2009			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 280,000	\$ 935,272	\$ 3,637,573	\$ 4,852,845
237,030	-	-	237,030
41,150	2,596	-	43,746
-	4,066	-	4,066
-	-	-	-
-	4,774	-	4,774
1,185,703	(1,185,703)	-	-
1,743,883	(238,995)	3,637,573	5,142,461
279,731	-	-	279,731
1,358,227	-	-	1,358,227
78,468	-	-	78,468
1,716,426	-	-	1,716,426
-	(2,013,628)	-	(2,013,628)
(976,911)	(308,930)	-	(1,285,841)
105,409	285,775	-	391,184
(68,778)	68,262	516	-
(396,102)	81,877	314,225	-
(1,336,382)	(1,886,644)	314,741	(2,908,285)
(1,308,925)	(2,125,639)	3,952,314	517,750
1,166,960	6,205,592	4,690,432	12,062,984
\$ (141,965)	\$ 4,079,953	\$ 8,642,746	\$ 12,580,734

PASADENA AREA COMMUNITY COLLEGE DISTRICT

STATEMENTS OF CASH FLOWS DISCRETELY PRESENTED COMPONENT UNIT PASADENA CITY COLLEGE FOUNDATION, INC. FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,326,205	\$ 517,750
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities		
Contributions for long-term purposes	(1,519,167)	(4,572,845)
Unrealized loss on long-term investments	(805,668)	1,285,841
Changes in Operating Assets and Liabilities		
Increase in due from operating fund	152,815	(152,815)
Decrease in accounts payable	-	(81,320)
Increase in deferred revenue	90,000	-
Increase (Decrease) in due to restricted funds	(152,815)	152,815
Net Cash Flows From Operating Activities	<u>(908,630)</u>	<u>(2,850,574)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	4,834,235	8,094,366
Purchase of investments	(5,164,767)	(6,793,530)
Net Cash Flows From Investing Activities	<u>(330,532)</u>	<u>1,300,836</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Collections of contributions restricted for long-term purposes	1,270,057	1,091,168
Net Cash Flows From Financing Activities	<u>1,270,057</u>	<u>1,091,168</u>
NET CHANGE IN UNRESTRICTED CASH AND CASH EQUIVALENTS	30,895	(458,570)
UNRESTRICTED CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>-</u>	<u>458,570</u>
UNRESTRICTED CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 30,895</u>	<u>\$ -</u>

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

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 with the inclusion of the statements as a discretely presented component unit. The Foundation is reported in separate financial statements because of the difference in its reporting model, as further described below.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

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. The Foundation prepares its financial statements on the accrual basis of accounting. 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.

- **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 Governing Board of the Corporation and the District are the same. 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 of the District. Individually-prepared financial statements are not prepared for the Corporation.

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. For the District, operating revenues consist primarily of student fees and auxiliary activities through the bookstore and cafeteria.

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 Chancellor'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.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

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.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America (US GAAP) as applicable to colleges and universities, as well as those prescribed by the California Community Colleges Chancellor's Office. The District reports are based on all applicable GASB pronouncements, as well as applicable FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. 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 Chancellor'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 - Primary Government
 - Statement of Revenues, Expenses, and Changes in Net Assets - Primary Government
 - Statement of Cash Flows - Primary Government
 - Financial Statements for the Fiduciary Funds including:
 - Statement of Fiduciary Net Assets
 - Statement of Changes in Fiduciary Net Assets
- 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, 2010 and 2009, 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.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

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, 2010.

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 utilizing 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.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

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.

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.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

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 \$35,017,446 and \$18,312,835 of restricted net assets for 2010 and 2009, respectively.

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.

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.

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.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

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*.

Interfund Activity

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

Foundation Presentation

The Pasadena City College Foundation, Inc. presents 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.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

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.

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.

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.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

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, 2010 AND 2009

Summary of Deposits and Investments

Deposits and investments as of June 30, 2010, consist of the following:

Primary government	\$ 144,418,139
Fiduciary funds	2,207,591
Total Deposits and Investments	<u>\$ 146,625,730</u>
Cash on hand and in banks	\$ 1,961,718
Cash in revolving	107,500
Investments	144,556,512
Total Deposits and Investments	<u>\$ 146,625,730</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	\$ 143,431,213	536
Certificates of Deposit	1,222,827	842
Stocks	31,781	Not Applicable
Mutual Funds	193,086	Not Applicable
Foreign Currency	72,375	125
Municipal Bonds	300,000	9,132
Total	<u>\$ 145,251,282</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, 2010 AND 2009

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, 2010, the District's bank balance of \$2,046,925 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.

Discretely Presented Component Unit

Investments within the Foundation are presented at fair value and consist of the following:

	Adjusted Cost	Fair Market Value	Unrealized Gain
Corporate stock	\$ 4,596,116	\$ 5,317,206	\$ 721,090
Corporate bonds	828,632	849,657	21,025
Government bonds	634,444	650,541	16,097
CDs and mutual funds	1,150,992	1,198,448	47,456
	<u>\$ 7,210,184</u>	<u>\$ 8,015,852</u>	<u>\$ 805,668</u>

NOTE 4 - ACCOUNTS RECEIVABLE

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

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

The accounts receivable are as follows:

	2010	2009
Federal Government		
Categorical aid	\$ 1,853,006	\$ 2,789,644
State Government		
Apportionment	16,273,426	14,604,270
Categorical aid	156,424	501,320
Lottery	1,554,800	1,504,101
Local Sources		
Interest	333,197	528,499
Other local sources	1,231,538	959,203
Total	<u>\$ 21,402,391</u>	<u>\$ 20,887,037</u>
Student loan receivables	<u>\$ 648,373</u>	<u>\$ 688,636</u>

Discretely Presented Component Unit

The Foundation's accounts receivable consist primarily of both current and long-term pledges. Management regularly evaluates the balances outstanding and has determined all are fully collectable.

	2010	2009
Unconditional pledges	\$ 4,784,521	\$ 4,580,302
Less: Unamortized discount	(853,734)	(898,625)
Net Unconditional Pledges	<u>\$ 3,930,787</u>	<u>\$ 3,681,677</u>
	2010	2009
Receivable in less than one year	\$ 362,549	\$ 250,468
Receivable in one to five years	1,217,592	959,731
Receivable in more than five years	2,350,646	2,471,478
Net Contributions Receivable	<u>\$ 3,930,787</u>	<u>\$ 3,681,677</u>

Pledges that are due in more than one year are recognized at fair value using present value techniques and a U.S. Treasury Bill discount rate.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

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, 2010, 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	65,167,063	8,093,680	53,978,926	19,281,817
Total Capital Assets Not Being Depreciated	75,563,471	8,093,680	53,978,926	29,678,225
Capital Assets Being Depreciated				
Buildings and improvements	150,553,050	53,978,926	-	204,531,976
Site improvements	12,666,324	-	-	12,666,324
Equipment	13,821,901	2,245,992	180,911	15,886,982
Total Capital Assets Being Depreciated	177,041,275	56,224,918	180,911	233,085,282
Total Capital Assets	252,604,746	64,318,598	54,159,837	262,763,507
Less Accumulated Depreciation				
Buildings and improvements	55,341,608	5,433,663	-	60,775,271
Site improvements	6,012,223	834,155	-	6,846,378
Equipment	9,679,191	826,974	167,889	10,338,276
Total Accumulated Depreciation	71,033,022	7,094,792	167,889	77,959,925
Net Capital Assets	\$ 181,571,724	\$ 57,223,806	\$ 53,991,948	\$ 184,803,582

Depreciation expense for the year was \$7,094,792.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

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.

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	2010	2009
Accrued payroll and benefits	\$ 7,458,037	\$ 7,600,562
Apportionment	119,420	-
Construction	588,994	2,498,265
Construction management	-	3,534,177
Vendor	1,279,640	5,064,836
Total	\$ 9,446,091	\$ 18,697,840

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

NOTE 8 - TAX AND REVENUE ANTICIPATION NOTES (TRANS)

At June 30, 2010, the District had repaid Tax and Revenue Anticipation Notes issued July 21, 2009, in the amount of \$10,000,000. On June 28, 2010, the District repaid principal and interest totaling \$10,188,333. The District was not required to make any additional payments on the notes. The District has legally satisfied the obligation.

NOTE 9 - DEFERRED REVENUE

Deferred revenue for the District consisted of the following:

	2010	2009
Federal categorical aid	\$ 1,330	\$ 404,882
State categorical aid	2,095,135	2,591,486
Student fees	2,146,833	1,974,860
Radio agreement	723,421	703,829
Other local	241,217	139,387
Total	<u>\$ 5,207,936</u>	<u>\$ 5,814,444</u>

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2010 fiscal year consisted of the following:

	Beginning Balance	Additions	Deductions	Ending Balance	Amount Due Within One Year
Bonds and Notes Payable					
General Obligations Bonds	\$ 89,953,106	\$ 58,130,557	\$ 9,449,581	\$ 138,634,082	\$ 9,769,747
2003 Certificates of Participation, Series A	2,890,000	-	535,000	2,355,000	555,000
Note payable	429,750	-	209,793	219,957	219,957
Total Bonds and Notes Payable	<u>93,272,856</u>	<u>58,130,557</u>	<u>10,194,374</u>	<u>141,209,039</u>	<u>10,544,704</u>
Other Obligations					
Compensated absences	2,565,451	-	295,370	2,270,081	-
Load banking	870,160	-	302,413	567,747	-
Capital leases	416,366	-	104,552	311,814	94,969
Other postemployment benefits (net)	719,096	1,728,655	937,375	1,510,376	-
Total Other Obligations	<u>4,571,073</u>	<u>1,728,655</u>	<u>1,639,710</u>	<u>4,660,018</u>	<u>94,969</u>
Total Long-Term Obligations	<u>\$ 97,843,929</u>	<u>\$ 59,859,212</u>	<u>\$ 11,834,084</u>	<u>\$ 145,869,057</u>	<u>\$ 10,639,673</u>

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

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, 2003 Certificates of Participation, Series A	\$ 97,099,905	\$ 2,584,728	\$ 9,731,527	\$ 89,953,106	\$ 9,449,581
Note payable	3,410,000	-	520,000	2,890,000	535,000
	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>10,194,374</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>\$ 12,253,413</u>

Description of Debt

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

General obligations bonds were approved by a local election in March 2002. The total amount approved by the voters was \$150,000,000. Interest rates range from 2.000 percent to 6.654 percent. The bonds have been issued to finance the voter approved facilities acquisition and construction. At June 30, 2010, \$149,857,000 had been issued and \$138,634,082 was outstanding, exclusive of any premiums on the bonds.

In July 2006, the District issued 2006 Series C refunding bonds. The purpose of Series C was to advance refund previously issued Series A bond maturities totaling \$21,820,000. The Series A bonds refinanced include the maturities beginning June 1, 2014 to June 1, 2023, and a maturity of June 1, 2028. An irrevocable trust was established with proceeds sufficient to make all future payments on the bonds. This is a defeasance "in-substance" and legally satisfies the previously issued bonds. As such, the obligation is not reported in the financial statements of the District. The bonds remain outstanding, and at June 30, 2010, the outstanding balance is \$21,820,000.

Build America Bonds and Single Audit Requirements

In October 2009, the District issued General Obligation Bonds: \$26,705,000 Series D General Obligation Bonds and \$25,295,000 Series E Bonds. The Series E Bonds are Build America Bonds. The repayment of the interest on these bonds is subsidized by the U.S. Treasury. The bonds are not subject to the Office of Management and Budget A-133 requirements.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

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, 2010, the balance outstanding was \$2,355,000. 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, 2010, the balance outstanding was \$219,957. The notes mature through 2011.

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

Bonded Debt

The outstanding general obligation bonded debt is as follows:

General Obligation Bonds, 2002 Series:

Bonds	Issue Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2009	Accretion Additions/ Issuances	Redeemed	Bonds Outstanding June 30, 2010
A	6/1/2003	2%-5%	\$33,000,000	\$ 3,715,000	\$ -	\$ 880,000	\$ 2,835,000
B	7/12/2006	4.5%-5.3%	65,000,000	51,980,000	-	1,390,000	50,590,000
C*	7/12/2006	3.9%-4.4%	22,657,774	26,752,914	2,548,471	6,000,000	23,301,385
D	10/15/2009	3%-5 %	26,705,000	-	26,705,000	-	26,705,000
E	10/15/2009	6.5%- 6.6%	25,295,000	-	25,295,000	-	25,295,000
Unamortized premiums:							
B				1,818,140	-	88,456	1,729,684
C				5,687,052	-	947,842	4,739,210
D and E				-	3,582,086	143,283	3,438,803
				<u>\$89,953,106</u>	<u>\$58,130,557</u>	<u>\$9,449,581</u>	<u>\$138,634,082</u>

* Refunding bonds, see description of debt.

General Obligation Bond 2002 Series A

The general obligation bonds mature through 2013 as follows:

Fiscal Year	Principal	Interest	Total
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>\$ 2,835,000</u>	<u>\$ 225,050</u>	<u>\$ 3,060,050</u>

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

General Obligation Bond 2002 Series B

The general obligation bonds mature through 2032 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,635,000	\$ 2,443,300	\$ 4,078,300
2012	1,395,000	2,375,125	3,770,125
2013	1,460,000	2,310,888	3,770,888
2014	1,525,000	2,243,725	3,768,725
2015	1,600,000	2,173,413	3,773,413
2016-2020	9,160,000	9,652,837	18,812,837
2021-2025	11,715,000	7,007,719	18,722,719
2026-2030	15,025,000	3,636,250	18,661,250
2031-2032	7,075,000	358,125	7,433,125
Total	<u>\$ 50,590,000</u>	<u>\$ 32,201,382</u>	<u>\$ 82,791,382</u>

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>
2011	\$ 5,755,071	\$ 299,929	\$ 6,055,000
2012	5,194,748	855,252	6,050,000
2013	4,770,432	1,379,568	6,150,000
2014	4,067,784	1,737,216	5,805,000
2015	3,513,350	2,036,650	5,550,000
Total	<u>\$ 23,301,385</u>	<u>\$ 6,308,615</u>	<u>\$ 29,610,000</u>

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

General Obligation Bond 2002 Series D

The general obligation bonds mature through 2027 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ -	\$ 1,267,700	\$ 1,267,700
2012	90,000	1,266,350	1,356,350
2013	110,000	1,263,350	1,373,350
2014	860,000	1,248,800	2,108,800
2015	1,485,000	1,206,200	2,691,200
2016-2020	8,415,000	4,993,325	13,408,325
2021-2025	10,685,000	2,652,625	13,337,625
2026-2027	5,060,000	256,000	5,316,000
Total	<u>\$ 26,705,000</u>	<u>\$ 14,154,350</u>	<u>\$ 40,859,350</u>

General Obligation Bond 2002 Series E

The general obligation bonds mature through 2035 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ -	\$ 1,668,642	\$ 1,668,642
2012	-	1,668,642	1,668,642
2013	-	1,668,642	1,668,642
2014	-	1,668,642	1,668,642
2015	-	1,668,642	1,668,642
2016-2020	-	8,343,209	8,343,209
2021-2025	-	8,343,209	8,343,209
2026-2030	8,510,000	7,525,125	16,035,125
2031-2035	16,785,000	2,884,080	19,669,080
Total	<u>\$ 25,295,000</u>	<u>\$ 35,438,833</u>	<u>\$ 60,733,833</u>

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

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>
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>\$ 2,355,000</u>	<u>\$ 203,344</u>	<u>\$ 2,558,344</u>

Notes Payable

The notes payable mature through 2011 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	<u>\$ 219,957</u>	<u>\$ 10,043</u>	<u>\$ 230,000</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, 2010 and 2009, is \$2,270,081 and \$2,565,451, respectively.

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, 2010 and 2009, is \$567,747 and \$870,160, respectively.

Capital Leases

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

Balance, July 1, 2009	\$ 465,630
Payments	<u>116,923</u>
Balance, June 30, 2010	<u>\$ 348,707</u>

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2011	\$ 106,206
2012	100,954
2013	97,660
2014	43,887
Total	348,707
Less: Amount Representing Interest	(36,893)
Present Value of Minimum Lease Payments	\$ 311,814

Other Postemployment Benefits (OPEB) Obligation

The District implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, during the year ended June 30, 2009. The District's annual required contribution for the year ended June 30, 2010, was \$1,724,551, and contributions made by the District during the year were \$937,375. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$35,955 and \$31,851, respectively, which resulted in an increase to the net OPEB obligation of \$791,280. As of June 30, 2010, the net OPEB obligation was \$1,510,376. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefits plan.

NOTE 11 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (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 34 retirees receiving benefits and 815 active Plan members.

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 2009-2010, the District contributed \$937,375 to the Plan, all of which was used for current premiums.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

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
Interest on net OPEB obligation	35,955
Adjustment to annual required contribution	<u>(31,851)</u>
Annual OPEB cost (expense)	1,728,655
Contributions made	<u>(937,375)</u>
Increase in net OPEB obligation	791,280
Net OPEB obligation, beginning of year	<u>719,096</u>
Net OPEB obligation, end of year	<u><u>\$ 1,510,376</u></u>

Trend Information

Trend information for the annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the past two years is as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2008	\$ 1,724,551	\$ 1,005,455	58%	\$ 719,096
2009	1,728,655	937,375	54%	1,510,376

Funding Status and Funding Progress

The funded status of the OPEB Plan as of June 30, 2010, valuation is as follows:

Actuarial Accrued Liability (AAL)	\$ 13,305,204
Actuarial Value of Plan Assets	<u>-</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u><u>\$ 13,305,204</u></u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Covered Payroll	<u>\$ 60,439,599</u>
UAAL as Percentage of Covered Payroll	<u><u>22%</u></u>

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

The above noted actuarial accrued liability was based on the August 25, 2008, actuarial valuation. 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.

The District has not established an irrevocable trust for the purpose of funding postemployment benefits, but has designated resources in the amount of \$13,868,540 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.

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, 2010, was 28 years. The actuarial value of assets was not determined in this actuarial valuation.

NOTE 12 - 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, 2010, 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, 2010 AND 2009

Workers' Compensation

For fiscal year 2010, 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.

<u>Insurance Program/Company Name</u>	<u>Type of Coverage</u>	<u>Limits</u>
Self-Insured	Property and Liability	\$ 25,000/\$50,000
SWACC	Liability	\$ 1,000,000
SWACC	Property	\$ 250,000,000
SELF	Excess Liability	\$ 20,000,000
Self-Insured	Workers' Compensation	\$ 1,000,000
SAWCX II	Excess Workers' Compensation	\$ 25,000,000

NOTE 13 - 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, 2010 AND 2009

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 2009-2010 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, 2010, 2009, and 2008, were \$4,276,079, \$4,465,113, and \$4,226,897, 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

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 CalPERS Board of Administration. The District's contribution rate to CalPERS for fiscal year 2009-2010 was 9.709 percent of covered payroll. The District's contributions to CalPERS for fiscal years ending June 30, 2010, 2009, and 2008, were \$2,232,050, \$2,128,647, and \$1,529,727, 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 \$2,169,934, \$2,444,717, and \$2,410,925 (4.267 percent) of salaries subject to CalSTRS for the years ended June 30, 2010, 2009, and 2008, respectively. No contributions from the State were made for CalPERS for the year ended June 30, 2010. 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, 2010 AND 2009

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, 2010, the District made payments of \$624,273, \$157,143, and \$56,356 to SWACC, SAWCX II, and SELF, respectively.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Deferral of State Apportionments

Certain apportionments owed to the District for funding of FTES, which are attributable to the 2009-2010 fiscal year have been deferred to the 2010-2011 fiscal year. The total amount of funding deferred into the 2010-2011 fiscal year was \$16,273,426. As of July 31, 2010, this amount has been received.

Fiscal Issues Relating to State-Wide Funding Reductions

The State of California economy is continuing through a three-year recessionary economy. The California Community College system is reliant on the State of California to appropriate the funding necessary to provide for the educational services and student support programs that are mandated for the colleges. In addition to the reductions in funding due to the economic environment, the State of California has failed to pass a budget in a timely manner during the past two years. The budget for the 2010-2011 fiscal year was adopted on October 8, 2010, fully 99 days beyond the July 1 budget requirements. As a result of the delay in the budget adoption, cash payments to community colleges in general, and Pasadena Area Community College District specifically, were suspended for the period between July 2010 and October 2010. For Pasadena Area Community College District, this is approximately \$32 million.

In addition to the deferral of cash payments, actual reductions in the funding of Full-Time Equivalent Students have cost the District over \$2,292,601 in State apportionment funding. Significant reductions in funding for other categorical programs and services have also impacted the ability of the District to provide programs and services to the students attending Pasadena Area Community College District.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

The District has implemented budgetary reductions to counter the reductions in apportionment and program funding. However, continued reductions and deferral of cash payments will ultimately impact the District's ability to meet the goals for educational services.

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, 2010.

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, 2010.

Construction Commitments

As of June 30, 2010, the District had the following commitments with respect to the unfinished capital projects:

	Remaining Construction Commitments	Expected Year of Completions
CAPITAL PROJECTS		
Arts Building	\$ 658,443	2012
Campus Center	174,530	2010
Classroom Conversions	175,641	2012
Elevator Upgrades	33,240	2011
Restroom Upgrades	2,800	2011
Electrical Upgrade	2,680	2011
	<u>\$ 1,047,334</u>	

REQUIRED SUPPLEMENTARY INFORMATION

PASADENA AREA COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
PROGRESS
FOR THE YEAR ENDED JUNE 30, 2010**

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 25, 2008	\$ -	\$ 13,305,204	\$ 13,305,204	\$ -	\$ 60,439,599	22%

SUPPLEMENTARY INFORMATION

PASADENA AREA COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION JUNE 30, 2010

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's college 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. Hilary Bradbury-Huang	President	November 2013
Mr. William Thomson	Vice President	November 2011
Mr. Geoffrey L. Baum	Clerk	November 2013
Ms. Belinda Brown	Member	November 2013
Dr. Anthony Fellow	Member	November 2013
Dr. Jeanette Mann	Member	November 2011
Mr. John Martin	Member	November 2011
Mr. Brian Abadia	Student Trustee	June 30, 2010

ADMINISTRATION

Dr. Lisa A. Sugimoto	Interim President and District Superintendent
Dr. Richard P. van Pelt	Interim Vice President, Administrative Services
Dr. Jacqueline Jacobs	Vice President, Instructional Administration
Dr. Stuart A. Wilcox	Interim 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
Ms. Crystall Kolross	Interim 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, 2010

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Identifying Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
TRIO Cluster (Direct Funded):			
TRIO - Student Support Services and Student Grants	84.042A		\$ 355,579
TRIO - Upward Bound	84.047A		248,547
TRIO - Upward Bound Math and Science	84.047M		218,030
Subtotal TRIO Cluster			<u>822,156</u>
CTEA Title I-C	84.048	03579	638,533
CTEA II, Tech-Prep Education Grant	84.243	03579	67,750
Passed through the California Department of Education:			
Adult Education and Family Literacy Act - Adult Basic Education	84.002A	03055	253,691
Passed through the Regents of the University of California			
Copernicus Project	84.336B		91,374
CCAMPIS - Child Development Program	84.355A		46,539
Passed through Mount St. Mary's College			
Collaboration to Improve Student Persistence and Degree Completion	84.031S		30,007
Passed through from California Community Colleges Chancellor's Office			
ARRA: State Fiscal Stabilization Fund (SFSF) - Education State Grants	84.394	[1]	385,468
Student Financial Assistance Cluster (Direct Funded):			
Pell Grant	84.063		22,513,473
Pell Grant Administration Grant	84.063		34,015
Supplemental Educational Opportunity Grant	84.007		432,487
Supplemental Educational Opportunity Grant Administration	84.007		50,128
Federal Work-Study Program	84.033		418,541
Federal Work-Study Program - Administrative Cost Allocation	84.033		27,247
Perkins Loan Program	84.038		37,050
Federal Family Education Loans	84.032		1,889,985
Academic Competitiveness Grants	84.375		290,226
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Nursing Loan Program	93.364		33,258
Total Student Financial Assistance Cluster			<u>25,726,410</u>

[1] Pass-Through Identifying Number not available.

See accompanying note to supplementary information.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Identifying Number	Program Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through the California State Chancellor's Office			
Foster Care Education Program	93.658		\$ 51,144
Temporary Assistance for Needy Families (TANF)	93.558		79,372
Passed through the Foundation for California Community Colleges			
TANF, Child Development Careers	93.575	[1]	43,377
Model Approach to Partnership in Parenting (MAPP)	93.674	789-120	29,816
Youth Empowerment Strategies for Success - Los Angeles (YESS-LA)	93.674	[1]	82,384
Passed through the California Department of Social Services			
Los Angeles County DPSS	93.558	CCS09010	87,667
Passed through the California Department of Education			
Child Development Program	93.596	000321	19,766
Child Development Program - Instructional Materials	93.575	000326	1,229
Total Department of Health and Human Services			<u>394,755</u>
U.S. DEPARTMENT OF AGRICULTURE			
Forest Reserve	10.665		55,646
Passed through the California Department of Education			
Child and Adult Care Food Program	10.558A	[1]	46,190
U.S. DEPARTMENT OF LABOR			
Passed through the California State Chancellor's Office			
Economic Stimulus Program Funds for Phase II, Allied Health			
Program Expansion	17.258	09-127-11	52,704
Workforce Investment Act Funds for Associate Degree Nursing (RN)			
Programs - Fostering Student Success	17.258	05-0108	135,000
Total WIA Cluster			<u>187,704</u>
U.S. DEPARTMENT OF VETERANS AFFAIRS			
Veterans Education	64.000	[1]	2,401
NATIONAL SCIENCE FOUNDATION			
Providing More to Increase Stem Majors	47.076		<u>284,287</u>
Total Federal Expenditures			<u>\$ 29,032,911</u>

[1] Pass-Through Identifying Number not available.

See accompanying note to supplementary information.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2010

PROGRAM	Program Entitlements		
	Current Year	Prior Year	Total Entitlement
Basic Skills	\$ 199,940	\$ 90,372	\$ 290,312
Block Grant	-	750,509	750,509
Biotechnology Hub	74,393	-	74,393
Bridges to Stem Cell Research	583,497	-	583,497
Cal Grant "B"	1,884,682	17,058	1,901,740
Cal Grant "C"	15,336	216	15,552
California High School Exit Exam (CAHSEE)	-	83,617	83,617
CalWORKs	281,648	-	281,648
CalWORKs - Regional Effort	10,000	-	10,000
Capacity Building/Nursing	-	221,103	221,103
Child Development Program	356,714	-	356,714
Child Development Program	306,895	-	306,895
Child Development Program	3,600	1,201	4,801
Cooperative Agencies Resources For Education (CARE)	78,916	10,110	89,026
CTE 140 Community Collaborative Projects	310,000	400,000	710,000
CTE 141 Community Collaborative Projects	79,000	100,000	179,000
CTE 142 Community Collaborative Projects	-	250,000	250,000
CTE 170 Community Collaborative Projects	-	297,029	297,029
Curriculum Development	-	75,000	75,000
Disabled Students Program and Services (DSPS)	734,191	38,936	773,127
Economic Development - Applied Biological Technology	101,670	-	101,670
Economic Development - Multimedia Entertainment Center	101,670	-	101,670
Equipment - Nursing/Allied Health	-	44,004	44,004
Extended Opportunity Program and Services (EOP&S)	71,500	-	71,500
Extended Opportunity Program and Services (EOP&S)	698,652	30,031	728,683
Faculty/Staff Professional Development	-	23,245	23,245
Foster Care Education Program	86,962	-	86,962
Human Resources Tech Training	-	1,760	1,760
Instructional Equipment	-	322,018	322,018
Matriculation - Credit	586,690	8,608	595,298
Matriculation - Non Credit	173,918	20,408	194,326
Matriculation - Administration	286,500	21,270	307,770
MESA	51,434	10,762	62,196
Puente Program Mentor	1,500	-	1,500
SFAA Augmentation	571,679	-	571,679
Staff Diversity - AB1725	-	41,755	41,755
Statewide Strategic Initiative Hub	60,010	77,251	137,261
Student Financial Aid Administration	189,581	-	189,581
Student Services Automated Reporting	-	181,995	181,995
Telecommunications and Technology	-	51,338	51,338
Workforce Innovative Partnership	-	107,854	107,854

See accompanying note to supplementary information.

Program Revenues				
Cash Received	Accounts Receivable	Deferred Revenue	Total Revenue	Program Expenditures
\$ 290,313	\$ -	\$ 20,734	\$ 269,579	\$ 269,579
750,509	-	295,457	455,052	455,052
39,974	17,694	-	57,668	57,668
583,497	-	211,567	371,930	371,930
1,901,740	-	6,584	1,895,156	1,895,156
15,552	-	-	15,552	15,552
-	83,617	-	83,617	83,617
281,648	-	-	281,648	281,648
10,000	-	1,760	8,240	8,240
221,103	-	-	221,103	221,103
268,241	-	6,421	261,820	261,820
236,263	-	25,636	210,627	210,627
2,531	240	-	2,771	2,771
89,026	-	-	89,026	89,026
710,000	-	569,988	140,012	140,012
179,000	-	159,229	19,771	19,771
250,000	-	201,106	48,894	48,894
297,028	-	-	297,028	297,028
75,000	-	67,126	7,874	7,874
773,127	-	-	773,127	773,127
91,860	9,810	-	101,670	101,670
91,860	9,810	-	101,670	101,670
44,004	-	-	44,004	44,004
71,500	-	21,502	49,998	49,998
728,683	-	29,683	699,000	699,000
23,245	-	10,028	13,217	13,217
52,436	34,524	-	86,960	86,960
1,760	-	1,760	-	-
322,018	-	27,446	294,572	294,572
595,298	-	-	595,298	595,298
194,326	-	60,663	133,663	133,663
295,415	-	229,877	65,538	65,538
48,688	729	-	49,417	49,417
1,500	-	-	1,500	1,500
571,679	-	-	571,679	571,679
41,755	-	35,704	6,051	6,051
137,261	-	-	137,261	137,261
189,581	-	-	189,581	189,581
160,182	-	103,415	56,767	56,767
51,338	-	9,389	41,949	41,949
107,854	-	60	107,794	107,794
<u>\$ 10,796,795</u>	<u>\$ 156,424</u>	<u>\$ 2,095,135</u>	<u>\$ 8,858,084</u>	<u>\$ 8,858,084</u>

PASADENA AREA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT - ANNUAL (ACTUAL) ATTENDANCE AS OF JUNE 30, 2010

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession			
1. Noncredit	161	-	161
2. Credit	1,931	-	1,931
B. Summer Intersession			
2. Credit	-	-	-
C. Primary Terms			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	17,159	-	17,159
(b) Daily Census Contact Hours	1,504	-	1,504
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	1,231	-	1,231
(b) Credit	332	-	332
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	961	-	961
(b) Daily Census Contact Hours	143	-	143
D. Total FTES	<u>23,422</u>	<u>-</u>	<u>23,422</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, 2010

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2010.

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, 2010

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

Total Fund Balance and Due to Student Groups:

General Fund	\$ 23,038,313
Special Revenue Funds	74,608
Capital Project Funds	92,611,482
Debt Service Funds	14,630,256
Enterprise Funds	2,944,481
Internal Service Funds	17,874,719
Fiduciary Funds	<u>2,898,917</u>

Total Fund Balance and Due to Student Groups

- All District Funds \$ 154,072,776

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	262,763,507	
Accumulated depreciation is	(77,959,925)	
Less fixed assets already recorded in the enterprise and fiduciary funds	<u>(6,467)</u>	184,797,115

Amounts held in trust on behalf of others (Trust and Agency Funds). (2,207,591)

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. (2,302,199)

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	138,634,082	
Certificates of participation	2,355,000	
Notes payable	219,957	
Compensated absences (vacations)	2,270,081	
Load banking	567,747	
Capital leases payable	311,814	
Other postemployment benefits (net)	<u>1,510,376</u>	
Total Long-Term Obligations		(145,869,057)
Total Net Assets		<u><u>\$ 188,491,044</u></u>

See accompanying note to supplementary information.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2010

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.

	CFDA Number	Program Expenditures
Total Federal Revenues From the Statement of Revenues, Expenses, and Changes in Net Assets:		\$ 29,426,578
Build America Bonds subsidies	*	(463,975)
Perkins Loan Program	84.038	37,050
Nursing Loan Program	93.364	33,258
Total Schedule of Expenditures of Federal Awards		<u>\$ 29,032,911</u>

* Build America Bonds and Single Audit

The District issued General Obligation Bonds, 2002 Series E that are Build America Bonds. The repayment of these bonds is subsidized by the U.S. Treasury. The Bonds are not subject to the Office of Management and Budget A-133 requirements and are, therefore, not included in the schedule of expenditures of Federal awards.

Total expenditures by department are as follows:

	CFDA Number	Total Amount
U.S. Department of Education	84.00	\$ 28,028,670
U.S. Department of Health and Human Services	93.00	428,013
National Science Foundation	47.00	284,287
U.S. Department of Labor	17.00	187,704
U.S. Department of Veterans Affairs	64.00	2,401
U.S. Department of Agriculture	10.00	101,836
		<u>\$ 29,032,911</u>

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION

JUNE 30, 2010

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 Chancellor'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.

INDEPENDENT AUDITORS' REPORTS



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

Board of Trustees
Pasadena Area Community College District
Pasadena, California

We have audited the basic financial statements of Pasadena Area Community College District (the District) for the years ended June 30, 2010 and 2009, and have issued our report thereon dated December 16, 2010. 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.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item 2010-1 that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Pasadena Area Community College District in a separate letter dated December 16, 2010.

Pasadena Area Community College District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Pasadena Area Community College District's response and, accordingly, 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 Chancellor's Office, and the District's Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lawrence, June Day & Co. LLP

Rancho Cucamonga, California
December 16, 2010



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON 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 could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2010. 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 Standard*, 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 compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2010-2.

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 to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Pasadena Area Community College District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2010-2. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Vaarrinek, Irine, Day & Co. LLP

Rancho Cucamonga, California
December 16, 2010



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 Chancellor'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, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported and is described in the accompanying schedule of findings and questioned costs as item 2010-3.

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

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

Vannick, Irene, Doug & Co. LLP

Rancho Cucamonga, California

December 16, 2010

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PASADENA AREA COMMUNITY COLLEGE DISTRICT

SUMMARY OF AUDITORS' RESULTS FOR THE YEAR ENDED JUNE 30, 2010

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>Yes</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>Yes</u>
Identification of major programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.032, 84.033, 84.038, 84.063, 84.375, and 93.364	Student Financial Assistance Cluster (includes ARRA)
<u>84.394 (ARRA)</u>	<u>ARRA: State Fiscal Stabilization Funds (SFSF)</u>
	Economic Stimulus Program Funds for Phase II,
<u>17.258</u>	<u>Allied Health Program Expansion</u>
	Workforce Investment Act Funds for Associate
	Degree Nursing (RN) Programs - Fostering
<u>17.258</u>	<u>Student Success</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Internal control over State 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 State programs:	<u>Unqualified</u>

PASADENA AREA COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2010

The following finding represents a significant deficiency and/or an instance of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

2010-1 CAPITAL ASSETS

Criteria

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

Condition

Significant Deficiency - Capital asset reporting problems included the following issues for the 2010 year-end reporting:

- There is not adequate supervisory review of asset reports to prevent and detect errors prior to the information being provided to us for the audit.
- When construction in progress is completed, the original asset and asset number is retired and a new asset is created in the Building or Site improvements asset class. This impairs the audit trail and the support for the construction in progress. The asset number should only transfer between the asset classes.
- The Escape system does not produce a capital asset summary so the information must be compiled manually and is prone to error.
- There are not policies and procedures for performing physical inventories.

Questioned Costs

None.

Recommendation

Management should establish oversight roles and monthly reconciliation procedures. On a periodic basis, perhaps monthly, the reports should be prepared and reviewed for accuracy and that should significantly improve the annual summary. The summary should be prepared on a monthly basis until it can be performed with greater accuracy. Reports of additions together with supporting reconciliation to the general ledger should be reviewed. System upgrades may provide better reports to support the summary or even create the summary.

Management Response

The District will prepare monthly reports and submit them to the auditors, Vavrinek, Trine, Day & Co., LLP to check for reconciliation. The District will investigate potential upgrades to the Escape System in order to potentially automate the process.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

The following finding represents a significant deficiency and an instance of noncompliance including questioned costs, if any, that is required to be reported by OMB Circular A-133.

2010-2 **WORKFORCE INVESTMENT ACT - REPORTING**

Program CFDA #17.258

CFDA Program Title

Workforce Economic Stimulus Program Funds for Phase II, Allied Health Program Expansion.

Criteria or Specific Requirement

The grant agreement provided by the State Chancellor's Office requires the District to submit Monthly Expenditure Reports, as well as Quarterly Performance Reports.

Condition

Significant Deficiency - For the above referenced Federal program, the District did not submit the Monthly Expenditure Reports or the Quarterly Performance Reports to the Chancellor's Office in accordance with the reporting requirements.

Questioned Costs

None.

Effect

Required Expenditure and Activity Reports were not submitted in accordance with the grant agreements.

Cause

Grant agreements were not clearly understood as to the required reporting requirements.

Recommendation

Grant agreements should be reviewed and the requirements for reporting clearly understood. The program manager should develop a reporting calendar to monitor the submission of the required reports.

Management Response

Each grant manager will be required to develop and submit a reporting calendar at the outset of the program.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

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

2010-3 STUDENTS ACTIVELY ENROLLED

Criteria

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

Control Deficiency - We selected a sample of 40 course sections for the Spring 2010 term that were listed on the Pre-Census Acknowledgment Report. We found that:

- One student was marked as dropped on the manual teacher roster and was not removed from the attendance system.
- Several manual teacher rosters/scantrons had no indication of when they were turned into admissions and records.
- Several teachers did not submit their manual teacher rosters until 20 days or more after the census date.

The District implemented an on-line reporting mechanism for instructors to submit their rosters and report the actively enrolled students. This reporting system was not utilized by all faculty which appears to be the primary reason for the exceptions noted.

Questioned Costs

None. The District is currently reporting FTES in excess of funding.

Recommendation

The on-line reporting for students actively enrolled should be utilized by all instructors to properly support the recorded FTES.

Management Response

The District continues to improve its processes to ensure that 100 percent of sections submit their pre-census drops in a timely manner.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

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

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

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.

Current Status

Partially implemented. See financial statement finding 2010-1.

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

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.

Current Status

Implemented.

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

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.

Current Status

Implemented.

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 polices 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.

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.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

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.

Current Status

Implemented.

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.

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.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

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.

Current Status

Implemented.

STATE AWARD FINDINGS

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.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

Effect

The possibility exists that 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.

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.

Current Status

Improved. See financial statement finding 2010-3.

ADDITIONAL SUPPLEMENTARY INFORMATION

PASADENA AREA COMMUNITY COLLEGE DISTRICT

GOVERNMENTAL FUNDS BALANCE SHEETS JUNE 30, 2010

	General Funds		Special Revenue Fund
	General Unrestricted	General Restricted	Child Development
ASSETS			
Cash and cash equivalents	\$ 292,295	\$ 46,540	\$ 13,510
Investments	10,694,331	4,776,383	152,922
Accounts receivable	17,967,802	2,199,154	9,152
Prepaid expenses	9,704	39,260	-
Inventories	30,968	-	-
Total Assets	\$ 28,995,100	\$ 7,061,337	\$ 175,584
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 7,132,399	\$ 844,431	\$ 68,919
Deferred revenue	2,095,767	2,945,527	32,057
Total Liabilities	9,228,166	3,789,958	100,976
FUND BALANCES			
Reserved	40,672	-	-
Unreserved			
Designated	19,726,262	3,271,379	-
Undesignated	-	-	74,608
Total Fund Balances	19,766,934	3,271,379	74,608
Total Liabilities and Fund Balances	\$ 28,995,100	\$ 7,061,337	\$ 175,584

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	
\$ -	\$ -	\$ 43	\$ -	\$ -	\$ 352,388
14,629,583	671	20,642,175	69,922,093	2,486,222	123,304,380
-	2	52,670	235,588	9,810	20,474,178
-	-	-	-	-	48,964
-	-	-	-	-	30,968
<u>\$ 14,629,583</u>	<u>\$ 673</u>	<u>\$ 20,694,888</u>	<u>\$ 70,157,681</u>	<u>\$ 2,496,032</u>	<u>\$ 144,210,878</u>
\$ -	\$ -	\$ 416	\$ 588,993	\$ 20,450	\$ 8,655,608
-	-	127,260	-	-	5,200,611
<u>-</u>	<u>-</u>	<u>127,676</u>	<u>588,993</u>	<u>20,450</u>	<u>13,856,219</u>
-	-	-	-	-	40,672
-	-	-	-	-	22,997,641
14,629,583	673	20,567,212	69,568,688	2,475,582	107,316,346
<u>14,629,583</u>	<u>673</u>	<u>20,567,212</u>	<u>69,568,688</u>	<u>2,475,582</u>	<u>130,354,659</u>
<u>\$ 14,629,583</u>	<u>\$ 673</u>	<u>\$ 20,694,888</u>	<u>\$ 70,157,681</u>	<u>\$ 2,496,032</u>	<u>\$ 144,210,878</u>

PASADENA AREA COMMUNITY COLLEGE DISTRICT

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2010

	General Funds		Special Revenue Fund
	General Unrestricted	General Restricted	Child Development
REVENUES			
Federal revenues	\$ 650,587	\$ 3,025,585	\$ 110,276
State revenues	83,873,440	6,775,279	475,222
Local revenues	36,859,808	3,570,268	211,426
Total Revenues	121,383,835	13,371,132	796,924
EXPENDITURES			
Current Expenditures			
Academic salaries	57,380,343	2,237,147	250
Classified salaries	22,538,676	5,027,263	539,817
Employee benefits	23,461,504	1,166,431	151,083
Books and supplies	1,303,337	855,639	16,924
Services and operating expenditures	9,166,127	1,785,980	108,530
Capital outlay	405,567	1,021,788	790
Debt service - principal	-	-	-
Debt service - interest and other	-	-	-
Total Expenditures	114,255,554	12,094,248	817,394
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	7,128,281	1,276,884	(20,470)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	-	33,001
Operating transfers out	(6,037,723)	(640,300)	-
Other sources	127,484	-	-
Other uses	(9,950)	(248,033)	(675)
Total Other Financing Sources (Uses)	(5,920,189)	(888,333)	32,326
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	1,208,092	388,551	11,856
FUND BALANCE, BEGINNING OF YEAR	18,558,842	2,882,828	62,752
FUND BALANCE, END OF YEAR	\$ 19,766,934	\$ 3,271,379	\$ 74,608

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	
\$ 463,975	\$ -	\$ -	\$ -	\$ -	\$ 4,250,423
110,434	-	-	-	54,106	91,288,481
13,430,876	77	2,492,190	820,167	41,348	57,426,160
14,005,285	77	2,492,190	820,167	95,454	152,965,064
-	-	-	-	-	59,617,740
-	-	-	59,014	-	28,164,770
-	-	-	5,597	-	24,784,615
-	-	6,976	26,170	-	2,209,046
-	-	73,927	660,039	4,700	11,799,303
-	-	140,385	9,314,683	852,355	11,735,568
8,270,000	744,793	-	-	-	9,014,793
3,513,402	126,729	-	-	-	3,640,131
11,783,402	871,522	221,288	10,065,503	857,055	150,965,966
2,221,883	(871,445)	2,270,902	(9,245,336)	(761,601)	1,999,098
-	871,522	5,473,500	-	300,000	6,678,023
-	-	-	-	-	(6,678,023)
3,296,907	-	-	52,285,179	-	55,709,570
-	-	-	-	-	(258,658)
3,296,907	871,522	5,473,500	52,285,179	300,000	55,450,912
5,518,790	77	7,744,402	43,039,843	(461,601)	57,450,010
9,110,793	596	12,822,810	26,528,845	2,937,183	72,904,649
\$ 14,629,583	\$ 673	\$ 20,567,212	\$ 69,568,688	\$ 2,475,582	\$ 130,354,659

PASADENA AREA COMMUNITY COLLEGE DISTRICT

PROPRIETARY FUNDS BALANCE SHEETS JUNE 30, 2010

	Enterprise Funds			Internal Service Fund
	Bookstore	Other	Total	
ASSETS				
Cash and cash equivalents	\$ 437,187	\$ 20,740	\$ 457,927	\$ 112,983
Investments	749,166	93,557	842,723	18,965,092
Accounts receivable	302,832	19,908	322,740	65,648
Prepaid expenses	588,851	-	588,851	172,415
Inventories	920,512	-	920,512	-
Furniture and equipment (net)	6,467	-	6,467	-
Total Assets	\$ 3,005,015	\$ 134,205	\$ 3,139,220	\$ 19,316,138
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	\$ 130,138	\$ 64,601	\$ 194,739	\$ 190,678
Deferred revenue	-	-	-	741
Claim liabilities	-	-	-	1,250,000
Total Liabilities	130,138	64,601	194,739	1,441,419
FUND EQUITY				
Retained earnings	2,874,877	69,604	2,944,481	17,874,719
Total Liabilities and Fund Equity	\$ 3,005,015	\$ 134,205	\$ 3,139,220	\$ 19,316,138

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, 2010

	Enterprise Funds			Internal Service Fund
	Bookstore	Other	Total	
OPERATING REVENUES				
Sales and other local revenues	\$ 5,848,226	\$ 595,167	\$ 6,443,393	\$ 5,255,000
OPERATING EXPENSES				
Classified salaries	793,977	115,839	909,816	62,060
Employee benefits	293,541	11,802	305,343	432,023
Books and supplies	4,094,196	18,973	4,113,169	978
Services and other operating expenditures	492,031	372,028	864,059	3,772,851
Capital outlay	-	7,547	7,547	2,316
Total Operating Expenses	5,673,745	526,189	6,199,934	4,270,228
Operating Income	174,481	68,978	243,459	984,772
NONOPERATING REVENUES (EXPENSES)				
Interest income	30,734	626	31,360	250,627
Unrealized loss on investments	(77,847)	-	(77,847)	-
Miscellaneous revenues	23,122	-	23,122	212,061
Transfers out	(301,185)	-	(301,185)	-
Total Nonoperating Revenues (Expenses)	(325,176)	626	(324,550)	462,688
NET INCOME (LOSS)	(150,695)	69,604	(81,091)	1,447,460
RETAINED EARNINGS, BEGINNING OF YEAR	3,025,572	-	3,025,572	16,427,259
RETAINED EARNINGS, END OF YEAR	\$ 2,874,877	\$ 69,604	\$ 2,944,481	\$ 17,874,719

See accompanying note to additional supplementary information.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

PROPRIETARY FUNDS STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2010

	Enterprise Funds			Internal Service Fund
	Bookstore	Other	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from sales and user charges	\$ 5,616,542	\$ 575,259	\$ 6,191,801	\$ 5,283,182
Cash payments to employees for services	(1,040,624)	(127,641)	(1,168,265)	(494,083)
Cash payments to suppliers for goods and services	(3,721,047)	38,081	(3,682,966)	(3,294)
Cash payments for other operating expenses	(492,031)	(372,028)	(864,059)	(3,783,099)
Net Cash Flows From Operating Activities	362,840	113,671	476,511	1,002,706
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	(301,185)	-	(301,185)	212,061
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	53,856	626	-	250,627
Change in cash and cash equivalents	115,511	114,297	229,808	1,465,394
Cash and cash equivalents - Beginning	1,070,842	-	1,115,757	17,612,681
Cash and cash equivalents - Ending	\$ 1,186,353	\$ 114,297	\$ 1,300,650	\$ 19,078,075
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating income	\$ 174,481	\$ 68,978	\$ 243,459	\$ 984,772
Adjustments to reconcile operating income to net cash flows from operating activities:				
Depreciation	6,112	-	6,112	-
Changes in assets and liabilities:				
Receivables	(231,684)	(19,908)	(251,592)	28,182
Prepaid	46,894	-	46,894	91,424
Inventories	260,389	-	260,389	-
Accounts payable	106,648	64,601	171,249	(47,096)
Claims liability	-	-	-	(50,000)
Deferred revenue	-	-	-	(4,576)
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 362,840	\$ 113,671	\$ 476,511	\$ 1,002,706

See accompanying note to additional supplementary information.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

FIDUCIARY FUNDS BALANCE SHEETS JUNE 30, 2010

	Associated Students Trust	Student Representation Fee	Student Financial Aid
ASSETS			
Cash and cash equivalents	\$ 93,744	\$ 313,347	\$ 143,790
Investments	119,755	-	238,856
Accounts receivable	-	-	539,825
Student loans receivable	-	-	648,373
Total Assets	\$ 213,499	\$ 313,347	\$ 1,570,844
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ 405,066
Other current liabilities	-	-	467,868
Deferred revenue	-	-	6,584
Due to student groups	213,499	313,347	-
Total Liabilities	213,499	313,347	879,518
FUND BALANCES			
Undesignated	-	-	691,326
Total Fund Balances	-	-	691,326
Total Liabilities and Fund Balances	\$ 213,499	\$ 313,347	\$ 1,570,844

See accompanying note to additional supplementary information.

Other Trust	Total
\$ 595,039	\$ 1,145,920
1,085,706	1,444,317
-	539,825
-	648,373
<u>\$ 1,680,745</u>	<u>\$ 3,778,435</u>

\$ -	\$ 405,066
-	467,868
-	6,584
-	526,846
<u>-</u>	<u>1,406,364</u>

<u>1,680,745</u>	<u>2,372,071</u>
<u>1,680,745</u>	<u>2,372,071</u>
<u>\$ 1,680,745</u>	<u>\$ 3,778,435</u>

PASADENA AREA COMMUNITY COLLEGE DISTRICT

FIDUCIARY FUNDS

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2010

	Student Financial Aid	Other Trust	Total
REVENUES			
Federal revenues	\$ 25,176,155	\$ -	\$ 25,176,155
State revenues	1,970,624	-	1,970,624
Local revenues	1,849	2,051,204	2,053,053
Total Revenues	27,148,628	2,051,204	29,199,832
EXPENDITURES			
Current Expenditures			
Classified salaries	-	227,462	227,462
Employee benefits	-	49,965	49,965
Books and supplies	-	602,376	602,376
Services and operating expenditures	-	1,332,291	1,332,291
Capital outlay	-	96,750	96,750
Total Expenditures	-	2,308,844	2,308,844
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	27,148,628	(257,640)	26,890,988
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	237,588	237,588
Other uses	(27,146,779)	-	(27,146,779)
Total Other Financing Sources (Uses)	(27,146,779)	237,588	(26,909,191)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	1,849	(20,052)	(18,203)
FUND BALANCE, BEGINNING OF YEAR	689,477	1,700,797	2,390,274
FUND BALANCE, END OF YEAR	\$ 691,326	\$ 1,680,745	\$ 2,372,071

See accompanying note to additional supplementary information.

PASADENA AREA COMMUNITY COLLEGE DISTRICT

NOTE TO ADDITIONAL SUPPLEMENTARY INFORMATION JUNE 30, 2010

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.