

PALOMAR COMMUNITY COLLEGE DISTRICT

AUDIT REPORT

June 30, 2000

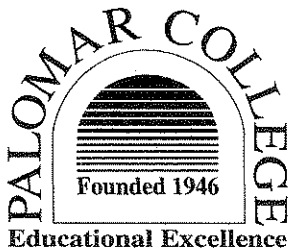
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PALOMAR COMMUNITY COLLEGE DISTRICT

SAN DIEGO COUNTY

**REPORT ON
AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
INCLUDING REPORTS ON COMPLIANCE
June 30, 2000**



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

November 4, 2000

Governing Board Members of Palomar College
1140 W. Mission Road
San Marcos, CA 92069

REF: 1999-2000 FINANCIAL STATEMENTS

Dear Governing Board Members:

The annual financial audit, prepared by the Palomar College external contract auditors, complies with the California Community College Chancellor's Office Budget and Accounting Manual, the California Code of Regulations, Section 58300 et. seq. and California Education Code, Section 84040.

The financial audit document primarily determines the College's accountability for revenues, the propriety of expenditures, the extent to which funds have been expended in accordance with prescribed state and federal laws and regulations, and whether the College's financial statements are presented fairly in accordance with generally accepted accounting principles.

From the audit documents and the annual Adopted Budget, the financial condition and solvency of the College is examined and confirmed. For Fiscal Year 1999-2000, Palomar College is once again in sound financial condition and has exceeded the minimum three percent General Fund Reserves required by the Chancellor's Office.

Sincerely,

John D. Randall, EdD
Interim Superintendent/President

PALOMAR COMMUNITY COLLEGE DISTRICT

AUDIT REPORT

June 30, 2000

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Board of Trustees
Palomar Community College District

In accordance with Government Auditing Standards, we have also issued a report dated October 19, 2000 on our consideration of the Palomar Community College District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the combined general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Palomar Community College District. Such information has been subjected to the auditing procedures applied in the examination of the combined general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined general purpose financial statements taken as a whole.

The column on the accompanying combined financial statements captioned "Totals-Memorandum Only" represents an aggregation of the individual combining financial statements. The totals column is presented for overview informational purposes and does not represent consolidated financial information.

Vicenti, Lloyd & Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP

October 19, 2000

PALOMAR COMMUNITY COLLEGE DISTRICT
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
June 30, 2000

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Group	Totals (Memorandum Only)
	General Fund	Debt Service Fund	Special Revenue Funds	Capital Projects Funds	Enterprise Funds	Internal Service Fund	Trust and Agency Funds	General Long-Term Debt	Current Year
ASSETS									
Cash in County Treasury	\$ 11,843,533	\$ -	\$ 790,556	\$ 2,679,131	\$ -	\$ 5,511,264	\$ 946,052	\$ -	\$ 21,770,536
Cash on Hand and in Banks	313,439		474,174		1,036,847		645,229		2,459,689
Cash in Revolving Fund	25,000								25,000
Cash Collections Awaiting Deposit	117,788		237	2,320					120,345
Investments with Fiscal Agent		552,170		5,106					557,276
Accounts Receivable:									
Federal and State Governments	2,133,984			4,100,887					6,234,871
Miscellaneous	1,615,426		10,387	422,534	262,509		25,948		2,336,804
Due from Other Funds	2,451,191				69,917		43,388		2,564,496
Stores Inventory					32,784				32,784
Prepaid Expenditures	42,943				46				42,989
Fixed Assets (net of depreciation)					755,163			6,068,542	755,163
Amount Available In Other Funds									6,068,542
Amount to be Provided for:									
Certificates of Participation									
Accrued Vacation									
Post Employment Benefits									
Capital Leases									
TOTAL ASSETS	\$ 18,543,304	\$ 552,170	\$ 1,275,354	\$ 7,209,978	\$ 2,147,266	\$ 5,511,264	\$ 1,660,617	\$ 36,929,232	\$ 73,829,185
LIABILITIES AND FUND EQUITY									
Liabilities									
Accounts Payable	\$ 3,332,051		\$ 29,609	\$ 16,758	\$ 29,897		\$ 34,938	\$ -	\$ 3,443,273
Due to Other Funds	822,530		300,921		1,121,989		319,056		2,564,496
Deferred Revenue	2,504,001		8,727				67,597		2,580,325
Certificates of Participation								7,170,000	7,170,000
Accrued Vacation	785,495							387,506	1,173,001
Post Employment Benefits								27,263,940	27,263,940
Capital Leases								2,107,786	2,107,786
TOTAL LIABILITIES	7,444,077	-	339,257	16,758	1,151,886	-	421,611	36,929,232	46,302,821
Fund Equity									
Reserved for Special Purposes	67,943								67,943
Restricted for Special Purposes	1,244,730		464,640	5,707,868			1,214,410		8,631,648
Restricted for Debt Service		552,170							552,170
Designated for Special Purposes	9,366,485		471,457	1,485,352			24,596		11,347,890
Undesignated	420,069								420,069
Retained Earnings					995,380				6,506,644
TOTAL FUND EQUITY	11,099,227	552,170	936,097	7,193,220	995,380	5,511,264	1,239,006	-	27,526,364
TOTAL LIABILITIES AND FUND EQUITY	\$ 18,543,304	\$ 552,170	\$ 1,275,354	\$ 7,209,978	\$ 2,147,266	\$ 5,511,264	\$ 1,660,617	\$ 36,929,232	\$ 73,829,185

See the accompanying notes to the financial statements.

PALOMAR COMMUNITY COLLEGE DISTRICT

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
For the Fiscal Year Ended June 30, 2000

	Governmental Fund Types				Fiduciary Fund Types	Totals (Memorandum Only)
	General Fund	Debt Service Fund	Special Revenue Funds	Capital Projects Fund	Trust and Agency Funds	Current Year
REVENUES						
Revenue from Federal Sources	\$ 1,316,956	\$ -	\$ 36,004	\$ -	\$ 2,339,046	\$ 3,692,006
Revenue from State Sources	34,037,564		418,699	7,356,519	809,300	42,622,082
Revenue from Local Sources	42,096,383	11,149	507,509	395,299	379,618	43,389,958
TOTAL REVENUES	<u>77,450,903</u>	<u>11,149</u>	<u>962,212</u>	<u>7,751,818</u>	<u>3,527,964</u>	<u>89,704,046</u>
EXPENDITURES						
Academic Salaries	30,397,413		281,852			30,679,265
Classified Salaries	18,109,252		172,758	1,122	2,028	18,285,160
Employee Benefits	9,675,248		75,807	277		9,751,332
Supplies and Materials	1,617,616		70,669	34,732	49,788	1,772,805
Other Operating Expenses & Services	9,201,144	77,362	154,389	1,233,344	123,822	10,790,061
Capital Outlay	5,547,539			7,656,776	3,282	13,207,597
Debt Service		625,580				625,580
Other Transfers Out	621,488					621,488
TOTAL EXPENDITURES	<u>75,169,700</u>	<u>702,942</u>	<u>755,475</u>	<u>8,926,251</u>	<u>178,920</u>	<u>85,733,288</u>
Excess (deficiency) of revenues over expenditures	2,281,203	(691,793)	206,737	(1,174,433)	3,349,044	3,970,758
OTHER FINANCING SOURCES (USES)						
Interfund Transfers In	60,000					60,000
Proceeds from Capital Leases	531,830	589,278	41,339	1,105,766	47,477	1,843,860
Student Financial Aid	(463,739)				(3,050,171)	531,830
Debt Service	(885,584)			(60,000)		(3,513,910)
Interfund Transfers Out	(1,598,860)				(150,000)	(885,584)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,356,353)</u>	<u>589,278</u>	<u>41,339</u>	<u>1,045,766</u>	<u>(3,152,694)</u>	<u>(1,808,860)</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	(75,150)	(102,515)	248,076	(128,667)	196,350	(3,832,664)
Fund Balances at Beginning of Year as Previously Stated						138,094
Adjustment for Restatement						
Fund Balances at Beginning of Year as Restated	11,174,377	654,685	688,021	7,321,887	947,415	20,786,385
Fund Balances at End of Year	<u>11,174,377</u>	<u>654,685</u>	<u>688,021</u>	<u>7,321,887</u>	<u>95,241</u>	<u>95,241</u>
	<u>\$ 11,099,227</u>	<u>\$ 552,170</u>	<u>\$ 936,097</u>	<u>\$ 7,193,220</u>	<u>\$ 1,239,006</u>	<u>\$ 20,881,626</u>
						<u>\$ 21,019,720</u>

See the accompanying notes to the financial statements.

PALOMAR COMMUNITY COLLEGE DISTRICT

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUND TYPES
For the Fiscal Year Ended June 30, 2000

	General Fund			Debt Service Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES									
Revenue from Federal Sources									
Higher Education Act	\$ 174,515	\$ 157,837	\$ (16,678)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Federal	2,377,645	1,159,119	(1,218,526)	-	-	-	35,500	36,004	504
Total Revenue from Federal Sources	2,552,160	1,316,956	(1,235,204)	-	-	-	35,500	36,004	504
Revenue from State Sources									
General Apportionments	19,815,985	21,301,209	1,485,224						
Categorical Apportionments	5,798,742	5,926,372	127,630						
Categorical Program Allowances	4,590,118	3,858,132	(731,986)						
Tax Relief Subventions	440,808	510,207	69,399						
Lottery	2,021,370	2,045,414	24,044						
Other State Revenues	513,757	396,230	(117,527)				414,690	418,699	4,009
Total Revenue from Other State Sources	33,180,780	34,037,564	856,784	-	-	-	414,690	418,699	4,009
Revenue from Local Sources									
Property Taxes	27,330,123	27,888,880	558,757						
Rentals and Leases	6,200	4,295	(1,905)						
Interest and Investment Income	544,600	1,035,036	490,436		11,149	11,149	7,000	34,976	27,976
Student Fees and Charges	9,793,686	9,479,874	(313,812)				186,745	190,611	3,866
Other Local Revenue	3,578,500	3,688,298	109,798				278,114	281,922	3,808
Total Revenue from Local Sources	41,253,109	42,096,383	843,274	-	11,149	11,149	471,859	507,509	35,650
TOTAL REVENUES	76,986,049	77,450,903	464,854	-	11,149	11,149	922,049	962,212	40,163

See the accompanying notes to the financial statements.

PALOMAR COMMUNITY COLLEGE DISTRICT

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUND TYPES
For the Fiscal Year Ended June 30, 2000

	Capital Projects Fund			Total (Memorandum Only)		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Revenue from Federal Sources						
Higher Education Act	\$ -	\$ -	\$ -	\$ -	\$ 157,837	\$ 157,837
Other Federal Revenue				35,500	1,195,123	1,159,623
Total Revenue from Federal Sources	-	-	-	35,500	1,352,960	1,317,460
Revenue from State Sources						
General Apportionments				19,573,857	21,301,209	1,727,352
Categorical Apportionments				2,808,956	5,926,372	3,117,416
Categorical Program Allowances				483,657	3,858,132	3,374,475
Tax Relief Subventions				440,808	510,207	69,399
Lottery				2,021,370	2,045,414	24,044
Other State Revenues	8,133,223	7,356,519	(776,704)	8,551,552	8,171,448	(380,104)
Total Revenue from Other State Sources	8,133,223	7,356,519	(776,704)	33,880,200	41,812,782	7,932,582
Revenue from Local Sources						
Property Taxes				27,330,123	27,888,880	558,757
Rentals and Leases				6,200	4,295	(1,905)
Interest and Investment Income		281,327	281,327	551,600	1,362,488	810,888
Student Fees and Charges				8,852,098	9,670,485	818,387
Other Local Revenue	1,937,173	113,972	(1,823,201)	3,242,727	4,084,192	841,465
Total Revenue from Local Sources	1,937,173	395,299	(1,541,874)	39,982,748	43,010,340	3,027,592
TOTAL REVENUES	10,070,396	7,751,818	(2,318,578)	73,898,448	86,176,082	12,277,634

See the accompanying notes to the financial statements.

PALOMAR COMMUNITY COLLEGE DISTRICT

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

ALL GOVERNMENTAL FUND TYPES
For the Fiscal Year Ended June 30, 2000

	General Fund			Debt Service Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES									
Academic Salaries	\$ 30,683,740	\$ 30,397,413	\$ 288,327	\$ -	\$ -	\$ -	\$ 273,615	\$ 281,852	\$ (8,237)
Classified Salaries	18,964,431	18,109,252	855,179	-	-	-	186,276	172,758	13,518
Employee Benefits	11,367,441	9,675,248	1,692,193	-	-	-	108,888	75,807	33,081
Supplies and Materials	2,338,846	1,617,616	721,230	-	-	-	103,719	70,669	33,050
Other Operating Expenses & Services	10,583,267	9,201,144	1,384,123	-	-	-	150,623	154,389	(3,766)
Capital Outlay	6,957,080	5,547,539	1,409,541	-	-	-	1,400	-	1,400
Debt Service				622,230	625,580	(3,350)			
Other Transfers Out	3,113,741	621,488	2,492,253	-	-	-			
TOTAL EXPENDITURES	<u>84,012,546</u>	<u>75,169,700</u>	<u>8,842,846</u>	<u>622,230</u>	<u>702,942</u>	<u>(80,712)</u>	<u>824,521</u>	<u>755,475</u>	<u>69,046</u>
Excess (deficiency) of revenues over expenditures	(7,026,497)	2,281,203	9,307,700	(622,230)	(691,793)	(69,563)	97,528	206,737	109,209
OTHER FINANCING SOURCES (USES)									
Interfund Transfers In	60,000	60,000	-	-	-	-	-	-	-
Proceeds from Capital Leases	531,830	531,830	-	-	-	-	-	-	-
Debt Service	(885,584)	(885,584)	-	622,230	589,278	(32,952)	41,339	41,339	-
Interfund Transfers Out	(1,655,315)	(1,598,860)	56,455	-	-	-	-	-	-
Student Financial Aid	-	(463,739)	(463,739)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,949,069)</u>	<u>(2,356,353)</u>	<u>(407,284)</u>	<u>622,230</u>	<u>589,278</u>	<u>(32,952)</u>	<u>41,339</u>	<u>41,339</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	\$ (8,975,566)	(75,150)	\$ 8,900,416	\$ -	(102,515)	\$ (102,515)	\$ 138,867	248,076	\$ 109,209
Fund Balances at Beginning of Year		11,174,377			654,585			688,021	
Fund Balances at End of Year		<u>\$ 11,099,227</u>			<u>\$ 552,170</u>			<u>\$ 936,097</u>	

See the accompanying notes to the financial statements.

PALOMAR COMMUNITY COLLEGE DISTRICT

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

ALL GOVERNMENTAL FUND TYPES

For the Fiscal Year Ended June 30, 2000

	Capital Projects Fund			Total (Memorandum Only)		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES						
Academic Salaries	\$ -	\$ -	\$ -	30,959,355	30,679,265	\$ 280,090
Classified Salaries	66,754	1,122	65,632	19,217,461	18,283,132	934,329
Employee Benefits	4,465	277	4,188	11,480,794	9,751,332	1,729,462
Supplies and Materials	42,859	34,732	8,127	2,485,424	1,723,017	762,407
Other Operating Expenses & Services	2,773,187	1,233,344	1,539,843	13,509,077	10,666,239	2,842,838
Capital Outlay	10,058,778	7,656,776	2,402,002	17,017,258	13,204,315	3,812,943
Debt Service				622,230	625,580	(3,350)
Other Transfers Out				3,113,741	621,488	2,492,253
TOTAL EXPENDITURES	<u>12,946,043</u>	<u>8,926,251</u>	<u>4,019,792</u>	<u>98,405,340</u>	<u>85,554,368</u>	<u>12,850,972</u>
Excess (deficiency) of revenues over expenditures	<u>(2,875,647)</u>	<u>(1,174,433)</u>	<u>1,701,214</u>	<u>(10,426,846)</u>	<u>621,714</u>	<u>11,048,560</u>
OTHER FINANCING SOURCES (USES)						
Interfund Transfers In	1,491,499	1,105,766	(385,733)	2,215,068	1,796,383	(418,685)
Proceeds from Capital Leases				531,830	531,830	-
Debt Service		(60,000)	-	(885,584)	(885,584)	-
Interfund Transfers Out	(60,000)		-	(1,715,315)	(1,658,860)	56,455
Student Financial Aid				-	(463,739)	(463,739)
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,431,499</u>	<u>1,045,766</u>	<u>(385,733)</u>	<u>145,999</u>	<u>(679,970)</u>	<u>(825,969)</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>\$ (1,444,148)</u>	<u>(128,667)</u>	<u>\$ 1,315,481</u>	<u>\$ (10,280,847)</u>	<u>(58,256)</u>	<u>\$ 10,222,591</u>
Fund Balances at Beginning of Year		<u>7,321,887</u>			<u>19,838,970</u>	
Fund Balances at End of Year		<u>\$ 7,193,220</u>			<u>\$ 19,780,714</u>	

See the accompanying notes to the financial statements.

PALOMAR COMMUNITY COLLEGE DISTRICT
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN RETAINED EARNINGS - PROPRIETARY FUND TYPES
ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2000

OPERATING REVENUES

Sales	\$ 3,688,269
Revenue from Local Sources	<u>644,271</u>
Total Revenue	<u>4,332,540</u>

OPERATING EXPENSES

Classified Salaries	801,170
Employee Benefits	126,553
Supplies	2,708,582
Services and other operating expenses	202,824
Capital Outlay	<u>6,694</u>

TOTAL OPERATING EXPENSES	<u>3,845,823</u>
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Operating Income	486,717
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NON-OPERATING REVENUE/(EXPENSES)

Interest Income	5,099
Other Transfers Out	<u>(35,000)</u>
Net Income	456,816

RETAINED EARNINGS - Beginning of year	<u>538,564</u>
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RETAINED EARNINGS - End of year	<u><u>\$ 995,380</u></u>
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See the accompanying notes to the financial statements.

PALOMAR COMMUNITY COLLEGE DISTRICT
COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES - ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2000

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from sales	\$ 3,461,491
Cash received from local sources	644,271
Cash paid to vendors and employees	(3,172,738)
Net cash provided by operating activities	<u>933,024</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	<u>5,099</u>
Net cash provided by investing activities	<u>5,099</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Purchase of fixed assets	(3,067)
Operating transfers out	(35,000)
Net cash used by financing activities	<u>(38,067)</u>

Net Increase in Cash	900,056
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Cash - July 1, 1999	<u>126,791</u>
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Cash - June 30, 2000	<u>\$ 1,026,847</u>
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**Reconciliation of Operating Income
to Net Cash Provided by Operating Activities**

Operating Income (Loss)	\$ 486,717
-------------------------	------------

Adjustments to Reconcile Operating Income to Net

Cash Provided by Operating Activities:

Depreciation expense	77,523
(Increase) in accounts receivable	(227,211)
Decrease in due from other funds	433
Decrease in inventory	527,792
Decrease in prepaid expenses	1,815
(Decrease) in accounts payable	(76,722)
Increase in due to other funds	143,151
(Decrease) in other liabilities	<u>(474)</u>

Net Increase in Cash from Operating Activities	<u>\$ 933,024</u>
--	-------------------

See the accompanying notes to the financial statements.

PALOMAR COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN RETAINED EARNINGS - INTERNAL SERVICE FUND
RETIREE BENEFITS FUND
For the Fiscal Year Ended June 30, 2000

NON-OPERATING REVENUE

Interest Income	<u>\$ 279,449</u>
Net Income	279,449

RETAINED EARNINGS - Beginning of year	<u>5,231,815</u>
--	------------------

RETAINED EARNINGS - End of year	<u><u>\$ 5,511,264</u></u>
--	----------------------------

See the accompanying notes to the financial statements.

PALOMAR COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE - INTERNAL SERVICE FUND
RETIREE BENEFITS FUND
For the Fiscal Year Ended June 30, 2000

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Income	\$ 279,449
Net Cash Provided by Investing Activities:	<u>279,449</u>
Cash - July 1, 1999	<u>5,231,815</u>
Cash - June 30, 2000	<u><u>\$ 5,511,264</u></u>

See the accompanying notes to the financial statements.

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. FUND ACCOUNTING:

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and Audits of State and Local Governmental Units issued by the American Institute of Certified Public Accountants. The accompanying statements include all funds and account groups of the District.

The budgetary and financial accounts of the District have been recorded and maintained in accordance with the Chancellor's Office of the California Community College's Budget and Accounting Manual.

To ensure compliance with the California Education Code, the financial resources of the District are divided into separate funds for which separate accounts are maintained for recording cash, other resources and all related liabilities, obligations and equities.

B. FUND STRUCTURE:

The statements of revenue, expenditures and changes in fund balance are statements of financial activities of the particular fund related to the current reporting period. Expenditures of the various funds frequently include amounts for land, buildings, equipment, retirement of indebtedness, transfers to other funds, etc. Consequently, these statements do not purport to present the result of operations or the net income or loss for the period as would a statement of income for a profit-type organization.

The accompanying financial statements are structured into three broad categories which in aggregate include three fund types and one account group as follows:

GOVERNMENTAL FUNDS:

General Fund - the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund - used to account for the payment of principal and interest on Certificates of Participation.

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2000

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

A. FUND STRUCTURE: (continued)

GOVERNMENTAL FUNDS: (continued)

Special Revenue Funds - used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The District maintains two special revenue funds:

1. Child Development Fund - used to account for resources committed to child development programs maintained by the District.
2. Escondido Tenancy Fund - used to account for the lease income from retail establishments and the related expenditures.

Capital Projects Funds - used to account for the acquisition and/or construction of major governmental general fixed assets. The District maintains three Capital Projects Funds:

1. Capital Outlay Fund - used to account for the accumulation of funds for the acquisition or construction of capital outlay items and scheduled maintenance projects.
2. COP Capital Projects Fund - used to account for Certificate of Participation activity related to capital outlay items.
3. Energy Conservation Fund – used to account for major energy savings projects.

PROPRIETARY FUNDS:

Enterprise Funds – the District maintains two enterprise funds:

1. Cafeteria Fund - used to account for revenues received and expenditures made to operate the District's food service operation.
2. Bookstore Fund - used to provide instructional materials to the student body. The Bookstore operations were privatized in November, 1999. Activity after that date is related to the winding down of operations.

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2000

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

A. FUND STRUCTURE: (continued)

Internal Service Fund – the District maintains one internal service fund.

1. Retiree Benefits Fund - used to account for the accumulation of funds to pay post-employment health care benefits.

FIDUCIARY FUNDS:

1. **Student Financial Aid Fund** - used to account for funds designated for deposit and direct payment of government funded student financial aid.
2. **Associated Student Government Fund** – used to account for raising and expending money to promote the general welfare, morale and educational experiences of the student body.
3. **Scholarship and Loan Trust Fund** – used to account for assets held by the District as an agent for donors who establish scholarships for students.
4. **Student Representation Fund** – used to account for monies collected from the student body and related expenditures to provide for the support of the study body representatives for related governmental affairs.
5. **District Trust Fund** – this fund was closed during 1999-2000.
6. **Student Center Fee Fund** – used to account for monies collected for the remodel/construction of a student center.

ACCOUNT GROUPS:

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All Governmental Funds and Expendable Trust Funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheet. Their reported fund balance is considered a measure of "available spendable resources".

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2000

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

B. FUND STRUCTURE: (continued)

ACCOUNT GROUPS: (continued)

Thus, the fixed assets and long-term liabilities associated with Governmental and Expendable Trust Funds are accounted for in the Account Groups of the District.

General Fixed Assets Account Group – Like many other California Community College Districts, no accounts for fixed assets are maintained for the governmental fund types.

General Long-Term Debt Account Group - accounts for long-term liabilities expected to be financed from governmental funds.

C. BASIS OF ACCOUNTING:

All governmental funds and fiduciary funds are maintained on the modified accrual basis of accounting. As such, revenues are recognized when they become susceptible to accrual, which is to say, when they become both measurable and available to finance expenditures of the current period with the exceptions noted below. The Proprietary Funds are maintained on the accrual basis of accounting.

1. 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.

Real and personal property tax revenue are reported in the same manner in which the County auditor records and reports actual property tax receipts to the Department of Finance. This is generally on a cash basis.

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2000

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING: (continued)

2. Certain current year apportionments from the state are based upon various financial and statistical information of the previous year.

Any prior year corrections due to the recalculation in February of 2001 will be recorded in the year computed by the State. Based upon the most current information available, it is estimated that \$363,000 will be repaid in February of 2001 which has not been reflected in current year income.

3. Certain revenues are accounted for on an accrual basis and receivables are accrued at year-end for amounts earned but not yet received.

The estimated third and fourth quarter payments of state lottery revenues were accrued at the end of the fiscal year. The adjusting payment of lottery revenues from prior year to current FTES is reflected as income in the year in which the adjusting payment is received.

4. In accordance with GASB Statement No. 31, investments have been recorded at fair value. However, cash in the County treasury is recorded at cost, which approximates fair value.
5. Instructional, custodial, health and other supplies of the governmental funds are recorded as expenses in the year of purchase.
6. In accordance with GASB Statement No. 16, accumulated unpaid employee vacation benefits are recognized as liabilities of the District. A portion of the liability is recognized in the applicable fund at year-end. The remainder of the liability is recognized in the General Long-Term Debt Account Group.

The District has accrued a liability for the amounts attributable to load banking hours within accounts payable. Load banking hours consist of hours worked by instructors in excess of a full-time load for which they may carryover for future paid time off.

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2000

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING: (continued)

Sick leave benefits are accumulated without limit for each employee. The employees do not gain a vested right to accumulated sick leave.

Accumulated employee 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 for calculation of retirement benefits when the employee retires and within the constraints of the appropriate retirement systems.

8. The District reports long-term debt of governmental funds at face value in the general long-term debt account group.
9. Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated at June 30.
10. GASB Statement No. 24 requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers Retirement System on behalf of all Community College and school districts in California. However, a fiscal advisory was issued by the California Department of Education instructing districts not to record revenue and expenditures for these on-behalf payments. The amount of on-behalf payments made for the District is estimated at \$1,061,600.
11. Cash for the Proprietary Fund Types are Cash with the County Treasury and Cash on Hand and in Banks.

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2000

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING: (continued)

8. In accordance with GASB Statement No. 20, the District's Proprietary Funds follow all GASB statements issued prior to November 30, 1989 until subsequently amended, superceded or rescinded. The District also applies all FASB statements issued after November 30, 1989 that are developed for business enterprises, unless those statements conflict with or contradict a GASB statement.

D. BUDGET:

The statements of revenue, expenditures and changes in fund balances - budget and actual include a column entitled "Budget". The amounts in this column represent the budget adopted by the Board and all amendments throughout the year. The adopted budget included an appropriation for contingencies. This is an amount provided in the budget document for uncertain or undetermined expenditures.

E. RESERVED/RESTRICTED/DESIGNATED FUND BALANCE:

Reservations of the ending fund balance indicate the portions of fund balance not available for expenditure or amounts legally restricted for a specific future use. The reserved fund balance in the General Fund at June 30, 2000 consists of the following:

Revolving fund	\$ 25,000
Prepaid expenditures	<u>42,943</u>
Total	\$ <u>67,943</u>

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2000

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

E. RESERVED/RESTRICTED/DESIGNATED FUND BALANCE: (continued)

The restricted fund balance consists of the following:

	<u>Amounts Restricted By Law</u>	<u>Student Financial Aid</u>	<u>Total</u>
General Fund	\$1,244,730	\$	\$1,244,730
Child Development Fund	460,368		460,368
Escondido Tenancy Fund	4,272		4,272
Capital Outlay Fund	5,707,868		5,707,868
Student Financial Aid Fund		108,385	108,385
Scholarship and Loan Trust Fund	805,496		805,496
Student Representation Fund	133,253		133,253
Student Center Fee Fund	<u>167,276</u>	<u> </u>	<u>167,276</u>
Totals	<u>\$8,523,263</u>	<u>\$108,385</u>	<u>\$8,631,648</u>

The designated fund balance consists of the following:

	<u>Amounts committed by contract and other legal obligations</u>	<u>Amounts Designated by board action for specific future purposes</u>	<u>Amounts for District's Self-Insurance Program</u>	<u>Total</u>
General Fund	\$ 3,186,524	\$6,079,961	\$100,000	\$ 9,366,485
Escondido Tenancy Fund		471,457		471,457
Capital Outlay Fund		1,414,299		1,414,299
COP Capital Projects Fund		5,106		5,106
Energy Conservation Fund		65,947		65,947
Associated Student Government Fund	<u> </u>	<u>24,596</u>	<u> </u>	<u>24,596</u>
Totals	<u>\$ 3,186,524</u>	<u>\$8,061,366</u>	<u>\$100,000</u>	<u>\$11,347,890</u>

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2000

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

F. REPORTING ENTITY:

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP) and GASB Statement No. 14. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the Board of Trustee's ability to exercise oversight responsibility. A second criterion used in evaluating potential component units is the scope of public service. A third criterion used to evaluate potential component units is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities.

Based upon the application of the criteria listed above, the following potential component unit has been excluded from the District's reporting entity:

1. Palomar College Foundation - The Foundation is a separate not-for-profit corporation. The Board of Directors are elected independent of any District Board of Director's appointments. The Board is responsible for approving its own budget and accounting and finance related activities.

Separate financial statements for the Foundation may be obtained through the District.

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2000

(Continued)

NOTE 2 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

Excesses of expenditures over appropriations in individual funds, by major object accounts, are as follows:

<u>Fund</u>	<u>Excess Expenditures</u>
General Fund:	
Student Financial Aid	\$463,739
Debt Service Fund:	
Other Operating Expenses and Services	77,362
Debt Service	3,350
Special Revenue Funds:	
Child Development Fund:	
Academic Salaries	8,237
Other Operating Expenses and Services	4,152
Capital Projects Funds:	

The COP Capital Projects Fund activity is not reported on the District's system, therefore a CCFS-311 is not prepared and a budget is not presented.

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2000

(Continued)

NOTE 3 - DEPOSITS AND INVESTMENTS:

A. Deposits:

Cash at June 30, 2000, consisted of the following:

Deposits:

Cash on Hand and in Banks	\$ 2,459,689
Cash in Revolving Fund	25,000
Cash Collections Awaiting Deposit	120,345

Pooled Funds:

Cash in County Treasury	21,770,536
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Cash balances held in banks and in revolving funds are insured up to \$100,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is partially insured or collateralized.

In accordance with the Budget and Accounting Manual, the District maintains substantially all of its cash in the San Diego County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

Deposits at June 30, 2000, held on behalf of the Palomar Community College District, are presented below, categorized separately to give an indication of the level of risk associated with each deposit:

	<u>Category*</u>			<u>Bank</u>	<u>Carrying</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Balance</u>	<u>Amount</u>
Cash on Hand and in Banks	\$	\$3,077,115	\$	\$3,077,115	\$2,459,689
Cash in Revolving Fund	21,538			21,538	25,000
Cash Collections Awaiting Deposit	<u>78,462</u>	<u>50,027</u>		<u>128,489</u>	<u>120,345</u>
Total	<u>\$100,000</u>	<u>\$3,127,142</u>	<u>\$ 0</u>	<u>\$3,227,142</u>	<u>\$2,605,034</u>

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2000

(Continued)

NOTE 3 - DEPOSITS AND INVESTMENTS: (continued)

B. Investments:

Government Code Section 16430 allows governmental entities to invest surplus moneys in certain eligible securities as listed in the code.

The District did not violate any provisions of the Government Code during the 1999-2000 fiscal year, nor were they involved in any reverse repurchase agreements during 1999-2000.

Investments at June 30, 2000, held on behalf of the Palomar Community College District, are presented below, categorized separately to give an indication of the level of risk associated with each investment:

	Category *			Carrying Amount	Fair Value
	<u>1</u>	<u>2</u>	<u>3</u>		
Federated U.S. Treasury	\$	\$	\$ 27,659	\$ 27,659	\$ 27,659
Investment Agreement	—	—	<u>529,617</u>	<u>529,617</u>	<u>529,617</u>
Total Investments	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$557,276</u>	<u>\$557,276</u>	<u>\$557,276</u>

- * Category 1 includes amounts that are insured or collateralized. Category 2 includes amounts that are insured or collateralized by the pledging financial institution's trust department or agent in the District's name. Category 3 includes amounts that are fully insured or collateralized but not in the District's name.

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2000

(Continued)

NOTE 4 - INTERFUND TRANSACTIONS:

A. Interfund Receivables/Payables

Individual interfund receivable and payable balances at June 30, 2000 are as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$2,451,191	\$ 822,530
Child Development Fund		300,921
Cafeteria Fund	7,384	546,739
Bookstore	62,533	575,250
Student Financial Aid	7,405	311,544
Scholarship and Loan Fund	9,630	7,512
Student Representation Funds	4,844	
Student Center Fee Fund	<u>21,509</u>	<u> </u>
Totals	<u>\$2,564,496</u>	<u>\$2,564,496</u>

B. Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended.

Interfund transfers for 1999-2000 fiscal year are as follows:

Transfer from the General Fund to the Debt Service Fund for debt service payments on Certificates of Participation	\$ 589,278
Transfer from the General Fund to the Child Development Fund for the required District match	41,339
Transfer from the General Fund to the Associated Student Government Fund for the Associated Students' share of the Palomar Identification Card (PIC) fee	12,477

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2000

(Continued)

NOTE 4 - INTERFUND TRANSACTIONS: (continued)

B. Interfund Transfers (continued)

Transfer from the General Fund to the Capital Outlay Fund for the following:

for the District match portion for Scheduled Maintenance projects	266,155
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for the District's contribution for the remodeling of the Escondido Child Development Center	350,000
--	---------

for lease purchase agreements	82,915
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for the District's contribution for the Student Union addition project	256,696
--	---------

Transfer from the Energy Conservation Fund to the General Fund for the PeopleSoft implementation	60,000
--	--------

Transfer from the Bookstore Fund to the Associated Student Government Fund for distribution of Bookstore profits as approved by the Board	35,000
---	--------

Transfer from the Student Center Fee Fund to the Capital Outlay Fund for the Student Union addition project	<u>150,000</u>
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Total	<u>\$1,843,860</u>
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PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2000

(Continued)

NOTE 5 - TAX REVENUE ANTICIPATION NOTES (TRANS):

The District issued \$2,450,000 of Tax Revenue Anticipation Notes dated July 1, 1999 through the California Community College Financing Authority. The notes matured on July 28, 2000 and yielded 3.20% interest. The notes were sold by the District to supplement its cash flow.

The funds were held in a Guaranteed Investment Contract. Repayment requirements were that \$1,277,675 be deposited in both January and April, 2000 respectively to cover principal and interest payments. All repayment requirements were met.

All deposits were made with the County Treasurer on a timely basis prior to June 30, 2000. Therefore, a liability is not reported on these financial statements.

NOTE 6 - LEASES:

A. Capital Leases:

The District leases equipment valued at approximately \$4,742,700 under agreements which provide for title to pass upon expiration of the lease period. Future minimum lease payments are as follows:

<u>Fiscal Year</u>	<u>Lease Payment</u>
2000-01	\$ 772,575
2001-02	750,104
2002-03	737,090
2003-04	107,072
2004-05	<u>1,082</u>
Total	2,367,923
Less amount representing interest	<u>260,137</u>
Present value of net minimum lease payments	<u>\$2,107,786</u>

The District will receive no sublease rental revenues nor pay any contingent rentals for this equipment.

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2000

(Continued)

NOTE 6 - LEASES: (continued)

B. Operating Leases:

The District has entered into various operating leases for land, building, and equipment with lease terms in excess of one year. None of these agreements contain purchase options. Future minimum lease payment under these agreements are as follows.

<u>Fiscal Year</u>	<u>Lease Payment</u>
2000-01	\$85,676
2001-02	<u>2,500</u>
Total	<u>\$88,176</u>

NOTE 7 - CERTIFICATES OF PARTICIPATION:

- A. The agreement dated January 13, 1999, is between the Palomar Community College District as the "lessee" and the California Community College Corporation as the "lessor" or "corporation". The League Corporation is a legally separate entity which was formed for the purpose of capital improvement and then leasing such items to the participating district and to refinance the 1994 Certificates of Participation.

The Corporation's funds for acquiring these items were generated by the issuance of \$7,480,000 of Certificates of Participation (COPs). COPs are long-term debt instruments which are tax exempt and therefore issued at interest rates below current market levels for taxable investments.

Lease Payments - Lease payments are required to be made by the District under the lease agreement on each April 1 and October 1 for use and possession of the equipment for the period commencing April 1, 1999 and terminating April 1, 2019. Lease payments will be funded in part from the proceeds of the Certificates. Interest rates range from 3.5% to 5.0% for the length of the issuance.

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2000

(Continued)

NOTE 7 - CERTIFICATES OF PARTICIPATION: (continued)

The lease requires that lease payments be deposited in the lease payment fund maintained by the trustee. Any amount held in the lease payment fund will be credited towards the lease payment due and payable. The trustee will pay from the lease payment fund the required principal and interest payments as follows:

<u>Lease Payment Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
October 1, 2000	\$ 240,000	\$ 155,077	\$ 395,077
April 1, 2001		150,878	150,878
October 1, 2001	250,000	150,877	400,877
April 1, 2002		145,878	145,878
October 1, 2002	255,000	145,877	400,877
April 1, 2003		141,096	141,096
October 1, 2003	265,000	141,096	406,096
April 1, 2004		136,128	136,128
October 1, 2004	275,000	136,127	411,127
April 1, 2005		129,768	129,768
Thereafter	<u>5,885,000</u>	<u>2,224,901</u>	<u>8,109,901</u>
Total	<u>\$7,170,000</u>	<u>\$3,657,703</u>	<u>\$10,827,703</u>

- B. 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 in-substance defeased. At June 30, 2000, \$6,170,000 of the 1994 Certificates of Participation were outstanding; approximately \$6,789,000 was in the escrow account at June 30, 2000 to pay off this debt.

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2000

(Continued)

NOTE 8 – OTHER ACCOUNTING DISCLOSURES:

- A. General fixed assets – A schedule of changes in general fixed assets for the year ended June 30, 2000 is not available, as is common with many California Community College and school districts.
- B. Long-term debt - A schedule of changes in long-term debt for the year ended June 30, 2000 is shown below.

	<u>Balance</u> <u>July 1, 1999</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2000</u>
Certificates of Participation	\$ 7,480,000	\$	\$310,000	\$ 7,170,000
Accumulated Unpaid Employee Compensation	180,090	207,416		387,506
Postemployment Benefits	27,200,000	63,940		27,263,940
Capital Leases	<u>1,982,423</u>	<u>531,830</u>	<u>406,467</u>	<u>2,107,786</u>
Totals	<u>\$36,842,513</u>	<u>\$803,186</u>	<u>\$716,467</u>	<u>\$36,929,232</u>

NOTE 9 – ENTERPRISE FUNDS – FIXED ASSETS:

Fixed assets of the Enterprise Funds are recorded at cost or at fair market value at date of gift, if donated.

Useful lives used in the calculation of accumulated depreciation by major category of assets are as follows:

Buildings	10-20 years
Site Improvements	10-20 years
Furniture, Fixtures and Equipment	5-10 years

Depreciation is calculated on a straight-line basis. Depreciation expense for the fiscal year ended June 30, 2000 was \$17,538 for the Cafeteria Fund and \$59,985 for the Bookstore Fund.

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2000

(Continued)

NOTE 9 – ENTERPRISE FUNDS – FIXED ASSETS: (continued)

Balances by major class of assets at June 30, 2000 were as follows:

	<u>Cafeteria Fund</u>	<u>Bookstore Fund</u>	<u>Total</u>
Buildings	\$	\$ 643,213	\$ 643,213
Site Improvements	186,971	53,792	240,763
Furniture, Fixtures and Equipment	<u>115,047</u>	<u>432,259</u>	<u>547,306</u>
Total Fixed Assets	302,018	1,129,264	1,431,282
Accumulated Depreciation	<u>(204,639)</u>	<u>(471,480)</u>	<u>(676,119)</u>
Net Fixed Assets	\$ <u>97,379</u>	\$ <u>657,784</u>	\$ <u>755,163</u>

NOTE 10 - EMPLOYEE RETIREMENT PLANS:

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

State Teachers' Retirement System (STRS)

Plan Description

The District contributes to the 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, disability 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 Boulevard, Sacramento, CA 95826.

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2000

(Continued)

NOTE 10 - EMPLOYEE RETIREMENT PLANS: (continued)

State Teachers' Retirement System (STRS) (continued)

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 the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 1999-2000 was 8.25% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

Public Employees' Retirement System (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 Law. CalPERS issues a separate and required supplementary information. Copies of the CalPERS' annual financial report may be obtain from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy

Active plan members are required to contribute 7.0% of their salary (7.0% 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. There was no required employer contribution for fiscal year 1999-2000. The contribution requirements of the plan members are established and may be amended by State statute.

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2000

(Continued)

NOTE 10 - EMPLOYEE RETIREMENT PLANS: (continued)

Contributions to STRS and PERS

The District's contributions to STRS and PERS for each of the last three fiscal years is as follows:

Year Ended June 30,	STRS		PERS	
	Required Contribution	Percent Contributed	Required Contribution	Percent Contributed
1998	\$1,782,988	100%	\$796,681	100%
1999	1,860,098	100%	0	100%
2000	1,946,366	100%	0	100%

NOTE 11 - RETIREE BENEFITS:

The District currently provides retiree medical or Medicare supplement coverage for employees that have rendered at least ten years of service for the District and have reached the age of 50 for PERS retirees or the age of 55 for STRS retirees. These benefits provide for both the employee and their spouse until death. For all new hires, after March, 1994, these benefits are provided only to age 65. In 1999-2000, the District paid approximately \$1,052,381 for retiree benefits. The District has budgeted \$1,233,862 for these benefits in 2000-01.

NOTE 12 - JOINT POWERS AGREEMENT:

The Palomar Community College District participates in four joint powers agreement (JPA) entities; the San Diego County Schools Risk Management JPA (SDCRM-JPA); the San Diego County Schools Fringe Benefits Consortium (SDCSFBC); the Statewide Association of Community Colleges (SWACC); and the Schools Excess Liability Fund (SELF). The relationship between the District and the JPAs is such that none of the JPAs are a component unit of the District for financial reporting purposes, as explained below.

The San Diego County Schools Risk Management JPA provides risk management to various school districts and community college districts throughout San Diego County. The San Diego County Schools Risk Management JPA's governing board is made up of one representative from each member district.

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2000

(Continued)

NOTE 12 - JOINT POWERS AGREEMENT: (continued)

The San Diego County Schools Fringe Benefits Consortium provides employee fringe benefits to various school districts and community college districts throughout San Diego County. The San Diego County Schools Fringe Benefits Consortium's governing board is made up of one representative from each member district.

The Statewide Association of Community Colleges provides property and liability coverage to various community college districts throughout California. SWACC is governed by a board consisting of one representative from each member district.

SELF arranges for and provides a self-funded or additional insurance for excess liability fund for approximately 1,100 public educational agencies. SELF is governed by a board of 16 elected voting members, elected alternates, and two ex-officio members. The board controls the operations of SELF, including selection of management and approval of operating budgets, independent of any influence by the members beyond their representation on the board. Each member pays an annual contribution based upon that calculated by SELF's board of directors and shares surpluses and deficits proportionately to its participation in SELF.

Condensed financial information of SDCRM-JPA, SDSCFBC, SWACC, and SELF for the most current information available is as follows:

	SDCRM-JPA 6/30/99 <u>(Audited)</u>	SDSCFBC 6/30/99 <u>(Audited)</u>	SWACC 6/30/00 <u>(Audited)</u>	SELF 6/30/00 <u>(Audited)</u>
Total assets	\$13,699,243	\$10,647,117	\$15,990,762	\$109,663,001
Total liabilities	<u>4,762,901</u>	<u>4,014,641</u>	<u>6,717,990</u>	<u>50,258,971</u>
Retained earnings	\$ <u>8,936,342</u>	\$ <u>6,632,476</u>	\$ <u>9,272,772</u>	\$ <u>59,404,030</u>
Total revenues	\$15,976,786	\$34,057,868	\$ 5,368,518	\$ 13,318,569
Total expenditures	<u>14,931,211</u>	<u>34,293,582</u>	<u>6,991,252</u>	<u>(721,004)</u>
Net increase/(decrease) in retained earnings	\$ <u>1,045,575</u>	\$ <u>(235,714)</u>	\$ <u>(1,622,734)</u>	\$ <u>14,039,573</u>

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2000

(Continued)

NOTE 13 – FUND BALANCE RESTATEMENTS AND CHANGES IN FUND CLASSIFICATIONS:

A. Fund Balance Restatements

The beginning fund balance in the Student Financial Aid Fund was decreased for amounts due to the Federal and State government of \$34,823. The beginning fund balance in the Student Center Fee is restated by \$130,064 as this fund was not included in the prior year audit report.

B. Changes in Beginning Fund Balance

The beginning fund balances for the Fiduciary Funds were taken from the Combining Statement of Revenues, Expenditures and Changes in Fund Balance rather than the Combining Balance Sheet from the prior year audit report; the balances did not reconcile between the two financial statements.

C. Change in Fund Classification

The Escondido Tenancy Fund was reported as an Enterprise Fund in the prior year and has been reclassified to a Special Revenue Fund on these financial statements. The fund does not operate like a business-type entity on the full accrual basis of accounting.

NOTE 14 - COMMITMENTS AND CONTINGENCIES:

A. 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, it is believed that any required reimbursement will not be material.

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2000

(Continued)

NOTE 14 - COMMITMENTS AND CONTINGENCIES: (continued)

B. Bookstore Fund Fixed Assets

The Bookstore Fund was outsourced in November of 1999; the organization that took over the Bookstore operations purchased items such as inventory and credit memos through the negotiation process. However, the fixed assets had not been purchased as of the date of the report. Currently, the Bookstore is renting the building, cash registers and some computer equipment to the operator of the bookstore. As of the date of this report, it is not known how the fixed assets will be disposed or what amount, if any, will be received for the sale of these fixed assets. If these assets are not purchased by the Bookstore operator, the ownership of the building and equipment would revert back to the District.

NOTE 15 - SUBSEQUENT EVENT:

The District issued \$1,195,000 of Tax Revenue Anticipation Notes dated July 5, 2000 through the California Community College Financing Authority. The notes mature on June 29, 2001 and yield 4.24% interest. The notes were sold by the District to supplement its cash flow.

The funds will be held in a Guaranteed Investment Contract. Repayment requirements were that \$626,877 be deposited in January and April respectively to cover principal and interest payments.

PALOMAR COMMUNITY COLLEGE DISTRICT

SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
June 30, 2000

	Child Development Fund	Escondido Tenancy Fund	Total (Memorandum Only)
ASSETS			
Cash in County Treasury	\$ 790,556	\$ -	\$ 790,556
Cash on Hand and in Banks		474,174	474,174
Cash Collections Awaiting Deposit	237		237
Accounts Receivable:			
Miscellaneous	105	10,282	10,387
TOTAL ASSETS	\$ 790,898	\$ 484,456	\$ 1,275,354
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts Payable	\$ 29,609	\$ -	\$ 29,609
Due to Other Funds	300,921		300,921
Deferred Revenue		8,727	8,727
TOTAL LIABILITIES	330,530	8,727	339,257
FUND BALANCE			
Restricted for Special Purposes	460,368	4,272	464,640
Designated for Special Purposes		471,457	471,457
TOTAL FUND BALANCE	460,368	475,729	936,097
TOTAL LIABILITIES AND FUND BALANCE	\$ 790,898	\$ 484,456	\$ 1,275,354

See the accompanying notes to the financial statements.

PALOMAR COMMUNITY COLLEGE DISTRICT

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2000

	Child Development Fund			Escondido Tenancy Fund			Total (Memorandum Only)		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES									
Revenue from Federal Sources									
Other Federal Revenues	\$ 35,500	\$ 36,004	\$ 504	\$ -	\$ -	\$ -	\$ 35,500	\$ 36,004	\$ 504
Revenue from Other State Sources									
Other State Revenues	414,690	418,699	4,009				414,690	418,699	4,009
Revenue from Local Sources									
Interest and Investment Income	4,500	31,828	27,328	2,500	3,148	648	7,000	34,976	27,976
Rentals and Leases				186,745	190,611	3,866	186,745	190,611	3,866
Other Local Revenues	239,700	240,379	679	38,414	41,543	3,129	278,114	281,922	3,808
TOTAL REVENUES	<u>694,390</u>	<u>726,910</u>	<u>32,520</u>	<u>227,659</u>	<u>235,302</u>	<u>7,643</u>	<u>922,049</u>	<u>967,212</u>	<u>40,163</u>
EXPENDITURES									
Academic Salaries	273,615	281,852	(8,237)				273,615	281,852	(8,237)
Classified Salaries	186,276	172,758	13,518				186,276	172,758	13,518
Employee Benefits	108,888	75,807	33,081				108,888	75,807	33,081
Supplies and Materials	103,719	70,669	33,050				103,719	70,669	33,050
Other Operating Expenses & Services	22,623	26,775	(4,152)	128,000	127,614	386	150,623	154,389	(3,766)
Capital Outlay	1,400	-	1,400				1,400	-	1,400
TOTAL EXPENDITURES	<u>696,521</u>	<u>627,861</u>	<u>68,660</u>	<u>128,000</u>	<u>127,614</u>	<u>386</u>	<u>824,521</u>	<u>755,475</u>	<u>69,046</u>
Excess (deficiency) of revenues over expenditures	(2,131)	99,049	101,180	99,659	107,688	8,029	97,528	206,737	109,209
OTHER FINANCING SOURCES (USES)									
Interfund Transfers	41,339	41,339	-				41,339	41,339	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>41,339</u>	<u>41,339</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,339</u>	<u>41,339</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	\$ 39,208	140,388	\$ 101,180	\$ 99,659	107,688	\$ 8,029	\$ 138,867	248,076	\$ 109,209
Fund Balances at beginning of year		319,980			368,041			688,021	
Fund Balances at end of year		<u>\$ 460,368</u>			<u>\$ 475,729</u>			<u>\$ 936,097</u>	

See the accompanying notes to the financial statements.

PALOMAR COMMUNITY COLLEGE DISTRICT

CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
June 30, 2000

	Capital Outlay Fund	COP Capital Projects Fund	Energy Conservation Fund	Total (Memorandum Only)
ASSETS				
Cash in County Treasury	\$ 2,658,184	\$ -	\$ 20,947	\$ 2,679,131
Collections Awaiting Deposit	2,320			2,320
Investments with Fiscal Agent		5,106		5,106
Accounts Receivable:				
Federal and State Governments	4,100,887			4,100,887
Miscellaneous	377,534		45,000	422,534
TOTAL ASSETS	<u>\$ 7,138,925</u>	<u>\$ 5,106</u>	<u>\$ 65,947</u>	<u>\$ 7,209,978</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts Payable	\$ 16,758	\$ -	\$ -	\$ 16,758
TOTAL LIABILITIES	<u>16,758</u>	<u>-</u>	<u>-</u>	<u>16,758</u>
FUND BALANCE				
Restricted for Special Purposes	5,707,868			5,707,868
Designated for Special Purposes	1,414,299	5,106	65,947	1,485,352
TOTAL FUND BALANCE	<u>7,122,167</u>	<u>5,106</u>	<u>65,947</u>	<u>7,193,220</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 7,138,925</u>	<u>\$ 5,106</u>	<u>\$ 65,947</u>	<u>\$ 7,209,978</u>

See the accompanying notes to the financial statements.

PALOMAR COMMUNITY COLLEGE DISTRICT

CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2000

	Capital Outlay Fund			COP Capital Projects Fund		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Revenue from State Sources						
Other State Revenue	\$ 8,133,223	\$ 7,356,519	\$ (776,704)	\$ -	\$ -	\$ -
Revenue from Local Sources						
Interest	-	270,861	270,861			
Other Local Revenue	1,937,173	113,738	(1,823,435)	-	234	234
TOTAL REVENUES	10,070,396	7,741,118	(2,329,278)	-	234	234
EXPENDITURES						
Classified Salaries	66,754	1,122	65,632			
Employee Benefits	4,465	277	4,188			
Books and Supplies	42,859	34,732	8,127			
Other Operating Expenses & Services	2,764,703	1,228,587	1,536,116	-	1,136	(1,136)
Capital Outlay	9,941,571	7,570,726	2,370,845			
TOTAL EXPENDITURES	12,820,352	8,835,444	3,984,908	-	1,136	(1,136)
Excess (deficiency) of revenues over expenditures	(2,749,956)	(1,094,326)	1,655,630	-	(902)	(902)
OTHER FINANCING SOURCES (USES)						
Interfund Transfers In	1,491,499	1,105,766	(385,733)			
Interfund Transfers Out						
TOTAL OTHER FINANCING SOURCES (USES)	1,491,499	1,105,766	(385,733)	-	-	-
Excess (deficiency) of revenues over expenditures and other sources (uses)	\$ (1,258,457)	11,440	\$ 1,269,897	\$ -	(902)	\$ (902)
Fund Balances at beginning of year		7,110,727			6,008	
Fund Balances at end of year		\$ 7,122,167			\$ 5,106	

See the accompanying notes to the financial statements.

PALOMAR COMMUNITY COLLEGE DISTRICT

CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2000

	Energy Conservation Fund			Total (Memorandum Only)		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Revenue from State Sources						
Other State Revenue	\$ -	\$ -	\$ -	8,133,223	7,356,519	(776,704)
Revenue from Local Sources						
Interest	-	10,466	10,466	1,937,173	281,327	281,327
Other Local Revenue					113,972	(1,823,201)
TOTAL REVENUES	-	10,466	10,466	10,070,396	7,751,818	(2,318,578)
EXPENDITURES						
Classified Salaries				66,754	1,122	65,632
Employee Benefits				4,465	277	4,188
Books and Supplies				42,859	34,732	8,127
Other Operating Expenses & Services	8,484	3,621	4,863	2,773,187	1,233,344	1,539,843
Capital Outlay	117,207	86,050	31,157	10,058,778	7,656,776	2,402,002
TOTAL EXPENDITURES	125,691	89,671	36,020	12,946,043	8,926,251	4,019,792
Excess (deficiency) of revenues over expenditures	(125,691)	(79,205)	46,486	(2,875,647)	(1,174,433)	1,701,214
OTHER FINANCING SOURCES (USES)						
Interfund Transfers In				1,491,499	1,105,766	(385,733)
Interfund Transfers Out	(60,000)	(60,000)	-	(60,000)	(60,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(60,000)	(60,000)	-	1,431,499	1,045,766	(385,733)
Excess (deficiency) of revenues over expenditures and other sources (uses)	\$ (185,691)	(139,205)	\$ 46,486	\$ (1,444,148)	(128,667)	\$ 1,315,481
Fund Balances at beginning of year		205,152			7,321,887	
Fund Balances at end of year		\$ 65,947			\$ 7,193,220	

See the accompanying notes to the financial statements.

PALOMAR COMMUNITY COLLEGE DISTRICT

PROPRIETARY FUND TYPES - ENTERPRISE FUNDS
COMBINING BALANCE SHEET
June 30, 2000

	Cafeteria Fund	Bookstore Fund	Total (Memorandum Only)
ASSETS			
Cash on Hand and in Banks	\$ 460,544	\$ 566,303	\$ 1,026,847
Accounts Receivable:			
Miscellaneous	9,222	253,287	262,509
Due from Other Funds	7,384	62,533	69,917
Stores Inventory	32,784		32,784
Prepaid Expenses	46		46
Fixed Assets	97,379	657,784	755,163
TOTAL ASSETS	\$ 607,359	\$ 1,539,907	\$ 2,147,266
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts Payable	\$ 4,561	\$ 25,336	\$ 29,897
Due to Other Funds	546,739	575,250	1,121,989
TOTAL LIABILITIES	551,300	600,586	1,151,886
FUND EQUITY			
Retained Earnings	56,059	939,321	995,380
TOTAL FUND EQUITY	56,059	939,321	995,380
TOTAL LIABILITIES AND FUND EQUITY	\$ 607,359	\$ 1,539,907	\$ 2,147,266

See the accompanying notes to the financial statements.

PALOMAR COMMUNITY COLLEGE DISTRICT
PROPRIETARY FUND TYPES - ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
For the Fiscal Year Ended June 30, 2000

	<u>Cafeteria Fund</u>	<u>Bookstore Fund</u>	<u>Total (Memorandum Only)</u>
OPERATING REVENUES			
Sales	\$ 1,298,058	\$ 2,390,211	\$ 3,688,269
Revenue from Local Sources	<u>9,440</u>	<u>634,831</u>	<u>644,271</u>
Total Revenue	<u>1,307,498</u>	<u>3,025,042</u>	<u>4,332,540</u>
OPERATING EXPENSES			
Classified Salaries	504,663	296,507	801,170
Employee Benefits	81,405	45,148	126,553
Supplies	683,422	2,025,160	2,708,582
Other Operating Expenses & Services	67,079	135,745	202,824
Capital Outlay	<u>5,816</u>	<u>878</u>	<u>6,694</u>
Total Operating Revenue	<u>1,342,385</u>	<u>2,503,438</u>	<u>3,845,823</u>
Operating Income	(34,887)	521,604	486,717
NON-OPERATING REVENUE/(EXPENSES)			
Interest Income	1,718	3,381	5,099
Other Transfers Out	<u></u>	<u>(35,000)</u>	<u>(35,000)</u>
Net Income	(33,169)	489,985	456,816
RETAINED EARNINGS - Beginning of year	<u>89,228</u>	<u>449,336</u>	<u>538,564</u>
RETAINED EARNINGS - End of year	<u>\$ 56,059</u>	<u>\$ 939,321</u>	<u>\$ 995,380</u>

See the accompanying notes to the financial statements.

PALOMAR COMMUNITY COLLEGE DISTRICT
PROPRIETARY FUND TYPES - ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2000

	<u>Cafeteria Fund</u>	<u>Bookstore Fund</u>	<u>Total (Memorandum Only)</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from sales	\$ 1,298,345	\$ 2,163,146	\$ 3,461,491
Cash received from local sources	9,440	634,831	644,271
Cash paid to vendors and employees	(892,149)	(2,280,589)	(3,172,738)
Net cash provided by operating activities	<u>415,636</u>	<u>517,388</u>	<u>933,024</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	1,718	3,381	5,099
Net cash provided by investing activities	<u>1,718</u>	<u>3,381</u>	<u>5,099</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Purchase of fixed assets	(3,067)		(3,067)
Operating transfers out		(35,000)	(35,000)
Net cash used by financing activities	<u>(3,067)</u>	<u>(35,000)</u>	<u>(38,067)</u>
Net Increase in Cash	414,287	485,769	900,056
Cash - July 1, 1999	<u>46,257</u>	<u>80,534</u>	<u>126,791</u>
Cash - June 30, 2000	<u>\$ 460,544</u>	<u>\$ 566,303</u>	<u>\$ 1,026,847</u>

**Reconciliation of Operating Income
to Net Cash Provided by Operating Activities**

Operating Income (Loss)	\$ (34,887)	\$ 521,604	\$ 486,717
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation expense	17,538	59,985	77,523
(Increase)/Decrease in accounts receivable	3,049	(230,260)	(227,211)
(Increase)/Decrease in due from other funds	(2,762)	3,195	433
(Increase)/Decrease in inventory	(6,987)	534,779	527,792
(Increase)/Decrease in prepaid expenses	321	1,494	1,815
Increase/(Decrease) in accounts payable	(11,274)	(65,448)	(76,722)
Increase/(Decrease) in due to other funds	451,112	(307,961)	143,151
Increase/(Decrease) in other liabilities	<u>(474)</u>		<u>(474)</u>
Net Increase in Cash from Operating Activities	<u>\$ 415,636</u>	<u>\$ 517,388</u>	<u>\$ 933,024</u>

See the accompanying notes to the financial statements.

PALOMAR COMMUNITY COLLEGE DISTRICT

FIDUCIARY FUND TYPES
COMBINING BALANCE SHEET
June 30, 2000

	Student Financial Aid Fund	Associated Student Government Fund	Scholarship and Loan Trust Fund	Student Representation Fund	District Trust Fund	Student Center Fee Fund	Total (Memorandum Only)
ASSETS							
Cash in County Treasury	\$ -	\$ -	\$ 796,697	\$ 90,663	\$ -	\$ 58,692	\$ 946,052
Cash on Hand and in Banks:							
Cash in Checking	447,482	27,395	726	37,746		67,082	580,431
Cash in Savings		64,798					64,798
Accounts Receivable:							
Miscellaneous	7,405		5,955			19,993	25,948
Due from Other Funds			9,630	4,844		21,509	43,388
TOTAL ASSETS	\$ 454,887	\$ 92,193	\$ 813,008	\$ 133,253	\$ -	\$ 167,276	\$ 1,660,617
LIABILITIES AND FUND EQUITY							
Accounts Payable	\$ 34,958	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,958
Due to Other Funds	311,544		7,512				319,056
Amounts Held in Trust		67,597					67,597
TOTAL LIABILITIES	346,502	67,597	7,512	-	-	-	421,611
FUND BALANCE							
Restricted for Special Purposes	108,385		805,496	133,253		167,276	1,214,410
Designated for Special Purposes		24,596					24,596
TOTAL FUND BALANCE	108,385	24,596	805,496	133,253	-	167,276	1,239,006
TOTAL LIABILITIES AND FUND BALANCE	\$ 454,887	\$ 92,193	\$ 813,008	\$ 133,253	\$ -	\$ 167,276	\$ 1,660,617

See the accompanying notes to the financial statements.

PALOMAR COMMUNITY COLLEGE DISTRICT

FIDUCIARY FUND TYPES
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2000

	Student Financial Aid Fund	Associated Student Government Fund	Scholarship and Loan Trust Fund	Student Representation Fund	District Trust Fund	Student Center Fee Fund	Total (Memorandum Only)
REVENUES							
Revenue from Federal Sources							
Student Financial Aid	\$ 2,339,046	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,339,046
Revenue from State Sources	809,300						809,300
Other State Income	1,977	1,524	2,899				2,899
Revenue from Local Sources	8,492	73,047	45,202	6,105		4,044	58,852
Private Contributions, Gifts, Grants			9,656	43,504		183,168	317,867
Interest							
Other Local Revenue	3,158,815	74,571	57,757	49,609	-	187,212	3,577,964
TOTAL REVENUES							
EXPENDITURES							
Classified Salaries		2,028					2,028
Supplies and Materials		49,702		86			49,788
Other Operating Expenses & Services	1,872	79,229	18,010	24,707	4		123,822
Capital Outlay		3,282					3,282
TOTAL EXPENDITURES	1,872	134,241	18,010	24,793	4	-	178,920
Excess (deficiency) of revenues over expenditures	3,156,943	(59,670)	39,747	24,816	(4)	187,212	3,349,044
OTHER FINANCING SOURCES (USES)							
Interfund Transfers In		47,477					47,477
Student Financial Aid	(3,050,171)					(150,000)	(3,050,171)
Interfund Transfers Out		47,477	-	-	-	(150,000)	(150,000)
TOTAL OTHER FINANCING SOURCES (USES)							(3,152,694)
Excess (deficiency) of revenues over expenditures and other sources (uses)	106,772	(12,193)	39,747	24,816	(4)	37,212	196,350
Fund Balances at Beginning of Year, as previously reported	36,436	36,789	765,749	108,437	4	-	947,415
Adjustment for Restatement	(34,823)					130,064	95,241
Fund Balances at Beginning of Year, as adjusted	1,613	36,789	765,749	108,437	4	130,064	1,042,656
Fund Balances at End of Year	\$ 108,385	\$ 24,596	\$ 805,496	\$ 133,253	\$ -	\$ 167,276	\$ 1,239,006

See the accompanying notes to the financial statements.

SUPPLEMENTARY INFORMATION



INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Board of Trustees
Palomar Community College District
1140 W. Mission Road
San Marcos, CA 92069-1487

We have audited the combined general purpose financial statements of Palomar Community College District, as of and for the year ended June 30, 2000, and have issued our report thereon dated October 19, 2000. These general purpose financial statements are the responsibility of Palomar Community College District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards; standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose 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.

Our audit was made for the purpose of forming an opinion on the combined general purpose financial statements of Palomar Community College District, taken as a whole. The accompanying financial information identified as supplementary information, including the Schedule of Expenditures of Federal Awards, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the combined general purpose financial statements and in our opinion is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Vicenti, Lloyd & Stutzman LLP
VICENTI, LLOYD & STUTZMAN LLP

October 19, 2000

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PETER F. GAUTREAU, CPA ♦ RENEE S. GRAVES, CPA, CGFM ♦ JAMES B. KATHERMAN, CPA, MS ♦ CARL M. PON, CPA, CVA
MARY ANN QUAY, CPA, MBA ♦ STEVE RAPATTONI, CPA ♦ LINDA SADDLEMIRE, CPA, CFE ♦ ROYCE A. STUTZMAN, CPA, CVA-CHAIRMAN

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PALOMAR COMMUNITY COLLEGE DISTRICT

HISTORY AND ORGANIZATION

June 30, 2000

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.

BOARD OF TRUSTEES

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Ralph G. Jensen	President	2000
Barbara L. Hughes	Vice President	2000
Michele T. Nelson, Ph.D.	Secretary	2002
Robert L. Dougherty, Jr., M.D.	Trustee	2002
Rita A. White, Ed.D.	Trustee	2000

DISTRICT EXECUTIVE OFFICERS

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/Vice President, Human Resources And Affirmative Action
Gene M. Jackson	Dean, Arts and Languages
Doris Pichon, Ph.D.	Dean, Human Arts and Sciences
Michael R. Rourke, Ph.D.	Dean, Mathematics and the Natural and Health Sciences
William J. Flynn	Dean, Media, Business and Community Services
Paul W. Kelly	Dean, Vocational Technology
Judy Eberhart	Dean, Counseling, Guidance, and Career Development
Lise S. Telsen	Dean, Student Support Services
Dale K. Wallenius	Chief Advancement Officer and Vice President to the Foundation

PALOMAR COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal year Ended June 30, 2000

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number *	Program Entitlements			Program Revenues				Total Program Expenditures
			Current Year	Prior Year Carryover	Total	Cash Received	Accounts Receivable	Deferred Income	Total	
U.S. Department of Education										
SEOG	84.007	N/A	\$ 175,969	\$ -	\$ 175,969	\$ 171,826	\$ -	\$ -	\$ 171,826	\$ 171,826
SEOG Administrative allowance	84.007	N/A	11,790	55,822	67,612	67,612	-	43,492	24,120	24,120
Pell Grant- Administrative allowance	84.063	N/A	5,150	11,523	16,673	16,673	-	11,410	5,263	5,263
Pell Grant	84.063	N/A	1,738,358	27,618	1,765,976	1,765,976	-	-	1,765,976	1,765,976
Higher Education Act:										
Federal Workstudy	84.033	N/A	147,648	-	147,648	138,001	16,444	-	154,445	154,445
Veterans Education	64.112	N/A	11,235	-	11,235	11,234	-	7,842	3,392	3,392
Trio Student Support Services	84.042A	N/A	206,156	47,744	253,900	219,249	34,651	-	253,900	253,900
Trio Upward Bound	84.047A	N/A	200,000	-	200,000	150,316	31,480	-	181,796	181,796
Gear-Up	84.334A	N/A	440,000	1,241	441,241	402,730	38,511	-	441,241	441,241
Job Location and Development	84.047A	N/A	-	31,480	31,480	31,480	-	-	31,480	31,480
Vocational and Applied Technology Education Act:										
Leadership IIC	84.048	13920	324,780	-	324,780	273,789	21,243	227	294,805	294,805
ROP	84.048	N/A	69,600	-	69,600	69,571	11,126	-	80,697	80,697
Tech Prep	84.243	13929	69,900	-	69,900	58,717	6,420	-	65,137	65,137
HHU ESL Citizenship Grant	84.022	N/A	-	-	-	211	-	211	-	-
Small Business Administration										
Resource Grant	59.037	N/A	1,800	-	1,800	1,800	-	-	-	-
U.S. Department of Labor										
Job Training Partnership Act	17.250	N/A	95,430	-	95,430	95,010	-	-	95,010	95,010
U.S. Department of Justice										
Dept of Justice/ COPS	16.710	N/A	162,552	-	162,552	9,445	-	-	9,445	9,445
U.S. Department of Health and Human Services										
TANF	93.558	N/A	73,652	-	73,652	73,652	-	-	73,652	73,652
Child Development Training Consortium	93.575	13967	20,000	5,084	25,084	25,084	-	2,607	22,477	22,477
U.S. Department of Agriculture										
Child Nutrition	10.555	03755	36,004	-	36,004	36,004	-	-	36,004	36,004
U.S. Department of the Interior										
Bureau of Indian Affairs	15.048	N/A	12,820	-	12,820	12,820	-	-	12,820	12,820
Total Federal Programs			<u>\$ 3,802,844</u>	<u>\$ 180,512</u>	<u>\$ 3,983,356</u>	<u>\$ 3,631,200</u>	<u>\$ 159,875</u>	<u>\$ 99,069</u>	<u>\$ 3,692,006</u>	<u>\$ 3,692,006</u>

* N/A indicates not available and/or not applicable.

See the accompanying notes to the supplementary information.

PALOMAR COMMUNITY COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL ASSISTANCE

For the Fiscal Year Ended June 30, 2000

Program Name	Program Entitlements		Program Revenues			Total Program Expenditures
	Current Year	Prior Year Carryover	Total	Cash Received	Accounts Receivable	Deferred Income
State Categorical Aid Programs:						
BEAP, BRD Financial Assistance Program	\$ 63,563		\$ 63,563	\$ 63,563		\$ 8,773
Block Grants	1,115,070	46,355	1,161,425	1,161,425	37,310	248,575
Cal Works	637,348		637,348	637,348		25,138
California Articulation Number	5,975	8,000	13,975	5,975	2,852	8,827
CCC Satellite Network	1,375,000	905,833	2,280,833	1,375,000	905,833	2,280,833
Disabled Student Programs and Services	601,474	16,896	618,370	601,474	29,792	14,896
Economic Development		6,945	6,945	6,945		5,463
Extended Opportunity Programs Services	888,741	72,853	961,594	888,741	67,468	956,209
Fund for Student Success- Institutionalization	15,000	8,068	23,068	8,068	12,681	20,749
Fund for Student Success- Internship		1,348	1,348	1,348	125	125
Lottery Prop 20 - Instructional Materials	128,536		128,536	128,536		128,536
Matriculation	1,053,302	5,250	1,058,552	1,053,302	408	1,053,710
Matriculation Think Tank	25,000	32,878	57,878	32,878	11,588	44,466
Media Center		21,587	21,587	21,587		20,678
Peace Officers Standards		995	995	995		995
Staff Development	149,411		149,411	149,411		85,906
Staff Diversity	23,072		23,072	23,072		19,266
Student Equity Mentor		2,341	2,341	2,341		-
TANF	147,305	12,507	159,812	147,305	9,608	156,913
TeleModel Pilot Project	346,967	18,692	365,659	365,659		267,430
Telecommunications and Technology Transfer and Articulation Allocation	946,475		946,475	946,475		153,735
	27,773		27,773	27,773		27,773
Total State Programs	\$ 7,550,012	\$ 1,160,548	\$ 8,710,560	\$ 7,649,221	\$ 1,077,665	\$ 1,422,032
						\$ 7,304,854

See the accompanying notes to the supplementary information.

PALOMAR COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR PROGRAM BASED FUNDING
For the Fiscal Year Ended June 30, 2000

Categories

A.	Credit Full-Time Equivalent Students	
1.	Weekly census	10,096.62
2.	Daily census	829.29
3.	Actual hour of attendance	1,123.11
4.	Independent study/work experience	596.78
5.	Summer intersession	<u>1,391.53</u>
	Total	<u>14,037.33</u>
B.	Non-Credit FTES	
1.	Actual hour of attendance	950.62
2.	Summer intersessions	<u>222.90</u>
	Total	<u>1,173.52</u>
C.	Basic Skills Courses	
1.	Credit	977.81
2.	Non-Credit	<u>517.31</u>
	Total	<u>1,495.12</u>
	Gross Square Footage	
	Existing Facilities	<u>634,342</u>
	FTES in Leased Facilities	<u>1,016.93</u>

See the accompanying notes to the supplementary information.

PALOMAR COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH AUDITED FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2000

	General Fund	Debt Service Fund	Child Development Fund	Cafeteria Fund	Bookstore Fund	Student Financial Aid Fund
June 30, 2000 Annual Financial and Budget Report and Fund Balance	\$ 10,901,882	\$ -	\$ 463,265	\$ 89,693	\$ 1,022,167	\$ 143,208
Adjustments and Reclassifications:						
Under (Over) Statement of Beginning Balance		654,685				(34,823)
(Under) Over Statement of Accounts Payable	197,345		(2,897)			
(Under) Over Statement of Due to Other Funds				(33,634)	(82,527)	
Under (Over) Statement of Revenues		11,149				
(Under) Over Statement of Expenses		(113,664)			(319)	
Net Adjustments and Reclassifications	197,345	552,170	(2,897)	(33,634)	(82,846)	(34,823)
June 30, 2000 Audited Financial Statements Fund Balance	\$ 11,099,227	\$ 552,170	\$ 460,368	\$ 56,059	\$ 939,321	\$ 108,385

Notes:

COP Capital Projects Fund:

The Chancellor's Office does not require the Certificates of Participation to be recorded on the books of the District.

See the accompanying notes to the supplementary information.

PALOMAR COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For the Fiscal Year Ended June 30,

	<u>(Budget) 2001</u>		<u>2000</u>		<u>1999 *</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
GENERAL FUND:						
Revenue						
Federal	\$ 1,737,567	1.86	\$ 1,316,956	1.70	\$ 1,012,947	1.53
State	37,856,119	40.59	34,037,564	43.90	32,882,124	49.79
County and Local	42,778,597	45.86	42,096,383	54.30	36,273,985	54.93
Total Revenue	82,372,283	88.31	77,450,903	99.90	70,169,056	106.25
Expenditures						
Academic Salaries	31,931,412	34.23	30,397,413	39.21	29,173,338	44.18
Classified Salaries	18,657,355	20.00	18,109,252	23.36	15,696,466	23.77
Employee Benefits	11,595,036	12.44	9,675,248	12.48	9,433,617	14.28
Supplies and Materials	2,120,630	2.27	1,617,616	2.09	1,563,045	2.37
Other Operating Expenses & Services	9,600,020	10.29	9,201,144	11.87	7,521,511	11.39
Capital Outlay	3,762,197	4.04	5,547,539	7.15	4,121,572	6.24
Other Uses	15,607,515	16.73	2,977,841	3.84	(1,471,676)	(2.23)
Total Expenditures	93,274,165	100.00	77,526,053	100.00	66,037,873	100.00
Change in Fund Balance	\$ (10,901,882)	(11.69)	\$ (75,150)	(0.10)	\$ 4,131,183	6.26
Ending Fund Balance	\$ 197,345	0.21	\$ 11,099,227	14.32	\$ 11,174,377	16.92
Full-Time Equivalent Students	15,211		15,211		15,449	
Total Long-Term Debt	\$ 36,039,000		\$ 36,929,232		\$ 36,842,513	

IMPORTANT NOTES:

- (1) For 1999 and 2000, all percentages are of total expenditures excluding contingencies; for 2001, the expenditures include an amount budgeted for contingencies.
 - (2) The California Community College Chancellor's Office has provided guidelines that recommend an ending fund balance of 3% of expenditures as a minimum, with a prudent ending fund balance being 5% of expenditures.
- * This year was audited by another firm.

See the accompanying notes to the supplementary information.

PALOMAR COMMUNITY COLLEGE DISTRICT
NOTES TO THE SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2000

NOTE 1 - PURPOSE OF SCHEDULES:

A. Schedules of Expenditures of Federal Awards and State Financial Assistance

The audit of the Palomar Community College District for the year ended June 30, 2000 was conducted in accordance with OMB Circular A-133, which requires a disclosure of the financial activities of all federally funded programs. To comply with A-133 and state requirements, the Schedule of Federal Awards and the Schedule of State Financial Assistance was prepared for the Palomar Community College District on the modified accrual basis of accounting.

B. Schedule of Workload Measures for Program-Based Funding

The Schedule of Workload Measures for Program-Based Funding represents the basis of apportionment of the Palomar Community College District's annual source of funding.

C. Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Financial Statements

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

D. Schedule of Financial Trends and Analysis

This report is prepared to show financial trends of the General Fund over the past three fiscal years as well as the current year budget. This report is intended to identify if the District faces potential fiscal problems and if they have met the recommended available reserve percentages.



**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
1140 W. Mission Road
San Marcos, CA 92069-1487

We have audited the combined general purpose financial statements of Palomar Community College District (the District) as of and for the year ended June 30, 2000, and have issued our report thereon dated October 19, 2000. 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 combined general purpose 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 instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying schedule of findings and questioned costs as related to general purpose financial statements.

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 combined general purpose 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

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

(Continued)

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 findings and questioned costs related to the general purpose financial statements.

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 the reportable conditions described above are not material weaknesses.

This report is intended solely for the information and use of the Board, management, the State Department of Finance, the State Chancellor's Office and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Vicenti, Lloyd & Stutzman LLP
VICENTI, LLOYD & STUTZMAN LLP

October 19, 2000



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

Board of Trustees
Palomar Community College District
1140 W. Mission Road
San Marcos, CA 92069-1487

Compliance

We have audited the compliance of Palomar Community College District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2000. Palomar Community College District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of 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.

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

(Continued)

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, 2000.

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 the 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 solely for the information and use of the Board, management, the State Department of Finance, the State Chancellor's Office and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.


VICENTI, LLOYD & STUTZMAN LLP

October 19, 2000



REPORT ON STATE COMPLIANCE

Board of Trustees
Palomar Community College District
1140 W. Mission Road
San Marcos, CA 92069-1487

We have audited the combined general purpose financial statements of the various funds and account groups of the Palomar Community College District, as of and for the year ended June 30, 2000, and have issued our report thereon dated October 19, 2000.

Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with our audit, 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 2000 transmittal of audit requirements for community colleges. The objective of the examination of compliance applicable to Palomar Community College District is to determine with reasonable assurance:

- Whether the District's salaries of classroom instructors equal or exceed 50 percent of the District's current expense of education in accordance with Section 84362 of the Education Code.
- Whether the District's salaries of instructors teaching FTES generating classes, school counselors providing academic advisement, and financial aid officers conducting need analysis tests, are not considered supportable charges against either Extended Opportunity Programs and Services (EOPS) or Disabled Student Program Services (DSPS) accounts unless their activities require them to perform additional functions for the EOPS or DSPS program which are beyond the scope of services provided to all students in the normal performance of the regular duty assignments.

AUDITORS' REPORT ON STATE COMPLIANCE

(Continued)

- Whether the District contributed 100% of the salary and benefits for the EOP&S Director/Administrator from funds other than EOP&S. In addition, the District must employ a full-time 100% Director to manage the daily operations of the EOP&S program unless a waiver has been obtained.
- Whether the District has the ability to support timely accurate and complete information for workload measures used in the calculation of State General Apportionment.
- Whether the District has claimed for apportionment purposes only the attendance of students actively enrolled in a course section as of the census date.
- Whether the Gann Limit Calculation was properly supported by adequate documentation and approved by the governing board.
- Whether the District had local funds to support at least 75 percent of the matriculation activities and that all matriculation expenditures are consistent with the District's State approved matriculation plan. Also, whether the District used the State matriculation allocation to expand levels of services that were in place in 1986-87 or to add entirely new services.
- Whether the District has the appropriate documentation to support the FTES, if any, that are claimed for instructional service agreements/contracts.
- Whether the District is reporting the total amount that students should have paid for enrollment fees for the purpose of determining the District's share of annual apportionment.
- Whether the District is complying with the standard grant conditions for the Economic Development Program as well as all state laws and regulations concerning: 1) procedures for subcontracts or grant amendments, including appropriate authorization by the Chancellor's Office; 2) procurement procedures; 3) travel authorization; 4) hiring procedures; and 5) appropriate use of fiscal agents.
- Whether the District spent at least one dollar of District funds for each dollar provided by the State for scheduled maintenance and special repairs. Funds provided by the State must be to supplement, not supplant, District deferred maintenance funds. The amount expended for plant maintenance and operations during the base year of 1995-96 was \$3,447,456.

AUDITORS' REPORT ON STATE COMPLIANCE

(Continued)

In our opinion, except for findings 00-1 and 00-3 described in the accompanying schedule of findings and questioned costs, Palomar Community College District complied with the compliance requirements for the state programs listed and tested above. Nothing came to our attention as a result of the aforementioned procedures to indicate that Palomar Community College District had not complied with the terms and conditions of state assisted educational programs not selected for testing.

Our examination of compliance made for the purposes set forth in the preceding paragraph of this report would not necessarily disclose all instances of noncompliance. However, such audit of compliance disclosed findings 00-1 and 00-3 that we believe to be instances of noncompliance. These items are described in the accompanying Schedule of Findings and Questioned Costs as Related to the General Purpose Financial Statements.

This report is intended solely for the information and use of the Board, management, the State Department of Finance, and the State Chancellor's Office and is not intended to be and should not be used by anyone other than these specified parties.

Vicenti, Lloyd & Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP

October 19, 2000

PALOMAR COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS
June 30, 2000

This information is provided to meet the requirements of recently issued OMB Circular A-133.

- A. A qualified opinion was issued as the District does not maintain a general fixed asset account group as is common in most California Community College Districts.
- B. Reportable conditions in internal control were disclosed by the audit of the general purpose financial statements; none of the reportable conditions are believed to be material weaknesses.
- C. The audit did not disclose any items of non-compliance which are material to the general purpose financial statements of the District.
- D. There were no reportable conditions in internal control over major programs.
- E. An unqualified opinion was issued on compliance for major programs.
- F. There were no audit findings which are required to be reported under Section .510(a) of OMB Circular A-133.
- G. The major programs for 1999-2000 are:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.033 and 84.063	Student Financial Assistance Cluster of Programs

- H. The dollar threshold to distinguish between Type A and Type B programs is \$300,000 for 1999-2000.
- I. The District does not qualify as a low risk auditee for fiscal year 1999-2000 due to the issue noted in item A above.

PALOMAR COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO GENERAL PURPOSE FINANCIAL STATEMENTS
June 30, 2000

FINDING 00-1 – MULTI-FUNDED POSITIONS – DSP&S AND EOPS

Finding: During testing, we noted that time sheets are not prepared for employees whose salaries are split funded between DSP&S and EOPS.

Recommendation: Split funded employees should keep adequate time sheets to properly support their funding allocations.

District Response: Currently, DSP&S and EOPS share one full-time Counselor position (75% DSP&S/25%EOPS). Regarding the need to keep adequate timesheets that reflect split-funded salaries, EOPS and DSP&S will work together to develop an appropriate time sheet that requires the signature of both the EOPS and DSP&S Directors and which properly supports each departments' funding allocations.

FINDING 00-2 – PAYROLL

Findings: We noted the following issues related to the District's Payroll functions:

- Payroll tax returns had not been prepared for the third and fourth quarters of calendar year 1999 and for the first and second quarters of calendar year 2000.
- The District prepared and issued W-2 forms to its employees but did not send these forms to the Internal Revenue Service (IRS).

Recommendations: We have the following recommendations related to the above findings:

- In order to comply with IRS guidelines and to avoid or minimize penalties, the District should prepare and file their payroll tax returns on a timely basis.
- All W-2 forms should be promptly sent to the IRS.

District Response: The function of the Payroll Department has been transferred to Administrative Services. The Vice President of Finance and Administrative Services has requested and obtained from Payroll a list of all reports/returns/forms due and the date each is due. The Vice President will sign and verify that all reports/returns/forms are submitted in a timely manner.

PALOMAR COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO GENERAL PURPOSE FINANCIAL STATEMENTS
June 30, 2000

FINDING 00-3 – FULL-TIME EQUIVALENT STUDENTS (FTES)

Finding: During testing, we noted one instance where an instructor's drop sheet indicated that a student had dropped the class before the census date but was not removed from the District's computer system and was thus included in the FTES total that was reported on the second period CCFS-323.

Recommendation: To ensure adequate reporting on the CCFS-323 reports, instructors should turn in all drop sheets on a timely basis and the Admissions office should input these drops into the system to properly ensure that the District is not over claiming FTES.

District Response: A process of online dropping of students from classes has been implemented which eliminates the lag time between drop rosters and the processing of drop rosters. All drops are recorded as the instructor reports them. Instructors are notified online of the drop deadlines and the last date to clear the rolls of inactive students. Each drop date is posted for each class.

FINDING 00-4 – INFORMATION SYSTEMS

Original Finding #99-3

Finding: The District fully implemented a new computer software system to handle their financial reporting and student services functions. During our testing, we noted that the system had some reporting limitations.

Recommendation: To make up for these limitations, the District should implement procedures to ensure that a proper audit trail exists for all entries booked and all reports generated by the new system.

District Response: The District has hired a consultant to compile standardized reports and to give training on these reports to the District staff. These reports will ensure that the staff requests the correct data in order to better manage the reporting requirements of departments, categorical programs and restricted projects. PeopleSoft is very flexible and a predefined report will benefit those needing that assistance.

PALOMAR COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS
June 30, 2000

There were no findings and questioned costs related to federal awards for the fiscal year ended June 30, 2000.

PALOMAR COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS June 30, 2000

Finding No.	Finding	Recommendation	Current Status
99-1	<p><u>DISTRICT FINANCIAL CONDITION</u></p> <p>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.</p>	<p>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.</p>	<p>The District is aware of this issue and is attempting to take adequate measures to either increase enrollment or decrease expenditures.</p>
99-2	<p><u>CERTIFICATES OF PARTICIPATION</u></p> <p>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.</p>	<p>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.</p>	<p>Implemented.</p>

PALOMAR COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS June 30, 2000

Finding No.	Finding	Recommendation	Current Status
99-3	<p><u>INFORMATION SYSTEMS</u></p> <p>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.</p>	<p>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.</p>	<p>Partially implemented. See current year finding 00-4.</p>
99-4	<p><u>EXPENDITURE TRANSFERS</u></p> <p>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.</p>	<p>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.</p>	<p>No exceptions noted in current year.</p>