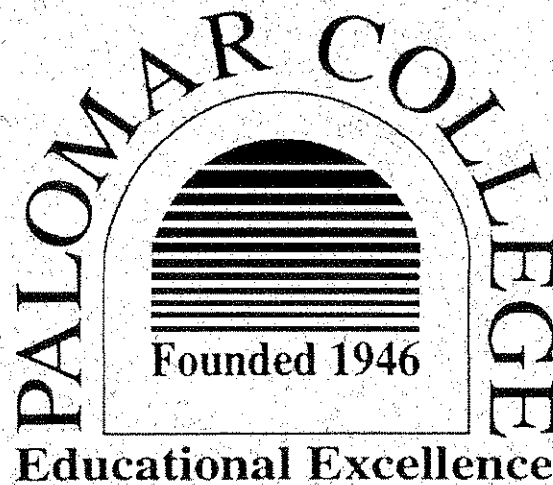


PALOMAR COMMUNITY COLLEGE DISTRICT



ANNUAL FINANCIAL REPORT JUNE 30, 1999

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

PALOMAR COMMUNITY COLLEGE DISTRICT
OF SAN DIEGO COUNTY
SAN MARCOS, CALIFORNIA

JUNE 30, 1999

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Rita A. White, Ed.D.	President	2000
Ralph G. Jensen	Vice-President	2000
Barbara L. Hughes	Secretary	2000
Robert L. Dougherty, Jr., M.D.	Trustee	2002
Michele T. Nelson, Ph.D.	Trustee	2002
Buddy Rabaya	Student Trustee	

ADMINISTRATION

George R. Boggs, Ph.D.	Superintendent/President
Diane Michael	Assistant Superintendent/Vice President, Instruction
Joseph Madrigal	Assistant Superintendent/Vice President, Student Services
Jerry R. Patton	Assistant Superintendent/Vice President, Finance and Administrative Services
Jack Miyamoto, Ph.D.	Assistant Superintendent/Associate Vice President, Human Resources and Affirmative Action
Lise S. Telson	Dean, Student Support Programs
William J. Flynn	Dean, Community Learning Resources
Gene M. Jackson	Dean, Arts and Languages
Michael Rourke, Ph.D.	Dean, Mathematics and the Natural and Health Sciences
Paul W. Kelly	Dean, Vocational Technology
Doris Pichon	Dean, Human Arts and Sciences
Judy Eberhart	Dean, Counseling, Guidance and Career Development
Dale K. Wallenius	Chief Advancement Officer

ORGANIZATION

The Palomar Community College District was established in January 1945, to provide higher education to the communities of North San Diego County. The first classes were held in September 1946. The College is located in San Marcos and draws students from the communities of Escondido, San Marcos, Poway, Ramona, and surrounding areas. Classes are currently held on the main campus in San Marcos as well as satellite campus centers in Escondido, Ramona, Poway, Mt. Carmel, Pauma Valley, Fallbrook, and Camp Pendleton. There have been no changes in the District boundaries during the current fiscal year.

PALOMAR COMMUNITY COLLEGE DISTRICT

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PALOMAR COMMUNITY COLLEGE DISTRICT

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INTRODUCTION

The audit of the Palomar Community College District has the following objectives:

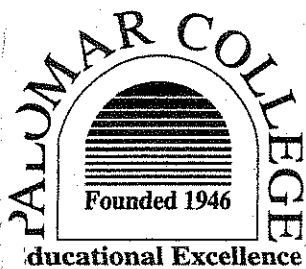
To determine the accountability for revenues, the propriety of expenditures, and the extent to which funds have been expended in accordance with prescribed state and federal laws and regulations.

To determine whether financial and financially related reports to state and federal agencies are presented fairly.

To determine whether the District's financial statements are presented fairly in accordance with generally accepted accounting principles.

To assess the adequacy of the internal control structure to form the basis for expressing an opinion on the above items.

To recommend appropriate actions to correct any deficiencies in the District's system.



Dr. George R. Boggs
Superintendent/President

Governing Board
Robert L. Dougherty, Jr., M.D.
Barbara L. Hughes
Ralph G. Jensen
Michele T. Nelson, Ph.D.
Rita A. White, Ed.D.
Student Trustee:
ASB President

Office of
the President

October 19, 1999

Governing Board Members
Palomar Community College District
1140 West Mission Road
San Marcos, California 92069-1487

Dear Governing Board Members:

Through careful planning and with the cooperation of faculty, administration, and classified staff, Palomar Community College District successfully met all of its fiscal obligations for 1998-1999. The college completed the year with a positive ending balance while maintaining a reserve of 3%, consistent with the minimum required by the Chancellor's Office.

The 1998-1999 legislative budget provided Palomar College with a 2.26 percent cost-of-living adjustment. A \$630,493 one-time restricted block grant was received for instructional supplies, instructional equipment, and library materials including equipment and materials that increase the use of modern technology for instructional purposes. On-going restricted block grants amounted to \$744,014 in funding.

The number of 1998-1999 full-time equivalent students (FTES) totaled 14,299 credit and 1,229 noncredit. The Partnership for Excellence Allocation for 1998-1999 totaled \$1,673,511, which was used for fifteen projects or programs. The two largest expenditures were for the completion of the Child Care Center in Escondido (\$350,000) and for fiber-optics networking (\$345,525).

State funds from 1996-1997 have allowed the College to implement necessary power, sewage, and information system renovations using the services of Boyle Engineering for design and Helix Inc. for construction over this three year project. These technology renovations are consistent with the strategic technology plan the Technology Planning Task Force has developed for the District. Considerable progress has been made and the final phases of the renovations will begin during this academic year. It also is anticipated that design plans will be completed by the end of the spring semester, 2000, for the construction/remodel of the student union. At the end of the first fiscal year of inception, over \$130,000 had been collected from student fees for this center. Local college funds and Palomar College Foundation funds of \$357,331 were used to renovate the dome (gym), including the installation of a new floor and new bleachers.

In 1998-1999, federal financial aid to students totaled approximately \$4,000,000 million in Pell Grants, FSEOG, BOGW waivers, work study funds, and loans. BOGW waivers totaled \$954,000 of that amount. State enrollment fee waivers totaled approximately \$700,000. Scholarships disbursed by Palomar College totaled \$198,000. Outside funding received by Disabled Student Programs and Services included \$50,000 from the Tomlinson Foundation to be used for technology and a \$20,000 Student Success Grant for the development of an internship project for students with disabilities. Partnership for Excellence funding

of \$63,600 will enable the tutoring program to hire six 45% permanent tutor positions.

Palomar College will be receiving funding for two new grants from the U.S. Department of Education. GEAR UP is a \$4.5 million, 5-year partnership grant that will assist 2,750 students from San Marcos Middle School and San Marcos High School to begin preparing for college. Upward Bound, a federally funded TRIO program, is a \$200,000 a year four-year grant that will provide intense academic and support services to students from eight targeted north county high schools. In addition, Palomar received four grants totaling \$157,000 for expansion of the Future Teacher Diversity Corps.

The 1998-1999 Matriculation Budget was \$879,398, with a 75% match required from the district. Matriculation received \$70,000 in Partnership for Excellence funding for computerized assessment. An additional \$24,000 was awarded from these funds to research the possibility of becoming a Cisco Regional Networking Academy and to install high-speed connectivity to our local high schools.

During the calendar year of 1998, the Palomar College Foundation surpassed its annual income goal of \$600,000 for the eighth year. Foundation income from designated and undesignated gifts totaled \$1.2 million. Equipment and material gifts to the college totaled \$148,000. Planned gifts through wills and living trusts totaled \$105,000.

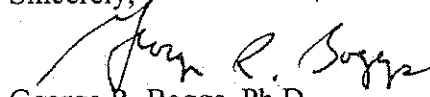
The third Learning Paradigm Conference was held in San Diego in January, 1999, with 488 faculty, administrators, and staff members in attendance from colleges and universities throughout North America and other countries around the world. The net profits from the conference totaled approximately \$61,000. The revenue will go to fund innovation grants through the President's Associates, support implementation of the learning paradigm, and develop new initiatives to increase revenue and enhance the image of the College as a learning leader.

It is estimated that approximately \$140,000 in health and accident fees was lost during fiscal year 1998-1999, due to the rapidly growing Board of Governors health fee waiver. Efforts are being made statewide to encourage legislation to replace these monies.

In 1998-1999, Worksite Education exceeded its goal of \$120,000 in revenue by \$56,000, including a \$105,300 contract to provide Community Based English Tutorial (CBET) program for Escondido Union School District. In 1998-1999, \$95,430 in Job Training Partnership Act funding was received. The California Community Colleges Chancellor's Office awarded the Educational Television Program of Palomar College a five-year, \$8.5 million grant to deliver distance learning throughout the state of California.

The Palomar Community College District is in sound financial condition and continues to work diligently to maximize the impact of our resources on student learning.

Sincerely,



George R. Boggs, Ph.D.
Superintendent/President

/kj

Gary T. Cichella, C.P.A.
Donald A. Driftmier, C.P.A.
Gregory P. Cook, C.P.A.
Dennis A. Pringle, C.P.A.
Ron S. White, C.P.A.
Jeffrey A. Carter, C.P.A.
Karen Comer, C.P.A.
Linda S. Todd, C.P.A.
Kevin T. Pulliam, C.P.A.
Heidi E. Ross, C.P.A.
Thomas A. Brewer, C.P.A.

Vavrinek, Trine, Day & Co., LLP

Certified Public Accountants

Members:

- American Institute of Certified Public Accountants
- SEC Practice Section
- California Society of Certified Public Accountants
- Western Association of Accounting Firms

Matthew S. Miller, C.P.A.
Ray C. Cowles, C.P.A.
David L. Dayton, C.P.A.
Ken E. Johnson, C.P.A.
A. J. Major, C.P.A.
Terri A. Montgomery, C.P.A.
Leonard P. Danna, C.P.A.
James Balsano, Principal
Joseph M. Aguilar, Principal
Bonnie L. Ruesch, Principal
Caroline A. Larson, Principal
Charles H. Gielow, Jr., Consultant

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Palomar Community College District
San Marcos, California

We have audited the accompanying general-purpose and combining financial statements of the Palomar Community College District, as of and for the year ended June 30, 1999, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In common with other community college districts, the District has not maintained a complete historical cost record of its general fixed assets and, accordingly, the financial statements do not include the general fixed assets group of accounts required by generally accepted accounting principles. The amount that should be recorded in the general fixed assets account group relates to historical data that is not currently available.

In our opinion, except for the effect on the financial statements of the omission of the general fixed asset group of accounts, the general-purpose and combining financial statements referred to above present fairly, in all material respects, the financial position of the Palomar Community College District at June 30, 1999, and the results of its operations and the cash flows of its proprietary funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 1999, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

8270 Aspen Street • Rancho Cucamonga, CA 91730
P.O. Box 4407 • Rancho Cucamonga, CA 91729-4407
(909) 466-4410 • FAX (909) 466-4431
RanchoInfo@vtdcpa.com

With Offices Located: Fresno
Pleasanton
Laguna Hills
San Jose
Carmichael

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements taken as a whole and on the combining financial statements of Palomar Community College District. The accompanying financial and statistical 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 financial statements of Palomar Community College District. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose and combining financial statements and, in our opinion, is fairly stated in all material respects, in relation to the general-purpose and combining financial statements taken as a whole.

The year 2000 supplementary information is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that the District is or will become year 2000 compliant, that the District's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the District does business are or will become year 2000 compliant.

Vaurinek, Irine, Day & Co LLP

Rancho Cucamonga, California
September 10, 1999

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Proprietary Fund Types		Fiduciary Fund Types	Account Group	Total
Enterprise	Retiree Benefits	Expendable Trust	General Long-Term Debt	(Memorandum Only)
\$ 504,118		\$ 193,622		\$ 2,097,248
	\$ 5,231,815	874,186		28,824,024
97,831		12,506		2,279,800
7,817				1,052,741
560,576				560,576
1,861				384,427
829,619				829,619
			\$ 5,886,500	5,886,500
			30,956,013	30,956,013
<u>\$ 2,001,822</u>	<u>\$ 5,231,815</u>	<u>\$ 1,080,314</u>	<u>\$ 36,842,513</u>	<u>\$ 72,870,948</u>
106,619		12,752		4,527,785
978,839				1,052,741
		120,147		120,147
9,286				2,320,883
474				1,450,116
			36,842,513	36,842,513
<u>1,095,218</u>		<u>132,899</u>	<u>36,842,513</u>	<u>46,314,185</u>
906,604	5,231,815			6,138,419
		131,987		8,876,176
		815,428		10,360,108
				1,182,060
<u>906,604</u>	<u>5,231,815</u>	<u>947,415</u>		<u>26,556,763</u>
<u>\$ 2,001,822</u>	<u>\$ 5,231,815</u>	<u>\$ 1,080,314</u>	<u>\$ 36,842,513</u>	<u>\$ 72,870,948</u>

<u>Fiduciary Fund Types Expendable Trust</u>	<u>Total (Memorandum Only)</u>
\$ 3,229,427	\$ 4,282,799
116,033	39,540,678
186,436	42,479,218
<u>3,531,896</u>	<u>86,302,695</u>
	29,437,160
1,524	15,902,690
	9,503,842
8,570	1,638,336
122,100	7,982,632
	10,668,604
	145,000
	<u>7,401,228</u>
<u>132,194</u>	<u>82,679,492</u>
<u>3,399,702</u>	<u>3,623,203</u>
50,933	1,235,669
(10,466)	(1,200,669)
	7,381,905
<u>(3,383,259)</u>	<u>(4,081,498)</u>
<u>(3,342,792)</u>	<u>3,335,407</u>
56,910	6,958,610
890,505	13,459,734
<u>\$ 947,415</u>	<u>\$ 20,418,344</u>

Special Revenue			Debt Service		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 35,500	\$ 40,425	\$ 4,925			
407,295	418,961	11,666			
206,500	352,768	146,268		\$ 33,755	\$ 33,755
649,295	812,154	162,859		33,755	33,755
325,578	263,822	61,756			
172,345	177,608	(5,263)			
64,607	68,209	(3,602)			
77,769	66,662	11,107			
22,510	20,340	2,170			
45,119	5,709	39,410			
			\$ 145,000	145,000	
			417,746	7,401,228	(6,983,482)
707,928	602,350	105,578	562,746	7,546,228	(6,983,482)
(58,633)	209,804	268,437	(562,746)	(7,512,473)	(6,949,727)
108,739	41,339	(67,400)	(562,746)	(409,161)	(153,585)
(23,575)	(67,400)	(43,825)			
				7,185,120	7,185,120
85,164	(26,061)	111,225	(562,746)	(7,594,281)	7,031,535
\$ 26,531	183,743	\$ 157,212	\$ 81,808	\$ 81,808	
	136,237			572,877	
	\$ 319,980			\$ 654,685	

Total (Memorandum Only)

		Variance	
		Favorable	
Budget	Actual	(Unfavorable)	
\$ 1,041,485	\$ 1,053,372	\$ 11,887	
47,502,594	39,424,645	(8,077,949)	
44,245,216	42,292,782	(1,952,434)	
92,789,295	82,770,799	(10,018,496)	
30,137,924	29,437,160	700,764	
16,418,070	15,901,166	516,904	
10,777,637	9,503,842	1,273,795	
2,061,804	1,629,766	432,038	
9,085,589	7,860,532	1,225,057	
22,188,625	10,668,604	11,520,021	
145,000	145,000		
417,746	7,401,228	(6,983,482)	
91,232,395	82,547,298	8,685,097	
1,556,900	223,501	(1,333,399)	
1,386,221	1,184,736	(201,485)	
(1,076,827)	(1,190,203)	(113,376)	
411,992	7,381,905	6,969,913	
(698,239)	(698,239)		
23,147	6,678,199	(6,655,052)	
\$ 1,580,047	6,901,700	\$ 5,321,653	
	12,569,229		
	\$ 19,470,929		

PALOMAR COMMUNITY COLLEGE DISTRICT**PROPRIETARY FUND TYPES
COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 1999**

	<u>Enterprise Funds</u>	<u>Retiree Benefits</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Income	\$ 242,165	\$ 1,004,204
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities		
Depreciation expense	42,922	
Transfers out	35,000	
(Increase)/Decrease in:		
Accounts receivable	(87,625)	
Interfund accounts receivable	4,741	
Prepaid expenditures	19,592	
Inventory	149,788	
Increase/(Decrease) in:		
Accounts payable	(219,818)	
Interfund accounts payable	(174,774)	
Deferred revenue	(4,344)	
Other liabilities	44,011	
Net Cash Provided by Operating Activities	<u>51,658</u>	<u>1,004,204</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	<u>(2,369)</u>	
Net Cash Used in Investing Activities	<u>(2,369)</u>	
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest income	<u>3,477</u>	<u>183,434</u>
Net Cash Provided by Investing Activities	<u>3,477</u>	<u>183,434</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>52,766</u>	<u>1,187,638</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>451,352</u>	<u>4,044,177</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 504,118</u></u>	<u><u>\$ 5,231,815</u></u>

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

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1999

Governmental Funds

- General Fund is the general operating fund of the District. It is used to account for all financial transactions not accounted for in another fund.
- Special Revenue Fund (Child Development) is used to account for specific revenue sources that are legally restricted to expenditures for specific purposes.
- Debt Service Fund (COP Debt Service) is used to account for the accumulation of resources for and the payment of general long-term debt principal, interest, and related costs.
- Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental general fixed assets. These funds include the COP Capital Projects, Capital Outlay, and the Energy Conservation Projects Fund.

Proprietary Funds

- Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. During 1998-99, the District leased the operations of the Bookstore to Follet, Incorporated. The Bookstore accounts for the lease revenue received in accordance with the terms of the agreement. The Cafeteria Fund accounts for the purchase and sale of food and snack items in the cafeteria. The Escondido Center/Tenancy Fund accounts for the lease income from retail establishments and the related expenditures at the Escondido Center. The property leased is managed by an outside property management company.
- Internal Service Fund (Retiree Benefits) is used to account for the accumulation of funds to pay postemployment health care benefits.

Fiduciary Funds

- Expendable Trust Funds are used to account for assets held by the District as trustee. The expendable trust funds include the District Trust, Student Financial Aid, Associated Student Government, Student Representation and Scholarship and Loan funds.

Account Group

- General Long-Term Debt Account Group is used for long-term liabilities expected to be financed from governmental fund types.

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 1999

G. Prepaid Expenditures

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

H. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The amount of the liability expected to be paid from current resources is recognized at year-end in the governmental fund that will pay the benefit. The noncurrent portion of the liability is recognized in the general long-term debt account group.

The District also participates in "load banking" with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period. The liability for this benefit is accounted for utilizing the same method as vacation benefits.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable. However, unused sick leave is added to the creditable service period of eligible employees of eligible employees for calculation of retirement benefits when the employee retires if the employee was hired prior to July 1, 1980.

I. Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of fund balance not available for appropriation.

Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

J. Property Tax

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31. The County of San Diego bills and collects the taxes for the District. The District recognizes tax revenues when revenues are available from the County Assessor.

K. Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the proprietary funds consider all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 1999

NOTE #2 - CASH

Cash at June 30, 1999, is presented below and categorized separately to give an indication of the level of risk assessment with each deposit:

	Bank Balance - Category *			Total	Carrying Amount
	1	2	3		
Categorized Deposits					
Cash on hand and in banks	\$ 278,510		\$ 2,153,101	\$ 2,431,611	\$ 663,740
Cash in revolving fund	21,490		37,510	59,000	59,000
Total Deposits	<u>\$ 300,000</u>		<u>\$ 2,190,611</u>	<u>\$ 2,490,611</u>	<u>722,740</u>
Uncategorized Pooled funds					
Cash with fiscal agent					1,374,508
Total					<u>\$ 2,097,248</u>

*These categories are as follows:

- Category 1: Insured or collateralized with securities held by the District or by its agent in the District's name.
- Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.
- Category 3: Uncollateralized. This includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the District's name.

The California Government Code requires California banks and savings and loan associations to secure the District's deposits by pledging government securities as collateral. The market value of pledged securities must equal 110% of the District's deposits.

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 1999

B. Deposits with County Treasurer

Deposits with County Treasurer is an external investment pool sponsored by the County of the San Diego. Community College Districts deposit all receipts and collections of moneys with their county treasurer. Therefore, the District is considered to be an involuntary participant in an external investments pool. County deposits are not required to be categorized. The fair value for these deposits was provided by the pool and disclosed on immaterial unrealized loss on the investments.

NOTE #4 - ACCOUNTS RECEIVABLE

Receivables at June 30, 1999, consist of the following:

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Enterprise Funds</u>	<u>Expendable Trust</u>	<u>Total</u>
Federal Government						
Categorical aid	\$ 109,837	\$ 11,283				\$ 121,120
State Government						
Other state	287,581		\$ 1,299,424			1,587,005
Local Sources						
Other local sources	461,338			\$ 97,831	\$ 12,506	571,675
Total	<u>\$ 858,756</u>	<u>\$ 11,283</u>	<u>\$ 1,299,424</u>	<u>\$ 97,831</u>	<u>\$ 12,506</u>	<u>\$ 2,279,800</u>

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PALOMAR COMMUNITY COLLEGE DISTRICT

ALL FUND TYPES AND ACCOUNT GROUPS COMBINED BALANCE SHEET JUNE 30, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS				
Cash	\$ 1,399,508			
Investments	15,366,992	\$ 418,221	\$ 654,685	\$ 6,278,125
Accounts receivable	858,756	11,283		1,299,424
Due from other funds	1,021,349			23,575
Stores inventory				
Prepaid expenditures	382,566			
Fixed assets				
Amount available for the retirement of general long-term debt				
Amount to be provided for the retirement of general long-term debt				
Total Assets	\$ 19,029,171	\$ 429,504	\$ 654,685	\$ 7,601,124
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	4,202,284	42,397		163,733
Due to other funds	8,683	65,219		
Due to student groups				
Deferred revenue	2,194,186	1,908		115,503
Current loans	1,449,642			
General long-term debt				
Total Liabilities	7,854,795	109,524		279,236
FUND EQUITY				
Retained earnings				
Fund balances				
Reserved	1,664,279	319,980		6,759,930
Unreserved				
Designated	8,328,037		654,685	561,958
Undesignated	1,182,060			
Total Fund Equity	11,174,376	319,980	654,685	7,321,888
Total Liabilities and Fund Equity	\$ 19,029,171	\$ 429,504	\$ 654,685	\$ 7,601,124

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

Proprietary Fund Types		Fiduciary	Account	Total (Memorandum Only)
		Fund Types	Group	
Enterprise	Retiree Benefits	Expendable Trust	General Long-Term Debt	
\$ 504,118		\$ 193,622		\$ 2,097,248
	\$ 5,231,815	874,186		28,824,024
97,831		12,506		2,279,800
7,817				1,052,741
560,576				560,576
1,861				384,427
829,619				829,619
			\$ 5,886,500	5,886,500
			30,956,013	30,956,013
\$ 2,001,822	\$ 5,231,815	\$ 1,080,314	\$ 36,842,513	\$ 72,870,948
106,619		12,752		4,527,785
978,839				1,052,741
		120,147		120,147
9,286				2,320,883
474				1,450,116
			36,842,513	36,842,513
1,095,218		132,899	36,842,513	46,314,185
906,604	5,231,815			6,138,419
		131,987		8,876,176
		815,428		10,360,108
				1,182,060
906,604	5,231,815	947,415		26,556,763
\$ 2,001,822	\$ 5,231,815	\$ 1,080,314	\$ 36,842,513	\$ 72,870,948

PALOMAR COMMUNITY COLLEGE DISTRICT

ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
REVENUES				
Federal revenues	\$ 1,012,947	\$ 40,425		
State revenues	32,882,124	418,961		\$ 6,123,560
Local revenues	36,273,985	352,768	\$ 33,755	5,632,274
Total Revenues	70,169,056	812,154	33,755	11,755,834
EXPENDITURES				
Current Expenditures				
Academic salaries	29,173,338	263,822		
Classified salaries	15,696,466	177,608		27,092
Employee benefits	9,433,617	68,209		2,016
Books and supplies	1,563,045	66,662		59
Services and other operating expenditures	7,521,511	20,340		318,681
Capital outlay	4,121,572	5,709		6,541,323
Debt service - principal			145,000	
Debt service - interest and other			7,401,228	
Total Expenditures	67,509,549	602,350	7,546,228	6,889,171
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,659,507	209,804	(7,512,473)	4,866,663
OTHER FINANCING SOURCES/(USES)				
Operating transfers in	94,866	41,339	409,161	639,370
Operating transfers out	(1,036,252)	(67,400)		(86,551)
Other sources	137,949		7,185,120	58,836
Other uses	(668,239)			(30,000)
Total Other Financing Sources/(Uses)	(1,471,676)	(26,061)	7,594,281	581,655
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	1,187,831	183,743	81,808	5,448,318
FUND BALANCE, BEGINNING OF YEAR	9,986,545	136,237	572,877	1,873,570
FUND BALANCE, END OF YEAR	\$ 11,174,376	\$ 319,980	\$ 654,685	\$ 7,321,888

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

Fiduciary Fund Types		Total (Memorandum Only)	
Expendable Trust			
\$	3,229,427	\$	4,282,799
	116,033		39,540,678
	186,436		42,479,218
	<u>3,531,896</u>		<u>86,302,695</u>
			29,437,160
	1,524		15,902,690
			9,503,842
	8,570		1,638,336
	122,100		7,982,632
			10,668,604
			145,000
			<u>7,401,228</u>
	<u>132,194</u>		<u>82,679,492</u>
	<u>3,399,702</u>		<u>3,623,203</u>
	50,933		1,235,669
	(10,466)		(1,200,669)
			7,381,905
	<u>(3,383,259)</u>		<u>(4,081,498)</u>
	<u>(3,342,792)</u>		<u>3,335,407</u>
	56,910		6,958,610
	890,505		13,459,734
\$	<u>947,415</u>	\$	<u>20,418,344</u>

PALOMAR COMMUNITY COLLEGE DISTRICT

ALL GOVERNMENTAL FUND TYPES

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 1999

	General		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES			
Federal revenues	\$ 1,005,985	\$ 1,012,947	\$ 6,962
State revenues	33,964,910	32,882,124	(1,082,786)
Local revenues	36,778,634	36,273,985	(504,649)
Total Revenues	71,749,529	70,169,056	(1,580,473)
EXPENDITURES			
Current Expenditures			
Academic salaries	29,812,346	29,173,338	639,008
Classified salaries	16,218,975	15,696,466	522,509
Employee benefits	10,711,046	9,433,617	1,277,429
Books and supplies	1,983,128	1,563,045	420,083
Services and other operating expenditures	9,028,079	7,521,511	1,506,568
Capital outlay	5,577,658	4,121,572	1,456,086
Debt service - principal			
Debt service - interest and other			
Total Expenditures	73,331,232	67,509,549	5,821,683
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	(1,581,703)	2,659,507	4,241,210
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	75,366	94,866	19,500
Operating transfers out	(1,036,252)	(1,036,252)	
Other sources	411,992	137,949	(274,043)
Other uses	(668,239)	(668,239)	
Total Other Financing Sources/(Uses)	(1,217,133)	(1,471,676)	(254,543)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	\$ (2,798,836)	1,187,831	\$ 3,986,667
FUND BALANCE, BEGINNING OF YEAR		9,986,545	
FUND BALANCE, END OF YEAR		\$ 11,174,376	

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

Special Revenue			Debt Service		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 35,500	\$ 40,425	\$ 4,925			
407,295	418,961	11,666			
206,500	352,768	146,268	\$ 33,755	\$ 33,755	
649,295	812,154	162,859	33,755	33,755	
325,578	263,822	61,756			
172,345	177,608	(5,263)			
64,607	68,209	(3,602)			
77,769	66,662	11,107			
22,510	20,340	2,170			
45,119	5,709	39,410			
			\$ 145,000	145,000	
			417,746	7,401,228	(6,983,482)
707,928	602,350	105,578	562,746	7,546,228	(6,983,482)
(58,633)	209,804	268,437	(562,746)	(7,512,473)	(6,949,727)
108,739	41,339	(67,400)	(562,746)	(409,161)	(153,585)
(23,575)	(67,400)	(43,825)			
				7,185,120	7,185,120
85,164	(26,061)	111,225	(562,746)	(7,594,281)	7,031,535
\$ 26,531	183,743	\$ 157,212	\$ 81,808	\$ 81,808	
	136,237		572,877		
	\$ 319,980		\$ 654,685		

PALOMAR COMMUNITY COLLEGE DISTRICT

ALL GOVERNMENTAL FUND TYPES COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 1999

	Capital Projects		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Federal revenues			
State revenues	\$ 13,130,389	\$ 6,123,560	\$ (7,006,829)
Local revenues	7,260,082	5,632,274	(1,627,808)
Total Revenues	20,390,471	11,755,834	(8,634,637)
EXPENDITURES			
Current Expenditures			
Academic salaries			
Classified salaries	26,750	27,092	(342)
Employee benefits	1,984	2,016	(32)
Books and supplies	907	59	848
Services and other operating expenditures	35,000	318,681	(283,681)
Capital outlay	16,565,848	6,541,323	10,024,525
Debt service - principal			
Debt service - interest and other			
Total Expenditures	16,630,489	6,889,171	9,741,318
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	3,759,982	4,866,663	1,106,681
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	639,370	639,370	
Operating transfers out	(17,000)	(86,551)	69,551
Other sources		58,836	58,836
Other uses	30,000	30,000	
Total Other Financing Sources/(Uses)	592,370	581,655	(10,715)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	\$ 4,352,352	5,448,318	\$ 1,095,966
FUND BALANCE, BEGINNING OF YEAR		1,873,570	
FUND BALANCE, END OF YEAR		\$ 7,321,888	

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

Total (Memorandum Only)

Budget	Actual	Variance Favorable (Unfavorable)
\$ 1,041,485	\$ 1,053,372	\$ 11,887
47,502,594	39,424,645	(8,077,949)
44,245,216	42,292,782	(1,952,434)
92,789,295	82,770,799	(10,018,496)
30,137,924	29,437,160	700,764
16,418,070	15,901,166	516,904
10,777,637	9,503,842	1,273,795
2,061,804	1,629,766	432,038
9,085,589	7,860,532	1,225,057
22,188,625	10,668,604	11,520,021
145,000	145,000	
417,746	7,401,228	(6,983,482)
91,232,395	82,547,298	8,685,097
1,556,900	223,501	(1,333,399)
1,386,221	1,184,736	(201,485)
(1,076,827)	(1,190,203)	(113,376)
411,992	7,381,905	6,969,913
(698,239)	(698,239)	
23,147	6,678,199	(6,655,052)
\$ 1,580,047	6,901,700	\$ 5,321,653
	12,569,229	
	\$ 19,470,929	

PALOMAR COMMUNITY COLLEGE DISTRICT

PROPRIETARY FUND TYPES

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED JUNE 30, 1999**

	<u>Enterprise</u>	<u>Retiree Benefits</u>
OPERATING REVENUE		
Local revenues	\$ 5,617,255	\$ 1,004,204
OPERATING EXPENSES		
Classified salaries	1,135,094	
Employee benefits	193,299	
Books and supplies	3,666,390	
Services and other operating expenditures	380,307	
Total Operating Expenses	<u>5,375,090</u>	
OPERATING INCOME	<u>242,165</u>	<u>1,004,204</u>
NONOPERATING REVENUES/(EXPENSES)		
Interest	3,477	183,434
Transfers out	(35,000)	
Total Nonoperating Revenues/(Expenses)	<u>(31,523)</u>	<u>183,434</u>
NET INCOME	210,642	1,187,638
RETAINED EARNINGS, BEGINNING OF YEAR	<u>695,962</u>	<u>4,044,177</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 906,604</u>	<u>\$ 5,231,815</u>

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

PALOMAR COMMUNITY COLLEGE DISTRICT

PROPRIETARY FUND TYPES COMBINED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 1999

	Enterprise Funds	Retiree Benefits
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Income	\$ 242,165	\$ 1,004,204
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities		
Depreciation expense	42,922	
Transfers out	35,000	
(Increase)/Decrease in:		
Accounts receivable	(87,625)	
Interfund accounts receivable	4,741	
Prepaid expenditures	19,592	
Inventory	149,788	
Increase/(Decrease) in:		
Accounts payable	(219,818)	
Interfund accounts payable	(174,774)	
Deferred revenue	(4,344)	
Other liabilities	44,011	
Net Cash Provided by Operating Activities	<u>51,658</u>	<u>1,004,204</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(2,369)	
Net Cash Used in Investing Activities	<u>(2,369)</u>	
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest income	3,477	183,434
Net Cash Provided by Investing Activities	<u>3,477</u>	<u>183,434</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	52,766	1,187,638
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>451,352</u>	<u>4,044,177</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 504,118</u>	<u>\$ 5,231,815</u>

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

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1999

NOTE #1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Palomar Community College District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants. The Palomar Community College District accounts for its financial transactions in accordance with the policies and procedures of the California State Chancellor's Office Budget and Accounting Manual.

A. Financial Reporting Entity

Palomar Community College District provides higher education in the County of San Diego, State of California. The District consists of one main campus located in San Marcos, the Education Center in Escondido, as well as several satellite facilities.

The District includes all funds, account groups and other entities that are controlled by or dependent on the District's Governing Board for financial reporting purposes. The District has considered all potential component units in determining how to define the reporting entity using criteria set forth in generally accepted accounting principles. For financial reporting purposes, the component unit discussed below is reported in the District's financial statements because of the significance of its relationship with the District. The component unit, although a legally separate entity, is reported in the financial statements as if it were part of the District's operations because the governing board of the component unit is essentially the same as the governing board of the District and because its purpose is to finance the acquisition and construction of facilities to be used for the benefit of the District.

The Palomar Community College District Financing Corporation's financial activity is presented in the financial statements as the COP Capital Projects Fund and the Debt Service Fund. The Palomar Community College District Financing Corporation was formed during 1994 to provide financing capabilities to the District. The Corporation has issued certificates of participation to provide funding for the acquisition and renovation of land and buildings in Escondido. The repayment of the debt will be made from General Fund resources. Certificates of Participation issued by the Corporation are included in the General Long-term Debt Account Group.

B. Fund Accounting

The accounts of the District are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance (or retained earnings), revenues, and expenditures (or expenses), as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District accounts are organized into fund types and account groups as follows:

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1999

Governmental Funds

- General Fund is the general operating fund of the District. It is used to account for all financial transactions not accounted for in another fund.
- Special Revenue Fund (Child Development) is used to account for specific revenue sources that are legally restricted to expenditures for specific purposes.
- Debt Service Fund (COP Debt Service) is used to account for the accumulation of resources for and the payment of general long-term debt principal, interest, and related costs.
- Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental general fixed assets. These funds include the COP Capital Projects, Capital Outlay, and the Energy Conservation Projects Fund.

Proprietary Funds

- Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. During 1998-99, the District leased the operations of the Bookstore to Follet, Incorporated. The Bookstore accounts for the lease revenue received in accordance with the terms of the agreement. The Cafeteria Fund accounts for the purchase and sale of food and snack items in the cafeteria. The Escondido Center/Tenancy Fund accounts for the lease income from retail establishments and the related expenditures at the Escondido Center. The property leased is managed by an outside property management company.
- Internal Service Fund (Retiree Benefits) is used to account for the accumulation of funds to pay postemployment health care benefits.

Fiduciary Funds

- Expendable Trust Funds are used to account for assets held by the District as trustee. The expendable trust funds include the District Trust, Student Financial Aid, Associated Student Government, Student Representation and Scholarship and Loan funds.

Account Group

- General Long-Term Debt Account Group is used for long-term liabilities expected to be financed from governmental fund types.

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1999

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

Governmental funds are generally accounted for using the modified accrual basis of accounting. Their revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered).

Fiduciary fund assets and liabilities are also accounted for on the modified accrual basis.

Proprietary funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the related liabilities are incurred.

The District applies all Governmental Accounting Standards Board (GASB) pronouncements as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

D. Budgets and Budgetary Accounting

The District's governing board adopts an operating budget on or before September 15 in accordance with state law. The Board revises this budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. It is this final revised budget that is presented in these financial statements. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

E. Encumbrances

The District utilizes an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances were liquidated at June 30 since they do not constitute expenditures or liabilities.

F. Inventory

Inventory in the District's bookstore and cafeteria funds consist of books, instructional materials, sundry items and food held for resale to students and staff of the College. Inventory is valued at cost, utilizing the first-in-first-out method. Cost is recorded as an expenditure at the time the items are withdrawn from inventory and sold.

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1999

G. Prepaid Expenditures

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

H. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The amount of the liability expected to be paid from current resources is recognized at year-end in the governmental fund that will pay the benefit. The noncurrent portion of the liability is recognized in the general long-term debt account group.

The District also participates in "load banking" with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period. The liability for this benefit is accounted for utilizing the same method as vacation benefits.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable. However, unused sick leave is added to the creditable service period of eligible employees of eligible employees for calculation of retirement benefits when the employee retires if the employee was hired prior to July 1, 1980.

I. Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of fund balance not available for appropriation.

Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

J. Property Tax

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31. The County of San Diego bills and collects the taxes for the District. The District recognizes tax revenues when revenues are available from the County Assessor.

K. Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the proprietary funds consider all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 1999

L. Deferred Revenue

Deferred revenue arises when a 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.

M. Fixed Assets

Property and equipment in governmental funds are recorded as a current expenditure in the fund incurring the expense.

The cost of normal maintenance and repairs that do not add value or extend the useful life of the assets are not capitalized but are expensed as incurred.

Property and equipment in the proprietary funds are capitalized at cost and depreciated on a straight-line basis over their estimated useful lives. Depreciation expense for the current year amounted to \$24,070 in the Bookstore Fund and \$18,852 in the Cafeteria Fund.

N. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

O. Total (Memorandum Only) Columns on Combined Statements

The District has presented these column totals only to satisfy various reporting requirements. This information shall take into consideration that it does not represent consolidated financial information.

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1999

NOTE #2 - CASH

Cash at June 30, 1999, is presented below and categorized separately to give an indication of the level of risk assessment with each deposit:

	Bank Balance - Category *			Total	Carrying Amount
	1	2	3		
Categorized Deposits					
Cash on hand and in banks	\$ 278,510		\$ 2,153,101	\$ 2,431,611	\$ 663,740
Cash in revolving fund	21,490		37,510	59,000	59,000
Total Deposits	<u>\$ 300,000</u>		<u>\$ 2,190,611</u>	<u>\$ 2,490,611</u>	<u>722,740</u>
Uncategorized Pooled funds					
Cash with fiscal agent					1,374,508
Total					<u>\$ 2,097,248</u>

*These categories are as follows:

- Category 1: Insured or collateralized with securities held by the District or by its agent in the District's name.
- Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.
- Category 3: Uncollateralized. This includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the District's name.

The California Government Code requires California banks and savings and loan associations to secure the District's deposits by pledging government securities as collateral. The market value of pledged securities must equal 110% of the District's deposits.

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1999

NOTE #3 - INVESTMENTS

Under provisions of the District's investment policy and Sections 53601 and 53602 of the District's Board Policy, the District may invest in the following types of investments:

Securities of the U.S. Government or its Agencies
Negotiable Certificates of Deposit

Local Agency Investment Fund (State Pool) Deposits
Passbook Savings Account Demand Deposits

Investments at June 30, 1999, held on behalf of the Palomar Community College District and the Financing Corporation are presented below, categorized separately to give an indication of the level of risk associated with each investment:

	Category *			Carrying Amount	Market Value
	1	2	3		
Provident Money Market			\$ 8,523	\$ 8,523	\$ 8,523
Total			\$ 8,523	8,523	8,523
Uncategorized					
U.S. Treasury Bills					
Stagecoach Treasury M M				652,170	652,170
Pooled funds					
Cash in county treasury				28,163,331	27,985,023
Total				<u>\$ 28,824,024</u>	<u>\$ 28,645,716</u>

*These categories are as follows:

Category 1: Insured or registered, or securities held by the District or Corporation or its agent in the District's or Corporation's name.

Category 2: Uninsured and unregistered, with securities held by the counter party's trust department or agent in the District's or Corporation's name.

Category 3: Uninsured and unregistered, with securities held by the counter party, or by its trust department or agent but not in the District's or Corporation's name.

A. Authorized Investments

The District is authorized 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.

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 1999

B. Deposits with County Treasurer

Deposits with County Treasurer is an external investment pool sponsored by the County of the San Diego. Community College Districts deposit all receipts and collections of moneys with their county treasurer. Therefore, the District is considered to be an involuntary participant in an external investments pool. County deposits are not required to be categorized. The fair value for these deposits was provided by the pool and disclosed on immaterial unrealized loss on the investments.

NOTE #4 - ACCOUNTS RECEIVABLE

Receivables at June 30, 1999, consist of the following:

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Enterprise Funds</u>	<u>Expendable Trust</u>	<u>Total</u>
Federal Government						
Categorical aid	\$ 109,837	\$ 11,283				\$ 121,120
State Government						
Other state	287,581		\$ 1,299,424			1,587,005
Local Sources						
Other local sources	461,338			\$ 97,831	\$ 12,506	571,675
Total	<u>\$ 858,756</u>	<u>\$ 11,283</u>	<u>\$ 1,299,424</u>	<u>\$ 97,831</u>	<u>\$ 12,506</u>	<u>\$ 2,279,800</u>

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 1999

NOTE #5 - INTERFUND TRANSACTIONS

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

Individual fund interfund receivable and payable balances at June 30, 1999, are as follows:

Funds	Interfund Receivables	Interfund Payables
General	\$ 1,021,349	\$ 8,683
Cafeteria	4,622	95,628
Child development		65,219
Bookstore	3,195	883,211
Capital outlay projects	23,575	
Total	<u>\$ 1,052,741</u>	<u>\$ 1,052,741</u>

B. Operating Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Interfund transfers for the year ended June 30, 1999, are as follows:

The General fund transferred to the Debt Service fund.	\$ 339,610
The General fund transferred to the Child Development fund.	41,339
The General fund transferred to the Capital Outlay fund.	639,370
The General fund transferred to the Associated Students.	15,933
The COP Capital Project fund transferred to the Debt Service fund.	69,551
The Child Development fund transferred to the General fund.	67,400
The Capital Outlay fund transferred to the General fund.	17,000
The Bookstore transferred to the Associated Students.	35,000
The Student Financial Aid fund transferred to the General fund.	10,466
Total	<u>\$ 1,235,669</u>

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 1999

NOTE #6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 1999, consist of the following:

	General	Special Revenue	Capital Projects	Enterprise Funds	Expendable Trust	Total
Accrued payroll and benefits	\$ 1,686,124					\$ 1,686,124
Accrued vacation (GASB 16)	785,495					785,495
Apportionment	112,794					112,794
State categoricals	97,117					97,117
Other state			\$ 11,425			11,425
Construction liabilities			152,308			152,308
Other	1,520,754	\$ 42,397		\$ 106,619	\$ 12,752	1,682,522
Total	<u>\$ 4,202,284</u>	<u>\$ 42,397</u>	<u>\$ 163,733</u>	<u>\$ 106,619</u>	<u>\$ 12,752</u>	<u>\$ 4,527,785</u>

NOTE #7 - DEFERRED REVENUE

Deferred revenue at June 30, 1999, consists of the following:

	General	Special Revenue	Capital Projects	Enterprise Funds	Total
Federal financial assistance	\$ 66,661				\$ 66,661
State categorical revenue	1,103,608	\$ 1,908			1,105,516
Student fees	262,250				262,250
Other local	761,667		\$ 115,503	\$ 9,286	886,456
Total	<u>\$ 2,194,186</u>	<u>\$ 1,908</u>	<u>\$ 115,503</u>	<u>\$ 9,286</u>	<u>\$ 2,320,883</u>

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 1999

NOTE #8 - FUND BALANCES

Fund balances are composed of the following elements:

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
Reserved					
Prepaid expenditures	\$ 382,566				
Restricted programs	1,281,713	\$ 319,980		\$ 6,759,930	\$ 131,987
Total Reserved	<u>1,664,279</u>	<u>319,980</u>		<u>6,759,930</u>	<u>131,987</u>
Unreserved					
Designated					
General reserve	1,854,331				
Capital outlay	750,000			561,958	
Self-insurance	100,000				
Contracts	695,910				
Other designations	4,927,795				815,428
Debt repayment			\$ 654,685		
Total Designated	<u>8,328,036</u>		<u>654,685</u>	<u>561,958</u>	<u>815,428</u>
Undesignated	<u>1,182,061</u>				
Total Unreserved	<u>9,510,097</u>		<u>654,685</u>	<u>561,958</u>	<u>815,428</u>
Total	<u>\$ 11,174,376</u>	<u>\$ 319,980</u>	<u>\$ 654,685</u>	<u>\$ 7,321,888</u>	<u>\$ 947,415</u>

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 1999

NOTE #9 - GENERAL LONG-TERM DEBT

A. Long-Term Debt Summary

A schedule of changes in long-term debt for the year ended June 30, 1999, is shown below:

	Balance Beginning of Year	Additions and Adjustments	Deductions	Balance End of Year
Certificates of participation - principal only	\$ 6,470,000	\$ 7,480,000	\$ 6,470,000	\$ 7,480,000
Accumulated unpaid employee compensation	384,110		204,020	180,090
Postemployment benefits	30,000,000		2,800,000	27,200,000
Capital leases - principal only	2,781,577		799,154	1,982,423
	<u>\$ 39,635,687</u>	<u>\$ 7,480,000</u>	<u>\$ 10,273,174</u>	<u>36,842,513</u>
Amount currently available and reserved for retirement of general long-term debt				
COP debt service fund			654,685	
Retiree benefits fund			5,231,815	5,886,500
Amount to be provided for retirement of general long-term debt				<u>\$ 30,956,013</u>

B. Certificates of Participation

In October 1994, the Palomar Community College District Financing Corporation issued certificates of participation in the amount of \$6,875,000 with interest rates ranging from 4.30 percent to 6.50 percent. These certificates were refinanced in January 1999 and have been defeased. In January 1999, the Palomar Community College District issued certificates of participation in the amount of \$7,480,000 with interest rates ranging from 3.5 percent to 4.625 percent. The certificates mature through October 2019. The certificates were sold to refinance the 1994 certificates of participation and will result in a net savings to the District. At June 30, 1999, the principal balance outstanding was \$7,480,000.

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 1999

The certificates mature through 2019 as follows:

Year Ending June 30,	Principal	Interest	Total
2000	\$ 155,000	\$ 409,774	\$ 564,774
2001	165,000	400,989	565,989
2002	170,000	391,481	561,481
2003	180,000	381,374	561,374
2003	190,000	375,637	565,637
Thereafter	6,620,000	3,807,994	10,427,994
	<u>\$ 7,480,000</u>	<u>\$ 5,767,249</u>	<u>\$ 13,247,249</u>

C. Accumulated Unpaid Employee Compensation

The long-term portion of accumulated unpaid employee compensation for the District at June 30, 1999, is estimated to be \$180,090. The current portion of this liability has been accrued in the financial statements in accordance with GASB 16.

D. Postemployment Benefits

The District provides postemployment health care benefits, in accordance with District employment contracts, to full-time employees hired prior to March 1, 1994, working at least ten months per year who retire from the District on or after attaining age 50 with at least 20 years of service. Currently, 207 employees meet those eligibility requirements. The District contributes 100 percent of the amount of premiums incurred by retirees and their dependents. Expenditures for postemployment benefits are recognized on a pay-as-you-go basis, as premiums are paid.

The approximate accumulated future liability for the District at June 30, 1999, amounts to \$27.2 million. This amount was calculated based upon an actuarial study performed as of March 4, 1999. The District established a Retiree Benefits Fund during the 1997-98 fiscal year with the intent to accumulate funds to pay these benefit costs. The balance in this fund at June 30, 1999, was \$5,231,815.

E. Capital Leases

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

	Amount
Balance, Beginning of Year	\$ 3,534,752
Payments	(799,154)
Balance, End of Year	<u>\$ 2,735,598</u>

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1999

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2000	\$ 799,221
2001	673,091
2002	631,646
2003	631,640
Subtotal	2,735,598
Less: Amount Representing Interest	(753,175)
Present Value of Minimum Lease Payments	<u>\$ 1,982,423</u>

NOTE #10 - EMPLOYEE RETIREMENT SYSTEMS

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

A. PERS

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1999

Funding Policy

Active plan members are required to contribute 7.0% of their salary (7% of monthly salary over \$133.33 if the member participates in Social Security) and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal 1997-98 was 6.172% of annual payroll (decreasing to 6.033% of pay under a special funding situation effective with the January 1999 payroll period due to the State's direct reimbursement to CalPERS of the cost for certain legislated benefit increases in the plan). The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal year ending June 30, 1999, 1998, and 1997 were \$0, \$796,681, and \$794,245, respectively, and equal 100% of the required contributions for each year.

B. STRS

Plan Description

The District contributes to the California State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from STRS, 7667 Folsom Blvd., Sacramento, CA 95826.

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by STRS Teachers' Retirement Board. The required employer contribution rate for fiscal 1997-98 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to STRS for the fiscal year ending June 30, 1999, 1998, and 1997 were \$1,860,098, \$1,782,988, and \$1,606,648, respectively, and equal 100% of the required contributions for each year.

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1999

C. On Behalf Payments

The State of California makes contributions to STRS and PERS on behalf of the District. These payments consist of State General Fund contributions to STRS in the amount of \$1,381,207 (6.126 percent of salaries subject to STRS) and \$93,569 (0.415 percent of salaries subject to STRS) and \$209,684 (.093 percent of salaries subject to PERS). Under generally accepted accounting principles, these amounts are to be reported as revenues and expenditures, however, guidance received from the California Department of Education advises local educational agencies not to record these amounts in the Community Colleges Financial Statements (Form CCFS-311). These amounts also have not been recorded in these financial statements.

NOTE #11 - COMMITMENTS AND CONTINGENCIES

A. Litigation

The District is involved in various litigation. In the opinion of management and legal counsel, the disposition of all litigation pending will not have a material effect on the District's financial statements.

B. Sick Leave

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees, therefore, 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 in the District's financial statements.

C. State and Federal Allowances, Awards and Grants

The District has received State and Federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, in the opinion of management any required reimbursements will not be material.

NOTE #12 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of the San Diego County Schools Risk Management JPA, San Diego County Schools Fringe Benefits Consortium, State Wide Association of Community Colleges and School's Excess Liability Fund public entity risk pools. The District pays an annual premium to each entity for its health, workers' compensation, and/or property liability coverage. The relationships between the District and the pools are such that they are not component units of the District for financial reporting purposes.

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1999

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

A. <u>Entity</u>	San Diego County Schools Risk Management JPA	San Diego County Schools Fringe Benefits Consortium	State Wide Association of Community Colleges	Schools Excess Liability Fund
B. <u>Purpose</u>	Provides risk management.	Provides employee fringe benefits.	Provides property and liability coverage to member districts.	Provides excess liability and workers' compensation coverage to member districts.
C. <u>Participants</u>	Various school districts and community college districts throughout San Diego County.	Various school districts and community college districts throughout San Diego County.	Community college districts throughout California.	School districts throughout California.
D. <u>Governing Board</u>	One representative from each member district.	One representative from each member district.	One representative from each member district.	One representative from each member district.

E. Current Audited Financial Information is unavailable

None of the JPA's had long-term debts outstanding at June 30, 1999. The District's share of year-end assets, liabilities or fund equity has not been calculated.

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 1999

NOTE #13 - RELATED ENTITIES

Palomar Community College Foundation

The Palomar Community College Foundation is organized as a nonprofit corporation under Internal Revenue Service Code Section 501(c)(3). The Foundation is governed by a separate Board of Directors and has been determined to be a separate entity and not a component unit of the District. The Foundation does provide assistance to students and departments of the District.

NOTE #14 - TAX AND REVENUE ANTICIPATION NOTES

On July 1, 1998, the District issued \$1,435,000 Tax and Revenue Anticipation Notes bearing interest at 3.75 percent. Interest and principal were due and payable on June 30, 1999. By April 30, 1999, the District had placed 100% of principal and interest in an irrevocable trust for the sole purpose of satisfying the notes. The District was not required to make any additional payments on the notes. The District has recorded the cash available to make the principal and interest payments as Cash with Fiscal Agent and with the corresponding liability as a current loan.

NOTE #15 - EXPENDITURES (BUDGET VERSUS ACTUAL)

A budget was not prepared for the COP Capital Projects Fund.

NOTE #16 - EARLY RETIREMENT INCENTIVE PROGRAM (STRS)

Retiree Information

A total of 11 employees have retired during fiscal year 1999 in exchange for the additional two years of service credit pursuant to ECS 22714 and 87488.

Financial Impact

The early retirement incentive program is expected to generate \$533,640 in additional costs and payroll savings of \$638,700. The program has a pay-back period of less than one year.

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1999

Yearly Payroll Savings

The District expects this early retirement program to generate yearly payroll savings of \$638,700 which equals the difference in payroll costs for the 11 retirees and their replacements.

	Amount
Retirement costs	\$ 421,142
Postretirement health benefit costs	109,748
Administrative costs	2,750
Total	<u>\$ 533,640</u>

Position Vacated	Employee Age	Service Credit	Retired Employee		Employee Salary and Benefits
			Salary	Benefits	
Associate Professor	62.58	31.99	\$ 70,505	\$ 11,830	\$ 17,958
Associate Professor	68.00	21.56	78,971	11,830	35,916
Associate Professor	68.33	35.24	73,030	11,830	17,958
Associate Professor	58.50	27.70	70,305	11,830	17,958
Associate Professor	57.17	19.64	68,793	11,830	21,550
Associate Professor	63.83	33.63	71,211	11,830	17,958
Associate Professor	65.25	39.70	71,617	11,830	17,958
Associate Professor	66.67	19.13	80,965	1,980	35,916
Associate Professor	64.50	13.93	71,954	4,048	17,958
Associate Professor	58.58	30.00	68,388	11,830	17,958
Director	68.00	25.84	95,098	11,830	75,545
Total	<u>63.76</u>	<u>27.12</u>	<u>\$ 820,837</u>	<u>\$ 112,498</u>	<u>\$ 294,633</u>

PALOMAR COMMUNITY COLLEGE DISTRICT

CAPITAL PROJECTS FUNDS COMBINING BALANCE SHEET JUNE 30, 1999

	Capital Outlay Projects	Energy Conservation	COP Capital Projects	Total
ASSETS				
Investments	\$ 6,066,965	\$ 205,152	\$ 6,008	\$ 6,278,125
Accounts receivable	1,299,424			1,299,424
Due from other funds	23,575			23,575
Total Assets	<u>\$ 7,389,964</u>	<u>\$ 205,152</u>	<u>\$ 6,008</u>	<u>\$ 7,601,124</u>
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts Payable	163,733			163,733
Due to other funds				
Deferred revenue	115,503			115,503
Total Liabilities	<u>279,236</u>			<u>279,236</u>
FUND EQUITY				
Fund balances				
Reserved	6,759,930			6,759,930
Unreserved				
Designated	350,798	205,152	6,008	561,958
Total Fund Equity	<u>7,110,728</u>	<u>205,152</u>	<u>6,008</u>	<u>7,321,888</u>
Total Liabilities and Fund Equity	<u>\$ 7,389,964</u>	<u>\$ 205,152</u>	<u>\$ 6,008</u>	<u>\$ 7,601,124</u>

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

PALOMAR COMMUNITY COLLEGE DISTRICT

CAPITAL PROJECTS FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 1999

	Capital Outlay Projects		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
State revenues	\$ 13,130,389	\$ 6,123,560	\$ (7,006,829)
Local revenues	7,260,082	5,612,423	(1,647,659)
Total Revenues	20,390,471	11,735,983	(8,654,488)
EXPENDITURES			
Current Expenditures			
Classified salaries	26,750	27,092	(342)
Benefits	1,984	2,016	(32)
Supplies	907	59	848
Services and operating expenditures	35,000	(841)	35,841
Capital outlay	16,488,990	6,541,323	9,947,667
Total Expenditures	16,553,631	6,569,649	9,983,982
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	3,836,840	5,166,334	1,329,494
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	639,370	639,370	
Operating transfers out	(17,000)	(17,000)	
Other sources			
Other uses			
Total Other Financing Sources/(Uses)	622,370	622,370	
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	\$ 4,459,210	5,788,704	\$ 1,329,494
FUND BALANCE, BEGINNING OF YEAR		1,322,024	
FUND BALANCE, END OF YEAR		\$ 7,110,728	

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

Energy Conservation			COP Capital Projects		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
	\$ 10,042	\$ 10,042		\$ 9,809	\$ 9,809
	10,042	10,042		9,809	9,809
	(1,399)	1,399		320,921	(320,921)
\$ 76,858		76,858			
76,858	(1,399)	78,257		320,921	(320,921)
(76,858)	11,441	88,299		(311,112)	(311,112)
				(69,551)	(69,551)
				58,836	58,836
(30,000)	(30,000)				
(30,000)	(30,000)			(10,715)	(10,715)
\$ (106,858)	(18,559)	\$ 88,299	\$ (321,827)	\$ (321,827)	
	223,711			327,835	
\$ 205,152			\$ 6,008		

PALOMAR COMMUNITY COLLEGE DISTRICT

CAPITAL PROJECTS FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 1999

	Total		Variance
	Budget	Actual	Favorable (Unfavorable)
REVENUES			
State revenues	\$ 13,130,389	\$ 6,123,560	\$ (7,006,829)
Local revenues	7,260,082	5,632,274	(1,627,808)
Total Revenues	<u>20,390,471</u>	<u>11,755,834</u>	<u>(8,634,637)</u>
EXPENDITURES			
Current Expenditures			
Classified salaries	26,750	27,092	(342)
Benefits	1,984	2,016	(32)
Supplies	907	59	848
Services and operating expenditures	35,000	318,681	(283,681)
Capital outlay	16,565,848	6,541,323	10,024,525
Total Expenditures	<u>16,630,489</u>	<u>6,889,171</u>	<u>9,741,318</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>3,759,982</u>	<u>4,866,663</u>	<u>1,106,681</u>
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	639,370	639,370	
Operating transfers out	(36,391)	(86,551)	(50,160)
Other sources		58,836	58,836
Other uses	(30,000)	(30,000)	
Total Other Financing Sources/(Uses)	<u>572,979</u>	<u>581,655</u>	<u>8,676</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	<u>\$ 4,332,961</u>	<u>5,448,318</u>	<u>\$ 1,115,357</u>
FUND BALANCE, BEGINNING OF YEAR		<u>1,873,570</u>	
FUND BALANCE, END OF YEAR		<u>\$ 7,321,888</u>	

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

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PALOMAR COMMUNITY COLLEGE DISTRICT

FIDUCIARY FUNDS - EXPENDABLE TRUST FUNDS COMBINING BALANCE SHEET JUNE 30, 1999

	District Trust	Student Financial Aid	Associated Student Government
ASSETS			
Cash		\$ 36,458	\$ 157,160
Investments	\$ 765,749		
Accounts receivable		12,506	
Total Assets	<u>\$ 765,749</u>	<u>\$ 48,964</u>	<u>\$ 157,160</u>
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts payable		12,528	224
Due to student groups			120,147
Total Liabilities		<u>12,528</u>	<u>120,371</u>
FUND EQUITY			
Fund balances			
Reserved		23,550	
Unreserved			
Designated	801,776	25,772	51,088
Total Fund Equity	<u>801,776</u>	<u>49,322</u>	<u>51,088</u>
Total Liabilities and Fund Equity	<u>\$ 801,776</u>	<u>\$ 61,850</u>	<u>\$ 171,459</u>

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

<u>Student Representation</u>	<u>Scholarship and Loan</u>	<u>Total</u>
	\$ 4	\$ 193,622
\$ 108,437		874,186
		12,506
<u>\$ 108,437</u>	<u>\$ 4</u>	<u>\$ 1,080,314</u>

		12,752
		120,147
		<u>132,899</u>

108,437		131,987
(6,302)	4	872,338
<u>102,135</u>	<u>4</u>	<u>1,004,325</u>
<u>\$ 102,135</u>	<u>\$ 4</u>	<u>\$ 1,137,224</u>

PALOMAR COMMUNITY COLLEGE DISTRICT

FIDUCIARY FUNDS - EXPENDABLE TRUST FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 1999

	District Trust	Student Financial Aid	Associated Student Government
REVENUES			
Federal revenues		\$ 3,229,427	
Other state revenues		116,033	
Other local revenues	\$ 49,721	61,151	\$ 38,221
Total Revenues	49,721	3,406,611	38,221
EXPENDITURES			
Current Expenditures			
Classified salaries			1,524
Books and supplies			1,129
Services and other operating expenditures	13,694		72,202
Total Expenditures	13,694		74,855
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	36,027	3,406,611	(36,634)
OTHER FINANCING SOURCES/(USES)			
Operating transfers in			50,933
Operating transfers out		(10,466)	
Other uses		(3,383,259)	
Total Other Financing Sources/(Uses)		(3,393,725)	50,933
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	36,027	12,886	14,299
FUND BALANCE, BEGINNING OF YEAR	729,722	23,550	22,490
FUND BALANCE, END OF YEAR	\$ 765,749	\$ 36,436	\$ 36,789

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

<u>Student Representation</u>	<u>Scholarship and Loan</u>	<u>Total</u>
		\$ 3,229,427
		116,033
\$ 37,343		186,436
37,343		3,531,896

		1,524
7,441		8,570
36,204		122,100
43,645		132,194
(6,302)		3,399,702

		50,933
		(10,466)
		(3,383,259)
		(3,342,792)

(6,302)		56,910
114,739	\$ 4	890,505
\$ 108,437	\$ 4 \$	947,415

PALOMAR COMMUNITY COLLEGE DISTRICT

PROPRIETARY FUNDS - ENTERPRISE FUNDS COMBINING BALANCE SHEET JUNE 30, 1999

	Bookstore	Cafeteria	Escondido Tenancy	Total
ASSETS				
Cash	\$ 80,534	\$ 46,257	\$ 377,327	\$ 504,118
Accounts receivable	85,560	12,271		97,831
Due from other funds	3,195	4,622		7,817
Stores inventory	534,779	25,797		560,576
Prepaid expenditures	1,494	367		1,861
Fixed assets	717,769	111,850		829,619
Total Assets	<u>\$ 1,423,331</u>	<u>\$ 201,164</u>	<u>\$ 377,327</u>	<u>\$ 2,001,822</u>
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	90,784	15,835		106,619
Due to other funds	883,211	95,628		978,839
Deferred revenue			9,286	9,286
Other current liabilities		474		474
Total Liabilities	<u>973,995</u>	<u>111,937</u>	<u>9,286</u>	<u>1,095,218</u>
FUND EQUITY				
Retained earnings	449,336	89,227	368,041	906,604
Total Fund Equity	<u>449,336</u>	<u>89,227</u>	<u>368,041</u>	<u>906,604</u>
Total Liabilities and Fund Equity	<u>\$ 1,423,331</u>	<u>\$ 201,164</u>	<u>\$ 377,327</u>	<u>\$ 2,001,822</u>

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

PALOMAR COMMUNITY COLLEGE DISTRICT

PROPRIETARY FUNDS - ENTERPRISE FUNDS COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS FOR THE YEAR ENDED JUNE 30, 1999

	Bookstore	Cafeteria	Escondido Tenancy	Total
OPERATING REVENUE				
Local revenues	\$ 4,142,909	\$ 1,237,775	\$ 236,571	\$ 5,617,255
OPERATING EXPENSES				
Classified salaries	692,942	442,152		1,135,094
Employee benefits	118,104	75,195		193,299
Books and supplies	3,053,064	613,326		3,666,390
Services and other operating expenditures	213,053	78,019	89,235	380,307
Total Operating Expenses	4,077,163	1,208,692	89,235	5,375,090
OPERATING INCOME	65,746	29,083	147,336	242,165
NONOPERATING REVENUES/(EXPENSES)				
Interest		673	2,804	3,477
Transfers out	(35,000)			(35,000)
Total Nonoperating Revenues/(Expenses)	(35,000)	673	2,804	(31,523)
NET INCOME	30,746	29,756	150,140	210,642
RETAINED EARNINGS, BEGINNING OF YEAR	418,590	59,471	217,901	695,962
RETAINED EARNINGS, END OF YEAR	\$ 449,336	\$ 89,227	\$ 368,041	\$ 906,604

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

PALOMAR COMMUNITY COLLEGE DISTRICT

PROPRIETARY FUNDS

ENTERPRISE FUNDS

COMBINING STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 1999

	Bookstore	Cafeteria	Escondido Tenancy	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating Income	\$ 65,746	\$ 29,083	\$ 147,336	\$ 242,165
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities				
Depreciation expense	24,070	18,852		42,922
Transfers out	35,000			35,000
(Increase) Decrease in:				
Accounts receivable	(82,513)	(5,112)		(87,625)
Interfund accounts receivable	(3,195)	7,936		4,741
Prepaid expenditures	18,854	738		19,592
Inventory	152,526	(2,738)		149,788
Increase (Decrease) in:				
Accounts payable	(213,566)	(6,252)		(219,818)
Interfund accounts payable	(133,619)	(41,155)		(174,774)
Deferred revenue			(4,344)	(4,344)
Other liabilities	46,854	(2,843)		44,011
Net Cash Flows from Operating Activities	<u>(89,843)</u>	<u>(1,491)</u>	<u>142,992</u>	<u>51,658</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of equipment		(2,369)		(2,369)
Net Cash Flows from Investing Activities		<u>(2,369)</u>		<u>(2,369)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest income		673	2,804	3,477
Net Cash Flows from Investing Activities		<u>673</u>	<u>2,804</u>	<u>3,477</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(89,843)</u>	<u>(3,187)</u>	<u>145,796</u>	<u>52,766</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>170,377</u>	<u>49,444</u>	<u>231,531</u>	<u>451,352</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 80,534</u></u>	<u><u>\$ 46,257</u></u>	<u><u>\$ 377,327</u></u>	<u><u>\$ 504,118</u></u>

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

SUPPLEMENTARY INFORMATION

PALOMAR COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 1999

FEDERAL PROGRAM	Federal Catalog Number	Program Entitlements		
		Current Year	Prior Year	Total Entitlement
U.S. DEPARTMENT OF EDUCATION				
Higher Education Act				
Student Support Services - TRIO [2]	84.031	\$ 228,550		\$ 228,550
Federal College Work Study	84.033	155,324	\$ 98,143	253,467
Vocational Education Act [2]				
VATEA - Technical Preparation	84.048	99,930		99,930
VATEA - Title II, Part C	84.048	301,049		301,049
VATEA - Leadership	84.048	49,927		49,927
VATEA - ROP	84.048	86,251		86,251
Pell Grant [2]	84.063	2,003,267		2,003,267
Pell Grant - Administrative Costs	84.063		6,065	6,065
Pell Grant - Prior Year	84.063			
Direct Student Loans [2]	*			[1]
Child Development Block Grant	*	10,000	4,712	14,712
Supplemental Educational Opportunity Grants	84.007	194,981		194,981
Adult Education - English as a Second Language	84.022		251	251
TANF	84.184	77,529		77,529
Federal Work Study and Supplemental Education Opportunity Program - Administrative Costs	84.007		35,210	35,210
Subtotal				
U.S. DEPARTMENT OF VETERAN AFFAIRS				
Veteran's Education	64.112	3,836	5,233	9,069
SMALL BUSINESS ADMINISTRATION				
Resource Grant	59.037		1,800	1,800
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICE				
Medi-Cal	93.000			[1]
U.S. DEPARTMENT OF AGRICULTURE				
Child Care Food Program	10.270			[1]
U.S. DEPARTMENT OF LABOR				
Job Training Partnership Act	17.246	89,775		89,775
BUREAU OF INDIAN AFFAIRS				
Indian Education	84.060	2,926		2,926
Total Federal Programs				

[1] Entitlement column not applicable. Maximum revenues are based upon level of service or other criteria.

[2] Major program.

* CDFA Number not available.

See accompanying note to supplementary information.

Program Revenues				Program Expenditures
Cash Received	Accounts Receivable	Deferred Revenue	Total Revenue	
\$ 352,798	\$ 37,170		\$ 389,968	\$ 389,968
220,588	7,046		227,634	227,634
83,941	15,989		99,930	101,838
251,978	29,090		281,068	281,068
41,938	(6,795)		35,143	35,143
64,681	21,570		86,251	86,251
1,925,656			1,925,656	1,925,656
13,345		\$ 11,163	2,182	2,182
30,702			30,702	32,392
714,608			714,608	714,608
14,712		84	14,628	14,628
232,849			232,849	232,849
251		211	40	40
77,529	(119)		77,410	77,410
67,771		47,632	20,139	20,148
<u>4,093,347</u>	<u>103,951</u>	<u>59,090</u>	<u>4,138,208</u>	<u>4,141,815</u>
<u>9,170</u>		<u>5,771</u>	<u>3,399</u>	<u>3,399</u>
<u>1,800</u>		<u>1,800</u>		
<u>10,409</u>			<u>10,409</u>	<u>10,409</u>
<u>37,130</u>	<u>3,295</u>		<u>40,425</u>	<u>40,425</u>
<u>73,558</u>	<u>13,874</u>		<u>87,432</u>	<u>87,435</u>
<u>2,926</u>			<u>2,926</u>	<u>2,926</u>
<u>\$ 4,228,340</u>	<u>\$ 121,120</u>	<u>\$ 66,661</u>	<u>\$ 4,282,799</u>	<u>\$ 4,286,409</u>

PALOMAR COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF STATE AWARDS FOR THE YEAR ENDED JUNE 30, 1999

STATE	PROGRAM	Program Entitlements		
		Current Year	Prior Year	Total Entitlement
	Matriculation	\$ 1,081,420	\$ 38,227	\$ 1,119,647
	Matriculation Think Tank	34,916		34,916
	Apprenticeship Allowance	569,008		569,008
	Block Grants		1,105	1,105
	Instructional Equipment One Time Block Grant	630,493		630,493
	Instructional Equipment/Library Technology		397,478	397,478
	Instructional Equipment/Library Materials	744,014		744,014
	Instructional Equipment/Prior Year		20,660	20,660
	Staff Development	86,523	59,528	146,051
	Staff Diversity	22,005	133	22,138
	Economic Development	3,000	1,540	4,540
	Extended Opportunity Program and Services	810,335		810,335
	CCC Satellite Network	20,201		20,201
	CALWorks	629,953	663,108	1,293,061
	Cooperative Agency Resource Education	113,178		113,178
	Disabled Students Programs and Services	482,871		482,871
	Fund for Student Success - Internship	19,978		19,978
	Fund for Student Success - Institutionalization	67,575		67,575
	Student Financial Aid Administration	71,638		71,638
	Student Equity Mentor		2,341	2,341
	Partnership for Excellence	1,673,511		1,673,511
	Peace Officers Standards	2,075		2,075
	California Articulation Number	5,000		5,000
	TANF	77,529		77,529
	Media Center		2,958	2,958
	Telecommunications and Technology	97,883	123,187	221,070
	Tele Model Pilot Project	191,100	74,765	265,865
	State Meal Reimbursement			[1]
	Child Development Apportionment	124,018		124,018
	Child Care Tax Bailout	138,787		138,787
	State Preschool Expansion	139,484		139,484
	General Child Instructional Materials	2,906	1,145	4,051
	Total State Programs			

[1] Entitlement column not applicable. Maximum revenues are based upon level of service or other criteria.

See accompanying note to supplementary information.

Program Revenues				
Cash Received	Accounts Receivable (Payable)	Deferred Revenue	Total Revenue	Program Expenditures
\$ 1,086,420	\$ 3,127		\$ 1,089,547	\$ 1,125,911
26,187		\$ 8,346	17,841	17,841
545,001			545,001	509,890
1,105			1,105	1,730
630,493		175,015	455,478	455,478
412,639		64,053	348,586	363,163
744,014		35,515	708,499	708,499
20,660		10,839	9,821	9,821
146,051		66,416	79,635	79,635
22,205		1,647	20,558	20,558
8,040		2,945	5,095	5,095
810,335			810,335	810,638
500,000		479,799	20,201	20,201
1,638,595	(88,930)		1,549,665	1,169,335
113,178			113,178	114,447
485,323			485,323	498,517
14,984	2,547		17,531	17,531
50,681	(8,068)		42,613	42,613
71,638			71,638	73,849
2,341		2,341		
1,673,511			1,673,511	135,526
2,075			2,075	2,075
5,000			5,000	5,034
77,529	(119)		77,410	77,410
24,546		21,588	2,958	580
364,858		228,997	135,861	134,844
74,765		6,107	68,658	68,658
2,122	188		2,310	2,310
127,984			127,984	127,984
141,817			141,817	141,817
136,146			136,146	143,944
2,906		1,908	998	2,927
<u>\$ 9,963,149</u>	<u>\$ (91,255)</u>	<u>\$ 1,105,516</u>	<u>\$ 8,766,378</u>	<u>\$ 6,887,861</u>

PALOMAR COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR PROGRAM-BASED FUNDING FOR THE YEAR ENDED JUNE 30, 1999

CATEGORIES	Reported Data	Audit Adjustments	Revised Data
A. Credit Full-Time Equivalent Student (FTES)			
1. Weekly census	10,621.92		10,621.92
2. Daily census	630.87		630.87
3. Actual hours of attendance	2,993.56		2,993.56
Subtotal	14,246.35		14,246.35
B. Noncredit FTES			
1. Daily census	1,202.50		1,202.50
2. Actual hours of attendance			
Subtotal	1,202.50		1,202.50
Total FTES	15,448.85		15,448.85
C. Credit Student Headcount			31,416
D. Gross Square Footage			634,342

See accompanying note to supplementary information.

PALOMAR COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 1999

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 1999.

See accompanying note to supplementary information.

PALOMAR COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 1999

	(Budget) 2000 ¹	1999	1998	1997
GENERAL FUND				
Revenues	\$ 72,871,631	\$ 70,169,056	\$ 67,258,074	\$ 62,767,539
Other sources		232,815	184,697	46,427
Total Revenues and Other Sources	72,871,631	70,401,871	67,442,771	62,813,966
Expenditures	71,165,865	67,509,549	63,763,067	58,832,185
Other uses and transfers out		1,704,491	1,927,314	1,326,135
Total Expenditures and Other Uses	71,165,865	69,214,040	65,690,381	60,158,320
INCREASE IN FUND BALANCE	\$ 1,705,766	\$ 1,187,831	\$ 1,752,390	\$ 2,655,646
ENDING FUND BALANCE		\$ 11,174,376	\$ 9,986,545	\$ 8,234,155
AVAILABLE RESERVES ²		\$ 3,036,392	\$ 2,829,760	\$ 2,125,848
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO		4.39%	4.31%	3.53%
LONG-TERM DEBT		\$ 36,842,513	\$ 39,635,687	\$ 37,921,610

The general fund balance has increased by \$2,940,221 over the past two years. For a district this size, available reserves of at least 5.0% of total general fund expenditures, transfers out, and other uses (total outgo) is recommended.

The District has incurred operating surpluses in each of the past three years. Total long-term debt has decreased by \$1,079,097 over the past two years. The District refinanced the Certificates of Participation during the 1998-99 year in order to obtain a net savings to the District.

FTES have again decreased by 123 bringing the total decline to 867 FTES, which has resulted in the District being in the second year of budget stability apportionment funding. Restoration of this decline has not yet occurred in the 1998-99 fiscal year. If the FTES are not restored, the District is in jeopardy of losing approximately \$2,000,000 in future apportionment funding.

1 Budget 2000 is included for analytical purposes only and has not been subjected to audit.

2 Available reserves consist of the general reserve and uncommitted ending fund balances as reported in the 1998-99 CCFS-311.

See accompanying note to supplementary information.

PALOMAR COMMUNITY COLLEGE DISTRICT

SUMMARY OF YEAR 2000 DISCLOSURES FOR THE YEAR ENDED JUNE 30, 1999

Palomar College has been planning for the year 2000 computer problems since 1997 when it began the process of replacing its core software systems. Critical systems have been identified and have either been brought into compliance or are in the process of being brought into compliance. The steps completed to achieve this include:

- Awareness of the year 2000 problem.
- Assessment of the college's compliance.
- Replacement or upgrade of non-compliant systems.
- Validation and testing of all essential systems (ongoing system implementation).
- Implementation of new compliant systems.

Palomar College believes that all of its critical systems are ready for the year 2000. The primary steps taken to meet this requirement were to replace the following systems with an integrated software solution from PeopleSoft, Inc.:

- Student Administration.
- Student records.
- Curriculum management – Catalogue and Schedule.
- Financial Aid.
- Human Resources and Payroll.
- Financial Systems.
- General Ledger.
- Budget.
- Procurement.

All related hardware and Operating System environments in support of the implementation of PeopleSoft are year 2000 compliant.

However, because of the global nature of the problem (the way many peripheral computer systems relate), there may well be unpredictable anomalies or glitches.

See accompanying note to supplementary information.

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 1999

NOTE #1 - PURPOSE OF SCHEDULES

A. Schedule of Expenditures of Federal Awards

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

B. Schedule of Expenditures of State Awards

The accompanying schedule of expenditures of state awards includes the state grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is optional and is presented in accordance with the requirements of the California Chancellor's Office Contracted District Audit Guide. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements.

C. Schedule of Workload Measures for Program-Based Funding

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

D. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

E. Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern.

F. Summary of Year 2000 Disclosures

This schedule discusses disclosures about year 2000 issues and certain matters regarding the Year 2000 issue as required by Governmental Accounting Standards Board Technical Bulletin 98-1 as amended by Technical Bulletin 99-1.

Gary T. Cichella, C.P.A.
Donald A. Driftmier, C.P.A.
Gregory P. Cook, C.P.A.
Dennis A. Pringle, C.P.A.
Ron S. White, C.P.A.
Jeffrey A. Carter, C.P.A.
Karen Comer, C.P.A.
Linda S. Todd, C.P.A.
Kevin T. Pulliam, C.P.A.
Heidi E. Ross, C.P.A.
Thomas A. Brewer, C.P.A.

Vavrinek, Trine, Day & Co., LLP

Certified Public Accountants

Members:

- American Institute of Certified Public Accountants
- SEC Practice Section
- California Society of Certified Public Accountants
- Western Association of Accounting Firms

Matthew S. Miller, C.P.A.
Ray C. Cowles, C.P.A.
David L. Dayton, C.P.A.
Ken E. Johnson, C.P.A.
A. J. Major, C.P.A.
Terri A. Montgomery, C.P.A.
Leonard P. Danna, C.P.A.
James Balsano, Principal
Joseph M. Aguilar, Principal
Bonnita L. Ruesch, Principal
Caroline A. Larson, Principal
Charles H. Gielow, Jr., Consultant

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

Board of Trustees
Palomar Community College District
San Marcos, California

We have audited the financial statements of Palomar Community College District as of and for the year ended June 30, 1999, and have issued our report thereon dated September 10, 1999. In our report, our opinion was qualified because the District did not maintain a general fixed asset group of accounts. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Palomar 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 grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Palomar Community College District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Palomar Community College District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of financial statement findings section of this report.

8270 Aspen Street • Rancho Cucamonga, CA 91730
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(909) 466-4410 • FAX (909) 466-4431
RancholInfo@vtdcpa.com

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Pleasanton
Laguna Hills
San Jose
Carmichael

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended for the information of the Board of Trustees, Management, the State Chancellor's Office, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Vaurinek, Irene, Day & Co. LLP

Rancho Cucamonga, California
September 10, 1999

Gary T. Cichella, C.P.A.
Donald A. Driftmier, C.P.A.
Gregory P. Cook, C.P.A.
Dennis A. Pringle, C.P.A.
Ron S. White, C.P.A.
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Vavrinek, Trine, Day & Co., LLP

Certified Public Accountants

Members:

- American Institute of Certified Public Accountants
 - SEC Practice Section
- California Society of Certified Public Accountants
 - Western Association of Accounting Firms

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Leonard P. Danna, C.P.A.
James Balsano, Principal
Joseph M. Aguilar, Principal
Bonnita L. Ruesch, Principal
Caroline A. Larson, Principal
Charles H. Gielow, Jr., Consultant

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

Board of Trustees
Palomar Community College District
San Marcos, California

Compliance

We have audited the compliance of Palomar Community College District with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 1999. Palomar Community College District's major federal programs are identified in the Schedule of Expenditures of Federal and State Awards. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Palomar Community College District's management. Our responsibility is to express an opinion on Palomar Community College District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Palomar 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 on Palomar Community College District's compliance with those requirements.

In our opinion, Palomar Community College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1999.

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Internal Control Over Compliance

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

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

This report is intended for the information of the Board of Trustees, Management, the State Chancellor's Office, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Vaurinek, Irine, Day & Co. LLP

Rancho Cucamonga, California
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INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
Palomar Community College District
San Marcos, California

We have audited the financial statements of the Palomar Community College District (the "District") as of and for the year ended June 30, 1999, and have issued our report thereon dated September 10, 1999. In our report, our opinion was qualified because the District did not maintain a general fixed asset group of accounts. Except as discussed in the preceding sentence, we conducted our audit in accordance with generally accepted auditing standards, the standards applicable to financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Chancellor's Office *Contracted District Audit Manual*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The District's management is responsible for the District's compliance with laws and regulations. In connection with the audit referred to above, we performed an audit for compliance as required in Part II, State and Federal Compliance Requirements for those programs identified in the State Department of Finance's May 1996 transmittal of audit requirements for community colleges. The objective of the examination of compliance is to determine with reasonable assurance that the District complied with requirements for:

General Directives

MIS Implementation – Required Data Elements

Compliance Requirement

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

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

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Administrative

Salaries of Classroom Instructors (50 Percent Law)

Compliance Requirement

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

Gann Limit Calculation

Compliance Requirement

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

Students Actively Enrolled

Compliance Requirement

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

Enrollment Fees

Compliance Requirement

Community Colleges are required to report the total amount students should have paid for enrollment fees for the purpose of determining each district's share of apportionment revenue. All enrollment fees for residents of the State of California are to be charged and reported to the Chancellor's Office in accordance with guidelines provided to the District in May, 1998.

Apportionment for Instructional Service Agreements/Contracts

Compliance Requirement

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

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

Student Services

Uses of Matriculation Funds

Compliance Requirement

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

Special Programs

Extended Opportunity Programs and Service- (EOP&S) and Disabled Student Programs and Services (DSP&S) - Allocation of Costs

Compliance Requirement

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

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

Compliance Requirement

District's accepting EOP&S funds are required to contribute from non-EOP&S sources the salary of the EOP&S administrator/director at the rate of 100 percent of salary and benefits for formal program activities associated with the implementation and operation of EOP&S specific activities over and above general supervision of EOP&S activities. Additionally, each college receiving EOP&S funds must employ a full time, 100 percent director to directly manage and coordinate the daily operation of the programs and services offered, and to supervise and coordinate the staff assigned to EOP&S, unless an exemption is specifically certified by the State Chancellor's Office.

Economic Development Program

Compliance Requirement

In addition to complying with standard grant conditions, community colleges must comply with state laws and regulations concerning:

- Procedures for subcontracts or grant amendments including appropriate authorization by the Chancellor's Office
- Procurement procedures
- Travel authorization
- Hiring procedures
- Appropriate use of fiscal agents

Facilities Program

Scheduled Maintenance Program

Compliance Requirement

Contained within the Scheduled Maintenance Program is a Maintenance of Effort (MOE) requirement. Districts are required to expend for plant maintenance and operations the same amount as the expended in fiscal year 1995-96 plus a specified amount during the year being audited.

Based on our audit, we found that, for the items tested, the Palomar Community College District complied with the state laws and regulations referred to above. Further, based on our examination, for items not tested, nothing came to our attention to indicate that the Palomar Community College District had not complied with the laws and regulations.

Vaurinek, Irine, Day & Co. LLP

Rancho Cucamonga, California
September 10, 1999

PALOMAR COMMUNITY COLLEGE DISTRICT

SUMMARY OF AUDITORS' RESULTS FOR THE YEAR ENDED JUNE 30, 1999

FINANCIAL STATEMENTS

Type of auditors' report issued:

Qualified

Internal control over financial reporting:

Material weaknesses identified?

No

Reporting conditions identified not considered to be material weaknesses?

Yes

Noncompliance material to financial statements noted?

No

FEDERAL AWARDS

Internal control over major programs:

Material weaknesses identified?

No

Reporting conditions identified not considered to be material weaknesses?

None reported

Type of auditors' report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with
Circular A-133, Section .510(a)

No

Identification of major programs:

CFDA Numbers

84.063

Name of Federal Program or Cluster

Pell Grant

84.048

Vocational Education Act

84.031

TRIO

*

Direct Student Loans

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

No

STATE AWARDS

Internal control over state programs:

Material weaknesses identified?

No

Reporting conditions identified not considered to be material weaknesses?

None reported

Type of auditors' report issued on compliance for state programs:

Unqualified

PALOMAR COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 1999

The following findings represent reportable conditions, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with generally accepted government audit standards.

DISTRICT FINANCIAL CONDITION

1999-1 Finding

The District has experienced two years of declining enrollment. During 1998-99, the Full Time Equivalent Students (FTES) declined by 124. FTES is the primary component of the State Apportionment revenue, which is the primary source of unrestricted General Fund revenue. Over the past two years the total decline in FTES has been substantial. For 1998-99, the budget stability revenue for the District was \$1.5 million. The potential loss of revenue will be a permanent reduction in the base FTES funding formula until restored.

Recommendation

While the District has been able to maintain reserves in the ending fund balance which meet the State Chancellor's Office guidelines of 3 percent of total expenditures, the Board of Governors of the State Chancellor's Office strongly recommends reserves of 5 percent of total expenditures. If the FTES are not restored, the District is at risk of depleting the reserves that have been established. A plan must be developed and implemented that will increase the student enrollment and corresponding FTES reported for funding purposes. In the event the FTES are not restored, cost saving measures must be implemented to ensure the District's continued financial stability.

District Response

The District concurs with this finding and will implement a plan which will ensure the stability of the ending balance reserves.

PALOMAR COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 1999

CERTIFICATES OF PARTICIPATION

1999-2 Finding

The District issued \$7,480,000 in Certificates of Participation during the 1998-99 fiscal year. An outside Trustee maintains the proceeds from this issuance. The District has not prepared financial statements for these funds during the year. The Trustee statements appear to have been reviewed, however an accounting of the revenues and expenditures was not prepared on a monthly basis or at year-end.

Recommendation

The monthly Trustee statements should be reviewed and an accounting of the revenues and expenditures prepared and reconciled. Any discrepancies between the District's records and the information presented by the Trustee should be followed up on and resolved as soon as possible.

District Response

Trustee statements relative to the Certificates of Participation will be reviewed and reconciled on a monthly basis and an accounting of the revenues and expenditures will be performed on a quarterly basis and at year end.

INFORMATION SYSTEMS

1999-3 Finding

During the 1998-99 fiscal year the District purchased and started conversion to an integrated computer software system. The integrated system will be in place and operating for the 1999-2000 year. We have reviewed the initial reporting and audit trail accountability that will be available through this system and have found the reports to either not be available, or if available, only in a cumbersome and difficult to retrieve format.

Recommendation

Reports from the financial software system should be concise and easily accessible by the users. A clear audit trail of transactions and adjusting entries should be available for review and analysis on a regular basis. The District should ensure that reports generated from the PeopleSoft Data's report writing are concise and meet the reporting requirements. The District should ensure that staff has been fully trained in the report writing aspects of PeopleSoft.

PALOMAR COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 1999

District Response

One consultant has written a number of query reports accessible to the end users and training has taken place with District staff in the use of these preliminary reports. PeopleSoft is currently working to generate a budget report, which is the most-used report on campus by the end users and will also help the Fiscal Services staff.

EXPENDITURE TRANSFERS

1999-4

Finding

Transfers of expenditures between federal programs are received for processing by the fiscal services office. All expenditures of federal monies must be properly supported with an approved invoice or justification of charges prior to the allocation of the cost.

Recommendation

All expenses charged to a federal program budget must be properly supported by original documentation. A justification memo and a copy of the original documentation attached after the cost is incurred must support any transfers of expenses. Proper Budget planning for the program expenditures to reduce the number of expenditure transfers must take place at the beginning of each year.

District Response

New documentation detailing instructions for expenditure transfers is on the Fiscal Services Website. The documentation clearly defines the backup needed for an expenditure transfer. All district expenditure transfers will be asked to comply with these requirements, not just those for federal programs. In addition, all expenditure transfers are reviewed by the Director of Fiscal Services and those not following these guidelines will be returned to the department requesting the transfer.

PALOMAR COMMUNITY COLLEGE DISTRICT

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 1999**

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

PALOMAR COMMUNITY COLLEGE DISTRICT

STATE AWARD FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 1999

There were no findings representing instances of noncompliance and questioned costs relating to state program laws and regulations.

PALOMAR COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 1999

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.

INTERNAL ACCOUNTING CONTROL

BOOKSTORE

1998-1 Finding

As noted in the prior year's audit report, the inventory of books, supplies, and other merchandise held by the Bookstore for sale has continued to increase, at the same time, the cost of goods sold has also increased. The physical inventory count of books on hand is performed in March, which should be a time of relatively low stock on hand and sales activity. This accumulation of inventory indicates assets may be being purchased and not being used within a normal operating cycle. Our analysis of the inventory to sales indicates the total inventory is sold or "turned" one time each year. Industry standards would have a "turn" approximately three to four times each year. It appears a contributing factor to the inventory increase is the number of textbook titles that are ordered each term for similar classes. Instructors have the discretion of what text will be ordered and what publisher will be used. There is currently no standardization of texts between classes, or a requirement that instructors must use what has been ordered for prior terms and is already available within the bookstore.

Recommendation

The ability of the Bookstore to continue to maintain the range of textbooks should be analyzed and a plan to reduce the inventory to a more manageable level should be instituted. Additionally, only those books that are needed for the current term should be ordered, using older inventory to supplement the total textbooks needed. The cooperation and assistance of the District's faculty will be necessary to ensure that all books ordered are necessary for the classes being taught and that the proper quantities are being ordered. Standardization of texts within a course of study or a department will also assist in using vendors that will provide the District with the best price and most reasonable terms for payment. At the end of the primary student sale each term, any books that can be returned to the vendors should be returned for credit. This will improve the inventory ratios and reduce the inventory on hand when it is not necessary.

Current Status

The District has approved the outsourcing of the Bookstore.

PALOMAR COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 1999

1998-2 Finding

As noted in the prior year's audit report, the Bookstore has experienced cash flow shortages during the year that have resulted in the amount owed to the District for Bookstore employee's salaries and benefits not being paid. At June 30, 1998, the total amount outstanding to the District was over \$950,000. Once again, the salaries and benefits paid on behalf of the Bookstore by the General fund during the 1996-97 fiscal year were not entirely paid until the 1997-98 fiscal year. This delay in payments then impacts the District's unrestricted general fund cash flow. We noted improvements in the use of credits from vendors for books returned unused; however, current operations are not providing sufficient cash flows to ensure timely payments of outstanding invoices.

Recommendation

In conjunction with the recommendation to reduce inventory, the overall cash requirements of the Bookstore should be reviewed. By continuing to reduce outstanding credits from vendors, the Bookstore will better utilize the cash on hand and will be in a position to make more timely payments to the District and other vendors for Bookstore obligations.

Current Status

The District has approved the outsourcing of the Bookstore.

1998-3 Finding

Our review of the cost of sales noted a decline in the profit margin from the prior years. This profit margin is the basis for the Bookstore functioning as a self-supporting Enterprise fund. The decline in the gross profit margin has resulted in a net loss of over \$355,000 over the past three years. This loss includes annual transfers to the Associated Students of \$35,000 per year. According to established Board Policy, the Bookstore is required to transfer 80 percent of the net profit to the Associated Students on an annual basis. This transfer has continued to be made even though there has been no net profit for several years. This transfer of funds has contributed to the decline in ending retained earnings. Based upon the trends of the past three years, the Bookstore will have a negative ending balance within four years if costs are not controlled and the inventory and profit margin are not returned to reasonable levels.

PALOMAR COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 1999

Recommendation

If the Bookstore continues to end the year with a net operating loss, it will no longer be able to continue as a self-supporting Enterprise fund. Steps must be taken immediately to return the Bookstore to at least a breakeven, if not a profitable, enterprise. The inventory, accounts payable, gross profit margin, and negative cash flow problems must be analyzed individually as well as in total in order to achieve the goal of having the Bookstore self supporting. The transfer of funds to the Associated Students should also be reviewed. The practice of transferring more than the actual net profit is contributing to the drain on available cash and is not in accordance with Board directives.

Current Status

The District has approved the outsourcing of the Bookstore.

1998-4

Finding

As noted in the prior year's audit report, the equipment and fixed assets purchased by the Bookstore are maintained on a handwritten spreadsheet. As an Enterprise fund, the Bookstore utilizes full accrual accounting and must depreciate the fixed assets the estimated useful lives. The practice of adding to the handwritten spreadsheet is time consuming, cumbersome and leaves open the possibility that errors in the depreciation calculation will occur. Additionally, we were unable to determine whether or not a physical inventory of the Bookstore fixed assets had been taken to ensure all items purchased were still in use.

Recommendation

An inventory software package should be investigated to provide the Bookstore with a more manageable method of accounting for the equipment and assets purchased. The selected system should include a module for tagging and accounting for the fixed assets in order to ensure all items purchased are still in use by the Bookstore.

Current Status

The District has approved the outsourcing of the Bookstore.

PALOMAR COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 1999

EQUIPMENT INVENTORY

1998-5 Finding

The weapons maintained for use in the public safety classes are not being properly marked as property of the Palomar Community College District. A log noting the individual in possession the weapon is not currently being maintained. We were therefore unable to determine whether all weapons were accounted for. Additionally, an inventory or log of the ammunition on hand and used during the period is not kept by the department.

Recommendation

Current Status

All equipment belonging to the District, including weapons should be clearly marked with the District's name and an identification number. For items which are sensitive in nature, such as the weapons, a log which indicates who is in possession of the equipment should also be maintained and kept up to date. Additionally, a log should be maintained recording the purchase of the ammunition, quantities on hand, the individuals using the ammunition, and the reason for usage.

Implemented

CASH RECEIPTS

Escondido Campus Cashier

1998-6 Finding

All District cash registers are required to have the sequential "Z" numbers tracked on a daily log and to include the total of the register tape, voids, and refunds. It was noted that a complete listing of the "Z" numbers is not maintained. Additionally, there is not a procedure in place to have the supervisor review and verify the daily log.

Recommendation

Current Status

The cash receipting procedure should be expanded to include a review and verification of the register "Z" numbers and the daily log by the cashing supervisor. This will ensure the log is maintained accurately and kept up to date and will allow the supervisor to correct any errors noted on a timely basis.

Implemented

PALOMAR COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 1999

1998-7 Finding

The cash register has the ability to specifically identify amounts received by either check or in cash. The current reconciliation process does not balance the day's receipts to the actual deposit to the bank by these categories. We were unable to determine whether all cash actually received was deposited to the bank intact.

Recommendation

Current Status

As part of the daily balancing of the cash registers, a verification of the cash and checks collected should be performed and balanced to the actual deposit to the bank. This will ensure the deposits were properly made intact.

Implemented

Escondido Cafeteria

1998-8 Finding

The cashiers are able to void transactions without supervisory approval. We noted numerous voids and refunds on the sequential "Z" log, which did not show pre-authorization or review.

Recommendation

Current Status

In order to ensure that all voids and refunds have been properly authorized, a procedure should be implemented that requires the cashiering supervisor to approve the voids before the transaction is completed.

Implemented

PALOMAR COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 1999

1998-9 Finding

The funds collected by the Escondido cafeteria are transported three times a week to the Palomar cafeteria for deposit to the bank. At this time, a cafeteria employee is being used to transport these funds. While the daily dollar amounts are not large, this procedure may place the employee and the deposit at risk.

Recommendation

Current Status

For employee safety and security, the District's courier may best be utilized to pick up funds from the satellite offices for deposit at the Palomar campus. The District may also want to look into direct deposit of the funds to the bank to increase both the security of the funds and provide for more timely deposits.

Implemented