

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
BOARD OF TRUSTEES MEETING AGENDA**

January 28, 2009

**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 need to 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 taped; tapes are kept for one month.*

** Government Code §54957.5 states that public records which relate 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 all members, or a majority of 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 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

In order to accommodate Auditor Heidi White of Vavrinek, Trine, Day & Co, LLP, it is requested that the following items be placed first on the agenda: 09-1-100B, Receipt and Acceptance of the 2007-08 District Audit Report; 09-1-101B, Receipt and Acceptance of the 2007-08 KCSM Audit Report; and 09-1-102B, Receipt and Acceptance of the 2007-08 General Obligation Bond Financial and Performance Audits.

MINUTES

09-1-2 Minutes of the Study Session of the Board of January 15, 2009

PRESENTATIONS TO THE BOARD BY PERSONS OR DELEGATIONS

STATEMENTS FROM EXECUTIVES AND STUDENT REPRESENTATIVES

STATEMENTS FROM THE PUBLIC ON NON-AGENDA ITEMS

NEW BUSINESS

09-1-2A [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.

- 09-1-1CA [Approval of 2009-10 Budget and Planning Calendar](#)
- 09-1-2CA [Renewal of Service Agreement with Descalso Lithograph, Inc. for Printing Services, 2009 – KCSM](#)

Other Recommendations

- 09-1-2B [Nominations for Membership on the Community College League of California Board](#)
- 09-1-3B [Addition of International Logistics Degree and Certificate Program – Skyline College](#)
- 09-1-100B [Receipt and Acceptance of the 2007-08 District Audit Report](#)
- 09-1-101B [Receipt and Acceptance of the 2007-08 KCSM Audit Report](#)
- 09-1-102B [Receipt and Acceptance of the 2007-08 General Obligation Bond Financial and Performance Audits](#)
- 09-1-103B [Approval of Nonresident Tuition Fee, 2009-10](#)
- 09-1-104B [Approval of Purchase of On-Air Video Server Upgrade](#)
- 09-1-105B [Approval of Design-Build Contract Award for College of San Mateo Buildings 12/15/17/34 Modernization Project](#)
- 09-1-106B [Contract Award for Districtwide Hazardous Materials Abatement Unit Price Contract](#)
- 09-1-107B [Amendment of District Rules and Regulations Section 8.14, Measure C Bond Oversight Committee and Accountability Measures](#)

INFORMATON REPORTS

- 09-1-4C [Discussion Regarding Board Member Compensation](#)
- 09-1-5C [Information Report on GASB 43 & 45](#)
- 09-1-6C [Report on the San Mateo County Community Colleges Foundation](#)

STATEMENTS FROM BOARD MEMBERS

COMMUNICATIONS

RECESS TO CLOSED SESSION

1. Closed Session Personnel Items
 - A. Public Employment
 1. Employment: None
 - B. Public Employee Discipline, Dismissal, Release

CLOSED SESSION ACTIONS TAKEN

ADJOURNMENT

**Minutes of the Study Session of the Board of Trustees
San Mateo County Community College District
January 15, 2009
Half Moon Bay, CA**

The meeting was called to order at 7:05 p.m.

Board Members Present: President Karen Schwarz, Vice President-Clerk Patricia Miljanich, Trustees Helen Hausman, Richard Holober and Dave Mandelkern, and Student Trustee Virginia Medrano Rosales

Others Present: Chancellor Ron Galatolo, Executive Vice Chancellor Jim Keller, Skyline College President Victoria Morrow, College of San Mateo President Michael Claire, Cañada College President Tom Mohr, and District Academic Senate President Patty Dilko

Pledge of Allegiance

DISCUSSION OF THE ORDER OF THE AGENDA

None

MINUTES

It was moved by Trustee Holober and seconded by Vice President Miljanich to approve the minutes of the meeting of December 10, 2008. The motion carried, all members voting "Aye."

STATEMENTS FROM THE PUBLIC ON NON-AGENDA ITEMS

None

NEW BUSINESS

APPROVAL OF PERSONNEL ACTIONS: CHANGES IN ASSIGNMENT, COMPENSATION, PLACEMENT, LEAVES, STAFF ALLOCATIONS AND CLASSIFICATION OF ACADEMIC AND CLASSIFIED PERSONNEL (09-1-1A)

It was moved by Trustee Holober and seconded by Vice President Miljanich to approve the actions in Board Report No. 09-1-1A. President Schwarz said she was informed of a typographical error in item C, Short-Term, Non-Continuing Positions: CSM Operations/Theatre; the number of positions should be 4 instead of 1. The motion to approve the personnel actions as amended carried, all members voting "Aye."

Other Recommendations

APPROVAL OF PROPOSED INSCRIPTIONS FOR SKYLINE COLLEGE BUILDING 4N: MULTICULTURAL CENTER, COSMETOLOGY, ADMINISTRATION AND CLASSROOM BUILDING (09-1-1B)

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

APPROVAL FOR DISTRICT TO ADVANCE CAL GRANT AWARDS TO STUDENTS (09-1-100B)

It was moved by Trustee Hausman and seconded by Trustee Holober to approve the advance of awards as described in the report. Noting that the report states the money can be advanced for 1-2 months without adverse consequences, Trustee Mandelkern asked what the consequences would be if the State takes longer to disburse the funds. Chancellor Galatolo said it would be the opportunity cost in terms of loss of interest. Chancellor Galatolo added that the State is expected to disburse the funds, so there is minimal risk of the District losing the funds. After this discussion, the motion carried, all members voting "Aye."

INFORMATION REPORTS

REPORT ON PREQUALIFIED CONTRACTORS FOR THE CAÑADA VISTA HOUSING PROJECT (09-1-1C)

Barbara Christensen said the period of time for contractors to submit prequalification questionnaires was held open until Monday, January 12. Staff recommends that the project go out to bid tomorrow. It will take three to six weeks to receive and evaluate the bid proposals and, after that time, Ms. Christensen will bring to the Board the top two or three proposals, based on best value as allowed in the design-build method, for final approval. Trustee Mandelkern asked that the Board be informed if any contractors who submitted questionnaires answered “no” to providing health and welfare or retirement benefits. Ms. Christensen said all contractors who submitted questionnaires answered “yes” to these items. Trustee Holober asked if this might be a “shovel ready” project as described by the incoming Obama administration and, therefore, potentially eligible to be included in a stimulus package. Chancellor Galatolo said this and other District projects could be brought forward. Ms. Christensen said she believes the “shovel ready” projects will be major infrastructure projects such as roads and bridges rather than housing.

DISCUSSION OF AGENDA FOR ANNUAL BOARD RETREAT ON FEBRUARY 7, 2009 (09-1-2C)

Trustee Holober suggested that accreditation status and discussion of the budget be on the agenda. President Schwarz agreed, adding that the budget and discussion of priorities are normally reviewed at the retreat. Trustee Mandelkern suggested that scenario planning be part of the budget discussion. Trustee Miljanich suggested that the Board goals be reviewed. Chancellor Galatolo proposed the following agenda, which incorporates all of the Board’s suggestions.

1. Board Goals – 1.5 hours
Review 2008 goals and what has been accomplished; set 2009 goals
Accreditation is part of the goals and would be discussed during this session
2. Capital Improvement Program – 1.5 hours
 - construction update - discuss what has been done, future plans, and what cannot be done because of the budget and the Lehman Brothers loss
 - equipment replacement
 - budget shortfall – funding options
3. 2008-09 Budget Update and 2009-10 Budget Assumptions – 1.5 hours
4. Presidents’ Presentations – 1.5 hours
Discussion of issues relevant to each College – program, operations and staffing changes, including early retirement and voluntary separation incentives

STUDY SESSION

Update on KCSM (09-1-3C)

KCSM General Manager Marilyn Lawrence began by presenting general information on KCSM-FM and KCSM-TV. KCSM-FM is the third largest jazz radio station in the United States and reaches approximately 200,000 listeners per week. It is carried on Comcast Cable in some communities as an audio station. There are 4,500 independent internet radio connections per day. Trustee Mandelkern asked how this number compares with other stations. Ms. Lawrence said KCSM-FM ranks between 28th and 35th in the nation in connections to internet radio for non-commercial stations. The station runs approximately \$35,000 worth of SMCCD promotions annually.

KCSM-TV is the 35th largest PBS station in the country, with about one million viewers per week. It is carried on Comcast Cable, Dish Network and DirecTV. The digital television transition ends in February; however,

the Obama administration has asked to have the transition completion delayed. Trustee Mandelkern asked for a breakdown of over the air vs. cable and satellite viewership. Ms. Lawrence said in the Bay Area, cable accounts for approximately 86% of the market, the satellite groups for approximately 7% and over the air for approximately 5-6%. The specific numbers for KCSM-TV are not known, but Ms. Lawrence estimates the over-the-air viewership to be about 12%. College of San Mateo media students prepare many programs in the KCSM-TV studios. The net revenue from telecourses is \$745,000. SMCCCD promotion on the station is worth approximately \$75,000 annually.

There are four public television licensee organizations in the Bay Area (shown below in order of audience size):

1. Northern California Public Broadcasting – KQED in San Francisco, KTEH in San Jose and KQET in Salinas/Monterey
2. KCSM-TV
3. KRCB in the North Bay
4. KMPT, a minority public station in San Francisco

KQED airs the national program service from PBS and has exclusive carriage rights in the Bay Area. Northern California Public Broadcasting's second and third stations carry other streams and/or repeats of programs. KRCB purchases 30% of the PBS national program service. KMPT does not air PBS programs and is primarily a cultural channel. KCSM-TV has been known for airing telecourses and PBS programming. KCSM's second station is WorldView and its third station is Jazz TV.

Ms. Lawrence described current financial support for KCSM. A DDF grant for \$250,000 has been approved and will be used to change some equipment to high definition. A CPB digital radio grant for \$30,000 has also been approved to upgrade equipment in order to have a second radio channel. A \$280,000 DDF grant for the final Sutro Tower payment is pending. There has been an emphasis for the last three years on planned giving; there were four gifts last year totaling \$77,000 and there are five gifts so far this year totaling \$156,000. Last year, there were 94 gifts from major donors and there are 55 so far this year. Pledges are currently at 92% of last year.

Ms. Lawrence outlined two options for KCSM:

1. Retain KCSM licenses
 - A. Continue District funding at current level – business as usual
 - B. Reduce District funding
 - Create efficiencies in the workforce
 - Change TV program focus
 - Lease TV bandwidth to non-commercial interest
2. Sell/transfer KCSM licenses
 - A. Transfer both radio and TV licenses
 - B. Transfer TV license only

If the KCSM-FM license is retained with reduced District funding, the following are possible ways create efficiencies, reducing costs or increasing revenue streams:

- automate RDS, playlist and other current manual functions to reduce part-time staff hours
- modify the facility to add student lab support and recording studio
- add a high definition channel if funded through a CPB grant
- expand the Jazz Ambassadors program to increase the internet audience
- increase fundraising opportunities through e-commerce

Trustee Holober asked for further explanation on the student lab support. Ms. Lawrence said the media group recently went through a program improvement viability process and that there is a need to revamp programs to make them more relevant to real life. One way this could be accomplished is through a weekly news

television show that would have broadcasting and journalism students working together and through an internet radio station for the students to run. Currently there is no physical space for this station.

Trustee Mandelkern asked if there are opportunities for advertising revenues in the internet stream. Ms. Lawrence said there could be, but not until automation is added; when doing a live broadcast, there is not a way to know when an ad is coming up.

Trustee Holober asked if there are other underwriting opportunities. Ms. Lawrence said the underwriting slots are currently about 75% full.

Ms. Lawrence said there are more options for television. If the KCSM-TV license is retained with reduced District funding, the following are ways to reduce costs:

- Finish the infrastructure; this must be done in order to realize the other measures; a request will come to the Board at the next meeting to approve purchase of an on-air video server
- Move from 25% to 20% of PBS programming
- Set new programming strategy; need to find niche; 40 to 50 age group currently not being addressed; programs could focus on issues such as financial literacy, caring for aging parents, civic literacy, health and wellness
- Set new production strategy; package and sell local productions
- Pledge local productions, e.g., a workbook in conjunction with financial literacy series could be a membership gift
- Evaluate minimum staff required; redefine job descriptions
- Lease TV bandwidth to outside non-commercial interests

Trustee Mandelkern asked if there could be opportunities to team with other academic institutions that have broadcasting programs but not their own television stations. Ms. Lawrence said she has had conversations with San Francisco State but not with others as she was waiting to receive direction from the Board at this meeting.

Trustee Hausman asked for examples of local productions that would have appeal. Ms. Lawrence said programs on health and wellness issues such as back problems and child rearing might have a relatively small audience for a television station but could also be sold to other stations or organizations to produce revenue.

Trustee Holober asked if the station's identity could become muddled through development of programs in many different areas. Ms. Lawrence said it would be important to stay with theme nights and work must be done to determine the themes and how to promote them.

In discussion of leasing TV bandwidth, the following issues should be considered:

- The District must retain the license, continue to house the facility, and supply the infrastructure
- All broadcast spectrum must be non-commercial
- KCSM cable carriage may be reduced to guarantee cable carriage for partner
- There will be no satellite carriage for partner because the market is too small
- All programs must meet FCC non-commercial rules
- There might be community outcry about partnerships depending on who the partner is
- Additional fees will be owed to the FCC in accordance with the Ancillary and Supplementary Act

Noting that the FCC non-commercial rules apply to over air broadcasts, Trustee Mandelkern asked if the same rules would apply if there was a lease for cable carriage or satellite carriage. Ms. Lawrence said that if someone wants cable carriage only, not attached to the KCSM broadcast channel, an agreement would be made directly with cable.

In order to clarify the leasing potential, Chancellor Galatolo asked Ms. Lawrence to explain how many megabits are available and how many are needed for high definition and standard definition. Ms. Lawrence said there are 20 megabits per second that go out of the KCSM transmitter. High definition requires a minimum of 10 megabits and standard definition can be done at 2.5 megabits. Jazz TV takes less than one megabit. Chancellor Galatolo said KCSM potentially could control one high definition bandwidth and lease out three standard bandwidths; Ms. Lawrence agreed.

Ms. Lawrence next addressed possible KCSM-TV partnerships:

- Universities – Stanford, Cal, Santa Clara, USF, etc. Ms. Lawrence said this is the easiest group because they already have substantial amounts of information they send out at their own institutions and which they might want to broadcast further. Trustee Holober asked if they would have their own identity and Ms. Lawrence said they would; for instance, there could be a Stanford channel. Trustee Holober asked if some programming, such as a program on health issues produced by Stanford, could be in competition with KCSM programs. Ms. Lawrence said it might. KCSM could limit them contractually to Stanford business only or it could be completely unlimited, in which case the revenue received would be greater. Trustee Mandelkern asked about the potential to partner with Stanford or others on programs on health care, finance, etc. Ms. Lawrence said this could be done; for example, KCSM could have a health and wellness channel with different institutions such as Stanford, Catholic Healthcare West and Kaiser each underwriting programs.
- Non-profit groups such as health care institutions, foundations, special interest groups and churches
- Local governments

Additional partner or leasing agreements that others have implemented include public square stations over which small counties and cities air council meetings, non-profit group programs, etc.; emergency communications channels; and programming for people aged 50+.

If a license is transferred, certain rules must be followed:

- Non-commercial educational stations must include educational, instructional and cultural programming serving the needs of the community
- The majority of bandwidth must be used for non-profit and non-commercial programming
- Prior consent of the FCC must be obtained
- If the transfer is to a foundation or outside group, that entity must have bylaws and articles of incorporation allowing a broadcasting entity, and must have a governing board that represents a broad cross-section of the community
- Assets must be sold for cash and must be sold to the highest bidder
- NTIA, PTPF and DDF grants require 10 year ownership of equipment purchased with these grants; KCSM has purchased equipment with these funds in recent years and, therefore, some grant money may have to be returned
- If the license is sold to an entity which is not a non-profit, non-commercial organization, the CPB could require refunds of community service grants

Additional transfer considerations include union contracts and pension plans, outstanding third party contracts, assigning of program rights, transmitter site issues and no post-transfer rights of reversal. A 30-day public notice is required and if there is any protest or petition to deny the license transfer, the FCC considers the case and it is subject to judicial appeal.

Ms. Lawrence said that when an educational station is considering a license transfer, it will often look to the community to create a foundation to fund the station. Given the current economic situation and the size of Northern California Public Broadcasting, Ms. Lawrence does not believe the local market can support that model for KCSM-TV, which leaves churches, established foundations and school districts, colleges and

universities as the possible acquisition interests. KCSM-FM transfer considerations are different because it has a small niche market and it is possible that a jazz organization, church, music-related group or a school district could be interested.

Ms. Lawrence reported on what happened when the Coast Community College District put KOCE (TV) up for sale. They received two competitive bids, one from the KOCE Foundation for \$32 million and the other from Daystar Broadcasting, a religious broadcaster, for \$25 million. The KOCE Foundation bid was accepted, being considered the highest bidder as required by law. However, the Foundation's bid included only \$8 million in cash, with \$5 million in trade and \$19 million in note, while Daystar's was an all cash offer. Daystar sued the District, Trustees, Chancellor and General Manager for religious persecution and for not following state laws. The District paid \$2 million and the station \$1.8 million in legal fees. The case went to the State Supreme Court which ruled that the State law requiring a station to be sold for cash was not followed. The question then was whether to award the sale to Daystar or open up the bidding again. The Court did not rule on this but asked that the parties go to arbitration. The final settlement, reached during arbitration, allowed the Foundation to own the license and gave Daystar a free channel on KOCE. Vice President Miljanich asked if the reason for the District wanting to sell KOCE was because of the continuing obligation to financially support the station. Ms. Lawrence said it was for that reason and also because there was strife among faculty regarding telecourses. Trustee Holober asked who created the KOCE Foundation and what the purpose of the Foundation was. Ms. Lawrence said the Foundation was formed as a fundraising organization for the station and that many public television stations have such fundraising foundations.

Trustee Holober asked if KCSM-FM and KCSM-TV are using the broadcasting facilities effectively for career training. President Claire said that during the recent program improvement and viability process, the committee looked at all media programs and how to position them to be more relevant to community and industry needs. Ms. Lawrence said the committee spent almost a year investigating the job market and the educational opportunities available with current programs. They did research with Cañada College and Skyline College as well to determine what they offer. They went to four-year institutions to determine how to better prepare students to transfer to these institutions. They also interviewed people in industry to find out what jobs are available and what training and skills are needed for those jobs. They then developed a comprehensive program with emphases: media in the law, writing for media, media in society and design and aesthetics. Courses are now articulated with San José State, San Francisco State and Cal State-East Bay.

Vice President Miljanich said she is impressed with some options described tonight and asked why they were not put forward earlier. Ms. Lawrence said there was a lack of resources in terms of both equipment and people. With digital television, there is an opportunity now gain more efficiencies.

Trustee Mandelkern suggested the option of producing revenue by getting public and private four-year institutions to use KCSM-TV as a lab for their students to work on broadcasting projects. Ms. Lawrence said she has had conversations with Notre Dame de Namur University but not with others. President Claire agreed KCSM has a superior facility and could look into renting it out for other students to have real life broadcasting opportunities.

Trustee Hausman said that many innovative ideas have been presented but until there is some idea of cost associated with the options, it is difficult to choose between them.

Ms. Lawrence said she would like direction from the Board on their interest in transferring vs. retaining the KCSM-TV license. If the license is sold, it must be sold to the highest bidder. If leasing or partnering, Ms. Lawrence would like direction on whom to approach to see if there is interest. Trustee Mandelkern asked if the Board should give ideas tonight or discuss the options at another time and provide feedback later. Trustee Holober said there could be some discussion tonight. He said his preference would be to retain the license if a way can be found within a short time period (months) to break even or better. He said the Board has been supportive in the past, but with the State budget problems and the possibility of cutting academic programs, it

is difficult to keep supporting the television station. Trustee Holober said it is important to find a niche and asked if there is fresh material that could be purchased and that could provide an identity. Ms. Lawrence said there is a lot of material available and discussions are ongoing about the subject matter and quality of materials. Vice President Miljanich said there might be interest in educating the community about children's issues. Trustee Hausman asked how assessment is made regarding how marketable programs would be. Ms. Lawrence said there is information available from other station about which programs are liked, and local audiences also are vocal about what they like to see.

President Schwarz noted that KCSM is known as the educational channel and should continue to provide educational programming that cannot be found anywhere else. She said if students produce the material, it could generate even more interest. She said her goal is to retain the television station, but it must be more fiscally solvent. President Schwarz said she also wants to examine the financial status of KCSM-FM more closely.

Trustee Mandelkern said the television license is a tremendous asset for the District and he would be reluctant to transfer it. He said a strategic plan is needed to develop a way to break even or better. Included in that strategic plan would be how to use the station as an educational resource for our own students and others, and finding a market niche that is responsive to community needs. He said he is ready to forego PBS programming altogether because trying to be the third source for PBS in the Bay Area is condemning the station to a losing position. The niche could be becoming the College Station for the Bay Area, with the main channel focusing on educational topics featuring local experts. The remaining megabits could be subdivided into two or three other channels which might be Stanford, Cal or others. Other options might be focused on health care or local governments.

Trustee Holober asked how large the underwriting potential is. Ms. Lawrence said with a change in programming strategy, money from the Foundation to make some programs, and underwriting for programs, she believes the television station can come very close to breaking even. The changes would be significant and would include changing to automation and retraining some personnel.

Trustee Mandelkern asked if the Board has given enough guidance to begin putting together a strategic plan. Ms. Lawrence said she has heard the Board say they would like the District to retain the license, find additional revenue, eliminate the ongoing expense for the television station, and keep an educational and local focus. Trustee Mandelkern added that the Board would like KCSM-TV to have a cohesive identity that is unique and which leverages local (Bay Area) assets. Ms. Lawrence said she still needs direction on whether to approach controversial groups regarding a lease or partnership. In a partnership, it is recognizable that KCSM is the licensee. President Schwarz said that because the local area is very diverse, any partnership should reflect that diversity. Trustees Holober and Mandelkern agreed and said that a religion based entity would not be preferable. Chancellor Galatolo said no option should be ruled out and the Board can make a better decision with the broadest information and costs brought to them. Trustee Mandelkern noted that the Board is not necessarily interested in the highest bidder but in getting the stations to break even or better.

Ms. Lawrence will conduct research as directed and bring information back to the Board. Chancellor Galatolo said the presentation will probably not be ready for the Board retreat and could be presented at a later study session. Vice President Miljanich noted that Ms. Lawrence will need help to conduct the research; Ms. Lawrence said she will confer with Chancellor Galatolo about securing additional help and resources. President Mandelkern asked for an update on the indecency case. Ms. Lawrence said that on March 11, 2009, the statute of limitations runs out. After that time, it is expected that KCSM will get its license back with nothing against it because no right or wrong will have been found.

Regarding the possible digital television transmission delay, Ms. Lawrence said that the group of stations has already paid subcontractors to remove antennas and do other work. If the delay occurs, the money that has already been paid could be lost. KCSM could choose to convert on the original date of February 18 but others

in the group may not do the same. Ms. Lawrence has asked Representative Anna Eshoo and Senator Barbara Boxer to oppose the delay.

President Schwarz thanked Ms. Lawrence and staff for a very thorough presentation.

RECESS TO CLOSED SESSION

President Schwarz said that during Closed Session, the Board will consider the personnel items listed as 1-A and 1-B on the printed agenda.

President Schwarz announced a request to adjourn tonight's meeting in memory of Professor Ashok Malik, an instructor of biology at College of San Mateo, who passed away on December 24. There was unanimous agreement by the Board to do so.

The Board recessed to closed session at 9:20 p.m.

The Board reconvened to Open Session at 10:05 p.m.

CLOSED SESSIONS ACTIONS TAKEN

President Schwarz reported that, at the Closed Session just concluded, the Board considered the personnel items listed on the printed agenda and voted 5-0 to approve the actions in Board Report No. 1-A and 1-B.

ADJOURNMENT

It was moved by Trustee Mandelkern and seconded by Trustee Hausman to adjourn the meeting. The motion carried, all members voting "Aye." The meeting was adjourned at 10:07 p.m. in memory of Professor Ashok Malik.

Submitted by

Ron Galatolo
Secretary

Approved and entered into the proceedings of the January 28, 2009 meeting.

Patricia Miljanich
Vice President-Clerk

BOARD REPORT 09-1-2A

TO: Members of the Board of Trustees

FROM: Ron Galatolo, Chancellor-Superintendent

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. CHANGES IN STAFF ALLOCATION

Districtwide

1. Recommend approval of a change in staff allocation to re-title the position of College Safety Assistant to Public Safety Assistant at Grade 20 of the Classified Salary Schedule (60), effective February 1, 2009. The title will more accurately reflect the duties of the position.

It is also recommended that the incumbent, Gary Klippert (4CT005), be placed in the new position, effective February 1, 2009.

2. Recommend approval of a change in staff allocation to re-title the position of College Security Officer to Public Safety Officer at Grade 27 of the Classified Salary Schedule (60). The title will more accurately reflect the duties of the position.

It is also recommended that the incumbents, Thomasito Reyes (2C0030), Steven Cornejo (2C0031), Steve King (2C0102), Sundarath Tan (2C0017), Eleftherios Karkazis (2C0137), Peter Mirosnkoff (3C0017), Gary Hoss (3C0020), William Pedrini (3C0098), Dennis Doran (3C010), Jerry Cohn (3C0163), Ulysses Guadamuz (4C0042), Linda Davy (4C0043), Bernard Calloway (4C0063), Johnny Collins (4C0277), John Jones (4C0312), and Brian Tupper (4C0320), be placed in the new position, effective February 1, 2009.

3. Recommend approval of a change in staff allocation to re-title the position of Lead Security Officer to Public Safety Sergeant at Grade 31 of the Classified Salary Schedule (60). The title will more accurately reflect the duties of the position.

It is also recommended that the incumbents, Jon Hollway (2C0191) and Patrick Davy (4C0315), be placed in the new position, effective February 1, 2009.

4. Recommend approval of a change in staff allocation to re-title the position of Supervisor of College Security to Chief Public Safety Officer at Grade 195S of the Classified Professional/Supervisory Salary Schedule (60). The title will more accurately reflect the duties of the position.

It is also recommended that the incumbents, Michael Celeste (2C0097) and John Wells (4C0164) be placed in the new position, effective February 1, 2009.

BOARD REPORT NO. 09-1-1CA

TO: Members of the Board of Trustees
FROM: Ron Galatolo, Chancellor-Superintendent
PREPARED BY: James W. Keller, Executive Vice Chancellor, 358-6790

APPROVAL OF 2009-10 BUDGET AND PLANNING CALENDAR

The budget development process for 2009-10 requires formulation of a budget calendar. Included in the 2009-10 calendar is consultation with the 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 2009-10 on September 9, 2009.

RECOMMENDATION

It is recommended that the Board of Trustees approve the attached 2009-10 Budget and Planning Calendar.

Budget and Planning Calendar, 2009-10

<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 2009 Schedule of Classes		
November – December		Review of Budget and Planning Calendar, discussion of budget strategies and resource allocation, and budget development process	
January 9	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). Finalize resource allocation recommendation.	Approval of 2009-10 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. Approve resource allocation.	Continuing discussion of State budget and District revenue/expenditure options.	Board policy discussions/decision regarding budget adjustments which impact existing positions.
February	Legislative Analyst's Office Review of Governor's Proposed Budget		
February	Campuses Finalize Summer Session 2009 Schedule of Classes	Review of preliminary District revenue assumptions and expenditure plans.	Review of preliminary District revenue assumptions and expenditure plans.
February 20	"P1" First Principal Apportionment	Certify to State Controller Apportionment	
February/March	Discussion of budget priorities at Colleges and with Chancellor's Cabinet.	Review of 2008-09 Mid-Year Budget Report	Review of 2008-09 Mid-Year Budget Report
March	Campuses Finalize Fall 2009 Schedule of Classes	Review of Board budget priorities and Districtwide allocations (inform DSGC at its next meeting).	Review/approval of 2009-10 budget priorities and Districtwide allocations.
Mid-March	Run preliminary position control worksheets for 2009-10	Colleges ongoing review of position control	
April			Budget update with Board; review budget assumptions for Tentative budget.
May 8	Site Tentative Budgets completed. Work resumes developing final budget after tentative budget is loaded.		
Mid-May	Governor's May Revise		
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.

BOARD REPORT NO. 09-1-1CA

<u>Date</u>	<u>Campus & District Review/Action</u>	<u>Committee for Budget and Finance Consultation</u>	<u>Board Review/Action</u>
June	District Office completes budget input and prepares Tentative Budget document	Review of 2009-10 Tentative Budget	
June 24			Adoption of 2009-10 Tentative Budget and 2009-10 Gann Limit.
June 25	"P2" Second Principal Apportionment	Certify to State Controller Apportionment	
June-August	Final adjustments to budget are made.		
July	Enactment of 2009-10 State Budget		
August	Legislative Trailer Bills		
August	State Budget Workshop (held after Advance)		
August	2008-09 books are closed. District Office completes budget input and prepares Final Budget document.		
Sept.9			Public Hearing/Adoption of 2009-10 Final Budget.

BOARD REPORT NO. 09-1-2CA

TO: Members of the Board of Trustees

FROM: Ron Galatolo, Chancellor-Superintendent

PREPARED BY: James Ball, KCSM Business Operations Manager, 524-6936

**RENEWAL OF SERVICE AGREEMENT WITH DESCALSO LITHOGRAPH, INC FOR
PRINTING SERVICES, 2009 - KCSM**

In January 2009, Descalso was awarded a one-year printing contract for the printing of KCSM's monthly "*On Air*" membership guide with the option of two annual renewals.

Through "*On Air*" KCSM is able to reach out to the District community to not only inform of programming available on both our television and radio stations, but also to educate on the mission of both KCSM and the San Mateo County Community College District. KCSM has consistently been pleased with the service and the quality provided by Descalso Lithograph, and their willingness to help refine KCSM's product for its members. Pricing remained relatively static over the past year with no significant change. The past year was the first in which we switched to environmentally friendly recycled paper and soy-based inks and we have been very pleased with the look and feel of the guide, as well as the positive feedback from our members.

The District will pay Descalso Lithograph, Inc. an amount not to exceed \$85,380 during the period of February 1 2009 through January 31, 2010, to be funded from membership revenues. This amount represents no increase from last year's contract amount.

RECOMMENDATION

It is recommended that the Board of Trustees approve the renewal of the contract with Descalso Lithograph, Inc. to print KCSM's "*On Air*" program guide for the period of February 1, 2009 through January 31, 2010 for an amount not to exceed \$85,380 (\$7,115 per month) for 30,000 copies, plus or minus adjustments as allowed in the bid, and applicable sales tax.



Date: December 11, 2008
To: California Community College Trustees
California Community College Chancellors/Superintendents
From: Scott Lay
Subject: CCCT Board Election - 2009

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; and each district may nominate only members of its board.

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.

An official Biographical Sketch Form and Statement of Candidacy **must** accompany the Nominating Ballot mailed to the League office, and please use only these forms. Nomination materials should be sent by certified mail – return receipt requested. Faxed materials will **not** be accepted due to the quality of transmission.

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. Three incumbents (elected and appointed) are eligible to run for re-election. In accordance with the CCCT Board Governing Policies, as adopted by the board at its June 2008 meeting, "CCCT Board members shall be 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 3, 2009.

If you have any questions about the CCCT board election process, please call the League office.

Attachments: (mailed only to CCC Chancellors/Superintendents)

- Official Nominating Form
- Official Biographical Sketch Form
- Official Statement of Candidacy
- CCCT Board Terms of Office (adopted by the board, November 2008)
- CCCT Board Roster

CCCT BOARD NOMINATION FORM

Must be returned to the League office **postmarked no later than February 15**, along with the statement of candidacy and biographic sketch form. **Faxed material will not be accepted.**

Community College League of California
2017 "O" Street
Sacramento, CA 95811

The governing board of the _____ Community
College District nominates _____ to be a
candidate for the CCCT Board.

This nominee is a member of the _____ Community
College District governing board, which is a member in good standing of the Community College League of
California. The nominee has been contacted and has given permission to be placed into nomination.
Enclosed are the Statement of Candidacy and the CCCT Biographical Sketch Form for our nominee.

Signature of Clerk or Secretary of Governing Board

CCCT BOARD BIOGRAPHIC SKETCH FORM

Must be returned to the League office **postmarked no later than February 15**, along with the nominating ballot and statement of candidacy. **Faxed material will not be accepted.**

PERSONAL

Name: _____ Date: _____

Address: _____

City: _____ Zip: _____

Phone: _____ (home) _____ (office)

E-Mail: _____

EDUCATION

Certificates/Degrees: _____

PROFESSIONAL EXPERIENCE

Present Occupation: _____

Other: _____

COMMUNITY COLLEGE ACTIVITIES

College District Where Board Member: _____

Years of Service on Local Board: _____

Offices and Committee Memberships Held on Local Board: _____

State Activities (*CCCT and other organizations boards, committees, workshop presenter; Chancellor's Committees, etc*) _____

National Activities (*ACCT and other organizations, boards, committees, etc.*): _____

CIVIC AND COMMUNITY ACTIVITIES

OTHER



CCCT BOARD
STATEMENT OF CANDIDACY

Must be returned to the League office **postmarked no later than February 15**, along with the nominating ballot and biographic sketch form. **Faxed material will not be accepted.**

CANDIDATE'S NAME: _____ DATE: _____

What do you see as the major issues and activities that should be considered by CCCT and the League in the next two years? **(50 words or less; any portion of the statement beyond this limit will not be included.)**

What do you feel you can contribute in these areas? **(50 words or less; any portion of the statement beyond this limit will not be included.)**

California Community College Trustees Terms of Office and Election Schedule

(adopted by the CCT Board, June 2008)

<u>Election</u>	<u>Group</u>	<u>Seat</u>	<u>First Elected/Appointed</u>	<u>Next Election</u>	<u>Terms Left for Incumbent</u>
2009	I.	*Clark	1999	2009	0
	I.	*Garcia	1999	2009	0
	I.	*Hayden	1999	2009	0
	I.	Jones	2008	2009	2
	I.	Mann	2005	2009	2
	I.	Ontiveros	2008	2009	2
	I.	*Vacancy		2009	2
	2010	II.	Bader	2006	2010
II.		Barreras	2006	2010	2
II.		*Beck	2001	2010	0
II.		*Grier	2001	2010	0
II.		Howald	2004	2010	1
II.		Quintero	2006	2010	2
II.		Singer	2004	2010	1
2011		III.	*Albiani	2000	2011
	III.	Figueroa	2007	2011	2
	III.	McMillin	2008	2011	2
	III.	Meng	2004	2011	1
	III.	*Mercer	2002	2011	0
	III.	Ortell	2004	2011	1
	III.	*Villegas	2000	2011	0

* Board member is unable to seek reelection due to three-term limit.

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2008-09 BOARD ROSTER

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STAFF

SCOTT LAY

President/Chief Executive Officer
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BOARD REPORT NO. 09-1-3B

TO: Members of the Board of Trustees

FROM: Ron Galatolo, Chancellor-Superintendent

PREPARED BY: Regina Stanback Stroud, Vice President, Instruction, Skyline College
738-4321

**ADDITION OF INTERNATIONAL LOGISTICS DEGREE AND CERTIFICATE
PROGRAM – SKYLINE COLLEGE**

The addition of a 60-unit Associate in Science Degree with a 27-unit major in International Logistics, a nine-unit Customs Broker Career Certificate, and 12-unit Certificates of Achievement in Ocean Freight Forwarding and Air Freight Forwarding are proposed by Skyline College.

With the assistance of a two-year grant awarded to Skyline College and the Center for International Trade Development (CITD) the International Logistics program was developed to enable Skyline College to address the critical need for training and capacity building in the Bay Area/Northern California logistics and supply chain management industry.

The International Logistics program will strengthen and complement Skyline College's ten year old International Trade degree and certificate program. It will expand the International Trade career pathway by providing a broader variety of options for students in this quickly expanding field.

The proposed International Logistics degree and certificates have been reviewed by the appropriate Division Dean and approved by Skyline's Curriculum Committee, acting on behalf of the local Academic Senate.

RECOMMENDATION

It is recommended that the Board approve the Associate in Science Degree in International Logistics and associated Customs Broker, Ocean Freight Forwarding and Air Freight Forwarding certificates.

Associate in Science Degree with a Major in International Logistics

Required Courses:

BUS. 249	Introduction to International Logistics for Customs Brokers & Freight Forwarders	3.0
BUS. 258	Customs Broker Services and Regulations	3.0
BUS. 261	Customs Admissibility, Classification, Value and Entry.....	3.0
BUS. 262	Introduction to International Forwarding and Cargo Transportation	3.0
BUS. 263	U.S. Export and Destination Country Import Requirements, Foreign Collections.....	3.0
BUS. 267	Ocean Forwarder & NVOCC Regulation, Operations and Work Flow.....	3.0
BUS. 268	Air Forwarder Operations and Work Flow.....	<u>3.0</u>
		21.0

Plus a selection of 6 units from the following:

BUS. 100	Introduction to Business	3.0
BUS. 200	Introduction to International Business	3.0
BUS. 101	Human Relations at Work	3.0
BUS. 103	Business Information Systems	3.0
BUS. 115	Business Math	1.5-3.0
BUS. 210	International Finance	1.5
BUS. 221	Intercultural Business Communication	1.5
BUS. 226	Global Business Negotiations.....	1.5
BUS. 243	Legal Environment of International Business	<u>1.5</u>
	Total Units Required	27.0

Plus General Education and other requirements for the Associate Degree (refer to Skyline College Associate Degree requirements).

International Logistics Certificates

Customs Broker Certificate

Required Courses:

BUS. 249 Introduction to International Logistics for Customs Brokers & Freight Forwarders	3.0
BUS. 258 Customs Broker Services and Regulations	3.0
BUS. 261 Customs Admissibility, Classification, Value and Entry.....	<u>3.0</u>
Total Required Units.....	9.0

Ocean Freight Forwarding Certificate

Required Courses:

BUS. 249 Introduction to International Logistics for Customs Brokers & Freight Forwarders	3.0
BUS. 262 Introduction to International Forwarding and Cargo Transportation	3.0
BUS. 263 U.S. Export and Destination Country Import Requirements, Foreign Collections.....	3.0
BUS. 267 Ocean Forwarder & NVOCC Regulation, Operations and Work Flow.....	<u>3.0</u>
Total Required Units.....	12.0

Air Freight Forwarding Certificate

Required Courses:

BUS. 249 Introduction to International Logistics for Customs Brokers & Freight Forwarders	3.0
BUS. 262 Introduction to International Forwarding and Cargo Transportation	3.0
BUS. 263 U.S. Export and Destination Country Import Requirements, Foreign Collections.....	3.0
BUS. 268 Air Forwarder Operations and Work Flow	<u>3.0</u>
Total Required Units.....	12.0

San Mateo County Community College District

January 28, 2009

BOARD REPORT NO. 09-1-100B

TO: Members of the Board of Trustees
FROM: Ron Galatolo, Chancellor-Superintendent
PREPARED BY: James W. Keller, Executive Vice Chancellor, 358-6790

RECEIPT AND ACCEPTANCE OF THE 2007-08 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, 2008. 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 2007-08 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, 2008 due date.

SAN MATEO COUNTY COMMUNITY
COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2008

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 the business-type activities of the San Mateo County Community College District (the District) as of and for the years ended June 30, 2008 and 2007, 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. 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 opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the San Mateo County Community College District and its discretely presented component unit as of June 30, 2008 and 2007, and the respective changes in financial position and cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in the Notes to the Financial Statements, the accompanying financial statements reflect certain changes required as a result of the implementation of Governmental Accounting Standards Board (GASB) Statement No. 45 for the year ended June 30, 2008.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2008, 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.

The Management's Discussion and Analysis, as listed in the Table of Contents, is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the District's management. We have applied certain limited procedures, consisting 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.

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*, are presented for purposes of additional analysis and are 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, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Additional Supplementary Information, as listed in the table of contents, has been presented for purposes of additional analysis. We have applied certain limited procedures consisting primarily of analysis and inquiry regarding presentation; however, we did not audit the information. Accordingly, we express no opinion on them.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 18, 2008

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

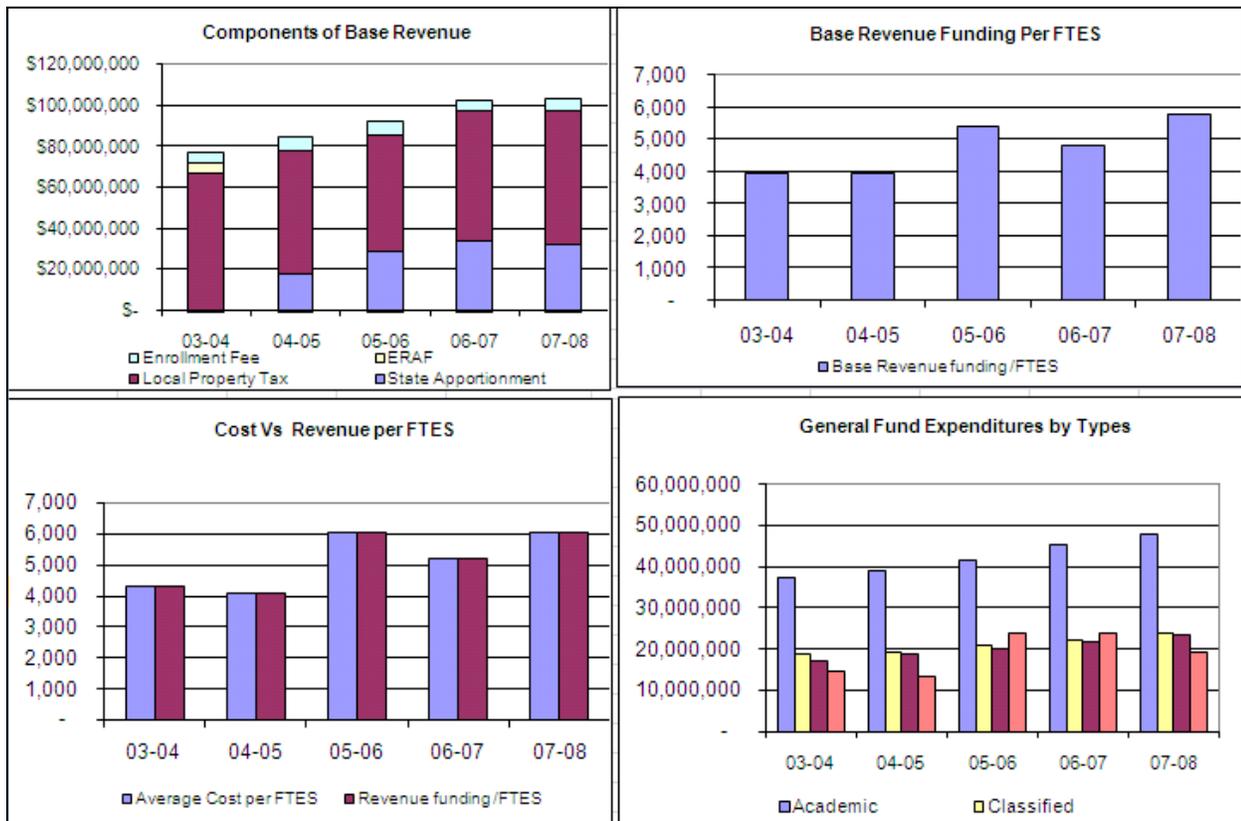
Introduction

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, 2008, June 30, 2007 and June 30, 2006. 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 2007-08



SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

Financial Overview

- Assets exceeded liabilities for the fiscal year ended June 30, 2008 by \$194 million, and net assets increased \$7 million over last year.
- Net noncurrent capital assets and restricted cash increased \$13 million.
- Net operating loss was \$132 million.
- Net non-operating gain was \$123 million.

Reporting for the District as a Whole

- Economic position of the District with the State

When actual tax revenues fall below the budgeted amount, K-12 districts are guaranteed property tax backfill. However, California community colleges do not have the same protection. \$69 million is proposed to be appropriated to backfill the current year deficit caused by the anticipated property tax shortfall of which \$47.3 million is carryover savings from 2007-08 and \$21.7 million is from the Reversion Account. The full \$69 million will be distributed in the 2008-09 budget year on a one-time basis in February 2009. The District's share of the \$69 million is estimated to be \$1.5 million. Until the District's property taxes exceed the base apportionment funding, which could take many more years, enrollment growth will continue to be the most significant factor in determining the District's funding. The District has engaged in several strategies to improve access and enrollment at all three Colleges. The Colleges' 2008-09 budgeted FTES reflects a better than previously expected enrollment growth. All three Colleges appear to have exceeded their 2007-08 FTES goals. In addition to actual growth, the District's strategy has been to maximize revenue by shifting FTES from one year to another. Currently, the District is in enrollment restoration, which means that the District has not yet reached its funded enrollment cap. Depending on the funded growth in the 2008-09 budget, the District may reach cap in 2008-09.

- Salaries and Benefits

The expenditure projection for salaries includes increases for movement on step and column placements and longevity service increments only. The District completed year one of its three-year contracts with each of the employee bargaining groups. The 2008-09 (second year) settlement provides salary and benefit increases for the AFSCME bargaining unit only (3% on wages; 1% towards medical cap). All other bargaining units agreed to the State-approved COLA. With no State COLA currently proposed, COLA is not projected in budget for those employee groups. The budget includes the January 1, 2008 increases (9 – 10%) in non-capped health premium rates for employees and retirees. Dental insurance rates increased by 2% in October 2007. Vision Care (VSP) rates also increased 3.1%. The District's Unemployment Insurance Contribution Rate increased six times from 0.45% to 3% for fiscal year 2008-09.

- Bond construction

As of June 30, 2008 a total of \$201 million of the \$207 million November 2001 general obligation bond and \$286 million of the \$468 million November 2005 general obligation bond have been spent or encumbered by contract. The 2001 bond authorization projects are scheduled to be completed in 2009. A program definition identifying projects, sequence of construction, and cost estimates has been developed for the 2005 general obligation authorization. This will be adjusted regularly to keep pace with the academic and construction environment.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

The funds of the 2005 general obligation will be used to refurbish most of the three colleges' classroom spaces and to construct additional instructional and student services facilities as well as faculty offices. The 2005 general obligation bond construction projects are scheduled to be completed in 2010.

- Cañada College's Science & Engineering Building (Buildings 16 and 18) recently completed its modernization of new lab spaces with modern fixtures, equipment and infrastructure, and has renovated the facilities to meet current code and accessibility requirements. The buildings were re-occupied this Fall 2008 semester. The college is also currently building a new Facilities Maintenance Center which will allow the Facilities Department to be better equipped to address maintenance and operations issues campuswide. Building 8 Administration is currently undergoing major renovations. These renovations will provide modernized offices and meeting spaces for the college. It is currently under construction and scheduled for completion in 2009. Cañada College's largest bond funded project – Gateways, Circulation, Parking and Infrastructure project – intends to enhance the exterior environment at the college and make the whole campus experience an integral part of attaining this goal. Parking lots will be improved, new lighting will be installed, which will improve safety for students and faculty. It is currently under construction and is scheduled for completion in 2009.
- College of San Mateo's Fine Arts Complex (Buildings 2 and 4) and General Lecture Buildings (Buildings 14 and 16) are currently undergoing major renovations with upgraded classrooms and offices, ADA restrooms, and enhanced entries and lobbies. The buildings are scheduled for occupancy in Spring 2009. College of San Mateo's largest bond funded project is the Design-Build Project. Buildings 5 and 6 were demolished this year to allow for the construction of the new Building 5N which will be the new home for the Workforce programs, including Dental Assisting, Dental Hygiene, Nursing and Cosmetology, as well as the new home for Wellness and Aquatics. The new building is scheduled for completion in 2010.
- Skyline College's Science Building (Building 7) is close to completing its modernization. The remodel will provide an improved learning environment for science, medical and mathematics students and instructors. The college is also currently building a new Facilities Maintenance Center. The new facilities will allow the staff to function in an efficient and safe environment and be able to better serve the college. Skyline College's largest bond funded project is the Design-Build Project which is in the design phase. The new buildings 4N and 11N will be the new home of the Cosmetology program, the Multi-Cultural Center and Hosting Gallery, Automotive Repair Facility, college administration and general assignment classrooms. The new buildings are scheduled for completion in 2010.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008



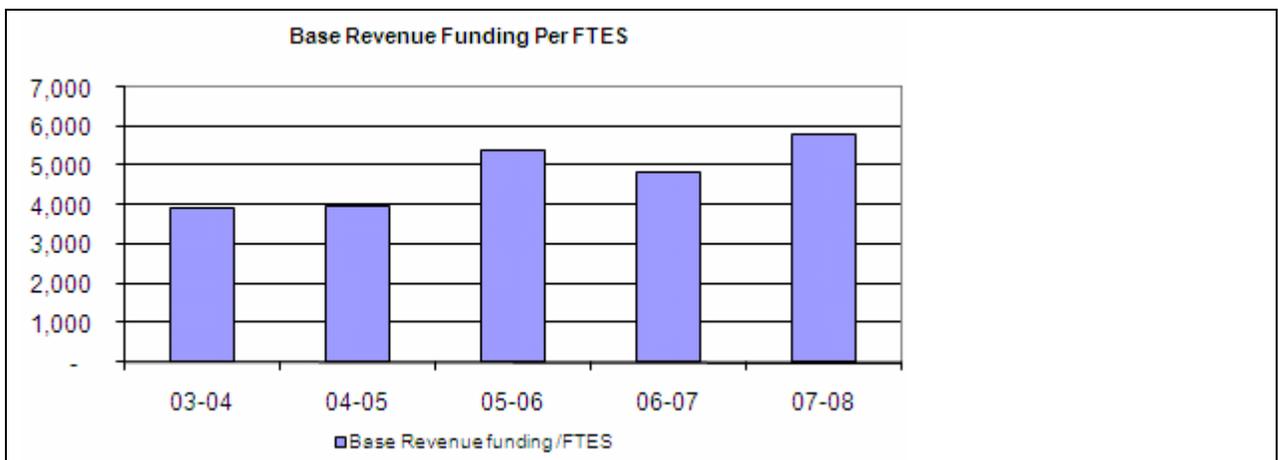
Cañada College Conceptual Rendering of Building 7 Facilities Maintenance Center (Top Left)
CSM Conceptual Rendering of Building 5N Cosmetology and Wellness Center (Top Right)
Skyline College Conceptual Rendering of Building 4N Cosmetology/Administration Building (Middle Left)
Skyline College Building 7 Allied Health Biomanufacturing Classroom (Middle Right)
Cañada College Conceptual Image of its Primary Gateway (Bottom Left)
Cañada College Upper Quad Concession Stand "Pony Espresso" (Bottom Right)

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

- Enrollment

In 2006-07, SMCCCD grew only slightly and took advantage of that by shifting all of Summer 2007 (1,980 FTES) into 2006-07. Since the District could not report those FTES in 2007-08, resulted in the District's declining enrollment status during 2007-08. However, the District's revenue base was held harmless, that is, the District received the same amount of FTES funding in 2007-08 as was received in 2006-07. In addition to a 4.23% state revenue COLA, these revenues kept the District in a stable financial situation. The District anticipates growing over 3% in 2008-09 and possibly reaching our growth funding cap, having fully restored all of the shifted FTES. The following chart shows comparative funded FTES data for the past five fiscal years.



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 with Lehman Brothers 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.
- 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.

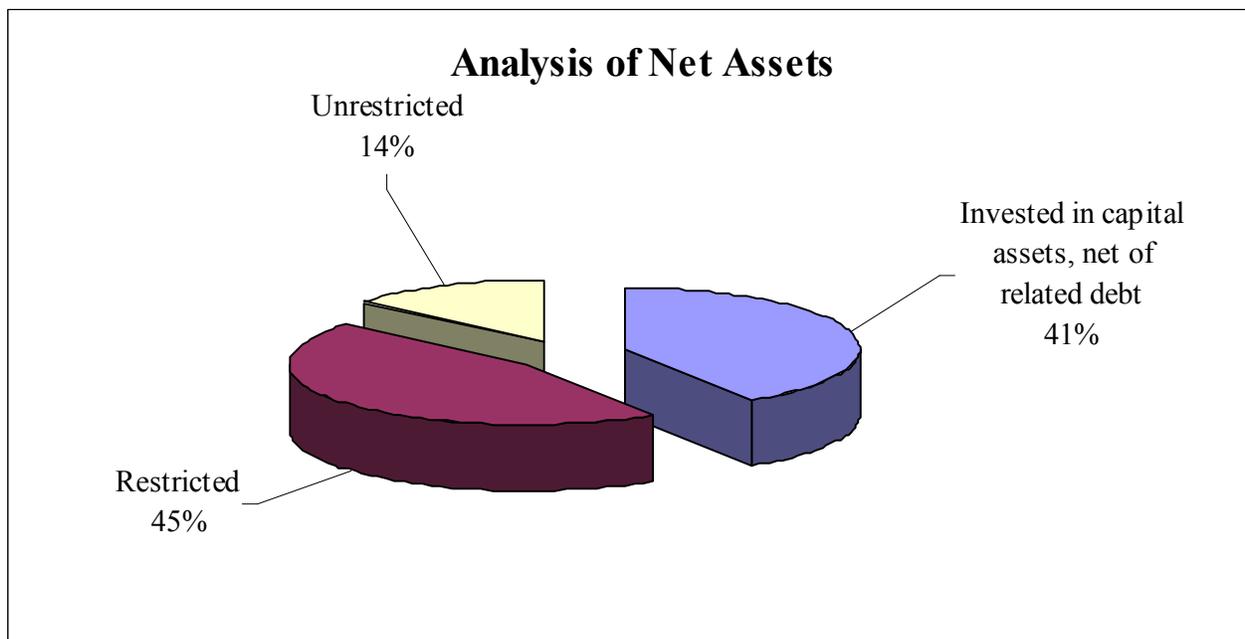
SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

- 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, 2008



SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

STATEMENTS OF NET ASSETS JUNE 30, 2008, 2007 AND 2006

	2008	2007	2006
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 5,554,918	\$ 981,235	\$ 1,286,987
Investments	66,683,257	67,134,733	271,179,198
Accounts receivable	22,256,730	22,535,089	21,105,769
Student loans receivable	621,628	510,673	586,741
Prepaid expenses	3,586,283	1,516,058	93,963
Deferred charges	266,780	266,780	195,957
Stores inventories	1,754,594	1,692,450	1,678,001
Other current assets		25,750	25,565
Total Currents Assets	100,724,190	94,662,768	296,152,181
Noncurrent Assets:			
Deferred charges	5,682,608	5,949,388	3,284,350
Prepaid expenses	7,387,606	-	-
Restricted cash and cash equivalents	499,030,957	538,217,494	5,621,269
Non-depreciable capital assets	99,114,649	45,311,034	108,375,276
Depreciable capital assets, net of depreciation	250,013,002	251,229,009	138,102,083
Total Noncurrent Assets	861,228,822	840,706,925	255,382,978
TOTAL ASSETS	961,953,012	935,369,693	551,535,159
LIABILITIES			
Current Liabilities:			
Accounts payable	25,564,758	18,072,661	23,061,711
Interest payable, restricted	17,622,768	8,107,914	2,574,201
Deferred revenue	10,178,081	10,003,127	8,456,809
Amount held in trust on behalf of others	949,659	1,803,748	1,452,285
Compensated absences payable - current portion	2,303,149	2,038,973	1,924,219
Bonds and notes payable - current portion	16,065,000	12,245,000	2,435,000
Other long-term liabilities - current portion	877,627	877,627	195,957
Total Current Liabilities	73,561,042	53,149,050	40,100,182
Noncurrent Liabilities			
Compensated absences payable - noncurrent portion	1,013,153	2,975,755	828,618
Other long-term liabilities - noncurrent portion	692,962,001	691,536,128	342,181,694
Total Noncurrent Liabilities	693,975,154	694,511,883	343,010,312
TOTAL LIABILITIES	767,536,196	747,660,933	383,110,494
NET ASSETS			
Invested in capital assets, net of related debt	79,328,342	69,284,869	76,864,540
Restricted for:			
Debt service	26,772,227	30,844,675	5,669,093
Capital projects	56,979,609	52,659,542	45,146,987
Educational programs	3,976,966	3,973,234	3,132,518
Other activities	177,874	156,256	272,564
Unrestricted	27,181,798	30,790,184	37,338,963
TOTAL NET ASSETS	\$ 194,416,816	\$ 187,708,760	\$ 168,424,665

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

Total net assets at June 30, 2008, increased \$7 million over the prior fiscal year. The increase was primarily due to the increase of net capital assets from Bond and C.O.P. construction in the District.

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.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2008, 2007 AND 2006

	2008	2007	2006
OPERATING REVENUES			
Tuition and Fees	\$ 12,617,332	\$ 13,319,298	\$ 14,552,548
Less: Fee waivers and allowance	(2,942,230)	(3,380,891)	(3,880,732)
Net Tuition and fees	9,675,102	9,938,407	10,671,816
Grants and Contracts, noncapital:			
Federal	9,526,924	8,422,187	9,525,670
State	12,572,475	12,628,741	16,361,652
Local	2,811,493	2,693,243	3,006,382
Auxiliary Enterprise Sales and Charges			
Bookstore	8,569,211	7,675,822	7,164,687
Cafeteria	207,873	156,063	142,543
Internal Service Sales and Charges		2,003,309	
TOTAL OPERATING REVENUES	43,363,078	43,517,772	46,872,750
OPERATING EXPENSES			
Salaries	87,820,850	83,216,422	75,070,580
Employee benefits	32,107,393	27,731,770	25,228,934
Supplies, materials, and other operating expenses and services	43,164,717	42,979,059	43,470,952
Depreciation	12,596,369	6,705,276	3,595,888
TOTAL OPERATING EXPENSES	175,689,329	160,632,527	147,366,354
OPERATING LOSS	(132,326,251)	(117,114,755)	(100,493,604)
NON-OPERATING REVENUES (EXPENSES)			
State apportionments, noncapital	33,478,098	36,434,017	36,086,461
Local property taxes, levied for general purpose	66,173,389	62,006,836	56,824,309
Local property taxes, levied for special purposes	23,577,893	22,568,644	7,564,854
State taxes and other revenues	2,518,268	3,875,899	59,813
Investment income, net	26,619,435	33,969,407	2,098,731
Interest expense on capital related debt	(40,904,192)	(44,963,775)	(10,959,993)
Interest income on capital asset-related debt, net	164,587	118	63,894
Other non-operating revenue	11,808,859	7,797,167	12,562,119
TOTAL NON-OPERATING REVENUES (EXPENSES)	123,436,337	121,688,313	104,300,188
INCOME BEFORE OTHER REVENUES AND EXPENSES	(8,889,914)	4,573,558	3,806,584
OTHER REVENUES AND EXPENSES			
State revenues, capital	12,762,469	12,238,275	16,224,616
Local revenues, capital	2,835,501	2,472,262	2,513,127
TOTAL INCOME BEFORE OTHER REVENUES AND EXPENSES	15,597,970	14,710,537	18,737,743
NET INCREASE IN NET ASSETS	6,708,056	19,284,095	22,544,327
NET ASSETS, BEGINNING OF YEAR	187,708,760	168,424,665	145,880,338
NET ASSETS, END OF YEAR	\$ 194,416,816	\$ 187,708,760	\$ 168,424,665

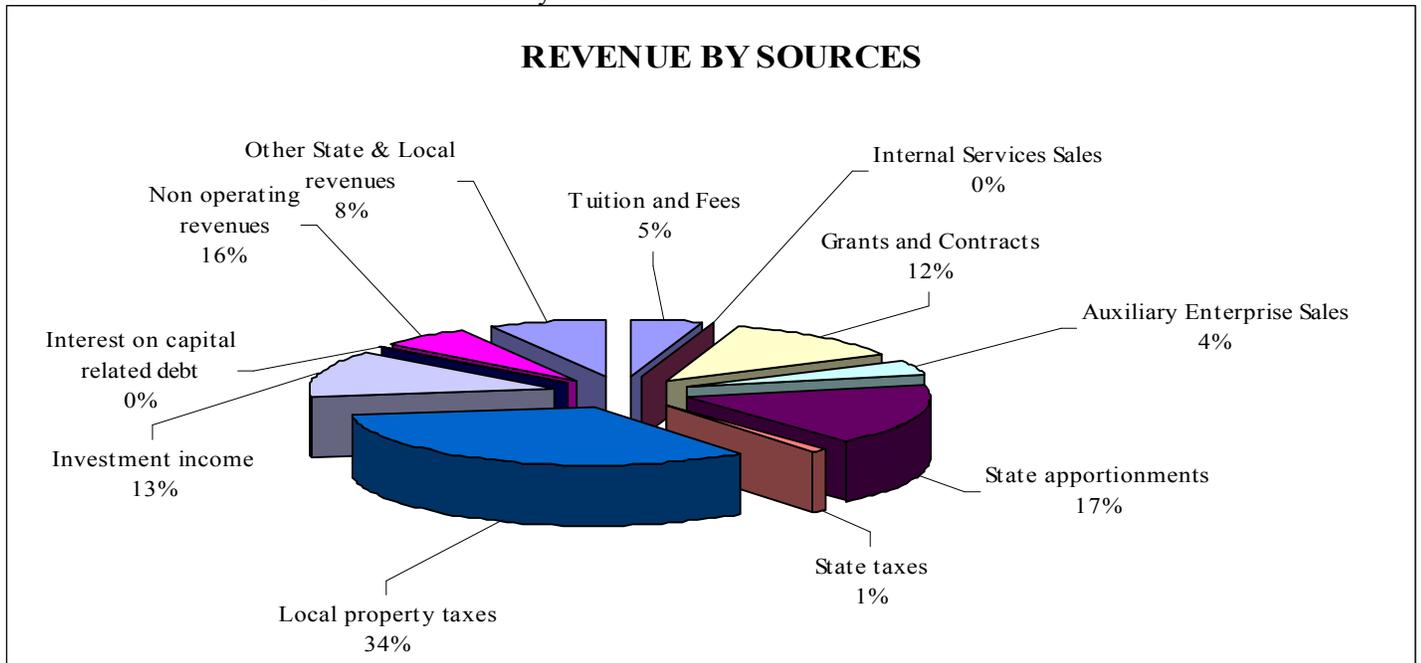
SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

Explanatory information for the statement is as follows:

- Tuition and Fees are net of enrollment, health, non-resident tuition, other student fees and less scholarship discount and allowance as defined by GASB statement No. 35.
- 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.
- Auxiliary Enterprise Sales and Charges consist of bookstore and cafeteria sales less discount allowances.
- State apportionments, non-capital includes state apportionment, apprenticeship, Partnership for Excellence 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.
- 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, 2008

Revenues and expenses changed mainly due to the following:

- Net Income from Operating sources illustrated a decrease in grants and reduced tuition, increase in salaries, benefits and capital depreciation.
- Net Non-Operating sources increased mainly due to an increase in the State apportionment revenue and Bond investment income.

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, increased due to salary and health care benefit improvements in addition to price increases.
- 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

Statement of Operation Expenses by Account

	<u>2008</u>	<u>2007</u>	<u>2006</u>
	in thousands	in thousands	in thousands
Salaries	\$ 87,821	\$ 83,216	\$ 75,071
Employee benefits	32,107	27,732	25,229
Supplies, materials, and other operating expenses	43,165	42,979	43,471
Depreciation expense	12,596	6,705	3,596
TOTAL OPERATING EXPENSES	\$ 175,689	\$ 160,633	\$ 147,366

Statement of Operating Expenses by Activity

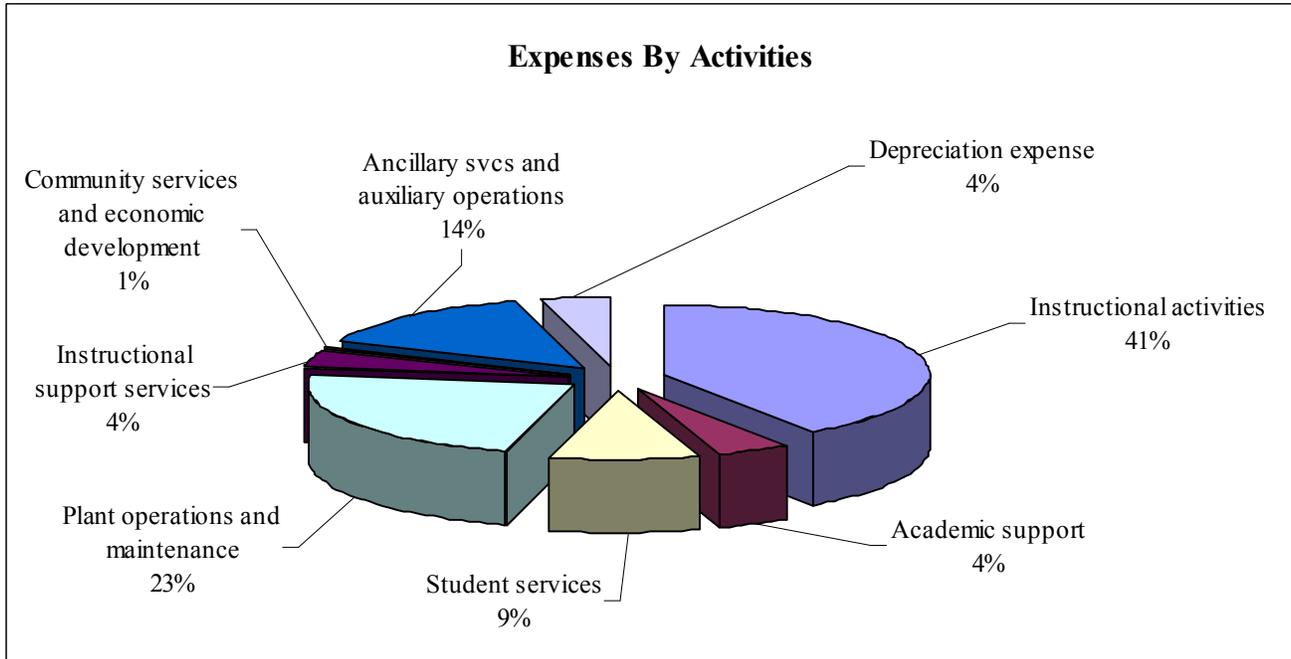
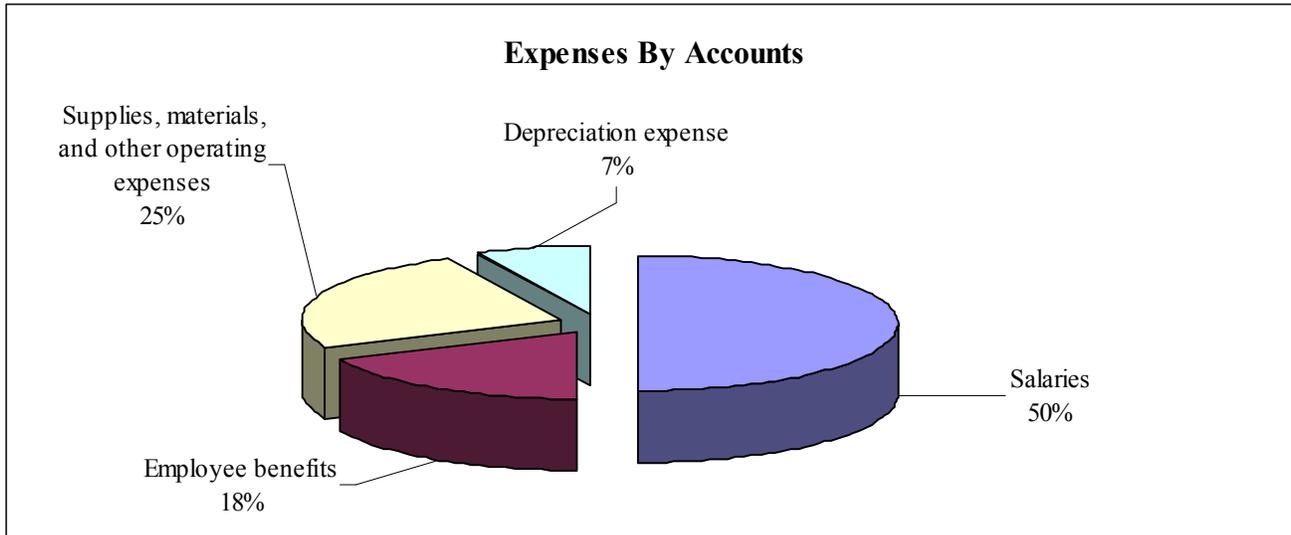
	<u>2008</u>	<u>2007</u>	<u>2006</u>
	in thousands	in thousands	in thousands
Instructional activities	\$ 67,279	\$ 65,249	\$ 54,369
Academic support	10,159	7,021	6,832
Student services	13,923	14,541	14,254
Plant operations and maintenance	46,142	36,870	38,691
Instructional support services	3,554	6,503	6,203
Community svcs and economic development	1,043	1,160	1,036
Ancillary svcs and auxiliary operations	20,993	22,583	22,385
Depreciation expense	12,596	6,706	3,596
TOTAL OPERATING EXPENSES	\$ 175,689	\$ 160,633	\$ 147,366

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

Below are illustrations of District expenditures by accounts and by activities.



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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

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, auxiliary enterprise sales, Federal and State grants and contracts. 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).

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2008, 2007 AND 2006

	<u>2008</u>	<u>2007</u>	<u>2006</u>
	in thousands	in thousands	in thousands
CASH FLOWS PROVIDED BY (USED IN):			
Operating Activities	\$(117,456,329)	\$(109,377,683)	\$(121,990,177)
Noncapital financing activities	124,326,655	134,483,187	109,964,048
Capital financing activities	(70,927,807)	273,569,740	73,543,998
Investing activities	28,993,151	29,570,764	1,421,629
NET CHANGE IN CASH AND CASH EQUIVALENTS	(35,064,330)	328,246,008	62,939,498
CASH & CASH EQUIVALENTS, BEGINNING OF YEAR	606,333,462	278,087,454	215,147,956
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 571,269,132	\$ 606,333,462	\$ 278,087,454

Economic Factors and the 2008-09 Budget

The 2008-09 state budget was passed 85 days after the statutory deadline and was immediately pronounced out of balance by state legislators. The continuing decline in the housing market in conjunction with the credit squeeze has made the state's budget very precarious. Despite the low funding in the 2008-09 state budget, including only a .68% COLA and 2% growth, the District anticipates mid-year cuts of around 5% for community colleges. The District has some reserves and has weathered cuts of this magnitude before and anticipates continued growth in concert with the available funding.

C.I.P. Planning 2008-09 and Beyond

Staff continues to revise and update the master schedule and the master budget of the Capital Improvement Program to coincide with the funding and programming requirements of CSM and Skyline College's Design-Build Projects, State and locally funded modernization projects. In the summer of 2008 this process was

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

complicated by the decision at the State level to suspend the November 2008 bond election. The District had six approved State Funded projects that lost their funding when the State Chancellor's Office decided against a November 2008 bond. Staff is currently working with senior campus and district administration to react to this impact on the program and reprioritize renovations based on this unprecedented decision.

The following projects are in the design or preconstruction phases:

Cañada College:

- Cañada College Buildings 5& 6 Instructional & Student Center Modernization
- Cañada College Building 1 Fitness Center Expansion

College of San Mateo:

- Building 9 Modernization
- North Gateway (Demolition of Buildings 21-29) Project (State Funded Project)
 - Increment 1- Electrical Load Center 4 Replacement
 - Increment 2- Demolition of Buildings 21-27 & 29; Construction of new North Gateway
- CIP2 College of San Mateo Design-Build Project
 - Demolition of Buildings 10, 11, 13
 - New Building 10N
 - South East Infrastructure Project
 - Sitework, lighting and parking lots, Electrical Upgrade and Chiller Plant
- Building 12, 15, 17 & 34 Modernization Design Build Project

Skyline College

- Building 5 Modernization
 - Buildings & Sitework of CIP2 Skyline College Design-Build Project New Building 11 Auto Transmission
 - New Building 4 Cosmetology and Administration
 - Parking, Paving, Sidewalk, Roadway Upgrade work
 - Gateways & Quad Construction
 - Building 1
 - Ceramics Relocation
 - Electrical Upgrade

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.

Staff and Faculty Housing

The College District is planning to build a second housing project (Canada Vista) for faculty and staff on Parking Lot 3 at Cañada College. The project has been fully entitled by the City of Redwood City, Town of Woodside and the Local Agency Formation Commission. A grading permit has been issued and issuance of a building permit is expected in the near term. We anticipate that construction will begin in March or April, 2009, with expected completion in early Summer 2010.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

Canada Vista will have 60 units: 37% one bedroom or one bedroom with den; 53% two bedrooms; and 10% 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 expected to be significantly below market.

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 James W. Keller, Executive Vice Chancellor, by phone at 650-574-6500 or by e-mail at kellerj@smccd.edu.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF NET ASSETS
JUNE 30, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 5,554,918	\$ 981,235
Investments	66,683,257	67,134,733
Accounts receivable, net	22,256,730	22,535,089
Student loans receivable	621,628	510,673
Prepaid expenses	3,586,283	1,516,058
Deferred charges	266,780	266,780
Stores inventories	1,754,594	1,692,450
Other current assets	-	25,750
Total Current Assets	<u>100,724,190</u>	<u>94,662,768</u>
Noncurrent Assets		
Deferred charges	5,682,608	5,949,388
Prepaid expenses	7,387,606	-
Restricted cash and cash equivalents	499,030,957	538,217,494
Nondepreciable capital assets	99,114,649	45,311,034
Depreciable capital assets, net of depreciation	250,013,002	251,229,009
Total Noncurrent Assets	<u>861,228,822</u>	<u>840,706,925</u>
TOTAL ASSETS	<u>961,953,012</u>	<u>935,369,693</u>
LIABILITIES		
Current Liabilities		
Accounts payable	25,564,758	18,072,661
Interest payable, restricted	17,622,768	8,107,914
Deferred revenue	10,178,081	10,003,127
Amounts held in trust on behalf of others	949,659	1,803,748
Compensated absences payable - current portion	2,303,149	2,038,973
Bonds and notes payable - current portion	16,065,000	12,245,000
Other long-term liabilities - current portion	877,627	877,627
Total Current Liabilities	<u>73,561,042</u>	<u>53,149,050</u>
Noncurrent Liabilities		
Compensated absences payable - noncurrent portion	1,013,153	2,975,755
Other long-term liabilities - noncurrent portion	692,962,001	691,536,128
Total Noncurrent Liabilities	<u>693,975,154</u>	<u>694,511,883</u>
TOTAL LIABILITIES	<u>767,536,196</u>	<u>747,660,933</u>
NET ASSETS		
Invested in capital assets, net of related debt	79,328,342	69,284,869
Restricted for:		
Debt service	26,772,227	30,844,675
Capital projects	56,979,609	52,659,542
Educational programs	3,976,966	3,973,234
Other activities	177,874	156,256
Unrestricted	27,181,798	30,790,184
TOTAL NET ASSETS	<u>\$ 194,416,816</u>	<u>\$ 187,708,760</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 FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007
OPERATING REVENUES		
Student Tuition and Fees	\$ 12,617,332	\$ 13,319,298
Less: Fee waivers and allowance	(2,942,230)	(3,380,891)
Net tuition and fees	9,675,102	9,938,407
Grants and Contracts, noncapital:		
Federal	9,526,924	8,422,187
State	12,572,475	12,628,741
Local	2,811,493	2,693,243
Auxiliary Enterprise Sales and Charges		
Bookstore	8,569,211	7,675,822
Cafeteria	207,873	156,063
Internal Service Sales and Charges	-	2,003,309
TOTAL OPERATING REVENUES	43,363,078	43,517,772
OPERATING EXPENSES		
Salaries	87,820,850	83,216,422
Employee benefits	32,107,393	27,731,770
Supplies, materials, and other operating expenses and services	43,164,717	42,979,059
Depreciation	12,596,369	6,705,276
TOTAL OPERATING EXPENSES	175,689,329	160,632,527
OPERATING LOSS	(132,326,251)	(117,114,755)
NONOPERATING REVENUES (EXPENSES)		
State apportionments, noncapital	33,478,098	36,434,017
Local property taxes, levied for general purposes	66,173,389	62,006,836
Local property taxes, levied for special purposes	23,577,893	22,568,644
State taxes and other revenues	2,518,268	3,875,899
Investment income, net	26,619,435	33,969,407
Interest expense on capital related debt	(40,904,192)	(44,963,775)
Interest income on capital asset-related debt, net	164,587	118
Other nonoperating revenue	11,808,859	7,797,167
TOTAL NONOPERATING REVENUES (EXPENSES)	123,436,337	121,688,313
INCOME/(LOSS) BEFORE OTHER REVENUES AND EXPENSES	(8,889,914)	4,573,558
State revenues, capital	12,762,469	12,238,275
Local revenues, capital	2,835,501	2,472,262
TOTAL OTHER REVENUES AND EXPENSES	15,597,970	14,710,537
INCREASE IN NET ASSETS	6,708,056	19,284,095
NET ASSETS, BEGINNING OF YEAR	187,708,760	168,424,665
NET ASSETS, END OF YEAR	\$ 194,416,816	\$ 187,708,760

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 8,845,398	\$ 8,211,939
Non capital grants and contracts	24,614,658	24,139,354
Payments to vendors for supplies and services	(27,955,087)	(37,284,869)
Payments to or on behalf of employees	(122,159,326)	(109,073,971)
Payments from/(to) students for scholarships and grants	(7,009,990)	(6,885,735)
Auxiliary sales	7,062,107	11,164,136
Amounts held for others	(854,089)	351,463
Net Cash Flows Used For Operating Activities	(117,456,329)	(109,377,683)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State apportionments	33,100,152	36,578,562
Property taxes, levied for general purposes	91,228,267	83,903,919
State taxes and other apportionments	2,518,268	3,875,899
Other receipts (payments)	(2,520,032)	10,124,807
Net Cash Flows From Noncapital Financing Activities	124,326,655	134,483,187
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of capital assets	(61,111,115)	(58,821,096)
Loss on disposal of capital assets	297,436	-
Proceeds from sale of general obligation bond	-	345,832,949
Bond accretions	15,659,497	17,041,753
Net OPEB obligations	2,709,003	-
State revenue, capital projects	12,762,469	12,238,275
Local revenue, capital projects	2,835,501	2,472,262
Deferred cost on issuance	266,780	(2,735,861)
Principal paid on capital debt	(13,122,627)	(3,028,598)
Interest paid on capital debt	(31,389,338)	(39,430,062)
Interest received on capital asset-related debt	164,587	118
Net Cash Flows From Capital Financing Activities	(70,927,807)	273,569,740
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received from investments	28,993,151	29,570,764
NET CHANGE IN CASH AND CASH EQUIVALENTS	(35,064,330)	328,246,008
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	606,333,462	278,087,454
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 571,269,132	\$ 606,333,462

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF CASH FLOWS, Continued
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Loss	\$ (132,326,251)	\$ (117,114,755)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation expense	12,596,369	6,705,276
Changes in Assets and Liabilities:		
Receivables, net	(2,095,357)	733,449
Inventories	(62,144)	(14,449)
Prepaid items	(2,044,475)	(1,422,280)
Notes receivables, net	(110,955)	76,068
Accounts payable and accrued liabilities	7,265,619	(238,773)
Deferred revenue	174,954	1,546,318
Funds held for others	(854,089)	351,463
Total Adjustments	<u>14,869,922</u>	<u>7,737,072</u>
Net Cash Flows From Operating Activities	<u>\$ (117,456,329)</u>	<u>\$ (109,377,683)</u>
 CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:		
Cash in banks, unrestricted	\$ 5,554,918	\$ 981,235
Cash equivalents, restricted	499,030,957	538,217,494
Cash equivalents	66,683,257	67,134,733
Total Cash and Cash Equivalents	<u>\$ 571,269,132</u>	<u>\$ 606,333,462</u>
 NON CASH TRANSACTIONS		
On behalf payments for benefits	<u>\$ 1,771,986</u>	<u>\$ 2,004,829</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 FINANCIAL POSITION JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 53,577	\$ 85,703
Accounts receivable	404	525
Prepaid expenses	2,721	3,158
Total Current Assets	<u>\$ 56,702</u>	<u>\$ 89,386</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ -	\$ 1,966
Deferred rent	-	32,036
Rent security deposits	50,024	49,434
Total Current Liabilities	<u>50,024</u>	<u>83,436</u>
NET ASSETS		
Unrestricted	6,678	5,950
Total Liabilities and Net Assets	<u>\$ 56,702</u>	<u>\$ 89,386</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, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
REVENUES		
Rental income	\$ 553,581	\$ 542,497
Interest and dividends	146	503
Commission	2,262	194
Water reimbursement	8,670	10,544
Total Revenues	<u>564,659</u>	<u>553,738</u>
EXPENSES		
Operating expenses	93,931	91,948
Total Expenses	<u>93,931</u>	<u>91,948</u>
OTHER SOURCES AND USES		
Transfer out to SMCCCD	(470,000)	(460,000)
Total Other Uses	<u>(470,000)</u>	<u>(460,000)</u>
CHANGE IN NET ASSETS	728	1,790
NET ASSETS, BEGINNING OF YEAR	<u>5,950</u>	<u>4,160</u>
NET ASSETS, END OF YEAR	<u>\$ 6,678</u>	<u>\$ 5,950</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, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 728	\$ 1,790
Changes in Assets and Liabilities		
Decrease in accounts receivable	121	544
Decrease in prepaid expenses	437	2,083
(Increase)/decrease in accounts payable	(1,966)	232
(Decrease) in deferred rent	(32,036)	(691)
Increase in rent security deposits	590	609
Net Cash Flows From Operating Activities	<u>(32,126)</u>	<u>4,567</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(32,126)	4,567
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>85,703</u>	<u>81,136</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 53,577</u></u>	<u><u>\$ 85,703</u></u>

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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 the District as if the activity was the District’s. The activity is included as the COP Payment Fund and COP Construction Fund in the District’s governmental funds. The Certificates of participation issued by the Corporation were defeased in fiscal year 2005-2006 and the related liabilities have been removed from the District’s financial statement. 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 District has determined that the San Mateo College Community Foundation does not meet the criteria for inclusion under GASB 39.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 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 require. 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.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is 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, available means expected to be received within 60 days of fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, certain grants, entitlements, and donations. Revenue from State apportionments is generally recognized in the fiscal year in which it is apportioned from the State. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements.

The accounting policies of the District conform to accounting principles generally accepted in the United State of America (US GAAP) as applicable to colleges and universities, as well as those prescribed by the California Community Colleges System'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 *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 Discussions and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussions and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37 and 38. The Business type activities model followed by the District requires the following components of the District's financial statements:

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Cash and Cash Equivalents

The District'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. Cash equivalents also include 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

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and for External Investment Pools*, investments are stated at fair value. Fair value is estimated based on published market prices at year-end. Investments for which there are no quoted market prices are not material.

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 \$1,429,168 and \$1,096,949 for the years ended June 30, 2008 and 2007, 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 cafeteria food 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.

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 normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Major outlays for capital improvements are capitalized as construction-in-progress as the projects are constructed.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Depreciation of capital assets is computed and recorded by 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

In the government-wide financial statements and in the proprietary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. 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, 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.

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.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Net Assets

GASB Statements No. 34 and No. 35 report equity as "Net Assets." Net assets are classified according to external donor 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.

Operating Revenues and Expenses

Classification of Revenues - The District has classified its revenues as either operating or nonoperating. Certain significant revenue streams relied upon for operations are classified as nonoperating as defined by GASB Statement No. 35. Classifications are as follows:

Operating revenues - Operating revenues include activities that have the characteristics of exchange transactions, such as, (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most Federal, State, and local grants and contracts, and (4) interest on institutional student loans.

Nonoperating revenues - Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as State apportionments, property taxes, investment income, gifts and contributions, and other revenue sources described in GASB Statement No. 34.

Classification of Expenses - Nearly all the District's expenses are from exchange transactions and are classified as either operating or nonoperating according to the following criteria:

Operating expenses - Operating expenses are necessary costs to provide the services of the District and include employee salaries and benefits, supplies, operating expenses, and student financial aid.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Nonoperating expenses - Nonoperating expenses include interest expense and other expenses not directly related to the services of the District.

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 and are recorded in the District's financial records when received.

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) on behalf of all community colleges in California. The amounts of on-behalf payments were \$1,771,986.

Estimates

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

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. The County Assessor is responsible for assessment of all taxable real property. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of 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 District capital assets. As a result of the passage of the Bond, property taxes are assessed on the property within the District specifically for the repayment of the debt incurred. The taxes are billed and collected as noted above and remitted to the District when collected. The property tax rate for the years ended June 30, 2008 and 2007, was \$21,051,557 and \$21,020,890, respectively.

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.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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 year ended June 30, 2008 and 2007, the District distributed \$423,255 and \$279,920 in student loans through the U.S. Department of Education Federal Family Education Loan Program. 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.

Interfund Activity

Exchange transactions between funds of the District are reported as revenues and expenses within the Statement of Revenues, Expenses, and Changes in Net Assets. Flows of cash or goods from one fund to another without a requirement for repayment are recognized as interfund transfers within the District's fund financial statements. Amounts owing between funds for both exchange and non-exchange transactions are recorded as interfund receivables and payables within the District's fund financial statements. Interfund transfers and interfund receivables and payables are eliminated during the consolidation process in the entity-wide financial statements.

Component Unit

The San Mateo County Community Colleges Educational Housing Corporation's accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities of attaining certain objectives in accordance with special regulations, restriction, or limitations. The San Mateo Community Colleges Educational Housing Corporation is accounted for as a proprietary fund. Proprietary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net assets. The statement of changes in fund net assets presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

- 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.

Changes in Accounting Principles

In July 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. This Statement requires local governmental employers who provide other postemployment benefits (OPEB) as part of the total compensation offered to employees to recognize the expense and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of State and local government employers.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

This Statement provided for prospective implementation – that is that employers set the beginning OPEB obligation at zero as the beginning of the initial year. The District has implemented the provision of the Statement for the fiscal year ended June 30, 2008. The District had an annual required contribution of \$9,056,503 for the year June 30, 2008, and made a contribution of \$6,347,500 resulting in an OPEB obligation of \$2,709,003.

In April 2004, GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefits Other than Pension Plans*. The standards in this statement apply for trust funds included in the financial reports of plan sponsors or employers, as well as for the stand-alone financial reports of OPEB plans or the public employee retirements systems, or other third parties that administer them. The provisions of this statement are effective for periods beginning after December 15, 2005. The San Mateo County Community College District is not a plan sponsor of an OPEB Plan in current year.

In May 2007, GASB issued Statement No. 50, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*. This Statement more closely aligns the financial reporting requirements for pensions with those for OPEB and, in doing so, enhances information disclosed in notes to financial statements or presented as RSI by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 27, *Accounting for Pensions by State and Local Governmental Employers*, to conform with requirements of Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement is effective for periods beginning after June 15, 2007, except for requirements related to the use of the entry age actuarial cost method for the purpose of reporting a surrogate funded status and funding progress of plans that use the aggregate actuarial cost method, which are effective for periods for which the financial statements and RSI contain information resulting from actuarial valuations as of June 15, 2007, or later. Early implementation is encouraged.

New Accounting Pronouncements

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to those intangible assets, as applicable. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. The provisions of this Statement generally are required to be applied retroactively. For governments that were classified as phase 1 or phase 2 governments for the purpose of implementing Statement No. 34, retroactive reporting is required for intangible assets acquired in fiscal years ending after June 30, 1980, except for those considered to have indefinite useful lives as of the effective date of this Statement and those that would be considered internally generated.

In November 2007, GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. This Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. The guidance in this Statement is effective for financial statements for reporting periods beginning after June 15, 2008, with earlier application encouraged.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement is intended to improve how State and local governments report information about derivative instruments, financial arrangements used by governments to manage specific risks or make investments, in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements and is effective for financial statements for reporting periods beginning after June 15, 2009, with earlier application encouraged.

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 - CASH 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, 2008

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	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 as of June 30, 2008 and 2007, are classified in the accompanying financial statements as follows:

	<u>2008</u>	<u>2007</u>
Business-type activities	\$ 571,269,132	\$ 606,333,462
Component Unit	53,577	85,703
Total Deposits and Investments	<u>\$ 571,322,709</u>	<u>\$ 606,419,165</u>

Deposits and investments as of June 30, 2008 and 2007, consist of the following:

	<u>2008</u>	<u>2007</u>
Cash on hand and in banks	5,546,595	\$ 999,041
Cash in revolving	61,900	67,897
Investments	565,714,214	605,352,227
Total Deposits and Investments	<u>\$ 571,322,709</u>	<u>\$ 606,419,165</u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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	537,970,419	1.2
State Investment Pool	27,738,795	0.58
Total	<u>\$ 565,714,214</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, 2008.

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, 2008 and 2007, the District's bank balances of approximately \$628,000 and \$790,000, 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, 2008

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

Receivables for the District consisted primarily of intergovernmental grants, entitlements, interest, and other local sources. The District computes the allowance for doubtful accounts based on the age of the receivables. The accounts receivable are as follows:

	<u>2008</u>	<u>2007</u>
Federal Government		
Categorical aid	\$ 1,412,150	\$ 1,290,555
State Government		
Apportionment	2,762,055	2,384,109
Categorical aid	1,071,633	962,992
Lottery	1,008,431	1,155,462
Other state sources	744,000	2,932,773
Local Sources		
Interest	4,351,623	6,725,339
Other local sources	<u>5,100,667</u>	<u>2,757,107</u>
Subtotal	16,450,559	18,208,337
Student receivables	7,235,339	5,423,701
Less allowance for bad debt	<u>(1,429,168)</u>	<u>(1,096,949)</u>
Accounts receivables, net	<u>\$ 22,256,730</u>	<u>\$ 22,535,089</u>
Student loans	<u>\$ 621,628</u>	<u>\$ 510,673</u>

Allowance for bad debt was calculated based on a five-year weighted average on uncollectible accounts receivable to total revenues ratio.

Receivables at June 30, 2008 and 2007 include \$573,923 for loans made to nine 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.

Discretely Presented Component Unit

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 5 – PREPAID EXPENSES AND OTHER ASSETS

The significant item within prepaid expense is that the District has entered into a long-term contract for the insurance of the bond construction projects throughout the District. The insurance agreement calls for a lump-sum payment of \$10,264,301 which is being amortized over the life of the insurance coverage. Amortization of the prepaid balance is as follows:

2008-2009	\$ 2,876,695
2009-2010	2,567,604
2010-2011	2,471,911
2011-2012	1,508,091
2012-2013	<u>840,000</u>
Total	<u><u>\$ 10,264,301</u></u>

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2008, 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	24,682,742	64,031,063	10,227,448	78,486,357
Total Capital Assets Not Being Depreciated	<u>45,311,034</u>	<u>64,031,063</u>	<u>10,227,448</u>	<u>99,114,649</u>
Capital Assets Being Depreciated				
Land improvements	10,973,536	1,979,815	-	12,953,351
Buildings and improvements	279,333,055	8,247,633	-	287,580,688
Furniture, equipment, and vehicles	20,662,450	1,450,351	2,434,618	19,678,183
Total Capital Assets Being Depreciated	<u>310,969,041</u>	<u>11,677,799</u>	<u>2,434,618</u>	<u>320,212,222</u>
Less Accumulated Depreciation				
Land improvements	8,131,701	269,500	-	8,401,201
Buildings and improvements	43,115,386	9,373,895	-	52,489,281
Furniture, equipment, and vehicles	8,492,945	2,952,974	2,137,181	9,308,738
Total Accumulated Depreciation	<u>59,740,032</u>	<u>12,596,369</u>	<u>2,137,181</u>	<u>70,199,220</u>
Net Capital Assets Being Depreciated	<u>251,229,009</u>	<u>(918,570)</u>	<u>297,437</u>	<u>250,013,002</u>
Net Capital Assets	<u><u>\$ 296,540,043</u></u>	<u><u>\$ 63,112,493</u></u>	<u><u>\$ 10,524,885</u></u>	<u><u>\$ 349,127,651</u></u>

Depreciation expense for the year was \$12,596,369.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

Capital asset activity for the District for the fiscal year ended June 30, 2007, 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	87,746,984	53,056,283	116,120,525	24,682,742
Total Capital Assets Not Being Depreciated	108,375,276	53,056,283	116,120,525	45,311,034
Capital Assets Being Depreciated				
Land improvements	10,973,074	462	-	10,973,536
Buildings and improvements	162,924,321	116,408,734	-	279,333,055
Furniture, equipment, and vehicles	17,649,933	3,446,670	434,153	20,662,450
Total Capital Assets Being Depreciated	191,547,328	119,855,866	434,153	310,969,041
Less Accumulated Depreciation				
Land improvements	7,407,627	724,074	-	8,131,701
Buildings and improvements	39,003,843	4,111,543	-	43,115,386
Furniture, equipment, and vehicles	7,033,775	1,869,659	410,489	8,492,945
Total Accumulated Depreciation	53,445,245	6,705,276	410,489	59,740,032
Net Capital Assets Being Depreciated	138,102,083	113,150,590	23,664	251,229,009
Net Capital Assets	\$ 246,477,359	\$ 166,206,873	\$ 116,144,189	\$ 296,540,043

Depreciation expense for the year was \$6,705,276.

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	2008	2007
Accrued payroll	\$ 1,470,404	\$ 1,738,885
Federal categorical aid	1,775	-
Construction	14,976,277	10,903,415
Vender	9,116,302	5,430,361
Total	\$ 25,564,758	\$ 18,072,661

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

Discretely Presented Component Unit

The accounts payable of the Educational Housing Corporation consist primarily of unearned rent income and security deposits.

NOTE 8 - DEFERRED REVENUE

Deferred revenue at consisted of the following:

	<u>2008</u>	<u>2007</u>
Federal financial assistance	\$ 13,880	\$ -
State categorical aid	542,988	1,481,685
Enrollment fees	3,952,675	3,302,960
Other local	<u>5,668,538</u>	<u>5,218,482</u>
Total	<u>\$ 10,178,081</u>	<u>\$ 10,003,127</u>

NOTE 9 – INTERFUND TRANSACTIONS

Interfund Receivables and Payable (Due To/Due From)

Interfund receivables and payables consist of amounts owed between funds as a result of the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions recorded in the accounting system and (3) payments between funds occur. Interfund receivable and payable balances at June 30, 2008, have been 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 between funds of the District have been eliminated in the consolidation process.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2008 fiscal year consisted of the following:

	Balance Beginning of Year	Additions/ Accretions	Deductions	Balance End of Year	Due in One Year
Bonds and Notes Payable					
General obligation bonds	\$ 683,597,226	\$ 15,659,497	\$ 12,245,000	\$ 687,011,723	\$ 16,065,000
Other Liabilities					
Compensated absences	2,975,755	340,547	-	3,316,302	2,303,149
Net OPEB obligation	-	9,056,503	6,347,500	2,709,003	-
Total Other Liabilities	686,572,981	16,000,044	12,245,000	693,037,028	18,368,149
Premiums, net of amortization	21,061,529	-	877,627	20,183,902	877,627
Total Long-term Liabilities	<u>\$ 707,634,510</u>	<u>\$ 16,000,044</u>	<u>\$ 13,122,627</u>	<u>\$ 713,220,930</u>	<u>\$ 19,245,776</u>

The changes in the District's long-term obligations during the 2007 fiscal year consisted of the following:

	Balance Beginning of Year	Additions/ Accretions	Deductions	Balance End of Year	Due in One Year
Bonds and Notes Payable					
General obligation bonds	\$ 340,199,277	\$ 345,832,949	\$ 2,435,000	\$ 683,597,226	\$ 12,245,000
Other Liabilities					
Compensated absences	2,752,837	222,918	-	2,975,755	2,038,973
Total Other Liabilities	342,952,114	346,055,867	2,435,000	686,572,981	14,283,973
Premium, net of amortization	4,613,374	17,041,753	593,598	21,061,529	877,627
Total Long-term Liabilities	<u>\$ 347,565,488</u>	<u>\$ 363,097,620</u>	<u>\$ 3,028,598</u>	<u>\$ 707,634,510</u>	<u>\$ 13,122,627</u>

Description of Debt

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local property revenues. Payments on the Certificates of Participation (COP's) are made by the Bookstores, Redevelopment Project Funds, and the COP Reserve Funds using bond proceeds. Capital leases payments are made by the fund for which the vehicles were used. The accrued vacation and Net OPEB obligations 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 -5.74 percent and the interest rates on the 2005 bonds are range from 3.50 percent – 5.00 percent. At June 30, 2008, the outstanding balances for the 2001 and 2005 bonds were \$207,078,869 and \$479,932,854, respectively.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

Debt Maturity

General Obligation Bonds

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds
				Outstanding July 1, 2007	Interest Accretions	Redeemed	Outstanding June 30, 2008
6/4/2002	9/1/2026	5.2-5.74%	\$96,875,613	\$ 91,721,276	\$ 1,348,077	\$ 1,560,000	\$ 91,509,353
2/9/2005	9/1/2029	3.00-5.00%	69,995,132	71,903,967	1,270,482	440,000	72,734,449
4/11/2006	3/1/2031	3.50-5.00%	40,124,660	41,865,558	1,369,512	400,000	42,835,070
4/11/2006	9/1/2030	3.75-5.00%	135,429,395	140,327,945	3,878,533	9,845,000	134,361,478
12/12/2006	9/1/2038	3.50-5.00%	332,570,194	337,778,480	7,792,893	-	345,571,373
				<u>\$ 683,597,226</u>	<u>\$ 15,659,497</u>	<u>\$ 12,245,000</u>	<u>\$ 687,011,723</u>

The bonds mature through 2040 as follows:

Fiscal Year	Interest to		Total
	Principal	Maturity	
2009	\$ 16,065,000	\$ 16,318,961	\$ 32,383,961
2010	9,575,000	15,685,881	25,260,881
2011	11,200,000	15,294,608	26,494,608
2012	12,985,000	14,836,700	27,821,700
2013	14,910,000	14,289,483	29,199,483
2014-2018	106,459,078	60,690,891	167,149,969
2019-2023	122,020,976	43,515,413	165,536,389
2024-2028	132,665,138	32,383,062	165,048,200
2029-2033	124,728,025	21,151,487	145,879,512
2034-2038	112,512,208	9,493,000	122,005,208
2039-2040	23,891,298	491,000	24,382,298
Total	<u>\$ 687,011,723</u>	<u>\$ 244,150,486</u>	<u>\$ 931,162,209</u>

NOTE 11 – DEFEASED DEBT

In 2006, the District defeased \$30,885,000 certificates of participation issued in 2004 by creating an irrevocable trust fund. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust fund. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore, removed as a liability from the District’s Long-Term Obligations. As of June 30, 2008, the amount of defeased debt outstanding but removed from the Long-Term Obligations amounted to \$30,755,743.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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 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 716 retirees and beneficiaries currently receiving benefits and 805 active plan members. Board designated amount of the Plan is presented in these financial statements as the Retiree Health Benefits Reserve Fund. Unfunded portion of annual required contributions (net OPEB obligation) is presented in the statement of net assets as a portion of long-term obligations.

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually through agreements between the District and the bargaining units. For fiscal year 2007-2008, the District contributed \$6,347,500 to the Plan, all of which was used for premiums (approximately 70 percent of current year's annual required contribution). Plan members receiving benefits contributed \$668,983. Contributions made by retirees include \$7,509 paid to the District by the retirees for premiums and approximately \$73,000 deducted from the retirees' pensions for premiums.

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 9,056,503
Annual OPEB cost (expense)	<u>(6,347,500)</u>
Increase in net OPEB obligation	2,709,003
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	<u><u>\$ 2,709,003</u></u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2008 was as follows:

Year Ended June 30, 2008	Annual Required Contribution	Percentage Contributed	Net OPEB Obligation
2008	\$ 9,056,503	70%	\$ 2,709,003

Funding Status and Funding Progress

Actuarial valuation 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, 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. Since this is the first year of implementation, only the current year information is presented.

Actuarial Methods and Assumptions

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

In the January 4, 2007, 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 a retiree benefits reserve 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 dollar method. The remaining amortization period at July 1, 2007, was 30 years. The actuarial value of assets was not determined in this actuarial valuation. At July 1, 2008, the District's Retiree Health Benefits Reserve Fund held net assets in the amount of \$32,836,442, which consisted of \$32,095,360 on deposit with the bank and county treasurer and receivables in the amount of \$741,082.

NOTE 13 - RISK MANAGEMENT

Property and Liability

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 fiscal year ending June 30, 2008, 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.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

Workers' Compensation

For fiscal year 2007-2008, 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 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.

Claim Liabilities

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

Unpaid Claims Liabilities

The fund 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, 2006 to June 30, 2008 (in thousands):

	Workers' Compensation	Property and Liability
Liability Balance, July 1, 2006	\$ -	\$ 50,000
Claims and changes in estimates	347,781	201,465
Claims payments	(121,834)	(11,050)
Liability Balance, June 30, 2007	225,947	240,415
Claims and changes in estimates	859,601	71,130
Claims payments	(216,923)	(11,545)
Liability Balance, June 30, 2008	\$ 868,625	\$ 300,000
Assets available to pay claims at June 30, 2008	\$ 868,625	\$ 485,575

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).

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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, CA 95826.

Funding Policy

Active members are required to contribute eight 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 2007-2008 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, 2008, 2007, and 2006, were \$3,538,898, \$3,385,035, and \$3,010,591, respectively, and equal 100 percent of the required contributions for each year.

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, CA 95811.

Funding Policy

Active plan members are required to contribute seven percent of their salary (seven 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 2007-2008 was 9.306 percent of annual payroll. The District's contributions to CalPERS for fiscal years ending June 30, 2008, 2007, and 2006, were \$3,067,890, \$2,734,647, and \$2,462,338, respectively, and equaled 100 percent of the required contributions for each year.

On-Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS 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, 2008, 2007, and 2006 amounted to \$1,771,986,

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

\$2,004,829, and \$1,765,554, respectively, and equaled 4.517 percent of salaries subject to CalSTRS. A contribution to CalPERS was not required for fiscal year ended June 30, 2008, 2007, and 2006. 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 a Hartford administered 457 Deferred Compensation Program (the Program). The Program, available to all permanent employees, permits them to defer a portion of pre-tax salary into investment of an individual's own choosing until future years. The deferred compensation is not available to the employees or their beneficiaries until termination, retirement, death, or an unforeseeable emergency. The District oversees the investment and administrative functions of the Hartford 457 Deferred Compensation Program. There were 42 members participating in the 457 plan at June 30, 2008.

The District also contributes to the San Mateo County Community College District 403(b) Tax Deferred Annuity Plan (TDA), which is a defined contribution pension plan. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account.

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, 2008.

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, 2008.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

Operating Leases

The District has entered into various operating leases for buildings and equipment with 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. Future minimum lease payments under these agreements are as follows:

Year Ending June 30,	Lease Payment
2009	\$ 274,688
2010	199,969
2011	52,166
2012	38,593
2013	24,503
Total	<u>\$ 589,919</u>

Rental expenditures for the year ended June 30, 2008, amounted to \$248,922.

Construction Commitments

As of June 30, 2008, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
District funded facility improvement projects	\$ 29,072	within 1 years
State funded capital outlay projects	9,047,029	within 2 year
2001 G.O. Bond (Measure C) construction projects	540,590	within 1 years
2005 G.O. Bond (Measure A) construction projects	197,856,355	within 6 years
	<u>\$207,473,046</u>	

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

**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 \$500,000. 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.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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, 2008, the District made payment of \$1,142,593 to MacCorkle Inc. for the insurance related services, \$30,803 to School Excess Liability Fund for excess liability program and approximately \$325,771 to South Bay Regional Public Safety Training Consortium JPA.

NOTE 17 - TAX AND REVENUE ANTICIPATION NOTES

On July 6, 2006, the District issued \$10,000,000 Tax and Revenue Anticipation Notes bearing interest at 4.50 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on July 6, 2007. By June 30, 2007, 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.

On July 6, 2007, the District issued \$5,000,000 Tax and Revenue Anticipation Notes bearing interest at 4.250 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on July 1, 2008. By May 2008, 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. As the District has in substance defeased the debt, the tax anticipation notes of \$5,000,000 and related accrued interest and cash held in trust are not included in these financial statements.

	Outstanding Beginning of Year	Additions	Deletions	Outstanding End of Year
2007 4.25% TRANS	\$ -	\$ 5,000,000	\$ 5,000,000	\$ -

NOTE 18 - SUBSEQUENT EVENTS

The District issued \$13,395,000 of Tax and Revenue Anticipation Notes dated July 1, 2008. The notes mature on July 6, 2009, and yield 1.650 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 February, 2009, until 100 percent of principal and interest due is on account in May, 2009.

Subsequent to June 30, 2008, San Mateo County Pool investments declined in value. The decrease in value of the District's investments was estimated by the County Treasurer to be approximately 5%, or \$24.5 million, as of October 2008. The District will record this decrease in October 2008. The District estimates 80 percent of the investment in the County Pool was bond project funds, 15 percent was general fund investments, and the remaining 5 percent was allocated between the various other District funds with County Pool investments.

***REQUIRED SUPPLEMENTARY
INFORMATION***

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
 PROGRESS AND EMPLOYER CONTRIBUTION
 FOR THE YEAR ENDED JUNE 30, 2008**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age Normal (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a / b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ([b-a] / c)</u>
September 1, 2006	-	\$ 149,530,877	\$ 149,530,877	-	87,823,351	170.26%

SUPPLEMENTARY INFORMATION

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION JUNE 30, 2008

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.

BOARD OF TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Richard Holober	President	2009
Karen Schwarz	Vice President- Clerk	2011
Helen Hausman	Trustee	2009
Dave Mandelkern	Trustee	2011
Patricia Miljanich	Trustee	2011
Virginia Medrano Rosales	Student Trustee	2009

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, 2008**

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	\$ 469,989
Pell Grant	84.063	none	5,940,680
Supplemental Educational Opportunity Grant (SEOG)	84.007	none	443,043
Federal Family Education Loans	84.032	none	423,255
Academic Competitiveness Grant (ACG)	84.375	none	30,650
Postsecondary Education			
TRIO Cluster			
Student Support Services	84.042A	none	641,831
Upward Bound	84.047A	none	240,697
International Education			
Title VI - Undergraduate International Studies and Foreign Language	84.016	none	58,035
Vocational Education			
Passed through California Department of Education:			
CTEA I-B State Leadership - Bay Area Regional Consortium	84.048A	07-0342-004	336,000
CTEA I-C Basic Grants to States	84.048A	07-C01-052	615,440
CTEA II Tech Prep Education	84.243	07-0139-062	284,944
Special Education and Rehabilitation Services			
Passed through California Department of Rehabilitation:			
Vocational Rehabilitation-Workability	84.126A	26744	140,547
Total U.S. Department of Education			9,625,111
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Administration for Children and Families			
Passed through California Department of Education:			
Temporary Assistance for Needy Families (TANF)	93.558	none	71,250
Child Care and Development Block Grant	93.575	3939,4047	26,681
Total U.S. Department of Health and Human Services			97,931
U.S. DEPARTMENT OF AGRICULTURE			
Passed through California Department of Education:			
Child and Adult Care Food Program	10.558	41-17540A	32,426
U.S. DEPARTMENT OF LABOR			
Passed through County of San Mateo:			
WIA Dislocated Workers	17.260	73200-07	526
NATIONAL SCIENCE FOUNDATION			
Education and Human Resources	47.076	none	202,147
Total Expenditures of Federal Awards			\$ 9,958,141

See accompanying note to supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2008**

Program	Program Revenues			Total Revenue	Total Program Expenditures
	Cash Received	Accounts Receivable	Deferred Income ^[1]		
GENERAL FUND					
AB 77/Disabled Students Program	\$ 1,775,723	\$ -	\$ -	\$ 1,775,723	\$ 1,775,723
Extended Opportunity Programs	1,836,000	-	348	1,835,652	1,835,652
Care/EOP	121,596	-	-	121,596	121,596
Matriculation	1,467,776	-	-	1,467,776	1,467,776
Foster Parent Training	-	93,181	-	93,181	93,181
AB 602 FA Administrative Allowance	790,546	-	18,832	771,714	771,714
Block Grant	358,201	-	(110,459)	468,660	468,660
T-Com and Technology (TTIP)	144,369	-	(1,379)	145,748	145,748
CalWorks	303,750	-	29,699	274,051	274,051
Middle College High School	136,770	136,768	-	273,538	273,538
CITD Economic Development	172,200	-	81,381	90,819	90,819
Transfer and Articulation	15,000	-	3	14,997	14,997
Staff Diversity	22,068	-	(4,902)	26,970	26,970
Staff Development	-	-	(5,471)	5,471	5,471
Statewide Leadership Multimedia	144,900	19,101	-	164,001	164,001
MESA/CCCP Funds for Student Success	122,250	38,734	-	160,984	160,984
RCSD CBET Program	79,893	23,362	34	103,221	103,221
Lottery-Prop 20-Instructional Materials	116,926	234,054	-	350,980	361,837
Nursing -Enrollment Growth	161,062	-	65,241	95,821	95,821
SUHSD CBET Program	30,363	8,586	444	38,505	38,505
Economic Development Quick Start Biotech	-	175,231	-	175,231	175,231
Economic Development Quick Start Multimedia Cabrillo	40,400	-	-	40,400	40,400
Basic Skills reappropriation	-	-	(506,372)	506,372	506,372
Economic Development IDRC Insurance Instructor	39,161	1,665	-	40,826	40,826
Economic Development IDRC Judicial Careers	257,807	120,477	-	378,284	378,284
Economic Development IDRC International Trade Logistics	285,720	-	7,698	278,022	278,022
Economic Development JDIF Technician Training	296,866	-	5,498	291,368	291,368
Economic Development IDRC West Valley CCD	34,410	-	-	34,410	34,410
Economic Development Health Careers Pathways	125,000	-	79,870	45,130	45,130
Garfield RCSD CBET Program	8,838	3,448	181	12,105	12,105
Basic Skills 07-08	513,826	-	512,049	1,777	1,777
CCC Live Caption	9,148	-	9,148	-	-
Economic Development Incumbent Worker - Healthcare	334,558	63,725	-	398,283	398,283
Economic Development Incumbent Worker - Solar Energy	420,000	-	249,084	170,916	170,916
CTE Equipment - Allied Health	103,695	-	101,978	1,717	1,717
State Library	13,919	-	121	13,798	13,798
CDE Child Development	410,764	143,479	-	554,243	554,243
Cal Grant	486,068	9,822	9,962	485,928	485,928
Subtotal	\$ 11,179,573	\$ 1,071,633	\$ 542,988	\$ 11,708,218	\$ 11,719,075

[1] Includes prior year and current year deferred revenue.

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, 2008**

CATEGORIES	<u>Revised Reported Data*</u>	<u>Audit Adjustments</u>	<u>Audited Data</u>
A. Summer Intersession (Summer 2007)			
1. Noncredit	5	-	5
2. Credit	281	-	281
B. Summer Intersession (Summer 2008)			
1. Noncredit	-	-	-
2. Credit	-	-	-
C. Primary Terms			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	14,905	-	14,905
(b) Daily Census Contact Hours	1,027	-	1,027
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	35	-	35
(b) Credit	1,144	-	1,144
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	649	-	649
(b) Daily Census Contact Hours	264	-	264
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	<u>18,310</u>	<u>-</u>	<u>18,310</u>
E. Basic Skills courses and Immigrant Education (FTES)			
1. Noncredit	42	-	42
2. Credit	2,050	-	2,050
	<u>2,092</u>	<u>-</u>	<u>2,092</u>

* Revised on October 1, 2008

See accompanying note to supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
WITH FUND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

There were no adjustments to the Annual Financial and Budget Report (CCFS-311), which required reconciliation to the audited financial statements at June 30, 2008.

See accompanying note to supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEETS TO THE
STATEMENT OF NET ASSETS
JUNE 30, 2008**

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

Total Fund Balance - All District Funds	\$ 555,100,306
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	\$ 418,230,389
Accumulated depreciation is	<u>(69,549,763)</u> 348,680,626
A fiduciary fund is used by the District's management to account for the activities of the student financial aid services. The assets and liabilities of the financial aid fund are included with governmental activities.	192,000
Expenditures relating to issuance of debt were recognized on the modified accrual basis, but should not be recognized in accrual basis.	5,949,388
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.	(17,622,768)
An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	13,035,045
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	687,011,723
Premiums, net of amortization	20,183,902
Net OPEB Obligation	2,709,003
Compensated absences (vacations)	<u>1,013,153</u> (710,917,781)
Total Net Assets	<u>\$ 194,416,816</u>

See accompanying note to supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2008

NOTE 1 - PURPOSE OF SCHEDULES

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.

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 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.

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 fund financial statements, prepared on a modified accrual basis, to the accrual basis required under GASB Statement No. 35.

*INDEPENDENT AUDITORS'
REPORTS*



**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 financial statements of the business-type activities of the San Mateo County Community College District (the District) for the years ended June 30, 2008 and 2007, and have issued our report thereon dated December 18, 2008. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

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 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 18, 2008.

This report is intended solely for the information and use of the Board of Trustees, District Management, the California Community Colleges System'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, Trine, Day & Co LLP

Pleasanton, California
December 18, 2008



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

VALUE THE DIFFERENCE

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

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

Compliance

We have audited the compliance of San Mateo County Community College District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2008. 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 requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2008.

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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the San Mateo County Community College District's internal control over compliance.

A *control deficiency* in a district's internal control over compliance 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 noncompliance with a type of compliance requirement of a Federal program on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance 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 compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Trustees, District Management, the California Community Colleges System'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, Trine, Day & Co LLP

Pleasanton, California
December 18, 2008



REPORT ON STATE COMPLIANCE

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

We have audited the financial statements of the San Mateo County Community College District (the District) for the years ended June 30, 2008 and 2007, and have issued our report thereon dated December 18, 2008.

Our audit was made in accordance with auditing standards generally accepted in the United States of America and the standards for financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the following State laws and regulations in accordance with Section 400 of the Chancellor's Office's *California Community Colleges Contracted District Audit Manual (CDAM)*.

General Directive

Section 424: MIS Implementation - State General Apportionment Funding System

Administration

Section 435: Open Enrollment

Section 437: Student Fee - Instructional Materials and Health Fees

Section 423: Apportionment of Instructional Service Agreements/Contracts

Section 425: Residency Determination for Credit Courses

Section 427: Concurrent Enrollment of K-12 Students in Community College Credit Courses

Section 432: Enrollment Fee

Section 421: Salaries of Classroom Instructors (50% Law)

Section 426: Students Actively Enrolled

Section 431: Gann Limit Calculation

Student Services

Section 428: Use of Matriculation Funds

Section 433: CalWORKs - Use of State and Federal TANF Funding

Facilities

Section 434: Scheduled Maintenance Program

Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, except for finding 2008-1 as described in the accompanying Schedule of State Award Findings and Questioned Costs, the San Mateo County Community College District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2008.

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 them.

This report is intended solely for the information of the Board of Trustees, District Management, the California Community Colleges System'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, Trine, Day & Co LLP

Pleasanton, California
December 18, 2008

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2008**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>No</u>
Identification of major programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.033, 84.063, 84.007, 84.375, 84.032	Student Financial Aid Cluster
84.048A	CTEA
_____	_____
_____	_____

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

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material	<u>Yes</u>
Type of auditors' report issued on compliance for State programs:	<u>Qualified</u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2008**

None reported.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

None reported.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2008

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

2008-1 Finding

College of San Mateo – 8 of 10 concurrent students were enrolled in over 11 units and the college did not charge enrollment fees. 6 of 10 concurrent students did not have an application signed by their home school principal.

Canada College – 4 of 10 concurrent students were enrolled in over 11 units and the college did not charge enrollment fees. HSCI*105, course number 91403 was offered after the publication and final addendums to the Fall, 2007 class schedule and was not reasonably publicized to the general public within 30 days prior to the start of the course and was only publicized on the colleges website. In addition, the site didn't maintain dated hardcopy printouts of the web posting for review.

The District does not appear to have procedures to require K-12 principals certify that they have not recommended for college attendance more than 5% of the total number of pupils who completed the grade immediately prior to the time of recommendation.

The District cannot receive state apportionment in excess of 5% of the District's total reported FTES enrollment of special part-time and full-time students. We found that the District had exceeded this limit in the Fall semester by 6.63 FTES and 17.8 FTES in the Spring semester. It is broken down by site as follows: Skyline exceeded the limit by .06 in the Fall and 2.88 in the Spring; Canada College exceeded the limit by 5.52 FTES in the Fall and 7.89 FTES in the Spring; and College of San Mateo exceeded the limit by .66 FTES in the Fall and 2.32 FTES in the Spring.

For physical education course sections, not more than 10% of the enrollment claimed for apportionment for each course section can consist of special part-time or full-time students (Ed. Code Section 76002(a)(4)). During our testing we found that each site had exceeded this limit. Skyline had exceeded this limit by .04 FTES in the Fall and .641 FTES in the Spring, Canada had exceeded this limit by 5.33 in the Fall and 6.76 in the Spring semester, and College of San Mateo exceeded this limit by .04 in the Fall and 4.92 FTES in the Spring.

Criteria or Specific Requirement

Education Code 76300 indicates that special part-time students may be exempted as a group from paying the \$26 per unit enrollment fee. However, there is no such authority for special full time students and thus a college district cannot exempt all such students as a group.

California Code of Regulations, title 5, section 58104 indicates that if a decision to offer a course is made so late that it cannot be listed in the latest addendum to the schedule of classes that the course be reasonably well publicized to the general public and if the District chooses to advertise solely on the internet they should observe the following:

- Must be advertised for a minimum of 30 continuous days prior to the first meeting of the class.
- The District should maintain dated hardcopy printouts of the web postings on file for a minimum of at least three years.

The physical education courses have limits to how much apportionment from these types of students can be claimed. Education code 76002 (a) (4), indicates that the District cannot receive state apportionment in excess of 5% of the District's total reported FTES enrollment of special part-time and full-time students.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2008

Education Code 48800(d) indicates that recommendation of special part-time students will not result in recommendations of more than 5% of the total number of pupils who completed that grade immediately prior to the time of the recommendation. Legal Opinion M02-20, the Chancellor's Office advises colleges admitting minors as special students in summer session credit courses to obtain certification from school principals that the number of students recommended to attend college courses does not exceed the 5% statutory limit.

Education code 76002(a) (4) indicates that Districts cannot claim apportionment for special full-time and part-time students in excess of 10% of the total FTES claimed for each physical education course section.

Condition

Several instances of non-compliance over special part-time and full-time student enrollment and apportionment requirements.

Questioned Costs

- \$4,433 for the two colleges with students exceeding 11 units in missed enrollment fees.
- The total apportionment claimed for HSCI*105*91403 is 0.74.
- The District is over the 5% limit by 24.43 FTES over the fall and spring semesters.
- The District is over the 10% limit by 17.73 FTES for both fall and spring semesters.

Context

- The District does not have a process in place to assure compliance with the 5% limits over concurrent students enrolling in summer session.
- The District did not have a process to review FTES claimed for these types of students to determine compliance with the 5% and 10% limits over physical education courses.
- The sites misunderstood the compliance requirements over charging fees after these students exceed 11 units.

Effect

- For College of San Mateo and Canada College \$4,433 was lost in total tuition from the number of these students selected during our audit.
- In addition, the District may be claiming more students for apportionment than allowed for physical education courses.
- Canada's failure to provide adequate notification could jeopardize the total apportionment claimed and received for HSCI*105*91403.
- The District is over the 5% limit by 6.63 FTES in the Fall and 17.8 FTES in the Spring semesters.
- The District is over the 10% limit by 5.41 FTES in the Fall and 12.32 FTES in the Spring semesters.

Cause

- The District does not have a process in place to assure compliance with the 5% limits over concurrent students enrolling in summer session.
- The District did not have a process to review FTES claimed for these types of students to determine compliance with the 5% and 10% limits over physical education courses.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2008

- The sites misunderstood the compliance requirements over charging fees after these students exceed 11 units.

Recommendation

- The class schedules need to be updated to indicate that fees will be assessed for concurrent students who enroll in more than 11 units. The college needs to update their attendance system to automatically assess fees for special full-time students once they enroll in more than 11 units.
- The apportionment being reported for these types of students in physical education courses should be analyzed to determine compliance with limits provided in the education codes. In addition, the District should consider creating reports within their attendance system that will provide information supporting compliance with these limits as well as other provisions of the education codes over concurrently enrolled students. The District should review the apportionment being claimed for these students while preparing the 320 report removing any apportionment over the limits prior to submitting the reports to the State.
- When a decision to offer a course is made so late that it cannot be listed in the latest addendum to the schedule of classes the District needs to maintain documentation of when the class was advertised for a minimum of three years.

District Response

The District has changed its procedures to charge concurrently enrolled students enrollment fees when they are enrolled in 11.5 or more units effective with Spring, 2009, semester. The District has added the following statement to the high school admission form that the high school principal or his designee signs: "I understand for any grade level in my school I may not recommend for community college summer session attendance more than five percent of the total number of pupils who completed that grade prior to this recommendation, excluding Middle College High School students." This statement will ensure compliance with the 5% limit in Summer 2009. The District is researching mechanisms to prevent over-reporting of concurrent students in physical education courses. The District has appropriate procedures to advertise courses that were added late in the enrollment process and will ensure that all staff are familiar with these procedures.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2008

The status of the findings and recommendations noted in the prior year audit report is included in the District management letter dated December 3, 2007.

State Awards Findings

2007-1 STUDENTS ACTIVELY ENROLLMENT

Finding

As noted in prior year not all instructors are turning in the census rosters following the census date.

Recommendation

We recommend the District continues to remind instructors that certified census rosters (certified either on line or on paper) are required to be submitted shortly after each census date.

Current Status

Implemented.

ADDITIONAL SUPPLEMENTARY INFORMATION

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET - (UNAUDITED)
JUNE 30, 2008**

	General Unrestricted	General Restricted	Child Development	Bond Interest and Redemption
ASSETS				
Cash and cash equivalents	\$ 442,471	\$ -	\$ -	\$ -
Investments	18,940,467	7,343,246	62,268	26,430,432
Accounts receivable, net of allowance	7,548,583	2,997,628	171,005	184,895
Due from other funds	159,906	1,000,000	-	-
Prepaid expenses	17,175	3,683	-	-
Total Assets	\$ 27,108,602	\$ 11,344,557	\$ 233,273	\$ 26,615,327
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	\$ 8,897,949	\$ 1,079,884	\$ 35,036	\$ -
Due to other funds	4,634,117	-	-	-
Deferred revenue	3,264,985	6,287,707	20,363	-
Total Liabilities	16,797,051	7,367,591	55,399	-
FUND EQUITY				
Fund Balances				
Reserved	28,975	3,683	-	-
Unreserved				
Designated	10,122,872	3,618,462	-	-
Undesignated	159,704	354,821	177,874	26,615,327
Total Fund Equity	10,311,551	3,976,966	177,874	26,615,327
Total Liabilities and Fund Equity	\$ 27,108,602	\$ 11,344,557	\$ 233,273	\$ 26,615,327

See accompanying note to additional supplementary information - unaudited.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET - (UNAUDITED) (CONTINUED)
JUNE 30, 2008**

COP Payment	Capital Outlay Projects	Bond Construction	COP Construction	Retiree Benefits	Total Governmental Funds (Memorandum Only)
\$ 155,839	\$ -	\$ -	\$ -	\$ 2,298,704	\$ 2,897,014
1,053	55,574,645	412,334,702	4,534,286	29,796,656	555,017,755
8	6,674,112	3,452,228	-	741,082	21,769,541
-	744,000	5,945,753	2,300,000	-	10,149,659
-	39,560	10,733,897	-	-	10,794,315
<u>\$ 156,900</u>	<u>\$ 63,032,317</u>	<u>\$ 432,466,580</u>	<u>\$ 6,834,286</u>	<u>\$ 32,836,442</u>	<u>\$ 600,628,284</u>
\$ -	\$ 3,633,167	\$ 11,342,047	\$ 1,063	\$ -	\$ 24,989,146
-	2,028,579	3,912,119	-	-	10,574,815
-	390,962	-	-	-	9,964,017
-	6,052,708	15,254,166	1,063	-	45,527,978
-	-	-	-	-	32,658
-	-	-	-	-	13,741,334
156,900	56,979,609	417,212,414	6,833,223	32,836,442	541,326,314
<u>156,900</u>	<u>56,979,609</u>	<u>417,212,414</u>	<u>6,833,223</u>	<u>32,836,442</u>	<u>555,100,306</u>
<u>\$ 156,900</u>	<u>\$ 63,032,317</u>	<u>\$ 432,466,580</u>	<u>\$ 6,834,286</u>	<u>\$ 32,836,442</u>	<u>\$ 600,628,284</u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2008**

	General Unrestricted	General Restricted	Child Development	Bond Interest and Redemption
REVENUES				
Federal revenues	\$ -	\$ 3,079,906	\$ 36,607	\$ -
State revenues	36,879,303	10,648,901	554,243	165,053
Local revenues	76,201,651	7,936,579	215,816	24,546,679
Total Revenues	<u>113,080,954</u>	<u>21,665,386</u>	<u>806,666</u>	<u>24,711,732</u>
EXPENDITURES				
Current Expenditures				
Academic salaries	47,927,030	4,701,938	178,762	-
Classified salaries	23,716,634	8,061,591	527,837	-
Employee benefits	23,421,570	3,095,282	272,218	-
Books and supplies	1,764,178	2,208,787	66,687	-
Services and operating expenditures	9,871,992	4,203,523	93,266	-
Capital outlay	99,775	244,540	-	-
Debt service - principal	-	-	-	12,245,000
Debt service - interest and other	-	-	-	16,607,468
Total Expenditures	<u>106,801,179</u>	<u>22,515,661</u>	<u>1,138,770</u>	<u>28,852,468</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>6,279,775</u>	<u>(850,275)</u>	<u>(332,104)</u>	<u>(4,140,736)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	948,908	2,023,738	353,722	-
Operating transfers out	(7,511,841)	(209,552)	-	-
Other sources	23,058	457,351	-	-
Other uses	-	(1,417,530)	-	-
Total Other Financing Sources (Uses)	<u>(6,539,875)</u>	<u>854,007</u>	<u>353,722</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(260,100)</u>	<u>3,732</u>	<u>21,618</u>	<u>(4,140,736)</u>
FUND BALANCE, BEGINNING OF YEAR	<u>10,571,651</u>	<u>3,973,234</u>	<u>156,256</u>	<u>30,756,063</u>
FUND BALANCE, END OF YEAR	<u>\$10,311,551</u>	<u>\$ 3,976,966</u>	<u>\$ 177,874</u>	<u>\$ 26,615,327</u>

See accompanying note to additional supplementary information - unaudited.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - (UNAUDITED) (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2008**

COP Payment	Capital Outlay Projects	Bond Construction	COP Construction	Retiree Benefits	Total Governmental Fund (Memorandum Only)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,116,513
-	12,762,469	-	-	-	61,009,969
68,288	4,493,656	20,058,667	148,496	1,224,572	134,894,404
68,288	17,256,125	20,058,667	148,496	1,224,572	199,020,886
-	1,450	142,283	-	-	52,951,463
-	45,589	2,587,293	-	-	34,938,944
-	9,434	764,855	-	-	27,563,359
-	329,468	1,897,945	5,551	-	6,272,616
-	647,701	6,924,373	265,618	3,833	22,010,306
-	12,630,822	46,871,556	554,871	-	60,401,564
-	-	-	-	-	12,245,000
-	-	-	-	-	16,607,468
-	13,664,464	59,188,305	826,040	3,833	232,990,720
68,288	3,591,661	(39,129,638)	(677,544)	1,220,739	(33,969,834)
-	1,334,722	-	2,300,000	1,500,000	8,461,090
-	(940,932)	-	-	-	(8,662,325)
-	470,000	-	-	-	950,409
-	(135,384)	-	-	-	(1,552,914)
-	728,406	-	2,300,000	1,500,000	(803,740)
68,288	4,320,067	(39,129,638)	1,622,456	2,720,739	(34,773,574)
88,612	52,659,542	456,342,052	5,210,767	30,115,703	589,873,880
\$ 156,900	\$ 56,979,609	\$417,212,414	\$ 6,833,223	\$ 32,836,442	\$ 555,100,306

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**PROPRIETARY FUNDS
BALANCE SHEET - (UNAUDITED)
JUNE 30, 2008**

	Enterprise Funds			Internal Service Fund
	Bookstore	Cafeteria	Total	
ASSETS				
Cash and cash equivalents	\$ 2,089,999	\$ -	\$ 2,089,999	\$ 20,000
Investments	2,374,560	350,318	2,724,878	6,730,108
Accounts receivable	285,163	44,861	330,024	-
Prepaid expenses	53,193	126,381	179,574	-
Stores inventories	1,754,594	-	1,754,594	-
Furniture and equipment (net)	380,327	51,793	432,120	-
Total Assets	\$ 6,937,836	\$ 573,353	\$ 7,511,189	\$ 6,750,108
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	\$ 755,912	\$ 5,380	\$ 761,292	\$ 300,000
Due to other funds	-	159,906	159,906	5,054
Total Liabilities	755,912	165,286	921,198	305,054
FUND EQUITY				
Retained earnings	6,181,924	408,067	6,589,991	6,445,054
Total Liabilities and Fund Equity	\$ 6,937,836	\$ 573,353	\$ 7,511,189	\$ 6,750,108

See accompanying note to additional supplementary information - unaudited.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
RETAINED EARNINGS - (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Enterprise Funds</u>			<u>Internal Service Fund</u>
	<u>Bookstore</u>	<u>Cafeteria</u>	<u>Total</u>	
OPERATING REVENUES				
Sales revenues	\$ 8,569,211	\$ 207,873	\$ 8,777,084	\$ -
Total Operating Income	<u>8,569,211</u>	<u>207,873</u>	<u>8,777,084</u>	<u>-</u>
OPERATING EXPENSES				
Certificated salaries	-	-	-	28,041
Classified salaries	1,722,791	19,758	1,742,549	122,455
Employee benefits	17,521	4,476	21,997	41,048
Books and supplies	6,512,141	-	6,512,141	2,141
Services and other operating expenditures	483,504	426,778	910,282	789,608
Total Operating Expenses	<u>8,735,957</u>	<u>451,012</u>	<u>9,186,969</u>	<u>983,293</u>
Operating Income (Loss)	<u>(166,746)</u>	<u>(243,139)</u>	<u>(409,885)</u>	<u>(983,293)</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	196,274	21,834	218,108	422,128
Other sources	321,189	-	321,189	1,981,139
Total Nonoperating Revenues (Expenses)	<u>517,463</u>	<u>21,834</u>	<u>539,297</u>	<u>2,403,267</u>
NET INCOME (LOSS)	350,717	(221,305)	129,412	1,419,974
RETAINED EARNINGS, BEGINNING OF YEAR	<u>5,831,207</u>	<u>629,372</u>	<u>6,460,579</u>	<u>5,025,080</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 6,181,924</u>	<u>\$ 408,067</u>	<u>\$ 6,589,991</u>	<u>\$ 6,445,054</u>

See accompanying note to additional supplementary information - unaudited.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**PROPRIETARY FUNDS
STATEMENTS OF CASH FLOWS - (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2008**

	Enterprise Funds			Internal Service Fund
	Bookstore	Cafeteria	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from user charges	\$ 8,715,528	\$ 172,262	\$ 8,887,790	\$ 153,485
Cash received from other funds	409,955	159,906	569,861	-
Cash payments to employees for services	(1,740,312)	(24,234)	(1,764,546)	(191,544)
Cash reimbursements from insurance claims	-	-	-	59,585
Cash payments to suppliers for goods and services	<u>(7,472,295)</u>	<u>(426,207)</u>	<u>(7,898,502)</u>	<u>(791,749)</u>
Net Cash Provided (Used) for Operating Activities	<u>(87,124)</u>	<u>(118,273)</u>	<u>(205,397)</u>	<u>(770,223)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Contribution from other funds	<u>321,189</u>	<u>-</u>	<u>321,189</u>	<u>1,981,139</u>
Net Cash Provided (Used) from Noncapital Financing Activities	<u>321,189</u>	<u>-</u>	<u>321,189</u>	<u>1,981,139</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	<u>196,274</u>	<u>21,834</u>	<u>218,108</u>	<u>422,128</u>
Net Cash Provided (Used) from Investing Activities	<u>196,274</u>	<u>21,834</u>	<u>218,108</u>	<u>422,128</u>
Net increase (decrease) in cash and cash equivalents	430,339	(96,439)	333,900	1,633,044
Cash and cash equivalents - Beginning	<u>4,034,220</u>	<u>446,757</u>	<u>4,480,977</u>	<u>5,117,064</u>
Cash and cash equivalents - Ending	<u>\$ 4,464,559</u>	<u>\$ 350,318</u>	<u>\$ 4,814,877</u>	<u>\$ 6,750,108</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	(166,746)	(243,139)	(409,885)	(983,293)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation loss on disposal	91,779	64,119	155,898	-
Loss on disposal	-	195,709	195,709	-
Changes in assets and liabilities:				
Receivables	146,317	(35,611)	110,706	153,485
Due from other fund	409,955	159,906	569,861	-
Prepaid expenses	1,720	(126,381)	(124,661)	-
Inventories	(62,144)	-	(62,144)	-
Accrued liabilities	<u>(508,005)</u>	<u>(132,876)</u>	<u>(640,881)</u>	<u>59,585</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (87,124)</u>	<u>\$ (118,273)</u>	<u>\$ (205,397)</u>	<u>\$ (770,223)</u>

See accompanying note to additional supplementary information - unaudited.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**FIDUCIARY FUNDS
BALANCE SHEET - (UNAUDITED)
JUNE 30, 2008**

	Associated Students Trust	Student Representation Fee	Student Financial Aid	BACC JPA	Total
ASSETS					
Cash and cash equivalents	\$ 400,147	\$ 147,573	\$ 185	\$ -	\$ 547,905
Investments	920,472	-	312,666	8,335	1,241,473
Accounts receivable	157,165	-	621,628	-	778,793
Due from other funds	590,116	-	-	-	590,116
Fixed assets	14,905	-	-	-	14,905
Total Assets	\$ 2,082,805	\$ 147,573	\$ 934,479	\$ 8,335	\$ 3,173,192
LIABILITIES AND FUND EQUITY					
LIABILITIES					
Accounts payable	\$ 1,289,054	\$ -	\$ 527,945	\$ -	\$ 1,816,999
Deferred revenue	-	-	214,064	-	214,064
Due to student groups and other	793,751	147,573	470	8,335	950,129
Total Liabilities	2,082,805	147,573	742,479	8,335	2,981,192
FUND EQUITY					
Fund Balances					
Unreserved					
Undesignated	-	-	192,000	-	192,000
Total Fund Equity	-	-	192,000	-	192,000
Total Liabilities and Fund Equity	\$ 2,082,805	\$ 147,573	\$ 934,479	\$ 8,335	\$ 3,173,192

See accompanying note to additional supplementary information - unaudited.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2008**

	Student Financial Aid
REVENUES	
Federal revenues	\$ 6,410,411
State revenues	485,928
Local revenues	79
Total Revenues	<u>6,896,418</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>6,896,418</u>
OTHER FINANCING SOURCES (USES)	
Operating transfers in	202,501
Operating transfers out	(1,266)
Other uses	<u>(7,034,074)</u>
Total Other Financing Sources (Uses)	<u>(6,832,839)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	63,579
FUND BALANCE, BEGINNING OF YEAR	<u>128,421</u>
FUND BALANCE, END OF YEAR	<u>\$ 192,000</u>

See accompanying note to additional supplementary information - unaudited.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTE TO ADDITIONAL SUPPLEMENTARY INFORMATION JUNE 30, 2008

NOTE 1 - PURPOSE OF SCHEDULES

Fund Financial Statements

The accompanying financial statements report the governmental, proprietary, and fiduciary fund activities of San Mateo County Community College District and are presented on the modified accrual basis of accounting. Therefore, some amounts presented in these financial statements may differ from amounts presented in, or used in, the preparation of the basic financial statements. The information is unaudited and is presented at the request of the District management.

BOARD REPORT NO. 09-1-101B

TO: Members of the Board of Trustees
FROM: Ron Galatolo, Chancellor-Superintendent
PREPARED BY: James W. Keller, Executive Vice Chancellor, 358-6790

**RECEIPT AND ACCEPTANCE OF THE 2007-08
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, -2008. 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 2007-08 audit reports for KCSM-FM and KCSM-TV, which were filed with the Corporation for Public Broadcasting prior to the January 31, 2009 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, 2008

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

JUNE 30, 2008

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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, 2008, 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, 2008, 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, 2008, 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 18, 2008, 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 18, 2008

-1-

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

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

STATEMENT OF NET ASSETS
JUNE 30, 2008

ASSETS

Current Assets

Accounts receivable	\$ 4,563
Due from district	<u>1,000,000</u>
Total current assets	<u><u>1,004,563</u></u>

Noncurrent assets

Capital assets	5,703,664
Accumulated depreciation	<u>(2,422,344)</u>
Total noncurrent assets	<u>3,281,320</u>
TOTAL ASSETS	<u><u>4,285,883</u></u>

LIABILITIES

Current Liabilities

Cash overdraft	244,899
Accounts payable	<u>50,845</u>
Total liabilities	<u><u>295,744</u></u>

NET ASSETS

Investment in capital assets	3,281,320
Unrestricted	<u>708,819</u>
TOTAL NET ASSETS	<u><u>\$ 3,990,139</u></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, 2008

OPERATING REVENUES

Direct Income

CPB community service grants	\$ 630,838
CPB television interconnection grants	13,329
Business and industry	1,000
Subscription and membership	1,226,880
Royalties	79,915
Other income	27,355
San Mateo County Community College District	1,116,753

Indirect Support

San Mateo County Community College District	874,858
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Total Operating Revenues	<u>3,970,928</u>
---------------------------------	------------------

OPERATING EXPENSES

Programming and production	1,234,589
Broadcasting	1,523,021
Program information and promotion	175,868
Management and general	1,108,355
Fundraising support	469,801
Underwriting and grant solicitation	184,419

Total Operating Expenses	<u>4,696,053</u>
---------------------------------	------------------

Operating Loss	<u>(725,125)</u>
-----------------------	------------------

OTHER INCOME

Transfer from district	<u>1,000,000</u>
------------------------	------------------

CHANGE IN NET ASSETS

274,875

NET ASSETS AT BEGINNING OF YEAR

3,715,264

NET ASSETS AT END OF YEAR

\$ 3,990,139

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, 2008

CASH FLOWS FROM OPERATING ACTIVITIES

CPB community service grants	\$ 630,838
CPB television interconnection grants	125,625
Subscription and membership	1,226,880
Payments to suppliers	(2,916,295)
Payment to /(on behalf of) employees	(1,108,355)
Net Cash Used By Operating Activities	<u>(1,933,037)</u>

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Purchase of equipment	(914,095)
Transfer from District	4,391,611
Net Cash Provided By Capital Financing Activities	<u>3,477,516</u>

NET INCREASE IN CASH

	1,544,479
CASH AND CASH EQUIVALENTS (OVER DRAFT) AT BEGINNING OF YEAR	(1,789,378)
CASH AND CASH EQUIVALENTS (OVER DRAFT) AT END OF YEAR	<u>\$ (244,899)</u>

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

Operating loss	\$ (725,125)
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	586,671
Loss on equipment disposal	58,475
District contribution	(1,991,611)
Changes in assets and liabilities	
Decrease in accounts receivable	112,296
Decrease in accounts payable	26,257
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (1,933,037)</u>

NONCASH TRANSACTIONS

Indirect support - San Mateo Community College District	<u>\$ 874,858</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, 2008**

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, 2008

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 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, 2008, are classified in the accompanying financial statements as an overdraft in governmental fund investments in the amount of \$(244,899). Cash accounts maintained by KCSM-TV are held by San Mateo County Community College District in pooled amounts at the San Mateo County Treasury. For cash flow purposes, San Mateo County Community College District allows KCSM-TV to have negative cash balances in anticipation of accounts receivable being collected and the District contributing funds necessary to operate KCSM-TV. At June 30, 2008, cash due to the District amounted to \$244,899 for this purpose.

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

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.

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

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

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 a negative (\$244,899). The weighted average maturity of the San Mateo pooled investments at June 30, 2008, was approximately 1.2 years.

NOTE 3 – CAPITAL ASSETS

Changes in equipment are summarized as follows:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Equipment	\$ 5,023,469	\$ 914,095	\$ 233,900	\$ 5,703,664
Less - Accumulated Depreciation	<u>2,011,098</u>	<u>586,671</u>	<u>175,425</u>	<u>2,422,344</u>
Net Equipment	<u>\$ 3,012,371</u>	<u>\$ 327,424</u>	<u>\$ 58,475</u>	<u>\$ 3,281,320</u>

Current year depreciation expense was \$586,671.

NOTE 4 - DONATED SERVICES AND MATERIALS

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 from San Mateo County Community College District, the entity that operates the station, in the amount of \$874,858.

During the year, KCSM-TV also received \$1,116,753 of support for payroll and benefits from San Mateo County Community College District.

NOTE 6 – RELATED PARTY TRANSACTIONS

Subsequent to June 30, 2008, San Mateo County Pool investment declined in value. The decrease in value of the District's investments was estimated by the County Treasurer to be approximately 5%, or \$(12,244), as of October

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

2008. The District will record this decrease in October 2008.

INDEPENDENT AUDITORS' REPORT



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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, 2008, which comprises the KCSM - TV basic financial statements and have issued our report thereon dated December 18, 2008. 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 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

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



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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.

Vaurinek, Tine, Day & Co LLP

Pleasanton, California
December 18, 2008

KCSM-FM

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

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2008

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

JUNE 30, 2008

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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, 2008, 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, 2008, 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, 2008, 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 18, 2008, 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 18, 2008



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

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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, 2008**

ASSETS

Current assets

Cash and cash equivalents	\$ 567,471
Total current assets	<u>567,471</u>

Noncurrent assets

Capital assets	394,666
Accumulated depreciation	<u>(190,266)</u>
Total noncurrent assets	<u>204,400</u>
TOTAL ASSETS	<u>771,871</u>

LIABILITIES

Current Liabilities

Accounts payable	<u>23,563</u>
------------------	---------------

NET ASSETS

Investment in capital assets	204,400
Unrestricted	<u>543,908</u>
TOTAL NET ASSETS	<u>\$ 748,308</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, 2008**

OPERATING REVENUES

Direct Income		
CPB community service grants	\$	173,430
Other income		313
Business and industry		49,432
Subscription and membership		1,232,541
Facilities use		41,323
Indirect support		
San Mateo County Community College District		328,929
Total Operating Revenues		<u>1,825,968</u>

OPERATING EXPENSES

Programming and production		623,880
Broadcasting		270,263
Program information and promotion		93,310
Management and general		452,752
Fundraising support		361,390
Underwriting and grant solicitation		35,283
Total Operating Expenses		<u>1,836,878</u>
Total Operating (Loss)		<u>(10,910)</u>

OTHER EXPENSES

Transfer in		150,978
Transfer out		<u>(150,978)</u>
		-

CHANGE IN NET ASSETS		(10,910)
NET ASSETS AT BEGINNING OF YEAR		759,218
NET ASSETS AT END OF YEAR	\$	<u>748,308</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, 2008**

CASH FLOWS FROM OPERATING ACTIVITIES

CPB community service grants	\$ 202,461
Other income	313
Business and industry	49,432
Subscription and membership	1,232,541
San Mateo County Community College District	328,929
Facilities use	41,323
Payments to suppliers	(903,649)
Payment to /(on behalf of) employees	(879,199)
Net Cash Provided By Operating Activities	<u>72,151</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of fixed assets	(63,177)
Net Cash Used By Capital Financing Activities	<u>(63,177)</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS	8,974
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>558,497</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 567,471</u>

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

Operating Loss	\$ (10,910)
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	36,728
Changes in assets and liabilities	
Decrease in accounts receivable	29,031
Increase in accounts payable	17,302
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 72,151</u>

NONCASH TRANSACTIONS

Indirect support - San Mateo Community College District	<u>\$ 328,929</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, 2008**

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, 2008**

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 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, 2008, are classified in the accompanying financial statements as a governmental fund investment in the amount of \$567,471. 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, 2008**

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 \$567,471. The weighted average maturity of the San Mateo pooled investments at June 30, 2008, was approximately 1.2 years.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 3 – CAPITAL ASSETS

Changes in equipment are summarized as follows:

	<u>July 1, 2007</u>	<u>Additions</u>	<u>June 30, 2008</u>
Equipment	\$ 331,489	\$ 63,177	\$ 394,666
Less - Accumulated Depreciation	<u>153,538</u>	<u>36,728</u>	<u>190,266</u>
Net Equipment	<u>\$ 177,951</u>	<u>\$ 26,449</u>	<u>\$ 204,400</u>

Current year depreciation expense was \$36,728.

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 from San Mateo Community College District, the entity that operates the station, in the amount of \$328,929.

NOTE 6 – SUBSEQUENT EVENT

Subsequent to June 30, 2008, San Mateo County Pool investment declined in value. The decrease in value of the District’s investments was estimated by the County Treasurer to be approximately 5%, or \$28,374, as of October 2008. The District will record this decrease in October 2008.

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***

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, 2008, which comprises the KCSM - FM basic financial statements and have issued our report thereon dated December 18, 2008. 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 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

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-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, Ture, Day & Co LLP

Pleasanton, California
December 18, 2008

BOARD REPORT NO. 09-1-102B

TO: Members of the Board of Trustees
FROM: Ron Galatolo, Chancellor-Superintendent
PREPARED BY: James W. Keller, Executive Vice Chancellor, 358-6790

**RECEIPT AND ACCEPTANCE OF THE 2007-08
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, 2008. Representatives of the Bond Oversight Committee will receive copies of the audit reports at their meeting on February 19. 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.

RECOMMENDATION

It is recommended that the Board of Trustees receive and accept the 2007-08 audit reports for the General Obligation Bond funds.

**SAN MATEO COUNTY
COMMUNITY
COLLEGE DISTRICT**

**CAPITAL OUTLAY –
BOND FUND 2005 ELECTION
FINANCIAL REPORT**

JUNE 30, 2008

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

CAPITAL OUTLAY – BOND FUND 2005 ELECTION TABLE OF CONTENTS JUNE 30, 2008

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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 capital outlay - bond fund 2005 election of the San Mateo County Community College District, as of and for the year ended June 30, 2008 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. 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 2005 election and are not intended to present fairly the financial position and results of operations of the 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 2005 election of the San Mateo County Community College District at June 30, 2008, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 18, 2008

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**CAPITAL OUTLAY - BOND FUND 2005 ELECTION
BALANCE SHEET
JUNE 30, 2008**

ASSETS

Investment	\$ 399,382,033
Accounts receivable	3,343,483
Due from other funds	3,917,173
Prepaid expenses	<u>10,715,819</u>
Total Assets	<u>\$ 417,358,508</u>

LIABILITIES AND FUND EQUITY

LIABILITIES

Accounts payable	<u>\$ 8,107,518</u>
------------------	---------------------

FUND EQUITY

Fund balances	
Unreserved	
Undesignated	<u>409,250,990</u>
Total Liabilities and Fund Equity	<u>\$ 417,358,508</u>

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**CAPITAL OUTLAY – BOND FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2008**

REVENUES	
Interest and investment earnings	<u>\$ 19,439,941</u>
EXPENDITURES	
Current	
Payroll and benefits	3,494,432
Books and supplies	1,344,286
Services and operating expenditures	5,230,560
Capital outlay	<u>32,387,853</u>
Total Expenditures	<u>42,457,131</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>(23,017,190)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	(23,017,190)
FUND BALANCE, BEGINNING OF YEAR	<u>432,268,180</u>
FUND BALANCE, END OF YEAR	<u>\$ 409,250,990</u>

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

CAPITAL OUTLAY – BOND FUND 2005 ELECTION NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the San Mateo County Community College District Capital Outlay - Bond Fund 2005 Election conforms 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 capital outlay - bond fund 2005 election accounts for financial transactions in accordance with the policies and procedures of the California College Budget and Accounting Manual.

Financial Reporting Entity

These financial statements were prepared to comply with the requirements of proposition 39 related to the 55% voter approval requirements for bond issues and include only the Capital Outlay - Bond Fund 2005 election established to account for the expenditures of the general obligation bonds approved in August 2005. These financial statements are not intended to present fairly the complete financial position and results of operations of the San Mateo County Community College District in conformity with generally accepted accounting principles.

Fund Accounting

The District accounts for the capital outlay – bond fund 2005 election in a fund, which is considered to be a separate accounting entity from all other funds of the District. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures, as appropriate. District resources are allocated to and accounted for in individual governmental funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Basis of Accounting

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

Governmental funds are generally accounted for using the modified accrual basis of accounting. Their revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered), except for unmatured interest on general long-term debt, which is recognized when due.

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.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**CAPITAL OUTLAY – BOND FUND 2005 ELECTION
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2008**

Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of fund balance not available for appropriation or amounts legally segregated for a specific future use. Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

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.

NOTE #2 – INVESTMENTS

Investments Authorized Under Debt Agreements - The debt agreement limits investments to the San Mateo County Investment Pool. The 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>
County Pooled Investment Funds	N/A	None	None

Investment in County Treasury - The Capital Outlay Bond Fund of the District are 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 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.

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 Capital Outlay Bond Fund and the District manages 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, 2008 was \$399,382,033 and the weighted average maturity of the pool is 1.2 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 measure by the assignment of a rating by a nationally recognized statistical rating organization. The Capital Outlay Bond Fund only invests in County Pooled Investment Funds which are not required to be rated.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**CAPITAL OUTLAY – BOND FUND 2005 ELECTION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

Custodial Credit Risk – Deposits - This is the risk that in the event of a bank failure, the Capital Outlay Bond Fund or District's deposits may not be returned to it. The Capital Outlay Bond Fund does not have any deposits subject to custodial credit risk.

NOTE #3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2008, consists of the following:

Interest	<u>\$ 3,343,483</u>
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NOTE #4 – INTERFUND TRANSACTIONS

Interfund receivables/payables (Due To/Due From)

At June 30, 2008, Bond Fund 2005 Election has \$3,917,173 due from Capital Outlay Fund for bond projects.

NOTE #5 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2008, consists of the following:

Vendor payables	<u>\$ 8,107,518</u>
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NOTE #6 – FUND BALANCES

Fund balance is composed of the following elements:

Unreserved Undesignated	<u>\$ 409,250,990</u>
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SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**CAPITAL OUTLAY – BOND FUND 2005 ELECTION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE #7 – LONG-TERM DEBT

A. Long-Term Debt Summary

Under the modified accrual basis of accounting, liabilities for long-term debt are not reported in the individual funds of the District. However, they are reported as liabilities on the Statement of Net Assets in the Entity Wide financial statements of the District. A schedule of changes in long-term debt for the year ended June 30, 2008, is shown below:

	Balance Beginning of Year	Accretion	Deductions	Balance End of Year
General obligation bonds	\$ 478,106,425	\$ 11,671,429	\$ 9,845,000	\$ 479,932,854

General Obligation Bonds

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Beginning of Year	Accretion	Redeemed	Bonds End of Year
4/11/2006	9/1/2030	3.75-5.00%	\$ 135,429,395	\$ 140,327,945	\$ 3,878,533	\$ 9,845,000	\$ 134,361,478
12/12/2006	9/1/2038	3.50-5.00%	\$ 332,570,194	337,778,480	7,792,896		345,571,376
				\$ 478,106,425	\$ 11,671,429	\$ 9,845,000	\$ 479,932,854

The general obligation bonds mature through 2039 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2009	\$ 12,860,000	\$ 10,519,438	23,379,438
2010	5,815,000	10,005,038	15,820,038
2011	6,835,000	9,772,438	16,607,438
2012	7,935,000	9,501,388	17,436,388
2013	9,150,000	9,154,113	18,304,113
2014-2018	42,935,000	39,674,800	82,609,800
2019-2023	45,127,533	30,093,500	75,221,033
2024-2028	50,961,074	24,637,500	75,598,574
2029-2033	75,262,600	19,106,500	94,369,100
2034-2038	109,580,673	9,493,000	119,073,673
2039	23,266,600	491,000	23,757,600
Total	389,728,480	\$ 172,448,715	\$ 562,177,195
	Accretions to date		
	90,204,374		
	\$479,932,854		

NOTE #8 – COMMITMENTS AND CONTINGENCIES

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**CAPITAL OUTLAY – BOND FUND 2005 ELECTION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

As of June 30, 2008, the building fund had the following commitments with respect to unfinished capital projects:

<u>Description</u>	<u>Amount</u>
District wide projects	\$ 403,364
Skyline building	2,052,324
Skyline other projects	57,703,843
Canada building	2,936,547
Canada other projects	7,021,490
College of San Mateo building	6,073,765
CSM CIP2 Design Build Project	120,650,510
College of San Mateo Other Projects	1,014,511
	<u>\$ 197,856,355</u>

NOTE #9 – SUBSEQUENT EVENTS

Subsequent to June 30, 2008, San Mateo County Pool investment declined in value. The decrease in value of the District's investments was estimated by the County Treasurer to be approximately 5%, or \$19,969,102, as of October 2008. The District will record this decrease in October 2008.

**SAN MATEO COUNTY
COMMUNITY
COLLEGE DISTRICT**

**CAPITAL OUTLAY –
BOND FUND 2005 ELECTION
PERFORMANCE REPORT**

JUNE 30, 2008



**INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES**

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

We have performed the agreed-upon procedures listed below, which were agreed to by the management of the San Mateo County Community College District and the Measure A Citizen's Oversight Committee, solely to review at least 25% of the expenditures of the 2005 General Obligation Bond funds for the period of July 1, 2007 through June 30, 2008, for the purpose of verifying if the use of the funds is within the scope of the published materials specifying the intended use of bond funds. We used election documents, District resolutions, the master plan and the revised master plan as guidance for the intended use of the funds. For any expenditures in question, we recommended that the District obtain the opinion of legal counsel and we informed this committee as to the issues. Management is responsible for San Mateo County Community College District's compliance with those requirements. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and is intended to meet the compliance requirements as outlined in subparagraph (c) of paragraph (3) of subdivision (b) of section 1 of Article XIII of the California Constitution. The sufficiency of these procedures is solely the responsibility of those specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below for either the purpose for which this report has been requested or for any other purpose.

Financial Summary

1. The 2005 general obligation bond funds in the amount of \$468,000,000 were authorized at an election of the registered voters of the District held on August 8, 2005. The first series of the 2005 bonds was issued in April 2006 and in the principal amount of \$135,429,395. The second series of the 2005 bonds was issued in December 2006 and in the principal amount of \$332,570,194.
2. Total expenditures and encumbrances through June 30, 2008, were \$ 286,105,985.

Agreed Upon Procedures Performed

1. Verify that the expenditure of funds was accounted for separately in the accounting records to allow for accountability.
2. Verify that the net funds from the sale of the General Obligation Bonds were deposited in total into the District's accounts by obtaining settlement statement for the new bond issue and verifying amounts deposited into the building and bond interest and redemption funds.

3. Select 25% of the expenditures and verify that the funds expended complied with the purpose that was specified to the registered voters of the District through election materials, district resolutions, and master plan. See supplemental information for list of expenditures reviewed.
4. Verify that the State and District policies were followed in the awarding of bids and expenditure of the funds.

Results of Procedures

1. The general obligations bond fund expenditures were accounted for separately in the capital outlay - bond fund of the District.
2. The net proceeds from the sale of the general obligation bonds during the year were deposited into the capital outlay - bond fund.
3. Our review of the expenditures for the period July 1, 2007, through June 30, 2008, did not reveal any items that were paid from the general obligation bond funds that did not comply with the purpose of the Bonds as approved by the registered voters of the District on August 9, 2005. We did not request that management of the District consult with legal counsel on any expenditure during the current period.
4. Our review of the policies over awarding of contracts revealed no exceptions to the policies of the District or the requirements of the State as they relate to awarding of contracts. Our review of the District policies over disbursement of funds revealed no exceptions to the disbursement policies of the District.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the San Mateo County Community College District and the Measure A Citizen's Fiscal Oversight Committee and is not intended to be and should not be used by anyone other than those specified parties.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 18, 2008

SAN MATEO COUNTY COMMUNITY COLLEGE

**2005 BONDS
INVOICES SELECTED
FOR THE YEAR ENDED JUNE 30, 2008**

Invoice Date	Vendor	Item Number in Exhibit A of Election Doc	Item Number in Facilities Project List	Location Coding	Amount
A/C 47001 DW CIP2 Planning					
10/12/2007	Sandis Humber Joans Civil Engineering	8	IH	6122-1049-715002	\$ 23,487.50
11/13/2007	Parsons Commercial Technology Group	8	IH	5690-1049-715001	105,942.50
					\$ 129,430.00
A/C 47006 DW Safety & Security Cameras					
3/15/2008	Tecom Design Group	9	II	6122-1049-715002	\$ 20,102.00
3/15/2008	Tecom Design Group	9	II	6122-1049-715002	30,350.00
					\$ 50,452.00
A/C 47008 DW Small Projects					
8/15/2007	Krueger International	21	II F	5630-1049-715004	\$ 128,494.70
8/8/2007	Krueger International	21	II F	5630-1049-715004	45,891.07
					\$ 174,385.77
A/C 47009 DW Infrastructure Projects					
2/20/2008	Bid D Pacific Builders	4	ID	6120-1049-715003	\$ 155,470.00
2/20/2008	Bid D Pacific Builders	4	ID	6120-1049-715003	109,409.40
4/7/2008	Bid D Pacific Builders	4	ID	6120-1049-715003	113,760.00
					\$ 378,639.40
A/C 47204 SKY Bldg. 12 FMC(Facility Maintenance Center)					
1/30/2008	Statewide Educational Wrap-Up Program	35	III L	5410-1149-715003	\$ 171,332.00
1/30/2008	Bayview Environmental Services	32	III I	6120-1149-715003	127,900.00
2/29/008	Bunton Clifford Associate Inc	35	III L	6211-1149-715003	75,000.00
					\$ 374,232.00

SAN MATEO COUNTY COMMUNITY COLLEGE

**2005 BONDS
INVOICES SELECTED
FOR THE YEAR ENDED JUNE 30, 2008**

Invoice Date	Vendor	Item Number in Exhibit A of Election Doc	Item Number in Facilities Project List	Location Coding	Amount
A/C 47209 SKY CIP2 DB Project					
5/31/2008	Hensel Phelps Construction CO. State wide educational Wraqp-up	14	IN 4	6127-1149-715000	\$ 1,463,301.00
5/14/2008	Program(Sew up)	35	III L	5410-1049-715003	1,348,348.00
					\$ 2,811,649.00
A/C 47211 Sky Bldg 3					
9/10/2007	Hensel Phelps Construction Co.	14,19,21	IN 4, II D, III F	6210-1149-71500	\$ 133,736.00
8/6/2007	Hensel Phelps Construction Co.	14,19,21	IN 4, II D, III F	6210-1149-71500	170,459.00
					\$ 304,195.00
A/C 47302 Can Bldg-16/17/18 Modern.					
1/10/2008	State wide educational Wraqp-up Program(Sew up)	35	III L	5410-1149-715000	\$ 451,875.00
1/10/2008	Bayview Enviromental Services	3	IC	6210-1149-71500	134,769.00
1/11/2008	Double Day Office Services Inc.	35	III L	5690-1149-715001	46,358.00
					\$ 633,002.00
A/C 47303 CAN B7 FMC					
7/31/2007	State wide educational Wraqp-up Program(Sew up)--Keenan \$ Associate	35	III L	5410-1149-715000	\$ 209,337.63
7/31/2007	Burton Clifford Associates Inc	35	III L	6211-1149-715003	34,827.16
					\$ 244,164.79
A/C 47304 CAN B5/6 Modernization					
3/31/2008	Burton Clifford Associates Inc	15,35	IO, III L	6211-1149-715003/715002	\$ 106,583.40
					\$ 106,583.40

SAN MATEO COUNTY COMMUNITY COLLEGE

**2005 BONDS
INVOICES SELECTED
FOR THE YEAR ENDED JUNE 30, 2008**

Invoice Date	Vendor	Item Number in Exhibit A of Election Doc	Item Number in Facilities Project List	Location Coding	Amount
A/C 47306 CAN B8 Admin Renovation					
2/29/2008	Burton Clifford Associates Inc	35	III L	6211-1149-715002	<u>\$ 54,989.11</u>
A/C 47309 CAN B3 Admin Renovation					
7/20/2007	Dell Computers	19	II D	4511-1049-715004	\$ 62,569.49
9/12/2007	Inter Mountain Electric Company	14,10,5,13	IN 4,I,J, I E,IM	5690-1049-715003	29,620.00
8/9/2007	S.F. Commercial Builders Inc	32	III I	5690-1049-715003	20,185.00
					<u>\$ 112,374.49</u>
A/C 47312 CAN Gateways , Circulation & Parking					
9/28/2007	David L. Gates & Assoc	34	III K	6121-1049-715003	\$ 187,918.75
9/28/2007	David L. Gates & Assoc	34	III K	6121-1049-715003	115,848.75
					<u>\$ 303,767.50</u>
A/C 47401 CSMCIP2 DB Project					
3/28/2008	MaCarthy Building Companies	35	III L	6210-1049-715003/715002	\$ 5,368,500.00
3/30/2008	MaCarthy Building Companies	35	III L	6210-1049-715003	4,200,000.00
3/30/2008	MaCarthy Building Companies	35	III L	6210-1049-715003/715002	596,500.00
					<u>\$ 10,165,000.00</u>
A/C 47402 CSMB14 Modernization					
11/5/2008	Bay View Environmental	35	III L	6121-1049-715002	\$ 58,320.00
11/25/2007	DES Architechts +Engieneer	35	III L	6121-1049-715002	28,589.40
					<u>\$ 86,909.40</u>

SAN MATEO COUNTY COMMUNITY COLLEGE

**2005 BONDS
INVOICES SELECTED
FOR THE YEAR ENDED JUNE 30, 2008**

Invoice Date	Vendor	Item Number in Exhibit A of Election Doc	Item Number in Facilities Project List	Location Coding	Amount
A/C 47402 CSMB16 Modernization					
12/20/2007	Rodan Builders Inc	12,21	II, III F	5690-1049-715003	\$ 77,603.40
10/23/2007	BT Mancini Co. Inc	3,12	IC, IL	5690-1049-715002	62,748.00
12/11/2007	Sasco Data System	14	IN 4	5690-1049-715003	66,103.00
12/5/2007	TAC Americas Inc	35	III L	5690-1049-715003	50,283.00
12/14/2007	DBS Artitechts	35	III L	6211-1049-715002	51,333.12
11/19/2007	DBS Artitechts	35	III L	6211-1049-715002	52,894.77
11/6/2007	DBS Artitechts	35	III L	6211-1049-715002	38,551.00
10/5/2007	DBS Artitechts	35	III L	6211-1049-715002	23,169.00
10/5/2007	DBS Artitechts	35	III L	6211-1049-715002	31,303.00
12/24/2007	Swinerton Mangement & Consulting	35	III L	5690-1049-715003	41,644.00
1/16/2008	Swinerton Mangement & Consulting	35	III L	5690-1049-715003	33,366.38
2/19/2008	Swinerton Mangement & Consulting	35	III L	5690-1049-715003	25,925.00
					\$ 554,923.67
A/C 47404 CSMB2/3/4 Fine Arts Complex Merdern					
11/15/2007	Beverly Prior Architects	7	IG	6211-1049-715002	\$ 173,025.00
7/31/2007	Beverly Prior Architects	27	III D	6211-1049-715002	106,273.00
5/19/2008	Bay View Environmental Services	3	IC	6211-1049-715002	45,404.50
5/19/2008	Bay View Environmental Services	3	IC	6211-1049-715002	34,848.73
					\$ 359,551.23
A/C 47413 KCSMSutro Tower					
9/6/2007	Sutro Tower Inc.	20	III E	6120-1049-715000	\$ 1,000,000.00
					\$ 1,000,000.00
A/C 47422 CSM Athletic Facilities Upgrade PH2					
7/31/2007	Robert A Eothman	35	III L	6127-1149-715000	\$ 461,211.00
12/17/2007	Robert A Eothman	35	III L	6127-1149-715000	356,965.62
11/16/2007	Robert A Eothman	35	III L	6127-1149-715000	321,625.00
4/1/2008	Robert A Eothman	35	III L	6127-1149-715000	306,813.00
					\$ 1,446,614.62
Invoices Tested					\$ 19,263,369
Total Expenditures					\$ 42,457,131
Percent Tested					45%

**SAN MATEO COUNTY
COMMUNITY
COLLEGE DISTRICT**

**CAPITAL OUTLAY –
BOND FUND 2001 ELECTION
FINANCIAL REPORT**

JUNE 30, 2008

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

CAPITAL OUTLAY – BOND FUND 2001 ELECTION TABLE OF CONTENTS JUNE 30, 2008

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

VALUE THE DIFFERENCE

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 Capital Outlay - Bond Fund 2001 Election of the San Mateo County Community College District, as of and for the year ended June 30, 2008, 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. 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 2001 election and are not intended to present fairly the financial position and results of operations of the 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 2001 election of the San Mateo County Community College District at June 30, 2008, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 18, 2008

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

CAPITAL OUTLAY - BOND FUND 2001 ELECTION

BALANCE SHEET

JUNE 30, 2008

ASSETS

Investment	\$ 12,952,669
Accounts receivable	108,745
Prepaid Expenses	<u>18,078</u>
Total Assets	<u>\$ 15,108,072</u>

LIABILITIES AND FUND EQUITY

LIABILITIES

Accounts payable	<u>\$ 7,146,648</u>
------------------	---------------------

FUND EQUITY

Fund balances	
Unreserved	
Undesignated	<u>7,961,424</u>
Total Liabilities and Fund Equity	<u>\$ 15,108,072</u>

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**CAPITAL OUTLAY – BOND FUND 2001 ELECTION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2008**

REVENUES	
Interest and investment earnings	<u>\$ 618,726</u>
EXPENDITURES	
Current	
Books and supplies	553,655
Services and operating expenditures	1,693,813
Capital outlay	<u>8,992,537</u>
Total Expenditures	<u>11,240,005</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>(10,621,279)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	(10,621,279)
FUND BALANCE, BEGINNING OF YEAR	<u>18,582,703</u>
FUND BALANCE, END OF YEAR	<u>\$ 7,961,424</u>

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

CAPITAL OUTLAY – BOND FUND 2001 ELECTION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the San Mateo County Community College District Capital Outlay - Bond Fund 2001 Election conforms 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 capital outlay - bond fund 2001 election accounts for financial transactions in accordance with the policies and procedures of the California College Budget and Accounting Manual.

Financial Reporting Entity

These financial statements were prepared to comply with the requirements of proposition 39 related to the 55% voter approval requirements for bond issues and include only the Capital Outlay - Bond Fund 2001 Election established to account for the expenditures of the general obligation bonds approved in November 2001. These financial statements are not intended to present fairly the complete financial position and results of operations of the San Mateo County Community College District in conformity with generally accepted accounting principles.

Fund Accounting

The District accounts for the capital outlay – bond fund 2001 election in a fund, which is considered to be a separate accounting entity from all other funds of the District. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures, as appropriate. District resources are allocated to and accounted for in individual governmental funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Basis of Accounting

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

Governmental funds are generally accounted for using the modified accrual basis of accounting. Their revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered), except for unmatured interest on general long-term debt, which is recognized when due.

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.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**CAPITAL OUTLAY – BOND FUND 2001 ELECTION
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2008**

Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of fund balance not available for appropriation or amounts legally segregated for a specific future use. Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

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.

NOTE #2 – INVESTMENTS

Investments Authorized Under Debt Agreements - The debt agreement limits investments to the San Mateo County Investment Pool. The 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>
County Pooled Investment Funds	N/A	None	None

Investment in County Treasury - The Capital Outlay Bond Fund of the District are 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 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.

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 Capital Outlay Bond Fund and the District manages 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, 2008 was \$12,952,669 and the weighted average maturity of the pool is 1.2 years.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**CAPITAL OUTLAY – BOND FUND 2001 ELECTION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

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 measure by the assignment of a rating by a nationally recognized statistical rating organization. The Capital Outlay Bond Fund only invests in County Pooled Investment Funds which are not required to be rated.

Custodial Credit Risk – Deposits - This is the risk that in the event of a bank failure, the Capital Outlay Bond Fund or District's deposits may not be returned to it. The Capital Outlay Bond Fund does not have any deposits subject to custodial credit risk.

NOTE #3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2008, consists of the following:

Interest	<u>\$ 108,745</u>
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NOTE #4 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2008, consists of the following:

Vendor payables	<u>\$ 7,146,648</u>
-----------------	---------------------

NOTE #5 – FUND BALANCES

Fund balance is composed of the following elements:

Unreserved	
Undesignated	<u>\$ 7,961,424</u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**CAPITAL OUTLAY – BOND FUND 2001 ELECTION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE #6 – LONG-TERM DEBT

A. Long-Term Debt Summary

Under the modified accrual basis of accounting, liabilities for long-term debt are not reported in the individual funds of the District. However, they are reported as liabilities on the Statement of Net Assets in the Entity Wide financial statements of the District. A schedule of changes in long-term debt for the year ended June 30, 2008, is shown below:

	Balance Beginning of Year	Accretion	Deductions	Balance End of Year
General obligation bonds	<u>\$ 205,490,800</u>	<u>\$ 3,988,070</u>	<u>\$ 2,400,000</u>	<u>\$ 207,078,870</u>

General Obligation Bonds 2001 Election

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Beginning of Year	Accretion	Redeemed	Bonds End of Year
6/4/2002	9/1/2026	5.20-5.74%	\$ 96,875,613	\$ 91,721,275	\$ 1,348,077	\$ 1,560,000	\$ 91,509,352
2/9/2005	9/1/2029	3.00-5.00%	69,995,132	71,903,967	1,270,482	440,000	72,734,449
4/11/2006	3/1/2031	3.50-5.00%	40,124,660	41,865,558	1,369,512	400,000	42,835,070
				<u>\$ 205,490,800</u>	<u>\$ 3,988,070</u>	<u>\$ 2,400,000</u>	<u>\$ 207,078,870</u>

The general obligation bonds mature through 2033 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2009	\$ 3,205,000	\$ 5,799,523	\$ 9,004,523
2010	3,760,000	5,680,843	9,440,843
2011	4,365,000	5,522,170	9,887,170
2012	5,050,000	5,335,312	10,385,312
2013	5,760,000	5,135,370	10,895,370
2014-2018	32,090,000	21,016,091	53,106,091
2019-2023	25,805,000	13,421,913	39,226,913
2024-2028	21,085,000	7,745,562	28,830,562
2029-2033	24,735,000	2,044,988	26,779,988
Total	<u>125,855,000</u>	<u>\$ 71,701,771</u>	<u>\$ 197,556,771</u>
	Accretions to date		
	<u>81,223,870</u>		
	<u>\$207,078,870</u>		

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**CAPITAL OUTLAY – BOND FUND 2001 ELECTION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE #7 – COMMITMENTS AND CONTINGENCIES

As of June 30, 2008, the building fund 2001 election has the following commitments with respect to unfinished capital projects:

<u>Description</u>	<u>Amount</u>
District wide other projects	\$ 354,911
Skyline buildings	24,951
Skyline other projects	4,259
Canada buildings	83,684
Canada other projects	4,925
College of San Mateo projects	67,861
	<u>\$ 540,590</u>

NOTE #8 –SUBSEQUENT EVENTS

Subsequent to June 30, 2008, San Mateo County Pool investment declined in value. The decrease in value of the District’s investments was estimated by the County Treasurer to be approximately 5%, or \$647,633, as of October 2008. The District will record this decrease in October 2008.

**SAN MATEO COUNTY
COMMUNITY
COLLEGE DISTRICT**

**CAPITAL OUTLAY –
BOND FUND 2001 ELECTION
PERFORMANCE REPORT**

JUNE 30, 2008



**INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES**

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

We have performed the agreed-upon procedures listed below, which were agreed to by the management of the San Mateo County Community College District and the Measure C Citizen's Oversight Committee, solely to review at least 25% of the expenditures of the 2001 General Obligation Bond funds for the period of July 1, 2007 through June 30, 2008, for the purpose of verifying if the use of the funds is within the scope of the published materials specifying the intended use of bond funds. We used election documents, District resolutions, the master plan and the revised master plan as guidance for the intended use of the funds. For any expenditure in question, we recommended that the District obtain the opinion of legal counsel and we informed this committee as to the issues. Management is responsible for San Mateo County Community College District's compliance with those requirements. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and is intended to meet the compliance requirements as outlined in subparagraph (c) of paragraph (3) of subdivision (b) of section 1 of article XIII of the California Constitution. The sufficiency of these procedures is solely the responsibility of those specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below for either the purpose for which this report has been requested or for any other purpose.

Financial Summary

1. The 2001 general obligation bonds were authorized at an election of the registered voters of the District held on November 6, 2001. The bonds were authorized at an issuance of \$207,000,000 principal amount for the purpose of financing the addition and modernization of school facilities. The 2001 bonds were issued in three series with principal amounts as follows: \$96,875,613 issued June 4, 2002; \$69,995,132 issued February 9, 2005; and \$40,124,660 issued April 11, 2006.
2. Total expenditures and encumbrances through June 30, 2008, were \$208,114,169 (which included interest transfer).

Agreed Upon Procedures Performed

1. Verify that the expenditure of funds was accounted for separately in the accounting records to allow for accountability.

2. Verify that the net funds from the sale of the General Obligation Bonds were deposited in total into the District's accounts by obtaining settlement statement for the new bond issue and verifying amounts deposited into the building and bond interest and redemption funds.
3. Select 25% of the expenditures and verify that the funds expended complied with the purpose that was specified to the registered voters of the District through election materials, district resolutions, and master plan. See supplemental information for list of expenditures reviewed.
4. Verify that the State and District policies were followed in the awarding of bids and expenditure of the funds.

Results of Procedures

1. The general obligations bond fund expenditures were accounted for separately in the capital outlay - bond fund of the District.
2. There were no bond sales related to the 2001 bond in the current year.
3. Our review of the expenditures for the period July 1, 2007, through June 30, 2008, did not reveal any items that were paid from the general obligation bond funds that did not comply with the purpose of the Bonds as approved by the registered voters of the District on November 6, 2001. We did not request that management of the District consult with legal counsel on any expenditure during the current period.
4. Our review of the policies over awarding of contracts revealed no exceptions to the policies of the District or the requirements of the State as they relate to awarding of contracts. Our review of the District policies over disbursement of funds revealed no exceptions to the disbursement policies of the District.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the San Mateo County Community College District and the Measure C Citizen's Fiscal Oversight Committee and is not intended to be and should not be used by anyone other than those specified parties.

Vavinek, Trine, Day & Co LLP

Pleasanton, California
December 18, 2008

SAN MATEO COUNTY COMMUNITY COLLEGE

**2001 BONDS
INVOICES SELECTED
FOR THE YEAR ENDED JUNE 30, 2008**

<u>Date</u>	<u>Vendor</u>	<u>Item Number in Exhibit A of Allocation Doc</u>	<u>Item Number in Facilities Project List</u>	<u>Location Coding</u>	<u>Amount</u>
A/C 49001 DW Energy Efficiency Proj					
11/1/2007	Chevron	4	I T 1	6210-1149-715000	\$ 30,157
11/1/2007	Chevron	6	I T 3	6210-1149-715000	16,613
					\$ 46,770
A/C 49004 DW Prog/Proj Mgmt					
5/31/2008	Swinerton Management & Consulting	51	III D 2	5690-1149-715000	\$ 67,992
3/10/2008	Swinerton Management & Consulting	51	III D 2	5690-1149-715000	44,785
4/30/2008	Swinerton Management & Consulting	52	III D 3	5690-1149-715000	56,067
2/22/2008	Swinerton Management & Consulting	53	III D 4	5690-1149-715000	23,781
1/10/2008	Swinerton Management & Consulting	54	III D 5	5690-1149-715000	40,849
12/17/2007	Swinerton Management & Consulting	55	III D 6	5690-1149-715000	35,861
					\$ 269,335
A/C 49009 DW Legal Services					
5/31/2007	Wulfsberg Reese Colvig & Firstman	41,43	III B 1, III B 3	49009-9509	\$ 10,526
					\$ 10,526
A/C 49015 DW Teledata Upgrade					
2/21/2008	Qwest Communications Corporation	30	II C	6450-1149-715000	\$ 36,039
2/21/2008	Qwest Communications Corporation	30	II C	6450-1149-715000	8,579
6/23/2008	SMCCCD Bookstore/Dell	30	II C	6450-1149-715000	33,009
					\$ 77,627
A/C 49202 Sky Bldg 3					
8/2/2007	Southwest Interiors	23	I O	6210-1149-715004	\$ 158,807
2/25/2008	Divison of the State Artichitect	13,17	I I	6215-1149-715000	14,738
					\$ 173,545
A/C 49203 Sky Bldg 6/7/A---					
2/28/2008	Divison of the State Artichitect	46	III C 2	6215-1149-715003	\$ 56,277
2/7/2008	Hensel Phelps Constructio Co	47	III C 3	6220-1149-715003	77,768
9/4/2007	Hensel Phelps Constructio Co	48	III C 4	6220-1149-715003	51,663
					\$ 185,708
A/C 49226 Construction Management					
1/22/2008	Swinerton Management & Consulting	51	III D 2	5690-1149-715003/4	\$ 13,616
					\$ 13,616
A/C 49303 Can Bldg 9-AUTOMOTIVE LAB					
4/2/2008	Noll & Tam	38	III A 1	6211-1149-715003	\$ 47,729
9/27/2007	SJ Amoroso Contruction Co Inc	39	III A 2	6220-1149-715003	231,741
					\$ 279,470

SAN MATEO COUNTY COMMUNITY COLLEGE

**2001 BONDS
INVOICES SELECTED
FOR THE YEAR ENDED JUNE 30, 2008**

<u>Date</u>	<u>Vendor</u>	<u>Item Number in Exhibit A of Election Doc</u>	<u>Item Number in Facilities Project List</u>	<u>Location Coding</u>	<u>Amount</u>
A/C 49409 CSM KCSM Digital Project					
2/4/2008	Sony Electronics Inc.	33	II E	6450-1149-715004	\$ 55,464
2/4/2008	Sony Electronics Inc.	33	II E	6450-1149-715004	126,674
1/30/2008	Sony Electronics Inc.	33	II E	6450-1149-715004	25,688
1/30/2008	Sony Electronics Inc.	33	II E	6450-1149-715004	55,216
9/17/2007	Digi-Gear	33	II E	6450-1149-715004	51,470
					\$ 314,512
A/C 49417CSM Bldg 19(Engineering)					
11/5/2007	Chevron	28, 37	II F & J	6210-1149-715000	\$ 265,584
11/7/2007	Atlas/Pellizzari Eletric Inc	4	I T I	5690-1149-715000	5,615
					\$ 271,199
A/C 49438 CSM Bond classroom Technology					
8/8/2007	Digi-Gear	29	II G	4511-1149-715004 6450-1149-715004	\$ 45,842
8/17/2007	Trivision Inc	29	II G	4510-1149-715004	35,777
					\$ 81,618
A/C 49901 CAN Bldg 16/18-Science Bldg					
5/22/2008	Bid D Pacific Builders	51	III D 2	6210-1149-715000	\$ 2,296,479
4/17/2008	Bid D Pacific Builders	51	III D 2	6210-1149-715000	1,304,963
1/28/2008	Bid D Pacific Builders	51	III D 2	6210-1149-715000	773,892
3/10/2008	Bid D Pacific Builders	51	III D 2	6210-1149-715000	769,300
6/20/2008	Bid D Pacific Builders	51	III D 2	6210-1149-715000	1,509,573
					\$ 6,654,207
Invoices Tested					\$ 8,632,675
Total Expenditures					\$ 16,740,008
Percent Tested					52%

BOARD REPORT NO. 09-1-103B

TO: Members of the Board of Trustees
 FROM: Ron Galatolo, Chancellor-Superintendent
 PREPARED BY: James W. Keller, Executive Vice Chancellor, 358-6790

APPROVAL OF NONRESIDENT TUITION FEE, 2009-10

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 2008-09 fiscal year was \$191 per semester unit (Board Report No. 07-1-6CA). For 2009-10, the Administration recommends keeping the fee of \$191 per semester unit, 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 2009-10 District capital outlay fee is calculated at \$106 per semester unit. District Administration recommends the fee for 2009-10 remain at the 2008-09 rate of \$9.00. The recommended base fee of \$191 plus the recommended capital outlay fee of \$9.00 are in line with the expected 2008-09 zero state COLA.

For comparison purposes, the tentative 2009-10 rates for other local community college districts are shown below:

<u>District</u>	<u>Est. Nonresident Tuition Fee Per Unit</u>	<u>Est. Additional Capital Outlay Charge</u>
Cabrillo College	186	6
Chabot-Las Positas CCD	190	0
Foothill-DeAnza CCD	183	12
San Jose/Evergreen CCD	191	0
West Valley-Mission CCD	191	0

RECOMMENDATION

It is recommended that the Board set the 2009-10 nonresident student tuition fee at \$191 per semester unit. It is recommended further that the Board 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 \$200 per semester unit for 2009-10.

BOARD REPORT NO. 09-1-104B

TO: Members of the Board of Trustees

FROM: Ron Galatolo, Chancellor-Superintendent

PREPARED BY: Michelle Muller, Director of Technology, 650-524-6908 and Bob Domenici, Senior Buyer, 650-358-6728

APPROVAL OF PURCHASE OF ON-AIR VIDEO SERVER UPGRADE

KCSM wishes to add capacity to its video server so that it can broadcast high definition signals once the digital transition is complete (National deadline is February 17, 2009). After studying the available products commonly used in the broadcast industry, KCSM created a bid spec that carefully described the functions required for the station's air operations that integrated with the existing automation system and on-air server.

On November 12, 2008, Bid Number 86660 for KCSM ON-AIR VIDEO SERVER UPGRADE was released. It was submitted to six vendors. Each vendor bid on the two different specified options with item level costs. Three vendors responded by the November 26, 2008 deadline. All three of the responses were evaluated for overall functionality and price.

Original Bid Responses

Option 1	Option 1	Option 1	Option 2	Option 2	Option 2
Omneon	ASG	Diversified	Omneon	ASG	Diversified
\$1,141,711.80	\$843,647.15	\$872,657.00	\$1,067,423.90	\$786,811.26	\$813,762.00

During this period of time, KCSM-TV was finishing the installation of its automation system and found that the efficiencies were realized and a few pieces of equipment that were quoted were no longer needed, or quantities changed. The cost saving changes due to workflow changes were then applied to each bid. It became clear that the changes affected each of the vendors equally. The lowest bid was option 2 from ASG and when the cost savings modifications were applied the final cost of the equipment would be \$719,879.95 (not including tax).

RECOMMENDATION

It is recommended that the Board of Trustees approve purchase of the On-Air Video Server Upgrade with ASG in amount not to exceed \$780,000 including tax, setup, and commissioning to be funded through DDF 11 Grant from CPB (\$47,500) and the remainder through Bond Measure II.

BOARD REPORT NO. 09-1-105B

TO: Members of the Board of Trustees

FROM: Ron Galatolo, Chancellor-Superintendent

PREPARED BY: Linda da Silva, Executive Director, Construction Planning
358-6726

**APPROVAL OF DESIGN-BUILD CONTRACT AWARD FOR
COLLEGE OF SAN MATEO BUILDINGS 12/15/17/34 MODERNIZATION PROJECT**

PROJECT DESCRIPTION

College of San Mateo Building 15 is a 13,200 square foot one story cast-in-place concrete building originally constructed in 1965 as a faculty office building, and has been in continuous use in that function ever since. Renovations to this building have been minimal except for the introduction of network cabling, lighting retrofits and a fire alarm system upgrade. The ceilings and floors are comprised of asbestos-containing building materials. Room heating is provided by radiators fed from a central boiler plant hot water loop; these radiators, together with their original control valves and thermostatic controls, have exceeded their services lives. The original single stall and multi-stall restrooms are dated and do not comply with current accessibility standards. The existing telecommunications equipment is inadequately co-located in the custodial closet, and cabling does not conform to the District standard of single mode fiber optic and category 6 cable. Entrance doors have exceeded their services lives, and none of the four entries to the building meet accessibility requirements. None of the interior doors comply with accessibility requirements, nor do they meet current District security standards. Building 17 is a similar 13,400 square foot one story office structure, although it was constructed in 1969 and its structural system and nonstructural walls are of a slightly updated and more modifiable technology.

The scope of work of this project in Building 15 includes updated faculty offices, a multipurpose room for faculty mailboxes/copy machines/break room, restroom renovations including accessibility upgrades, mechanical, electrical, telecommunications and security upgrades, as well as accessibility upgrades to the east entrances and interior doors. The central lightcourt will be upgraded to freshen the landscaping and offer a new home for sculptures displaced from the reflecting ponds near the Fine Arts Center. The work in Building 17 will be similar, and will also include construction of office suites for an instructional division, Middle College High School, and Student Activities/Student Government.

Building 12 is a 22,376 square foot two story cast-in-place concrete building originally constructed in 1960 as part of a four building complex dedicated to instruction in the physical sciences. In 2006 the science programs were moved to the new Science Building 36. Subsequent to that move, the vacated buildings were decommissioned from their role as science instruction buildings, their laboratories were removed and much of the asbestos containing building materials, including floor finishes, were abated. In 2007, Building 12 re-entered service as temporary office and instructional space to facilitate the art and music programs that were temporarily displaced during the Fine Arts Complex renovation. Now that the art and music programs have moved back into their modernized facilities, Building 12 will serve as temporary quarters during 2009 for faculty displaced during the successive renovations of Buildings 15 and 17. In 2010, upon completion of Buildings 15 and 17's modernization, Building 12 will be repurposed to provide a permanent home on the first floor for the Fire Science and Administration of Justice programs.

The scope of work of this project includes preparing Building 12 to serve as office swing space for faculty during the construction of Buildings 15 and 17. Office suites will be constructed with open office type furnishings and equipment and expanded telecommunications infrastructure to accommodate this environment. Meeting rooms will be provided to facilitate group and private conference opportunities. Once Buildings 15 and 17 are renovated and faculty no longer require swing space, the first floor of Building 12 will be renovated as smart classrooms and offices.

Building 34 is a 10,600 square foot single story pre-engineered steel framed and steel skinned building atop a concrete slab. It was originally erected in 1994, as swing space for the Building 9 Library seismic upgrade and building modernization. Building 34 has been repurposed several times since that time, and is currently serving as the temporary Bookstore. Ultimately, Building 34 will serve three program uses: approximately 1,800 square feet of space is being converted to house the central chiller plant (as part of the CSM CIP2 Design-Build Project, by McCarthy Building Companies, Inc.). Under the scope of this Buildings 12/15/17/34 project, approximately 6,500 square feet will be prepared for use by the Facilities Department for grounds maintenance equipment and material storage, and approximately 2,300 square feet of space will be improved to house apparatus and equipment used by the Fire Sciences program.

The scope of work of this project in Building 34 includes modification of the structural system in one area of the perimeter wall to accommodate a new roll-up garage door through which fire apparatus can drive to park inside the building. The slab upon which the apparatus will park was never designed nor constructed for these loads, so slab enhancement is also part of the project scope. A nonstructural demising wall to separate grounds from fire program storage is also included, as is minor lighting controls modifications to accommodate the separate program areas.

DESIGN-BUILD DELIVERY METHOD

On December 10, 2008, the Board passed Resolution 08-14 (Board Report 08-12-106B) to authorize utilization of the design-build construction delivery method for this project. The design-build delivery method is expected to bring the following benefits to this project:

- It establishes a single point of contact for both design and construction because the architects and engineering consultants work for the design/build entity.
- It shifts risk to the design/build entity for errors and omissions in drawings and for associated construction costs.
- It allows early involvement during the design phase by the builder, i.e., it “adds construction practicality to design imagination.”
- It produces a compressed time schedule as a result of phased permitting approvals.
- The design/build entity negotiates subcontracts and, because it has a continuing relationship with the subcontractors, the subcontractors are often more reliable.
- It allows the District to negotiate a guaranteed maximum price for the finished project early in the process, and produces lower project costs for the District.

DESIGN-BUILDER QUALIFICATION

On December 2, 2008, eighteen design-build entities submitted Statements of Qualification to the District for this project. The District evaluated those qualifications statements against the following criteria:

1. Completion of the qualification questionnaire
2. Professional licensure in good standing with the State of California
3. Bonding and surety availability in accordance with the District’s standard requirements
4. Verified successful experience on comparable projects
5. Ability to perform successfully on a design-build project

The District short-listed three design-builders who scored highest against the stated criteria. They were:

Design-Build Entity:

Architect of Record
 Electrical Subcontractor
 Mechanical Subcontractor
 Plumbing Subcontractor

BNBuilders, Inc.

DES Architects and Engineers, Inc.
 AMS Electric, Inc.
 Western Allied Mechanical, Inc
 Rountree Plumbing, Inc.

Design-Build Entity:

Architect of Record
 Structural Engineer
 MEP
 Mechanical
 Electrical
 Fire Protection

Pankow Special Projects, L.P.

Noll and Tam Architects and Planners
 KPFF
 L.J. Kruse
 ACCO
 Cupertino Electric
 RLH

Design-Build Entity:

Architect of Record
 Engineer
 Electrical Subcontractor
 Plumbing Subcontractor
 Mechanical Subcontractor

Ralph Larsen & Son, Inc.

Beverly Prior Architects
 Kam Yan Structural Engineers
 Cupertino Electric
 Bellanti Plumbing, Inc.
 Aire Sheet Metal, Inc.

In addition, two design-builders were selected as alternates in the event that any of the short-listed firms withdrew from the proposal process:

Design-Build Entity:

Architect of Record
 Structural Engineer
 Mechanical Engineer
 Electrical Engineer
 Plumbing Engineer
 Fire Protection Subcontractor

McCarthy Building Companies, Inc.

Kwan Henmi Architecture/Planning, Inc
 PARADIGM Structural Engineers, Inc.
 Western Allied Mechanical, Inc.
 Rosendin Electric, Inc.
 J.W. McClenahan Co.
 Transbay Fire Protection, Inc.

Design-Build Entity:

Architect
 Structural
 Mechanical Engineering
 Electric Contractor
 Mechanical/Plumbing
 Electrical Contractor

 Electrical Contractor
 Plumbing/Fire Protection
 Subcontractor
 Fire Protection Subcontractor
 Plumbing Subcontractor
 Mechanical Subcontractor

BCCI Construction Company

BSA Architects - Bull Stockwell Allen
 KPFF Consulting Engineers
 ACCO Engineered Systems, Inc.
 AMS Electric, Inc.
 Broadway Mechanical-Contractors, Inc.
 Trinity Associates, Inc. dba Groom Electric
 Company
 Intermountain Electric Company
 Pribuss Engineering
 RLH Fire Protection
 Rountree Plumbing
 Western Allied Mechanical, Inc.

REQUEST FOR PROPOSALS

On December 19, 2008, the District issued a Request for Proposal (RFP). The RFP stated that the District would award the design-build contract to the responsive design-build entity whose proposal is determined in writing to provide the best value to the District, evaluated upon the following factors, with the maximum number of points allocated to each factor as indicated below. A description of each evaluation factor is attached to this report for reference (Attachment A).

<u>FACTORS</u>	<u>Maximum Points</u>
1. Price and Cost Management Plan	20
2. Technical Expertise	10
3. Life Cycle Costs over 25 Years	10
4. Skilled Labor Force Availability	10
5. Acceptable Safety Record	10
6. Design Management Plan	10
7. Construction Management Plan	10
8. Schedule	10
9. Legal and Other Program Requirements	5
10. Risk Management Plan	5

TOTAL (Maximum) 100 points

PROPOSAL EVALUATION

On January 9, 2009, the short-listed design-builders submitted proposals. An evaluation team was formed to review the proposals from a diverse variety of perspectives. The evaluation team was comprised of the following individuals:

- College of San Mateo
 - President Mike Claire
 - Vice President of Instruction Susan Estes
 - Vice President of Student Services Jennifer Hughes
 - Dean of Administrative Services Virgil Stanford
 - Philosophy Professor Jeremy Ball
 - English Professor Katherine “Teeka” James
 - Dean of Language Arts Sandra Stefani-Comerford
 - Dean of Creative Arts and Social Science Kevin Henson
 - Student Activities Accounting Technician Fauzi Hamadeh
 - Student Activities Coordinator Aaron Schaefer
 - CSM Student and Student Senator Roger Nishimoto
- Director of Information Technology Eric Raznick
- Vice Chancellor of Facilities Planning, Maintenance & Operations José Nuñez
- Construction Project Manager Lisa Nagai (Swinerton Management & Consulting)
- Construction Cost Consultant Ian Slight (Cumming Corporation)
- Construction Planning Department
 - Project Manager Michele Rudovsky
 - CIP2 Program Manager Mary Ann Duggan
 - CIP2 Design Manager Barry Chin
 - Executive Director of Construction Planning Rick Bennett
 - Executive Director of Construction Planning Linda da Silva

The multi-faceted evaluation process spanned from January 9th through 21st, and included a comprehensive review of each written proposal, issuance of requests for additional information, review of the additional information received, a presentation/interview with each design-build team, and follow up with the highest scoring team to secure their “best and final” proposal.

PROPOSAL SCORES

Based on the proposal evaluation process cited above, following shows the final scores awarded each design-build team.

	Evaluation Factor	Maximum Possible Points	Awarded Points		
			Pankow Special Projects, L.P.	BN Builders, Inc.	Ralph Larsen & Son, Inc.
1	Price & Cost Management Plan	20	16	13	11
2	Technical Expertise	10	10	9	7
3	Life Cycle Costs over 25 Years	10	9	9	10
4	Skilled Labor Force Availability	10	10	9	8
5	Acceptable Safety Record	10	10	9	8
6	Design Management Plan	10	10	8	5
7	Construction Management Plan	10	10	9	8
8	Schedule	10	10	8	7
9	Legal and Other Program Requirements	5	4	5	5
10	Risk Management Plan	5	5	4	3
Total		100	94	83	72

1. Price and Cost Management Plan – Prior to issuance of the RFP, District staff together with Cumming LLC (the District’s cost consultant) developed conceptual cost estimates for the project. After issuance of the RFP but prior to receipt of the proposals, Cumming updated their cost estimate. Evaluation of the proposals against this evaluation factor included not only a comparison of each team’s proposed price to the District’s opinion of probable cost, but also an evaluation of the certainty of the team’s proposed price (i.e., any qualitative assumptions or exclusions associated with the proposed price) as well as any value-added alternates (either deductive or additive). Pankow scored highest in this category, and they were the team whose proposal most closely aligns with the District’s budget for this project.

2. Technical Expertise – Each team’s Statement of Qualifications and written Proposal indicates the appropriate knowledge, expertise and experience to be able to successfully complete this project. This evaluation factor also includes the “fit” of the proposed team to the College’s group of users (including faculty, students, administrators and staff). Both Pankow and BN Builders scored very well in the “fit” subcategory.

3. Life Cycle Costs over 25 Years – Life cycle costs include the first (capital) and ongoing (energy, maintenance, operational) costs of a project. For this project, the design-builders were asked to confirm their conformance to District design and construction standards, which have been developed with sustainability and life cycle costs in mind. Each team confirmed their commitment to design and build to the District's design standards. Ralph Larsen & Sons, Inc. exceeded the District's life cycle cost requirement in one element, thereby earning an extra point in this category.

4. Skilled Labor Force Availability – This project is subject to the requirements of the District's Program Stabilization Agreement. Each team's proposal conveyed their ability to meet the requirement to ensure a skilled labor force on this project. In addition, each design-builder conveyed their commitment to the Board of Trustees' goals to maximize opportunities for local, small and emerging businesses, engage the local workforce and students enrolled in the skilled trades preparation (pre-apprenticeship) program. Pankow's proposal offered the most breadth and specificity toward achievable actions in this category.

5. Acceptable Safety Record – Each team meets the District's requirements for an acceptable safety record, and qualifies for the District's construction insurance program. Each team was also asked to provide a site/project safety plan, and Pankow's was superior in its breadth and specificity.

6. Design Management Plan – The classroom and office components of the project closely follow the District's design standards, so the significant differentiating factor in this project was each team's slightly different design solution for the Student Activities and Government suite in Building 17. The Pankow and BN Builders design solutions met the program requirements; it was difficult to ascertain from Larsen's proposal documents if their design solution met program requirements. In addition to the proposal meeting program requirements, the design-builders also had to submit a design management plan that conveyed their strategy for designing within budget and on schedule, and in particular their strategic approach to required approvals from the Division of the State Architect. Pankow scored highest in this factor, with BN Builders' proposal also being acceptable. Larsen's proposal scored lowest in this factor.

7. Construction Management Plan – Each design-builder was provided information on construction site logistics and schedules of other projects occurring at College of San Mateo during the duration of this project, and was asked to provide information outlining how they would manage site this project's logistics. Each design-builder has successfully completed construction projects in elementary schools and on college campuses, so it is not surprising that each proposal demonstrated an understanding that they would be in the midst of an operational and busy college campus that is already being disrupted by other (and larger) capital construction activities. Each design-builder conveyed their intent to provide the least possible disruption in the areas of noise, parking, vehicular and pedestrian circulation, and utilities. Pankow's proposal was slightly superior in this category, in terms of breadth and specificity.

8. Schedule – The RFP prescribed a sequential and specific schedule for this project, to allow for the least disruption during the academic year to moving/swinging faculty offices and instructional programs. Pankow's and Larsen's proposals conveyed how they would achieve that schedule. BN Builders proposed a compressed schedule that would have both Buildings 15 and 17 under construction concurrently during the Summer semester. Although each proposed schedule was a valiant first effort, and BN Builders' compressed schedule was intriguing, Pankow's schedule was superior in terms of incorporating College/District activities during design, construction and moving activities, and offered the highest probability of least disruption to College operations.

9. Legal and Other Program Requirements – Each proposal was evaluated to ensure the design-builder would execute the District's form of design-build contract, and that their team could comply with the District's construction insurance requirements and Program Labor Stabilization Agreement. Each

design-build team achieved a favorable score in this category. Pankow requested a few “non deal-killer” concessions in the language of the design-build contract, and consequently lost a point in this factor.

10. Risk Management Plan – Each team submitted a risk management plan that demonstrated they had considered the various risks inherent in remodeling 45-year old buildings, reliance upon outside agencies for permitting approvals, working on a busy college campus, and worker safety on a construction project. Each proposal was good, but Pankow’s was superior in its breadth and specificity.

STIPEND

The California Community Colleges Design Build Guidelines strongly suggest that a stipend be paid to the teams not awarded the design build contract in recognition of the significant effort involved in the development of a proposal. BN Builders’ proposal ranked second after Pankow’s, and had Pankow’s proposal not been acceptable, the College would have happily accepted BN Builder’s proposal. For this reason, and to keep BN Builders and their team members interested in participating on future SMCCCD and industry design-build projects, a \$7,500 stipend would help offset BN Builders’ costs and reward them for a valiant effort. Similarly, a \$5,000 stipend to Ralph Larsen & Sons, Inc. would acknowledge their effort in this initiative.

FUNDING

This project will be funded by Measure A general obligation bonds, some of which may be offset by energy efficiency rebate funds secured following the design and construction process. The cost proposal provided by Pankow offered a myriad of line items which added up to \$4.7 million. Since the scope of this project touches existing buildings, District staff anticipate the need to add/modify scope due to unforeseen conditions once walls/ceilings/floors are opened up. Furthermore, the scope of work anticipated is based on a fixed scope of accessibility and structural upgrades; until design and design approval is completed, there could be scope creep in these areas as well. Based on historical renovation cost trends, staff expect an additional \$800,000 of scope which has not yet been identified. This amount is in alignment with the project budget.

RECOMMENDATION

It is recommended that the Board of Trustees authorize the Executive Vice Chancellor to execute a contract for the College of San Mateo Buildings 12/15/17/34 Modernization Project to Pankow Special Projects, L.P., in an amount not to exceed \$5,500,000. It is also recommended that the Board of Trustees approve payment of a \$7,500 stipend to BN Builders, Inc., and a \$5,000 stipend to Ralph Larsen & Sons, Inc.

Attachment A – Evaluation Factors Description

1. **Price and Cost Management.** Each Design-Build Entity that agrees, in Document 00 41 00 Proposal Form, to design and construct the project as described in these documents, and satisfy all other Design-Build Entity obligations under the Contract Documents, shall receive a maximum number of ten (10) points for this criterion. The District is not interested in identifying the “lowest bidder”, but rather intends to identify the Design-Build Entity whose proposal offers the best value for the proposed price. Another maximum of seven (7) points can be achieved from the price certainty offered in the Design-Build Entity’s proposal, specific to confidence in the proposed price and the anticipation of cost changes as design and construction progresses. An additional maximum of three (3) points can be achieved from the value offered in voluntary alternates included in the Design-Build Entity’s proposal. In the event of a tie for any rank, the tied proposals will each receive the highest score they otherwise would have received in the absence of the other proposal. This is to ensure that neither Design-Build Entity is prejudiced by a tie.
2. **Technical Expertise.** The Design-Build Entity whose team, as described, is determined by District to offer the best fit and approach for the project, when compared with the other Design-Build Entities, shall receive the maximum score of ten (10) points under this paragraph. Design-Build Entities judged to have lesser technical expertise will be assigned a score of less than ten (10) points, in descending order of their perceived Technical Expertise as judged by the District. In the event of a tie for any rank, the tied proposals will each receive the highest score they otherwise would have received in the absence of the other proposal. This is to ensure that neither Design-Build Entity is prejudiced by a tie. The term “team fit and approach” shall broadly encompass the totality of a Design-Build Entity’s proposed structure of organizational chart, knowledge/skill/ability/experience of key personnel, Owner/Designer/Contractor interaction strategies, and similar aspects brought about by the individuals proposed on the project and their approach to the work.
3. **Life Cycle Costs Over Twenty-five Years.** The District is interested in renovated facilities whose sustainable design results in a low life cycle cost as calculated over a twenty-five (25) year period. Embedded in the District’s design standards are the values of durability, maintainability, aesthetic timelessness, ergonomics, first and life cost considerations, environmental sustainability, flexibility, and cultural suitability. The District’s design standards represent the basis of design for life cycle cost. Through its submission of Document 00 73 00 Exhibit 1 (SMCCCD Design Standards Review Checklist), Design-Build Entity affirms its intention to comply with the basis of design with regard to life cycle cost. If Design-Build Entity does not intend to comply with this basis of life cycle cost, Design-Build Entity shall submit a life cycle cost narrative with its proposal, explaining why its approach is superior. The proposals will be ranked First, Second, or Third – with the rank of First assigned to the proposal estimated to have the least expensive life cycle costs over twenty-five (25) years; the rank of Second assigned to the proposal that is deemed to have the next least expensive life cycle costs; and Third assigned to the proposal having the most expensive life cycle costs. The Design-Build Entity whose proposal is ranked First will be awarded the maximum score of ten (10) points under this paragraph. The proposals ranking Second and Third will receive lesser scores. In the event of a tie for any rank, the tied proposals will each receive the highest score they otherwise would have received in the absence of the other proposal. This is to ensure that no Design-Build Entity is prejudiced by a tie.
4. **Skilled Labor Force Availability.** Each Design-Build Entity that satisfies the requirements for “skilled labor force availability” as defined in California Education Code Section 81703(c)(2)(F) shall receive a maximum of ten (10) points. Each Design-Build Entity should describe in its proposal a commitment to furthering the following goals of the District’s governing Board of Trustees: 1) maximizing opportunities for local, small and emerging businesses to compete fairly for work associated with this project; 2) maximizing opportunities for local workers to be employed on the project; and 3) maximizing support of the District’s Skilled Trades Preparation Program. The proposals will be ranked First, Second, or Third. The Design-Build Entity whose proposal is ranked First will be awarded the maximum score of ten (10) points under this paragraph. The proposals

- ranking Second and Third will receive lesser scores. In the event of a tie for any rank, the tied proposals will each receive the highest score they otherwise would have received in the absence of the other proposal. This is to ensure that neither Design-Build Entity is prejudiced by a tie.
5. **Acceptable Safety Record.** Each Design-Build Entity whose “safety record” is determined to be “acceptable” as provided by California Education Code Section 81703(c)(2)(G) shall receive a maximum of five (5) points. An additional maximum of five (5) points can be earned by submitting a superior Project Safety Plan, evidencing an exceptionally comprehensive Injury & Illness Prevention Plan, and having a low Experience Modification Factor rating. The proposals will be ranked First, Second, or Third. The Design-Build Entity whose proposal is ranked First will be awarded the maximum score of ten (10) points under this paragraph. The proposals ranking Second and Third will receive lesser scores. In the event of a tie for any rank, the tied proposals will each receive the highest score they otherwise would have received in the absence of the other proposal. This is to ensure that neither Design-Build Entity is prejudiced by a tie.
 6. **Design Management Plan.** The District will evaluate and judge the quality of the design management plan proposed by each Design-Build Entity. District will award points ranging from zero (0) to ten (10) to each proposal in accordance with the District’s judgment of the effectiveness of the design management plan reflected in each proposal. In the event of a tie for any rank, the tied proposals will each receive the highest score they otherwise would have received in the absence of the other proposal. This is to ensure that neither Design-Build Entity is prejudiced by a tie. The term “design management” shall broadly encompass the totality of a Design-Build Entity’s proposed design management, including the strategy for designing within budget and schedule and in conformance with the District’s design standards; the elements of a proposal in which a Design-Build Entity proposes to employ novel (yet reliable) or otherwise innovative design solutions; advanced technologies; and clean, efficient and sustainable materials, methods, processes, and systems. A material, process, or system is not necessarily “innovative” under this paragraph merely because it is new or recently developed. An “innovative” material, process, or system should be provably superior to available alternatives because it surpasses the alternatives with regard to efficiency, sustainability, safety, cost savings, or other relevant factors that would tangibly benefit the District.
 7. **Construction Management Plan.** The District will award up to ten (10) points to proposals that evidence superiority in the Design-Build Entity’s proposed logistics plan, quality assurance/quality control plan, construction administration, and other aspects of construction phase management. The proposals will be ranked First, Second, or Third. The Design-Build Entity whose proposal is ranked First will be awarded the maximum score of ten (10) points under this paragraph. The proposals ranking Second and Third will receive lesser scores. In the event of a tie for any rank, the tied proposals will each receive the highest score they otherwise would have received in the absence of the other proposal. This is to ensure that neither Design-Build Entity is prejudiced by a tie.
 8. **Schedule.** The District has established specific Schedule Requirements relating to this project. These Schedule Requirements have been communicated to the Design-Build Entities in the Request for Qualifications and in the Request for Proposals. The District will evaluate each proposal in light of these Schedule Requirements, and will assign a numerical score to each proposal ranging from zero (0) to ten (10) points in accordance with each proposal’s responsiveness to these Program Requirements. In the event of a tie for any rank, the tied proposals will each receive the highest score they otherwise would have received in the absence of the other proposal. This is to ensure that neither Design-Build Entity is prejudiced by a tie.
 9. **Legal and Other Program Requirements.** The District has established specific Legal and Other Program Requirements relating to this project (for example, conformance with the District’s Project Labor Stabilization Agreement). These Requirements have been communicated to the Design-Build Entities in the form of the Request for Proposals. The District will evaluate each proposal in light of these Program Requirements, and will assign a numerical score to each proposal ranging from zero (0) to five (5) points in accordance with each proposal’s responsiveness to these Program Requirements. In the event of a tie for any rank, the tied proposals will each receive the highest

score they otherwise would have received in the absence of the other proposal. This is to ensure that neither Design-Build Entity is prejudiced by a tie.

- 10. Risk Management Plan.** The District will award up to five (5) points to proposals that evidence superiority in Design-Build Entity's identification and mitigation of risks associated with the project. The proposals will be ranked First, Second, or Third. The Design-Build Entity whose proposal is ranked First will be awarded the maximum score of five (5) points under this paragraph. The proposals ranking Second and Third will receive lesser scores. In the event of a tie for any rank, the tied proposals will each receive the highest score they otherwise would have received in the absence of the other proposal. This is to ensure that neither Design-Build Entity is prejudiced by a tie.

BOARD REPORT NO. 09-1-106B

TO: Members of the Board of Trustees

FROM: Ron Galatolo, Chancellor-Superintendent

PREPARED BY: Rick Bennett, Executive Director, Construction Planning Department, 358-6752

**CONTRACT AWARD FOR DISTRICTWIDE HAZARDOUS MATERIALS
ABATEMENT UNIT PRICE CONTRACT**

Cañada College, College of San Mateo and Skyline College were constructed at a time when asbestos was used in flooring, roofing, acoustic and thermal insulation and, occasionally, mixed into plaster. Asbestos containing building materials (ACBM) do not constitute a hazard to occupants if not disturbed into fragile fibers that become airborne. The District's Capital Improvement Program II includes many projects and demolitions that will cause some ACBM's to be disturbed and, accordingly, those materials will be abated by certified hazardous materials and asbestos removal contractors prior to work performed by other trades. In addition to asbestos, other hazardous materials will be abated during the course of abatement including lead-based paint, mercury containing thermostats and switches, p.c.b. containing ballasts and fluorescent light fixtures, and petroleum based products.

The District has used the Hazardous Materials Abatement Unit Price Contract very effectively over the past five years. Since the term of that contract has expired, the District began a bidding process in December 2008 to re-bid this unit price contract. Notices inviting bids were published on November 25 and December 11, 2008. All of the seven pre-qualified contractors with the appropriate ASB and HAZ contracting licenses attended a pre-bid conference on either November 25 or December 11, 2008. On January 13, 2009 six contractors submitted bids for the project. The results are shown in the table below:

Bidder	Total
Performance Abatement Services, Inc. (Richmond, CA)	\$ 410,989.00
Sterling Environmental Corporation (Oakland, CA)	\$ 514,513.00
Bayview Environmental Services, Inc. (Oakland, CA)	\$ 581,015.00
Janus Corporation (Concord, CA)	\$ 597,277.50
Miller Environmental, Inc (Anaheim, CA)	\$ 630,970.00
PARC Services, Inc (Livermore, CA)	\$ 991,425.00

All six bids were reviewed by District Staff and determined to be responsive to contract requirements. Each contractor bid on a typical scope of work that is indicative of future abatement needed at the three Colleges. Award was based on the lowest proposal. The lowest responsive bidder was Performance Abatement Services (PAS).

As part of the bid review, District Staff conducted reference checking with other public agencies. Those agencies provided PAS with very good recommendations and at bid opening, two competitors stated that the District would be working with a notable firm as its abatement contractor. PAS has an excellent safety record with a current and exceptional Experience Modification Rate (EMR) of 0.62. EMR's are a tool used by the insurance industry to allow firms to be ranked on their worker's compensation losses and their safety record.

The parent company of PAS is Performance Contracting Group, Inc. (PCC), a highly regarded, employee owned, wall and ceiling, insulation and abatement contractor. The corporation, headquartered in Lenexa, Kansas, is ranked eighth among the top 600 U.S. specialty contractors, according to ENR Magazine's most recent ranking of all U.S. specialty contractors. PAS, the Abatement Division of PCC, is the seventh largest asbestos abatement contractor in the United States. Their Northern California Division is located in Richmond, California.

During the initial two year term of this contract, the District expects that hazardous material work will be performed at Cañada College Buildings 5/6, College of San Mateo Buildings 12/15/17 and 21-29, and at Skyline Building 1. This contract is a non-exclusive contract with an extension of additional one-year terms available up to a total of five years. The District will adjust the contract at the end of each year, based on Annual Consumer Price Index (CPI) adjustments.

Funding for the health and safety improvements brought about by this Hazardous Materials Abatement Unit Price Contract possibly will come from the following sources: general obligation bond funds, State scheduled maintenance funds, State hazardous materials program funds, State funds approved for capital outlay projects, as well as any federal or local monies that may become available.

RECOMMENDATION

It is recommended that the Board of Trustees award the contract for multi-year Districtwide asbestos abatement projects to Performance Abatement Services from Richmond, California, in an amount not to exceed \$1,500,000 during the initial period ending January 28, 2011.

BOARD REPORT NO. 09-1-107B

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

**AMENDMENT OF DISTRICT RULES AND REGULATIONS SECTION 8.14,
MEASURE C BOND OVERSIGHT COMMITTEE AND ACCOUNTABILITY MEASURES**

The Bond Oversight Committee was first appointed in September 2001 before voters passed Measure C, the District's first bond measure. When Measure A was passed in November 2005, members of the Bond Oversight Committee agreed to continue their service and they were subsequently reappointed by the Board in February 2006. At that time, District staff neglected to update Section 8.14 of District Rules and Regulations to remove the original term limit provision.

In addition to that change, there are several other technical changes proposed for the policy as shown in the attached.

RECOMMENDATION

It is recommended that the Board adopt the amended version of Section 8.14 of District Rules and Regulations as shown in the attached.

8.14 ~~Measure C~~ Bond Oversight Committee and Accountability Measures

1. The ~~Measure C~~ Bond Oversight Committee shall consist of at least seven members and no more than 15 members who will each serve ~~for a term of two years~~ without compensation. ~~and for no more than two consecutive terms.~~
 - a) Five members should represent distinct constituencies as mandated by law:
 - 1) One member who is active in a business organization representing the business community within the District
 - 2) One member who is active in a senior citizens' organization
 - 3) One member who is active in a bona fide taxpayers' organization
 - 4) One member who is a student both currently enrolled and an active member in a group, such as student government
 - 5) One member who is active in the support and organization of the District, such as a member of the Foundation.
 - b) Other members, selected by the Board of Trustees, will be selected based upon the applicant's professional and/or practical experience; recognition or contributions to his/her community; the diversity of experience and expertise of the Committee as a whole; and representation of the Committee from various communities and geographic areas within the District.
 - c) The Committee may not include any employee or official of the school District or any vendor, contractor, or consultant of the District.
2. All Committee meetings shall be open to the public and are subject to the Brown Act. District staff, as designated by the Chancellor, will be responsible for working with the chair of the Bond Oversight Committee to prepare and properly notice agendas, minutes and reports of the Committee. No bond funds may be used to pay any of these expenses.
3. At its organizational meeting and annually thereafter, the Bond Oversight Committee will select a Chair and Vice-Chair/Secretary. Committee members should attempt to reach decisions by consensus wherever possible. Failing that, decisions will be made by majority vote of a quorum present and shall follow Robert's Rules. For purposes of this committee, a quorum consists of half of the total membership plus one member. All members shall be entitled to one vote on Committee recommendations.
4. The Committee shall meet at least quarterly. Any member who misses three consecutive meetings without an excuse acceptable to the Committee Chair shall be automatically dropped. The Board of Trustees may, at its discretion, fill any vacancy, whether caused by dismissal, resignation or death. In making appointments, the Board will use the selection criteria described in 8.14 (1)(b).
5. The Committee is charged by State law to ensure that bond proceeds are spent only for construction, reconstruction, rehabilitation or replacement of District facilities, including the furnishing and equipping of facilities or the acquisition or lease of real property, in compliance with the specific projects listed in Measure C on the San Mateo County November, 2001 ballot ~~and Measure A on the November, 2005 ballot~~ (see attached lists). The Committee shall ensure

8.14 Bond Oversight Committee and Accountability Measures (continued)

that no funds are expended for teacher or administrator salaries or other operating expenses. The Committee is required to issue an annual report on its proceedings, which shall be presented to the Board of Trustees. In accordance with law, this report will be posted on the District's web site.

6. The Committee is authorized to engage in any of the following activities necessary to fulfill its purpose:

- a) Receive and review copies of the annual independent performance audit required by Proposition 39;
- b) Receive and review copies of the annual independent financial audit required by Proposition. 39;
- c) Inspect school facilities and grounds to ensure bond revenues are expended in compliance with Proposition 39;
- d) Receive and review copies of any deferred maintenance proposals or plans developed by the District;
- e) Review efforts by the District to maximize bond revenues by implementing cost-saving measures, including, but not limited to the following:
 - ❖ Mechanisms designed to reduce the costs of professional fees.
 - ❖ Mechanisms designed to reduce the costs of site preparation.
 - ❖ Recommendations regarding the joint use of core facilities.
 - ❖ Mechanisms designed to reduce costs by incorporating efficiencies in school site design.
 - ❖ Recommendations regarding the use of cost-effective and efficient reusable facility plans.

7. To assist the Committee in its work, District staff shall present, for the Committee's review, a quarterly report that will include ~~Measure C~~ bond and other capital outlay project plans, timelines and cost information. The Committee will also be provided with the performance audit and annual audit that are required by law. The District will provide technical and administrative assistance in furtherance of the Committee's work. No bond funds may be used to fund any of these administrative expenses.

(1/02 1/09)

8.14 Bond Oversight Committee and Accountability Measures (continued)

MEASURE C BOND PROJECTS LIST

REPAIR & RENOVATION AT DISTRICT CAMPUSES WHERE AND AS NEEDED

- Repair or replace roofing
- Remove hazardous materials, including asbestos
- Renovate or replace plumbing systems
- Energy Efficiency projects:
 - Replace or upgrade electrical systems
 - Replace or install new lighting systems
 - Repair, replace, or install new heating, ventilation, and air conditioning systems
 - Repair or upgrade windows
 - Install energy management systems
 - Replace or upgrade environmental controls
- Renovate or replace storm drainage systems
- Repair or replace sanitary drainage systems
- Improve handicapped accessibility
- Make seismic and structural upgrades
- Repair, replace, or renovate underground hot water piping system
- Replace or upgrade fire alarm systems
- Replace or upgrade building fire sprinkler systems
- Renovate or upgrade restrooms
- Repair, renovate or construct elevators and lifts
- Install battery backup power for elevators
- Grade slopes to improve accessibility
- Repair or replace asphalt and concrete surfaces
- Replace or install campus signage to improve accessibility
- Interior and exterior painting and waterproofing
- Replace, repair, or renovate interior finishes
- Repair or replace door hardware and locks
- Replace or repair landscape irrigation systems
- Erosion mitigation projects

TECHNOLOGY AND EQUIPMENT AT DISTRICT CAMPUSES WHERE AND AS NEEDED

- Upgrade or replace science lab equipment (e.g., imaging astronomy cameras, Planetarium star projector, measuring scales, seismograph stations, weather instruments, optic systems and timers, microscopes, etc.)
- Upgrade or replace workforce development, vocational, and occupational lab equipment (e.g., aircraft scales, vacuum systems, fiber optic kits, cutters/torches, motion graphics equipment and software, X-ray systems, light curing units, patient beds, facial machines, professional hair dryers, automotive lifts, and Law Enforcement, Fire Safety and Emergency Medical Training units, etc.)
- Upgrade or replace computer hardware, including network equipment
- Replace obsolete voice and data communications systems
- Renovate, upgrade or install infrastructure for networks
- Replace analog systems with digital broadcast equipment and related communications devices
- Replace or upgrade software
- Upgrade or replace audio visual equipment
- Upgrade or replace visual/performing arts equipment (e.g., pianos, keyboards, music stands, cameras, projectors, enlargers, developers, audio sound machines, editing machines, recorders)

8.14 Bond Oversight Committee and Accountability Measures (continued)

- Replace or upgrade computer software
- Replace or upgrade furniture and fixtures (e.g., desks, workstations, chairs, tables, podiums, screens, lecterns, white boards, chalk boards)

MASTER PLAN PROJECTS

Cañada College

- Library/Learning Resource Center
- University Center
- Student Support Services Extension

College of San Mateo

- Integrated Science Center
- Vocational Technology & Communications Center
- Regional Public Safety Center
- Student Support Services Center

Skyline College

- Occupational & Work Force Development Center
- Student Support & Community Services Center
- Childhood Development Center
- Pacific Heights campus redevelopment
- Automotive Technology-Transmission Facility

Districtwide

- Temporary classroom, lab, office, restroom, and storage facilities during reconstruction
- Other property acquisitions and improvements to meet student and community needs
- Leased facilities at one or more off-campus locations within the County to accommodate growth and improve accessibility

8.14 Bond Oversight Committee and Accountability Measures (continued)

MEASURE A BOND PROJECTS LIST

REPAIR, RENOVATION & CONSTRUCTION at District Colleges where and as needed

- Make seismic and structural upgrades
- Repair or replace roofing
- Remove hazardous materials, including asbestos
- Renovate or replace plumbing, natural gas, storm and sanitary drainage systems
- Install or upgrade building fire sprinkler and alarm systems
- Renovate and improve accessibility of restrooms
- Modifications/renovations for handicapped accessibility to classrooms, labs and other facilities, including new elevators and lifts
- Repair, modernize and construct interior and exterior instructional and support facilities on all three campuses
- Install security access and communications systems to improve safety and security
- Replace or install campus signage to improve accessibility, circulation, and emergency disaster response
- Apply interior and exterior waterproofing and painting
- Repair/replace interior finishes, including flooring, windows and wall systems, hardware, whiteboards, etc.
- Replace, repair or install erosion mitigation and landscape irrigation systems; complete other landscaping projects
- Energy efficiency projects to reduce operational costs and improve efficiency including but not limited to:
 - Install/upgrade energy management and environmental control systems
 - Repair, replace or install new heating, ventilation and air conditioning systems to improve indoor air quality
 - Repair, replace or upgrade windows
 - Replace or upgrade electrical and lighting systems
- Repair/modernize College libraries

TECHNOLOGY AND EQUIPMENT at District Colleges where and as needed

- Upgrade or purchase new workforce development equipment (e.g., specialized equipment for law enforcement, fire safety, emergency and medical technician, forensics, nursing, biotechnology, automotive technology programs, etc)
- Upgrade or purchase new science lab equipment (e.g., microscopes, centrifuges; electronic balances, measuring scales, seismograph stations, vacuum pumps, incubators; optic systems and timers, etc)
- Renovate, upgrade or install infrastructure for networks to support instructional and administrative functions including distance learning
- Upgrade or replace computer hardware and software, including audio visual equipment
- Replace or upgrade obsolete communications and broadcast systems
- Replace or upgrade classroom equipment, furniture and fixtures (e.g., desks, workstations, chairs, tables, podiums, screens, lecterns, white boards, etc) and equipment and machinery to support College operations

8.14 Bond Oversight Committee and Accountability Measures (continued)

- Upgrade College emergency and disaster response systems, in coordination with City and County agencies.
- Update College library collections

MAJOR PROJECTS at Cañada College, College of San Mateo and Skyline College

- Reconstruction/renovation of facilities to accommodate fire science, law enforcement, emergency and medical technician programs
- Reconstruction/renovation of existing facilities for nursing, anatomy and other science laboratories and classrooms
- Renovation of facilities to house the Emerging Technologies Center, including computer forensics, nanotechnology and bio-medical technology programs
- Reconstruction/renovation of existing facilities to support Math and Multimedia Programs
- Construction of new Workforce Development Center for programs such as biotechnology training programs, the Center for International Trade Development and other economic development programs
- Renovation/new construction of facilities to house the Student Support Services Center (e.g., admissions, financial aid, counseling, etc)
- Renovation or construction of an Early Childhood Development Center
- Construction of new High Tech Automotive Instructional Center
- Demolition of outdated, non-compliant structures
- Other property acquisitions and improvements to meet student and community needs, including payment of lease obligations, to accommodate growth and improve accessibility
- Repair, replace and re-route existing roadways, pedestrian walkways, parking and public transit facilities to improve accessibility, circulation, safety and emergency response
- Reconstruction/renovation of existing facilities to support the University Center

BOARD REPORT NO. 09-1-4C

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

DISCUSSION REGARDING 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.

At the Board meeting of January 23, 2002, the Board approved an amendment to District Rules and Regulations Section 1.30, Compensation of Board members, and authorization to adjust Board member compensation in compliance with new legislation (Board Report No. 02-1-109B).

On January 23, 2008, the Board approved implementation of the 5% annual compensation increase for the year 2008 (Board Report No. 08-1-101B).

The Board will discuss Board member compensation in relation to the information presented above.

BOARD REPORT NO. 09-1-5C

TO: Members of the Board of Trustees
FROM: Ron Galatolo, Chancellor-Superintendent
PREPARED BY: Kathryn Blackwood, Chief Financial Officer, 358-6869

INFORMATION REPORT ON GASB 43 & 45

On June 25, 2008, the Board approved a contract with RPM Consultant Group to establish a retirement board, codify the District's "substantive plan" separately from the various collective bargaining agreements and issue an RFP for the management of the investment of these funds. A group was formed to work with Chuck Thompson of RPM Consultant Group to develop an RFP for the establishment of a retirement trust, administration of the trust and investment services for the trust. This group consists of Union and District representatives. A representative was requested from AFSCME but no one responded.

Kathy Blackwood	Chair, CFO
Ray Chow	Controller
David Feune	Compensation and Benefits Manager
Harry Joel	Vice Chancellor, Human Resources and Employee Relations
Dan Kaplan	AFT
Jan Roecks	Director, General Services
Stephanie Samuelsen	CSEA

The group has met three times, to learn the process, write the RFP and review the results. The group will be interviewing finalists at the end of January. The proposals consist of a team of three vendors: the program sponsor, the trust company and the registered investment advisor. Once a team of vendors has been approved by the Board, we move to the next step. We will need to develop our "substantive plan", the official documents that codify what post-employment benefits we provide to our employees. This plan will be taken primarily from our collective bargaining agreements and the RFP activities that we have been involved in over the past several months. Once the plan is adopted by the Board, we will establish the trust. This will be an irrevocable trust into which we will put funds that we wish to set aside for these defined benefits. We will also need to establish a Retirement Board of Authority (RBOA) that will meet regularly, probably quarterly to start and then less often. Finally, we will need to establish our investment risk tolerance and investment policy statement for the investment advisor to follow. We will also need to determine how much and when to transfer funds into the trust. All of these decisions will come before our Board, or before the retirement board for action over the next several months.

Once the trust is established and funds are deposited in it, the District will be able to count those funds towards the reduction of our post employment benefits liability. As of January, 2007, the District's liability was about \$150 million. We will have a new actuarial study performed this spring after the results of the early retirement incentives are known. We will have an actuarial study performed every two years. This study will determine the total liability as of that date and will also determine how much of the liability we have to recognize each year. If we put aside at least that amount each year, we will not have a liability on our books. Not having that in our financial statements assists our credit rating and lowers the

BOARD REPORT NO. 09-1-5C

cost of borrowing. However, putting funds in the trust limits the use of those funds for cash flow purposes. We can choose how much to invest on a year by year basis, and we can withdraw our current retiree benefit expenses in any year to assist in cash flow. Our current annual retiree benefit expense exceeds \$6 million, so we could have up to \$6 million in cash flow flexibility if needed.

Putting funds in the trust not only reduces the amount of the liability the District must recognize each year, it also increases the interest earnings, reducing the liability further. State law limits the investments that the District may use, and we typically invest our funds in the county investment pool or in LAIF (Local Agency Investment Fund). These investments are short-term to provide liquidity for the investors. State law allows the post-retirement trust fund to be invested in longer-term instruments that can have higher returns than the short term investments. This would result in higher interest earnings, which when compounded can have a significant positive impact towards lowering our total GASB 43 & 45 liability.

San Mateo County Community College District

January 28, 2009

BOARD REPORT NO. 09-1-6C

REPORT ON THE SAN MATEO COUNTY COMMUNITY COLLEGES FOUNDATION

There is no printed report for this agenda item.