

PALOMAR COMMUNITY COLLEGE DISTRICT

SAN DIEGO COUNTY

**REPORT ON
AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
INCLUDING REPORTS ON COMPLIANCE
June 30, 2002**



PALOMAR COMMUNITY COLLEGE DISTRICT

AUDIT REPORT

June 30, 2002

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PALOMAR COMMUNITY COLLEGE DISTRICT

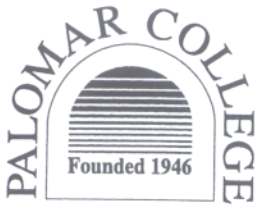
AUDIT REPORT

June 30, 2002

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Sherrill L. Amador, Ed.D.
Superintendent/President

Governing Board

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Silverio H. Haro, Ed.M.
Ralph G. Jensen, B.A.
Darrell L. McMullen, M.B.A.
Michele T. Nelson, Ph.D.
Student Trustee:
ASB President

Office of
the President

September 5, 2002

2001-2002 FINANCIAL STATEMENTS

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, 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 2001-2002, 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,

Sherrill L. Amador, Ed.D.
Superintendent/President

SLA:bab

INTRODUCTION

OBJECTIVES OF THE AUDIT

The primary audit objective was to determine the fairness of presentation of Palomar Community College District's financial statements. In connection with that objective, and to the extent that they materially impact the financial statements of the District, these were additional audit objectives:

- To assess the adequacy of the systems and procedures for financial accounting, compliance with rules and regulations, and internal controls at Palomar Community College District.
- To determine the accountability for revenues, the propriety of expenditures, and the extent to which funds have been expended in accordance with prescribed state and federal laws and regulations.
- To determine whether financial and financially related reports to state and federal agencies are presented fairly.
- To recommend appropriate actions to correct any deficiencies found.

INDEPENDENT AUDITORS' REPORT

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

Chairman
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Partners
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RENÉE S. GRAVES
CARL PON
MARY ANN QUAY
LINDA M. SADDLEMIRE

Principal
JERI A. WENGER

Senior Managers
TIMOTHY D. EVANS
PHEBE M. MCCUTCHEON
KARIN HECKMAN NELSON
ARVEE ROBINSON

We have audited the accompanying combined general purpose financial statements of the Palomar Community College District, as of and for the year ended June 30, 2002 as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the combined general purpose financial statements listed in the aforementioned table of contents present fairly, in all material respects, the financial position of the Palomar Community College District as of June 30, 2002, and the results of its operations and cash flows of its proprietary fund types for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated September 26, 2002 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.

Board of Trustees
Palomar Community College District

The accompanying financial and statistical information identified as supplemental 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.

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.

VICENTI, LLOYD & STUTZMAN LLP

September 26, 2002

PALOMAR COMMUNITY COLLEGE DISTRICT
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
June 30, 2002

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	
	General Fund	Debt Service Fund	Special Revenue Funds	Capital Projects Funds	Enterprise Funds	Internal Service Fund	Trust and Agency Funds	General Fixed Assets	General Long-Term Debt	Current Year	Prior Year
ASSETS											
Cash in County Treasury	\$ 14,766,355	\$ -	\$ 1,673,394	\$ 8,043,459	\$ -	\$ 6,139,356	\$ 1,219,484	\$ -	\$ -	\$ 31,842,048	\$ 29,922,691
Cash on Hand and in Banks	102,531		262,633		100,505		137,440			603,109	1,154,784
Cash in Revolving Fund	25,000									25,000	25,000
Cash Collections Awaiting Deposit							279			279	394,409
Investments with Fiscal Agent		3,575,657		5,496						3,581,153	628,229
Accounts Receivable:											
Federal and State Governments	5,359,101			493,422						5,852,523	2,612,365
Miscellaneous	917,211		5,348	12,743	26,255		284,995			1,246,552	955,556
Due from Other Funds	1,365,559			232,651			108			1,598,318	1,839,803
Stores Inventory										-	38,617
Prepaid Expenditures	448,535									448,535	306,764
Land								3,946,936		3,946,936	-
Site and Site Improvements								19,476,635		19,476,635	-
Construction in Progress								800,915		800,915	-
Equipment								13,081,989		13,081,989	-
Fixed Assets (net of depreciation)					72,957					72,957	682,886
Amount Available In Other Funds									730,746	730,746	622,845
Amount to be Provided for:											
Certificates of Participation									6,143,354	6,143,354	6,307,155
Revenue Bonds									2,865,900	2,865,900	-
Accrued Vacation									419,065	419,065	576,488
Post Employment Benefits									34,600,169	34,600,169	27,263,940
Capital Leases									1,278,679	1,278,679	2,094,037
TOTAL ASSETS	\$ 22,984,292	\$ 3,575,657	\$ 1,941,375	\$ 8,787,771	\$ 199,717	\$ 6,139,356	\$ 1,642,306	\$ 37,306,475	\$ 46,037,913	\$ 128,614,862	\$ 75,425,569
LIABILITIES AND FUND EQUITY											
Liabilities											
Accounts Payable	\$ 4,374,425	\$ -	\$ 82,646	\$ 261,426	\$ 2,491	\$ -	\$ 26,175	\$ -	\$ -	\$ 4,747,163	\$ 3,128,318
Due to Other Funds	185,140		922,861		238,216		252,101			1,598,318	1,839,803
Amounts Held in Trust							67,524			67,524	85,406
Deferred Revenue	2,425,325		79,400	246,774			30,726			2,782,225	4,601,911
Certificates of Participation									6,680,000	6,680,000	6,930,000
Revenue Bonds									3,060,000	3,060,000	-
Accrued Vacation	1,731,910		9,596						419,065	2,160,571	2,099,272
Post Employment Benefits									34,600,169	34,600,169	27,263,940
Capital Leases									1,278,679	1,278,679	2,094,037
TOTAL LIABILITIES	8,716,800	-	1,094,503	508,200	240,707	-	376,526	-	46,037,913	56,974,649	48,042,687
Fund Equity											
Reserved for Special Purposes	1,576,614									1,576,614	355,890
Restricted for Special Purposes	1,200,747		595,961				1,244,971			3,041,679	4,584,937
Restricted for Debt Service		3,575,657								3,575,657	622,845
Designated for Special Purposes	11,490,131		250,911	8,279,571			20,809			20,041,422	15,613,444
Retained Earnings					(40,990)	6,139,356				6,098,366	6,205,766
Investment in General Fixed Assets								37,306,475		37,306,475	
TOTAL FUND EQUITY	14,267,492	3,575,657	846,872	8,279,571	(40,990)	6,139,356	1,265,780	37,306,475	-	71,640,213	27,382,882
TOTAL LIABILITIES AND FUND EQUITY	\$ 22,984,292	\$ 3,575,657	\$ 1,941,375	\$ 8,787,771	\$ 199,717	\$ 6,139,356	\$ 1,642,306	\$ 37,306,475	\$ 46,037,913	\$ 128,614,862	\$ 75,425,569

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, 2002

	Governmental Fund Types				Fiduciary Fund Types	Totals (Memorandum Only)	
	General Fund	Debt Service Fund	Special Revenue Funds	Capital Projects Funds	Trust and Agency Funds	Current Year	Prior Year
REVENUES							
Revenue from Federal Sources	\$ 2,209,095	\$ -	\$ 52,095	\$ -	\$ 3,126,776	\$ 5,387,966	\$ 5,549,129
Revenue from State Sources	45,099,366		345,489	1,352,687	325,273	47,122,815	36,432,468
Revenue from Local Sources	47,199,935	97,761	608,461	644,489	256,676	48,807,322	47,183,244
TOTAL REVENUES	<u>94,508,396</u>	<u>97,761</u>	<u>1,006,045</u>	<u>1,997,176</u>	<u>3,708,725</u>	<u>101,318,103</u>	<u>89,164,841</u>
EXPENDITURES							
Academic Salaries	36,252,120		307,621			36,559,741	32,885,285
Classified Salaries	22,081,726		189,877		9,380	22,280,983	20,237,194
Employee Benefits	12,059,986		119,822			12,179,808	10,862,518
Supplies and Materials	1,946,119		87,553	11,792	39,739	2,085,203	2,195,516
Other Operating Expenses & Services	11,635,116	121,369	226,681	1,154,331	113,607	13,251,104	12,374,778
Capital Outlay	3,603,491		3,704	1,247,032	402	4,854,629	5,968,252
Debt Service		695,681				695,681	545,955
Other Transfers Out	574,406				2,790	577,196	445,660
TOTAL EXPENDITURES	<u>88,152,964</u>	<u>817,050</u>	<u>935,258</u>	<u>2,413,155</u>	<u>165,918</u>	<u>92,484,345</u>	<u>85,515,158</u>
Excess (deficiency) of revenues over expenditures	<u>6,355,432</u>	<u>(719,289)</u>	<u>70,787</u>	<u>(415,979)</u>	<u>3,542,807</u>	<u>8,833,758</u>	<u>3,649,683</u>
OTHER FINANCING SOURCES (USES)							
Interfund Transfers In	110,000	577,101	46,547	1,522,814	35,000	2,291,462	3,017,483
Proceeds from Long Term Debt		3,095,000				3,095,000	807,315
Debt Service	(913,150)					(913,150)	(911,837)
Interfund Transfers Out	(1,393,339)		(310,000)	(133,862)	(306,296)	(2,143,497)	(3,017,483)
Student Financial Aid					(3,495,812)	(3,495,812)	(3,971,791)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,196,489)</u>	<u>3,672,101</u>	<u>(263,453)</u>	<u>1,388,952</u>	<u>(3,767,108)</u>	<u>(1,165,997)</u>	<u>(4,076,313)</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>4,158,943</u>	<u>2,952,812</u>	<u>(192,666)</u>	<u>972,973</u>	<u>(224,301)</u>	<u>7,667,761</u>	<u>(426,630)</u>
Fund Balances at Beginning of Year, as previously reported	10,718,054	622,845	1,039,538	7,306,598	1,490,081	21,177,116	21,019,720
Adjustment for Restatement (See Note 14)	(609,505)					(609,505)	584,026
Fund Balances at End of Year, as adjusted	<u>\$ 14,267,492</u>	<u>\$ 3,575,657</u>	<u>\$ 846,872</u>	<u>\$ 8,279,571</u>	<u>\$ 1,265,780</u>	<u>\$ 28,235,372</u>	<u>\$ 21,177,116</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, 2002

	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	\$ 170,290	\$ 121,378	\$ (48,912)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Federal	2,736,442	2,087,717	(648,725)				42,000	52,095	10,095
Total Revenue from Federal Sources	<u>2,906,732</u>	<u>2,209,095</u>	<u>(697,637)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,000</u>	<u>52,095</u>	<u>10,095</u>
Revenue from State Sources									
General Apportionments	24,368,649	26,171,950	1,803,301						
Categorical Apportionments	10,759,163	10,426,777	(332,386)						
Categorical Program Allowances	7,604,675	5,304,627	(2,300,048)						
Tax Relief Subventions	442,000	483,995	41,995						
Lottery	2,317,614	2,424,939	107,325						
Other State Revenues	114,500	287,078	172,578				395,074	345,489	(49,585)
Total Revenue from Other State Sources	<u>45,606,601</u>	<u>45,099,366</u>	<u>(507,235)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>395,074</u>	<u>345,489</u>	<u>(49,585)</u>
Revenue from Local Sources									
Property Taxes	32,616,119	32,326,779	(289,340)						
Rentals and Leases	45,836	14,725	(31,111)						
Interest and Investment Income	874,555	840,989	(33,566)	-	97,761	97,761	63,000	53,689	(9,311)
Student Fees and Charges	11,300,449	9,897,677	(1,402,772)				186,000	193,203	7,203
Other Local Revenue	5,196,595	4,119,765	(1,076,830)				318,280	361,569	43,289
Total Revenue from Local Sources	<u>50,033,554</u>	<u>47,199,935</u>	<u>(2,833,619)</u>	<u>-</u>	<u>97,761</u>	<u>97,761</u>	<u>567,280</u>	<u>608,461</u>	<u>41,181</u>
TOTAL REVENUES	<u>98,546,887</u>	<u>94,508,396</u>	<u>(4,038,491)</u>	<u>-</u>	<u>97,761</u>	<u>97,761</u>	<u>1,004,354</u>	<u>1,006,045</u>	<u>1,691</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, 2002

	Capital Projects Funds			Total (Memorandum Only)		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Revenue from Federal Sources						
Higher Education Act	\$ -	\$ -	\$ -	\$ 170,290	\$ 121,378	\$ (48,912)
Other Federal Revenue				2,778,442	2,139,812	(638,630)
Total Revenue from Federal Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,948,732</u>	<u>2,261,190</u>	<u>(687,542)</u>
Revenue from State Sources						
General Apportionments				24,368,649	26,171,950	1,803,301
Categorical Apportionments				10,759,163	10,426,777	(332,386)
Categorical Program Allowances				7,604,675	5,304,627	(2,300,048)
Tax Relief Subventions				442,000	483,995	41,995
Lottery				2,317,614	2,424,939	107,325
Other State Revenues	2,688,992	1,352,687	(1,336,305)	3,198,566	1,985,254	(1,213,312)
Total Revenue from Other State Sources	<u>2,688,992</u>	<u>1,352,687</u>	<u>(1,336,305)</u>	<u>48,690,667</u>	<u>46,797,542</u>	<u>(1,893,125)</u>
Revenue from Local Sources						
Property Taxes				32,616,119	32,326,779	(289,340)
Rentals and Leases				45,836	14,725	(31,111)
Interest and Investment Income	-	301,360	301,360	937,555	1,293,799	356,244
Student Fees and Charges				11,486,449	10,090,880	(1,395,569)
Other Local Revenue	768,035	343,129	(424,906)	6,282,910	4,824,463	(1,458,447)
Total Revenue from Local Sources	<u>768,035</u>	<u>644,489</u>	<u>(123,546)</u>	<u>51,368,869</u>	<u>48,550,646</u>	<u>(2,818,223)</u>
TOTAL REVENUES	<u>3,457,027</u>	<u>1,997,176</u>	<u>(1,459,851)</u>	<u>103,008,268</u>	<u>97,609,378</u>	<u>(5,398,890)</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, 2002

	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	\$ 38,074,010	\$ 36,252,120	\$ 1,821,890	\$ -	\$ -	\$ -	\$ 353,096	\$ 307,621	\$ 45,475
Classified Salaries	24,194,549	22,081,726	2,112,823				213,500	189,877	23,623
Employee Benefits	13,634,935	12,059,986	1,574,949				140,360	119,822	20,538
Supplies and Materials	2,673,926	1,946,119	727,807				95,727	87,553	8,174
Other Operating Expenses & Services	16,393,316	11,635,116	4,758,200	-	121,369	(121,369)	360,791	226,681	134,110
Capital Outlay	4,817,867	3,603,491	1,214,376				120,167	3,704	116,463
Debt Service				577,101	695,681	(118,580)			
Other Transfers Out	597,857	574,406	23,451						
TOTAL EXPENDITURES	<u>100,386,460</u>	<u>88,152,964</u>	<u>12,233,496</u>	<u>577,101</u>	<u>817,050</u>	<u>(239,949)</u>	<u>1,283,641</u>	<u>935,258</u>	<u>348,383</u>
Excess (deficiency) of revenues over expenditures	<u>(1,839,573)</u>	<u>6,355,432</u>	<u>8,195,005</u>	<u>(577,101)</u>	<u>(719,289)</u>	<u>(142,188)</u>	<u>(279,287)</u>	<u>70,787</u>	<u>350,074</u>
OTHER FINANCING SOURCES (USES)									
Interfund Transfers In	170,165	110,000	(60,165)	577,101	577,101	-	46,457	46,547	90
Proceeds from Revenue Bonds				-	3,095,000	3,095,000			
Debt Service	(913,150)	(913,150)	-						
Interfund Transfers Out	<u>(3,929,801)</u>	<u>(1,393,339)</u>	<u>2,536,462</u>				<u>(310,000)</u>	<u>(310,000)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(4,672,786)</u>	<u>(2,196,489)</u>	<u>2,476,297</u>	<u>577,101</u>	<u>3,672,101</u>	<u>3,095,000</u>	<u>(263,543)</u>	<u>(263,453)</u>	<u>90</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>\$ (6,512,359)</u>	<u>4,158,943</u>	<u>\$ 10,671,302</u>	<u>\$ -</u>	<u>2,952,812</u>	<u>\$ 2,952,812</u>	<u>\$ (542,830)</u>	<u>(192,666)</u>	<u>\$ 350,164</u>
Fund Balances at Beginning of Year, as previously reported		10,718,054			622,845			1,039,538	
Adjustment for Restatement (See Note 14)		<u>(609,505)</u>							
Fund Balances at End of Year, as adjusted		<u>\$ 14,267,492</u>			<u>\$ 3,575,657</u>			<u>\$ 846,872</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, 2002

	Capital Projects Funds			Total (Memorandum Only)		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES						
Academic Salaries	\$ -	\$ -	\$ -	38,427,106	36,559,741	\$ 1,867,365
Classified Salaries				24,408,049	22,271,603	2,136,446
Employee Benefits				13,775,295	12,179,808	1,595,487
Supplies and Materials	11,800	11,792	8	2,781,453	2,045,464	735,989
Other Operating Expenses & Services	4,630,397	1,154,331	3,476,066	21,384,504	13,137,497	8,247,007
Capital Outlay	2,128,916	1,247,032	881,884	7,066,950	4,854,227	2,212,723
Debt Service				577,101	695,681	(118,580)
Other Transfers Out				597,857	574,406	23,451
TOTAL EXPENDITURES	<u>6,771,113</u>	<u>2,413,155</u>	<u>4,357,958</u>	<u>109,018,315</u>	<u>92,318,427</u>	<u>16,699,888</u>
Excess (deficiency) of revenues over expenditures	<u>(3,314,086)</u>	<u>(415,979)</u>	<u>2,898,107</u>	<u>(6,010,047)</u>	<u>5,290,951</u>	<u>11,300,998</u>
OTHER FINANCING SOURCES (USES)						
Interfund Transfers In	1,567,647	1,522,814	(44,833)	2,361,370	2,256,462	(104,908)
Proceeds from Revenue Bonds				-	3,095,000	3,095,000
Debt Service				(913,150)	(913,150)	-
Interfund Transfers Out	(148,784)	(133,862)	14,922	(4,388,585)	(1,837,201)	2,551,384
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,418,863</u>	<u>1,388,952</u>	<u>(29,911)</u>	<u>(2,940,365)</u>	<u>2,601,111</u>	<u>5,541,476</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>\$ (1,895,223)</u>	<u>972,973</u>	<u>\$ 2,868,196</u>	<u>\$ (8,950,412)</u>	<u>7,892,062</u>	<u>\$ 16,842,474</u>
Fund Balances at Beginning of Year, as previously reported		7,306,598			19,687,035	
Adjustment for Restatement (See Note 14)					(609,505)	
Fund Balances at End of Year, as adjusted		<u>\$ 8,279,571</u>			<u>\$ 26,969,592</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, 2002

OPERATING REVENUES	
Sales	\$ 1,157,798
Revenue from Local Sources	<u>10,968</u>
Total Operating Revenues	<u>1,168,766</u>
 OPERATING EXPENSES	
Classified Salaries	442,655
Employee Benefits	55,155
Supplies	658,273
Services and other operating expenses	231,548
Capital Outlay	<u>6,457</u>
Total Operating Expenses	<u>1,394,088</u>
Operating Loss	(225,322)
 NON-OPERATING REVENUES	
Interest Income	837
Interfund Transfer Out	<u>(147,965)</u>
Net Loss	(372,450)
RETAINED EARNINGS - Beginning of year	<u>331,460</u>
RETAINED EARNINGS - End of year	<u><u>\$ (40,990)</u></u>

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, 2002

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from sales	\$ 1,211,111
Cash received from local sources	10,968
Cash paid to vendors and employees	<u>(1,261,014)</u>
Net cash used by operating activities	<u>(38,935)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	<u>837</u>
Net cash provided by investing activities	<u>837</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Purchase of fixed assets	(2,928)
Other transfers out	<u>(147,965)</u>
Net cash used by financing activities	<u>(150,893)</u>

Net Decrease in Cash	(188,991)
Cash - July 1, 2001	<u>289,496</u>
Cash - June 30, 2002	<u>\$ 100,505</u>

**Reconciliation of Operating Loss
to Net Cash Used by Operating Activities**

Operating Loss	\$ (225,322)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation expense	46,706
Write-off of fixed assets	566,151
Decrease in accounts receivable	150,379
Decrease in due from other funds	68,136
Decrease in inventory	38,617
(Decrease) in accounts payable	(22,778)
(Decrease) in due to other funds	<u>(660,824)</u>
Net Decrease in Cash from Operating Activities	<u>\$ (38,935)</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, 2002

NON-OPERATING REVENUE

Interest Income	\$ 265,050
Net Income	265,050
RETAINED EARNINGS - Beginning of year	<u>5,874,306</u>
RETAINED EARNINGS - End of year	<u><u>\$ 6,139,356</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, 2002

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Income	\$ 265,050
	<hr/>
Net Cash Provided by Investing Activities:	265,050
Cash - July 1, 2001	<hr/>
	5,874,306
Cash - June 30, 2002	<hr/> <hr/>
	\$ 6,139,356

See the accompanying notes to the financial statements.

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

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 four broad categories which in aggregate include three fund types and two account groups 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.

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

(Continued)

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

B. FUND STRUCTURE: (continued)

GOVERNMENTAL FUNDS: (continued)

Debt Service Fund - used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The fund is used to account for the payment of principal and interest on Certificates of Participation and Revenue Bonds.

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.

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

(Continued)

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

B. FUND STRUCTURE: (continued)

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. The Cafeteria operations were contracted out to a private company in May, 2002. Activity presented in these financial statements relates to the winding down of operations.
2. Bookstore Fund - used to provide instructional materials to the student body. The Bookstore operations were contracted out to a private company in November, 1999. Activity after that date is related to the winding down of operations.

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. **Student Center Fee Fund** - used to account for monies collected for the remodel/construction of a student center.

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

(Continued)

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

B. FUND STRUCTURE: (continued)

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".

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 - accounts for fixed assets used in governmental fund type operations.

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

C. BASIS OF ACCOUNTING:

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

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. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered). The basis of accounting for both revenues and expenditures have exceptions which are noted below, including an exception for unmatured interest on general long-term debt, which is recognized when due.

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

(Continued)

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

C. BASIS OF ACCOUNTING: (continued)

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

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.

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

A prior year correction due to the recalculation in February of 2003, based upon the most current information available, is estimated at \$530,500. This correction will be received in February of 2003 and has been reflected in current year income.

3. 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.
4. Instructional, custodial, health and other supplies of the governmental funds are recorded as expenses in the year of purchase.
5. 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.

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

(Continued)

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

C. BASIS OF ACCOUNTING: (continued)

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.

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.

6. The District reports long-term debt of governmental funds at face value in the general long-term debt account group.
7. Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for most 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 and may be re-encumbered and honored during the subsequent year.
8. 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 \$1,222,300.

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

(Continued)

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

C. BASIS OF ACCOUNTING: (continued)

9. The District's cash, including the Proprietary Fund Types, are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.
10. 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.
11. Total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

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.

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

(Continued)

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

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, 2002 consists of the following:

Revolving fund	\$ 25,000
Student loans receivable	1,103,079
Prepaid expenditures	<u>448,535</u>
Total	<u>\$1,576,614</u>

The restricted fund balance consists of the following:

	<u>Amounts Restricted By Law</u>	<u>Student Financial Aid</u>	<u>Total</u>
General Fund	\$1,200,747	\$	\$1,200,747
Child Development Fund	595,961		595,961
Student Financial Aid Fund		27,932	27,932
Scholarship and Loan Trust Fund	885,492		885,492
Student Representation Fund	121,908		121,908
Student Center Fee Fund	<u>209,639</u>		<u>209,639</u>
Totals	<u>\$3,013,747</u>	<u>\$27,932</u>	<u>\$3,041,679</u>

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

(Continued)

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

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

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	\$ 3,269,527	\$ 8,120,604	\$100,000	\$11,490,131
Escondido Tenancy Fund		250,911		250,911
Capital Outlay Fund		8,198,177		8,198,177
COP Capital Projects Fund		5,496		5,496
Energy Conservation Fund		75,898		75,898
Associated Student Government Fund	<u> </u>	<u>20,809</u>	<u> </u>	<u>20,809</u>
Totals	<u>\$ 3,269,527</u>	<u>\$16,671,895</u>	<u>\$100,000</u>	<u>\$20,041,422</u>

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.

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

(Continued)

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

F. REPORTING ENTITY: (continued)

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.

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>
Debt Service Fund:	
Other Operating Expenses and Services	\$121,369
Debt Service	118,580

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, 2002**

(Continued)

NOTE 3 - DEPOSITS AND INVESTMENTS:

A. Deposits:

Cash at June 30, 2002, consisted of the following:

Deposits:

Cash on Hand and in Banks	\$ 603,109
Cash in Revolving Fund	25,000
Cash Collections Awaiting Deposit	279

Pooled Funds:

Cash in County Treasury	31,842,048
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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. The fair market value of the District's deposits in this pool as of June 30, 2002, as provided by the pool sponsor, was \$31,982,022. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

Deposits at June 30, 2002, 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:

	Category*			Bank Balance	Carrying Amount
	1	2	3		
Cash on Hand and in Banks	\$ 78,421	\$1,279,746	\$	\$1,358,167	\$ 603,109
Cash in Revolving Fund	21,579			21,579	25,000
Cash Collections Awaiting Deposit	_____	_____	—	_____	279
Total	<u>\$100,000</u>	<u>\$1,279,746</u>	<u>\$ 0</u>	<u>\$1,379,746</u>	<u>\$ 628,388</u>

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

(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 2001-02 fiscal year, nor were they involved in any reverse repurchase agreements during 2001-02.

Investments at June 30, 2002, held on behalf of the Palomar Community College District, are presented below, categorized separately to give an indication of the level of custodial risk associated with each investment:

	Category *			Carrying Amount	Fair Value
	1	2	3		
Federated U.S. Treasury	\$	\$	\$ 11,888	\$ 11,888	\$ 11,888
Investment Agreement	—	—	<u>3,569,265</u>	<u>3,569,265</u>	<u>3,569,265</u>
Total Investments	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$3,581,153</u>	<u>\$3,581,153</u>	<u>\$3,581,153</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, 2002

(Continued)

NOTE 4 - INTERFUND TRANSACTIONS:

A. Interfund Receivables/Payables

Individual interfund receivable and payable balances at June 30, 2002 are as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$1,365,559	\$ 185,140
Child Development Fund		922,861
Capital Outlay Fund	232,651	
Cafeteria Fund		238,216
Student Financial Aid Fund		200,861
Associated Student Government Fund		2,373
Student Representation Fund	108	1,355
Student Center Fee Fund		<u>47,512</u>
Totals	<u>\$1,598,318</u>	<u>\$1,598,318</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 2001-02 fiscal year are as follows:

Transfer from the General Fund to the Debt Service Fund for debt service Payments on Certificates of Participation	\$ 443,239
Transfer from the General Fund to the Child Development Fund for the required District match	46,547
Transfer from the General Fund to the Associated Student Government Fund for the Associated Students' share of the Palomar Identification Card (PIC) fee	35,000

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

(Continued)

NOTE 4 - INTERFUND TRANSACTIONS: (continued)

B. Interfund Transfers (continued)

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

District match portion of the scheduled maintenance projects	443,580
various repair/renovation projects	218,144
remodel of the Fiscal Services Center	100,000
loan repayment	106,829
Transfer from the Escondido Tenancy Fund to the General Fund for repair/renovation projects	110,000
Transfer from the Escondido Tenancy Fund to the Capital Outlay Fund for repair/renovation of the Escondido Center	200,000
Transfer from the Capital Outlay Fund to the Debt Service Fund for payment on Revenue Bonds	133,862
Transfer from the Student Center Fee Fund to the Capital Outlay Fund for remodel of the Student Body Center Building	306,296
Transfer from the Bookstore Fund to the Capital Outlay Fund for the Food Services Center remodel	<u>147,965</u>
Total	<u>\$2,291,462</u>

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

(Continued)

NOTE 5 - TAX REVENUE ANTICIPATION NOTES (TRANS):

The District issued \$1,900,000 of Tax Revenue Anticipation Notes dated July 3, 2001 through the California Community College Financing Authority. The notes matured on June 28, 2002 and yielded 4.24% 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 \$997,777 be deposited in both January and April, 2002 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, 2002. Therefore, a liability is not reported on these financial statements.

NOTE 6 - LEASES:

A. Capital Leases:

The District leases equipment valued at approximately \$4,604,000 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>
2002-03	\$ 913,150
2003-04	281,548
2004-05	174,983
2005-06	<u>13,230</u>
Total	1,382,911
Less amount representing interest	<u>104,232</u>
Present value of net minimum lease payments	<u>\$1,278,679</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, 2002

(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>
2002-03	\$ 285,606
2003-04	263,513
2004-05	212,409
2005-06	<u>176,836</u>
Total	\$ <u>938,364</u>

Current year expenditures for operating leases is approximately \$280,000. The District will receive no sublease rental revenues nor pay any contingent rentals for these properties.

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.

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

(Continued)

NOTE 7 - CERTIFICATES OF PARTICIPATION: (continued)

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.

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</u> <u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Payments</u>
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
October 1, 2005	290,000	129,768	419,768
April 1, 2006		124,331	124,331
October 1, 2006	300,000	124,331	424,331
April 1, 2007		118,556	118,556
Thereafter	<u>5,295,000</u>	<u>1,727,915</u>	<u>7,022,915</u>
 Total	 <u>\$6,680,000</u>	 <u>\$3,054,993</u>	 <u>\$ 9,734,993</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% to 6.50%. These certificates were refinanced in January 1999 and have been in-substance defeased. At June 30, 2002, \$5,835,000 of the 1994 Certificates of Participation were outstanding; approximately \$6,231,100 was in the escrow account at June 30, 2002 to pay off this debt.

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

(Continued)

NOTE 8 - REVENUE BONDS:

The District issued Revenue Bonds on July 18, 2001 in the amount of \$3,095,000 to be used to remodel and expand the Student Center. Interest rates on the bonds range from 5.0% to 5.625% for the length of the issuance. The bonds will mature on April 1, 2031. The source of revenue to pay off the debt will come from the Student Center Fee Fund. Future principal and interest payments are as follows:

<u>Lease Payment Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
October 1, 2002	\$	\$ 75,286	\$ 75,286
April 1, 2003	55,000	75,286	130,286
October 1, 2003		74,323	74,323
April 1, 2004	55,000	74,323	129,323
October 1, 2004		73,292	73,292
April 1, 2005	60,000	73,292	133,292
October 1, 2005		72,167	72,167
April 1, 2006	60,000	72,167	132,167
October 1, 2006		71,042	71,042
April 1, 2007	60,000	71,042	131,042
October 1, 2007		69,842	69,842
April 1, 2008	65,000	69,842	134,842
Thereafter	<u>2,705,000</u>	<u>1,993,393</u>	<u>4,698,393</u>
Total	<u>\$3,060,000</u>	<u>\$2,865,297</u>	<u>\$ 5,925,297</u>

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

(Continued)

NOTE 9 - OTHER ACCOUNTING DISCLOSURES:

- A. General fixed assets** - General fixed assets for the year ended June 30, 2002, are shown below:

	Balance* <u>June 30, 2002</u>
Land	\$ 3,946,936
Site and Site Improvements	19,476,635
Construction in Progress	800,915
Equipment	<u>13,081,989</u>
Totals	<u>\$37,306,475</u>

* Prior to 2001-02, the District did not maintain a complete record of the historical costs of its general fixed assets for the governmental fund types.

- B. Long-term debt** - A schedule of changes in long-term debt for the year ended June 30, 2002 is shown below.

	Balance <u>July 1, 2001</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2002</u>
Certificates of Participation	\$ 6,930,000	\$	\$ 250,000	\$ 6,680,000
Revenue Bonds		3,095,000	35,000	3,060,000
Accumulated Unpaid Employee Compensation	576,488		157,423	419,065
Postemployment Benefits	27,263,940	7,336,229		34,600,169
Capital Leases	<u>2,094,037</u>	<u> </u>	<u>815,358</u>	<u>1,278,679</u>
Totals	<u>\$36,864,465</u>	<u>\$10,431,229</u>	<u>\$1,257,781</u>	<u>\$46,037,913</u>

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

(Continued)

NOTE 10 - ENTERPRISE FUNDS - FIXED ASSETS:

Fixed assets of the Cafeteria Enterprise Fund 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, 2002 was \$13,751 for the Cafeteria Fund.

At June 30, 2001, the Bookstore Enterprise Fund maintained fixed assets at a net carrying amount of \$599,106. Depreciation expense for the fiscal year ended June 30, 2002 was \$32,955. During the fiscal year 2001-02, these assets, less the assets deemed obsolete, were transferred to the District's General Fixed Assets account group.

Balances by major class of assets at June 30, 2002 were as follows:

	<u>Cafeteria Fund</u>
Site Improvements	\$ 186,971
Furniture, Fixtures and Equipment	<u>119,383</u>
Total Fixed Assets	306,354
Accumulated Depreciation	<u>(233,397)</u>
Net Fixed Assets	\$ <u>72,957</u>

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

(Continued)

NOTE 11 - 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.

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 2001-02 was 8.25% of annual payroll. 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, 2002

(Continued)

NOTE 11 - EMPLOYEE RETIREMENT PLANS: (continued)

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 comprehensive annual financial report that includes required supplementary information. Copies of the CalPERS' annual financial report may be obtained 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 effective through December 31, 2000) 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 2001-02. The contribution requirements of the plan members are established and may be amended by State statute.

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 <u>June 30,</u>	<u>STRS</u>		<u>PERS</u>	
	<u>Required Contribution</u>	<u>Percent Contributed</u>	<u>Required Contribution</u>	<u>Percent Contributed</u>
2000	\$1,946,366	100%	\$0	100%
2001	2,041,285	100%	0	100%
2002	2,240,781	100%	0	100%

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

(Continued)

NOTE 12 - RETIREE BENEFITS:

The District currently provides retiree dental, 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, medical benefits are provided only to age 65 and dental benefits are provided for life. The estimated total future liability, based upon an actuarial study dated May 30, 2002 is approximately \$34.6 million; this actuarial liability is as of December 1, 2001. In 2001-02, the District paid approximately \$1,499,636 for retiree benefits. The District has budgeted \$1,673,572 for these benefits in 2002-03.

NOTE 13 - 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.

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.

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

(Continued)

NOTE 13 - JOINT POWERS AGREEMENT: (continued)

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, SDCSFBC, SWACC, and SELF for the most current information available is as follows:

	SDCRM-JPA 6/30/2001 <u>(Audited)</u>	SDCSFBC 6/30/2001 <u>(Audited)</u>	SWACC 6/30/2001 <u>(Audited)</u>	SELF 6/30/2001 <u>(Audited)</u>
Total assets	\$26,309,932	\$11,522,212	\$15,510,112	\$113,781,050
Total liabilities	<u>9,487,962</u>	<u>4,417,056</u>	<u>5,781,528</u>	<u>80,946,594</u>
Retained earnings	<u>\$16,821,970</u>	<u>\$ 7,105,156</u>	<u>\$ 9,728,584</u>	<u>\$ 32,834,456</u>
Total revenues	\$29,719,812	\$40,788,501	\$ 6,509,958	\$ 17,248,961
Total expenditures	<u>27,300,879</u>	<u>40,425,733</u>	<u>6,054,146</u>	<u>43,936,893</u>
Net increase/(decrease) in retained earnings	<u>\$ 2,418,933</u>	<u>\$ 362,768</u>	<u>\$ 455,812</u>	<u>\$ (26,687,932)</u>

NOTE 14 - ADJUSTMENT FOR RESTATEMENT:

The beginning fund balance in the General Fund has been restated by \$609,505 due to a write-off of student accounts receivable from 1998-99 that was determined to be uncollectible.

PALOMAR COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

(Continued)

NOTE 15 - DEFICIT RETAINED EARNINGS:

The Cafeteria Fund activities, prior to outsourcing to a private company, resulted in a net loss of \$(40,308) and an ending deficit retained earnings balance of \$(40,990).

NOTE 16 - COMMITMENTS AND CONTINGENCIES:

State and Federal Allowances, Awards and Grants

The District has received state and federal funds for specific purposes, including reimbursement of mandated costs, 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.

NOTE 17 - SUBSEQUENT EVENT:

A. Tax Revenue Anticipation Notes

The District issued \$2,500,000 of Tax Revenue Anticipation Notes dated July 1, 2002 through the California Community College Financing Authority. The notes mature on June 30, 2003 and yield 1.68% 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 are that \$1,287,397 be deposited in January and April respectively to cover principal and interest payments.

B. Implementation of GASB Statement No. 34

The Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. The statement prescribes a new financial reporting model that will restructure much of the information the District has presented in the past. Nation-wide implementation of GASB Statement No. 34 will be phased in over a three year period, beginning with larger districts. Since the District's 1998-99 revenues were between \$10 million and \$100 million, GASB Statement No. 34 is effective for fiscal year 2002-03.

PALOMAR COMMUNITY COLLEGE DISTRICT

SPECIAL REVENUE FUNDS
 COMBINING BALANCE SHEET
 June 30, 2002

	<u>Child Development Fund</u>	<u>Escondido Tenancy Fund</u>	<u>Total (Memorandum Only)</u>
<u>ASSETS</u>			
Cash in County Treasury	\$ 1,673,394	\$ -	\$ 1,673,394
Cash on Hand and in Banks	2,994	259,639	262,633
Accounts Receivable: Federal and State	<u>5,348</u>	<u> </u>	<u>5,348</u>
TOTAL ASSETS	<u>\$ 1,681,736</u>	<u>\$ 259,639</u>	<u>\$ 1,941,375</u>
<u>LIABILITIES AND FUND BALANCE</u>			
LIABILITIES			
Accounts Payable	\$ 73,918	\$ 8,728	\$ 82,646
Due to Other Funds	922,861		922,861
Deferred Revenue	79,400		79,400
Accrued Vacation	<u>9,596</u>	<u> </u>	<u>9,596</u>
TOTAL LIABILITIES	<u>1,085,775</u>	<u>8,728</u>	<u>1,094,503</u>
FUND BALANCE			
Restricted for Special Purposes	595,961		595,961
Designated for Special Purposes	<u> </u>	<u>250,911</u>	<u>250,911</u>
TOTAL FUND BALANCE	<u>595,961</u>	<u>250,911</u>	<u>846,872</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,681,736</u>	<u>\$ 259,639</u>	<u>\$ 1,941,375</u>

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, 2002

	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	\$ 42,000	\$ 52,095	\$ 10,095	\$ -	\$ -	\$ -	\$ 42,000	\$ 52,095	\$ 10,095
Revenue from Other State Sources									
Other State Revenues	395,074	345,489	(49,585)				395,074	345,489	(49,585)
Revenue from Local Sources									
Interest and Investment Income	60,000	52,415	(7,585)	3,000	1,274	(1,726)	63,000	53,689	(9,311)
Rentals and Leases				186,000	193,203	7,203	186,000	193,203	7,203
Other Local Revenues	280,280	326,250	45,970	38,000	35,319	(2,681)	318,280	361,569	43,289
TOTAL REVENUES	<u>777,354</u>	<u>776,249</u>	<u>(1,105)</u>	<u>227,000</u>	<u>229,796</u>	<u>2,796</u>	<u>1,004,354</u>	<u>1,006,045</u>	<u>1,691</u>
EXPENDITURES									
Academic Salaries	353,096	307,621	45,475				353,096	307,621	45,475
Classified Salaries	213,500	189,877	23,623				213,500	189,877	23,623
Employee Benefits	140,360	119,822	20,538				140,360	119,822	20,538
Supplies and Materials	95,727	87,553	8,174				95,727	87,553	8,174
Other Operating Expenses & Services	65,791	63,739	2,052	295,000	162,942	132,058	360,791	226,681	134,110
Capital Outlay	4,110	3,704	406	116,057	-	116,057	120,167	3,704	116,463
TOTAL EXPENDITURES	<u>872,584</u>	<u>772,316</u>	<u>100,268</u>	<u>411,057</u>	<u>162,942</u>	<u>248,115</u>	<u>1,283,641</u>	<u>935,258</u>	<u>348,383</u>
Excess (deficiency) of revenues over expenditures	<u>(95,230)</u>	<u>3,933</u>	<u>99,163</u>	<u>(184,057)</u>	<u>66,854</u>	<u>250,911</u>	<u>(279,287)</u>	<u>70,787</u>	<u>350,074</u>
OTHER FINANCING SOURCES (USES)									
Interfund Transfers In	46,457	46,547	90				46,457	46,547	90
Interfund Transfers Out				(310,000)	(310,000)	-	(310,000)	(310,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>46,457</u>	<u>46,547</u>	<u>90</u>	<u>(310,000)</u>	<u>(310,000)</u>	<u>-</u>	<u>(263,543)</u>	<u>(263,453)</u>	<u>90</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (48,773)</u>	<u>50,480</u>	<u>\$ 99,253</u>	<u>\$ (494,057)</u>	<u>(243,146)</u>	<u>\$ 250,911</u>	<u>\$ (542,830)</u>	<u>(192,666)</u>	<u>\$ 350,164</u>
Fund Balances at beginning of year		<u>545,481</u>			<u>494,057</u>			<u>1,039,538</u>	
Fund Balances at end of year		<u>\$ 595,961</u>			<u>\$ 250,911</u>			<u>\$ 846,872</u>	

See the accompanying notes to the financial statements.

PALOMAR COMMUNITY COLLEGE DISTRICT

CAPITAL PROJECTS FUNDS
 COMBINING BALANCE SHEET
 June 30, 2002

	<u>Capital Outlay Fund</u>	<u>COP Capital Projects Fund</u>	<u>Energy Conservation Fund</u>	<u>Total (Memorandum Only)</u>
<u>ASSETS</u>				
Cash in County Treasury	\$ 7,643,197	\$ -	\$ 400,262	\$ 8,043,459
Investments with Fiscal Agent		5,496		5,496
Accounts Receivable:				
Federal and State Governments	493,422			493,422
Miscellaneous	12,743			12,743
Due From Other funds	232,651			232,651
TOTAL ASSETS	<u>\$ 8,382,013</u>	<u>\$ 5,496</u>	<u>\$ 400,262</u>	<u>\$ 8,787,771</u>
<u>LIABILITIES AND FUND BALANCE</u>				
LIABILITIES				
Accounts Payable	\$ 166,426	\$ -	\$ 95,000	\$ 261,426
Deferred Revenue	17,410		229,364	246,774
TOTAL LIABILITIES	<u>183,836</u>	<u>-</u>	<u>324,364</u>	<u>508,200</u>
FUND BALANCE				
Designated for Special Purposes	8,198,177	5,496	75,898	8,279,571
TOTAL FUND BALANCE	<u>8,198,177</u>	<u>5,496</u>	<u>75,898</u>	<u>8,279,571</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 8,382,013</u>	<u>\$ 5,496</u>	<u>\$ 400,262</u>	<u>\$ 8,787,771</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, 2002

	<u>Capital Outlay Fund</u>			<u>COP Capital Projects Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES						
Revenue from State Sources						
Other State Revenue	\$ 2,168,312	\$ 1,056,463	\$ (1,111,849)	\$ -	\$ -	\$ -
Revenue from Local Sources						
Interest	-	301,248	301,248	-	112	112
Other Local Revenue	765,828	340,922	(424,906)			
TOTAL REVENUES	<u>2,934,140</u>	<u>1,698,633</u>	<u>(1,235,507)</u>	<u>-</u>	<u>112</u>	<u>112</u>
EXPENDITURES						
Books and Supplies	11,800	11,792	8			
Other Operating Expenses & Services	4,109,717	863,015	3,246,702			
Capital Outlay	2,057,926	1,247,032	810,894			
TOTAL EXPENDITURES	<u>6,179,443</u>	<u>2,121,839</u>	<u>4,057,604</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(3,245,303)</u>	<u>(423,206)</u>	<u>2,822,097</u>	<u>-</u>	<u>112</u>	<u>112</u>
OTHER FINANCING SOURCES (USES)						
Interfund Transfers In	1,567,647	1,522,814	(44,833)			
Interfund Transfers Out	(148,784)	(133,862)	14,922			
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,418,863</u>	<u>1,388,952</u>	<u>(29,911)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>\$ (1,826,440)</u>	<u>965,746</u>	<u>\$ 2,792,186</u>	<u>\$ -</u>	<u>112</u>	<u>\$ 112</u>
Fund Balances at beginning of year		<u>7,232,431</u>			<u>5,384</u>	
Fund Balances at end of year		<u>\$ 8,198,177</u>		<u>\$ 5,496</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, 2002

	Energy Conservation Fund			Total (Memorandum Only)		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Revenue from State Sources						
Other State Revenue	\$ 520,680	\$ 296,224	\$ (224,456)	2,688,992	1,352,687	(1,336,305)
Revenue from Local Sources						
Interest				-	301,360	301,360
Other Local Revenue	2,207	2,207	-	768,035	343,129	(424,906)
TOTAL REVENUES	<u>522,887</u>	<u>298,431</u>	<u>(224,456)</u>	<u>3,457,027</u>	<u>1,997,176</u>	<u>(1,459,851)</u>
EXPENDITURES						
Books and Supplies				11,800	11,792	8
Other Operating Expenses & Services	520,680	291,316	229,364	4,630,397	1,154,331	3,476,066
Capital Outlay	70,990	-	70,990	2,128,916	1,247,032	881,884
TOTAL EXPENDITURES	<u>591,670</u>	<u>291,316</u>	<u>300,354</u>	<u>6,771,113</u>	<u>2,413,155</u>	<u>4,357,958</u>
Excess (deficiency) of revenues over expenditures	<u>(68,783)</u>	<u>7,115</u>	<u>75,898</u>	<u>(3,314,086)</u>	<u>(415,979)</u>	<u>2,898,107</u>
OTHER FINANCING SOURCES (USES)						
Interfund Transfers In				1,567,647	1,522,814	(44,833)
Interfund Transfers Out				(148,784)	(133,862)	14,922
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,418,863</u>	<u>1,388,952</u>	<u>(29,911)</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>\$ (68,783)</u>	<u>7,115</u>	<u>\$ 75,898</u>	<u>\$ (1,895,223)</u>	<u>972,973</u>	<u>\$ 2,868,196</u>
Fund Balances at beginning of year		<u>68,783</u>			<u>7,306,598</u>	
Fund Balances at end of year		<u>\$ 75,898</u>			<u>\$ 8,279,571</u>	

See the accompanying notes to the financial statements.

PALOMAR COMMUNITY COLLEGE DISTRICT

PROPRIETARY FUND TYPES - ENTERPRISE FUNDS
 COMBINING BALANCE SHEET
 June 30, 2002

	<u>Cafeteria Fund</u>	<u>Bookstore Fund</u>	<u>Total (Memorandum Only)</u>
<u>ASSETS</u>			
Cash on Hand and in Banks	\$ 100,505	\$ -	\$ 100,505
Accounts Receivable:			
Miscellaneous	26,255		26,255
Fixed Assets	<u>72,957</u>		<u>72,957</u>
TOTAL ASSETS	<u>\$ 199,717</u>	<u>\$ -</u>	<u>\$ 199,717</u>
<u>LIABILITIES AND FUND BALANCE</u>			
LIABILITIES			
Accounts Payable	\$ 2,491	\$ -	\$ 2,491
Due to Other Funds	<u>238,216</u>		<u>238,216</u>
TOTAL LIABILITIES	<u>240,707</u>	<u>-</u>	<u>240,707</u>
FUND EQUITY			
Retained Earnings	<u>(40,990)</u>	<u>-</u>	<u>(40,990)</u>
TOTAL FUND EQUITY	<u>(40,990)</u>	<u>-</u>	<u>(40,990)</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 199,717</u>	<u>\$ -</u>	<u>\$ 199,717</u>

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, 2002

	Cafeteria Fund	Bookstore Fund	Total (Memorandum Only)
OPERATING REVENUES			
Sales	\$ 1,157,241	\$ 557	\$ 1,157,798
Revenue from Local Sources	10,968		10,968
Total Operating Revenues	1,168,209	557	1,168,766
OPERATING EXPENSES			
Classified Salaries	442,655		442,655
Employee Benefits	55,155		55,155
Supplies	658,273		658,273
Other Operating Expenses & Services	46,814	184,734	231,548
Capital Outlay	6,457		6,457
Total Operating Expenses	1,209,354	184,734	1,394,088
Operating Loss	(41,145)	(184,177)	(225,322)
NON-OPERATING REVENUES			
Interest Income	837		837
Interfund Transfer Out		(147,965)	(147,965)
Net Loss	(40,308)	(332,142)	(372,450)
RETAINED EARNINGS - Beginning of year	(682)	332,142	331,460
RETAINED EARNINGS - End of year	\$ (40,990)	\$ -	\$ (40,990)

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, 2002

	<u>Cafeteria Fund</u>	<u>Bookstore Fund</u>	<u>Total (Memorandum Only)</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from sales	\$ 1,140,122	\$ 70,989	\$ 1,211,111
Cash received from local sources	10,968		10,968
Cash paid to vendors and employees	<u>(1,249,585)</u>	<u>(11,429)</u>	<u>(1,261,014)</u>
Net cash provided (used) by operating activities	<u>(98,495)</u>	<u>59,560</u>	<u>(38,935)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	<u>837</u>		<u>837</u>
Net cash provided by investing activities	<u>837</u>	<u>-</u>	<u>837</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Purchase of fixed assets	(2,928)		(2,928)
Other transfers out		<u>(147,965)</u>	<u>(147,965)</u>
Net cash used by financing activities	<u>(2,928)</u>	<u>(147,965)</u>	<u>(150,893)</u>
Net (Decrease) in Cash	(100,586)	(88,405)	(188,991)
Cash - July 1, 2001	<u>201,091</u>	<u>88,405</u>	<u>289,496</u>
Cash - June 30, 2002	<u>\$ 100,505</u>	<u>\$ -</u>	<u>\$ 100,505</u>

**Reconciliation of Operating Loss
to Net Cash Provided (Used) by Operating Activities**

Operating Loss	\$ (41,145)	\$ (184,177)	\$ (225,322)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:			
Depreciation expense	13,751	32,955	46,706
Write-off of fixed assets		566,151	566,151
(Increase)/Decrease in accounts receivable	(22,722)	173,101	150,379
(Increase)/Decrease in due from other funds	5,603	62,533	68,136
(Increase)/Decrease in inventory	38,617		38,617
Increase/(Decrease) in accounts payable	(15,801)	(6,977)	(22,778)
Increase/(Decrease) in due to other funds	<u>(76,798)</u>	<u>(584,026)</u>	<u>(660,824)</u>
Net Increase (Decrease) in Cash from Operating Activities	<u>\$ (98,495)</u>	<u>\$ 59,560</u>	<u>\$ (38,935)</u>

See the accompanying notes to the financial statements.

PALOMAR COMMUNITY COLLEGE DISTRICT

FIDUCIARY FUND TYPES
COMBINING BALANCE SHEET
June 30, 2002

	<u>Student Financial Aid Fund</u>	<u>Associated Student Government Fund</u>	<u>Scholarship and Loan Trust Fund</u>	<u>Student Representation Fund</u>	<u>Student Center Fee Fund</u>	<u>Total (Memorandum Only)</u>
<u>ASSETS</u>						
Cash in County Treasury	\$ -	\$ -	\$ 886,114	\$ 123,155	\$ 210,215	\$ 1,219,484
Cash on Hand and in Banks:						
Cash in Checking	41,734	29,547				71,281
Cash in Savings		66,159				66,159
Cash Collections Awaiting Deposit					279	279
Accounts Receivable:						
Miscellaneous	207,312		1,225		76,458	284,995
Due from Other Funds				108		108
TOTAL ASSETS	<u>\$ 249,046</u>	<u>\$ 95,706</u>	<u>\$ 887,339</u>	<u>\$ 123,263</u>	<u>\$ 286,952</u>	<u>\$ 1,642,306</u>
<u>LIABILITIES AND FUND EQUITY</u>						
Accounts Payable	\$ 20,253	\$ 4,075	\$ 1,847	\$ -	\$ -	\$ 26,175
Due to Other Funds	200,861	2,373		1,355	47,512	252,101
Amounts Held in Trust		67,524				67,524
Deferred Revenue		925			29,801	30,726
TOTAL LIABILITIES	<u>221,114</u>	<u>74,897</u>	<u>1,847</u>	<u>1,355</u>	<u>77,313</u>	<u>376,526</u>
FUND BALANCE						
Restricted for Special Purposes	27,932		885,492	121,908	209,639	1,244,971
Designated for Special Purposes		20,809				20,809
TOTAL FUND BALANCE	<u>27,932</u>	<u>20,809</u>	<u>885,492</u>	<u>121,908</u>	<u>209,639</u>	<u>1,265,780</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 249,046</u>	<u>\$ 95,706</u>	<u>\$ 887,339</u>	<u>\$ 123,263</u>	<u>\$ 286,952</u>	<u>\$ 1,642,306</u>

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, 2002

	<u>Student Financial Aid Fund</u>	<u>Associated Student Government Fund</u>	<u>Scholarship and Loan Trust Fund</u>	<u>Student Representation Fund</u>	<u>Student Center Fee Fund</u>	<u>Total (Memorandum Only)</u>
REVENUES						
Revenue from Federal Sources						
Student Financial Aid	\$ 3,126,776	\$ -	\$ -	\$ -	\$ -	\$ 3,126,776
Revenue from State Sources						
Other State Income	242,592	82,681				325,273
Revenue from Local Sources						
Interest	1,106	640	35,315	5,623	17,620	60,304
Other Local Revenue	20,403		17,963	8,180	149,826	196,372
TOTAL REVENUES	<u>3,390,877</u>	<u>83,321</u>	<u>53,278</u>	<u>13,803</u>	<u>167,446</u>	<u>3,708,725</u>
EXPENDITURES						
Classified Salaries		9,380				9,380
Supplies and Materials		39,739				39,739
Other Operating Expenses & Services	1,091	72,602	6,943	32,971		113,607
Capital Outlay		402				402
Other Transfers Out		2,790				2,790
TOTAL EXPENDITURES	<u>1,091</u>	<u>124,913</u>	<u>6,943</u>	<u>32,971</u>	<u>-</u>	<u>165,918</u>
Excess (deficiency) of revenues over expenditures	<u>3,389,786</u>	<u>(41,592)</u>	<u>46,335</u>	<u>(19,168)</u>	<u>167,446</u>	<u>3,542,807</u>
OTHER FINANCING SOURCES (USES)						
Interfund Transfers In		35,000				35,000
Interfund Transfers Out					(306,296)	(306,296)
Student Financial Aid	(3,495,812)					(3,495,812)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,495,812)</u>	<u>35,000</u>	<u>-</u>	<u>-</u>	<u>(306,296)</u>	<u>(3,767,108)</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>(106,026)</u>	<u>(6,592)</u>	<u>46,335</u>	<u>(19,168)</u>	<u>(138,850)</u>	<u>(224,301)</u>
Fund Balances at Beginning of Year	<u>133,958</u>	<u>27,401</u>	<u>839,157</u>	<u>141,076</u>	<u>348,489</u>	<u>1,490,081</u>
Fund Balances at End of Year	<u>\$ 27,932</u>	<u>\$ 20,809</u>	<u>\$ 885,492</u>	<u>\$ 121,908</u>	<u>\$ 209,639</u>	<u>\$ 1,265,780</u>

See the accompanying notes to the financial statements.

SUPPLEMENTARY INFORMATION

PALOMAR COMMUNITY COLLEGE DISTRICT

HISTORY AND ORGANIZATION

June 30, 2002

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, Vista, 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, Borrego Springs, Fallbrook and Camp Pendleton.

GOVERNING BOARD

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Robert L. Dougherty, Jr., M.D.	President	2002
Darrell L. McMullen, M.B.A.	Vice President	2004
Silverio H. Haro, Ed.M.	Secretary	2002
Ralph G. Jensen, B.A.	Trustee	2004
Michele T. Nelson, Ph.D.	Trustee	2002
Sean Weimer	Student Trustee	2002

DISTRICT EXECUTIVE OFFICERS

Sherrill L. Amador, Ed.D.	Superintendent/President
Diane Lutz	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
Mark Vernoy, Ph.D.	Dean, Human Arts and Sciences
Michael R. Rourke, Ph.D.	Dean, Mathematics and the Natural and Health Sciences
Pat Schwerdtfeger	Interim Dean, Media, Business and Community Services
Wilma Owens	Dean, Vocational Technology
Judy Eberhart	Dean, Counseling, Guidance, and Career Development
Lise S. Telson	Dean, Student Support Programs
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, 2002

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number *	Total Program Expenditures and Encumbrances
U.S. Department of Education			
SEOG	84.007	N/A	\$ 199,617
SEOG Administrative allowance	84.007	N/A	22,213
Pell Grant- Administrative allowance	84.063	N/A	21,219
Pell Grant	84.063	N/A	2,425,155
Higher Education Act:			
Federal Workstudy	84.033	N/A	114,693
Veterans Education	64.112	N/A	7,747
TRIO Student Support Services	84.042A	N/A	212,978
TRIO Supplemental	84.042A	N/A	234,254
TRIO Upward Bound	84.047A	N/A	11,800
Gear-Up	84.334A	N/A	1,006,263
Vocational Technology Education Act:			
Leadership IIC	84.048	13920	201,516
ROP	84.048	N/A	76,159
Tech Prep	84.243	13929	41,600
Direct Loans	N/A	N/A	507,003
U.S. Department of Justice			
Dept of Justice/ COPS	16.710	N/A	166,052
U.S. Department of Health and Human Services			
TANF	93.558	N/A	64,518
Child Development Training Consortium	93.575	13967	21,084
U.S. Department of Agriculture			
Child Nutrition	10.555	03755	52,095
U.S. Department of the Interior			
Bureau of Indian Affairs	15.048	N/A	2,000
Total Federal Programs			\$ 5,387,966

* 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, 2002

Program Name	Program Entitlements			Program Revenues				Total Program Expenditures and Encumbrances
	Current Year	Prior Year Carryover	Total	Cash Received	Accounts Receivable	Deferred Income	Total	
State Categorical Aid Programs:								
Associate Nursing Degree Grant	\$ 62,491	\$ -	\$ 62,491	\$ 62,491	\$ -	\$ 61,455	1,036	\$ 1,036
Apprenticeship Administration	855,943	8,539	864,482	864,482		99,572	764,910	764,910
Basic Skills	478,645		478,645	478,645			478,645	478,645
BFAP		54,060	54,060	54,060		3,112	50,948	50,948
ENRL/BFAP 2% Admn	3,775	95,555	99,330	70,845	28,485		99,330	99,330
Block Grants		714,392	714,392	714,392	1,760	50,437	665,715	665,715
Cal Works	490,105	6,927	497,032	497,032		55,959	441,073	441,073
Campus Child Care	139,664		139,664	139,664		49,263	90,401	90,401
CCC Satellite Network	6,499,048		6,499,048	1,718,045	195,516		1,913,561	1,913,561
Dept of Ed Reserve		79,121	79,121	79,121		79,121	-	-
Disabled Student Programs and Services	735,593	36,655	772,248	772,248		34,083	738,165	738,165
Education Network Grant		5,572	5,572	5,572		4,832	740	740
Extended Opportunity Programs & Services	1,045,341	3,321	1,048,662	1,045,741	2,938	17	1,048,662	1,048,662
Fund for Student Success- Institutionalization		9,361	9,361	9,361		9,361	-	-
Fund for Student Success- Instructional Grant		4,432	4,432	4,432			4,432	4,432
Fund for Student Success- Planning		45,180	45,180	9,602	25,976		35,578	35,578
Growth	3,339,517		3,339,517	3,339,517		823,931	2,515,586	2,515,586
Instructional Equipment/SB735	248,035		248,035	248,035		175,953	72,082	72,082
Lottery Prop 20 - Instructional Materials	266,112	1,983	268,095	268,095		40,470	227,625	227,625
Matriculation	382,667	1,000,000	1,382,667	1,382,667		91,457	1,291,210	1,291,210
Matriculation Think Tank		8,000	8,000		8,000		8,000	8,000
Media Center		824	824	824		797	27	27
Staff Development	79,520	44,596	124,116	124,116		28,791	95,325	95,325
Staff Diversity	20,744	9,618	30,362	30,362		8,142	22,220	22,220
State ADA Barrier Removal		222,254	222,254	222,254			222,254	222,254
State Energy Conservation Fund		291,316	291,316	291,316			291,316	291,316
State Preschool Expansion		100,881	100,881	100,881		5,597	95,284	95,284
State CHDV Instr Materials		1,155	1,155	1,155			1,155	1,155
SMSR State FY 2002		5,718	5,718	5,718			5,718	5,718
Student Equity Mentor		275	275	275		275	-	-
TANF	66,472		66,472	66,341		1,823	64,518	64,518
TeleModel Pilot Project		14,132	14,132	14,132		14,132	-	-
Telecommunications and Technology	665,256		665,256	665,256		143,001	522,255	522,255
TTIP E Conferencing	1,300,000	457,236	1,757,236	1,757,236		38,013	1,719,223	1,719,223
Transfer and Articulation Allocation		15,850	15,850	15,850		6,025	9,825	9,825
Total State Programs	\$ 16,678,928	\$ 3,236,953	\$ 19,915,881	\$ 15,059,763	\$ 262,675	\$ 1,825,619	\$ 13,496,819	\$ 13,496,819

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, 2002

Categories

A.	Credit Full-Time Equivalent Students	
1.	Weekly census	12,776.43
2.	Daily census	858.45
3.	Actual hour of attendance	594.05
4.	Independent study/work experience	1,017.80
5.	Summer intersession	<u>1,657.12</u>
	Total	<u>16,903.85</u>
B.	Non-Credit FTES	
1.	Actual hour of attendance	1,585.07
2.	Summer intersessions	264.30
3.	Independent Study	<u>.09</u>
	Total	<u>1,849.46</u>
C.	Basic Skills Courses	
1.	Credit	786.86
2.	Non-Credit	<u>1,723.25</u>
	Total	<u>2,510.11</u>
	Gross Square Footage	
	Existing Facilities	<u>630,815</u>
	FTES in Leased Facilities	<u>1,428.86</u>

See the accompanying notes to the supplementary information.

PALOMAR COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2002

	<u>Debt Service Fund</u>	<u>COP Capital Projects Fund</u>	<u>Cafeteria Fund</u>	<u>Associated Student Government Fund</u>
June 30, 2002 Annual Financial and Budget Report and Fund Balance	\$ -	\$ -	\$ 2,786	\$ 88,333
Adjustments and Reclassifications:				
Under (Over) Statement of Beginning Balance	622,845			
(Under) Statement of Due to Other Funds			(43,776)	
Under (Over) Statement of Revenues	2,952,812			(67,524)
Under Statement of COPs activity	<u> </u>	<u>5,496</u>	<u> </u>	<u> </u>
Net Adjustments and Reclassifications	<u>3,575,657</u>	<u>5,496</u>	<u>(43,776)</u>	<u>(67,524)</u>
June 30, 2002 Audited Financial Statements Fund Balance	<u>\$3,575,657</u>	<u>\$5,496</u>	<u>\$ (40,990)</u>	<u>\$ 20,809</u>

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,

	(Budget) 2003		2002		2001		2000	
	Amount	%	Amount	%	Amount	%	Amount	%
<u>GENERAL FUND:</u>								
<u>Revenue</u>								
Federal	\$ 1,719,952	1.54	\$ 2,209,095	2.45	\$ 1,700,489	2.05	\$ 1,316,956	1.70
State	44,907,014	40.31	45,099,366	49.92	35,411,782	42.66	34,037,564	43.90
County and Local	50,512,903	45.34	47,199,935	52.24	44,936,631	54.13	42,096,383	54.30
Total Revenue	<u>97,139,869</u>	<u>87.19</u>	<u>94,508,396</u>	<u>104.61</u>	<u>82,048,902</u>	<u>98.84</u>	<u>77,450,903</u>	<u>99.90</u>
<u>Expenditures</u>								
Academic Salaries	38,073,624	34.18	36,252,120	40.12	32,578,581	39.24	30,397,413	39.21
Classified Salaries	24,510,578	22.00	22,081,726	24.44	20,062,304	24.17	18,109,252	23.36
Employee Benefits	14,496,542	13.01	12,059,986	13.35	10,769,316	12.97	9,675,248	12.48
Supplies and Materials	2,268,734	2.04	1,946,119	2.15	2,026,963	2.44	1,617,616	2.09
Other Operating Expenses & Services	14,296,783	12.83	11,635,116	12.88	11,315,538	13.63	9,201,144	11.87
Capital Outlay	3,981,800	3.58	3,603,491	4.00	5,238,834	6.30	5,547,539	7.16
Other Uses (net)	13,779,300	12.37	2,770,895	3.07	1,022,565	1.23	2,977,841	3.84
Total Expenditures	<u>111,407,361</u>	<u>100.01</u>	<u>90,349,453</u>	<u>100.01</u>	<u>83,014,101</u>	<u>99.98</u>	<u>77,526,053</u>	<u>100.01</u>
Change in Fund Balance	\$ <u>(14,267,492)</u>	<u>(12.82)</u>	\$ <u>4,158,943</u>	<u>4.60</u>	\$ <u>(965,199)</u>	<u>(1.14)</u>	\$ <u>(75,150)</u>	<u>(0.11)</u>
Adjustment for Restatement	\$ -	-	\$ (609,505)	(0.67)	\$ 584,026	0.70	\$ -	-
Ending Fund Balance	\$ -	-	\$ <u>14,267,492</u>	<u>15.79</u>	\$ <u>10,718,054</u>	<u>12.91</u>	\$ <u>11,099,227</u>	<u>14.32</u>
Full-Time Equivalent Students	<u>18,753</u>		<u>18,753</u>		<u>17,098</u>		<u>15,211</u>	
Total Long-Term Debt	\$ <u>45,727,913</u>		\$ <u>46,037,913</u>		\$ <u>36,864,465</u>		\$ <u>36,929,232</u>	

IMPORTANT NOTES:

For 2000, 2001 and 2002 all percentages are of total expenditures excluding contingencies; for 2003, the expenditures include an amount budgeted for contingencies.

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.

See the accompanying notes to the supplementary information.

PALOMAR COMMUNITY COLLEGE DISTRICT
NOTES TO THE SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2002

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, 2002 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 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**

Chairman
ROYCE A. STUTZMAN

Partners
PETER F. GAUTREAU
RENÉE S. GRAVES
CARL PON
MARY ANN QUAY
LINDA M. SADDLEMIRE

Principal
JERI A. WENGER

Senior Managers
TIMOTHY D. EVANS
PHEBE M. MCCUTCHEON
KARIN HECKMAN NELSON
ARVEE ROBINSON

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, 2002, and have issued our report thereon dated September 26, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

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

**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)

Internal Control Over Financial Reporting (continued)

over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Palomar Community College District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of 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 do not believe the findings described in the accompanying schedule of findings and questioned costs related to the general purpose financial statements are 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

September 26, 2002

**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

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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, 2002. 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 auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2002.

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

September 26, 2002

REPORT ON STATE COMPLIANCE

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

Chairman

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KARIN HECKMAN NELSON

ARVEE ROBINSON

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, 2002, and have issued our report thereon dated September 26, 2002.

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

In connection with 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 2002 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)

- Whether all District courses that qualify for State apportionment are open to enrollment by the general public unless specifically exempted by statute.

In our opinion, except for findings 02-1 and 02-2 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 02-1 and 02-2 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

September 26, 2002

PALOMAR COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS
June 30, 2002

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

- A. An unqualified opinion was issued for fiscal year 2001-02.
- B. Reportable conditions in internal control were disclosed by the audit of the general purpose financial statements; the reportable conditions disclosed are not 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 2001-02 are:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.033 and 84.063 16.710	Student Financial Assistance Cluster of Programs Department of Justice/COPS

- H. The dollar threshold to distinguish between Type A and Type B programs is \$300,000 for 2001-02.
- I. The District does not qualify as a low risk auditee for fiscal year 2001-02, as defined in OMB Circular A-133.

PALOMAR COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO GENERAL PURPOSE FINANCIAL STATEMENTS
June 30, 2002

FINDING 02-1 – FULL-TIME EQUIVALENT STUDENTS (FTES)

Original Finding 00-3

Finding: During our testing of the District’s newly implemented online instructor drop system, we noted that adequate controls are not in place to ensure instructors input drop information in a timely manner. We noted that the date the instructors enter the drop information, although untimely, is considered the drop date rather than the actual date of “inactive enrollment”. As a result, students that are not actively enrolled as of the census date are potentially reported on the FTES detail reports and improperly claimed for apportionment purposes.

Recommendation: The Student Attendance Accounting Manual states that “deadlines used to submit attendance forms for processing have no effect on drop dates. Determining that students are actively enrolled and submitting that information for processing are two independent activities.” Section 58004 of Title 5 further goes on to define the “drop date” as “the date used to clear the rolls of all inactive enrollment for attendance accounting purposes”. However, we recommend the District implement procedures to ensure timely entry of instructor drop information in order to properly report FTES.

District Response: Additional reminder notices and email notification to faculty will be issued prior to census day to clear the rosters of inactive students. The District has implemented the dropping of students for nonpayment of mandatory fees so that students who have not paid fees are not claimed for apportionment. In addition, the District has scheduled a project to add a last date of activity field on the online drop roster.

PALOMAR COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO GENERAL PURPOSE FINANCIAL STATEMENTS
June 30, 2002

(Continued)

FINDING 02-2 – FULL-TIME EQUIVALENT STUDENTS (FTES)

Finding: During our testing of student add/drop forms, we noted several instances where students added a course after the census date yet were included in the FTES detail and thus claimed for apportionment purposes. Furthermore, it was noted that student add slips that are currently submitted after the census date are reviewed on a case-by-case basis and, if the student is deemed to have been actively attending class from the beginning of the term, their add will be back-dated to a date prior to census. However, we noted no documentation supporting these instances of “exception” that indicated a student’s individual case was reviewed and a decision whether or not to back-date the add was made.

Recommendation: To ensure proper reporting on the CCFS-320 reports, process all adds and drops timely and review for accuracy to ensure that only students who are actively enrolled as of the census date are included in the FTES claimed for apportionment purposes. In addition, the back-dating of student adds should only be done on an “exception” basis and should have adequate documentation supporting the determination of “active enrollment”. Typically, it is expected that the course instructor would have the most knowledge in regards to a student’s “active enrollment” and should be part of the approval process.

District Response: The add form requiring instructor signature will be revised to define the process of reinstatement. The instructor signature will acknowledge the student’s participation since the start date of the class or before the census date. Only signed adds for reinstatement will result in back-dating.

PALOMAR COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS
June 30, 2002

There were no findings and questioned costs related to federal awards for the fiscal year ended June 30, 2002.

PALOMAR COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2002

<u>Finding No.</u>	<u>Finding</u>	<u>Recommendation</u>	<u>Current Status</u>
01-1	<p><u>MULTI-FUNDED POSITIONS – DSP&S AND EOPS</u></p> <p>Original Finding 00-1</p> <p>During testing, we noted that time sheets are not prepared for employees whose salaries are split funded between DSP&S and EOPS.</p>	<p>Split funded employees should keep adequate time sheets to properly support their funding allocations.</p>	<p>Implemented.</p>
01-2	<p><u>FULL-TIME EQUIVALENT STUDENTS (FTES)</u></p> <p>Original Finding 00-3</p> <p>During testing, we noted instances where instructor drop sheets 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-320.</p>	<p>To ensure adequate reporting on the CCFS-320 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.</p>	<p>Not implemented. See current year finding 02-1.</p>

PALOMAR COMMUNITY COLLEGE DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2002

<u>Finding No.</u>	<u>Finding</u>	<u>Recommendation</u>	<u>Current Status</u>
01-3	<p><u>STUDENT CENTER FEE FUND</u></p> <p>During our testing of the Student Center Fee Fund, it was noted that the District is not collecting registration fees from students in a timely manner.</p>	<p>The District should implement procedures to ensure that students with outstanding unpaid registration fees pay off their outstanding balance before they are allowed to register for classes for the following semester.</p>	<p>Implemented.</p>
01-4	<p><u>ACCOUNTS PAYABLE</u></p> <p>We noted the following areas that need improvement related to the District's procedures for accruing liabilities at year-end:</p> <ul style="list-style-type: none"> • The District is not properly accruing liabilities at year-end. Currently, year-end accruals are generated as a result of any open balances on purchase orders that have been entered into the system. It was also noted that, in some cases, department supervisors were being given the option of whether they wanted an item accrued as a liability at fiscal year-end or carried forward and shown as an expense in the following year. • As a result of the improper accrual procedures, several categorical program expenditures were misstated. Through further research, it was determined that grant managers were generating as many purchase orders as needed at year-end to have it appear as if more of the program entitlement had been spent. Through inquiry, it was noted that this was being done to avoid a payable of awarded funds for programs that do not allow a carryover. 	<p>The District should only accrue valid liabilities at year-end. The criteria used to determine a valid liability should be based on whether or not the goods or services were received by the District on or before June 30.</p>	<p>Implemented.</p>