

AGENDA
SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
REGULAR MEETING OF THE BOARD OF TRUSTEES
January 25, 2012
District Office Board Room, 3401 CSM Drive, San Mateo, CA 94402

NOTICE ABOUT PUBLIC PARTICIPATION AT BOARD MEETINGS

The Board welcomes public discussion.

- *The public's comments on agenda items will be taken at the time the item is discussed by the Board.*
- *To comment on items not on the agenda, a member of the public may address the Board under "Statements from the Public on Non-Agenda Items;" at this time, there can be discussion on any matter related to the Colleges or the District, except for personnel items. No more than 20 minutes will be allocated for this section of the agenda. No Board response will be made nor is Board action permitted on matters presented under this agenda topic.*
- *If a member of the public wishes to present a proposal to be included on a future Board agenda, arrangements should be made through the Chancellor's Office at least seven days in advance of the meeting. These matters will be heard under the agenda item "Presentations to the Board by Persons or Delegations." A member of the public may also write to the Board regarding District business; letters can be addressed to 3401 CSM Drive, San Mateo, CA 94402.*
- *Persons with disabilities who require auxiliary aids or services will be provided such aids with a three day notice. For further information, contact the Executive Assistant to the Board at (650) 358-6753.*
- *Regular Board meetings are tape recorded; tapes are kept for one month.*

Government Code §54957.5 states that public records relating to any item on the open session agenda for a regular board meeting should be made available for public inspection. Those records that are distributed less than 72 hours prior to the meeting are available for public inspection at the same time they are distributed to the members of the Board. The Board has designated the Chancellor's Office at 3401 CSM Drive for the purpose of making those public records available for later inspection; members of the public should call 650-358-6753 to arrange a time for such inspection.

6:00 p.m. **ROLL CALL**

Pledge of Allegiance

DISCUSSION OF THE ORDER OF THE AGENDA

MINUTES

12-1-3 [Minutes of the Study Session of January 11, 2012](#)

PRESENTATIONS

12-1-3C [Presentation of Resolution of Honor to Dr. Amelito Enriquez](#)

STATEMENTS FROM EXECUTIVES AND STUDENT REPRESENTATIVES

STATEMENTS FROM THE PUBLIC ON NON-AGENDA ITEMS

NEW BUSINESS

12-1-2A [Approval of Personnel Actions: Changes in Assignment, Compensation, Placement, Leaves, Staff Allocations and Classification of Academic and Classified Personnel](#)

Approval of Consent Agenda

All items on the consent agenda may, by unanimous vote of the Board members present, be approved by one motion after allowing for Board member questions about a particular item. Prior to a motion for approval of the consent agenda, any Board member, interested student or citizen or member of the staff may request that an item be removed to be discussed in the order listed, after approval of remaining items on the consent agenda.

12-1-1CA [Approval of 2012-13 Budget and Planning Calendar](#)

12-1-2CA [Denial of Claim Against the District by Michael Short](#)

Other Recommendations

- 12-1-2B [Adoption of Resolution No. 12-1 Regarding the Recommendations of the California Community Colleges Student Success Task Force](#)
- 12-1-3B [Adoption of Resolution No. 12-2 Regarding the Proposed California Initiative 11-003](#)
- 12-1-4B [Nominations for Membership on the California Community College Trustees \(CCCT\) Board, 2012](#)
- 12-1-101B [Receipt and Acceptance of the 2010-11 District Audit Report](#)
- 12-1-102B [Receipt and Acceptance of the 2010-11 KCSM Audit Report](#)
- 12-1-103B [Receipt and Acceptance of the 2010-11 General Obligation Bond Financial and Performance Audits](#)
- 12-1-104B [Receipt and Acceptance of the 2010-11 Retirement Futuris Public Entity Investment Trust Audit Report](#)
- 12-1-105B [Approval of Nonresident Tuition Fee, 2012-13](#)
- 12-1-106B [Acceptance of California Community Colleges Chancellor's Office Career Advancement Academy Grant](#)
- 12-1-107B [Appointment of Member to Measure G Citizens Oversight Committee](#)
- 12-1-108B [Board Member Compensation](#)

STATEMENTS FROM BOARD MEMBERS

COMMUNICATIONS

RECESS TO CLOSED SESSION

1. Closed Session Personnel Items
 - A. Public Employment: **Cañada College** – Instructor, Earth Science, Science & Technology
 - B. Public Employee Discipline, Dismissal, Release
2. Public Employee Performance Evaluation – Chancellor
3. Conference with Labor Negotiator
Agency Negotiator: Harry Joel
Employee Organizations: AFSCME, AFT and CSEA
4. Conference with Legal Counsel – 1 Case: Citizens for a Green San Mateo v. San Mateo County Community College District et al.; Case # CIV50680

CLOSED SESSION ACTIONS TAKEN

ADJOURNMENT

**Minutes of the Study Session of the Board of Trustees
San Mateo County Community College District
January 11, 2012
San Mateo, CA**

The meeting was called to order at 6:05 p.m.

Board Members Present: President Dave Mandelkern, Vice President Helen Hausman, Trustees Richard Holober, Patricia Miljanich and Karen Schwarz, and Student Trustee Patiane Gladstone

Others Present: Chancellor Ron Galatolo, Executive Vice Chancellor Kathy Blackwood, Skyline College President Regina Stanback Stroud, College of San Mateo President Michael Claire, Cañada College President Jim Keller and District Academic Senate President Diana Bennett

Pledge of Allegiance

DISCUSSION OF THE ORDER OF THE AGENDA

None

MINUTES

It was moved by Vice President Hausman and seconded by Trustee Holober to approve the minutes of the December 14, 2011 meeting of the Board. The motion carried, all members voting "Aye." Trustee Schwarz asked whether a letter has been prepared in regard to the San Mateo County Treasury Oversight Committee, as mentioned on page 2 of the minutes. Chancellor Galatolo said staff is in the process of composing the letter.

It was moved by Trustee Holober and seconded by Vice President Hausman to approve the minutes of the special closed session of the Board of January 5, 2012. The motion carried, all members voting "Aye."

STATEMENTS FROM THE PUBLIC ON NON-AGENDA ITEMS

College of San Mateo student Bailey Girard distributed a petition seeking signatures for the initiative measure titled "Tax on California Oil and Natural Gas Revenues to Education" and said he is asking for the Board's support. President Mandelkern said the Board cannot discuss or take action on a topic which is not on the agenda; however, the Board will take this measure under advisement and potentially consider it at a future meeting.

NEW BUSINESS

APPROVAL OF PERSONNEL ACTIONS: CHANGES IN ASSIGNMENT, COMPENSATION, PLACEMENT, LEAVES, STAFF ALLOCATIONS AND CLASSIFICATION OF ACADEMIC AND CLASSIFIED PERSONNEL (12-1-1A)

It was moved by Vice President Hausman and seconded by Trustee Schwarz to approve the actions in Board Report No. 12-1-1A. The motion carried, all members voting "Aye."

Other Recommendations

ADOPTION OF DISTRICT ACADEMIC CALENDAR FOR 2012-2013

It was moved by Vice President Hausman and seconded by Trustee Holober to approve the calendar as presented in the report. The motion carried, all members voting "Aye."

INFORMATION REPORTS

INFORMATION REPORT ON PLAN AHEAD – PAY AHEAD (12-1-1C)

Executive Vice Chancellor Blackwood asked if there were questions concerning the information contained in the written report. President Mandelkern asked how the number of students dropped (7%) compares with the prior

year. Executive Vice Chancellor Blackwood said there is no data to track from prior years because students were not dropped for nonpayment. Data will be tracked as it is available at this time. Executive Vice Chancellor Blackwood said it was clear that there was an impact as a result of the new policy because the District processed approximately \$1,663,000 in payments between January 1 and 4 of this year compared with \$87,000 on those same days in January 2011. It is assumed that some portion of the non-paying students are those who register for classes, are uncertain whether they will attend, and then decide not to attend; these students would have been no shows with or without the new policy. Chancellor Galatolo said there are 1,700 students on waitlists, which is approximately 45% fewer than last year. He said this is probably a combination of fewer students interested in taking classes and students who were on waitlists getting into classes because other students were dropped.

Trustee Schwarz asked if the District and Colleges will be prepared for the next enrollment period. Executive Vice Chancellor Blackwood said it will run even more smoothly as debriefings with staff and faculty are in progress; discussions are in progress with Sallie Mae, particularly regarding lengthy telephone wait times; and students will better understand the process. She said the process will eventually become routine for students.

President Mandelkern asked if there is information from neighboring colleges regarding the number of non-paying students. Executive Vice Chancellor Blackwood said Ohlone College reports an increase in enrollment since it implemented a plan similar to the District's new policy.

Mr. Girard asked if the 7% of non-paying students includes those who receive financial aid or other support. Executive Vice Chancellor Blackwood said students who have applied for financial aid, enrolled in a payment plan or have a third party payer are excluded from being dropped.

President Mandelkern thanked all who were involved in the implementation of the new policy for their diligence in lowering the percentage of students who would be dropped. Trustee Miljanich added her thanks to staff and faculty who took the time to talk with students about the change in policy. Executive Vice Chancellor Blackwood said Admissions and Records staff and Counseling staff also deserve a great deal of credit.

CALIFORNIA COMMUNITY COLLEGE STUDENT SUCCESS TASKFORCE RECOMMENDATIONS (12-1-2C)

Vice Chancellor Jing Luan said the California Community Colleges Student Success Task Force recommendations were the result of California Senate Bill 1143. The intention of the recommendations is to increase student success and retention rates. The California Community Colleges Board of Governors has received hundreds of emails and thousands of letters providing feedback on, and concerns about, the recommendations. The District has concerns in three general areas:

1. Process – the recommendations were formed by a limited group, with a small window of time given for others to react.
2. Nature of the Recommendations – the recommendations appear to serve political rather than educational ends.
3. Deficiencies – obvious deficiencies in the recommendations will be discussed tonight.

Vice Chancellor Luan asked faculty, students and administrative staff who are participating in the presentation to identify themselves by a show of hands. He said a packet of materials provided to the Board was put together by those participating in the presentation; the materials are included in the official minutes of record. Although the Board of Governors approved the recommendations, the discussion will focus on how to have continuing engagement with the State during the implementation phase.

District Academic Senate President Diana Bennett said the State Academic Senate has been concerned with student success for years. She said the Task Force recommendations were the primary focus of the most recent Academic Senate Plenary Session. She thanked the College Senate leaders for their participation and asked each one to share his/her concerns.

David Clay, Cañada College Academic Senate President, said that at a forum on the recommendations, there was input regarding adult education. He said that Cañada College's adult education program currently functions very well within the community. Professor Clay said the recommendation to utilize a Statewide placement test is a

serious concern, particularly with regard to equity and the College's dedication to working with individual students. He said Mt. San Antonio College developed its own successful placement testing as described in a letter submitted in response to the recommendations. Professor Clay said the District's placement testing is also more accurate than standardized testing in correctly placing students. He said an overall concern is the potential to reduce or lose local control.

Leigh Anne Shaw, Skyline College Academic Senate President, said another concern is that the recommendations seem to be focused more on high schools than community colleges. She said that draft recommendation 1.1 stated, "Collaborate with K-12 to jointly develop common core standards for college and career readiness." The final recommendation added the following to that sentence: "that are aligned with high school exit standards." Professor Shaw said it is troubling that this seems to indicate that the intent is to scale everything down.

James Carranza, College of San Mateo Academic Senate President, said that everyone at the College already supports student success and is working hard to achieve it. He said that some of the Task Force recommendations may be good ideas but they are very broad and how they will be implemented causes concern. For example, recommendation 2.2 calls for community college students to participate in diagnostic assessment and orientation and to develop an education plan; however, this would be another unfunded mandate. Another example is the call for a student success scorecard as called for in recommendation 7.3. Professor Carranza said the College already collects data and this would take it further, adding another layer of bureaucracy rather than devising a simpler way to improve existing systems.

Trustee Miljanich asked how diagnostic assessment is different than placement testing to determine where a student should be placed. President Stroud said that common testing is not actually diagnostic, although it is referred to as "diagnostic assessment" in the recommendations, and is not necessarily linked to curriculum as true diagnostic assessment would be. Sarah Perkins, Vice President of Instruction at Cañada College, said this is indicative of a fundamental flaw in the recommendations, in that they lack substance and are not based on data and research. For instance, Long Beach City College found that achieving a grade of A or B in 12th grade English is more indicative of success in community college English than the students' scores in the 11th grade standardized testing. Trustee Miljanich said the recommendations lack a clear definition of student success and how to evaluate it.

Jim Roberts, Professor of History at College of San Mateo, said faculty in the Social Science Division are concerned about recommendation 2.5, which requires students to declare a program of study early in their academic careers. They are particularly concerned about locking students into an area of study so early that they do not have an opportunity to experiment with new kinds of courses to which they have not been exposed. He said students should have the opportunity to grow in an educational environment and should be given the flexibility to experience areas outside of their anticipated majors. Vice President Hausman noted that the Task Force recommends that students be required to declare a program of study by the end of their third semester in order to maintain enrollment priority; she asked if there was consensus on this recommendation. Jennifer Hughes, Vice President of Student Services at College of San Mateo, said this is not a consensus document. She said that it is problematic to lock all students into a program of study by the end of their second or third semester. She said a concern from the Student Services standpoint is that many of the recommendations deal with matriculation which, along with other categorical programs, has been largely dismantled and was never adequately funded. Vice President Hughes said that with adequate resources, the system to orient students and help them define their goals when the time was right for them would work well. Mr. Girard said students are concerned about this issue because while they are working to get through their general education requirements, they often find new areas that they like and they decide to change majors. President Stanback Stroud said the underlying issue is political and centers on performance-based funding, leading to not funding courses taken outside of a student's program of study. She said at issue are the ramifications for students who have not declared a program of study and defining what a program of study actually is.

Trustee Miljanich asked when the University of California and California State University Systems require students to declare majors. Chancellor Galatolo said it depends on the institution. Caitlin Buckley, a reporter with the *San Mateo Daily Journal*, said she attended the University of California at Davis, where students could wait until their third year to declare a major. Ms. Buckley asked how attention would be given to students who need

extra help in finding a major. Professor Bennett said this is one of the issues with the recommendations and needs to be discussed further.

Professor Bennett said the recommendations overlook career-technical education. She said student success is very different for these students. Professor Lilya Vorobey, who teaches drafting at College of San Mateo, said career-technical education is shrinking. She said this is an issue of equal access as these students are often of lower socio-economic status and/or minorities and cannot attend college full-time.

Executive Vice Chancellor Blackwood said no Chief Business Officials were on the Task Force and this was said to be an oversight. She said the Task Force claims there are no financial implications associated with the recommendations but this is not accurate. President Keller said funding is a major issue.

Trustee Holober asked what the next steps in the process will be, given that the Task Force recommendations have been approved by the Board of Governors. Chancellor Galatolo said changes in Title 5 regulations will go to the Board of Governors and other changes will go to the legislature. Trustee Holober said that if concerns are shared by others throughout the State, he believes people should express these concerns to the legislature as the next step.

President Mandelkern said he hopes the outcome of tonight's discussion is to give the Board direction on what they can consider doing to help. Chancellor Galatolo said the purpose of the discussion is to inform the Board of constituents' concerns; if the Board concurs with the concerns, staff will actively move forward on the issue, whether through contacts with the legislature or Board of Governors. President Mandelkern agreed with this goal. He underscored that Board members are the elected leaders of the District and it is appropriate for them to approach other elected leaders in the legislature.

President Mandelkern said he is concerned that the recommendations were driven by a kneejerk reaction to a system that has been crippled by a lack of funding, resulting in dissatisfaction with student outcomes. He said there are two approaches to addressing the issue:

1. Focus the system on those high-achieving students who are most able to succeed and will transfer to a UC or CSU, and measure the success rate and transfer rate of these students. This will result in a high measure of success for the system. President Mandelkern said he does not believe that this should be the goal of a community college.
2. Provide open access, recognizing that it takes money to help other types of students be successful. He said it is not realistic to develop a set of criteria to increase transfers and certificates without addressing the effect of funding issues which affect student success, e.g. cuts to support services, number of class sections and instructor to student ratio. President Mandelkern said he fears that the legislature will focus on the first approach and shrink the system down to become a streamlined pipeline for only two-year transfer degrees.

Vice President Hausman said she served on the Sequoia Union High School Board for 13 years and observed a wide range of need for remediation and help for students who don't fit in for any number of reasons. She said this issue has never been addressed satisfactorily and the problem exists at all levels of education. She said she is concerned about turning complicated issues over to the legislature, whose members may not be well-informed.

Trustee Holober said that because tonight's presenters have day-to-day experience, they have a better sense of whether the recommendations would work; therefore, he is inclined to support the objections being raised. He said that based on the many letters of concern, he does not believe the legislature will be eager to act quickly. He said that if there is an organized approach, he believes the legislature will hear the concerns.

Trustee Holober asked if the Community College of California (CCLC) supports the Task Force recommendations. Chancellor Galatolo said CCLC supports them fully. President Holober asked whether governing boards of other districts have taken positions. President Stanback Stroud said responses have varied. The President/Superintendent of Long Beach City College has been supportive and has encouraged others to support the recommendations. Other boards have expressed concerns about certain aspects of the recommendations. Chancellor Galatolo said that CCLC has stated that approval of the recommendations does

nothing in terms of enforcement and people will have a chance to vent concerns in the next phase. Chancellor Galatolo said he believes this is a naïve position. He said that bringing forth the recommendations with the approval of the Board of Governors, State Chancellor's Office and CCLC gives them a better chance of being received positively by the legislature.

President Mandelkern said the letter from the Council of Faculty Organizations, along with many other letters, fell on deaf ears as the Board of Governors approved the recommendations with only minor modifications. He questioned what the Board can do to influence a different outcome during the next phase, and asked if there is a patron or sponsor in the legislature who has taken this issue on as a project. President Stanback Stroud said an agreement was reached to pull Senate Bill 1143 (Liu) on performance-based funding and instead form a task force which will address the concerns.

Trustee Schwarz said some parts of the recommendations sound good but would require resources, such as more counselors, which are not funded. She also noted that the recommendations would grant more authority to the State Chancellor's Office. President Stanback Stroud said the recommendations are based largely on previous deals that were made through the political process.

Trustee Schwarz said the responses to the recommendations seem to be overwhelmingly negative and she asked if there are any positive aspects to them. President Mandelkern said it is positive that everyone involved cares about student success and wants all students to succeed. However, there is uncertainty about the definition of student success and about which students are being addressed. He said another positive is that the recommendations take into account the reality of the decisions that districts have had to make because of the budget cutting process. He said this Board has made decisions that are similar to some of the recommendations. He said some of these decisions have made segments of the community unhappy because they cannot take the adult education or community education classes that they would like. President Mandelkern said he would prefer that the decisions be made at the local Board level, with input from the community, rather than coming from the State legislature as a "one size fits all" mandate. He said he would like to hear input from all constituencies and then focus on where the Board should be addressing its efforts.

Professor Clay said San Francisco City College submitted a one-page resolution rejecting the entire document. Other districts have expressed concerns about certain aspects of the recommendations. He said the Task Force listened and made some changes. He believes the legislature will listen as well and will want to hear input and analysis from people involved. He believes there is a strong possibility of being heard, particularly with input from the Board and Chancellor Galatolo.

Trustee Hober said the Board first began to learn about the Task Force approximately two months ago and he assumes other districts are in the same position. He said that CCLC does not always reflect the constituent community college boards' views. On occasion, boards have gone to CCLC with opposing views and this can be an effective strategy. Regarding the legislative arena, President Hober said that teacher organizations have more political influence than the Board of Governors, State Chancellor's Office and CCLC. Chancellor Galatolo agreed that faculty organizations are influential with the legislature. He said he is concerned about the changes to Title 5 regulations which will go to the Board of Governors.

President Keller said staff needs to pay close attention to the status of the recommendations throughout the political process. He said the legislature will need to hear from the District about where it believes the recommendations are flawed. He added that the District and Colleges should take the opportunity to address student success the way they believe it should be addressed. President Claire said the Colleges know how to achieve student success and there is supporting research. He said the most successful students are those who are in special programs which require funding. He said the issue is how to provide something that works to the entire campus without adequate resources.

Trustee Miljanich said there is a segment of the community that is not sympathetic to the fact that the Board is not in favor of standardized testing. She said it is important to be able to demonstrate what does work.

Trustee Holober said the CCLC annual legislative conference will be held at the end of January. He suggested that the Board adopt a resolution at the next meeting regarding the recommendations and send the resolution to every community college board. Trustee Miljanich said each district board has a representative on the CCLC Board of Directors and said the Board could consider letting that person know of the resolution in advance of the legislative conference. There was discussion about whether the resolution should support rejecting the entire document, as did City College, or should list some of the Board's concerns. After this discussion, it was agreed that the resolution will list the following concerns:

- Student success is measured through the lens of only one type of student:
 - a. many of the District's students come from academically and/or economically challenging circumstances and their needs differ from the type of student to which the recommendations are geared; the implementation of the recommendations, including uniform placement testing (which data suggests is not a true indicator of success), could result in unequal access to education for these students.
 - b. many of the District's students have achieved success outside of the narrow parameters of the recommendations, e.g. choosing a major early on or achieving their goals within a specified period of time.
- Implementing mandatory, early educational plans that are difficult to update will eliminate students' ability to explore, forcing them into programs of study before they know what they want to do.
- Amid ongoing budget reductions, there is a lack of funding to implement the recommendations.
- The recommendations represent a fundamental change to the mission of community colleges.
- The recommendations deprive local Boards of Trustees of the right to make decisions that balance the individual needs of their students, resulting in a disconnection from the community; the San Mateo County Community College Board of Trustees has developed a "Statement of Core Values and Principles" which outlines priorities based on the needs of its students and the community.
- The lack of a strong Career/Technical Education component in the recommendations could have a negative economic impact on the State of California as training of a skilled workforce is neglected.
- Only one student member was appointed to the Task Force; no Chief Business Officers, who could have addressed the potential economic burdens associated with the recommendations, were appointed.

Chancellor Galatolo said staff will prepare the resolution. It was agreed that ongoing strategy would be discussed at the next Board meeting when the resolution is presented for discussion and Board action.

President Mandelkern suggested that the budget impacts of student success be added to the agenda for the Board Retreat as a line item under the discussion of the budget.

Vice Chancellor Luan thanked Professors Bennett, Carranza, Clay and Shaw, along with the vice presidents, administrators and students who participated in the planning and presentation.

RECESS TO CLOSED SESSION

President Mandelkern said that during Closed Session, the Board will consider the personnel items listed as 1A and 1B on the printed agenda. The Board will also hold a conference with legal counsel regarding one case of existing litigation as listed on the printed agenda.

The Board recessed to Closed Session at 8:10 p.m.

The Board reconvened to Open Session at 9:05 p.m.

CLOSED SESSION ACTIONS TAKEN

President Mandelkern reported that at the Closed Session just concluded, the Board voted 5-0 to approve the items listed as 1A and 1B on the printed agenda.

ADJOURNMENT

It was moved by Trustee Holober and seconded by Trustee Schwarz to adjourn the meeting. The motion carried, all members voting "Aye." The meeting was adjourned at 9:07 p.m.

Submitted by

Ron Galatolo
Secretary

Approved and entered into the proceedings of the January 25, 2012 meeting.

Helen Hausman
Vice President-Clerk

BOARD REPORT NO. 12-1-3C

TO: Members of the Board of Trustees
FROM: Ron Galatolo, Chancellor
PREPARED BY: Barbara Christensen, Director of Community/Government Relations, 574-6560

PRESENTATION OF RESOLUTION OF HONOR TO DR. AMELITO ENRIQUEZ

Dr. Amelito Enriquez was selected to receive the Presidential Award for Excellence in Science, Mathematics, and Engineering Mentoring, which recognizes outstanding mentoring efforts or programs that enhance the participation of historically underrepresented groups in science, mathematics and engineering. As an award recipient, Dr. Enriquez will receive \$25,000 from the National Science Foundation to advance his mentoring efforts. Dr. Enriquez received his award at a White House ceremony on December 12, 2011.

The Board is honoring Dr. Enriquez for this award, as well as for his outstanding contributions to Cañada College and the District on a continual basis.



President's Report to the Board of Trustees

Dr. Regina Stanback Stroud
January 25, 2012

Congratulations Fall 2011 Grove Scholars!

The Grove Scholars Program is a need-based scholarship program designed to assist students studying Career and Technical Education programs at Skyline College. This program is funded by the Grove Foundation, which is the family foundation of Andy Grove, co-founder of Intel Corporation. Including new scholarships awarded for Spring 2012, *sixty-eight* scholarships worth up to \$2000 each have been awarded to Skyline College students. The SparkPoint Center would like to recognize and congratulate the following Fall 2011 Grove Scholars for successfully completing the program this semester:



Tanashati Anderson
Antoinette Becerra
Robert Crespo
Dennise Del Bando
Alicia Grant
Phu Ha
Ming Zhu Liu
Diana Monge
Emmanuel Nava

Michelle Perez
Lauren Presotto
Karmann Robbins
Luis Rubalcaba
Jean Salazar
Edwina Stevens
Zena Tarasena
Samantha Velez

The Grove Scholars participated in a series of financial education workshops, attended individual financial coaching sessions, completed a resume and cover letter, established an Individual Development Account and maintained good academic standing while in the program. Their strong effort and focus has led them to this great achievement. Once again, congratulations to the Fall 2011 Grove Scholars on a job well-done!

For additional information regarding the Grove Scholars Program go to the Skyline College SparkPoint website:
<http://www.skylinecollege.edu/sparkpoint/programs/GroveScholarsProgram.php>

Article provided by Patricia Kwok and the photo provided by Adolfo Leiva.

Skyline College Welcomes Jefferson Adult School



On Tuesday, December 6, 2011, Skyline College welcomed thirty-one students from [Jefferson Adult Education](#) (JAE) to tour Skyline College. The tour included recent high school graduates, recent GED graduates, and [TOOLS for Success](#) students. Students completed the Skyline College application and participated in a workshop on Financial Aid Basics led by Jocelyn Vila where students learned about how to apply for FAFSA and the different types of financial aid available. The day's activities continued with José

Milan, Campus Ambassador, providing the students with a tour of the campus and concluded with a tour of SparkPoint at Skyline College where students learned about the many resources available to both students and the community. The event was part two of a two-part outreach to Jefferson Adult Education. Part One consisted of a tour of SparkPoint conducted earlier this fall for all JAE staff to prepare them to promote this event among their students. Thanks to JAE Director of Adult Education, Diana Rumney, and GED Staff member, Sylvia Strange, for coordinating JAE's participation; to Tom Hewitt, Skyline College Director of Library Services for providing the meeting space; to Jocelyn Vila, Skyline College Financial Aid Program Services Coordinator for leading the Financial Aid Informational Workshop; and Skyline College Campus Ambassador, José Milan, for leading the campus tour. The visit was coordinated by Adolfo Leiva, Program Services Coordinator, SparkPoint at Skyline College. For more information about SparkPoint at Skyline College please visit the new SparkPoint website at www.skylinecollege.edu/sparkpoint. The tour was funded in part by the Chancellor's Office, California Community College through a Community Collaborative grant managed by Skyline College.

Article and photo submitted by William Watson.

Skyline College CITD Fosters Relationship at Diaspora Trade Symposium on African Growth Opportunity Act (AGOA)

Pictured above (L-R): African Union Ambassador to the U.S., Her Excellency Ambassador Amina Salum Ali, CITD Executive Director, Richard Soyombo, and Ms. Soheyla Mahmoudi, Senior Operations Officer at the World Bank.

Photo submitted by Richard Soyombo



In recognition of Skyline College's Trade Development efforts in Africa, the Skyline College Center for International Trade Development (Bay Area CITD) was invited to be on a panel at the recent Diaspora Trade Symposium on AGOA. The event, organized by the African Union and supported by the World Bank, was held at the World Bank in Washington, D.C. this past December. Attendees included African Ambassadors, representatives of the World Bank, the U.S. Trade Representative's Office for Africa, Trade Organizations and US entrepreneurs with business interests in Africa. At the symposium, Skyline

College CITD Executive Director Richard Soyombo gave presentations on the importance of building momentum for trade between the U.S. and Sub-Saharan Africa. The title of his presentation was: **Supporting Direct U.S. Investment in Sub-Sahara Africa: An Integrated Approach.** His presentation focused on two key aspects: The State of California's strategies and approach to Trade Development in Africa through Skyline College's CITD's efforts; and the need for a seamless approach to a free flow of trade between the U.S. and African entrepreneurs.

Article submitted by Richard Soyombo and Pcyeta Jackson.

Skyline College's First Hybrid Automotive Classes Graduate



Skyline College's first group of Advanced Hybrid students completed their certificates in December. The California Green Innovation Challenge Grant funded the creation of AUTO 510, Basic Hybrid Powertrains and AUTO 511, Principles of Hybrid and Electric Vehicles. The courses were developed and taught by Jack Rosebro of Perfect Sky, a leading expert in hybrid technology, and Richie Young, a technician at Pat's Garage, a

hybrid vehicle repair shop in San Francisco. Consumer demand is rapidly increasing for fuel efficient vehicles and Skyline College is taking the lead in training technicians for this advanced technology work. Skyline College is currently recruiting for the Spring AUTO 510 courses – all fees are waived for qualified applicants. Anjana Richards at richardsa@smccd.edu or Kathleen Gamba kgamba@smchsa.org is available to provide applications to interested students.

Article and photo submitted by Anjana Richards.

Skyline College Fall Sports Wrap 2011

Skyline College teams and students enjoyed a successful fall sports season with 104 students participating during the fall semester in Men's Basketball, Women's Basketball, Women's Soccer, Men's Soccer, Volleyball and Wrestling. Women's Soccer enjoyed another successful season finishing 12-6-4, good for third place in the Coast Conference and qualifying for the state playoffs for the fourth consecutive year. Men's Soccer completed the season with a record of 4-14-2, finishing in fourth place in the Coast Conference North Division. Volleyball finished the season with a record of 8-18 and a fifth place finish in the Coast Conference North Division. Wrestling finished the season rated 8th in Northern California and 18th in the state.

Sixteen individuals received recognition as All-League, All-Region, All-State and/or All-American selections: Adriana Cortes - Women's Soccer (1st Team All-Conference); Alexis Cuellar – Women's Soccer (1st Team All-Conference), Adrianna Picazo – Women's Soccer (1st Team All-Conference); Janice Garcia – Women's Soccer (2nd Team All-Conference); Katie Jaques – Women's Soccer (2nd Team All-Conference); Jazmin Cazares – Women's Soccer (2nd Team All-Conference); Shadi Fara – Men's Soccer (1st Team All-Conference); Josh Guidry – Men's Soccer (2nd Team All-Conference); Diego Sanchez – Men's Soccer (2nd Team All-Conference); April Sherfy - Volleyball (1st Team All-Conference); John Claitor – Wrestling (All-Northern California); Marcus Gebhardt – Wrestling (All-Northern California); Monet Goldman – Wrestling (All-Northern California); Derrick Hoo – Wrestling

(All-Northern California); Tommy Howard – Wrestling (All-Northern California); and Coleman Maher (All-Northern California).

Academically, the Skyline College teams had a cumulative GPA of 2.94. Women's Basketball, Men's Basketball and Women's Soccer all had team GPA's above a 3.0. Four student-athletes had a perfect 4.0 grade point average. The completion rate for all courses attempted by student-athletes was over 90% and 49 students (47%) achieved a 3.0 GPA or higher while completing 12 or more units during the fall semester.

Article provided by Joe Morello.

Report on Financial Education Workshops - Fall 2011

[SparkPoint at Skyline College](#) and the Skyline College [Financial Aid Office](#) have collaborated for a second semester to offer Financial Education workshops throughout Fall 2011 at Skyline College. Serving students and residents of San Mateo County, the workshops covered topics ranging from Banking, Building Savings, Money Management and Budgeting, and Credit and Identity Theft. Attendees participated in activities such as setting financial goals, creating budgets,



discussing attitudes towards money and savings, and exploring how to identify predatory financial services. The workshops provided basic financial education in an effort to promote and increase positive financial behaviors. Attendees are also entered into a monthly prize drawing to win a grand prize of \$125 awarded by SparkPoint partner, [Community Financial Resources](#).

The Fall 2011 workshops were well attended by both Skyline College students and San Mateo County community members. TRiO students and students enrolled in Opportunity Fund's Individual Development Account matched saving program attended the workshops to fulfill Financial Literacy program requirements. All students received certificates of completion for attending.

Offered twice per month the workshops were facilitated jointly by SparkPoint Counselor, Melanie Espinueva, Financial Aid Program Services Coordinator, Jocelyn Vila, and San Mateo Credit Union Financial Education Specialist, Richard Villareal. This series of workshops will be offered again in Spring 2012. For more information, please visit the SparkPoint at Skyline College website:

www.skylinecollege.edu/sparkpoint or contact Melanie Espinueva at espinuevam@smccd.edu.

Article and photo provided by Melanie Espinueva.



President's Report to the SMCCCD Board of Trustees

President Michael Claire ~ January 25, 2012

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College Center Achieves LEED Gold



CSM's signature building, College Center, has been awarded a prestigious LEED (Leadership in Energy and Environmental Design) Gold certification by the U.S. Green Building Council (USGBC). In the award letter, the USGBC recognized College Center as "a pioneering example of sustainable design that demonstrates the college district's leadership in transforming the building industry."

College Center's LEED Gold certification was based on a number of green design and construction practices. In an effort to be an ecologically friendly building and support the district's commitment to sustainable building design and construction the College Center was constructed with recycled and reused concrete. In addition, the building uses an innovative design for the return air back to the heating and air conditioning system. This is the second LEED Gold certification for CSM; the Health and Wellness Building was honored with LEED Gold designation in 2010. *(Photo credit: CSM Community Relations and Marketing)*

College of San Mateo

New Veterans Center Opens on Campus

On Wednesday, February 15 at 11 am, the college will celebrate the opening of its new Veterans Resource and Opportunity Center with a ribbon cutting ceremony and reception. The program will begin in the Office of Student Life, Building 17-112 with presentations by college officials and local dignitaries followed by a ribbon cutting at the Center, Building 16-150. The Center features several study areas with computers, office space, a lounge and a Zen room. Guests will be able to tour the Center and speak with student veterans. Refreshments will be served. *(Photo credit: CSM Community Relations and Marketing)*



CSM Rolls Out Operation Welcome Mat



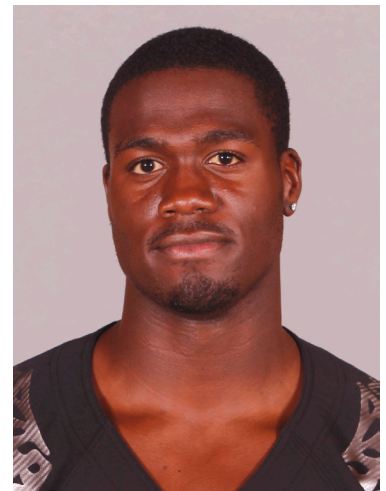
CSM's Operation Welcome Mat (OWM) has just wrapped up another successful week of activity in assisting students during the beginning of the semester. Teams of volunteers comprised of faculty, staff and student ambassadors, wearing easily identifiable blue shirts, were deployed at strategic campus locations during the day and evening to guide students and answer questions. This activity has been very well-received by students, and considering the large volume of student questions, it provides an important service. OWM was coordinated by **Alex Guiriba** of the Community Relations and Marketing Office. *(Photo credit: Alexis Madayag)*

New Faculty & Staff Website Provides Gateway to Online Resources

As faculty and staff return from the winter break, they will find that a new and very informative feature has been added to the CSM website: a Faculty & Staff site. Employees will find that the new site, which can be accessed through the CSM home page, provides an easy and convenient approach to find college and district resources. The Faculty & Staff site includes links to campus resources, professional development, forms, event calendar, District downloads, personnel directory and much more. Additional links will be added as the site is further developed. Visit the site at collegeofsanmateo.edu/facstaff.

From the Bulldog Bowl to the Rose Bowl

Former CSM bulldog **Rashaan Vaughn**, who was rated the top junior college wide receiver in the country and selected as an All American-Community College Football in 2010, can also add a Rose Bowl Championship to his resume. Vaughn plays football for University Oregon; earlier this month, Oregon won its first Rose Bowl in 95 years. Vaughn topped his CSM career with 10 receptions for 79 yards when he played in the 2010 Bulldog Bowl. *(Photo source: University of Oregon Athletics)*



Noted Astronomer to Speak at CSM

On February 3, at 8 pm, CSM's Astronomy Department will sponsor a lecture by internationally acclaimed astronomer **Dr. Geoff Marcy** in the college Theatre. Dr. Marcy, currently professor of astronomy at UC Berkeley, will speak on "The Hunt for Another Earth," a presentation about the results from the Kepler spaceborn telescope team that is hunting for Earth-size planets. Dr. Marcy has been designated as the first person in the United States to find an exoplanet – a planet in a different solar system. This event is free and open to the public. *(Photo source: UC Berkeley Astronomy Department website)*



Kudos

~ Professor of Sociology **Minu Mathur** received an acknowledgement in the new 9th edition of "Sociology in Our Times" (Cengage Learning).

~ CSM bulldog pitcher **Daniel Chavez** has signed a letter of intent with San Jose State University.

~ CSM alum and former City of San Mateo Mayor **Claire Mack** was honored at the city's Martin Luther King Jr. Day celebration. Just prior to boarding the 27th annual Freedom Train, Mack was recognized by Assemblyman **Jerry Hill** (another CSM alum) for her years of work and service to San Mateo including serving as the honorary chair of Freedom Train. In 2005, Mack served as CSM's commencement speaker and was selected as recipient of the California Community College Distinguished Alumni Award.



(Photo source: SM Daily Journal)

~ The works of several former CSM photography students are currently on display at Avenue 25 Gallery in San Mateo in the exhibit, "From the Mind to the Lens." Among the works are photographs of tornadoes by alum **Gino De Grandis**. Five years ago, De Grandis joined a team of tornado chasers that photographically document the journey of the storms across the American Plains. De Grandis has become a prolific professional, international photographer with a portfolio that includes portraits, nature, fine art and travel photography. Despite his busy schedule, De Grandis continues to devote time to offer his services to CSM for major events including graduation.



Also featured in the exhibit are photos by other CSM alumni including **Mary Scarpetti, David Massolo, Bijan Mottahedeh, Linda Barsotti** and current student **Jeff Powers**. The exhibit will be on display through March 2. Avenue 25 is located at 32 W. 25th Avenue; exhibit hours are from 9 am – 5pm. *(Photo credit: CSM Community Relations and Marketing)*

~ **Josh Fredendall** was recently named to the California Community College Academic All State Team for the 2011 season. Fredendall adds this honor to a large list of awards he has received at CSM, including being selected as an All American. A pitcher from Hillsdale High school, he allowed only one run during his sophomore year and led the state in ERA. *(Photo source: CSM Athletics)*



Student Success Story: Corey Kreidler

**Cal Poly San Luis Obispo,
B.S. degree, Environmental Engineering**

When **Corey Kreidler** first arrived at CSM, what he looked forward to most was to take classes in subjects that were not offered at his high school. A graduate of Half Moon Bay High School, Corey had earned a high grade point average, but as with so many college freshmen, he was uncertain about a major. “I wanted to take the right path so I decided to attend CSM. I had time to learn about different subjects without the pressure of focusing on a major right away.”

Among the classes Corey took were psychology, business and engineering. It was a conversation he had with his engineering professor, **Laura Demsetz**, that put him on track to become an engineering major. She also reinforced the importance of learning about other subjects that would enhance his engineering education. In preparation for his major, Corey was required to take science and math each semester, but he was also able to take a variety of humanities and social science courses which he believes made him a well-rounded student.

“CSM was like a launching pad for me. Since I wasn’t ready out of high school to move from home and attend a university, CSM gave me the flexibility to figure out what I wanted to do and where I wanted to transfer.” According to Corey, one of the major benefits of attending CSM was the quality of the faculty and staff. “I had classes taught by many excellent faculty members, and outside the classroom, the faculty and staff were very approachable and always willing to help me.”

In addition to the academic foundation he received during his two years at CSM, Corey picked up some additional skills beyond classroom learning. By participating in the college’s service learning program, CSM Connects, he found a way to create balance within his rigorous academic schedule. He gained experience in working as a member of a team and communicating effectively with a diverse group of people. Through his service learning projects, Corey was presented with activities that fostered more right-brain, “big picture” thinking. These were skills that he would find helpful as an engineering major and in his career.

Following two years at CSM, Corey transferred to Cal Poly San Luis Obispo as an engineering major. While at Cal Poly, Corey began to focus on environmental issues and chose to study environmental engineering. As a result, he participated in a student organization that promoted sustainability; this led to his coordinating the first annual Cal Poly Green Career Fair, now a major event at the University, where he was able to apply the skills he honed at CSM.



In 2010, Corey earned a bachelor of science degree in environmental engineering from Cal Poly and is now a registered engineer-in-training with the State of California. Since graduating, he has concentrated on nontraditional engineering opportunities that allow him to combine his formal education in engineering and liberal studies with his experience from college activities to propel him in his career. He has served as an intern for a biofuels engineering company and, more currently, has partnered with several startups, most of which focus on energy efficiency and sustainability.

(Photo credit: CSM Community Relations and Marketing)

SPECIAL
POINTS OF
INTEREST:

- **Biology Professor Carol Rhodes** recently returned from **Costa Rica** where she led a group of students in a study abroad program.
- **Accreditation Committees** are busy working to develop a draft report that can be reviewed by the campus.

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Cañada College

VOLUME 11, ISSUE 1

JANUARY 25, 2012

The New Word Jam Program at Cañada College Helped One Student Overcome His Fear of English to Earn an “A” in Honors English 100

Christian Ayala is quick to admit he was intimidated by the prospect of taking Honors English 100 last fall. During his initial placement test, he did not qualify for English 100, let alone an Honors section. But after participating in Word Jam last summer, Christian not only passed his Honors English 100 class but he earned an A in the class and has newfound confidence in his academic abilities.

“Honestly, I spent most of the fall semester anxious and unsure of my abilities,” he said. “However, now that I have successfully completed the fall semester, I feel a sense of confidence. I believe I will have no issues furthering my education. The only thing I regret is not returning to school sooner.”

Christian graduated from high school in 2003 and returned to Cañada in the fall of 2011. He knew he had to brush up on his reading and writing skills so he participated in Word Jam, a free, one-week program designed to help students improve those skills. “It was an amazing program,” Ayala said. “I participated in Word Jam, scored higher on the placement test, and I was



able to skip the remedial classes and start in college-level English.”

Christian works for a plumbing company and can’t attend school full-time so the ability to bypass pre-college English and writing was important to him. “I did not want to spend the time taking the lower level classes but I tested low in my initial placement test,” he said. “Word Jam taught me some new skills and helped me remember some of the rules I learned in high school.”

Professor Lisa Palmer said she would have never guessed that Christian did not initially place into English 100. “Christian’s story shows that some students just need a little review before taking placement tests,” Palmer said. “This validates the Word Jam program.”

Even with his successful scores when he retook the placement test, Christian did not set out to enroll in an Honors English 100 course. It was the only one with seats remaining when he signed up for classes. “I was left with no other option,” he said. “When Professor Palmer explained that there would be a 15-page research paper and that if writing didn’t come easy for you, you should drop the class, I was scared.”

The warning ended up serving as motivation, as Christian used the essay he had written for Word Jam as a template for his research paper. “I was surprised that I earned an A on the research project,” he said. “Cañada has really given me the sense that I can be a successful college student.”

Word Jam is a free, non-credit, one-week program designed to provide additional assistance to Cañada College students in all levels of English, Reading, and ESL classes. Students learn the expectations of their specific English, Reading, or ESL course, become familiar with Cañada College resources, obtain necessary research tools, and practice college-level reading and writing strategies. It is held in the spring and fall.

Center For Entrepreneurial Opportunities to Host Grand Opening Jan. 25

The Center for Entrepreneurial Opportunities is hosting a grand opening on Wednesday, Jan. 25 from 5 to 7 p.m. in Building 6, Room 102. has launched the Center for Entrepreneurial Opportunities to help small business owners in San Mateo County. Using a mini-grant award, the center will provide an educational ‘incubator’ hub for small businesses.

Through distance learning and hybrid on-line courses, students will learn current and comprehensive skills they need to create and maintain successful small businesses. The center will offer feature speakers from local industries and provide internships for local businesses.



Danni Redding Lapuz Joins Cañada Full-Time

Danni Redding Lapuz has worked in the Science and Technology Division at Cañada since 2008, supporting grant-funded projects such as the Health Career Pathways Program, Math Jam, and the Summer Engineering Institute. As Project Director for the five-year, \$6 million federal grant received by the college last fall, Danni will continue to work in program management and outreach for programs in (STEM) science, technology, engineering, and math.

“We’ll continue to support our current programs, such as Math Jam, but we’re also planning some new program such as Physics Jam and STEM Boot camp,” she said.

The grant will fund the California Alliance for the Long-term Strengthening of Transfer Engi-

neering Programs (CALSTEP). It will build on strategies that have been developed through previous federally funded grants awarded to Cañada and have proven to be effective. Those strategies include a summer workshop that trains community college engineering faculty to use distance-education technologies to increase student enrollment and improve student success. It also builds on a Joint Engineering Program that promotes collaboration among community college engineering programs to maximize their ability to serve students.

“We are working with Pierce Community College and San Francisco State University to align curriculum among the community colleges to make it easier for students to transfer to UC and CSU schools,” she said.

Before coming to Cañada College, Danni worked as the Development Director for VIA-Volunteers In Asia at Stanford University, as well as teaching music courses at area colleges. She holds a Bachelor’s Degree from UC Irvine in Music, a Master’s Degree in Ethnomusicology from the University of Hawai’i at Manoa, and studied in Indonesia as a Fulbright-Hayes Scholar at Universitas Sam Ratulangi, Sulawesi and on a FLAS Fellowship at STSI – the Performing Arts University in Bali. Danni is also a vocalist and musician in Pusaka Sunda, an Indonesian Gamelan Ensemble, which performs around the Bay Area. She is married to Ray Lapuz, professor of mathematics at Cañada. They live with their two children at College Vista.

Campus Prepares for Another Round of Budget Cuts Under Proposed Budget

The state’s proposed budget provides less money for California’s community colleges which means Cañada is preparing for another round of budget cuts.

In the 2008-09 fiscal year, the college cut \$453,000 from the Fund I budget, including \$180,000 in hourly teaching. In 2009-10, Cañada cut \$1.3 million, with \$846,780 coming from the hourly teaching budget. In 2010-11, the college cut another \$886,000 from the Fund I budget.

The total reductions during that time period were approximately \$2.7 million.

Thanks to Measure G, approxi-

mately \$3 million has been added back into the budget, helping the school add class sections and initiate new programs.

“It’s important to understand, the college didn’t use Measure G to backfill its cuts,” said Interim President Jim Keller. “Instead, it used that money strategically to invest in classes and programs that provide the most help to students.”

The College Planning Council and Budget Committee are holding joint sessions to discuss ways to cut approximately \$1 million from the 2012-13 budget. A framework for the discussion has been approved



and a final set of proposals should be ready by April. Keller and Academic Senate President David Clay will also hold several evening meetings to solicit input from students, staff and faculty that cannot attend afternoon meetings.

“At this point, how much we need to cut is a moving target but our goal is to work with the campus community to develop a proposal to meet the estimated cuts,” Keller said.

Upward Bound Students Volunteer at Toy and Book Drive During Holidays



In mid-December a group of Upward Bound students volunteered at the Redwood City PAL/Police/Fire Toy and Book Drive wrapping party at Red Morton Community Center. Twelve Upward Bound students helped wrap presents for needy families in the Redwood City area. The toy and book drive served more than 500 families and the volunteers wrapped several thousand presents. This activity is something that Cañada's Upward Bound students have taken part every year since 2008 as a way to give back to their community.



Social Justice Events Mark the Spring Calendar

Cañada will host a series of events centered on social justice beginning Jan. 31. A committee was formed to discuss the various events the college will host. It was led by Romeo Garcia, Director of Student Support and TRiO.

"Members of the committee feel it is the right time to engage the campus community in a discussion centered around social justice issues," Garcia said.

Events include:

- **Whose College? Our College!** Student activists discuss their experiences in the Occupy Movement. Tuesday, Jan. 31, 10 to 11:30 a.m.,



Main Theater.

- **A Courageous Journey to Ghana.** A reflection about studying abroad. Wednesday, Feb. 22, 10 a.m. to noon, Building 3, Room 148.
- **Punished: Policing the Lives of Black and Latino Boys.** Wednesday, Feb. 29, 10 a.m. to noon, Building 3, Room 148.

- **International Women's Day.** A dialogue about women's issues. Thursday, March 8, 11 a.m. Main Theater followed by a noon celebration in the quad.

- **Undocumented Students Forum.** Presenters include the Bridging Hispanic Minds to Success & Sequoia Dream Club. Wednesday, April 25, 7 to 9 p.m., Main Theater.

"The goal of these events is to highlight issues that face our students every day," Garcia said. "Our students believe these are important issues."

Cash for College Workshops Help Students, Parents Learn How to Pay for College

The college will hold two Cash for college events to help educate prospective students and their parents how to pay for college.

"Every year, these are very popular events that draw a good number of students and their parents," said Margi Carrington, Director of Financial Aid.

The first workshop will be held Saturday, Feb. 11 from 9 a.m. to 1 p.m. in Building 9, Room 206. The second workshop is set for Wednesday, Feb. 15 from 5 to 8 p.m. in Building 9, Room 106. Both workshops are designated as "drop in" events,

giving attendees a chance to come in at any time during the workshop to get advice.

Cañada's financial aid experts will go through the Free Application For Federal Student Aid (FAFSA) line-by-line. Individual-

ized FAFSA assistance is available at any time during the workshop. The workshop is open to current and prospective students as well as parents.



Plan Ahead, Pay Ahead Campaign is a Success at Cañada

The college-wide effort to let students know that they would need to pay their fees prior to the start of the spring semester was a success.

The new payment process made a significant difference in the amount of money collected. The difference in the fee collection between January 1st and 4th for 2011 was \$87,000. This year, over the same four-day period, the District collected \$1.66 million.

Two days into the start of the spring semester, Cañada's enrollment was down just 3.4%. Some early forecasts estimated the college could drop as much as 10% in enrollment.

"Our staff did a tremendous job of communicating to students and reaching out to educate them about this policy change," said Robin Richards, Vice President of Student Services. "We had volunteers operating a phone bank and calling students that were dropped for non-payment. I have to say, our students are very friendly. When they were reminded, the majority said it was an honest mistake because they didn't understand how the system worked. We had very few students angry that they had to pay their fees."

Richards credited employees in the Business Office for working face-to-face with students and explaining the new policy.

College Community Honors Amelito Enriquez

Fresh off his trip to the White House where he was honored along with 17 other educators and organizations from around the country, Amelito Enriquez returned home to a special reception at the college. Amelito was present when President Obama met with the winners of the 2010 and 2011 Presidential Awards for Excellence in Science, Mathematics, and Engineering Mentoring (PAEMEM) in the Oval Office on December 12.

The ceremony and meeting with the President were part of two days of educational and recognition activities for the awardees in Washington, D.C., last month. In addition to the trip to Washington, D.C., each received a monetary award from NSF to support future mentoring endeavors.

Afterwards, at a ceremony led by the White House Office of Science & Technology Policy (OSTP) Director John Holdren and National Science Foundation Director Subra Suresh, the awardees received letters of congratulations from the President, thanking them for their dedication to edu-

cation and innovation. In his letter, the President noted that the awardees' efforts to inspire young people to reach new

and honored Amelito with a plaque that included the wording that was read into the Congressional Record on his behalf and



heights brings the Nation closer to achieving a community of scientist, engineering and mathematicians that reflects the full diversity of our union. At Cañada, Enriquez was honored by three of his former students for helping them achieve their goals in life.

A representative from the Philippines Embassy (photographed to the right) in San Francisco attended the celebration and presented Amelito with a special recognition plaque. Representatives from U.S. Rep. Jackie Speier's Office and Anna Eshoo's Office were also in attendance

a flag that was flown over the U.S. Capital. "It really was an honor to meet the President of the United States and all of the other recipients who are making a difference in the lives of students around the country," he said. "I also want to thank my co-workers, students and former students who have helped make all of this possible. I feel very blessed."



BOARD REPORT 12-1-2A

TO: Members of the Board of Trustees

FROM: Ron Galatolo, Chancellor

PREPARED BY: Harry W. Joel, Vice Chancellor, Human Resources and Employee Relations
(650) 358-6767

APPROVAL OF PERSONNEL ITEMS

Changes in assignment, compensation, placement, leaves, staff allocations and classification of academic and classified personnel:

A. LEAVE OF ABSENCE**Skyline College****Cinthia Saenz**

Cosmetology Aide

Business Division

Recommend approval of an extension of a leave of absence (FMLA) without pay and without benefits, effective January 1, 2012 through June 30, 2012. A prior leave of absence was Board approved on September 7, 2011 for the period August 17, 2011 through December 31, 2011.

B. SHORT-TERM, NON-CONTINUING POSITIONS

The following is a list of requested classified short-term, non-continuing services that require Board approval prior to the employment of temporary individuals to perform these services, pursuant to Assembly Bill 500 and its revisions to Education Code 88003:

<i>Location</i>	<i>Division/Department</i>	<i>No. of Pos.</i>	<i>Start and End Date</i>		<i>Services to be performed</i>
Skyline	Language Arts/Learning Resources	20	4/1/2012	6/30/2012	Instructional Aide II: Provide tutorial services to students in English, Math, ESOL, Chemistry, Biology, Accounting, Social Science, and other disciplines; assist students in the use of instructional materials; assist with presentations and study groups. Instructional Aides work on an intermittent basis throughout the semester.

BOARD REPORT NO. 12-1-1CA

TO: Members of the Board of Trustees
FROM: Ron Galatolo, Chancellor
PREPARED BY: Kathy Blackwood, Interim Executive Vice Chancellor, 358-6869

APPROVAL OF 2012-13 BUDGET AND PLANNING CALENDAR

The budget development process for 2012-13 requires formulation of a budget calendar. Included in the 2012-13 calendar is consultation with the District Committee for Budget and Finance, which is a subcommittee of the District Shared Governance Council in matters relating to finance.

The calendar provides timelines for planning, discussions and decisions by the Board, and concludes with adoption of the Final Budget for 2012-13 on September 19, 2012.

RECOMMENDATION

It is recommended that the Board of Trustees approve the attached 2012-13 Budget and Planning Calendar.

Budget and Planning Calendar, 2012-13

<u>Date</u>	<u>Campus & District Review/Action</u>	<u>Committee for Budget and Finance Consultation</u>	<u>Board Review/Action</u>
September	Campuses Finalize Spring 2012 Schedule of Classes		
November – December		Review of Budget and Planning Calendar, discussion of budget strategies and resource allocation, and budget development process	
January 5	Governor's Budget Proposal		
January	Chancellor's Council review/revise draft of Budget and Planning Calendar and budget development process; discussion of Governor's Budget; District revenue/expenditure implications.	Review of Governor's Budget and discussion of District revenue and expenditure implications (inform DSGC at its next meeting).	Approval of 2012-13 Budget and Planning Calendar, review of Governor's Budget, review of State and District revenue and expenditure implications, and discussion of program and operational priorities.
January/ February	Chancellor's Council discussions of budget strategies and allocations.	Continuing discussion of State budget and District revenue/expenditure options.	Board policy discussions/decision regarding budget adjustments which impact existing positions.
January/ February	Ongoing State budget hearings		
February	Legislative Analyst's Office Review of Governor's Proposed Budget		
February	Campuses Finalize Summer Session 2012 Schedule of Classes	Review of preliminary District revenue assumptions and expenditure plans.	Review of preliminary District revenue assumptions and expenditure plans.
February	"P1" First Principal Apportionment	Certify to State Controller Apportionment	
February/ March	Discussion of budget priorities at Colleges and with Chancellor's Cabinet.	Review of 2011-12 Mid-Year Budget Report	Review of 2011-12 Mid-Year Budget Report
March	Campuses Finalize Fall 2012 Schedule of Classes	Review of Board budget priorities and Districtwide allocations (inform DSGC at its next meeting).	Review/approval of 2012-13 budget priorities and Districtwide allocations.
Mid-March	Run preliminary position control worksheets for 2012-13	Colleges ongoing review of position control	
April			Budget updates with Board; review budget assumptions for Tentative budget.
May 11	Site Tentative Budgets completed. Work resumes developing final budget after tentative budget is loaded.		
Mid-May	Governor's May Revise		

<u>Date</u>	<u>Campus & District Review/Action</u>	<u>Committee for Budget and Finance Consultation</u>	<u>Board Review/Action</u>
May	Review of Governor's May Revise	Review of Governor's May Revise (inform DSGC at its next meeting).	Governor's May Revise; budget priorities, goals and objectives.
June	District Office completes budget input and prepares Tentative Budget document	Review of 2012-13 Tentative Budget	
June 27			Adoption of 2012-13 Tentative Budget and 2012-13 Gann Limit.
June	"P2" Second Principal Apportionment	Certify to State Controller Apportionment	
June-August	Final adjustments to budget are made.		
July	Enactment of 2012-13 State Budget		
August	Legislative Trailer Bills		
August	State Budget Workshop (held after Advance)		
August	2011-12 books are closed. District Office completes budget input and prepares Final Budget document.		
Sept. 19			Adoption of 2012-13 Final Budget.

BOARD REPORT NO. 12-1-2CA

TO: Members of the Board of Trustees
FROM: Ron Galatolo, Chancellor
PREPARED BY: Kathy Blackwood, Executive Vice Chancellor, 358-6790

DENIAL OF CLAIM AGAINST THE DISTRICT BY MICHAEL SHORT

On January 9, 2012, the District received a claim from Michael Short seeking reparation in an amount to be proven at trial for physical injury, medical costs, past and potential future lost wages and emotional distress. Mr. Short alleged that the injury was sustained on July 21, 2011, while he was enrolled in a public safety training course presented by International Training Resources and Defense Technology and hosted by South Bay Regional Public Safety Training Consortium, a consortium of eight community colleges governed by the Joint Powers Authority (JPA) of which the District is a member. Mr. Short's injuries are the loss of his right eye, scarring to his face, nasal and sinus injuries. Apparently, Mr. Short is an employee of the City of Visalia.

RECOMMENDATION

It is recommended that the Board of Trustees deny the claim against the District of Michael Short and refer the matter to the District's insurance and legal advisors.

BOARD REPORT NO. 12-1-2B

TO: Members of the Board of Trustees

FROM: Ron Galatolo, Chancellor

PREPARED BY: Barbara Christensen, Director of Community/Government Relations, 574-6510

ADOPTION OF RESOLUTION NO. 12-1 REGARDING THE RECOMMENDATIONS OF THE CALIFORNIA COMMUNITY COLLEGES STUDENT SUCCESS TASK FORCE

At the Study Session of January 11, 2012, the Board of Trustees discussed the recommendations of the California Community Colleges Student Success Task Force, which were approved by the Board of Governors on January 9. At the Study Session, concerns about the recommendations were expressed by faculty, students and administrative staff. The Board shared the concerns and agreed to issue a resolution expressing those concerns and urging that the Task Force recommendations not be implemented until these concerns, and those of other interested parties, be considered.

RECOMMENDATION

It is recommended that the Board approve the attached Resolution 12-1 regarding the recommendations of the California Community Colleges Student Success Task Force.

RESOLUTION NO. 12-1**BY THE GOVERNING BOARD OF THE
SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
STATE OF CALIFORNIA**

WHEREAS, on January 9, 2012, the California Community Colleges Board of Governors approved the Student Success Task Force recommendations; and

WHEREAS, in a letter November 30, 2011 and addressed to State Chancellor Jack Scott, the Board of Trustees of the San Mateo County Community College District (“District”), through Chancellor Ron Galatolo, urged the Board of Governors to withhold adoption of and defer any implementation of the recommendations until further dialogue, research and evidence could be completed to substantiate the proposed actions; and

WHEREAS, while the Board of Trustees of the District commends the Board of Governors and members of the Task Force for their commitment to student success, the Board continues to have serious concerns about many of the recommendations, including:

- Student success is measured through the lens of only one type of student:
 - a. many of the District’s students come from academically and/or economically challenging circumstances and their needs differ from the type of student to which the recommendations are geared; the implementation of the recommendations, including uniform placement testing (which data suggests is not a true indicator of success), could result in unequal access to education for these students.
 - b. many of the District’s students have achieved success outside of the narrow parameters of the recommendations, e.g. choosing a major early on or achieving their goals within a specified period of time.
- Implementing mandatory, early educational plans that are difficult to update will eliminate students’ ability to explore, forcing them into programs of study before they know what they want to do.
- Amid ongoing budget reductions, there is a lack of funding to implement the recommendations.
- The recommendations represent a fundamental change to the mission of community colleges.
- The recommendations deprive local Boards of Trustees of the right to make decisions that balance the individual needs of their students, resulting in a disconnection from the community; the San Mateo County Community College Board of Trustees has developed a “Statement of Core Values and Principles” which outlines priorities based on the needs of its students and the community.
- The lack of a strong Career/Technical Education component in the recommendations could have a negative economic impact on the State of California as training of a skilled workforce is neglected.
- Only one student member was appointed to the Task Force; no Chief Business Officers, who could have addressed the potential economic burdens associated with the recommendations, were appointed.

NOW, THEREFORE, BE IT RESOLVED that the Board of Trustees of the San Mateo County Community College District recommends that the concerns listed above, along with the concerns of other interested parties, be considered before implementing any of the recommendations of the California Community Colleges Student Success Task Force.

REGULARLY PASSED AND ADOPTED this 25th day of January, 2012.

Ayes:

Noes:

Abstentions:

Attest:

Helen Hausman, Vice President-Clerk
Board of Trustees

BOARD REPORT NO. 12-1-3B

TO: Members of the Board of Trustees
FROM: Ron Galatolo, Chancellor
PREPARED BY: Barbara Christensen, Director of Community/Government Relations, 574-6510

**ADOPTION OF RESOLUTION NO. 12-2 REGARDING THE PROPOSED
CALIFORNIA INITIATIVE 11-003**

At the Study Session of January 11, 2012, a student representative sought the Board's support of the proposed California Initiative 11-003, "Tax on California Oil and Natural Gas. Revenues to Education." The Board agreed to issue a resolution supporting the efforts of constituency groups within the District who are working to succeed in placing the initiative on the Statewide ballot.

RECOMMENDATION

It is recommended that the Board approve the attached Resolution 12-2 regarding the proposed California Initiative 11-003.

RESOLUTION NO. 12-2

**BY THE GOVERNING BOARD OF THE
SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
STATE OF CALIFORNIA**

WHEREAS, proposed California Initiative 11-003, “Tax on California Oil and Natural Gas. Revenues to Education” has been cleared for circulation and is in the signature-gathering stage; and

WHEREAS, the initiative imposes 15% tax on value of oil and natural gas extracted in California to supplement education funding, for purposes of reducing class size, reducing tuition, restoring classes cut, providing instructional materials and hiring teachers and professors; and

WHEREAS, the initiative allocates tax revenues as follows: 11 percent to University of California; 14 percent to California State University; 38 percent to community colleges and 37 percent to K-12; and

WHEREAS, the initiative prohibits reduction of existing education funding levels based on these additional tax revenues and prohibits passing tax through to consumers by way of higher fuel prices;

NOW, THEREFORE, BE IT RESOLVED that the Board of Trustees of the San Mateo County Community College District supports the efforts of all District constituency groups working to succeed in placing the proposed California Initiative 11-003 on the Statewide ballot.

REGULARLY PASSED AND ADOPTED this 25th day of January, 2012.

Ayes:

Noes:

Abstentions:

Attest:

Helen Hausman, Vice President-Clerk
Board of Trustees

BOARD REPORT NO. 12-1-4B

TO: Members of the Board of Trustees
FROM: Ron Galatolo, Chancellor
PREPARED BY: Barbara Christensen, Director of Community/Government Relations, 574-6510

NOMINATIONS FOR MEMBERSHIP ON THE CALIFORNIA COMMUNITY COLLEGE TRUSTEES (CCCT) BOARD, 2012

The California Community College Trustees (CCCT) board serves a major role within the Community College League of California. Meeting five times a year, the twenty-one member board provides leadership and direction to ensure a strong voice for locally elected governing board members.

From January 1 through February 15, nominations for membership on the CCCT board will be accepted in the League office. Nominations are to be made by a member district board of trustees. Each nominee must be a local community college district trustee, other than the student trustee, and must have consented to be nominated. Only one trustee per district may serve on the board.

The election of members of the CCCT board will take place between March 10 and April 25. Each member district board of trustees will have one vote for each vacancy on the CCCT board. Seven persons will be elected to the board this year; six incumbents are eligible to run for reelection. CCCT board members are elected by the institutional member governing boards for alternate three-year terms. No CCCT board member shall serve more than three (3) terms consecutively.

Election results will be announced at the CCCT annual conference. The newly elected members of the board will assume their responsibilities at the conclusion of the annual conference, May 6, 2012.

RECOMMENDATION

It is recommended that the Board determine interest of any Board member to be nominated to serve on the CCCT board. If any Board member consents to be nominated, it is recommended that the Board approve the nomination.

San Mateo County Community College District

January 25, 2012

BOARD REPORT NO. 12-1-101B

TO: Members of the Board of Trustees

FROM: Ron Galatolo, Chancellor

PREPARED BY: Kathy Blackwood, Executive Vice Chancellor, 358-6869

RECEIPT AND ACCEPTANCE OF THE 2010-11 DISTRICT AUDIT REPORT

Attached is a copy of the audit of the San Mateo County Community College District funds, prepared by the Board-approved firm of Vavrinek, Trine, Day & Company. The audit was based upon the fiscal year ending June 30, 2011. A representative of the auditing firm will be present at this meeting to respond to questions about the audit in general and about the firm's findings and recommendations for the District.

RECOMMENDATION

It is recommended that the Board of Trustees receive and accept the 2010-11 audit report for the District, which was filed by Vavrinek, Trine, Day & Company with the State Department of Education, the State Controller, and the State Chancellor's Office prior to the December 31, 2011 due date.

**SAN MATEO COUNTY
COMMUNITY COLLEGE DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2011 AND 2010

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

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FINANCIAL SECTION



VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

Board of Trustees
San Mateo County Community College District
San Mateo, California

We have audited the accompanying basic financial statements of San Mateo County Community College District (the District) as of and for the years ended June 30, 2011 and 2010, and its discretely presented component unit the Education Housing Corporation as listed in the Table of Contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Education Housing Corporation were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of San Mateo County Community College District and its discretely presented component unit as of June 30, 2011 and 2010, and the respective changes in financial position and cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2011, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important for assessing the results of our audit.

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

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

Vavrinek, Time, Day & Co., LLP

Pleasanton, California
December 15, 2011

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

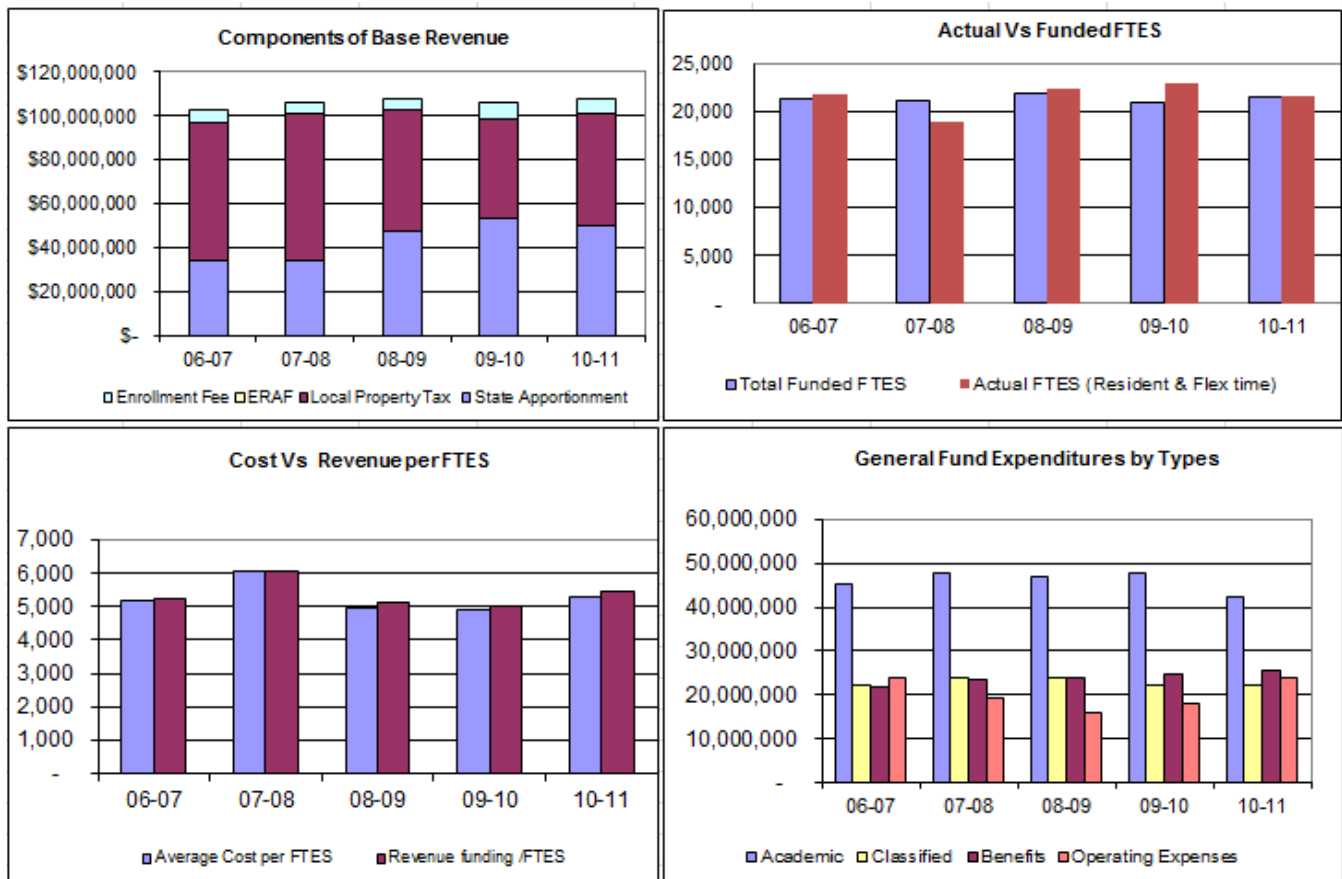
Introduction

The San Mateo County Community College District's (the District) Annual Financial Report presents management's discussion and analysis of the District's financial activities during the fiscal years ended June 30, 2011, June 2010 and June 30, 2009. The discussion has been prepared by management and is best read in conjunction with the financial statements and the notes following this section.

There are three basic financial statements that provide information on the District's financial activities as a whole. These statements are:

- Statement of Net Assets
- Statement of Revenues, Expenses and Changes in Net Assets
- Statement of Cash Flows

Financial Highlights of 2010-11



Financial Overview

- Assets exceeded liabilities for the fiscal year ended June 30, 2011 by \$151 million, and total net assets decreased \$35 million over last year.
- Net noncurrent assets increased \$36 million.
- Net operating loss was \$198 million.
- Net non-operating revenues were \$152 million.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

Reporting for the District as a Whole

- Economic position of the District with the State

The State's budget continues to be out of balance and is leaking revenues rapidly. The State restored 2.2% of the 2009/10 workload reduction in 2010/11, and promptly cut the workload (number of students districts are funded for) in 2011/12 by another 6.2%. Fortunately, the county's voters approved a parcel tax (Measure G) for SMCCCD for 4 years, starting with 2010/11. This funding, approximately \$7 million, has allowed the District to cut significantly fewer sections than would have been cut and maintain some services to students. In addition, the District's General Fund ended 2010/11 with a positive ending balance that will also be used to offset cuts in 2011/12.

- Salaries and Benefits

The expenditure projection for salaries includes annual increases for movement on step and column placements and longevity service increments only. The District has not received COLA from the State since 2007-08. Fiscal year 2010-11 marks the third year that COLA is not projected for any employee group. The budget includes the January 1, 2011 increases (2 – 9%) in non-capped health premium rates for employees and retirees. Dental insurance and vision rates increased slightly (1.9%). The PERS rate increased from 9.709% to 10.707%. The District's Unemployment Insurance Contribution Rate increased dramatically from .3% to .72%. Worker's compensation remained at 2%. To comply with GASB 45, in 2009-10, the District begun charging itself an amount (4%) to cover the future medical benefit costs for current employees. These charges appear as part of the benefit expenses in all funds.

- Bond construction

As of June 30, 2011, \$437 million of the \$473 million Measure A November 2005 general obligation (GO) bond (with interest) have been spent or encumbered by contract. This District's Sources and Uses document is adjusted regularly to keep pace with the construction completion and to free up last remaining funds for college requested small projects. The projects planned under the 2005 GO bond are substantially completed with students and staff occupying the new and renovated buildings at CSM and Skyline and Cañada College.



Cañada College Buildings 5 & 6 Renovation Project was a State Funded project. This project supported the expansion of the University Center, is the home for Student Activities and the Health Center, as well as classrooms, faculty offices and Central Duplicating. In addition, the 36 year old electrical, plumbing and HVAC systems were upgraded and a new gateway and elevator were constructed, improving accessibility and architecturally tying this portion of campus into



SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011



recent improvements. Staff and students moved into Building 5 and 6 at the end of the summer session, 2011. As part of a separate project, the Building 5 Dining Room will be modernized, with a video wall, new flooring, enhanced lighting and wood slat walls. The Parking Lot 4 Planter and Entrance Upgrade, Fire Road Paving Project was also completed over the summer. The project enhanced the arrival zone at Cañada and upgraded deteriorating fire access roads.

Several small projects were constructed to prepare Cañada for the 2011-2012 academic school year including Building 16 Science Lab Improvements, Building 9 Student Services Remodel, Veteran's Center, the creation of the Center for Innovation and Excellence in Teaching and Learning (CIETL), and campus wide Exterior Painting Project.

College of San Mateo

roadway and landscape improvements and a Chiller Plant to support the new buildings. The project was completed in late summer 2011. The Health and Wellness Center, Building 5, is now the home for the Workforce programs, including Dental Assisting, Nursing and Cosmetology, as well as the home for the San Mateo Fitness and Aquatics Center. The San Mateo Athletic Club and Aquatics Center has exceeded expectations and currently has more than 3,400 members. The building was fully occupied in the fall semester of 2010. The Chiller Plant was completed in spring 2010 and the electrical upgrade completed in January 2009. The construction of the College Center, Building 10, began in spring 2009 and was completed in late spring 2011 with the Ribbon Cutting in April 2011. Occupancy was phased and took place from in late spring through summer 2011. This new facility unites Student Services into a "One-Stop Shop", including admissions, career services, counseling, health center, financial aid, a learning center, disabled students programs & services, cafeteria, convenience store, coffee bar, a copy center and the CSM Bookstore. In addition, the building will house the Multi-Media program, International Students, Administration, conference rooms and medium and

College of San Mateo's largest bond funded project was the Design-Build Project, which involved demolition of four buildings; construction of two new buildings, a new aquatic center, upgraded electrical system, extensive site work,



SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

large forum classrooms. The Sitework, including Parking lots, new campus entries, roadways and landscaping was completed in the summer of 2011.



College of San Mateo Building 12/15/17/34 Modernization (Design Build). Buildings 15 and 17 house administrators, faculty, and staff. Building 17 is home to Student Life and Leadership Development and the first floor of Building 12 is the new home for Fire Science and Administrative Justice. Building 34 houses ITS, Fire Science Equipment storage and the CSM mail and receiving department. Occupancy of Building 34 occurred over summer 2011. The Hillsdale Parking Lot Project was renovated as a subproject to this Design-Build Project, which was completed in the summer 2011. Phase 1 of the North Gateway Project (State Funded) was also completed

in the summer. This project included a new electrical Load Center 8 resolving a dangerous safety concern in Load Center 4 and much needed tree maintenance.

Various small projects were completed in the summer of 2011 including CSM Building 1 Renovation (Health & Psychological Services and Public Safety), Building 16 Veteran's Center, Building 32 Track and Grounds Exterior Storage and campus wide Exterior Painting Project.



Skyline College's largest bond funded project, the Design-Build Project, was completed in the summer of 2011. The first phase of this project, Building 11 Automotive Transmission Facility, was completed in spring 2010 and Automotive Transmission classes began in the fall semester 2010. Building 4 is home to the Cosmetology program, the Multi-Cultural Center, college administration and general assignment classrooms. Building 4 was finished in the spring of 2011 with the Ribbon Cutting occurred in April 2011. Occupancy occurred over the summer session 2011. Also completed during the summer were extensive landscape improvements, parking lot, paving, sidewalk and roadway upgrades,

new campus entries; and the renovation of existing quads on campus. The campus wide Exterior Painting Project at Skyline was completed in summer 2011.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

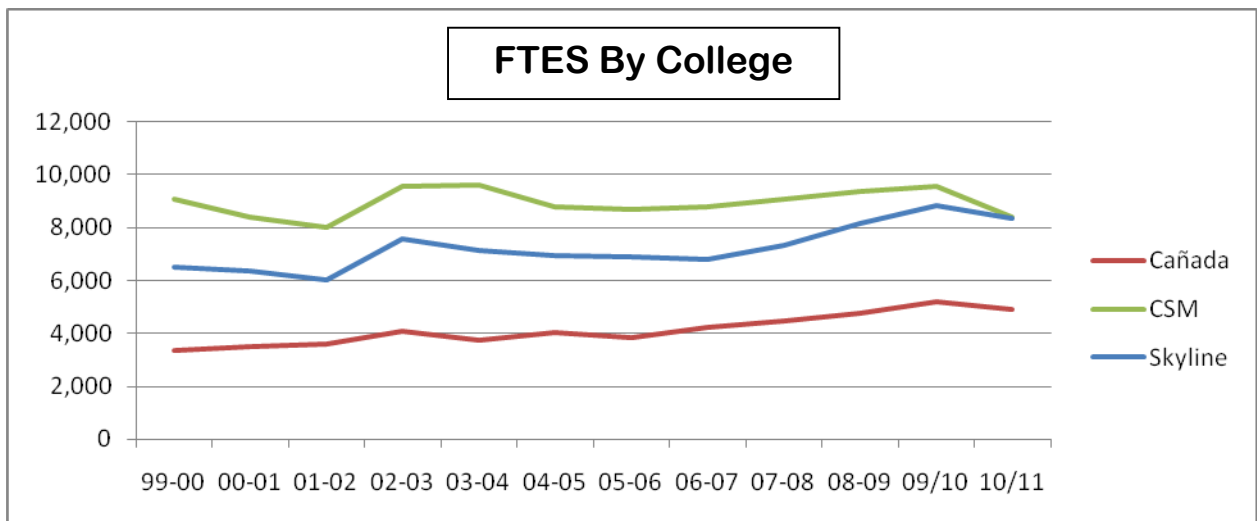
JUNE 30, 2011

There are several small projects that are being constructed in fall 2011, including Skyline Building 2 Computer Network Program Relocation, Building 4 NE Stair and Lighting, Skyline Building 1 Administration Backfill, Career Center Renovation



- Enrollment

The District was over its funded enrollment cap in 2009/10 by 1,800 FTES. The state funded a 2.2% workload restoration in 2010/11, which, when accompanied by section reductions to meet the board's goals of transfer, vocational/career technology and basic skills education meant that the District was below our funded cap in 2010/11. The District used some of the Summer 2011 enrollment to maximize the 2010/11 funding. That means that the District won't have to cut as much in 2011/12 to achieve its FTES targets, about 2% reduction. The chart below shows the history of FTES in the District.



Net Assets

The Statement of Net Assets below includes all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting basis used by private companies. Net Assets, the difference between total assets and total liabilities, is one way to measure the financial condition of the District. Following are explanatory remarks for the statement:

- Cash and cash equivalents consist of cash in the Treasury, Local Agency Investment Fund (LAIF) of the State Treasurer's Office, San Mateo County Pool Investment, Special Deposit Bond and with Wells Fargo Bank, proceeds from the District's general obligation construction bond and certificates of deposit with various banks.
- Accounts receivable primarily consists of revenues from local, state, and federal sources from which the District had earnings but which were not received as of the fiscal year's closing date.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

- Inventories and other assets include prepaid expenses and bookstore inventories.
- Capital assets, net of depreciation, are the net historical value of land, buildings, construction in progress and equipment less accumulated depreciation.
- Accounts payable and accrued liabilities consist of payables to the state, federal grants, benefits, salaries and local vendors which the District incurred but for which payments were not issued as of the end of the fiscal year.
- Deferred revenues represent cash received during the fiscal year from state, federal grants, general state apportionment and student fees; however, the funds were not earned as the end of the fiscal year.
- Long-term liabilities include obligations to be paid over a period longer than 1 year. The current portion represents payments due within the next 12 months. The District has compensated absences payable, and construction bond.
- According to GASB Statements, equity is reported as “Net Assets” rather than “Fund Balance.” The District’s net assets are classified as follows:
 - Invested in capital assets, net of related debt, represents the District’s total investment in capital assets and net of outstanding debt obligations related to those capital assets.
 - Restricted net assets consist of expendable and nonexpendable portions. Restricted expendable net assets include resources which the District is contractually obligated to expend in accordance with restrictions imposed by external third parties.
 - Unrestricted net assets represent resources used for transactions relating to the educational and general operations of the District.

Analysis of Net Assets – June 30, 2011

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

Table 1 Statement of Net Assets

ASSETS	2011	2010	2009
	in thousands	in thousands	in thousands
Current Assets:			
Cash and cash equivalents	\$250,071	\$304,297	\$438,861
Accounts receivable	21,561	38,175	27,395
Inventories and other assets	2,823	5,701	2,272
Total Current Assets	274,455	348,173	468,527
Noncurrent Assets:			
Deferred charges and other assets	4,882	5,661	12,494
Capital assets, net of depreciation	642,288	605,174	465,075
Total Noncurrent Assets	647,170	610,835	477,570
TOTAL ASSETS	921,625	959,008	946,097
 LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	36,532	43,676	48,743
Deferred revenue	11,443	12,002	11,508
Current portion of long-term liabilities	13,863	12,078	10,453
Total Current Liabilities	61,838	67,756	70,704
Noncurrent Liabilities			
Long-term liabilities - noncurrent portion	708,859	704,808	703,889
Total Noncurrent Liabilities	708,859	704,808	703,889
TOTAL LIABILITIES	770,697	772,564	774,593
 NET ASSETS			
Invested in capital assets, net of related debt	6,632	62,387	66,323
Restricted	111,424	95,180	81,153
Unrestricted	32,872	28,876	24,018
TOTAL NET ASSETS	\$150,928	\$186,444	\$171,493

Total net assets at June 30, 2011 decreased \$ 35 million over the prior fiscal year. The decrease was primarily due to the decrease in restricted cash & cash equivalents accounts.

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets shown below consists of operating and non-operating results of the District. Operating revenues represent all revenues from programmatic sources. Non-operating revenues include State apportionments, Local property tax revenues, investment earnings and gifts. Operating revenues include activities characterized by exchange transactions, such as student fees, sales and services of Bookstore and Cafeteria operations, services provided and contracted to grants agencies, and interest from institutional student loans. Non-operating revenue, on the other hand, is characterized by non-exchange transactions, such as donations, gifts, State appropriations and regular investment income.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

Table 2 – Statement of Operating Revenues

	2011	2010	2009
	in thousands	in thousands	in thousands
OPERATING REVENUES			
Tuition and Fees	\$12,510	\$12,301	\$10,339
Auxiliary Enterprise Sales and Charges	2,972	2,824	2,786
Internal Service Sales and Charges	2,082	216	000
TOTAL OPERATING REVENUES	17,565	15,341	13,125
OPERATING EXPENSES	215,751	162,126	169,944
OPERATING LOSS	(198,186)	(146,785)	(156,820)
NON-OPERATING REVENUES (EXPENSES)			
State apportionments, noncapital	43,684	55,359	48,244
Local property taxes	92,988	67,423	77,860
Federal	25,330	19,886	12,286
State	13,436	10,385	15,951
Local	2,923	2,892	2,189
Investment income/(expense), net	2,404	5,355	(15,602)
Interest income/(expense) on capital related debt, net	(31,223)	(30,142)	(30,433)
Other non-operating revenues	2,052	14,514	9,406
TOTAL NON-OPERATING REVENUES (EXPENSES)	151,595	145,671	119,900
INCOME (LOSS) BEFORE OTHER REVENUES AND EXPENSES	(46,592)	(1,115)	(36,919)
OTHER REVENUES AND EXPENSES	11,076	16,066	13,995
CHANGE IN NET ASSETS	(35,516)	14,951	(22,924)
NET ASSETS, BEGINNING OF YEAR	187,444	171,493	194,417
NET ASSETS, END OF YEAR	\$151,928	\$186,444	\$171,493

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

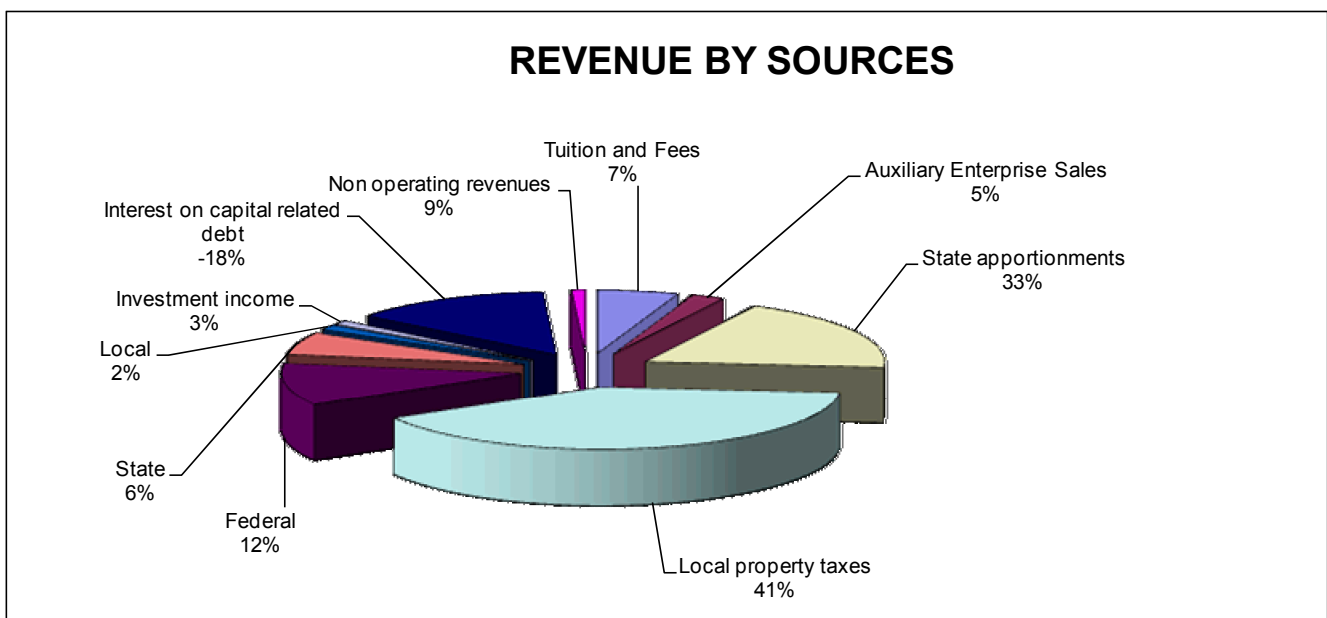
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

Explanatory information for the statement is as follows:

- Tuition and Fees include enrollment, health, non-resident tuition, other student fees and less scholarship discount and allowance as defined by GASB statement No. 35.
- Auxiliary Enterprise Sales and Charges consist of bookstore, cafeteria sales and fitness center less discount allowances.
- State apportionments, non-capital includes state apportionment, apprenticeship, and child care development apportionment.
- Local property taxes and other non-operating revenues consist primarily of secured and unsecured taxes which are payable to the District in December and March of each year. The County of San Mateo collects the taxes on behalf of the District. Other non-operating revenues are State Lottery revenue and miscellaneous local income.
- Federal, and state grants and contract services are “exchange” transactions for which the District files applications, complies with individual spending restrictions, files expenditure reports, and/or signs contracts.
- Net investment income includes interest from the San Mateo County Investment Pool managed by the County Treasurer, certificates of deposit, bond proceeds, and Local Agency Investment Fund (LAIF), less interest expense on capital related debt.
- State and Local Revenues, capital includes State scheduled maintenances funding and issuance of the General Bond. These revenues relate mainly to construction activities.

Below is an illustration of District revenues by source:



SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

Revenues and expenses changed mainly due to the following:

- Net Income from Operating sources illustrated an increase in tuition and fees.
- Net Non-Operating sources increased mainly due to an increase in local property taxes.

The District's operating expenses are shown below (with explanatory remarks) by account and by activity. Following are explanatory comments for the Statement of Operating Expenses by Account:

- Salaries and benefits expenses, which represent the largest percentage of the District's operating expense.
- Supplies, materials, other operating expenses, services and utilities are the normal cost of operating expenses for "exchange" transactions.
- Depreciation of capital assets is computed and recorded by the straight-line method. The District maintains a capitalization threshold of \$5,000 for equipment and \$100,000 for building improvements. Useful lives of the assets are estimated as follows:
 - 5 to 10 years for equipment
 - 25 to 50 years for improvements
 - 25 to 50 years for buildings

Cash Flows

The Statement of Cash Flows shown below provides information about cash receipts and cash payments during the fiscal year. The statement also assists readers in understanding the District's ability to generate net cash flows, and its ability to meet obligations as they come due, or the District's need for assistance via external financing. The District has adopted the direct method, and under this method, data for cash flow present operating activities by major categories of gross receipts and gross payments as well as the resulting net amount. Additional explanatory information for the statement is as follows:

- The main cash receipts from operating activities consist of tuition, student fees, and auxiliary enterprise sales. Cash outlays include payment of salaries, benefits, supplies and operating expenses.
- State apportionments and property taxes are the primary source of non-capital financing.
- For capital financing activities, the main sources are from special State Apportionments and General Obligation Bond and C.O.P. proceeds.
- Cash from investing activities consists of Interest from County Investment Pool, Certifications of Deposits, Bond and Local Agency Investment Fund (LAIF).

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

	2011	2010	2009
CASH FLOWS PROVIDED BY (USED IN):			
Operating Activities	in thousands (\$167,566)	in thousands (\$135,159)	in thousands (\$131,165)
Noncapital financing activities	183,752	167,199	151,358
Capital financing activities	(73,166)	(173,502)	(138,987)
Investing activities	2,754	6,899	(13,614)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(54,226)	(134,564)	(132,408)
CASH & CASH EQUIVALENTS, BEGINNING OF YEAR	304,297	438,861	571,269
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$250,071</u>	<u>\$304,297</u>	<u>\$438,861</u>

Economic Factors and the 2011-12 Budget

The 2011/12 state budget arrived with a 6.2% reduction in state revenues and significant draws upon the District's cash flows. The state's revenues are coming in significantly below the budget just passed and mid-year cuts are extremely likely. The 2011/12 state budget anticipates as much as \$4 billion that is not likely to materialize. If the mid-year cuts are triggered, the state budget calls for up to an additional \$102 million cut to community colleges as well as a fee increase from \$36 to \$46 in January 2012 (up from \$26 in Spring 2011). The state is also relying on borrowing from schools, deferring payments both within the current and into the next fiscal year. The District is relying primarily upon local tax dollars to assist with cash flow, in addition to borrowing through a Tax Revenue Anticipation Note (TRAN). The District had anticipated mid-year cuts in 2010/11. Because those cuts were deferred to 2011/12, the District did not experience that deficit and ended the year with a surplus. The District is now planning on using that surplus in 2011/12, while again budgeting for mid-year cuts. This will allowed the District time to prepare for cuts for the 2012/13 fiscal year. Because the District is planning and preparing for budget cuts one year in advance, the District is able to use the District's strategic plan to make the cuts in the least harmful way. The District continues to prepare multi-year projections to allow it to plan ahead.

C.I.P. Planning 2011-12 and Beyond

The focus of the Capital Improvement Program for fiscal year 2011-2012 will be the close out of the College of San Mateo Design-Build Project, Skyline College Design-Build Project, and Buildings 5 and 6 at Cañada College. These projects, which represent approximately 70% of the value of the District's second phase of the Capital Improvement Program (CIP2), have been completed on schedule and under budget. As of fall semester 2011, Staff and students have occupied CSM Building 10, Skyline College Building 4 and Cañada College Buildings 5 and 6. In addition to these major projects, there are two state-funded electrical upgrade projects in construction, one each at Cañada and Skyline College. A multitude of small projects has been launched at all three colleges to help meet program needs.

Staff continues to revise and update the master schedule and the master budget of the Capital Improvement Program to coincide with remaining funding and to help meet existing facilities changes based on academic programming requirements. The situation at the state level for potential bond funding remains negative. There were no state bond elections in 2008 and 2010 and it has been reported that there will not be a bond in 2012. Staff continues to work with the state to update Final Project Proposals and create new Initial Project Proposals so that the District is poised to receive funding when the state process begins again.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

Compilations of site-specific activities, which are currently in design or pre-construction, are listed below:

Cañada College:

- Cañada Dining Room Remodel
 - Construction November 2011-April 2012
- Several small projects including Gym Bleacher Replacement, Light Pole Banner and Signage Project, Storm Water and Site Drainage Repair, Cañada Parking Lot Lighting Efficiency Upgrades
 - Construction fall 2011 & spring 2012

College of San Mateo:

- North Gateway Project (State Funded)
 - Phase 2: Demolition of Buildings 21-29, Landscape, Hardscape
 - This phase has been bid, but award and subsequent construction is forthcoming, pending resolution of a law suit.
- Edison Parking Lot
 - This project has been bid, but award and subsequent construction is forthcoming, pending resolution of a law suit.
- CSM B12 and Colonnades Reroof
 - Construction fall 2011
- Several small projects including, CSM B12 and Colonnades Reroofing, Aquatics Equipment Building Management System Integration, Parking Permit Shelters, Building 10 East Deck Modifications, Vehicular Entry Security Cameras, Expansion of Diagonal Edge & Lighting Upgrade and the Building 8 Walk of Fame
 - Construction fall 2011/spring 2012

Skyline College:

- The are several small projects are in design and pre-construction:
 - SKY Pac Heights Environmental Science Lab, Skyline Building 1 CALT Remodel, Building 6 Servery Remodel and Floor Upgrade, Electric Vehicle Charging Stations
 - Construction fall 2011

District Wide

- Boilers BAAQMD Emissions Upgrade Project
 - Upgrade Boilers to meet new Bay Area Air Quality Management District (BAAQMD) standards for emissions
- District Office Parking Lot Soil Investigation and Improvements

San Mateo County Community College District is fortunate in having legislative authority to use a variety of construction delivery methods to best suit each project's character and bring best value to the Colleges and our taxpayers, including design-build, multiple-prime contracting, as well as the traditional design-bid-build delivery method.

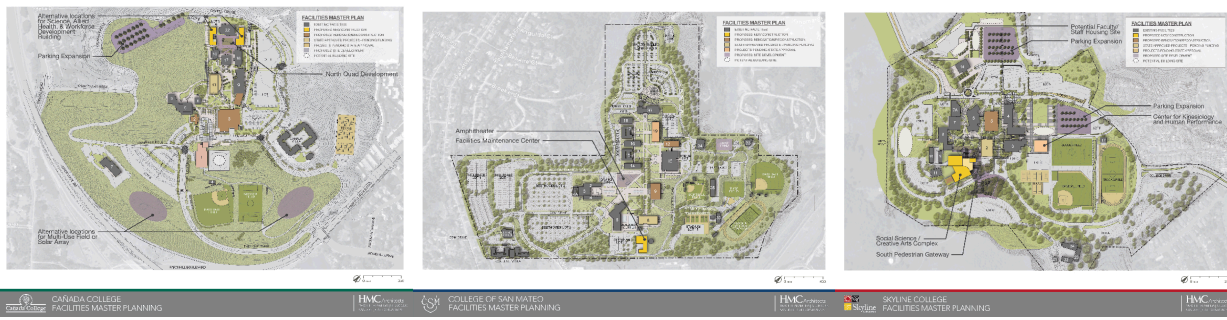
SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

2011 Facilities Master Plan

The 2011 Facilities Master Plan for the San Mateo County Community College District has been developed to serve as a guide for future development at each of the three Colleges in the District:



Canada College

College of San Mateo

Skyline College

It provides a graphic and narrative description of the District's strategy to support the educational program needs, address the long range forecast for enrollment, and positions the District to maximize funding opportunities. It is guided by each of the College's Educational Plan, which serve as the foundation for recommendations regarding facilities. The plan provides a roadmap for future development including recommendations for renovation and replacement of facilities as well as a number of site improvements for each campus.

In conjunction with the Facilities Master Plan process, the District engaged Alana, Buick & Bers (ABB) to complete a Renewable and Alternative Energy Feasibility study. ABB analyzed the technical and economic feasibility of various renewable and alternative energy systems for each of our campuses. Technical feasibility analysis included suitability for each location, longevity of existing comparable installations and the proven performance record of various technologies. Financial analysis included forecasted life-cycle cost and payback periods, including available and possible future financial incentives, and procurement strategy recommendations. Like the Facility Master plan, this study will provide a roadmap for potential incorporation of renewable and alternative energy technologies to support the academic mission, continue the Board of Trustee's commitment to sustainability and reduce operating costs.

Staff and Faculty Housing

We have two staff housing projects for faculties and staffs, namely College Vista and Canada Vista.

Canada Vista was grand opened on August 12, 2010, it has 60 units: 22 one bedroom or one bedroom with den; 32 two bedrooms; and 6 three-bedroom units. Fifty-six units will have private, individual garages and a washer/dryer. Interior amenities include 9 foot ceilings, wood entryways, individual patios or decks; large windows and sliding glass doors. As is the case with College Vista, rents are significantly below market rate. The District has allocated all the units to faculty and staff who had been on the wait list for housing.

The College Vista Project, which has been open for more than 5½ years, continues to be successful and we believe that it has helped the District increase its retention of employees. Twelve employees who lived at College Vista have moved out to purchase new homes.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

College Vista:



Canada Vista:



Contacting the District's Financial Management Office

This financial report is designed to provide our citizens, taxpayers, students, investors and creditors with a general overview of the District's finances and to show the District's accountability for funding received. Questions or concerns about this report or requests for additional financial information should be addressed to Kathy Blackwood, Interim Executive Vice Chancellor, by phone at 650-358-6869 or by e-mail at blackwoodk@smccd.edu.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF NET ASSETS – PRIMARY GOVERNMENT
JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 78,954,858	\$ 52,658,313
Restricted cash and cash equivalents	171,115,888	251,638,753
Accounts receivable, net	21,561,049	38,175,038
Prepaid expenses	612,280	3,592,332
Deferred charges	266,780	266,780
Stores inventories	1,944,237	1,841,518
Total Current Assets	<u>274,455,092</u>	<u>348,172,734</u>
Noncurrent Assets		
Deferred charges	4,882,265	5,149,046
Prepaid expenses	-	511,915
Nondepreciable capital assets	85,619,681	197,058,518
Depreciable capital assets, net of depreciation	556,667,926	408,115,705
Total Noncurrent Assets	<u>647,169,872</u>	<u>610,835,184</u>
TOTAL ASSETS	<u>921,624,964</u>	<u>959,007,918</u>
LIABILITIES		
Current Liabilities		
Accounts payable	22,539,884	28,686,223
Interest payable, restricted	13,992,354	14,990,244
Deferred revenue	11,442,749	12,002,231
Bonds and notes payable - current portion	12,985,000	11,200,000
Bond premium - current portion	877,627	877,627
Total Current Liabilities	<u>61,837,614</u>	<u>67,756,325</u>
Noncurrent Liabilities		
Compensated absences payable - noncurrent portion	3,375,257	3,489,506
Bonds and notes payable - noncurrent portion	688,810,672	683,767,051
Other long-term liabilities - noncurrent portion	16,673,392	17,551,018
Total Noncurrent Liabilities	<u>708,859,321</u>	<u>704,807,575</u>
TOTAL LIABILITIES	<u>770,696,935</u>	<u>772,563,900</u>
NET ASSETS		
Invested in capital assets, net of related debt	6,632,145	62,387,368
Restricted for:		
Debt service	22,040,501	20,213,256
Capital projects	82,393,022	69,832,065
Educational programs	6,801,876	4,946,405
Other activities	188,777	188,718
Unrestricted	32,871,708	28,876,206
TOTAL NET ASSETS	<u>\$ 150,928,029</u>	<u>\$ 186,444,018</u>

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS – PRIMARY GOVERNMENT
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	2011	2010
OPERATING REVENUES		
Student Tuition and Fees	\$ 17,961,991	\$ 17,238,134
Less: Fee waivers and allowance	(5,451,849)	(4,936,761)
Net tuition and fees	12,510,142	12,301,373
Auxiliary Enterprise Sales and Charges		
Bookstore	2,776,158	2,637,793
Cafeteria	195,780	186,399
Fitness Center	2,082,443	215,505
TOTAL OPERATING REVENUES	17,564,523	15,341,070
OPERATING EXPENSES		
Salaries	87,492,518	85,071,308
Employee benefits	32,468,015	25,920,582
Supplies, materials, and other operating expenses and services	38,691,384	21,978,873
Equipment, maintenance, and repairs	17,642,418	-
Student financial aid	20,890,933	15,270,317
Depreciation	18,565,671	13,885,147
TOTAL OPERATING EXPENSES	215,750,939	162,126,227
OPERATING LOSS	(198,186,416)	(146,785,157)
NONOPERATING REVENUES (EXPENSES)		
State apportionments, noncapital	43,684,006	55,358,880
Local property taxes, levied for general purposes	58,018,305	40,915,540
Local property taxes, levied for special purposes	27,915,076	26,507,015
Parcel tax	7,055,081	-
Federal grants	25,330,119	19,885,592
State grants	9,971,963	7,567,964
Local grants	2,923,325	2,891,579
State taxes and other revenues	3,463,708	2,817,037
Investment income (loss), net	2,403,806	5,354,937
Interest expense on capital related debt	(31,317,096)	(30,256,360)
Interest income on capital asset-related debt, net	94,445	114,206
Other nonoperating revenue	2,051,969	14,514,253
TOTAL NONOPERATING REVENUES (EXPENSES)	151,594,707	145,670,643
LOSS BEFORE OTHER REVENUES AND EXPENSES	(46,591,709)	(1,114,514)
State revenues, capital	4,908,777	1,592,888
Local revenues, capital	6,166,943	14,472,761
TOTAL OTHER REVENUES AND EXPENSES	11,075,720	16,065,649
CHANGE IN NET ASSETS	(35,515,989)	14,951,135
NET ASSETS, BEGINNING OF YEAR	186,444,018	171,492,883
NET ASSETS, END OF YEAR	\$ 150,928,029	\$ 186,444,018

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF CASH FLOWS – PRIMARY GOVERNMENT
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 12,553,426	\$ 12,618,314
Local grants and contracts	11,013,632	(2,052,169)
Payments to vendors for supplies and services	(58,857,074)	(27,349,024)
Payments to or on behalf of employees	(118,364,331)	(111,243,775)
Payments to students for scholarships and grants	(20,139,559)	(15,943,740)
Auxiliary sales	6,227,453	8,811,134
Net Cash Flows Provided For Operating Activities	<u>(167,566,453)</u>	<u>(135,159,260)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State apportionments	49,749,197	51,434,144
Property taxes, levied for general purposes	58,018,305	40,915,540
Property taxes, levied for special purposes	27,915,076	26,507,015
Grant and contracts	38,156,407	35,003,471
State taxes and other apportionments	2,858,321	2,817,037
Other receipts	7,055,081	10,521,487
Net Cash Flows From Noncapital Financing Activities	<u>183,752,387</u>	<u>167,198,694</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of capital assets	(58,101,541)	(160,626,141)
Loss on disposal of capital assets	129,029	442,777
Bond accretions	18,028,621	17,194,987
Net decrease on OPEB obligations	-	(4,350,423)
State revenue, capital projects	4,908,777	1,592,888
Local revenue, capital projects	6,166,943	14,472,761
Principal paid on capital debt	(12,077,626)	(10,452,627)
Interest paid on capital debt	(32,314,986)	(31,890,902)
Interest received on capital asset-related debt	94,445	114,206
Net Cash Flows Used for Capital Financing Activities	<u>(73,166,338)</u>	<u>(173,502,474)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received from investments	2,754,084	6,899,462
NET CHANGE IN CASH AND CASH EQUIVALENTS	(54,226,320)	(134,563,578)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	304,297,066	438,860,644
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 250,070,746</u>	<u>\$ 304,297,066</u>

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF CASH FLOWS, PRIMARY GOVERNMENT, Continued
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Loss	\$ (198,186,416)	\$ (146,785,157)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation expense	18,565,671	13,885,147
Miscellaneous nonoperating income		
Changes in Assets and Liabilities:		
Receivables, net	11,826,031	(1,499,014)
Inventories	(102,719)	(8,906)
Prepaid and other current assets	2,980,052	3,146,517
Accounts payable and accrued liabilities	(2,692,264)	(4,392,084)
Deferred revenue	43,192	494,237
Total Adjustments	<u>30,619,963</u>	<u>11,625,897</u>
Net Cash Flows Provided For Operating Activities	<u><u>\$ (167,566,453)</u></u>	<u><u>\$ (135,159,260)</u></u>
 CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:		
Cash and cash equivalents, unrestricted	\$ 78,954,858	\$ 52,658,313
Cash and cash equivalents, restricted	171,115,888	251,638,753
Total Cash and Cash Equivalents	<u><u>\$ 250,070,746</u></u>	<u><u>\$ 304,297,066</u></u>
 NON CASH TRANSACTIONS		
On behalf payments for benefits	<u><u>\$ 1,569,077</u></u>	<u><u>\$ 1,601,068</u></u>

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF FIDUCIARY NET ASSETS
JUNE 30, 2011 AND 2010**

	2011		2010	
	Agency Fund		Agency Fund	
	Associated Students Trust	Student Representation Fee	Associated Students Trust	Student Representation Fee
ASSETS				
Cash and cash equivalents	\$ 1,837,327	\$ 109,935	\$ 1,718,403	\$ 115,130
Accounts receivable	1,071,184	-	1,004,649	-
Fixed assets	3,336	-	7,854	-
Total Assets	\$ 2,911,847	\$ 109,935	\$ 2,730,906	\$ 115,130
LIABILITIES				
Accounts payable	\$ 1,720,682	\$ -	\$ 1,701,509	\$ -
Due to student groups and other	1,191,165	109,935	1,029,397	115,130
Total Liabilities	\$ 2,911,847	\$ 109,935	\$ 2,730,906	\$ 115,130

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

DISCRETELY PRESENTED COMPONENT UNIT EDUCATIONAL HOUSING CORPORATION STATEMENTS OF FINANCIAL POSITION JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 79,761	\$ 77,631
Accounts receivable	65	146
Prepaid expenses	61,784	2,721
Total Assets	<u>\$ 141,610</u>	<u>\$ 80,498</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Rent security deposits	128,220	67,934
Total Liabilities	<u>128,220</u>	<u>67,934</u>
NET ASSETS		
Unrestricted	<u>13,390</u>	<u>12,564</u>
Total Liabilities and Net Assets	<u>\$ 141,610</u>	<u>\$ 80,498</u>

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**DISCRETELY PRESENTED COMPONENT UNIT
EDUCATIONAL HOUSING CORPORATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
REVENUES		
Rental income	\$ 1,249,244	\$ 560,912
Interest and dividends	426	444
Commission	167	151
Water reimbursement	12,892	11,715
Other local income	2,415	1,235
Total Revenues	<u>1,265,144</u>	<u>574,457</u>
EXPENSES		
Operating expenses	<u>207,818</u>	<u>97,729</u>
Total Expenses	<u>207,818</u>	<u>97,729</u>
OTHER SOURCES AND USES		
Transfer out to SMCCCD	<u>(1,056,500)</u>	<u>(471,500)</u>
Total Other Uses	<u>(1,056,500)</u>	<u>(471,500)</u>
CHANGE IN NET ASSETS	826	5,228
NET ASSETS, BEGINNING OF YEAR	<u>12,564</u>	<u>7,336</u>
NET ASSETS, END OF YEAR	<u>\$ 13,390</u>	<u>\$ 12,564</u>

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

DISCRETELY PRESENTED COMPONENT UNIT EDUCATIONAL HOUSING CORPORATION STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 826	\$ 5,228
Changes in Assets and Liabilities		
Accounts receivable	81	56
Prepaid expenses	(59,063)	(221)
Accounts payable	-	(136)
Deferred revenue	-	(31,124)
Rent security deposits	60,286	17,035
Net Cash Flows Provided (Used) For Operating Activities	<u>2,130</u>	<u>(9,162)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,130	(9,162)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	77,631	86,793
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 79,761</u>	<u>\$ 77,631</u>

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 – ORGANIZATION

Organization

The San Mateo County Community College District (the District) was established in 1922 as a political subdivision of the State of California and provides post secondary educational services to residents of San Mateo County and surrounding areas. The District operates under a locally elected five-member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund, special revenue funds, and capital project funds, but these budgets are managed at the department level. Currently, the District operates three college campuses located in the cities of San Mateo, San Bruno, and Redwood City, California. While the District is a political subdivision of the State of California, it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 39.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

San Mateo County Community College District Financing Corporation
San Mateo County Community Colleges Educational Housing Corporation

The San Mateo County Community College District Financing Corporation (the Corporation) is a legally separate organization component unit of the District. The Corporation was formed to issue debt specifically for the acquisition and construction of capital assets for the District. The Board of Trustees of the Corporation is the same as the Board of Trustees of the District. The financial activity has been “blended” or consolidated within the financial statements as of the District as if the activity was the District’s. This activity is included as the COP Payment Fund and COP Construction Fund in the District’s governmental funds. Individually-prepared financial statements are not prepared for the Corporation.

The San Mateo County Community Colleges Educational Housing Corporation (the Corporation) is a legally separate organization component unit of the District. The Corporation was formed to operate staff and faculty housing. The Board of Trustees of the Corporation is the same as the Board of Trustees of the District. The financial activity of the Corporation is reported separately in the financial statements. Individually-prepared financial statements are not prepared for the Corporation. The Corporation is a not-for-profit organization that is exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private corporation. Accordingly, no provision for income taxes has been provided in the financial statements. The Corporation annually files information returns, Forms 990, 199, and RRF-1, with the appropriate agencies.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

The District has determined that the San Mateo County Community Colleges Foundation does not meet the criteria for inclusion under GASB 39.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37 and No. 38. This presentation provides a comprehensive entity-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, certain Federal and State grants, entitlements, and donations. Property tax revenue is recognized in the fiscal year received. State apportionment revenue is earned based upon criteria set forth from the Community Colleges Chancellor's Office and includes reporting of full-time equivalent student (FTES) attendance. The corresponding apportionment revenue is recognized in the period the FTES are generated. Revenue from Federal and State grants and entitlements are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements may include time and/or purpose requirements.

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

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

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term unrestricted investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include unrestricted cash with county treasury balances for purposes of the statement of cash flows. Restricted cash and cash equivalents represent balances restricted by external sources such as grants and contracts or specifically restricted for the repayment of capital debt.

Investments

Investments held at June 30, 2011 and 2010, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets represent investments required by debt covenants to be set aside by the District for the purpose of satisfying certain requirements of the bonded debt issuance.

Accounts Receivable

Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. This allowance is based upon a five-year average ratio over actual revenues. The allowance was estimated at \$2,706,290 and \$2,246,281 for the years ended June 30, 2011 and 2010, respectively.

Prepaid Expenditures

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

Inventory

Inventory consists primarily of bookstore merchandise and supplies held for resale to the students and faculty of the colleges. Inventories are stated at lower of cost or market, utilizing the first in, first out method. The cost is recorded as an expense as the inventory is consumed.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Capital Assets and Depreciation

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

Depreciation of capital assets is computed and recorded utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 25 to 50 years; improvements, 25 to 50 years; equipment, 5 to 10 years.

Accrued Liabilities and Long-term Obligations

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

Deferred Issuance Costs, Premiums, and Discounts

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method.

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the entity-wide financial statements. The amounts have been recorded in the fund from which the employees, who have accumulated the leave, are paid. The District also participates in "load-banking" with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period.

Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, retirement credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Retirement credit for unused sick leave is applicable to all academic employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full time.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Deferred Revenue

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

Non Current Liabilities

Noncurrent liabilities include bonds payable and compensated absences with maturities greater than one year.

Net Assets

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

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

Restricted – Nonexpendable: Net assets whose use by the District has been externally restricted in perpetuity such as Endowment funds where future investment earnings may be used for the donor stipulated purpose. The District has no nonexpendable net assets.

Restricted – Expendable: Net assets whose use by the District is subject to externally imposed constraints that can be fulfilled by actions of the District pursuant to those constraints or by the passage of time. Net assets may be restricted for capital projects, debt repayment, and/or educational programs.

None of the District's restricted net assets have resulted from enabling legislation adopted by the District.

Unrestricted: Net assets that are not subject to externally imposed constraints. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net assets are designated for educational and general operations of the District.

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed.

State Apportionments

Certain current year apportionments from the State are based on financial and statistical information of the previous year. Any corrections due to the recalculation of the apportionment are made in February of the subsequent year. When known and measurable, these calculations and corrections are accrued in the year in which the FTES area generated.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Property Taxes

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

The voters of the District passed General Obligation Bonds in 2001 and 2005 for the acquisition, construction, and remodeling of certain District property. As a result of the passage of the Bond, property taxes are assessed on the property within the District specifically for the repayment of the debt incurred. The taxes are billed and collected as noted above and remitted to the District when collected.

Scholarship Discounts and Allowances

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

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, Federal Work-Study, and Stafford Loan programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. These programs are audited in accordance with the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget's revised Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the related *Compliance Supplement*. During the years ended June 30, 2011, the District distributed \$1,726,628 in direct student loan through the U. S. Department of Education. The District distributed \$1,673,444 in student loans through the U.S. Department of Education Federal Family Education Loan Program in 2010. These amounts have not been included as revenues or expenses within the accompanying financial statements as the amounts were passed directly to qualifying students; however, the amounts are included on the Schedule of Expenditures of Federal Awards.

On-Behalf Payments

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Estimates

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

Interfund Activity

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

New Accounting Pronouncements

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of GASB Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. For component units that currently are blended based on the "substantively the same governing body" criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility (as defined in paragraph 8a) for the activities of the component unit. New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government. Lastly, additional reporting guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting.

This Statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Early implementation is encouraged.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Comparative Financial Information

Comparative financial information for the prior year has been presented for additional analysis; certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE 3 – DEPOSITS AND INVESTMENTS

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Investment in the State Investment Pool - The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California government code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in the pool is reported in the accompanying financial statement at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on the amortized cost basis.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	180 days	30%	10%
Negotiable Certificates of Deposit	5 years	30%	FDIC
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	\$20 million

Summary of Deposits and Investments

Deposits and investments of the Primarily Government as of June 30, 2011 and 2010, consist of the following:

	2011	2010
Cash on hand and in banks	\$ 1,105,073	\$ 4,492,639
Cash in revolving	131,008	123,800
Investments	248,834,665	299,680,627
Total Deposits and Investments	<u>\$ 250,070,746</u>	<u>\$ 304,297,066</u>

Deposits and investments of the Fiduciary Funds as of June 30, 2011 and 2010, consist of the following:

	2011	2010
Cash on hand and in banks	\$ 448,752	\$ 596,090
Investment - county pool	1,498,510	1,237,443
Total Deposits and Investments	<u>\$ 1,947,262</u>	<u>\$ 1,833,533</u>

Deposits and investments of the Educational Housing Corporation as of June 30, 2011 and 2010, consist of the following:

	2011	2010
Cash on hand and in banks	\$ 79,761	\$ 77,763
Total Deposits and Investments	<u>\$ 79,761</u>	<u>\$ 77,763</u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Interest Rate Risk

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

Weighted Average Maturity

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is presented in the following schedule:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity In Years</u>
Brokered certificates of deposit	\$ 5,000	0.35
County Pool	234,727,725	1.50
State Investment Pool	14,101,940	0.65
Total	<u>\$ 248,834,665</u>	

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the County pool and LAIF are not required to be rated, nor have they been rated as of June 30, 2011.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit.) The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2011 and 2010, the District's bank balances of approximately \$2,296,000 and \$1,766,000, respectively, were exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The California government Code and the District’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments.

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivables for the District consisted primarily of intergovernmental grants, entitlements, interest, and other local sources. The District computes the allowance for bad debt accounts based on a five-year weighted average on uncollectibles accounts receivable to total revenue ratio. The accounts receivable are as follows:

	Primary Governmnet	
	2011	2010
Federal Government		
Categorical aid	\$ 1,151,795	\$ 2,204,764
State Government		
Apportionment	5,085,296	11,753,161
Categorical aid	856,871	441,857
Lottery	1,046,241	267,820
Other State sources	1,691,535	1,226,614
Local Sources		
Interest	469,217	819,495
Student loans	693,615	1,444,989
Student receivables	8,341,211	6,501,279
Other local sources	4,931,558	15,761,340
Less allowance for bad debt	(2,706,290)	(2,246,281)
Total Accounts Receivable, net	\$ 21,561,049	\$ 38,175,038

Other Local Receivables at June 30, 2011 and 2010 include \$913,251 and \$977,521 for loans made to District employees to purchase houses. All full time employees who purchase a home and contribute at least 20 percent of the purchase price are eligible to receive loans of up to \$75,000 per employee. Repayment terms and interest rates are: no payments due in years 1 through 5, payments of principal and interest in years 6-29, with final payment of any remaining balance in year 30. Selling the property, withdrawing cash from the equity, or leaving the District’s employment accelerates the due date of the loan. Interest is charged at 4 percent per year. As of June 30, 2011, all of the funds have been loaned out. No loans will be granted to additional employees until existing loans are paid back or the Board authorizes additional amounts to be loaned out.

	Fiduciary Funds	
	2011	2010
Local Sources		
Interest	\$ 4,513	\$ 3,782
Other local sources	1,066,671	1,000,867
Total	\$ 1,071,184	\$ 1,004,649

The Educational Housing Corporation's accounts receivable are interest receivable.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 5 – PREPAID EXPENSES AND OTHER ASSETS

The significant item within prepaid expense is that the District has entered into an insurance contract for the bond construction projects throughout the District. The insurance agreement calls for an original lump-sum payment of \$10,264,301 which is being amortized over the life of the insurance coverage. The remaining unamortized insurance prepaid expense as of June 30, 2011 was \$605,849.

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2011, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	\$ 20,628,292	\$ -	\$ -	\$ 20,628,292
Construction in progress	176,430,226	66,701,954	178,140,791	64,991,389
Total Capital Assets Not Being Depreciated	<u>197,058,518</u>	<u>66,701,954</u>	<u>178,140,791</u>	<u>85,619,681</u>
Capital Assets Being Depreciated				
Land improvements	32,292,299	1,346,344	-	33,638,643
Buildings and improvements	441,052,352	162,656,123	-	603,708,475
Furniture, equipment, and vehicles	25,510,583	3,244,454	291,757	28,463,280
Total Capital Assets Being Depreciated	<u>498,855,234</u>	<u>167,246,921</u>	<u>291,757</u>	<u>665,810,398</u>
Less Accumulated Depreciation				
Land improvements	9,413,143	1,264,840	-	10,677,983
Buildings and improvements	67,303,141	14,824,562	-	82,127,703
Furniture, equipment, and vehicles	14,023,245	2,476,269	162,728	16,336,786
Total Accumulated Depreciation	<u>90,739,529</u>	<u>18,565,671</u>	<u>162,728</u>	<u>109,142,472</u>
Net Capital Assets Being Depreciated	<u>408,115,705</u>	<u>148,681,250</u>	<u>129,029</u>	<u>556,667,926</u>
Net Capital Assets	<u>\$ 605,174,223</u>	<u>\$ 215,383,204</u>	<u>\$ 178,269,820</u>	<u>\$ 642,287,607</u>

Depreciation expense for the year was \$18,565,671.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Capital asset activity for the District for the fiscal year ended June 30, 2010, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	\$ 20,628,292	\$ -	\$ -	\$ 20,628,292
Construction in progress	159,859,021	147,981,558	131,410,353	176,430,226
Total Capital Assets Not Being Depreciated	<u>180,487,313</u>	<u>147,981,558</u>	<u>131,410,353</u>	<u>197,058,518</u>
Capital Assets Being Depreciated				
Land improvements	12,953,351	19,338,948	-	32,292,299
Buildings and improvements	326,411,995	114,640,357	-	441,052,352
Furniture, equipment, and vehicles	22,455,685	3,887,104	832,206	25,510,583
Total Capital Assets Being Depreciated	<u>361,821,031</u>	<u>137,866,409</u>	<u>832,206</u>	<u>498,855,234</u>
Less Accumulated Depreciation				
Land improvements	8,665,435	747,708	-	9,413,143
Buildings and improvements	57,008,646	10,294,495	-	67,303,141
Furniture, equipment, and vehicles	11,569,730	2,842,944	389,429	14,023,245
Total Accumulated Depreciation	<u>77,243,811</u>	<u>13,885,147</u>	<u>389,429</u>	<u>90,739,529</u>
Net Capital Assets Being Depreciated	<u>284,577,220</u>	<u>123,981,262</u>	<u>442,777</u>	<u>408,115,705</u>
Net Capital Assets	<u>\$ 465,064,533</u>	<u>\$ 271,962,820</u>	<u>\$ 131,853,130</u>	<u>\$ 605,174,223</u>

Depreciation expense for the year was \$13,885,147.

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	Primary Government	
	2011	2010
Accrued payroll	\$ 3,816,134	\$ 2,105,683
Mandated cost	1,090,686	1,678,403
ERAF	1,781,872	1,781,872
Construction	8,956,747	11,412,932
Vendor	5,227,616	9,978,365
Other	1,666,829	1,728,968
Total	<u>\$ 22,539,884</u>	<u>\$ 28,686,223</u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Fiduciary Funds

The accounts payable of the Fiduciary Fund consists primarily of funds held for other student clubs.

Discretely Presented Component Unit

The accounts payable of the Educational Housing Corporation consists only the rent security deposits.

NOTE 8 - DEFERRED REVENUE

Deferred revenue at June 30, 2011 and 2010 consisted of the following:

	Primary Government	
	2011	2010
Federal financial assistance	\$ 16,000	\$ 5,873
State categorical aid	1,956,378	2,630,352
Enrollment fees	6,613,514	5,190,307
Other local	2,856,857	4,175,699
Total	<u>\$ 11,442,749</u>	<u>\$ 12,002,231</u>

The Fiduciary Fund and the Education Housing Corp had no deferred revenues as of June 30, 2011.

NOTE 9 – INTERFUND TRANSACTIONS

Interfund Receivables and Payable (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the governmental funds and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process.

Interfund Operating Transfers

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the funds of the District have been eliminated in the consolidated process. Transfers between the primary government and the fiduciary funds are not eliminated in the consolidation process.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2011 fiscal year consisted of the following:

	Balance Beginning of Year	Accretions	Prepaid/ Deductions	Balance End of Year	Due in One Year
Bonds and Notes Payable					
General obligation bonds	\$ 694,967,051	\$ 18,028,621	\$ 11,200,000	\$ 701,795,672	\$ 12,985,000
Other Liabilities					
Compensated absences	3,489,506	-	114,249	3,375,257	-
Total Other Liabilities	3,489,506	18,028,621	11,314,249	705,170,929	12,985,000
Premiums, net of amortization	18,428,645	-	877,626	17,551,019	877,627
Total Long-term Liabilities	<u>\$ 716,885,202</u>	<u>\$ 18,028,621</u>	<u>\$ 12,191,875</u>	<u>\$ 722,721,948</u>	<u>\$ 13,862,627</u>

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

	Balance Beginning of Year	Additions/ Accretions	Prepaid/ Deductions	Balance End of Year	Due in One Year
Bonds and Notes Payable					
General obligation bonds	\$ 687,347,064	\$ 17,194,987	\$ 9,575,000	\$ 694,967,051	\$ 11,200,000
Total Bonds and Notes Payable	687,347,064	17,194,987	9,575,000	694,967,051	11,200,000
Other Liabilities					
Compensated absences	3,338,217	151,289	-	3,489,506	-
Net OPEB obligation	4,350,423	7,430,914	11,781,337	-	-
Total Other Liabilities	7,688,640	7,582,203	11,781,337	3,489,506	-
Premiums, net of amortization	19,306,272	-	877,627	18,428,645	877,627
Total Long-term Liabilities	<u>\$ 714,341,976</u>	<u>\$ 24,777,190</u>	<u>\$ 22,233,964</u>	<u>\$ 716,885,202</u>	<u>\$ 12,077,627</u>

Description of Debt

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local property revenues. The compensated absences are paid by the fund in which the related employee costs are accounted for.

General obligation bonds were approved by local elections in 2001 and 2005. The total amount approved by the voters in 2001 and 2005 were \$207,000,000 and \$468,000,000, respectively. All of the authorized 2001 and 2005 bonds have been issued. Interest rates on the 2001 bonds are range from 3.00 percent to 5.74 percent and the interest rates on the 2005 bonds are range from 3.50 percent to 5.00 percent. At June 30, 2011, the outstanding balances for the 2001 and 2005 bonds were \$208,999,178 and \$492,796,494, respectively.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Debt Maturity

General Obligation Bonds

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds
				Outstanding July 1, 2010	Interest Accretions	Redeemed	Outstanding June 30, 2011
6/4/2002	9/1/2026	5.2-5.74%	\$96,875,613	\$ 90,407,606	\$ 1,588,801	\$ 2,525,000	\$ 89,471,407
2/9/2005	9/1/2029	3.00-5.00%	69,995,132	73,685,589	1,466,360	1,155,000	73,996,949
4/11/2006	3/1/2031	3.50-5.00%	40,124,660	44,628,834	1,586,988	685,000	45,530,822
4/11/2006	9/1/2030	3.75-5.00%	135,429,395	123,986,975	4,459,368	6,365,000	122,081,343
12/12/2006	9/1/2038	3.50-5.00%	332,570,194	362,258,047	8,927,104	470,000	370,715,151
				<u>\$ 694,967,051</u>	<u>\$ 18,028,621</u>	<u>\$ 11,200,000</u>	<u>\$ 701,795,672</u>

The bonds mature through 2039 as follows:

Fiscal Year	Interest to		Total
	Principal	Maturity	
2012	\$ 12,985,000	\$ 14,836,700	\$ 27,821,700
2013	14,910,000	14,289,483	29,199,483
2014	16,945,000	13,692,094	30,637,094
2015	19,195,000	12,940,682	32,135,682
2016	20,465,575	11,989,097	32,454,672
2017-2021	116,747,043	49,779,331	166,526,374
2022-2026	135,837,261	36,563,437	172,400,698
2027-2031	153,493,112	25,735,963	179,229,075
2032-2036	119,669,455	14,114,500	133,783,955
2037-2039	91,548,226	2,909,750	94,457,976
Total	<u>\$ 701,795,672</u>	<u>\$ 196,851,037</u>	<u>\$ 898,646,709</u>

Other Postemployment Benefit (OPEB) Obligation

The District’s actuarially determined annual required contribution (ARC) for the year ended June 30, 2011, was \$7,702,017. The District made a contribution of \$7,100,154 for premiums for current retirees. In addition, the District contributed \$10,000,000 to the San Mateo County Community College District Public Entity Investment Trust during the year. See Note 12 for additional information regarding the OPEB obligation and the postemployment benefits plan.

NOTE 11 – DEFEASED DEBT

In 2006, the District defeased the certificates of participation issued in 2004 by creating an irrevocable trust fund. As of June 30, 2011, the amount of defeased debt outstanding but removed from the Long-Term Obligations amounted to \$29,018,181.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 12 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATION

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

Plan Description

The Other Postemployment Benefit Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the San Mateo County Community College District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 1028 retirees and beneficiaries currently receiving benefits and 820 active plan members. Separate financial statements are prepared for the Plan and may be obtained by contacting the San Mateo County Community College District.

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits. During the year, the District contributed \$7,100,154 for the current retirees' medical premiums. Plan members receiving benefits contributed \$30,000, or approximately .004 percent of the total premiums. Contributions made by retirees range between \$1 to \$325 per month. In addition to the current year premium, the District contributed \$10,000,000 to the San Mateo County Community College District Public Entity Investment Trust.

Annual OPEB Cost and Net OPEB (Prepaid)/Obligation

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

Annual required contribution (ARC)	\$ 7,702,017
Annual OPEB cost (expense) - District paid premiums	(7,100,154)
Current year contribution to the OPEB Trust	<u>(10,000,000)</u>
Contributions in excess of ARC	(9,398,137)
OPEB asset, beginning of year	<u>(116,518)</u>
OPEB asset, end of year	<u><u>\$ (9,514,655)</u></u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Trend Information

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

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation/(Assets)
2011	\$ 7,702,017	\$17,100,154	222%	\$ (9,514,655)
2010	7,383,929	11,167,718	151%	(116,518)
2009	8,175,590	6,534,170	80%	4,350,423

Funding Status and Funding Progress

The funded status of the OPEB Plan as of June 30, 2011, is as follows:

Actuarial Accrued Liability (AAL)	\$ 118,923,929
Actuarial Value of Plan Assets	<u>(15,643,762)</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u><u>\$ 103,280,167</u></u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	13%
Covered Payroll	<u>\$ 87,492,518</u>
UAAL as Percentage of Covered Payroll	<u><u>118%</u></u>

The above noted actuarial accrued liability was based on the April 12, 2011, actuarial valuation. Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, follow the notes to the financial statements, presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

In the April 12, 2011 actuarial valuation, the Entry Age Normal Actuarial Cost Method was used. The actuarial assumptions included a 5 percent investment rate of return (net of administrative expenses), based on the Plan being funded in an irrevocable employee benefit trust fund invested in a long-term fixed income portfolio. Healthcare cost trend rates assumed 4 percent per year. The UAAL is being amortized at a level percentage of payroll method. The remaining amortization period at July 1, 2011, was 30 years. The actuarial value of assets of \$15,643,762 was determined in this actuarial valuation. At July 1, 2011, the Trust held net assets in the amount of \$16,656,584 in investments with Benefit Trust.

NOTE 13 - RISK MANAGEMENT

Insurance Coverages

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ending June 30, 2011, the District contracted with MacCorkle Inc., an insurance broker to manage the District's insurance claims. The District is self-insured for the first \$150,000. Settled claims have not exceeded this commercial coverage.

Workers' Compensation

For the fiscal year, the District contracted with Andreini and Company for placement of excess workers' compensation insurance program. The District is self-insured for the first \$350,000.

Employee Medical Benefits

The District has contracted with the Cal PERS to provide employee medical and surgical benefits. CalPERS is a shared risk pool comprised of nearly 2,500 employers and covers five regions (Bay Area, Other Northern California, Southern California, Other Southern California, and Out of State). Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating Districts. Claims are paid for all participants regardless of claims flow. The CalPERS Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool. CalPERS requires the District to have a post retirement medical benefit plan for CalPERS members.

The District also contributed towards the medical plan premiums of CalPERS and CalSTRS retirees who did not meet the District eligibility requirements for retiree benefits when they retired. This contribution is required by CalPERS and is called the "Employer Share" and was established in order to provide retirees, regardless of District eligibility, with continuation of group medical insurance coverage at a reduced monthly premium. There are currently 60 retirees that fall under this categorical and the District's share for the fiscal year was \$348,588.

The District records an estimated liability for indemnity torts and other claims against the District. Claims liabilities are based on estimates of the ultimate costs of reported claims (including future claim adjustment expenses) and an estimate for claims incurred, but not reported based on historical experience.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Claim Liabilities

The District establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2009 to June 30, 2011:

	Workers' Compensation	Property and Liability
Liability Balance, July 1, 2009	\$ 1,534,146	\$ 300,000
Claims and changes in estimates	118,565	-
Claims payments	-	(150,000)
Liability Balance, June 30, 2010	<u>1,652,711</u>	<u>150,000</u>
Claims and changes in estimates	(4,711)	-
Claims payments	-	(150,000)
Liability Balance, June 30, 2011	<u>\$ 1,648,000</u>	<u>\$ -</u>
Assets available to pay claims at June 30, 2011	<u>\$ 10,288,748</u>	<u>\$ -</u>

NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS

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

CalSTRS

Plan Description

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

Funding Policy

Active members are required to contribute 8.0 percent of their salary while the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2010-2011 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's total contributions to CalSTRS for the fiscal years ended June 30, 2011, 2010, and 2009, were \$3,043,000, \$3,114,710, and \$3,248,693, respectively, and equal 100 percent of the required contributions for each year.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

CalPERS

Plan Description

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

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary (7.0 percent of monthly salary over \$133.33 if the member participates in Social Security), and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The District's contribution rate to CalPERS for fiscal year 2010-2011 was 10.707 percent of covered payroll. The District's contributions to CalPERS for fiscal years ending June 30, 2011, 2010, and 2009, were \$3,458,509, \$3,251,939, and \$3,221,484, respectively, and equaled 100 percent of the required contributions for each year.

On-Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS. The State of California made contributions to CalSTRS on behalf of the District for fiscal year ending June 30, 2011, 2010, and 2009 amounted to \$1,569,077, \$1,601,068, and \$1,772,764, respectively, and equaled 4.267 percent of salaries subject to CalSTRS. These amounts have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

Deferred Compensation

The District offers its employees two 457 and seven 403 (b) tax deferred compensation plans. The plans, available to all employees, permits them to defer a portion of their pre-tax salary into investment(s) provided by the plans. The deferred compensation will become available once a qualifying event, as defined by the IRS, has been met. The District oversees the administrative functions of these plans. The District makes employer contributions for five of its employees, otherwise, these plans are strictly for employee contributions only.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2011.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

The California State Controller's Office audited the District's mandated costs claims in 2003-2004. As the result of the audit, the District has set aside a reserve for the liability. However, the District is in the process of disputing this liability with the State.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2011.

Early Retirement

The District offered an early incentive retirement plan to all bargaining units who elect early retirement in prior year. All incentives have been paid except for \$135,000 of which will be paid in fiscal year 2011-2012.

Operating leases

The District has entered into various operating leases for equipment with no lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration date.

Construction Commitments

As of June 30, 2011, the District had the following commitments with respect to the unfinished capital projects:

	Remaining Construction Commitment	Expected Date of Completion
CAPITAL PROJECT		
District funded facility improvement projects	\$ 34,108	within 1 year
State funded capital outlay projects	985,284	within 1 year
2005 G.O. Bond (Measure A) construction projects	10,043,177	within 1 year
	<u>\$ 11,062,569</u>	

The projects are funded through a combination of general obligation bonds and capital project apportionments from the State Chancellor's Office.

Deferral of State Apportionments

Certain apportionments owed to the District for funding of FTES, categorical programs, and construction reimbursements which are attributable to the 2010-2011 fiscal year have been deferred to the 2011-2012 fiscal year. The total amount of funding deferred into the 2011-2012 fiscal year was \$4,957,288 which have been received on July 8, 2011. These deferrals of apportionment are considered permanent with future funding also being subject to deferral into future years.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 16 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is self-insured for the workers' compensation and property and liability up to \$150,000. The District contracts with MacCorkle Inc., an insurance broker to manage the District's insurance claims. The District pays an annual premium to MacCorkle for their services. The relationships between the District and the risk management company are such that they are not component units of the District for financial reporting purposes.

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

During the year ended June 30, 2011, the District made payment of \$1,047,821 MacCorkle Inc. for the insurance related services. The District also paid \$41,467 and \$219,365 to School Excess Liability Fund and Princeton Excess and Surplus for excess liability program.

The District is a member of South Bay Regional Public Safety Training Consortium JPA. No payments were made to South Bay Regional Public Safety Training Consortium JPA during the year.

NOTE 17 - TAX AND REVENUE ANTICIPATION NOTES

On July 1, 2010, the District issued \$14,415,000 Tax and Revenue Anticipation Notes bearing interest at 2.00 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on June 1, 2011. By May 2011, the District had placed 100 percent of principal and interest in an irrevocable trust for the sole purpose of satisfying the notes. The District was not required to make any additional payments on the notes.

NOTE 18 - SUBSEQUENT EVENTS

The District issued \$19,945,000 of Tax and Revenue Anticipation Notes dated July 1, 2011. The notes mature on June 1, 2012, and yield 0.350 percent interest. The notes were sold to supplement cash flow. Repayment requirements are that a percentage of principal and interest be deposited with the Fiscal Agent each month beginning January 1, 2012, until 100 percent of principal and interest due is on account in May, 2012.

***REQUIRED SUPPLEMENTARY
INFORMATION***

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
PROGRESS
FOR THE YEAR ENDED JUNE 30, 2011**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a] / c)
2011	\$ 15,643,762	\$ 118,923,929	\$ 103,280,167	13%	\$87,492,518	118%
2009	-	108,915,006	108,915,006	0%	85,080,018	128%
2006	-	149,530,877	149,530,877	0%	87,823,351	170%

SUPPLEMENTARY INFORMATION

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION

JUNE 30, 2011

The San Mateo County Community College District was established in 1922, and includes three college campuses located in San Mateo County. There were no changes in the boundaries of the District during the current year. The District's three colleges are each accredited by the Accrediting Commission for Community and Junior Colleges, Western, Association of Schools and Colleges.

BOARD OF TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Richard Holober	President	2013
Dave Mandelkern	Vice President- Clerk	2011
Helen Hausman	Trustee	2013
Patricia Miljanich	Trustee	2011
Karen Schwarz	Trustee	2011

ADMINISTRATION

Ron Galatolo	Chancellor - Superintendent
James Keller	Executive Vice Chancellor
Michael Claire	President – College of San Mateo
Tom Mohr	President – Canada College
Victoria Morrow	President – Skyline College

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Student Financial Aid Cluster			
Federal Work Study Program	84.033	none	\$ 369,343
Pell Grant	84.063	none	17,407,642
Supplemental Educational Opportunity Grant (SEOG)	84.007	none	505,321
Direct Student Loans	84.268	none	1,726,628
Academic Competitiveness Grant (ACG)	84.375	none	130,907
Postsecondary Education			
TRIO Cluster			
Student Support Services	84.042A	none	737,460
Upward Bound	84.047A	none	240,878
Passed through Santa Clarita Community College District			
Fund for the Improvement of Postsecondary Education	84.116Z	none	198,210
Institutional Service			
Minority Science and Engineering Improvement	84.120	none	295,382
College Cost Reduction and Access Act Hispanic Serving Institutions	84.031C	none	514,674
Vocational Education			
Passed through California Community Colleges Chancellor's Office:			
CTEA I-C Basic Grants to States	84.048A	10-C01-052	560,287
CTEA II Tech Prep Education	84.243	10-139-370	209,124
Elementary and Secondary Education			
Passed through California Community Colleges Chancellor's Office:			
ARRA - State Fiscal Stabilization Fund - Education State Grants	84.394	none	55,818
Special Education and Rehabilitation Services			
Passed through California Department of Rehabilitation:			
Vocational Rehabilitation-Workability	84.126A	27721	144,904
Passed through California Department of Developmental Services:			
Special Education-Grants for Infants and Families	84.181	s11-063	6,740
Total U.S. Department of Education			23,103,318
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Administration for Children and Families			
Passed through California Community Colleges Chancellor's Office:			
Temporary Assistance for Needy Families (TANF)	93.558	none	73,610
Passed through California Department of Education/CDTC:			
Child Care and Development Block Grant	93.575	3939, 4047	131,365
Total U.S. Department of Health and Human Services			204,975

See accompanying note to supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through California Department of Education:			
Child and Adult Care Food Program	10.558	1754-0A	34,328
Total U.S. Department of Agriculture			<u>34,328</u>
U.S. DEPARTMENT OF LABOR			
Passed through County of San Mateo:			
ARRA - WIA Dislocated Workers	17.260	73200-10-C175	218,690
Community Based Job Training Grants	17.269	71327	47,414
Passed through California Community Colleges Chancellor's Office:			
WIA - Adult - Governor's 15% Discretionary Fund	17.258	09-115-15	33,735
ARRA - WIA - Adult - Governor's 15% Discretionary Fund	17.258	09-127-19	66,973
Community Based Job Training Grant	17.269	none	946,602
Passed through California Employment Development Department:			
ARRA - WIA - Adult - Governor's 15% Discretionary Fund	17.258	K079978	56,365
Employment Services - Wagner-Peyser 10%	17.207	K079976	75,000
Total U.S. Department of Labor			<u>1,444,779</u>
U.S. DEPARTMENT OF THE TREASURY			
Volunteer Income Tax Assistance (VITA) Matching Grant Program	21.009	none	10,500
NATIONAL SCIENCE FOUNDATION			
Education and Human Resources	47.076	none	303,593
Engineering Grants	47.041	none	40,910
Total National Science Foundation			<u>344,503</u>
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			
Minority University Research and Education Program	43.008	none	78,825
U.S. DEPARTMENT OF ENERGY			
Passed through Santa Clarita Community College District:			
Congressionally Directed Project	none	DE-EE0003160	94,225
Total Expenditures of Federal Awards			<u>\$ 25,315,453</u>

See accompanying note to supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2011

Program	Program Entitlements			Program Revenues				Total Program Expenditures
	Current Year	Prior Year	Total Entitlement	Cash Received ^[1]	Accounts Receivable	Deferred Revenue	Total Revenue	
GENERAL FUND								
Disabled Students Programs & Services	\$ 1,048,334	\$ -	\$ 1,048,334	\$ 1,165,706	\$ -	\$ 118,366	\$ 1,047,340	\$ 1,047,340
Extended Opportunity Programs & Services	1,086,358	2,660	1,089,018	1,089,018	-	-	1,089,018	1,089,018
CARE/EOPS	82,487	1,296	83,783	83,783	-	-	83,783	83,783
Matriculation	691,414	-	691,414	691,414	-	-	691,414	691,414
Foster Parent Training	83,792	-	83,792	52,545	31,247	-	83,792	83,792
FA Administrative Allowance	750,257	28,547	778,804	778,804	-	23,320	755,484	755,484
Block Grant	-	1,263,678	1,263,678	1,263,679	-	271,218	992,461	992,461
T-Com and Technology (TTIP)	-	112,589	112,589	112,589	-	92,943	19,646	19,647
CalWORKs	356,255	-	356,255	356,255	-	-	356,255	356,255
Middle College High School	198,908	-	198,908	79,563	119,345	-	198,908	198,908
CITD Economic Development	205,000	-	205,000	122,998	59,475	-	182,473	182,472
Staff Development	-	48,288	48,288	48,288	-	42,720	5,568	5,568
MESA/C CCP Funds for Student Success	101,000	24,358	125,358	93,431	15,483	-	108,914	108,915
RCSD CBET Program	40,000	-	40,000	40,000	-	-	40,000	40,000
Lottery-Prop 20-Instructional Materials	772,874	533,673	1,306,547	122,867	376,669	-	499,536	219,710
Nursing-Enrollment Growth	101,087	11,211	112,298	81,042	31,256	-	112,298	112,298
TTIP Video Over IP Grant	-	11,619	11,619	11,619	-	-	11,619	11,619
SUHSD CBET Program	42,211	-	42,211	42,211	-	-	42,211	42,211
Basic Skills 10-11 appropriation	305,440	-	305,440	305,440	-	236,710	68,730	68,730
Basic Skills 09-10 appropriation	-	263,978	263,978	263,978	-	145,402	118,576	118,575
Basic Skills 08-09 appropriation	-	150,003	150,003	150,003	-	-	150,003	150,003
California EDD Green Innovation	2,700,000	-	2,700,000	323,940	529,068	-	853,008	853,008
CTE Community Collaborative Project	-	217,572	217,572	217,572	-	-	217,572	217,572
Rancho Santiago CCD-YEP	15,000	-	15,000	-	15,000	-	15,000	15,000
CTE Com Collaborative Project 10-12	-	288,115	288,115	288,115	-	97,643	190,472	190,472
CTE Com Collaborative Project 11-13	400,000	-	400,000	400,000	-	354,031	45,969	45,969
CCCCO-CTE-California Career Academy	1,005,591	-	1,005,591	402,237	-	402,237	-	-
Entrepreneurship Career Pathways	90,000	-	90,000	90,000	-	54,782	35,218	35,218
LACCD - CCC ESL/BSI Prof Dev Grant	-	31,379	31,379	31,379	-	-	31,379	31,379
EWD RTF Incumbent Workers	148,786	-	148,786	148,786	-	92,882	55,904	55,904
EWD RTF Incumbent Workers	-	300,000	300,000	300,000	-	-	300,000	300,000
State Library	8,561	21,724	30,285	30,285	-	15,986	14,299	14,299
CDE Child Development	252,388	-	252,388	198,575	27,645	-	226,220	226,221
Cal Grant	519,600	-	519,600	499,385	28,353	8,138	519,600	519,600
Total State Programs	11,005,343	3,310,690	14,316,033	\$ 9,885,507	\$ 1,233,541	\$ 1,956,378	\$ 9,162,670	\$ 8,882,845

[1]Include cash received from prior year.

See accompanying note to supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR STATE
GENERAL APPORTIONMENT – ANNUAL (ACTUAL) ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2011**

CATEGORIES	(Revised)/ Reported Data*	Audit Adjustments	Audited Data
A. Summer Intersession			
1. Noncredit	15	-	15
2. Credit	2,315	-	2,315
B. Summer Intersession			
1. Noncredit	-	-	-
2. Credit	963	-	963
C. Primary Terms			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	15,485	-	15,485
(b) Daily Census Contact Hours	744	-	744
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	118	-	118
(b) Credit	808	-	808
3. Alternative Attendance Accounting Procedure			
(a) Weekly Census Procedure Courses	1,112	-	1,112
(b) Daily Census Procedure Courses	155	-	155
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	<u>21,713</u>	<u>-</u>	<u>21,713</u>
E. Basic Skills courses and Immigrant Education (FTES)			
1. Noncredit	136	-	136
2. Credit	2,026	-	2,026
	<u>2,161</u>	<u>-</u>	<u>2,161</u>

* Revised, October 2011.

See accompanying note to supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
(CCFS-311) WITH FUND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

There were no adjustments to the Annual Financial and Budget Report (CCFS-311), which required reconciliation to the audited financial statements at June 30, 2011.

See accompanying note to supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET TO
THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011**

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

Total Fund Balance:

General Funds	\$ 27,427,509	
Special Revenue Funds	29,395,924	
Capital Projects Funds	144,616,359	
Debt Service Funds	22,040,501	
Enterprise Funds	6,992,197	
Internal Service Funds	8,629,439	
Fiduciary Funds	295,373	

Total Fund Balance - All District Funds

\$ 239,397,302

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

The cost of capital assets is \$ 751,430,082

Accumulated depreciation is (109,142,475) 642,287,607

Capital assets recorded in proprietary funds. (191,623)

District contribution to the Enterprise Funds were eliminated for consolidated reporting purpose. 1,000,000

Expenditures relating to issuance of debt were recognized on the modified accrual basis, but should not be recognized in accrual basis. 5,149,045

In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term debt is recognized when it is incurred. (13,992,354)

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

Long-term liabilities at year end consist of:

Bonds payable 701,795,672

Premiums, net of amortization 17,551,019

Compensated absences (vacations) 3,375,257 (722,721,948)

Total Net Assets

\$ 150,928,029

See accompanying note to supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2011

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

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

Schedule of Expenditures of Federal Awards

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

The following schedule provides reconciliation between revenues reported on the Statement of Revenues Expenses, and Changes in Net Assets-Primary Government and the related expenditures reported on the Schedule of Federal Awards.

Description	CFDA Number	Amount
Total Federal Revenues per Statement of Revenues, Expenses, and Changes in Net Assets:		\$ 25,330,119
Adjustments to Federal Work Study program	84.033	(77,115)
Adjustments to SEOG program	84.007	62,449
Total Expenditures of Federal Awards		<u>\$ 25,315,453</u>

Schedule of Expenditures of State Awards

The accompanying schedule of expenditures of State awards includes the State grant activity of the District and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Schedule of Workload Measures for State General Apportionment – Annual (Actual) Attendance

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

Reconciliation of Annual Financial and Budget Report (CCFS - 311) with Fund Financial Statements

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION (CONTINUED)
JUNE 30, 2011

NOTE 1 - PURPOSE OF SCHEDULES

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

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

*INDEPENDENT AUDITORS’
REPORTS*



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

Board of Trustees
San Mateo County Community College District
San Mateo, California

We have audited the basic financial statements of San Mateo County Community College District (the District) and its discretely presented component unit for the years ended June 30, 2011 and 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 15, 2011. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of San Mateo County Community College District is responsible for establishing and maintaining effective internal control over financial reporting.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of San Mateo County Community College District in a separate letter dated December 15, 2011.

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

Vavrinek, Time, Day & Co., LLP

Pleasanton, California
December 15, 2011



VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

VALUE THE DIFFERENCE

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees
San Mateo County Community College District
San Mateo, California

Compliance

We have audited San Mateo County Community College District's (the District's) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of San Mateo County Community College District's major Federal programs for the year ended June 30, 2011. San Mateo County Community College District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of San Mateo County Community College District's management. Our responsibility is to express an opinion on San Mateo County 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 San Mateo County Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of San Mateo County Community College District's compliance with those requirements.

In our opinion, San Mateo County Community College District complied, in all material respects, with the compliance requirements referred to above could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2011-1.

Internal Control Over Compliance

The management of San Mateo County Community College District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered San Mateo County Community College District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of San Mateo County Community College District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

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

Vavrinek, Time, Day & Co., LLP

Pleasanton, California
December 15, 2011



REPORT ON STATE COMPLIANCE

Board of Trustees
San Mateo County Community College District
San Mateo, California

We have audited the basic financial statements of San Mateo County Community College District (the District), as of and for the year ended June 30, 2011, and have issued our report thereon dated December 15, 2011.

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 of America and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Compliance with the requirements of laws, regulations, contracts, and grants listed below is the responsibility of San Mateo County Community College District's management. In connection with the audit referred to above, we selected and tested transactions and records to determine the San Mateo County Community College District's compliance with the State laws and regulations applicable to the following items:

- Section 421 Salaries of Classroom Instructors: 50 Percent Law
- Section 423 Apportionment for Instructional Service Agreements/Contracts
- Section 424 State General Apportionment Required Data Elements
- Section 425 Residency Determination for Credit Courses
- Section 426 Students Actively Enrolled
- Section 427 Concurrent Enrollment of K-12 Students in Community College Credit Courses
- Section 431 Gann Limit Calculation
- Section 432 Enrollment Fee
- Section 433 CalWORKS – Use of State and Federal TANF Funding
- Section 435 Open Enrollment
- Section 437 Student Fee – Instructional Materials and Health Fees
- Section 473 Economic and Workforce Development (EWD)
- Section 474 Extended Opportunity Programs and Services (EOPS)

- Section 475 Disabled Student Programs and Services (DSPS)
- Section 477 Cooperative Agencies Resources for Education (CARE)
- Section 478 Preference for Veterans and Qualified Spouses for Federally Funded Qualified Training Programs
- Section 479 to Be Arranged Hours (TBA)

Based on our audit, we found that for the items tested, the San Mateo County Community College District complied with the State laws and regulations referred to above, except as described in the Schedule of State Award Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs. Our audit does not provide a legal determination on San Mateo County Community College District's compliance with the State laws and regulations referred to above.

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

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

Vavrinek, Time, Day & Co., LLP

Pleasanton, California
December 15, 2011

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2011**

None reported.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

The following findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance including questioned costs that are required to be reported by OMB Circular A-133.

2011-1 Finding – Student Financial Aid Cluster, Direct Student Loans – CFDA # 84.268

Significant Deficiency - Compliance

Criteria

34 Code of Federal Regulation (CFR), Section 668.165(a)(2)(ii), if an institution credits a student's account at the institution with Direct Loan, the institution must notify the student, or parent of –

- The date and amount of the disbursement;
- The student's right, or parent's right to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan; and
- The procedures and the time by which the student or parent must notify the institution that he or she wishes to cancel the loan or loan disbursement.

The institution must send the notice described above in writing no earlier than 30 day before, and no later than 30 days after, crediting the student's account at the institution.

34 CFR, Sections 685.102(b), 685.301 and 303 indicates that institutions must report all loan disbursements and submit required records to the Direct Loan Servicing System (DLSS) via the Common Origination and Disbursement (COD) with 30 days of Disbursement. Each month, the COD provides institutions with a School Account Statement (SAS) data file which consist of a Cash Summary, Cash Detail, and (optional at the request of the school) Loan Detail Records. The school is required to reconcile these files to the institution's financial records.

Condition

- We noted that the Colleges did not notify the students or parents of their right to cancel all or a portion of the loan or loan disbursement.
- No documentation noting that the Colleges performed the monthly loan disbursement reconciliation as required.

Questioned Costs

None.

Effect

The Colleges did not comply with the CFR Section 668.165, Notices and Authorizations requirement for student direct loans. In addition, the Colleges did not comply with Borrower Data Transmission and Reconciliation requirements.

Cause

The Colleges were not aware of those requirements.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Recommendation

The Colleges should develop and implement procedures to notify students or parents of their right to cancel all or a portion of the loan or loan disbursement. The notification should include the procedures and the time by which the student or parent must notify the institution that he or she wishes to cancel the loan or loan disbursement.

In addition, the Student Financial Aid staff at each college should review the *Direct Loans School Guide* and the yearly training documents to familiar with the required reconciliation process. Documentation should be maintained to show that the loan disbursements are reconciled to the institution's financial records monthly.

District Response

The colleges will implement procedures to notify students of their right to cancel any part of their loan disbursement. These procedures will include the timeline for students/parents to notify the colleges of loan cancellations.

The colleges will also review the District Loans School Guide and the yearly training documents to better familiarize themselves with the reconciliation process. Documentation will be maintained to reflect the institution's reconciliation of the monthly financial records.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

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

2011-2 Finding – To Be Arranged Hours (TBA)

Significant Deficiency - Compliance

Criteria

Pursuant to Title 5, Sections 58003.1 (b) and (c), the TBA portion of a course uses an alternative method for regularly scheduling a credit course. Legal Advisory 08-02 To Be Arranged (TBA) Hours Compliance Advice indicates that documentation is required to substantiate that each student has completed the TBA requirements as appropriate for either the Weekly or Daily census attendance accounting procedures. In addition, Student Attendance Accounting Manual –Chapter 3, Full-time Equivalent Student Attendance Account – TBA (Hours to be Arranged) indicates that in courses using daily census procedure (DSCH procedure), TBA contact hours shall be scheduled for the same number of hours as for each scheduled day of the course or as a portion of the hours the course is regularly scheduled for each day it meets.

Title 5, Section 55002(a)(3), 55002(b)(2), 58050(5), and 58051(a)(1) require that specific instructional activities, including those conducted during TBA hours, expected of all students enrolled in the course be included in the official course outline. In addition, Title 5 Section 58102 and 58108 require that a clear description of the course, including the number of TBA hours required be published in the official general catalog or addendum thereto and in the official schedule of classes or addendum thereto.

Title 5, Section 58023 states that each 50 minutes exclusive of breaks (formal or informal) is a class/contact hour, except that fractional part of a class hour beyond the last full clock hour may be counted from and including the 51st minute of the last full clock hour, providing there is no class break in the last full clock hour or the partial clock hour. The divisor for this fractional part of a class hour shall be 50. The sum of class hours cannot exceed the total number of elapsed clock hours for which the class is scheduled.

Condition

- We noted that contact hours for students where documentation of participation for at least 50 minutes of the To Be Arranged time was not available were included in the 320 report for apportionment.
- For courses using daily census procedure, we were unable to determine based on syllabus provided that the TBA contact hours were scheduled for the same number of hours as for each scheduled day of the course or a portion of the hours the course is regularly scheduled for each day it meets.
- We noted courses where instructional activities to be conducted during the TBA hours were not indicated in the official course outlines and class syllabus.
- We noted for courses with 1 hour per week by arrangement, 1.2 hour/meeting is used for contact hour calculation; for courses with 2 hours per week by arrangement, 2.5 hours/meeting is used for contact hour calculation, and for courses with 3 hours/week, 3.8 hours/meeting is used for contact hour calculation.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Questioned Costs

None. The District revised and resubmitted the annual 320 report by removing 10,831.20 of contact hours or 361.04 FTES.

Effect

FTES reported on the Form 320 were over stated. In addition, course materials did not concisely and consistently describe the TBA expectations, activities and hours.

Cause

Students who did not attend the minimum required TBA minutes were not excluded from the 320 report. Also TBA course materials were not consistent with each other. In addition, TBA contact hours were not calculated in accordance with Class Hour Unit requirement.

Recommendation

We recommend the District review student attendance records for all TBA courses and remove contact hours for those who did not participate. We also recommend the District review all TBA course outline, catalogs, and course schedule material and verify that TBA courses are appropriately described.

District Response

We amended 2010-2011 annual CCFS-320 report for overstated TBA hours. Colleges are continuing to develop procedures, to improve documentation of participation, to include details of TBA hours in official course outline and class syllabus.

2011-3 Finding – Disable Student Program and Services (DSPS) *Significant Deficiency – Compliance*

Criteria or Specific Requirement

Title 5 Section 56006 requires a verification of disability form be maintained in each student's file. The verification should identify and describe the student's disability and the educational limitations which inhibit the educational process. The form should be signed by the appropriate professional or representative from an agency participating in interagency agreements with the State Chancellor's Office.

Title 5 Section 56004 states that documentation for services and accommodations directly related to the student's educational limitation should be available in the student's file.

Title 5 Section 56022 states that a Student Educational Contract (SEC) should be reviewed and updated each year to determine the student's progress toward their stated instructional and educational goal(s).

Title 5 Section 56026 states that colleges should maintain records of the services provided to students with disabilities.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Condition

Out of 40 student files reviewed, we noted 2 students had no eligibility verification form on file, 5 students did not have the accommodation form that describe the services and/or accommodation appropriate for the student, 8 students did not an updated Student Educational Contract (SEC), and 5 students did not have the SEC at all.

Questioned Costs

None.

Effect

The District was not in compliance with the Disable Student Program and Services documentation requirement.

Cause

Disable students who did not have all necessary documentation on file or incomplete files were reported for Disable Student served.

Recommendation

We recommend the District review all files for disable students served to make sure all necessary documentation are included on file.

District Response

The colleges will review all files for disable students to make sure that all required documentation is on file. All staff will be reminded that all necessary documentation must be on file. In addition, in order to ensure that all students have a Student Education Plan (SEP) on file, a reminder notice will be sent to students without a current SEP requiring that they make an appointment to meet with a counselor to develop and/or update their SEP.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

2011-4 Finding – State General Apportionment Funding System *Significant Deficiency – Compliance*

Criteria or Specific Requirement

Title 5 Section 58003.1 and the Student Attendance Accounting Manual define the characteristics of various classifications of courses used in the Form 320 reporting and the quantification of contact hours for various types of courses.

Condition

During our review of the courses claimed for apportionment on the 320 report, we noted two online courses were listed as daily courses that should have been classified as alternative attendance accounting. In addition, we noted 8 online courses were listed as weekly courses that should have been classified as alternative attendance.

Questioned Costs

Less than 1 FTES (or approximately \$350).

Effect

The FTES noted above reported on the 320 report were not supported by available documents, or were misclassified between categories.

Cause

Colleges did not accurately classify online courses.

Recommendation

We recommend the District review all online courses at each college to verify that they are appropriately classified in the data reports used to complete the 320 report. In addition, we recommend the district review the contact hour data used for the 320 report for the courses where differences were noted and ensure that future contact hour data is adjusted as necessary.

District Response

After reviewing and reclassifying the recommended changes, the net result was less than 0.5 FTES. Immediate action was implemented by ITS and Colleges to verify appropriately classified in the data reports used for CCFS 320 report.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

JUNE 30, 2011

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

2010-1 Concurrent Enrollment of K-12 Students In Community College Credit Courses

Finding

We noted at Skyline College that one credit instructor did not have the necessary documentation on file to show that the instruction met the minimum qualification requirements as described above.

Recommendation

Individuals having hiring responsibilities should be reminded the importance of following the appropriate policy and procedures established by governing board and the requirements indicated in CCR Title 5, section 53410.

Current Status

Implemented.

BOARD REPORT NO. 12-1-102B

TO: Members of the Board of Trustees

FROM: Ron Galatolo, Chancellor

PREPARED BY: Kathy Blackwood, Executive Vice Chancellor, 358-6869

RECEIPT AND ACCEPTANCE OF THE 2010-11 KCSM AUDIT REPORT

Attached are copies of the audits of KCSM-FM and KCSM-TV financial records, prepared by the Board-approved firm of Vavrinek, Trine, Day & Company. The audits were based upon the fiscal year ending June 30, 2011. A representative of the auditing firm will be present at this meeting to respond to questions about the audit in general and about the firm's findings and recommendations.

RECOMMENDATION

It is recommended that the Board of Trustees receive and accept the 2010-11 audit reports for KCSM-FM and KCSM-TV, which were filed with the Corporation for Public Broadcasting prior to the January 31, 2012 due date.

KCSM-TV

**A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY THE SAN MATEO COUNTY
COMMUNITY COLLEGE DISTRICT**

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2011

KCSM-TV
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

JUNE 30, 2011

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VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
KCSM-TV

We have audited the accompanying financial statements of KCSM-TV (a public telecommunications entity operated by the San Mateo County Community College District) as of June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the Organization'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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the KCSM-TV resource of the general fund of the San Mateo County Community College District and do not purport to, and do not, present fairly the financial position of the San Mateo County Community College District as of June 30, 2011, and the changes in its financial position and cash flows, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KCSM-TV as of June 30, 2011, and the changes in financial position and cash flows thereof, for the 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 our report dated December 9, 2011, on our consideration of KCSM-TV's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 assessing the results of our audit.

Vavrinek, Trine, Day & Co., LLP

Pleasanton, California
December 9, 2011

5000 Hopyard Road, Suite 335 Pleasanton, CA 94588 Tel: 925.734.6600 Fax: 925.734.6611 www.vtdcpa.com

FRESNO • LAGUNA HILLS • PLEASANTON • RANCHO CUCAMONGA • PALO ALTO • SACRAMENTO

KCSM-TV
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET ASSETS
JUNE 30, 2011

ASSETS

Current Assets

Cash and cash equivalents	\$ 854,272
Accounts receivable	19,460
Total current assets	<u>873,732</u>

Noncurrent assets

Capital assets	7,706,314
Accumulated depreciation	(4,318,144)
Total noncurrent assets	<u>3,388,170</u>
TOTAL ASSETS	<u>4,261,902</u>

LIABILITIES

Current Liabilities

Accounts payable	<u>\$ 38,022</u>
------------------	------------------

NET ASSETS

Investment in capital assets	3,388,170
Unrestricted	835,710
TOTAL NET ASSETS	<u>\$ 4,223,880</u>

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

KCSM-TV
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

OPERATING REVENUES

Direct Income

CPB community service grants	\$ 811,569
CPB television interconnection grants	15,642
Business and industry	82,800
Subscription and membership	438,043
Royalties	22,412
Other income	469
San Mateo County Community College District	188,877

Indirect Support

San Mateo County Community College District	429,598
---	---------

Total Operating Revenues

1,989,410

OPERATING EXPENSES

Programming and production	355,813
Broadcasting	1,493,050
Program information and promotion	71,652
Management and general	1,314,805
Fundraising support	242,677
Underwriting and grant solicitation	51,410

Total Operating Expenses

3,529,407

Operating Loss

(1,539,997)

OTHER INCOME

Transfer in from district	1,059,000
---------------------------	-----------

CHANGE IN NET ASSETS

(480,997)

NET ASSETS AT BEGINNING OF YEAR

4,704,877

NET ASSETS AT END OF YEAR

\$ 4,223,880

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

KCSM-TV
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES

CPB community service grants	\$ 811,569
CPB television interconnection grants	15,642
Business and industry	92,735
Subscription and membership	438,043
District support	618,475
Royalties	22,412
Other income	469
Payments to suppliers	(1,272,812)
Payment to /(on behalf of) employees	(1,575,295)
Net Cash Used By Operating Activities	<u>(848,762)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Transfer in from District	<u>1,059,000</u>
---------------------------	------------------

NET CHANGE IN CASH

210,238

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR

644,034

CASH AND CASH EQUIVALENTS AT END OF YEAR

\$ 854,272

**RECONCILIATION OF NET OPERATING LOSS TO NET CASH
USED BY OPERATING ACTIVITIES**

Operating loss	\$ (1,539,997)
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	670,248
Changes in assets and liabilities	
Decrease in accounts receivable	9,935
Increase in accounts payable	11,052
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (848,762)</u>

NONCASH TRANSACTIONS

Indirect support - San Mateo Community College District	<u>\$ 429,598</u>
---	-------------------

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

**KCSM-TV
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE SAN MATEO COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

KCSM-TV is a public telecommunications radio station operated by San Mateo County Community College District. KCSM-TV is a program of the San Mateo County Community College District general fund, and all activities are also reported within the financial statements of the District.

These financial statements are not intended to, and do not purport to, present fairly the financial position and changes in the financial position of the San Mateo County Community College District in compliance with accounting principles generally accepted in the United States of America.

Basis of Accounting

The KCSM-TV financial statements are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB). In addition, the District applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

KCSM-TV operates as a proprietary resource within the general fund; it uses an enterprise fund format to report its activities for financial statement purposes. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the cost and expenses, including depreciation, of providing goods or services to its customers be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. KCSM-TV is not an entity separate from the College District and, therefore, does not present a Management Discussion and Analysis section.

The Enterprise format accounts for activities similar to those in the private sector, where the proper matching of revenues and costs is important and the full accrual basis of accounting is required. With this measurement focus, all assets and all liabilities of the enterprise are recorded on its statement of net assets, all revenues are recognized when earned and all expenses, including depreciation, are recognized when incurred.

For internal operating purposes, the District's Board of Trustees has established separate sub-funds, each of which includes a separate self-balancing set of accounts and a separate Board approved budget for the activities of KCSM-TV. These sub-funds are combined into the single enterprise fund format when presented in the accompanying financial statements.

The District's Board of Trustees adopts annual budgets on a basis consistent with accounting principles generally accepted in the United States of America.

**KCSM-TV
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE SAN MATEO COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

Capital Assets

KCSM-TV records assets purchased at cost. The value of donated goods is recorded when there is an objective basis available to measure their value. Donated materials and equipment are reflected as contributions in the accompanying statements at their estimated values at date of receipt. KCSM-TV maintains a capitalization threshold of \$5,000. KCSM-TV depreciates all equipment using the straight-line method of depreciation over the estimated useful life of the related assets, ranging from 5 to 20 years.

Estimates

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

Cash Flows

For purposes of the statement of cash flows, KCSM-TV considers all investments with a maturity of six months or less to be cash equivalents.

Income Taxes

KCSM-TV is a program of San Mateo County Community College District. San Mateo County Community College District is a public educational institution and is considered to be a political subdivision of the State of California and is therefore tax exempt and not subject to filing information returns.

NOTE 2 – DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2011, are classified in the accompanying financial statements as a governmental fund investment in the amount of \$854,272. Cash accounts maintained by KCSM-TV are held by San Mateo County Community College District in pooled amounts at the San Mateo County Treasury.

Policies and Practices

KCSM - TV is authorized through the District under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

KCSM-TV

A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY THE SAN MATEO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Investment in County Treasury – KCSM – TV and the District are considered to be involuntary participants in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the entity's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. KCSM-TV and the District manage exposure to interest rate risk by depositing funds with the San Mateo County Treasury. KCSM-TV's share of deposits with the County Treasury was \$854,272. The weighted average maturity of the San Mateo pooled investments at June 30, 2011, was approximately 1.5 years.

KCSM-TV
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE SAN MATEO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 3 – CAPITAL ASSETS

Changes in equipment are summarized as follows:

	Beginning of Year	Additions	Deletions	End of Year
Equipment	\$ 7,706,314	\$ -	\$ -	\$ 7,706,314
Less - Accumulated Depreciation	3,647,896	670,248	-	4,318,144
Net Equipment	<u>\$ 4,058,418</u>	<u>\$ (670,248)</u>	<u>\$ -</u>	<u>\$ 3,388,170</u>

Current year depreciation expense was \$670,248 and is included in management and general expenses.

NOTE 4 - DONATED SERVICES

During the year, many KCSM-TV individuals donate significant amounts of time and services in an effort to advance the programs and objectives of the station. These services have not been recorded in the financial statements because no objective basis is available to measure the value of such services.

NOTE 5 – RELATED PARTY TRANSACTIONS

During the year, KCSM-TV received indirect administrative support in the amount of \$429,598 and direct support for payroll and benefit related cost in the amount of \$188,877 from San Mateo County Community College District. In addition, the District transferred to KCSM-TV in the amount of \$1,059,000 to support the operating costs.

NOTE 6 – SUBSEQUENT EVENT

The District will be seeking Request for Proposal for qualified companies to purchase the assets of and take assignment of the Federal Communications Commission noncommercial educational license for KCSM-TV in early December of 2011. The District expects the successful bidder to be approved by the District Board of Trustees in April, 2012 and to take assignment upon FCC approval by August of 2012.

INDEPENDENT AUDITORS' REPORT



VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

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

Governing Board
KCSM-TV
San Mateo, California

We have audited the financial statements of KCSM - TV resource of the general fund of San Mateo County Community College District as of and for the year ended June 30, 2011, which comprises the KCSM - TV basic financial statements and have issued our report thereon dated December 9, 2011. 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.

Internal Control Over Financial Reporting

The management of San Mateo County Community College District is responsible for the establishing and maintaining effective internal control over financial reporting.

In planning and performing our audit, we considered KCSM-TV's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the KCSM-TV's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the KCSM-TV's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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

Vavrinek, Time, Day & Co., LLP

Pleasanton, California
December 9, 2011

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**Schedule A
KCSM-TV (1722)
San Mateo, CA**

NFFS Excluded?

If you have an NFFS Exclusion, please click the "NFFS X" button, and enter your NFFS data.



Source of Income

2010 data

2011 data

1. Amounts provided directly by federal government agencies	\$54,238	\$0
A. PTFP (NTIA) Facilities Grants	\$0	\$0
B. Department of Education	\$0	\$0
C. Department of Health and Human Services	\$0	\$0
D. National Endowment for the Arts and Humanities	\$0	\$0
E. National Science Foundation	\$0	\$0
F. Other Federal Funds (specify)	\$54,238	\$0
2. Amounts provided by Public Broadcasting Entities (e.g. CPB, PBS, NPR, etc., including other stations and regional networks. See Guidelines for complete list.)	\$1,447,163	\$827,211
A. CPB - Community Service Grants (for radio enter unrestricted portion only)	\$636,527	\$811,569
B. CPB - Digital Project Grants	\$623,141	\$0
C. CPB - Restricted portion of Radio Community Service Grants	\$0	\$0
D. CPB - TV Interconnection grants	\$12,695	\$15,642
E. CPB - all other funds	\$0	\$0
F. PBS - all payments except copyright royalties and other pass-through payments. See Guidelines for details.	\$0	\$0
G. NPR - all payments except pass-through payments. See Guidelines for details.	\$0	\$0
H. Public broadcasting stations - all payments	\$174,800	\$0
I. Other PBE funds (specify)	\$0	\$0
3. Local boards and departments of education or other local government or agency sources	\$0	\$0
4. State boards and departments of education or other state government or agency sources	\$0	\$0
5. State colleges and universities	\$0	\$0
6. Other state-supported colleges and universities	\$1,564,576	\$1,247,877
7. Private colleges and universities	\$0	\$0
8. Foundations and nonprofit associations	\$0	\$0
	2010 data	2011 data
8a. How much of this revenue was received as underwriting?	\$0	\$0

9. Business and Industry		\$43,415	\$83,269
	2010 data	2011 data	
9a. How much of this revenue was received as underwriting?	\$0	\$0	
10. Memberships and subscriptions (net of write-offs)		\$687,595	\$438,043
	2010 data	2011 data	
10a. Total number of contributors.	4,723	3,252	
11. Revenue from Friends groups less any revenue included on line 10		\$0	\$0
	2010 data	2011 data	
11a. Total number of Friends contributors.	0	0	
12. Subsidiaries and other activities unrelated to public broadcasting (See instructions)		\$0	\$0
Form of Revenue			
		2010 data	2011 data
13. Auction revenue		\$0	\$0
A. Gross auction revenue		\$0	\$0
B. Direct auction expenses		\$0	\$0
14. Special fundraising activities		\$0	\$0
A. Gross special fundraising revenues		\$0	\$0
B. Direct special fundraising expenses		\$0	\$0
15. Passive income		\$60,044	\$22,412
A. Interest and dividends (other than on endowment funds)		\$0	\$0
B. Royalties		\$60,044	\$22,412
C. PBS or NPR pass-through copyright royalties		\$0	\$0
16. Gains and losses on investments, charitable trusts and gift annuities and sale of other assets (other than endowment funds)		\$0	\$0
A. Gains from sales of property and equipment - do not report losses		\$0	\$0
B. Realized gains/losses on investments (other than endowment funds)		\$0	\$0
C. Unrealized gains/losses on investments and actuarial gains/losses on charitable trusts and gift annuities (other than endowment funds)		\$0	\$0
17. Endowment revenue		\$0	\$0
A. Contributions to endowment principal		\$0	\$0
B. Interest and dividends on endowment funds		\$0	\$0
C. Realized and unrealized net investment gains and losses on endowment funds (if this is a negative amount, add a hyphen - e.g. "-1,765")		\$0	\$0

18. Capital fund contributions		\$0	\$0
A. Facilities and equipment (except funds received from federal or public broadcasting sources)		\$0	\$0
B. Other		\$0	\$0
19. Gifts and bequests from major individual donors		\$0	\$0
	2010 data	2011 data	
19a. Total number of major individual donors	0	0	
20. Other Direct Revenue		\$0	\$0
21. Total Revenue (Sum of lines 1 through 12, 13a, 14a, and 15 through 20).		\$3,857,031	\$2,618,812
Adjustments to Revenue		2010 data	2011 data
22. Federal revenue from line 1.		\$54,238	\$0
23. Public broadcasting revenue from line 2.		\$1,447,163	\$827,211
24. Capital funds exclusion (from line 18a) - TV only		\$0	\$0
25. Other revenue on line 21 not meeting the source, form, purpose, or recipient criteria to be included as NFFS. Click here to view all revenue reported as NFFS X.		\$43,415	\$0
26. Other automatic subtractions from total revenue		\$0	\$0
A. Auction expenses – limited to the lesser of lines 13a or 13b		\$0	\$0
B. Special fundraising event expenses – limited to the lesser of lines 14a or 14b		\$0	\$0
C. Gains from sales of property and equipment – line 16a		\$0	\$0
D. Realized gains/losses on investments (other than endowment funds) – line 16b		\$0	\$0
E. Unrealized investment and actuarial gains/losses (other than endowment funds) – line 16c		\$0	\$0
F. Realized and unrealized net investment gains/losses on endowment funds – line 17c		\$0	\$0
27. Total Direct Nonfederal Financial Support (Line 21 less Lines 22 through 26). (Forwards to line 1 of the Summary of Nonfederal Financial Support)		\$2,312,215	\$1,791,601

Comments

Comment	Name	Date	Status
Schedule B WorkSheet			
KCSM-TV (1722)			
San Mateo, CA			

	2010	2011
1. Determine Station net direct expenses		
1a. Total station operating expenses and capital outlays (forwards from line 10 of Schedule E)	\$5,260,317	\$4,199,655
Deductions (lines 1b.1. through 1b.7.):		
1b.1. Capital outlays (from Schedule E, line 9 total)	\$805,749	\$0
1b.2. Depreciation	\$666,290	\$670,248

	2010	2011
1b.3. Amortization	\$0	\$0
1b.4. In-kind contributions (services and other assets)	\$0	\$0
1b.5. Indirect administrative support (see Guidelines for instructions)	\$735,342	\$429,598
1b.6. Donated property and equipment (if not included on line 1b.1)	\$0	\$0
1b.7. Other	\$0	\$0
1b.8. Total deductions	\$2,207,381	\$1,099,846
1c. Station net direct expenses	\$3,719,226	\$3,099,809
2. Institutional support rate calculation (Note: Choose one method only - either 2a or 2b)		
2a. Net direct expense method		
2a.1. Station net direct Expenses (forwards from line 1)	\$3,719,226	\$3,099,809
2a.2. Licensee net direct activities	\$73,940,741	\$74,628,555
2a.3. Percentage of allocation (2a.1 divided by 2a.2) (forward to line 2c.5 below)	%5.030009	%4.15365
2b. Salaries and wages method		
2b.1. Station salaries and wages	\$0	\$0
2b.2. Licensee salaries and wages for direct activities	\$0	\$0
2b.3. Percentage of allocation (2b.1 divided by 2b.2) (forward to line 2c.5 below)	%	%0
2c. Institutional support calculation		
2c.1. Choose applicable cost groups that benefit the station		
<input type="checkbox"/> Budget and Analysis		
<input type="checkbox"/> Campus Mail Service		
<input type="checkbox"/> Computer Operations		
<input type="checkbox"/> Financial Operations		
<input type="checkbox"/> Human Resources		
<input type="checkbox"/> Insurance		
<input type="checkbox"/> Internal Audit		
<input type="checkbox"/> Legal		
<input type="checkbox"/> Payroll		
<input type="checkbox"/> President's Office		
<input type="checkbox"/> Purchasing		
<input type="checkbox"/> Other		
<input type="checkbox"/> Not Applicable		
2c.2. Costs per licensee financial statements	\$46,084,989	\$36,379,572
2c.3. LESS: Cost groups that do not benefit the operations of the public broadcast station	\$29,307,838	\$23,183,641
2c.4. Costs benefiting station operations	\$16,777,151	\$13,195,931
2c.5. Percentage of allocation (from line 2a.3 or 2b.3)	%5.030009	%4.15365

	2010	2011
2c.6. Total institutional costs benefiting station operations	\$843,892	\$548,112
3. Physical plant support rate calculation		
3a. Net square footage occupied by station	0	0
3b. Licensee's net assignable square footage	0	0
3c. Percentage of allocation (3a divided by 3b) (forward to line 3d.5 below)	%	%0
3d.1. Choose applicable cost groups that benefit the station		
<input type="checkbox"/> Building Maintenance		
<input type="checkbox"/> Custodial Services		
<input type="checkbox"/> Director of Operations		
<input type="checkbox"/> Elevator Maintenance		
<input type="checkbox"/> Grounds and Landscaping		
<input type="checkbox"/> Motor Pool		
<input type="checkbox"/> Refuse Disposal		
<input type="checkbox"/> Roof Maintenance		
<input type="checkbox"/> Utilities		
<input type="checkbox"/> Security Services		
<input type="checkbox"/> Facilities Planning		
<input type="checkbox"/> Other		
<input type="checkbox"/> Not Applicable		
3d.2. Costs per licensee financial statements	\$0	\$0
3d.3. LESS: Cost groups that do not benefit the operations of the public broadcast station	\$0	\$0
3d.4. Costs benefiting station operations	\$0	\$0
3d.5. Percentage of allocation (from line 3c.)	%	%0
3d.6. Total physical plant support costs benefiting station operations	\$0	\$0
4. Total costs benefiting station operations (forwards to line1 on tab3)	\$843,892	\$548,112

Comments

Comment	Name	Date	Status
Occupancy List KCSM-TV (1722) San Mateo, CA			

Type of Occupancy Location Value

Schedule B Totals
KCSM-TV (1722)
San Mateo, CA

	2010 data	2011 data
1. Total support activity benefiting station	\$843,892	\$548,112
2. Occupancy value	0	\$0
3. Deductions: Fees paid to the licensee for overhead recovery, assessment, etc.	\$0	\$0

	2010 data	2011 data
4. Deductions: Support shown on lines 1 and 2 in excess of revenue reported in financial statements.	\$108,550	\$0
5. Total Indirect Administrative Support (Forwards to Line 2 of the Summary of Nonfederal Financial Support)	\$735,342	\$548,112
6. Please enter an institutional type code for your licensee.	OT	OT

Comments

Comment	Name	Date	Status
Schedule C			
KCSM-TV (1722)			
San Mateo, CA			

	2010 data	<u>Donor Code</u>	2011 data
1. PROFESSIONAL SERVICES (must be eligible as NFFS)	\$		\$0
A. Legal	\$		\$0
B. Accounting and/or auditing	\$		\$0
C. Engineering	\$		\$0
D. Other professionals (see specific line item instructions in Guidelines before completing)	\$		\$0
2. GENERAL OPERATIONAL SERVICES (must be eligible as NFFS)	\$		\$0
A. Annual rental value of space (studios, offices, or tower facilities)	\$		\$0
B. Annual value of land used for locating a station-owned transmission tower	\$		\$0
C. Station operating expenses	\$		\$0
D. Other (see specific line item instructions in Guidelines before completing)	\$		\$0
3. OTHER SERVICES (must be eligible as NFFS)	\$		\$0
A. ITV or educational radio	\$		\$0
B. State public broadcasting agencies (APBC, FL-DOE, eTech Ohio)	\$		\$0
C. Local advertising	\$		\$0
D. National advertising	\$		\$0
4. Total in-kind contributions - services and other assets eligible as NFFS (sum of lines 1 through 3), forwards to Line 3a. of the Summary of Nonfederal Financial Support	\$		\$0
5. IN-KIND CONTRIBUTIONS INELIGIBLE AS NFFS	\$		\$0
A. Compact discs, records, tapes and cassettes	\$		\$0
B. Exchange transactions	\$		\$0
C. Federal or public broadcasting sources	\$		\$0
D. Fundraising related activities	\$		\$0
E. ITV or educational radio outside the allowable scope of approved activities	\$		\$0
F. Local productions	\$		\$0
G. Program supplements	\$		\$0

	2010 data	<u>Donor Code</u>	2011 data
H. Programs that are nationally distributed	\$		\$0
I. Promotional items	\$		\$0
J. Regional organization allocations of program services	\$		\$0
K. State PB agency allocations other than those allowed on line 3(b)	\$		\$0
L. Services that would not need to be purchased if not donated	\$		\$0
M. Other	\$		\$0
6. Total in-kind contributions - services and other assets (line 4 plus line 5), forwards to Schedule F, line 1c. Must agree with in-kind contributions recognized as revenue in the AFS.	\$		\$0

Comments

Comment	Name	Date	Status
Schedule D			
KCSM-TV (1722)			
San Mateo, CA			

	2010 data	<u>Donor Code</u>	2011 data
1. Land (must be eligible as NFFS)	\$		\$0
2. Building (must be eligible as NFFS)	\$		\$0
3. Equipment (must be eligible as NFFS)	\$		\$0
4. Vehicle(s) (must be eligible as NFFS)	\$		\$0
5. Other (specify) (must be eligible as NFFS)	\$		\$0
6. Total in-kind contributions - property and equipment eligible as NFFS (sum of lines 1 through 5), forwards to Line 3b. of the Summary of Nonfederal Financial Support	\$		\$0
7. IN-KIND CONTRIBUTIONS INELIGIBLE AS NFFS	\$		\$0
a) Exchange transactions	\$		\$0
b) Federal or public broadcasting sources	\$		\$0
c) TV only—property and equipment that includes new facilities (land and structures), expansion of existing facilities and acquisition of new equipment	\$		\$0
d) Other (specify)	\$		\$0
8. Total in-kind contributions - property and equipment (line 6 plus line 7), forwards to Schedule F, line 1d. Must agree with in-kind contributions recognized as revenue in the AFS.	\$		\$0

Comments

Comment	Name	Date	Status
Schedule E			
KCSM-TV (1722)			
San Mateo, CA			

EXPENSES

(Operating and non-operating)

PROGRAM SERVICES

2010 data

2011 data

PROGRAM SERVICES	2010 data	2011 data
1. Programming and production	\$880,962	\$355,813
2. Broadcasting and engineering	\$1,883,802	\$1,493,050
3. Program information and promotion	\$170,476	\$71,652
 SUPPORT SERVICES		
4. Management and general	\$372,910	\$1,314,805
5. Fund raising and membership development	\$297,921	\$242,677
6. Underwriting and grant solicitation	\$182,207	\$51,410
7. Depreciation and amortization (if not allocated to functional categories in lines 1 through 6)	\$666,290	\$670,248
8. Total Expenses (sum of lines 1 to 7) must agree with audited financial statements	\$4,454,568	\$4,199,655

INVESTMENT IN CAPITAL ASSETS
Cost of capital assets purchased or donated

	2010 data	2011 data
9. Total capital assets purchased or donated	\$805,749	\$0
9a. Land and buildings	\$0	\$0
9b. Equipment	\$805,749	\$0
9c. All other	\$0	\$0
10. Total expenses and investment in capital assets (Sum of lines 8 and 9)	\$5,260,317	\$4,199,655

Additional Information
(Lines 11 + 12 must equal line 8 and Lines 13 + 14 must equal line 9)

	2010 data	2011 data
11. Total expenses (direct only)	\$4,454,568	\$4,199,655
12. Total expenses (indirect and in-kind)	\$0	\$0
13. Investment in capital assets (direct only)	\$805,749	\$0
14. Investment in capital assets (indirect and in-kind)	\$0	\$0

Comments

Comment	Name	Date	Status
Schedule F			
KCSM-TV (1722)			
San Mateo, CA			

	2011 data
1. Data from AFR	
a. Schedule A, Line 21	\$2,618,812
b. Schedule B, Line 5	\$548,112
c. Schedule C, Line 6	\$0
d. Schedule D, Line 8	\$0
e. Total from AFR	\$3,166,924

Choose Reporting Model

You must choose one of the three reporting models in order to complete Schedule F. After making your selection, click the "Choose" button below, which will display your reporting model. When changing to a different reporting model all data entered in the current reporting model will be lost.

- FASB
- GASB Model A proprietary enterprise-fund financial statements with business-type activities only
- GASB Model B public broadcasting entity-wide statements with mixed governmental and business-type activities

2011 data

2. GASB Model B public broadcasting entity-wide statements with mixed governmental and business-type activities

a. Charges for services	\$548,112
b. Operating grants and contributions	\$827,211
c. Capital grants and contributions	\$0
d. Other revenues	\$1,791,601
e. Total From AFS, lines 2a-2d	\$3,166,924

Reconciliation

2011 data

3. Difference (line 1 minus line 2)	\$0
4. If the amount on line 3 is not equal to \$0, click the "Add" button and list the reconciling items.	\$0

Comments

Comment	Name	Date	Status
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KCSM-FM

**A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY THE SAN MATEO COUNTY
COMMUNITY COLLEGE DISTRICT**

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2011

**KCSM-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

JUNE 30, 2011

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VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
KCSM-FM

We have audited the accompanying financial statements of KCSM-FM (a public telecommunications entity operated by the San Mateo County Community College District) as of June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the Organization'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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the KCSM-FM resource of the general fund of San Mateo County Community College District and do not purport to, and do not, present fairly the financial position of the San Mateo County Community College District as of June 30, 2011, and the changes in its financial position and cash flows, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KCSM-FM as of June 30, 2011, and the changes in financial position and cash flows thereof, for the 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 our report dated December 9, 2011, on our consideration of KCSM-FM's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 assessing the results of our audit.

Vavrinek, Trine, Day & Co., LLP

Pleasanton, California
December 9, 2011

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**KCSM-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF NET ASSETS
JUNE 30, 2011**

ASSETS

Current assets

Cash and cash equivalents	\$ 629,938
Accounts receivable	14,427
Total current assets	<u>644,365</u>

Noncurrent assets

Capital assets	528,378
Accumulated depreciation	(301,954)
Total noncurrent assets	<u>226,424</u>
TOTAL ASSETS	<u>870,789</u>

LIABILITIES

Current Liabilities

Accounts payable	<u>27,818</u>
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NET ASSETS

Investment in capital assets	226,424
Unrestricted	616,547
TOTAL NET ASSETS	<u>\$ 842,971</u>

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

KCSM-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

OPERATING REVENUES

Direct Income		
CPB community service grants	\$	167,652
CPB other income		2,785
Other income		572
Business and industry		57,621
Subscription and membership		1,321,580
Facilities use		11,547
Indirect support		
San Mateo County Community College District		293,175
Total Operating Revenues		<u>1,854,932</u>

OPERATING EXPENSES

Programming and production		498,944
Broadcasting		549,413
Program information and promotion		68,693
Management and general		571,424
Fundraising support		241,362
Underwriting and grant solicitation		64,078
Total Operating Expenses		<u>1,993,914</u>
Total Operating Loss		<u>(138,982)</u>

OTHER EXPENSES

Transfer in from District		97,000
		<u>97,000</u>

CHANGE IN NET ASSETS		(41,982)
NET ASSETS AT BEGINNING OF YEAR		884,953
NET ASSETS AT END OF YEAR	\$	<u>842,971</u>

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

**KCSM-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011**

CASH FLOWS FROM OPERATING ACTIVITIES	
CPB community service grants	\$ 167,652
CPB other income	2,785
Other income	572
Business and industry	127,958
Subscription and membership	1,321,580
San Mateo County Community College District	293,175
Facilities use	11,547
Payments to suppliers	(756,244)
Payment to /(on behalf of) employees	(1,213,070)
Net Cash Used By Operating Activities	<u>(44,045)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer from District	<u>97,000</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	52,955
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	576,983
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 629,938</u></u>
RECONCILIATION OF NET OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	\$ (138,982)
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	42,709
Changes in assets and liabilities	
Decrease in accounts receivable	70,337
Increase in accounts payable	(18,109)
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (44,045)</u></u>

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

**KCSM-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE #1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

KCSM-FM is a public telecommunications radio station operated by San Mateo County Community College District. KCSM-FM is a program of San Mateo County Community College District general fund, and all activities are also reported within the financial statements of the District.

These financial statements are not intended to, and do not purport to, present fairly the financial position and changes in the financial position of the San Mateo County Community College District in compliance with accounting principles generally accepted in the United States of America.

Basis of Accounting

The KCSM-FM financial statements are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB). In addition, the District applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

KCSM-FM operates as a proprietary resource within the general fund; it uses an enterprise fund format to report its activities for financial statement purposes. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the cost and expenses, including depreciation, of providing goods or services to its customers be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. KCSM-FM is not an entity separate from the College District and, therefore, does not present a Management Discussion and Analysis section.

The Enterprise format accounts for activities similar to those in the private sector, where the proper matching of revenues and costs is important and the full accrual basis of accounting is required. With this measurement focus, all assets and all liabilities of the enterprise are recorded on its statement of net assets, all revenues are recognized when earned and all expenses, including depreciation, are recognized when incurred.

For internal operating purposes, the District's Board of Trustees has established separate sub-funds, each of which includes a separate self-balancing set of accounts and a separate Board approved budget for the activities of KCSM-FM. These sub-funds are combined into the single enterprise fund format presented in the accompanying financial statements.

The District's Board of Trustees adopts annual budgets on a basis consistent with accounting principles generally accepted in the United States of America.

**KCSM-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

Capital Assets

KCSM-FM records assets purchased at cost. The value of donated goods is recorded when there is an objective basis available to measure their value. Donated materials and equipment are reflected as contributions in the accompanying statements at their estimated values at date of receipt. KCSM-FM maintains a capitalization threshold of \$5,000. KCSM-FM depreciates all equipment using the straight-line method of depreciation over the estimated useful life of the related assets, ranging from 5 to 20 years.

Estimates

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

Cash Flows

For the purposes of the statement of cash flows, KCSM-FM considers all investments with a maturity of six months or less to be cash equivalents.

Income Taxes

KCSM-FM is a program of San Mateo County Community College District. San Mateo County Community College District is a public educational institution and is considered to be a political subdivision of the State of California and is therefore tax exempt and not subject to filing information returns.

NOTE 2 – DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2011, are classified in the accompanying financial statements as a governmental fund investment in the amount of \$629,938. Cash accounts maintained by KCSM-FM are held by San Mateo County Community College District in pooled amounts at the County Treasury.

Policies and Practices

KCSM - FM is authorized through the District under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

**KCSM-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

Investment in County Treasury – KCSM – FM and the District are considered to be involuntary participants in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the entity's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. KCSM-FM and the District manage exposure to interest rate risk by depositing funds with the San Mateo County Treasury. KCSM-FM's share of deposits with the County Treasury was a \$629,938. The weighted average maturity of the San Mateo pooled investments at June 30, 2011, was approximately 1.5 years.

**KCSM-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 3 – CAPITAL ASSETS

Changes in equipment are summarized as follows:

	<u>July 1, 2010</u>	<u>Additions</u>	<u>June 30, 2011</u>
Equipment	\$ 528,378	\$ -	\$ 528,378
Less - Accumulated Depreciation	<u>259,245</u>	<u>42,709</u>	<u>301,954</u>
Net Equipment	<u>\$ 269,133</u>	<u>\$ (42,709)</u>	<u>\$ 226,424</u>

Current year depreciation expense was \$42,709 and is included in management and general expenses.

NOTE 4 – DONATED SERVICES

During the year, many KCSM-FM individuals donate significant amounts of time and services in an effort to advance the programs and objectives of the station. These services have not been recorded in the financial statements because no objective basis is available to measure the value of such services.

NOTE 5 – RELATED PARTY TRANSACTIONS

During the year, KCSM-FM received indirect administrative support in the amount of \$293,175 from San Mateo Community College. In addition, the District transferred to KCSM-FM in the amount of \$97,000 to support the operating costs.

INDEPENDENT AUDITORS' REPORT



VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

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

Governing Board
KCSM-FM
San Mateo, California

We have audited the financial statements of KCSM - FM resource of the general fund of San Mateo County Community College District as of and for the year ended June 30, 2011, which comprises the KCSM - FM basic financial statements and have issued our report thereon dated December 9, 2011. 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.

Internal Control Over Financial Reporting

The management of San Mateo County Community College District is responsible for the establishing and maintaining effective internal control over financial reporting.

In planning and performing our audit, we considered KCSM-FM's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the KCSM-FM's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the KCSM-FM's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

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

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

Vavrinek, Time, Day & Co., LLP

Pleasanton, California
December 9, 2011

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**Schedule A
KCSM-FM (1314)
San Mateo, CA**

NFFS Excluded?

If you have an NFFS Exclusion, please click the "NFFS X" button, and enter your NFFS data.



Source of Income

2010 data

2011 data

1. Amounts provided directly by federal government agencies	\$15,546	\$0
A. PTFP (NTIA) Facilities Grants	\$0	\$0
B. Department of Education	\$0	\$0
C. Department of Health and Human Services	\$0	\$0
D. National Endowment for the Arts and Humanities	\$0	\$0
E. National Science Foundation	\$0	\$0
F. Other Federal Funds (specify)	\$15,546	\$0
2. Amounts provided by Public Broadcasting Entities (e.g. CPB, PBS, NPR, etc., including other stations and regional networks. See Guidelines for complete list.)	\$182,469	\$170,437
A. CPB - Community Service Grants (for radio enter unrestricted portion only)	\$154,695	\$167,652
B. CPB - Digital Project Grants	\$27,774	\$2,785
C. CPB - Restricted portion of Radio Community Service Grants	\$0	\$0
D. CPB - TV Interconnection grants	\$0	\$0
E. CPB - all other funds	\$0	\$0
F. PBS - all payments except copyright royalties and other pass-through payments. See Guidelines for details.	\$0	\$0
G. NPR - all payments except pass-through payments. See Guidelines for details.	\$0	\$0
H. Public broadcasting stations - all payments	\$0	\$0
I. Other PBE funds (specify)	\$0	\$0
3. Local boards and departments of education or other local government or agency sources	\$0	\$0
4. State boards and departments of education or other state government or agency sources	\$0	\$0
5. State colleges and universities	\$0	\$0
6. Other state-supported colleges and universities	\$0	\$97,000
7. Private colleges and universities	\$0	\$0
8. Foundations and nonprofit associations	\$0	\$0

2010 data 2011 data

8a. How much of this revenue was received as underwriting? \$0 \$0

9. Business and Industry		\$84,671	\$69,740
	2010 data	2011 data	
9a. How much of this revenue was received as underwriting?	\$53,718	\$57,621	

10. Memberships and subscriptions (net of write-offs)		\$1,303,440	\$1,321,580
	2010 data	2011 data	
10a. Total number of contributors.	9,744	9,575	

11. Revenue from Friends groups less any revenue included on line 10		\$0	\$0
	2010 data	2011 data	
11a. Total number of Friends contributors.	0	0	

12. Subsidiaries and other activities unrelated to public broadcasting (See instructions)		\$0	\$0
Form of Revenue		2010 data	2011 data
13. Auction revenue		\$0	\$0
A. Gross auction revenue		\$0	\$0
B. Direct auction expenses		\$0	\$0
14. Special fundraising activities		\$0	\$0
A. Gross special fundraising revenues		\$0	\$0
B. Direct special fundraising expenses		\$0	\$0
15. Passive income		\$0	\$0
A. Interest and dividends (other than on endowment funds)		\$0	\$0
B. Royalties		\$0	\$0
C. PBS or NPR pass-through copyright royalties		\$0	\$0
16. Gains and losses on investments, charitable trusts and gift annuities and sale of other assets (other than endowment funds)		\$0	\$0
A. Gains from sales of property and equipment - do not report losses		\$0	\$0
B. Realized gains/losses on investments (other than endowment funds)		\$0	\$0
C. Unrealized gains/losses on investments and actuarial gains/losses on charitable trusts and gift annuities (other than endowment funds)		\$0	\$0
17. Endowment revenue		\$0	\$0
A. Contributions to endowment principal		\$0	\$0
B. Interest and dividends on endowment funds		\$0	\$0
C. Realized and unrealized net investment gains and losses on endowment funds (if this is a negative amount, add a hyphen - e.g. "-1,765")		\$0	\$0

18. Capital fund contributions	\$0	\$0
A. Facilities and equipment (except funds received from federal or public broadcasting sources)	\$0	\$0
B. Other	\$0	\$0
19. Gifts and bequests from major individual donors	\$0	\$0
	2010 data	2011 data
19a. Total number of major individual donors	0	0
20. Other Direct Revenue	\$0	\$0
21. Total Revenue (Sum of lines 1 through 12, 13a, 14a, and 15 through 20).	\$1,586,126	\$1,658,757
Adjustments to Revenue	2010 data	2011 data
22. Federal revenue from line 1.	\$15,546	\$0
23. Public broadcasting revenue from line 2.	\$182,469	\$170,437
24. Capital funds exclusion (from line 18a) - TV only	\$0	\$0
25. Other revenue on line 21 not meeting the source, form, purpose, or recipient criteria to be included as NFFS. Click here to view all revenue reported as NFFS X.	\$14,000	\$0
26. Other automatic subtractions from total revenue	\$0	\$0
A. Auction expenses – limited to the lesser of lines 13a or 13b	\$0	\$0
B. Special fundraising event expenses – limited to the lesser of lines 14a or 14b	\$0	\$0
C. Gains from sales of property and equipment – line 16a	\$0	\$0
D. Realized gains/losses on investments (other than endowment funds) – line 16b	\$0	\$0
E. Unrealized investment and actuarial gains/losses (other than endowment funds) – line 16c	\$0	\$0
F. Realized and unrealized net investment gains/losses on endowment funds – line 17c	\$0	\$0
27. Total Direct Nonfederal Financial Support (Line 21 less Lines 22 through 26). (Forwards to line 1 of the Summary of Nonfederal Financial Support)	\$1,374,111	\$1,488,320

Comments

Comment **Name** **Date** **Status**

Schedule B WorkSheet
KCSM-FM (1314)
San Mateo, CA

	2010	2011
1. Determine Station net direct expenses		
1a. Total station operating expenses and capital outlays (forwards from line 10 of Schedule E)	\$1,756,941	\$2,036,623
Deductions (lines 1b.1. through 1b.7.):		
1b.1. Capital outlays (from Schedule E, line 9 total)	\$84,825	\$0
1b.2. Depreciation	\$38,513	\$42,709

	2010	2011
1b.3. Amortization	\$0	\$0
1b.4. In-kind contributions (services and other assets)	\$0	\$0
1b.5. Indirect administrative support (see Guidelines for instructions)	\$308,880	\$293,175
1b.6. Donated property and equipment (if not included on line 1b.1)	\$0	\$0
1b.7. Other	\$0	\$0
1b.8. Total deductions	\$432,218	\$406,221
1c. Station net direct expenses	\$1,363,236	\$1,700,739
2. Institutional support rate calculation (Note: Choose one method only - either 2a or 2b)		
2a. Net direct expense method		
2a.1. Station net direct Expenses (forwards from line 1)	\$1,363,236	\$1,700,739
2a.2. Licensee net direct activities	\$73,940,741	\$74,628,555
2a.3. Percentage of allocation (2a.1 divided by 2a.2) (forward to line 2c.5 below)	%1.843687	%2.278939
2b. Salaries and wages method		
2b.1. Station salaries and wages	\$0	\$0
2b.2. Licensee salaries and wages for direct activities	\$0	\$0
2b.3. Percentage of allocation (2b.1 divided by 2b.2) (forward to line 2c.5 below)	%0	%0
2c. Institutional support calculation		
2c.1. Choose applicable cost groups that benefit the station		
<input type="checkbox"/> Budget and Analysis		
<input type="checkbox"/> Campus Mail Service		
<input type="checkbox"/> Computer Operations		
<input type="checkbox"/> Financial Operations		
<input type="checkbox"/> Human Resources		
<input type="checkbox"/> Insurance		
<input type="checkbox"/> Internal Audit		
<input type="checkbox"/> Legal		
<input type="checkbox"/> Payroll		
<input type="checkbox"/> President's Office		
<input type="checkbox"/> Purchasing		
<input type="checkbox"/> Other		
<input type="checkbox"/> Not Applicable		
2c.2. Costs per licensee financial statements	\$46,084,989	\$36,379,572
2c.3. LESS: Cost groups that do not benefit the operations of the public broadcast station	\$29,307,838	\$23,183,641
2c.4. Costs benefiting station operations	\$16,777,151	\$13,195,931
2c.5. Percentage of allocation (from line 2a.3 or 2b.3)	%1.843687	%2.278939

	2010	2011
2c.6. Total institutional costs benefiting station operations	\$309,318	\$300,727
3. Physical plant support rate calculation		
3a. Net square footage occupied by station	0	0
3b. Licensee's net assignable square footage	0	0
3c. Percentage of allocation (3a divided by 3b) (forward to line 3d.5 below)	%0	%0
3d.1. Choose applicable cost groups that benefit the station		
<input type="checkbox"/> Building Maintenance		
<input type="checkbox"/> Custodial Services		
<input type="checkbox"/> Director of Operations		
<input type="checkbox"/> Elevator Maintenance		
<input type="checkbox"/> Grounds and Landscaping		
<input type="checkbox"/> Motor Pool		
<input type="checkbox"/> Refuse Disposal		
<input type="checkbox"/> Roof Maintenance		
<input type="checkbox"/> Utilities		
<input type="checkbox"/> Security Services		
<input type="checkbox"/> Facilities Planning		
<input type="checkbox"/> Other		
<input type="checkbox"/> Not Applicable		
3d.2. Costs per licensee financial statements	\$0	\$0
3d.3. LESS: Cost groups that do not benefit the operations of the public broadcast station	\$0	\$0
3d.4. Costs benefiting station operations	\$0	\$0
3d.5. Percentage of allocation (from line 3c.)	%0	%0
3d.6. Total physical plant support costs benefiting station operations	\$0	\$0
4. Total costs benefiting station operations (forwards to line1 on tab3)	\$309,318	\$300,727

Comments

Comment	Name	Date	Status
Occupancy List			
KCSM-FM (1314)			
San Mateo, CA			

Type of Occupancy Location	Value
----------------------------	-------

Schedule B Totals
KCSM-FM (1314)
San Mateo, CA

	2010 data	2011 data
1. Total support activity benefiting station	\$309,318	\$300,727
2. Occupancy value	0	\$0
3. Deductions: Fees paid to the licensee for overhead recovery, assessment, etc.	\$0	\$0

	2010 data	2011 data
4. Deductions: Support shown on lines 1 and 2 in excess of revenue reported in financial statements.	\$438	\$0
5. Total Indirect Administrative Support (Forwards to Line 2 of the Summary of Nonfederal Financial Support)	\$308,880	\$300,727
6. Please enter an institutional type code for your licensee.	OT	OT

Comments

Comment	Name	Date	Status
Schedule C			
KCSM-FM (1314)			
San Mateo, CA			

	2010 data	<u>Donor Code</u>	2011 data
1. PROFESSIONAL SERVICES (must be eligible as NFFS)	\$0		\$0
A. Legal	\$0		\$0
B. Accounting and/or auditing	\$0		\$0
C. Engineering	\$0		\$0
D. Other professionals (see specific line item instructions in Guidelines before completing)	\$0		\$0
2. GENERAL OPERATIONAL SERVICES (must be eligible as NFFS)	\$0		\$0
A. Annual rental value of space (studios, offices, or tower facilities)	\$0		\$0
B. Annual value of land used for locating a station-owned transmission tower	\$0		\$0
C. Station operating expenses	\$0		\$0
D. Other (see specific line item instructions in Guidelines before completing)	\$0		\$0
3. OTHER SERVICES (must be eligible as NFFS)	\$0		\$0
A. ITV or educational radio	\$0		\$0
B. State public broadcasting agencies (APBC, FL-DOE, eTech Ohio)	\$0		\$0
C. Local advertising	\$0		\$0
D. National advertising	\$0		\$0
4. Total in-kind contributions - services and other assets eligible as NFFS (sum of lines 1 through 3), forwards to Line 3a. of the Summary of Nonfederal Financial Support	\$0		\$0
5. IN-KIND CONTRIBUTIONS INELIGIBLE AS NFFS	\$0		\$0
A. Compact discs, records, tapes and cassettes	\$0		\$0
B. Exchange transactions	\$0		\$0
C. Federal or public broadcasting sources	\$0		\$0
D. Fundraising related activities	\$0		\$0
E. ITV or educational radio outside the allowable scope of approved activities	\$0		\$0
F. Local productions	\$0		\$0
G. Program supplements	\$0		\$0

	2010 data	<u>Donor Code</u>	2011 data
H. Programs that are nationally distributed	\$0		\$0
I. Promotional items	\$0		\$0
J. Regional organization allocations of program services	\$0		\$0
K. State PB agency allocations other than those allowed on line 3(b)	\$0		\$0
L. Services that would not need to be purchased if not donated	\$0		\$0
M. Other	\$0		\$0
6. Total in-kind contributions - services and other assets (line 4 plus line 5), forwards to Schedule F, line 1c. Must agree with in-kind contributions recognized as revenue in the AFS.	\$0		\$0

Comments

Comment	Name	Date	Status
Schedule D			
KCSM-FM (1314)			
San Mateo, CA			

	2010 data	<u>Donor Code</u>	2011 data
1. Land (must be eligible as NFFS)	\$0		\$0
2. Building (must be eligible as NFFS)	\$0		\$0
3. Equipment (must be eligible as NFFS)	\$0		\$0
4. Vehicle(s) (must be eligible as NFFS)	\$0		\$0
5. Other (specify) (must be eligible as NFFS)	\$0		\$0
6. Total in-kind contributions - property and equipment eligible as NFFS (sum of lines 1 through 5), forwards to Line 3b. of the Summary of Nonfederal Financial Support	\$0		\$0
7. IN-KIND CONTRIBUTIONS INELIGIBLE AS NFFS	\$0		\$0
a) Exchange transactions	\$0		\$0
b) Federal or public broadcasting sources	\$0		\$0
c) TV only—property and equipment that includes new facilities (land and structures), expansion of existing facilities and acquisition of new equipment	\$0		\$0
d) Other (specify)	\$0		\$0
8. Total in-kind contributions - property and equipment (line 6 plus line 7), forwards to Schedule F, line 1d. Must agree with in-kind contributions recognized as revenue in the AFS.	\$0		\$0

Comments

Comment	Name	Date	Status
Schedule E			
KCSM-FM (1314)			
San Mateo, CA			

EXPENSES

(Operating and non-operating)

PROGRAM SERVICES

2010 data	2011 data
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PROGRAM SERVICES	2010 data	2011 data
1. Programming and production	\$552,091	\$498,944
2. Broadcasting and engineering	\$328,232	\$549,413
3. Program information and promotion	\$50,259	\$68,693
SUPPORT SERVICES	2010 data	2011 data
4. Management and general	\$356,555	\$571,424
5. Fund raising and membership development	\$309,261	\$241,362
6. Underwriting and grant solicitation	\$37,205	\$64,078
7. Depreciation and amortization (if not allocated to functional categories in lines 1 through 6)	\$38,513	\$42,709
8. Total Expenses (sum of lines 1 to 7) must agree with audited financial statements	\$1,672,116	\$2,036,623

INVESTMENT IN CAPITAL ASSETS
 Cost of capital assets purchased or donated

	2010 data	2011 data
9. Total capital assets purchased or donated	\$84,825	\$0
9a. Land and buildings	\$0	\$0
9b. Equipment	\$84,825	\$0
9c. All other	\$0	\$0
10. Total expenses and investment in capital assets (Sum of lines 8 and 9)	\$1,756,941	\$2,036,623

Additional Information
 (Lines 11 + 12 must equal line 8 and Lines 13 + 14 must equal line 9)

	2010 data	2011 data
11. Total expenses (direct only)	\$1,672,116	\$2,036,623
12. Total expenses (indirect and in-kind)	\$0	\$0
13. Investment in capital assets (direct only)	\$84,825	\$0
14. Investment in capital assets (indirect and in-kind)	\$0	\$0

Comments

Comment	Name	Date	Status
Schedule F			
KCSM-FM (1314)			
San Mateo, CA			

	2011 data
1. Data from AFR	
a. Schedule A, Line 21	\$1,658,757
b. Schedule B, Line 5	\$300,727
c. Schedule C, Line 6	\$0
d. Schedule D, Line 8	\$0
e. Total from AFR	\$1,959,484

Choose Reporting Model

You must choose one of the three reporting models in order to complete Schedule F. After making your selection, click the "Choose" button below, which will display your reporting model. When changing to a different reporting model all data entered in the current reporting model will be lost.

- FASB
 GASB Model A proprietary enterprise-fund financial statements with business-type activities only
 GASB Model B public broadcasting entity-wide statements with mixed governmental and business-type activities

2011 data

2. GASB Model B public broadcasting entity-wide statements with mixed governmental and business-type activities

a. Charges for services	\$300,727
b. Operating grants and contributions	\$170,437
c. Capital grants and contributions	\$0
d. Other revenues	\$1,488,320
e. Total From AFS, lines 2a-2d	\$1,959,484

Reconciliation

2011 data

3. Difference (line 1 minus line 2)	\$0
4. If the amount on line 3 is not equal to \$0, click the "Add" button and list the reconciling items.	\$0

Comments

Comment	Name	Date	Status
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BOARD REPORT NO. 12-1-103B

TO: Members of the Board of Trustees
FROM: Ron Galatolo, Chancellor
PREPARED BY: Kathy Blackwood, Executive Vice Chancellor, 358-6869

**RECEIPT AND ACCEPTANCE OF THE 2010-11
GENERAL OBLIGATION BOND FINANCIAL AND PERFORMANCE AUDITS**

Attached is a copy of the General Obligation Bond financial and performance audits for the San Mateo County Community College District, prepared by the Board-approved firm of Vavrinek, Trine, Day & Company. The audits were based upon the fiscal year ending June 30, 2011. A representative of the auditing firm will be present at this meeting to respond to questions about the audits in general and about the firm's findings and recommendations. Representatives of the Bond Oversight Committee will receive copies of the audit reports at their next meeting.

RECOMMENDATION

It is recommended that the Board of Trustees receive and accept the 2010-11 audit reports for the General Obligation Bond funds.

**SAN MATEO COUNTY COMMUNITY
COLLEGE DISTRICT**

**MEASURE A
2005 GENERAL OBLIGATION BONDS
AUDIT REPORT**

JUNE 30, 2011

**SAN MATEO COUNTY COMMUNITY
COLLEGE DISTRICT**

**MEASURE A
2005 GENERAL OBLIGATION BONDS
FINANCIAL AUDIT**

JUNE 30, 2011

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
CAPITAL OUTLAY – BOND FUND 2005 ELECTION (MEASURE A)**

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JUNE 30, 2011**

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INDEPENDENT AUDITORS' REPORT

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	10
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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Summary Schedule of Prior Audit Findings	14



VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

Measure A Citizens' Oversight Committee
San Mateo County Community College District
San Mateo, California

We have audited the accompanying financial statements of the San Mateo County Community College District (the District), Capital Outlay – Bond Fund 2005 Election (Measure A), as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the financial statements present only the Capital Outlay - Bond Fund specific to Measure A and are not intended to present fairly the financial position and results of operations of San Mateo County Community College District in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Capital Outlay - Bond Fund Measure A of the San Mateo County Community College District at June 30, 2011, and the results of its operations for the 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 our report dated December 9, 2011, on our consideration of the District Capital Outlay – Bond Fund Measure A internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Vavrinek, Time, Day & Co., LLP

Pleasanton, California
December 9, 2011

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
CAPITAL OUTLAY – BOND FUND 2005 ELECTION (MEASURE A)**

**BALANCE SHEET
JUNE 30, 2011**

ASSETS

Deposits and investments	
Investments	\$ 68,234,264
Accounts receivable	247,270
Due from other governments	18,398
Prepaid expenses	539,963
Total Assets	\$ 69,039,895

LIABILITIES AND FUND BALANCES

LIABILITIES

Accounts payable	\$ 6,459,220
Due to other funds	357,338
Total Liabilities	6,816,558

FUND BALANCES

Restricted	62,223,337
Total Fund Balances	62,223,337
Total Liabilities and Fund Balances	\$ 69,039,895

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

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
CAPITAL OUTLAY – BOND FUND 2005 ELECTION (MEASURE A)**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2011**

REVENUES	
Interest income	\$ 907,267
Total Revenues	<u>907,267</u>
EXPENDITURES	
Current	
Salaries and benefits	4,185,111
Books and supplies	7,601,383
Services and operating expenditures	9,049,824
Capital outlay	65,869,066
Total Expenditures	<u>86,705,384</u>
DEFICIENCY OF REVENUES OVER/(UNDER) EXPENDITURES	(85,798,117)
FUND BALANCE - BEGINNING	<u>148,021,454</u>
FUND BALANCE - ENDING	<u><u>\$ 62,223,337</u></u>

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

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
CAPITAL OUTLAY – BOND FUND 2005 ELECTION (MEASURE A)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the San Mateo County Community College District's Capital Outlay – Bond Fund Measure A conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants. The San Mateo County Community College District's Capital Outlay – Bond Fund accounts for financial transactions in accordance with the policies and procedures of the California College Budget and Accounting Manual.

Financial Reporting Entity

The financial statements include only the Capital Outlay – Bond Fund of the San Mateo County Community College District used to account for Measure A projects. This Fund was established to account for the expenditures of general obligation bonds issued under the General Obligation Bonds Election of 2005. These financial statements are not intended to present fairly the financial position and results of operations of the San Mateo County Community College District in compliance with accounting principles generally accepted in the United States of America.

Fund Accounting

The operations of the Capital Outlay – Bond Fund Measure A are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Basis of Accounting

The Capital Outlay – Bond Fund Measure A is accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. The District's governing board adopts an operating budget no later than July 1 in accordance with State law. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements. The Board revises this budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
CAPITAL OUTLAY – BOND FUND 2005 ELECTION (MEASURE A)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

Encumbrances

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

Fund Balance

As of June 30, 2011, fund balance for the Measure A fund is classified as follows:

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Spending Order

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Use of Estimates

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

New Accounting Pronouncements

In November 2010, the GASB issued GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Earlier application is encouraged.

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
CAPITAL OUTLAY – BOND FUND 2005 ELECTION (MEASURE A)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 2 - INVESTMENTS

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State: U.S. Treasury instrument; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreement; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security, and collateralized mortgage obligations.

Investment in County Treasury

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statement at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
County Pooled Investment Funds	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. The District manages its exposure to interest rate risk by depositing substantially all of its funds in the County Treasury Pool. The fair value of deposits at the County Treasury, at June 30, 2011, was \$68,234,264 and the weighted average maturity of the pool is 1.5 years.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Capital Outlay Bond Fund only invests in county pooled investments which are not required to be rated.

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
CAPITAL OUTLAY – BOND FUND 2005 ELECTION (MEASURE A)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2011, consisted of the following:

Interest	\$ 244,471
Other local sources	2,799
	<u>\$ 247,270</u>

NOTE 4 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2011, consisted of the following:

Vendor payables	<u>\$ 6,459,220</u>
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NOTE 5 - INTERFUND TRANSACTIONS

Interfund receivable balance at June 30, 2011, was as follows:

Due from other funds - Capital Outlay Fund	<u>\$ 18,398</u>
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Interfund payable balance at June 30, 2011, was as follows:

Due to other funds - General Fund	<u>\$ 357,338</u>
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NOTE 6 - COMMITMENTS AND CONTINGENCIES

As of June 30, 2011, the Building Fund (Measure A) had the following commitments with respect to unfinished capital projects:

<u>MEASURE 39 PROJECTS</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
District wide projects	\$ 1,106,832	Within 1 year
Skyline projects	2,449,215	Within 1 year
CSM projects	4,610,007	Within 1 year
Canada projects	1,877,123	Within 1 year
	<u>\$ 10,043,177</u>	

INDEPENDENT AUDITORS' REPORT



VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

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

Measure A Citizens Oversight Committee
San Mateo County Community College District
San Mateo, California

We have audited the accompanying financial statements of the San Mateo County Community College District (the District) Capital Outlay – Bond Fund 2005 Election (Measure A), as of and for the year ended June 30, 2011, and have issued our report thereon dated December 9, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered San Mateo County Community College District's Capital Outlay – Bond Fund 2005 Election (Measure A), internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the San Mateo County Community College District's Capital Outlay – Bond Fund 2005 Election (Measure A), internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the San Mateo County Community College District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the governing board, management, and the Measure A Citizen Oversight Committee, and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Time, Day & Co., LLP

Pleasanton, California
December 9, 2011

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
CAPITAL OUTLAY – BOND FUND 2005 ELECTION (MEASURE A)**

**FINANCIAL STATEMENT FINDINGS
JUNE 30, 2011**

None reported.

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
CAPITAL OUTLAY – BOND FUND 2005 ELECTION (MEASURE A)**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2011**

None reported.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**MEASURE A
2005 GENERAL OBLIGATION BONDS
PERFORMANCE AUDIT**

JUNE 30, 2011

**SAN MATEO COMMUNITY COLLEGE DISTRICT
MEASURE A
2005 GENERAL OBLIGATION BONDS**

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INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

Measure A Citizens' Oversight Committee
San Mateo County Community College District
San Mateo, California

We were engaged to conduct a performance audit of the San Mateo County Community College District (the District), Measure A General Obligation Bond funds for the year ended June 30, 2011.

We conducted this performance audit in accordance with the standards applicable to performance 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 sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

Our audit was limited to the objectives listed within the report which includes determining the District's compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Management is responsible for the District's compliance with those requirements.

In planning and performing our performance audit, we obtained an understanding of the District's internal control in order to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39 and outlined in Article XIII A, Section 1 (b)(3)(C) of the California Constitution. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

The results of our tests indicated that the District expended Measure A General Obligation Bond funds only for the specific projects approved by the voters, in accordance with Proposition 39 and outlined in Article XIII A, Section 1 (b)(3)(C) of the California Constitution.

Vavrinek, Trine, Day & Co., LLP

Pleasanton, California
December 9, 2011

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
CAPITAL OUTLAY – BOND FUND 2005 ELECTION (MEASURE A)**

JUNE 30, 2011

AUTHORITY FOR ISSUANCE

The Measure A Bonds are issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the California Education Code, and other applicable provisions of law. The Bonds are authorized to be issued by a resolution adopted by the Board of Trustees of the District on November 8, 2006 (the "Bond Resolution").

The District received authorization at an election held on November 8, 2005, to issue bonds of the District in an aggregate principal amount not to exceed \$468,000,000 to finance specific acquisition, construction and modernization projects approved by the voters. The proposition required approval by at least 55 percent of the votes cast by eligible voters within the District (the 2005 Authorization). The Bonds represent the first and second series of the authorized bonds to be issued under the 2005 Authorization.

PURPOSE OF ISSUANCE

The net proceeds of the Bonds and any other series of general obligation bonds issued under the Authorization will be used for the purposes specified in the District bond proposition submitted at the Election, which include: to upgrade nursing, health career, science, computer, and biotechnology labs; improve accessibility for disabled students; make earthquake safety improvements; repair/modernized libraries, classrooms, and aging facilities, and other projects.

AUTHORITY FOR THE AUDIT

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools and Financial Accountability Act. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by school districts, community college districts, or county offices of education, "for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of rental property for school facilities", upon approval by 55 percent of the electorate. In addition to reducing the approval threshold from two-thirds to 55 percent, Proposition 39 and the enacting legislation (AB 1908 and AB 2659) requires the following accountability measures as codified in Education Code sections 15278-15282:

1. Requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIII A, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other school operating expenses.
2. The district must list the specific school facilities projects to be funded in the ballot measure, and must certify that the governing board has evaluated safety, class size reduction and information technology needs in developing the project list.
3. Requires the district to appoint a citizen's oversight committee.
4. Requires the district to conduct an annual independent financial audit and performance audit in accordance with the Government Auditing Standards issued by the Comptroller General of the United States of the bond proceeds until all of the proceeds have been expended.
5. Requires the district to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
CAPITAL OUTLAY – BOND FUND 2005 ELECTION (MEASURE A)**

JUNE 30, 2011

OBJECTIVES OF THE AUDIT

1. Determine whether expenditures charged to the Capital Outlay – Bond Fund have been made in accordance with the bond project list approved by the voters through the approval of Measure A.
2. Determine whether salary transactions, charged to the Building Fund were in support of Measure A and not for District general administration or operations.

SCOPE OF THE AUDIT

The scope of our performance audit covered the period of July 1, 2010 to June 30, 2011. The population of expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than proceeds of the bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2011 were not reviewed or included within the scope of our audit or in this report.

PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2011 for the Capital Outlay – Bond Fund Measure A. Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution and Measure A as to the approved bond projects list. We performed the following procedures:

1. We selected a sample of expenditures for the period starting July 1, 2010 and ending June 30, 2011, and reviewed supporting documentation to ensure that such funds were properly expended on the specific projects listed in the ballot text.
2. Our sample included transactions totaling \$43,825,755. This represents 51 percent of the total expenditures of \$86,705,384, including expenditures related to transferred funds.
3. We verified that funds from the Capital Outlay – Bond Fund Measure A were generally expended for the authorized bond projects. In addition, we verified that funds held in the Capital Outlay – Bond Fund Measure A were used for salaries of administrators only to the extent they perform administrative oversight work on construction projects as allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General.

CONCLUSION

The results of our tests indicated that, in all significant respects, the San Mateo County Community College District has properly accounted for the expenditures held in the Capital Outlay – Bond Fund Measure A and that such expenditures were made for authorized Bond projects. Further, it was noted that funds held in the Capital Outlay – Bond Fund Measure A, and expended by the District, were used for salaries of administrators only to the extent they perform administrative oversight work on construction projects as allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General.

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
CAPITAL OUTLAY – BOND FUND 2005 ELECTION (MEASURE A)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011**

None reported.

**SAN MATEO COUNTY COMMUNITY
COLLEGE DISTRICT**

**MEASURE C
2001 GENERAL OBLIGATION BONDS
AUDIT REPORT**

JUNE 30, 2011

**SAN MATEO COUNTY COMMUNITY
COLLEGE DISTRICT**

**MEASURE C
2001 GENERAL OBLIGATION BONDS
FINANCIAL AUDIT**

JUNE 30, 2011

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
CAPITAL OUTLAY – BOND FUND 2001 ELECTION (MEASURE C)**

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INDEPENDENT AUDITORS' REPORT

Measure C Citizens' Oversight Committee
San Mateo County Community College District
San Mateo, California

We have audited the accompanying financial statements of the San Mateo County Community College District (the District), Capital Outlay – Bond Fund 2001 Election (Measure C), as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the financial statements present only the Capital Outlay - Bond Fund specific to Measure C and are not intended to present fairly the financial position and results of operations of San Mateo County Community College District in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Capital Outlay - Bond Fund Measure C of the San Mateo County Community College District at June 30, 2011, and the results of its operations for the 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 our report dated December 9, 2011, on our consideration of the District Capital Outlay – Bond Fund Measure C internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Vavrinek, Time, Day & Co., LLP

Pleasanton, California
December 9, 2011

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
CAPITAL OUTLAY – BOND FUND 2001 ELECTION (MEASURE C)**

**BALANCE SHEET
JUNE 30, 2011**

ASSETS

Accounts receivable	\$ -
Total Assets	<u>\$ -</u>

LIABILITIES AND FUND EQUITY

LIABILITIES

Accounts payable	\$ -
Total Liabilities	<u>-</u>

Total Liabilities and Fund Equity	<u>\$ -</u>
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The accompanying notes are an integral part of these financial statements.

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
CAPITAL OUTLAY – BOND FUND 2001 ELECTION (MEASURE C)**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2011**

REVENUES	
Interest and investment earnings	\$ 3,155
Total Revenues	<u>3,155</u>
EXPENDITURES	
Current	
Services and operating expenditures	28,999
Capital outlay	<u>670,278</u>
Total Expenditures	<u>699,277</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	(696,122)
FUND BALANCE, BEGINNING OF YEAR	<u>696,122</u>
FUND BALANCE, END OF YEAR	<u><u>\$ -</u></u>

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

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
CAPITAL OUTLAY – BOND FUND 2001 ELECTION (MEASURE C)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the San Mateo County Community College District's Capital Outlay – Bond Fund 2001 Election (Measure C) conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants. The San Mateo County Community College District's Capital Outlay – Bond Fund accounts for financial transactions in accordance with the policies and procedures of the California College Budget and Accounting Manual.

Financial Reporting Entity

The financial statements include only the Capital Outlay – Bond Fund of the San Mateo County Community College District used to account for Measure C projects. This Fund was established to account for the expenditures of general obligation bonds issued under the General Obligation Bonds Election of 2001. These financial statements are not intended to present fairly the financial position and results of operations of the San Mateo County Community College District in compliance with accounting principles generally accepted in the United States of America.

Fund Accounting

The operations of the Capital Outlay – Bond Fund Measure C are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Basis of Accounting

The Capital Outlay – Bond Fund Measure C is accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. The District's governing board adopts an operating budget no later than July 1 in accordance with State law. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements. The Board revises this budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
CAPITAL OUTLAY – BOND FUND 2001 ELECTION (MEASURE C)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

Encumbrances

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

Fund Balance

As of June 30, 2011, Measure C has no remaining fund balance.

Spending Order

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Use of Estimates

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

New Accounting Pronouncements

In November 2010, the GASB issued GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Earlier application is encouraged.

INDEPENDENT AUDITORS' REPORT



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

Measure C Citizens Oversight Committee
San Mateo County Community College District
San Mateo, California

We have audited the accompanying financial statements of the San Mateo County Community College District (the District) Capital Outlay – Bond Fund 2001 Election (Measure C), as of and for the year ended June 30, 2011, and have issued our report thereon dated December 9, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered San Mateo County Community College District's Capital Outlay – Bond Fund 2001 Election (Measure C), internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the San Mateo County Community College District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the San Mateo County Community College District's Capital Outlay – Bond Fund 2001 Election (Measure C), internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the governing board, management, and the Measure C Citizen Oversight Committee, and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Time, Day & Co., LLP

Pleasanton, California
December 9, 2011

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
CAPITAL OUTLAY – BOND FUND 2001 ELECTION (MEASURE C)**

**FINANCIAL STATEMENT FINDINGS
JUNE 30, 2011**

None reported.

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
CAPITAL OUTLAY – BOND FUND 2001 ELECTION (MEASURE C)**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2011**

None reported.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**MEASURE C
2001 GENERAL OBLIGATION BONDS
PERFORMANCE AUDIT**

JUNE 30, 2011

**SAN MATEO COMMUNITY COLLEGE DISTRICT
MEASURE C
2001 GENERAL OBLIGATION BONDS**

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INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

Measure C Citizens' Oversight Committee
San Mateo County Community College District
San Mateo, California

We were engaged to conduct a performance audit of the San Mateo County Community College District (the District), Measure C General Obligation Bond funds for the year ended June 30, 2011.

We conducted this performance audit in accordance with the standards applicable to performance 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 sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

Our audit was limited to the objectives listed within the report which includes determining the District's compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Management is responsible for the District's compliance with those requirements.

In planning and performing our performance audit, we obtained an understanding of the District's internal control in order to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39 and outlined in Article XIII A, Section 1 (b)(3)(C) of the California Constitution. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

The results of our tests indicated that the District expended Measure C General Obligation Bond funds only for the specific projects approved by the voters, in accordance with Proposition 39 and outlined in Article XIII A, Section 1 (b)(3)(C) of the California Constitution.

Vavrinek, Trine, Day & Co., LLP

Pleasanton, California
December 9, 2011

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT CAPITAL OUTLAY – BOND FUND 2001 ELECTION (MEASURE C)

JUNE 30, 2011

AUTHORITY FOR ISSUANCE

The Measure C Bonds are issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the California Education Code, and other applicable provisions of law. The Bonds are authorized to be issued by a resolution adopted by the Board of Trustees of the District on May 8, 2002 (the "Bond Resolution").

The District received authorization at an election held on November 6, 2001, to issue bonds of the District in an aggregate principal amount not to exceed \$207,000,000 to finance specific acquisition, construction and modernization projects approved by the voters. The proposition required approval by at least 55 percent of the votes cast by eligible voters within the District (the 2001 Authorization). The Bonds represent the first and second series of the authorized bonds to be issued under the 2001 Authorization.

PURPOSE OF ISSUANCE

The net proceeds of the Bonds and any other series of general obligation bonds issued under the Authorization will be used for the purposes specified in the District bond proposition submitted at the Election, which include: to upgrade science and computer labs; modernize classrooms and occupational facilities; fix leaking roofs; improve handicapped accessibility; make seismic/safety improvements; finish energy conservation projects; and make other property acquisitions and improvements.

AUTHORITY FOR THE AUDIT

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools and Financial Accountability Act. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by school districts, community college districts, or county offices of education, "for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of rental property for school facilities", upon approval by 55 percent of the electorate. In addition to reducing the approval threshold from two-thirds to 55 percent, Proposition 39 and the enacting legislation (AB 1908 and AB 2659) requires the following accountability measures as codified in Education Code sections 15278-15282:

1. Requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIII A, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other school operating expenses.
2. The district must list the specific school facilities projects to be funded in the ballot measure, and must certify that the governing board has evaluated safety, class size reduction and information technology needs in developing the project list.
3. Requires the district to appoint a citizen's oversight committee.
4. Requires the district to conduct an annual independent financial audit and performance audit in accordance with the Government Auditing Standards issued by the Comptroller General of the United States of the bond proceeds until all of the proceeds have been expended.
5. Requires the district to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
CAPITAL OUTLAY – BOND FUND 2001 ELECTION (MEASURE C)**

JUNE 30, 2011

OBJECTIVES OF THE AUDIT

1. Determine whether expenditures charged to the Capital Outlay – Bond Fund have been made in accordance with the bond project list approved by the voters through the approval of Measure C.
2. Determine whether salary transactions, charged to the Building Fund were in support of Measure C and not for District general administration or operations.

SCOPE OF THE AUDIT

The scope of our performance audit covered the period of July 1, 2010 to June 30, 2011. The population of expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than proceeds of the bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2011 were not reviewed or included within the scope of our audit or in this report.

PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2011 for the Capital Outlay – Bond Fund Measure C. Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution and Measure C as to the approved bond projects list. We performed the following procedures:

1. We selected a sample of expenditures for the period starting July 1, 2010 and ending June 30, 2011, and reviewed supporting documentation to ensure that such funds were properly expended on the specific projects listed in the ballot text.
2. Our sample included transactions totaling \$549,217. This represents 79 percent of the total expenditures of \$699,277.
3. We verified that funds from the Capital Outlay – Bond Fund Measure C were generally expended for authorized bond projects.

CONCLUSION

The results of our tests indicated that, in all significant respects, the San Mateo County Community College District has properly accounted for the expenditures held in the Capital Outlay – Bond Fund 2001 Election (Measure C) and that such expenditures were made for authorized Bond projects.

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
CAPITAL OUTLAY – BOND FUND 2001 ELECTION (MEASURE C)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011**

None reported.

San Mateo County Community College District

January 25, 2012

BOARD REPORT NO. 12-1-104B

TO: Members of the Board of Trustees

FROM: Ron Galatolo, Chancellor

PREPARED BY: Kathy Blackwood, Executive Vice Chancellor, 358-6869

**RECEIPT AND ACCEPTANCE OF THE 2010-11 RETIREMENT FUTURIS PUBLIC
ENTITY INVESTMENT TRUST AUDIT REPORT**

Attached is a copy of the audit of the Retirement Futuris Public Entity Investment Trust for the San Mateo County Community College District, prepared by the Board-approved firm of Vavrinek, Trine, Day & Company. The audit was based upon the fiscal year ending June 30, 2011. A representative of the auditing firm will be present at this meeting to respond to questions about the audit in general and about the firm's findings and recommendations.

RECOMMENDATION

It is recommended that the Board of Trustees receive and accept the 2010-11 audit report for the Retirement Futuris Public Entity Investment Trust.

**SAN MATEO COUNTY COMMUNITY
COLLEGE DISTRICT RETIREMENT
FUTURIS PUBLIC ENTITY INVESTMENT TRUST**

**FINANCIAL STATEMENTS
JUNE 30, 2011 and 2010
WITH
INDEPENDENT AUDITORS' REPORT**

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
RETIREMENT FUTURIS PUBLIC ENTITY INVESTMENT TRUST**

JUNE 30, 2011

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VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

The Retirement Board of Authority of the
San Mateo County Community College District
Retirement Futuris Public Entity Investment Trust
San Mateo, California

We have audited the accompanying statement of net assets of the San Mateo County Community College District Retirement Futuris Public Entity Investment Trust (the Trust), a component unit of the San Mateo County Community College District, (the District) as of June 30, 2011 and 2010, and the related statement of changes in net assets for the year then ended. These financial statements are the responsibility of the Trust'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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the financial statements referred to above present only the Trust and do not purport to, and do not present the financial position of the San Mateo County Community College District as of June 30, 2011, and the changes in its financial position for the year then ended, in conformity with principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the Trust as of June 30, 2011 and 2010, and the changes in trust net assets for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Vavrinek, Trine, Day & Co., LLP

Pleasanton, California
December 9, 2011

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT RETIREMENT FUTURIS PUBLIC ENTITY INVESTMENT TRUST

MANAGEMENT DISCUSSION AND ANALYSIS JUNE 30, 2011

This section provides an overview and analysis of the financial activities of San Mateo County Community College District Retirement Futuris Public Entity Investment Trust (the Trust) for the fiscal year ended June 30, 2011. The Trust was established in October 2009 by the District's Board of Directors and assets held for Other Post Employment Benefits were transferred to an irrevocable trust in November 2009. Additional transfers were made during the 2010-11 fiscal year. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our financial statements.

FINANCIAL HIGHLIGHTS

The net assets of the San Mateo Community College District Retirement Futuris Public Entity Investment Trust (Trust) at the close of fiscal year 2011 are \$16,656,584 (net assets held in trust for retiree medical benefits). All of the net assets are available to meet the Trust's ongoing obligations to participants and beneficiaries.

The Trust's funding objective is to meet long-term benefit obligations through contributions and investment income. The Trust is funded through annual contribution from the District. The Trust was initially funded by the District by transferring \$5,000,000 from the District Retiree Benefits Reserve Fund. Additional transfers totaling \$10,000,000 were transferred during the 2010-11 fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following discussion and analysis are intended to serve as an introduction to the Trust's financial statements, which comprises these components:

1. Statement of Trust Net Assets
2. Statement of Changes in Trust Net Assets
3. Notes to the Basic Financial Statements

The Statement of Trust Net Assets is a snapshot of account balances at year-end. It indicates the assets available for future payments to retirees and any current liabilities that are owed at this time.

The Statement of Changes in Trust Net Assets, on the other hand, provides a view of current year additions to and deductions from the Trust. Both statements are in compliance with Governmental Accounting Standard Board Statement (GASB Pronouncements 34, 43 and 45). These pronouncements require certain disclosures and require the state and local governments to report using the full accrual method of accounting. The Trust complies with all material requirements of these pronouncements.

The Statement of Trust Net Assets and the Statement of Changes in Trust Net Assets report information about the Trust's activities. These statements include all assets and liabilities, using the full accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. All investment gains and losses are shown at trade date. In addition, both realized and unrealized gains and losses are shown pertaining to the investments.

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
RETIREMENT FUTURIS PUBLIC ENTITY INVESTMENT TRUST**

**MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2011**

These two statements report the Trust's net assets held in irrevocable trust account for retirees' medical benefits. Net assets, the difference between assets and liabilities are one way to measure the Trust's financial position. Over time, increase and decrease in net assets is one indicator of whether its financial health is improving or deteriorating. Other factors, such as market conditions, should also be considered in measuring the Trust's overall health.

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report presents certain required supplementary information concerning the Trust's progress in funding its obligations to provide retiree medical benefits to members. Supplementary information is presented on page 14.

FINANCIAL ANALYSIS

As previously noted, net assets may serve over time as a useful indication of the Trust's financial position. The Trust had no liabilities as of June, 30 2011 and 2010.

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
NET ASSETS		
Cash and investments	\$ 16,640,137	\$ 4,900,358
Interest receivable	16,447	-
Liabilities	-	-
Net assets	<u>\$ 16,656,584</u>	<u>\$ 4,900,358</u>

The changes to Trust net assets during the fiscal year ended June 30, 2011 and 2010, are as follows:

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
CHANGES IN NET ASSETS		
Additions	\$ 11,711,126	\$ 5,002,166
Deductions	(44,900)	(11,808)
Beginning balance	4,990,358	-
Net assets	<u>\$ 16,656,584</u>	<u>\$ 4,990,358</u>

CONTACTING THE TRUST'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, investors, and creditors with a general overview of the Trust's finances and to show the Trust's accountability for the money it receives. If you have any questions about this report or need any additional financial information, please contact Kathy Blackwood at blackwoodk@smccd.edu or (650) 358-6869 with the San Mateo County Community College District.

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
RETIREMENT FUTURIS PUBLIC ENTITY INVESTMENT TRUST**

**STATEMENT OF TRUST NET ASSETS
AS OF JUNE 30, 2011 AND 2010**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
ASSETS		
Investments	\$ 16,640,137	\$ 4,990,358
Interest receivable	16,447	-
Total Assets	<u>\$ 16,656,584</u>	<u>\$ 4,990,358</u>
 NET ASSETS		
Net assets held in trust for OPEB	<u>\$ 16,656,584</u>	<u>\$ 4,990,358</u>
Total Net Assets	<u>\$ 16,656,584</u>	<u>\$ 4,990,358</u>

See the accompanying notes to financial statements.

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
RETIREMENT FUTURIS PUBLIC ENTITY INVESTMENT TRUST**

**STATEMENT OF CHANGES IN TRUST NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011 AND 2010**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
ADDITIONS		
Contributions		
Employer	\$ 10,000,000	\$ 5,000,000
Investment income, net of investment expenses	1,711,126	2,166
Total Additions	<u>11,711,126</u>	<u>5,002,166</u>
DEDUCTIONS		
Administrative expenses	44,900	11,808
Total Deductions	<u>44,900</u>	<u>11,808</u>
INCREASE IN NET ASSETS	11,666,226	4,990,358
NET ASSETS, BEGINNING OF YEAR	<u>4,990,358</u>	<u>-</u>
NET ASSETS, END OF YEAR	<u>\$ 16,656,584</u>	<u>\$ 4,990,358</u>

See the accompanying notes to financial statements.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT RETIREMENT FUTURIS PUBLIC ENTITY INVESTMENT TRUST

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

NOTE #1 – DESCRIPTION OF TRUST

The following information of the San Mateo County Community College District Retirement Futuris Public Entity Investment Trust (the Trust), a component unit of the San Mateo County Community College District (the District) provides only general information. Readers should refer to the Trust agreement for a more complete description of the Trust's provisions.

General

The Retirement Futuris Public Entity Investment Trust (the Trust) is a contributory single-employer defined benefit healthcare plan trust administered by the San Mateo County Community College District. The Trust provides medical insurance benefits to eligible retirees and their spouses. Membership consists of 1028 retirees and beneficiaries currently receiving benefits and 820 active plan members. The Trust is a governmental plan that is not subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Contributions

Contributions to the Trust are funded entirely by the employer. The Trust was established and may be amended by the District's bargaining agreements. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined by the District's Board of Trustees. During the year, the District contributed \$7,100,154 to pay for current retirees' medical premiums. Members receiving benefits contributed \$30,000, or approximately .004 percent of the total premiums. Contributions made by retirees between \$1 and \$325 per month. In addition to the current premiums, the District contributed \$10,000,000 to the Trust.

Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Trust and the annual contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of Trust assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT RETIREMENT FUTURIS PUBLIC ENTITY INVESTMENT TRUST

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

In the April 12, 2011, actuarial valuation, the Entry Age Normal Actuarial Cost Method was used. The actuarial assumptions included a 5 percent investment rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a combined equity and fixed income portfolio. Healthcare cost trend rate is assumed at 4 percent per year. The Unfunded Actuarial Accrued Liability (UAAL) is being amortized at a level percentage of payroll method. The remaining amortization period at July 1, 2011, was 30 years. The actuarial value of assets of \$15,643,762 was determined in this actuarial valuation. At July 1, 2011, the Trust held net assets in the amount of \$16,656,584, in investments with Benefit Trust Company.

Investment Options

Benefit Trust Company (BTC), the Asset Custodian, maintains the Trust's investments in various mutual funds, and is the record keeper. BTC contracted with Morgan Stanley Smith Barney as the investment advisor. Funds allocated to the Asset Custodian are invested according to the investment policy statement (IPS) developed and approved by the Retirement Board in a combination of equity and fixed income investments.

Trust Termination

The San Mateo County Community College District and the Trust will adhere to all applicable laws, guidelines and accounting procedures as the Trust Administrator should be doing under current laws and regulations now understood by the District. In absence of procedures the District will follow all prudent processes that would be considered the best to protect all parties' interest in the Trust assets. In the event that all OPEB liabilities have been fulfilled and the liability is determined to be zero, any remaining Trust assets will be returned to the District.

NOTE #2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying basic financial statements are presented on the accrual basis of accounting. Contributions are recognized as revenue in the period in which employee services are performed, pursuant to formal commitments as well as statutory or contractual commitments. Benefits and refunds of contributions are recognized when due and payable under the provisions of the Trust.

Investment Valuation

Investments are reported at fair market value. Securities traded on a national or international exchange are valued at the last reported sales price on the last business day of the fiscal year at current exchange rates. The fair market value of the investment in mutual funds was \$16,656,584 at June 30, 2011, was valued by the respective mutual fund management firms. Purchases and sales of securities are reflected on the trade date. Investment income is recognized as earned.

Net Appreciation (Depreciation) on Investments

Net appreciation (depreciation) on investments is comprised of unrealized and realized gains and losses. Unrealized appreciation (depreciation) adjusts investment carrying amounts to reflect current market values, based on quoted prices in an active market.

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
RETIREMENT FUTURIS PUBLIC ENTITY INVESTMENT TRUST**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

Cash and Cash Equivalents

The Trust's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of one year or less from the date of acquisition.

Administrative Expenses

Certain internal costs of administering the Trust are paid by the Trust. Administrative expenses for the year ended June 30, 2011, were \$44,900.

Benefits

Benefits are recognized when paid.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires the Trust administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

NOTE #3 – TAX STATUS

The Trust had decided to not pursue an IRS Private Letter Ruling (PLR) for the Trust. Section 115 of the Internal Revenue Code (the IRC) exempts governmental entities from federal taxation on any income derived from an “essential governmental function”. The Trust was established to hold District assets for the purpose of providing irrevocable funding of retiree health and other post-employment benefits to eligible employees and their dependents, and therefore met the definition of “essential governmental function” and is exempt from tax on its income under Section 115 of the Code, and that both the contribution to the Trust and the retiree medical benefits paid there from will not be taxable to retirees or their eligible dependents.

NOTE #4 – INVESTMENTS

The Trust has adopted an internally developed investment policy that is governed by the standards established in the California Constitution. In addition, the Trust has written investment policies regarding the type of investments that may be made specifically for the Trust and the amount, which may be invested in any one financial institution or amounts that may be invested in long-term instruments. Management believes the Trust has complied with the provisions of statutes pertaining to the types of investments held, institutions in which deposits were made, and security requirements.

The fair values of the Trust’s individual investments at June 30, 2011 and 2010, are as follows:

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Common Stocks	\$ 7,767,451	\$ 2,221,778
Fixed Income	8,872,686	2,768,580
Total investments	<u>\$ 16,640,137</u>	<u>\$ 4,990,358</u>

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
RETIREMENT FUTURIS PUBLIC ENTITY INVESTMENT TRUST**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

During the fiscal years ended June 30, 2011 and 2010, the Trust's investments (including gains and losses on investments bought and sold as well as held during the year) appreciated as follows:

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Interest income	\$ 127,566	\$ 4,418
Dividend income	366,428	116,162
Realized gains (loss)	236,702	(335)
Unrealized gains	980,430	(118,079)
Total investment income	<u>\$ 1,711,126</u>	<u>\$ 2,166</u>

NOTE #5 – ANNUAL OPEB COST AND NET OPEB OBLIGATION/(PREPAID)

The District's Annual Required Contribution (ARC) to the Trust is an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represent a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Annual required contribution (ARC)	\$ 7,702,017
Annual OPEB cost (expense) - District paid premiums	(7,100,154)
Contributions made	<u>(10,000,000)</u>
Increase in net OPEB assets	(9,398,137)
Net OPEB prepaid, beginning of year	<u>(116,518)</u>
Net OPEB prepaid, end of year	<u>\$ (9,514,655)</u>

Trend Information

The trend information for annual OPEB costs, the percentage of annual OPEB cost contributed to the Trust, and the net OPEB prepayment are follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation/(Assets)</u>
2011	\$ 7,702,017	\$17,100,154	222%	\$ (9,514,655)
2010	7,383,929	11,167,718	151%	(116,518)

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
RETIREMENT FUTURIS PUBLIC ENTITY INVESTMENT TRUST**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

Funding Status and Funding Progress

The funded status of the OPEB Trust as of June 30, 2011, is as follows:

Actuarial Accrued Liability (AAL)	\$ 118,923,929
Actuarial Value of Plan Assets	<u>(15,643,762)</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 103,280,167</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	13%
Covered Payroll	<u>\$ 87,492,518</u>
UAAL as Percentage of Covered Payroll	<u>118%</u>

The above noted actuarial accrued liability was based on the April 12, 2011, actuarial valuation. Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Trust and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

BOARD REPORT NO. 12-1-105B

TO: Members of the Board of Trustees
 FROM: Ron Galatolo, Chancellor
 PREPARED BY: Kathy Blackwood, Executive Vice Chancellor, 358-6790

APPROVAL OF NONRESIDENT TUITION FEE, 2012-13

Education Code Section 76140 requires community college districts to establish the nonresident tuition fee for the forthcoming fiscal year no later than February 1 and also prescribes the basis for determining the fee. San Mateo County Community College District's fee for the 2011-12 fiscal year was \$203 per semester unit (Board Report No. 11-1-105B). For 2012-13, the Administration recommends that the fee remain at the 2011-2012 rate of \$203, based on the "contiguous district" method prescribed by the Education Code.

Additionally, Education Code Section 76141(a) allows a district to levy a capital outlay recovery fee on students who are residents as well as citizens of a foreign country. The maximum fee is determined by dividing the amount actually expended for capital outlay in the prior year by the total FTES (full-time equivalent students). The maximum 2012-13 District capital outlay fee is calculated at \$110 per semester unit. District Administration recommends the fee for 2012-13 remain at the 2011-12 rate of \$9.00.

For comparison purposes, the tentative 2012-13 rates for other local community college districts are shown below:

<u>District</u>	<u>Non Resident FTES</u>	<u>Per State Formula</u>	<u>Proposed Fee Per Unit</u>		<u>Recommended</u>
			<u>Base Fee</u>	<u>Capital Outlay Fee</u>	
Contra Costa CCD	2,106	164	213	13	226
Foothill DeAnza CCD	3,958	185	185	22	207
Ohlone CCD	523	181	203	15	218
San Francisco CCD	1,984	186	186	45	231
San Jose/Evergreen CCD	241	179	199	19	218
West Valley/Mission CCD	567	185	190	0	190
San Mateo	443	178	203	9	212
State Average		190			
Comparable 12 state average		331			

RECOMMENDATION

It is recommended that the Board set the 2012-13 nonresident student tuition fee at \$203 per semester unit. It is recommended further that the Board continue to levy a capital outlay recovery fee of \$9 per semester unit and that no exemptions be made for foreign students enrolled in six units or less, bringing the total nonresident fee to \$212 per semester unit for 2012-13.

BOARD REPORT NO. 12-1-106B

TO: Members of the Board of Trustees

FROM: Ron Galatolo, Chancellor-Superintendent

PREPARED BY: Michael Williamson, Interim Vice President of Instruction, Skyline College, 738-4321

**ACCEPTANCE OF CALIFORNIA COMMUNITY COLLEGES CHANCELLOR'S
OFFICE CAREER ADVANCEMENT ACADEMY GRANT**

The California Community Colleges Chancellor's Office has awarded the San Mateo County Community College District, through Skyline College, a Career Technical Education – Career Advancement Academy grant of \$460,000 for the period February 1, 2012 to February 28, 2014. This is a renewal of the Career Advancement Academy grant received for 2010-11. Skyline College, College of San Mateo and Cañada College will join a number of other colleges statewide participating in Career Advancement Academies (CAA) in a growing number of employment sectors. The CAA initiative is supported by the California Career Ladders Project. This funding will continue to support the San Mateo County Allied Health Career Advancement Academy.

Key features of the project will be to:

- Create a coordinated healthcare training pathway in San Mateo which provides access to underserved populations with multiple entry and exit points.
- Create a “bridge” semester of contextualized basic skills in allied health integrated with participant support services including the Workforce Investment System.
- Support participant transition to an allied health certificate and/or degree program.
- Connect participants directly with employers and work based learning.
- Create clear pathways for career advancement in allied health.

RECOMMENDATION

It is recommended that the Board of Trustees accept this Career Advancement Academy grant for the period February 1, 2012- February 28, 2014 in the amount of \$460,000 as awarded by the Chancellor's Office, California Community Colleges.

BOARD REPORT NO. 12-1-107B

TO: Members of the Board of Trustees
FROM: Ron Galatolo, Chancellor
PREPARED BY: Barbara Christensen, Director of Community/Government Relations, 574-6510

APPOINTMENT OF MEMBER TO MEASURE G CITIZENS OVERSIGHT COMMITTEE

In September 2010, the Board approved the establishment a Measure G Citizens Oversight Committee. The committee is responsible for assuring that Measure G funds are expended for the purposes stated in Measure G, including:

“preserve job training programs in nursing, healthcare, computers, green technology, police and firefighting; maintain academic subjects including science, English and mathematics; keep libraries open and maintain library services; prepare students to transfer to four year colleges and universities; maintain academic counseling programs and other student services; attract and retain instructors; modernize classroom technology and computer labs; provide equipment and technology for science labs; and offer classes and labs necessary to meet student demand. None of the funds will be used for administrator salaries or benefits.”

Due to the resignation of Committee member Jim Hartnett, who was recommended by a local Chamber of Commerce, it is necessary to appoint a replacement. Staff recommends the appointment of Corey Geiger, Executive Director of The EDGE, an affiliate under the San Mateo Area Chamber of Commerce. Mr. Geiger began his career as an electrical engineer and later moved into commercial and operations leadership, culminating in several corporate senior executive-level roles in telecommunications infrastructure companies. Mr. Geiger has lived in San Mateo County for seven years and in the Bay Area for more than 14 years.

RECOMMENDATION

It is recommended that the Board approve the appointment of Corey Geiger to the Measure G Citizens Oversight Committee.

BOARD REPORT NO. 12-1-108B

TO: Members of the Board of Trustees
FROM: Ron Galatolo, Chancellor
PREPARED BY: Barbara Christensen, Director of Community/Government Relations, 574-6560

BOARD MEMBER COMPENSATION

SB 214, which was adopted by the Legislature and signed by the Governor in October 2001, allows the Board to adopt a 5% increase in compensation on an annual basis. Any increase that is approved by the Board is effective as of the date approved by the Board and may not be retroactive.

In January of 2009, 2010 and 2011, the Board discussed implementation of the 5% annual compensation increase and unanimously agreed to bypass an increase because of the economic climate.

RECOMMENDATION

Board determined.