

AGENDA
SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
REGULAR MEETING OF THE BOARD OF TRUSTEES
January 23, 2013
District Office Board Room, 3401 CSM Drive, San Mateo, CA 94402

NOTICE ABOUT PUBLIC PARTICIPATION AT BOARD MEETINGS

The Board welcomes public discussion.

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

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

6:00 p.m. ROLL CALL

Pledge of Allegiance

DISCUSSION OF THE ORDER OF THE AGENDA

STATEMENTS FROM EXECUTIVES AND STUDENT REPRESENTATIVES

STATEMENTS FROM THE PUBLIC ON NON-AGENDA ITEMS

NEW BUSINESS

13-1-2A [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.

13-1-1CA [Approval of 2013-14 Budget and Planning Calendar](#)

Other Recommendations

13-1-2B [Nominations for Membership on the California Community College Trustees \(CCCT\) Board, 2013](#)

13-1-3B [Adoption of Resolution No. 13-1 in Support of Senate Constitutional Amendment 3](#)

13-1-100B [Receipt and Acceptance of the 2011-12 District Audit Report](#)

- 13-1-101B [Receipt and Acceptance of the 2011-12 KCSM Audit Report](#)
- 13-1-102B [Receipt and Acceptance of the 2011-12 General Obligation Bond Financial and Performance Audits](#)
- 13-1-103B [Receipt and Acceptance of the 2011-12 Retirement Futuris Public Entity Investment Trust Audit Report](#)
- 13-1-104B [Approval of Nonresident Tuition Fee, 2013-14](#)
- 13-1-105B [Approval of District Organizational Memberships, 2012-13](#)
- 13-1-106B [Board Member Compensation](#)
- 13-1-107B [Appointment of Patricia Griffin to the Measure G Citizens' Oversight Committee](#)

STATEMENTS FROM BOARD MEMBERS

COMMUNICATIONS

RECESS TO CLOSED SESSION

1. Closed Session Personnel Items
 - A. Administrative Appointment, Reappointment, Assignment and Reassignment: **Skyline College** – Director of Articulation & Orientation, Vice President of Instruction
 - B. Public Employment: **Skyline College** – CTE Career Advancement Academics Coordinator, Instruction/Workforce Development; Project Director (Learning Center), Language Arts/Learning Resources; **District Office** – Facilities Operations Manager, Facilities Planning, Maintenance & Operations; Senior Maintenance Engineer, Facilities Planning, Maintenance & Operations
 - C. Public Employee Discipline, Dismissal, Release
2. Conference with Labor Negotiator
Agency Negotiator: Harry Joel
Employee Organizations: AFSCME, AFT and CSEA

CLOSED SESSION ACTIONS TAKEN

ADJOURNMENT

BOARD REPORT 13-1-2A

TO: Members of the Board of Trustees
FROM: Ron Galatolo, Chancellor
PREPARED BY: Harry W. Joel, Vice Chancellor, Human Resources and Employee Relations
(650) 358-6767

APPROVAL OF PERSONNEL ITEMS

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

A. REASSIGNMENT

College of San Mateo

Mario Mihelcic Program Services Coordinator (International Students) Admissions & Records

Correction to January 9, 2013 Board Report approving a transfer from the same level position at Cañada College, effective January 8, 2013. The correct date of transfer was January 2, 2013.

District Office

Juan Lopez Senior Maintenance Engineer Facilities Planning, Maintenance & Operations

Reassigned from a Maintenance Engineer position into this Senior Maintenance Engineer position, effective January 2, 2013, replacing Paul (Phil) Fong who was reassigned.

David Haw Facilities Operations Manager Facilities Planning, Maintenance & Operations

Reassigned from a Supervisor of Custodial Operations position into this Facilities Operations Manager position, effective January 7, 2013, replacing Richard Inokuchi who resigned.

B. CHANGE IN STAFF ALLOCATION

Skyline College

Recommend approval of a change in staff allocation to increase one 11-month part-time (48%) Library Support Specialist position (2C0035) to 11-months part-time (60%), effective January 2, 2013. This change will better meet the student demand for library services.

It is also recommended that the assignment of the incumbent, Sergio Ferreira, be increased accordingly, effective January 2, 2013.

C. LEAVE OF ABSENCE

Skyline College

Anjana Richards

Director of Workforce Development

Instruction Office

Recommend approval of a pregnancy disability leave of absence, effective January 21, 2013, pursuant to provisions of the Family and Medical Leave Act. Pursuant to District policy, employee is entitled to a maximum of twelve (12) calendar months of leave.

Patty Della Bona

Project Director

Business Services

Recommend an extension of a medical leave of absence without pay with benefits, effective January 11, 2013 through March 8, 2013. The previous request for medical leave of absence was Board approved on November 14, 2012.

D. SHORT-TERM, NON-CONTINUING POSITIONS

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

<i>Location</i>	<i>Division/Department</i>	<i>No. of Pos.</i>	<i>Start and End Date</i>		<i>Services to be performed</i>
Cañada	Enrollment Services/ Admissions & Records	1	2/1/2013	6/30/2013	Admissions & Records Assistant II: Provide data entry, scanning, purging, and indexing of old records into Banner, including international student records, veterans, concurrent, and miscellaneous students.
Cañada	Student Services/Student Life and Leadership Development	1	1/24/2013	6/30/2013	Student Activities Assistant: Develop and lead training workshops for student club officers and advisors; develop and lead social justice events; support retention, training, and leadership development of student government officers; assist with student commencement; and advise Inter-Club Council.
Cañada	Counseling Services/ Career Services	1	1/24/2013	6/30/2013	Career Resources/Counseling Aide: Exchange information with students, staff, employer representatives, and others regarding career program services; support services needed for Career Center programs, workshops, events, activities, and services; use computer software for data entry and the internet for job seeking.

BOARD REPORT NO. 13-1-1CA

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

APPROVAL OF 2013-14 DISTRICT BUDGET PLANNING CALENDAR

The budget development process for 2013-14 requires formulation of a budget calendar. Included in the 2013-14 calendar is consultation with the District Committee for Budget and Finance, which is a subcommittee of the District Shared Governance Council in matters relating to finance.

The calendar provides timelines for planning, discussions and decisions by the Board, and concludes with adoption of the Final Budget for 2013-14 on September 25, 2013.

RECOMMENDATION

It is recommended that the Board of Trustees approve the attached 2013-14 Budget and Planning Calendar.

Integrated District Budget Planning Calendar, 2013-14

<u>Date</u>	<u>Campus & District Review/Action</u>	<u>Committee for Budget and Finance Consultation</u>	<u>Board Review/Action</u>
September 2012	Colleges Finalize Spring 2013 Schedule of Classes		
September	College Budget and Planning committees convene <ul style="list-style-type: none"> • Review priorities, budget goals for current year and accomplishments from past year 	District Committee on Budget and Finance convenes	
September - October	Develop program plans and discuss strategies for 13-14 Review external audit reports and audit findings		
October - November	College Budget and Planning committees <ul style="list-style-type: none"> • Develop college budget goals for 2013-2014 • Review District prelim resource allocation 		
October – December	College Budget and Planning committees <ul style="list-style-type: none"> • Submit hiring priorities • Committees submit tentative recommendation for 2013-14 that includes number of positions to be funded 	Review of Budget Calendar, discussion of budget strategies and resource allocation, and budget development process	
January 10	Governor's 2013-14 Budget Proposal		
January – February	College Budget and Planning committees <ul style="list-style-type: none"> • Review 2012-13 expenditures 	Review/revise draft of Budget and Planning Calendar Review and reassess estimates of 2013-14 Governor's Budget proposal and discussion of District revenue and expenditure implications (inform DSGC at its next meeting).	Approval of 2013-14 Budget Calendar, review of Governor's Budget, review of State and District revenue and expenditure implications, and discussion of program and operational priorities. Presentation of prior year external audit reports and audit findings
January – February	Chancellor's Council <ul style="list-style-type: none"> • Discussions of budget strategies and allocations. 	Continuing discussion of State budget and District revenue/expenditure options.	Board policy discussions/decision regarding budget adjustments which impact existing and/or new positions.
January/ February	Ongoing State budget hearings		
February	Legislative Analyst's Office Review of Governor's Proposed Budget		

<u>Date</u>	<u>Campus & District Review/Action</u>	<u>Committee for Budget and Finance Consultation</u>	<u>Board Review/Action</u>
February	Colleges Finalize Summer Session 2013 Schedule of Classes	Review of preliminary District revenue assumptions and expenditure plans.	Board retreat – Review of preliminary District revenue assumptions and expenditure plans.
February	“P1” First Principal Apportionment	Review apportionment and District Controller certifies to State Controller	
February/ March	Discussion of budget priorities at Colleges and with Chancellor’s Cabinet.	Review of 2012-13 Mid-Year Budget Report	Approval of 2012-13 Mid-Year Budget Report
March - May	Departments submit budget requests for 2013-14 to College Budget Committees College Budget committees review requests		
March	Colleges Finalize Fall 2013 Schedule of Classes	Review of Board budget priorities and Districtwide allocations (inform DSGC at its next meeting).	Review/approval of 2013-14 budget priorities and Districtwide allocations.
Mid-March - April	Run preliminary position control worksheets for 2013-14 Colleges ongoing review of position control		
March – April	College Budget and Planning committees <ul style="list-style-type: none"> Preliminary current year 2012-13 ending balance estimates Colleges prepare for current year external audit		Budget updates with Board; review budget assumptions for Tentative budget. Board Goals for 2013-2014
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.
May	Site Tentative Budgets completed. Work resumes developing final budget after tentative budget is loaded.	Review of Fiscal Management Self-Assessment Checklist	
June	District Office completes budget input and prepares Tentative Budget document	Review of 2013-14 Tentative Budget	
June 26			Adoption of 2013-14 Tentative Budget and 2013-14 Gann Limit.
June	“P2” Second Principal Apportionment	Review apportionment and District Controller certifies to State Controller	
June-August	Final adjustments to budget are made.		
July	Enactment of 2013-14 State Budget		

<u>Date</u>	<u>Campus & District Review/Action</u>	<u>Committee for Budget and Finance Consultation</u>	<u>Board Review/Action</u>
August	Legislative Trailer Bills		
August	State Budget Workshop (held after Advance)		
August	2012-13 books are closed. District Office completes budget input and prepares Final Budget document.		
September 2013			Public hearing and Adoption of 2013-14 Final Budget.

BOARD REPORT NO. 13-1-2B

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

NOMINATIONS FOR MEMBERSHIP ON THE CALIFORNIA COMMUNITY COLLEGE TRUSTEES (CCCT) BOARD, 2013

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

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

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

Seven persons will be elected to the board this year. Of those seven seats, there are five incumbents eligible to run for re-election, one board member has termed out, and one seat is vacated by a trustee who did not run for re-election at the district level. This vacated seat will be filled by the trustee who receives the least number of votes among the top seven vote getters. Pursuant to the CCCT Governing Policies, that person will complete the term of the vacated seat, which expires in 2015.

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 5, 2013.

RECOMMENDATION

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



Date: December 7, 2012
To: California Community College Trustees
California Community College Chancellors/Superintendents
From: Scott Lay
Subject: CCCT Board Election - 2013

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 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 Nomination Form mailed to the League office, and *please use only these forms*. Although not required, it is recommended that nomination materials be sent via 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. CCCT board members are elected by the institutional member governing boards for three-year terms. No CCCT board member shall serve more than three (3) terms consecutively. This year seven persons will be elected to the board. Of those seven seats there are five incumbents eligible to run for re-election, one board member has termed out, and one seat is vacated by a trustee that did not run for re-election at the district level. This vacated seat will be filled by the trustee that receives the least number of votes among the top seven vote getters. Pursuant to the CCCT Governing Policies, that person will complete the term of the vacated seat, which expires in 2015.

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 5, 2013.

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
- CCCT Board Roster

CCCT BOARD NOMINATION FORM

Must be returned to the League office **postmarked no later than February 15, 2013**, along with the statement of candidacy and biographic sketch form. **Faxed material will not be accepted.**

Mail to:
CCCT Board Nominations
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, 2013**, 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, 2013** 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.)**

CCCT Board Terms

<u>Election</u>	<u>Group</u>	<u>Seat</u>	<u>First Elected/Appointed</u>	<u>Next Election</u>	<u>Terms Left for Incumbent</u>
2013	I.	Barreras	2006	2013	1
	I.	Gulassa	2010	2013	2
	I.	Hart	2010	2013	2
	I.	Jaffe	2009	2013	1
	I.	Kinsman	2010	2013	2
	I.	*Singer **Mann	2004 2005	2013 N/A	0 0
2014	II.	Casas Frier	2010	2014	1
	II.	Castellanos	2011	2014	2
	II.	Chadwick	2011	2014	2
	II.	*Figueroa	2007	2014	0
	II.	Gomez	2010	2014	1
	II.	Jones (Robert)	2011	2014	2
	II.	Moreno	2011	2014	2
	III.	Acosta-Salazar	2012	2015	2
2015	III.	Chaniot	2009	2015	1
	III.	*Jones (Bernard)	2008	2015	0
	III.	*Ontiveros	2008	2015	0
	III.	Otto	2009	2015	1
	III.	Ransford	2012	2015	2
	III.	**Vacant	2013	2015	2
	III.	Zableckis	2009	2015	1

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

**Note: Mann's term expired 2012; per Governing Policies, she stayed on another year to serve as immediate past-president.

***Note: Vacancy created when Trustee Stampolis did not run for re-election in his district.

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2012-13 BOARD ROSTER

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VACANCY

To be filled in regular election cycle per board decision 11.15.12

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BOARD REPORT NO. 13-1-3B

RESOLUTION NO. 13-1

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

RESOLUTION IN SUPPORT OF SENATE CONSTITUTIONAL AMENDMENT 3

WHEREAS, Senate Constitutional Amendment 3 (Hill), which reduces the two-thirds vote requirement on parcel taxes, will be acted on by the California State Legislature; and

WHEREAS, reductions in the state General Fund revenue have led to reduced school funding; and

WHEREAS, state General Fund revenue is unstable and erratic, which results in unpredictable funding levels for school districts and county offices of education; and

WHEREAS, parcel tax revenue can provide a stable, predictable source of school revenue; and

WHEREAS, passage of SCA 3 will empower local voters to invest in their schools based on the needs of their communities by requiring a tough, but fair 55 percent vote to pass local parcel taxes, while protecting taxpayers and homeowners with accountability provisions that will ensure that funds generated from parcel taxes are not wasted or mismanaged; and

WHEREAS, revenue from parcel taxes can be spent according to local priorities and are not subject to state control; and

WHEREAS, the two-thirds vote requirements results in minority rule by requiring two “yes” votes to cancel out one no vote; and

WHEREAS, passage of SCA 3 will allow local voters to decide to make investments in their neighborhood schools in addition to state funding;

NOW, THEREFORE, BE IT RESOLVED that the Board of Trustees of the San Mateo County Community College District strongly urges the California State Legislature to support and adopt SCA 3.

REGULARLY PASSED AND ADOPTED this 23rd day of January 2013.

Ayes:

Noes:

Abstentions:

Attest: _____

Karen Schwarz, Vice President-Clerk
Board of Trustees

San Mateo County Community College District

January 23, 2013

BOARD REPORT NO. 13-1-100B

TO: Members of the Board of Trustees

FROM: Ron Galatolo, Chancellor

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

RECEIPT AND ACCEPTANCE OF THE 2011-12 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, 2012. 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 2011-12 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, 2012 due date.

**SAN MATEO COUNTY
COMMUNITY COLLEGE DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2012 AND 2011

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

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FINANCIAL SECTION



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

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of San Mateo County Community College District (the District) as of and for the years ended June 30, 2012 and 2011, 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. The financial statements of the Education Housing Corporation were not audited in accordance with *Government Auditing Standards*. 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 opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of San Mateo County Community College District and its discretely presented component unit as of June 30, 2012 and 2011, and the respective changes in financial position and cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important for assessing the results of our audit.

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

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

Vavrinek, Time, Day & Co., LLP

Pleasanton, California
December 18, 2012

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

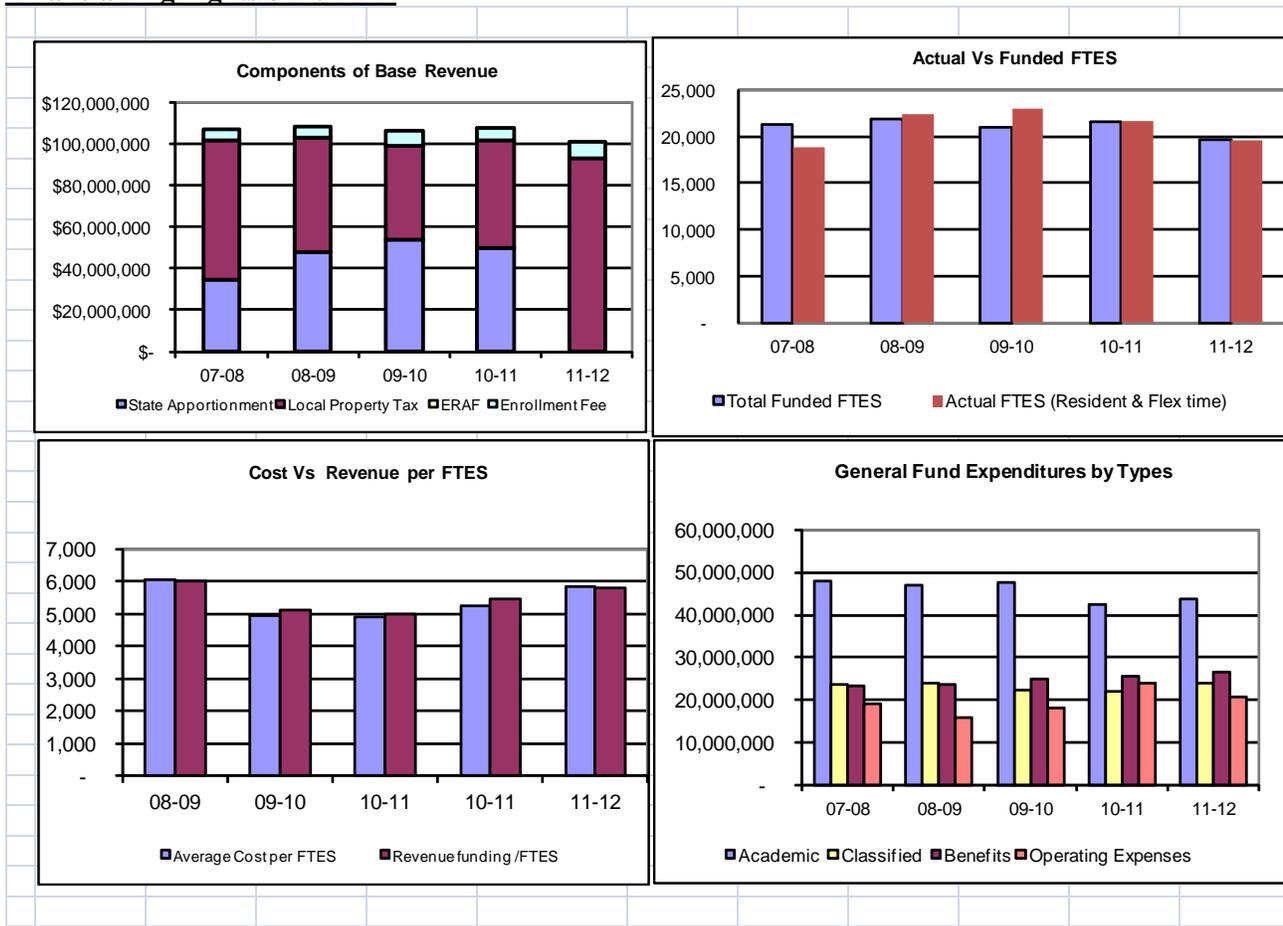
Introduction

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, 2012, June 30, 2011, and June 30, 2010. 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 2011-12



Financial Overview Summary

Total net assets at June 30, 2012 decreased \$ 40 million over the prior fiscal year. The decrease was primarily due to funds were spending down for bond construction projects.

- Assets exceeded liabilities for the fiscal year ended June 30, 2012 by \$111 million, and total net assets decreased \$40 million over last year.
- Net noncurrent assets decreased slightly by \$460 thousand.
- Net operating loss was \$178 million.
- Net non-operating revenue was \$131 million.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

Reporting for the District as a Whole

- Economic position of the District with the State

The District has obtained the enviable status of being locally funded, known as Basic Aid. This means that when the State sets the District's revenue limit (determining how many students we are funded to serve), and deducts from that revenue limit the local property taxes and student fees, there is no need for State apportionment to sum to our revenue limit. This has happened due to two main reasons: the State has cut districts' revenue limits statewide due to State funding cuts, and the dissolution of the redevelopment agencies has increased SMCCCD's local property taxes. While this does not mean that the District has significantly more resources, it does mean that if the tax initiatives on the state ballot in November, 2012, fail, the District will not be cut further. Adding to this is the parcel tax (Measure G), which continues for two more years, ending in 2013/14. This funding, approximately \$7 million per year, has allowed the District to cut significantly fewer sections than would have been cut and also maintain some services to students. In addition, the District ended 2011/12 with a positive ending balance that will also be used to offset a deficit in 2012/13.

- Salaries and Benefits

The expenditure projection for salaries includes annual increases for movement on step and column placements and longevity service increments only. The District has not received COLA from the State since 2007-08. Since becoming basic aid and benefitting from redevelopment funds, fiscal year 2012-13 reflects a modest salary adjustment (2.81%) for all employee groups. The budget includes the January 1, 2013 increases (0 to 16%) in non-capped health premium rates for employees and retirees. Dental insurance increased 10% overall and vision rates remained unchanged. The PERS rate increased from 10.923% to 11.417%. The District's Unemployment Insurance Contribution Rate is 1.265%. Due to its favorable insured loss experience and current insurance market conditions, the District expects minimal changes to insurance rates for 2012-13. Workers' compensation costs decreased allowing the District to adjust the internal charge percentage from 2% to 1% of salaries. To comply with GASB 45, in 2009-10, the District began charging itself an amount to cover the future medical benefit costs for current employees. These charges appear as part of the benefit expenses in all funds.

- Bond construction

As of June 30, 2012, \$449 million of the \$473 million Measure A November 2005 general obligation (GO) bond (with interest) have been spent or encumbered by contract. The projects planned under the 2005 GO bond are substantially completed with students and staff occupying the new and renovated buildings at CSM, Skyline and Cañada College.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012



Cañada College Building 5 Dining Room (The Grove) has been modernized, with a video wall, new flooring, enhanced lighting and wood slat walls. The Grove began operating in Fall 2012. The College's electrical infrastructure, originally constructed in the 1960s, was replaced. The project corrected the safety and serviceability deficiencies of the aging system.



Various small projects were completed throughout the year including Building 16 Physical Science Lab Improvement, Building 5 Health Services Modifications, Building 9 CIETL and Break Room, Building 8 MPOE AC Replacement as well as Storm Water and Site Drainage Repair.



Various small projects were completed throughout the year including Parking Permit Shelters, Building 1 Public Safety Office Facelift, Building 1 Health Center and Psych Services Relocation, and Building 16 Veterans Center Remodel.



SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012



Skyline College's electrical infrastructure, originally constructed in the 1960s, was replaced. The project replaced and upgraded Load Center 2 switchgear and provided new related code-compliant underground distribution system as well as addressed critical life safety issues.

Various small projects were completed throughout the year including Building 2 Center for Advanced Learning and Technology and Computer Network Program Relocation, Building 1 Career Center Remodel, Building 1 Job Placement Center Remodel, Building 4 Northeast Stair and Lighting as well as Building 1 Distance Education.



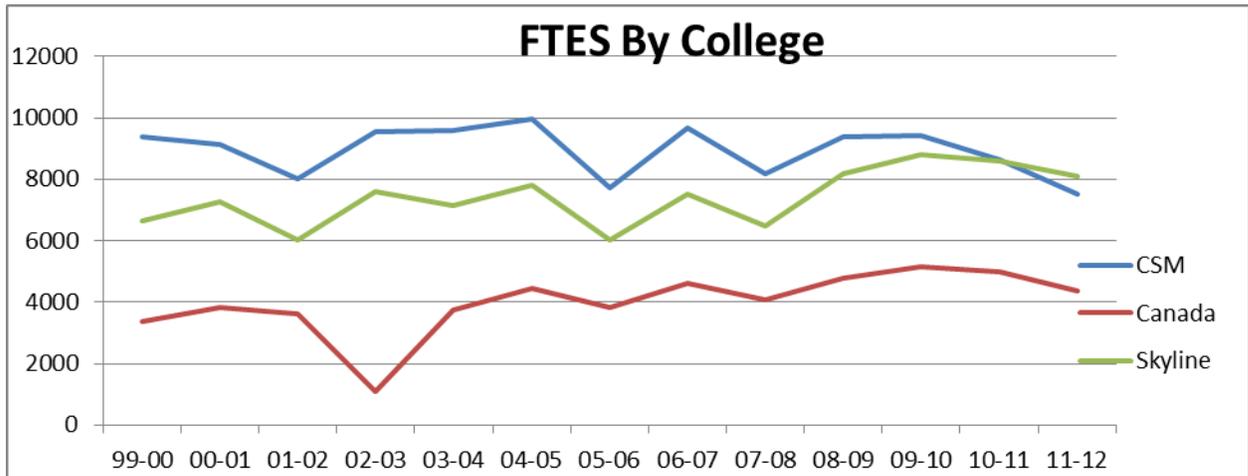
- Enrollment

The State reduced the 2011/12 enrollment caps by 7.5% from the 2010/12 levels. The District was slightly under its funded enrollment target, partially because it used some of the Summer 2011 enrollment to maximize the 2010/11 funding. In 2011/12, the District would have received stability funding from the state if it had not reached Basic Aid status. For 2012/13, the statewide enrollment caps will be determined after the November election, possibly reducing another 6.2%. For SMCCCD, the enrollment no longer drives the funding, since property taxes and fees determine the funding. However, the Board has directed that we keep our enrollment targets at or near the state-funded levels. The chart below shows the history of FTES in the District.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012



Net Assets

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

- Cash and cash equivalents consist of cash in the Treasury, Local Agency Investment Fund (LAIF) of the State Treasurer's Office, San Mateo County Pool Investment, Special Deposit Bond and with Wells Fargo Bank, proceeds from the District's general obligation construction bond and certificates of deposit with various banks.
- Accounts receivable primarily consists of revenues from local, state, and federal sources from which the District had earnings but which were not received as of the fiscal year's closing date.
- Inventories and other assets include prepaid expenses and bookstore inventories.
- Capital assets, net of depreciation, are the net historical value of land, buildings, construction in progress and equipment less accumulated depreciation.
- Accounts payable and accrued liabilities consist of payables to the state, federal grants, benefits, salaries and local vendors which the District incurred but for which payments were not issued as of the end of the fiscal year.
- Deferred revenues represent cash received during the fiscal year from state, federal grants, general state apportionment and student fees; however, the funds were not earned as the end of the fiscal year.
- Long-term liabilities include obligations to be paid over a period longer than 1 year. The current portion represents payments due within the next 12 months. The District has compensated absences payable, and construction bond.
- According to GASB Statements, equity is reported as "Net Assets" rather than "Fund Balance." The District's net assets are classified as follows:

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

- 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, 2012

Table 1 Statement of Net Assets

	2012	2011	2010
ASSETS			
Current Assets			
Cash and investments	\$ 205,551	\$ 226,483	\$ 284,129
Restricted cash and investments	23,588	23,588	20,168
Accounts receivable, net	11,375	21,561	38,175
Prepaid expenses	121	612	3,592
Deferred charges	341	267	267
Stores inventories	2,423	1,944	1,842
Total Current Assets	243,399	274,455	348,173
Noncurrent Assets			
Deferred charges	5,149	4,882	5,661
Nondepreciable capital assets	93,069	85,620	197,058
Depreciable capital assets, net of depreciation	548,492	556,668	408,116
Total Noncurrent Assets	646,710	647,170	610,835
TOTAL ASSETS	890,109	921,625	959,008
LIABILITIES			
Current Liabilities			
Accounts payable	14,098	22,540	28,686
Interest payable, restricted	13,221	13,992	14,990
Deferred revenue	11,493	11,443	12,002
Bonds and notes payable - current portion	14,910	12,985	11,200
Bond premium - current portion	2,000	878	878
Total Current Liabilities	55,722	61,838	67,756
Noncurrent Liabilities			
Compensated absences payable - noncurrent portion	3,766	3,375	3,490
Bonds and notes payable - noncurrent portion	687,265	688,811	683,767
Other long-term liabilities - noncurrent portion	32,444	16,673	17,551
Total Noncurrent Liabilities	723,475	708,859	704,808
TOTAL LIABILITIES	779,197	770,697	772,564
NET ASSETS			
Invested in capital assets, net of related debt	(59,125)	6,632	62,387
Restricted for:			
Debt service	23,633	22,040	20,213
Capital projects	73,503	82,393	69,832
Educational programs	13,421	6,802	4,947
Other activities	25,406	189	189
Unrestricted	34,075	32,872	28,876
TOTAL NET ASSETS	\$ 110,913	\$ 150,928	\$ 186,444

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

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 exchange transactions, in which each party gives and receives essentially equal value. Non-operating revenues include State apportionments, property tax revenues, investment earnings, certain Federal and State grants, entitlements, and donations.

Table 2 – Statement of Operating Revenues

	<u>2012</u>	<u>2011</u>	<u>2010</u>
OPERATING REVENUES			
Student Tuition and Fees, net	\$ 13,429	\$ 12,510	\$ 12,301
Auxiliary Enterprise Sales and Charges	6,139	5,054	3,040
Internal Service Sales and Charges	1,764	1,680	-
TOTAL OPERATING REVENUES	<u>21,332</u>	<u>19,244</u>	<u>15,341</u>
OPERATING EXPENSES			
Salaries	90,672	87,493	85,071
Employee benefits	32,932	32,468	25,921
Supplies, materials, and other operating expenses and services	29,565	38,691	21,979
Equipment, maintenance, and repairs	1,365	17,642	-
Student financial aid	22,969	20,891	15,270
Depreciation	21,408	18,566	13,885
TOTAL OPERATING EXPENSES	<u>198,911</u>	<u>215,751</u>	<u>162,126</u>
OPERATING LOSS	<u>(177,579)</u>	<u>(196,507)</u>	<u>(146,785)</u>
NONOPERATING REVENUES (EXPENSES)			
State apportionments, noncapital	849	43,684	55,359
Local property taxes, levied for general purposes	93,120	58,018	40,916
Local property taxes, levied for special purposes	28,859	27,915	26,507
Parcel tax	7,132	7,055	-
Federal grants	26,407	25,330	19,886
State grants	10,510	9,972	7,568
Local grants	2,519	2,923	2,892
State taxes and other revenues	3,696	3,464	2,817
Investment income (loss), net	3,832	2,404	5,355
Interest expense on capital related debt	(31,722)	(31,317)	(30,256)
Interest income on capital asset-related debt, net	202	94	114
Other nonoperating revenues (expenses)	(14,211)	372	14,513
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>131,193</u>	<u>149,914</u>	<u>145,671</u>
LOSS BEFORE OTHER REVENUES AND EXPENSES	<u>(46,386)</u>	<u>(46,593)</u>	<u>(1,114)</u>
State revenues, capital	4,277	4,909	1,593
Local revenues, capital	2,094	6,167	14,473
TOTAL OTHER REVENUES AND EXPENSES	<u>6,371</u>	<u>11,076</u>	<u>16,066</u>
CHANGE IN NET ASSETS	(40,015)	(35,517)	14,952
NET ASSETS, BEGINNING OF YEAR	<u>150,928</u>	<u>186,444</u>	<u>171,493</u>
NET ASSETS, END OF YEAR	<u>\$ 110,913</u>	<u>\$ 150,927</u>	<u>\$ 186,445</u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

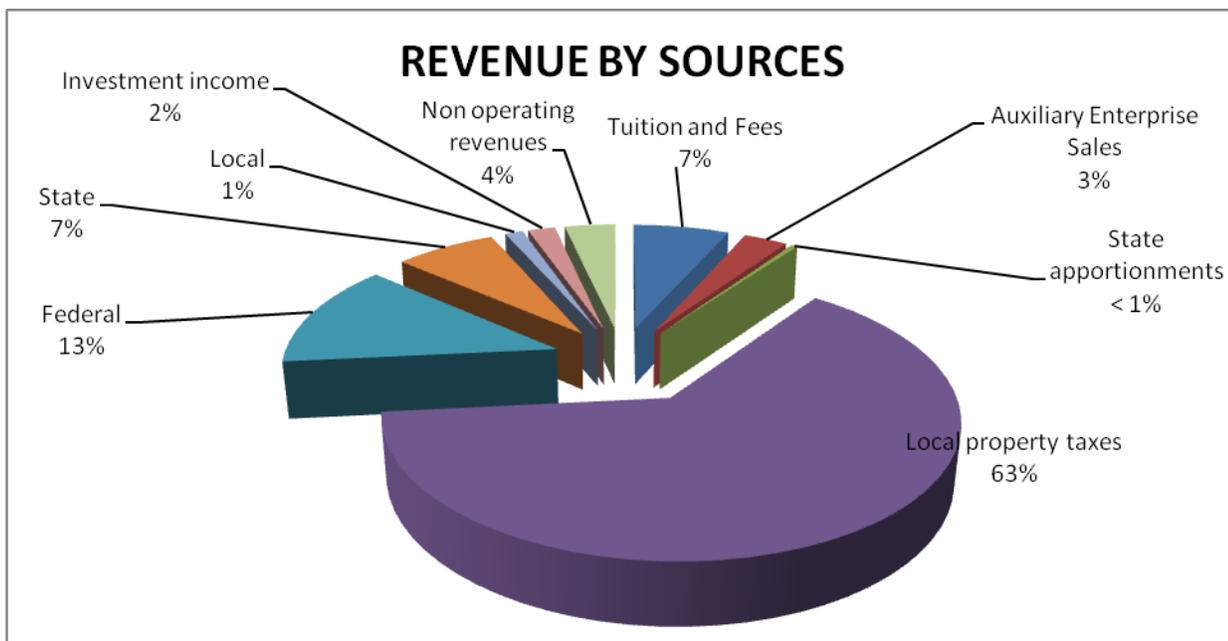
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

Explanatory information for the statement is as follows:

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

Below is an illustration of District revenues by source:



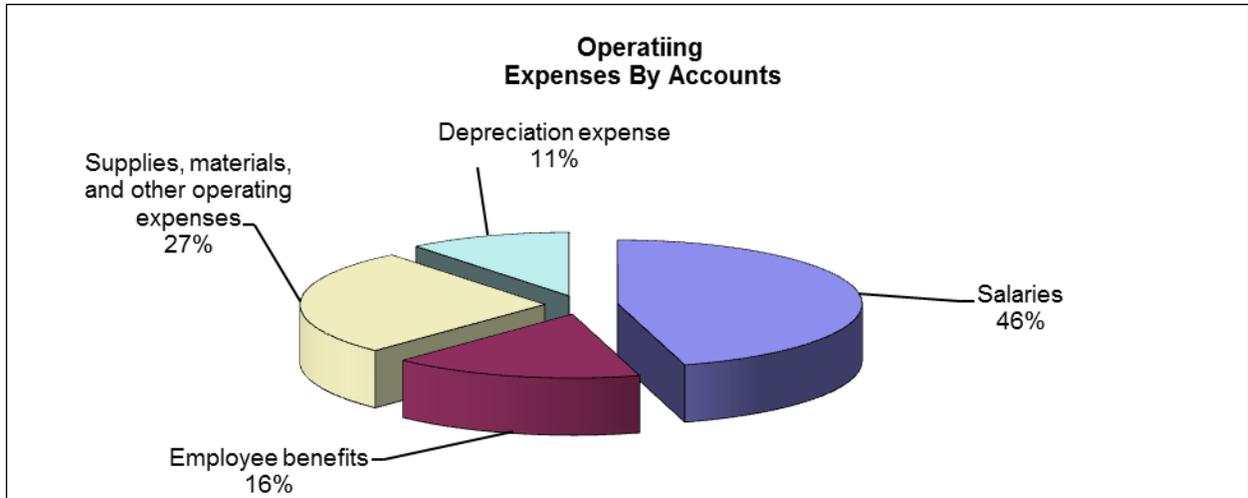
SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

Revenues and expenses changed mainly due to the following:

- Net Income from Operating sources illustrated an increase in tuition and fees.
- SMCCCD has become a Basic Aid District and no longer receiving State Tax Appointment. Therefore, Net Non-Operating sources decreased.



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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

Cash Flows

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

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

Table 3 – Statement of Cash Flows

	2012	2011	2010
	in thousands	in thousands	in thousands
CASH FLOWS PROVIDED BY (USED IN):			
Operating Activities	\$ (152,794)	(\$167,566)	(\$135,159)
Noncapital financing activities	164,787	183,752	167,199
Capital financing activities	(36,906)	(73,166)	(173,502)
Investing activities	3,981	2,754	6,899
NET DECREASE IN CASH AND CASH EQUIVALENTS	(20,932)	(54,226)	(134,564)
CASH & CASH EQUIVALENTS, BEGINNING OF YEAR	250,071	304,297	438,861
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 229,139	\$250,071	\$304,297

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

Economic Factors and the 2012-13 Budget

The State has built its budget including trigger cuts for education for the second year in a row. However, unlike in 2011/12, SMCCCD does not have to worry about the 2012/13 mid-year cuts that will be enacted should Proposition 30 fail. While the 2012/13 budget depends upon reserves to balance the budget – but a smaller reserve usage than in 2011/12 – the District does not need to worry about a loss of State apportionment midyear. Being self-supporting, or Basic Aid, the District's property tax revenues and student fees are relatively predictable. Fees increased from \$36 per unit to \$46 per unit effective with Summer, 2012. The County Assessor's Office has stated that property taxes will go up 3.3% county-wide in 2012/13. In addition, the District received over \$2 million in reallocated redevelopment funds due to the demise of redevelopment agencies in 2011/12. These funds will continue to grow as property taxes grow, and also as the former redevelopment agencies pay off their debt. This puts the District on very solid financial footing. The District continues to build three year financial plans and to judiciously use its reserves to balance its budget. The District plans for balanced budgets in 2014/15.

C.I.P. Planning 2012-13 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. However, the District has experienced a decline in State Capital Outlay funds for projects on all three campuses due to the fact that the State failed to approve an educational facilities bond in 2006, 2008, 2010, and 2012.

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

Cañada College:

- Light Pole Banner and Signage
 - Anticipated Completion date: Fall 2012
- Exterior Wayfinding Signage
 - Anticipated Completion date: Winter 2012
- Tennis Court and Parking Lot Renovation
 - Anticipated Completion date: Winter 2012

College of San Mateo:

- North Gateway Project, Phase 2: Demolition of Buildings 21-29, Landscape and Hardscape
 - Scheduled to Commence: Fall 2012
- Edison Parking Lot
 - Scheduled to Commence: Pending Legal Appeal
- Building 5 Restrooms Renovation and ADA Upgrade
 - Scheduled to Commence: Fall 2012
- Hillsdale Erosion Controls
 - Scheduled to Commence: Fall 2012
- Building 12 and Colonnades Roofing
 - Scheduled to Commence: Spring 2013

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

Skyline College:

- Disabled Student Programs and Services (DSPS) Relocation
 - Anticipated Completion date: Fall 2012
- Building 4 Roof Plaza
 - Anticipated Completion date: Fall 2012
- Building 2, 3rd Floor Student Services Facelift
 - Anticipated Completion date: Spring 2013

District Wide

- District Office Parking Lot Soil Investigation and Improvements
 - Anticipated Completion date: Fall 2012
- District Office Boiler/Chiller Upgrades
 - Scheduled to Commence: Fall 2012

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

In response to the very high cost of housing in San Mateo County, the College District built two apartment projects for faculty and staff, namely College Vista and Canada Vista. The College District has a total of 104 units—60 at Cañada Vista and 44 at College Vista. Rents for these units are significantly below market, which allows residents to save for a down payment on a home. To date, 15 residents have moved out of the faculty and staff housing and purchased their own home.

Cañada Vista opened in August, 2010 and College Vista has been open for more than 6 ½ years. Interior amenities at both projects include 9 foot ceilings, wood entryways, individual patios or decks; individual garages, large windows and sliding glass doors. The College District believes that provision of this housing has helped the District increase its retention of employees.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

College Vista:



Canada Vista:



Contacting the District's Financial Management Office

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF NET ASSETS – PRIMARY GOVERNMENT
JUNE 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
ASSETS		
Current Assets		
Cash and investments	\$ 205,551,320	\$ 226,483,117
Restricted cash and investments	23,587,629	23,587,629
Accounts receivable, net	11,375,095	21,561,049
Prepaid expenses	120,817	612,280
Deferred charges	341,503	266,780
Stores inventories	2,423,067	1,944,237
Total Current Assets	<u>243,399,431</u>	<u>274,455,092</u>
Noncurrent Assets		
Deferred charges	5,149,045	4,882,265
Nondepreciable capital assets	93,068,540	85,619,681
Depreciable capital assets, net of depreciation	548,492,322	556,667,926
Total Noncurrent Assets	<u>646,709,907</u>	<u>647,169,872</u>
TOTAL ASSETS	<u>890,109,338</u>	<u>921,624,964</u>
LIABILITIES		
Current Liabilities		
Accounts payable	14,098,313	22,539,884
Interest payable, restricted	13,220,817	13,992,354
Deferred revenue	11,492,562	11,442,749
Bonds and notes payable - current portion	14,910,000	12,985,000
Bond premium - current portion	2,000,003	877,627
Total Current Liabilities	<u>55,721,695</u>	<u>61,837,614</u>
Noncurrent Liabilities		
Compensated absences payable - noncurrent portion	3,765,476	3,375,257
Bonds and notes payable - noncurrent portion	687,265,138	688,810,672
Other long-term liabilities - noncurrent portion	32,444,339	16,673,392
Total Noncurrent Liabilities	<u>723,474,953</u>	<u>708,859,321</u>
TOTAL LIABILITIES	<u>779,196,648</u>	<u>770,696,935</u>
NET ASSETS		
Invested in capital assets, net of related debt	(59,124,968)	6,632,145
Restricted for:		
Debt service	23,632,460	22,040,501
Capital projects	73,502,940	82,393,022
Educational programs	13,495,709	6,801,876
Other activities	25,406,277	188,777
Unrestricted	34,000,272	32,871,708
TOTAL NET ASSETS	<u>\$ 110,912,690</u>	<u>\$ 150,928,029</u>

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS – PRIMARY GOVERNMENT FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
OPERATING REVENUES		
Student Tuition and Fees	\$ 21,652,634	\$ 17,961,991
Less: Fee waivers and allowance	(8,223,892)	(5,451,849)
Net tuition and fees	<u>13,428,742</u>	<u>12,510,142</u>
Auxiliary Enterprise Sales and Charges		
Bookstore	3,153,480	2,776,158
Cafeteria	211,805	195,780
Fitness Center	2,774,126	2,082,443
Internal Service Sales and Charges	<u>1,763,716</u>	<u>1,680,459</u>
TOTAL OPERATING REVENUES	<u><u>21,331,869</u></u>	<u><u>19,244,982</u></u>
OPERATING EXPENSES		
Salaries	90,671,696	87,492,518
Employee benefits	32,932,470	32,468,015
Supplies, materials, and other operating expenses and services	29,564,554	38,691,384
Equipment, maintenance, and repairs	1,364,788	17,642,418
Student financial aid	22,969,111	20,890,933
Depreciation	<u>21,408,359</u>	<u>18,565,671</u>
TOTAL OPERATING EXPENSES	<u><u>198,910,978</u></u>	<u><u>215,750,939</u></u>
OPERATING LOSS	<u><u>(177,579,109)</u></u>	<u><u>(196,505,957)</u></u>
NONOPERATING REVENUES (EXPENSES)		
State apportionments, noncapital	848,646	43,684,006
Local property taxes, levied for general purposes	93,119,831	58,018,305
Local property taxes, levied for special purposes	28,859,238	27,915,076
Parcel tax	7,132,066	7,055,081
Federal grants	26,392,186	25,330,119
State grants	10,509,913	9,971,963
Local grants	2,518,886	2,923,325
State taxes and other revenues	3,695,636	3,463,708
Investment income (loss), net	3,832,486	2,403,806
Interest expense on capital related debt	(31,722,355)	(31,317,096)
Interest income on capital asset-related debt, net	202,001	94,445
Other nonoperating revenues (expenses)	<u>(14,195,979)</u>	<u>371,510</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u><u>131,192,555</u></u>	<u><u>149,914,248</u></u>
LOSS BEFORE OTHER REVENUES AND EXPENSES	<u><u>(46,386,554)</u></u>	<u><u>(46,591,709)</u></u>
State revenues, capital	4,277,204	4,908,777
Local revenues, capital	<u>2,094,011</u>	<u>6,166,943</u>
TOTAL OTHER REVENUES AND EXPENSES	<u><u>6,371,215</u></u>	<u><u>11,075,720</u></u>
CHANGE IN NET ASSETS	(40,015,339)	(35,515,989)
NET ASSETS, BEGINNING OF YEAR	<u>150,928,029</u>	<u>186,444,018</u>
NET ASSETS, END OF YEAR	<u><u>\$ 110,912,690</u></u>	<u><u>\$ 150,928,029</u></u>

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF CASH FLOWS – PRIMARY GOVERNMENT
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 16,143,480	\$ 12,553,426
Local grants and contracts	1,243,888	11,013,632
Payments to vendors for supplies and services	(31,374,506)	(58,857,074)
Payments to or on behalf of employees	(123,373,712)	(118,364,331)
Payments to students for scholarships and grants	(23,433,630)	(20,139,559)
Auxiliary sales	8,000,619	6,227,453
Net Cash Flows Provided For Operating Activities	<u>(152,793,861)</u>	<u>(167,566,453)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State apportionments	5,572,729	49,749,197
Property taxes, levied for general purposes	93,119,831	58,018,305
Property taxes, levied for special purposes	28,859,238	27,915,076
Grant and contracts	39,421,223	38,156,407
State taxes and other apportionments	4,988,123	2,858,321
Other receipts and disbursements	(7,173,808)	7,055,081
Net Cash Flows From Noncapital Financing Activities	<u>164,787,336</u>	<u>183,752,387</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of capital assets	(28,012,246)	(58,101,541)
Loss on disposal of capital assets	95,228	129,029
Bond proceeds (include accretions)	144,442,479	18,028,621
State revenue, capital projects	4,277,204	4,908,777
Local revenue, capital projects	2,094,011	6,166,943
Deferred cost on issuance	(341,503)	-
Principal paid on capital debt	(127,169,690)	(12,077,626)
Interest paid on capital debt	(32,493,892)	(32,314,986)
Interest received on capital asset-related debt	202,001	94,445
Net Cash Flows Used for Capital Financing Activities	<u>(36,906,408)</u>	<u>(73,166,338)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received from investments	3,981,136	2,754,084
NET CHANGE IN CASH AND CASH EQUIVALENTS	(20,931,797)	(54,226,320)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	250,070,746	304,297,066
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 229,138,949</u>	<u>\$ 250,070,746</u>

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF CASH FLOWS, PRIMARY GOVERNMENT, Continued
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Loss	\$ (177,579,109)	\$ (196,505,957)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation expense	21,408,359	18,565,671
Miscellaneous nonoperating income		
Changes in Assets and Liabilities:		
Receivables, net	3,659,944	10,145,572
Inventories	(478,830)	(102,719)
Prepaid and other current assets	416,740	2,980,052
Accounts payable and accrued liabilities	(617,562)	(2,692,264)
Deferred revenue	396,597	43,192
Total Adjustments	<u>24,785,248</u>	<u>28,939,504</u>
Net Cash Flows Provided For Operating Activities	<u>\$ (152,793,861)</u>	<u>\$ (167,566,453)</u>
 CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:		
Cash and investments	\$ 205,551,320	\$ 226,483,117
Restricted cash and investments	23,587,629	23,587,629
Total Cash and Cash Equivalents	<u>\$ 229,138,949</u>	<u>\$ 250,070,746</u>
 NON CASH TRANSACTIONS		
On behalf payments for benefits	<u>\$ 1,821,547</u>	<u>\$ 1,569,077</u>

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF FIDUCIARY NET ASSETS
JUNE 30, 2012 AND 2011**

	2012		2011	
	Agency Fund		Agency Fund	
	Associated Students Trust	Student Representation Fee	Associated Students Trust	Student Representation Fee
ASSETS				
Cash and cash equivalents	\$ 1,904,687	\$ 117,707	\$ 1,837,327	\$ 109,935
Accounts receivable	348,875	-	1,071,184	-
Fixed assets	1,516	-	3,336	-
Total Assets	\$ 2,255,078	\$ 117,707	\$ 2,911,847	\$ 109,935
LIABILITIES				
Accounts payable	\$ 1,143,551	\$ -	\$ 1,720,682	\$ -
Due to student groups and other	1,111,527	117,707	1,191,165	109,935
Total Liabilities	\$ 2,255,078	\$ 117,707	\$ 2,911,847	\$ 109,935

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, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
CURRENT ASSETS		
Cash and investments	\$ 146,321	\$ 79,761
Accounts receivable	44	65
Prepaid expenses	-	61,784
Total Assets	<u>\$ 146,365</u>	<u>\$ 141,610</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Rent security deposits	132,018	128,220
Total Liabilities	<u>132,018</u>	<u>128,220</u>
NET ASSETS		
Unrestricted	14,347	13,390
Total Liabilities and Net Assets	<u>\$ 146,365</u>	<u>\$ 141,610</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, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
REVENUES		
Rental income	\$ 1,447,069	\$ 1,249,244
Interest and dividends	1,940	426
Commission	173	167
Water reimbursement	12,518	12,892
Other local income	3,177	2,415
Total Revenues	<u>1,464,877</u>	<u>1,265,144</u>
EXPENSES		
Operating expenses	230,920	207,818
Total Expenses	<u>230,920</u>	<u>207,818</u>
OTHER SOURCES AND USES		
Transfer out to SMCCCD	(1,233,000)	(1,056,500)
Total Other Uses	<u>(1,233,000)</u>	<u>(1,056,500)</u>
CHANGE IN NET ASSETS	957	826
NET ASSETS, BEGINNING OF YEAR	<u>13,390</u>	<u>12,564</u>
NET ASSETS, END OF YEAR	<u>\$ 14,347</u>	<u>\$ 13,390</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, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 957	\$ 826
Changes in Assets and Liabilities		
Accounts receivable	21	81
Prepaid expenses	61,784	(59,063)
Rent security deposits	3,798	60,286
Net Cash Flows Provided For Operating Activities	<u>66,560</u>	<u>2,130</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	66,560	2,130
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>79,761</u>	<u>77,631</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 146,321</u>	<u>\$ 79,761</u>

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1 – ORGANIZATION

Organization

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

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

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

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37 and No. 38. This presentation provides a comprehensive entity-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office *Budget and Accounting Manual*. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

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

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

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

The District reports are based on all applicable GASB pronouncements, as well as applicable Financial Accounting Standards Board (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.

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Management's Discussion and Analysis

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

Cash and Cash Equivalents

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

Investments

In accordance with GASB Statement No. 31 *Accounting and Financial Reporting for Certain Investments and External Investment Pools*. Investments held at June 30, 2012 and 2011, are stated at fair value. Fair value is estimated based on quoted market prices at year-end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

Restricted Assets

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

Accounts Receivable

Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. This allowance is based upon a five-year average ratio over actual revenues. The allowance was estimated at \$3,122,537 and \$2,706,290 for the years ended June 30, 2012 and 2011, respectively.

Prepaid Expenditures

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Inventory

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

Capital Assets and Depreciation

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

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

Accrued Liabilities and Long-term Obligations

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

Deferred Issuance Costs, Premiums, and Discounts

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

Compensated Absences

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

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Deferred Revenue

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

Non Current Liabilities

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

Net Assets

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

Invested in Capital Assets, Net of Related Debt: Capital Assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. To the extent debt has been incurred, but not yet expended for capital assets, such are not included as a component invested in capital assets – net of related debt.

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

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

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

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

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

State Apportionments

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Property Taxes

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

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

Board of Governors Grants (BOGG) and Fee Waivers

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

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, Federal Work-Study, and Stafford Loan programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. These programs are audited in accordance with the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget's revised Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the related *Compliance Supplement*. During the years ended June 30, 2012 and 2011, the District distributed \$1,888,799, and \$1,726,628 in direct student loan through the U. S. Department of Education.

On-Behalf Payments

GASB Statement No. 24 requires direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees for another legally separate entity be recognized as revenues and expenditures by the employer entity. The State of California makes direct on-behalf payments to the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) on behalf of all community colleges in California. The California Department of Education has issued a fiscal advisory instructing districts not to record the revenue and expenditures for the on behalf payments within the funds and accounts of a district. The amount of the on behalf payments made for the District of the year ended June 30, 2012, was \$1,821,547 for CalSTRS and \$0 for CalPERS. These amounts are reflected in the District's audited financial statements.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Estimates

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

Interfund Activity

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

New Accounting Pronouncements

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

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

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

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier implementation is encouraged.

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Concepts Statement No. 4 introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement No. 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement No. 4.

This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier implementation is encouraged.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

In March 2012, GASB issued Statement No. 66, *Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, GASB Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

This Statement amends GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the General Fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in GASB Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

This Statement also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply GASB Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier implementation is encouraged.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by State and local governments for pensions. It also improves information provided by State and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of GASB Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

GASB Statement No. 67, *Financial Reporting for Pension Plans*, revises existing standards of financial reporting for most pension plans. This Statement and Statement No. 67 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement - determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of State and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.

Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.

Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

This Statement is effective for fiscal years beginning after June 15, 2014. Earlier implementation is 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 – DEPOSITS AND INVESTMENTS

Policies and Practices

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

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section (ECS) 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.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

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.

General Authorizations

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

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

Summary of Deposits and Investments

Deposits and investments of the Primarily Government as of June 30, 2012 and 2011, consist of the following:

	2012	2011
Cash on hand and in banks	\$ 1,962,867	\$ 1,105,073
Cash in revolving	77,000	131,008
Investments	227,099,082	248,834,665
Total Deposits and Investments	<u>\$ 229,138,949</u>	<u>\$ 250,070,746</u>

Deposits and investments of the Fiduciary Funds as of June 30, 2012 and 2011, consist of the following:

	2012	2011
Cash on hand and in banks	\$ 596,363	\$ 448,752
Investments	1,426,031	1,498,510
Total Deposits and Investments	<u>\$ 2,022,394</u>	<u>\$ 1,947,262</u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

Deposits and investments of the Educational Housing Corporation as of June 30, 2012 and 2011, consist of the following:

	2012	2011
Cash on hand and in banks	\$ 93,307	\$ 79,761
Investments	53,014	-
Total Deposits and Investments	<u>\$ 146,321</u>	<u>\$ 79,761</u>

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 investing in the County pool and local agency investment fund (LAIF) and/or having a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

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

Investment Type	Fair Value	Weighted Average Maturity In Years
Corporate fixed income	\$ 4,594,642	2.47*
Government securities	11,218,583	2.47*
County Pool	207,538,718	1.60
State Investment Pool	142,460	0.73
Certificates of deposit	5,083,724	1.00
Total	<u>\$ 228,578,127</u>	

* = Duration

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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. Presented below is the actual rating as of the year-end for each investment type.

Investment Type	Fair Value	Not Required To Be Rated	Rating as of Year End		
			AAA*	A-*	Unrated
Corporate fixed income	\$ 4,594,642	\$ -	\$ -	\$ 4,594,642	\$ -
Government securities	11,218,583	-	11,218,583	-	-
County Pool	207,538,718	207,538,718	-	-	207,538,718
State Investment Pool	142,460	142,460	-	-	142,460
Certificates of deposit	5,083,724	5,083,724	-	-	5,083,724
Total	<u>\$ 228,578,127</u>	<u>\$ 212,764,902</u>	<u>\$ 11,218,583</u>	<u>\$ 4,594,642</u>	<u>\$ 212,764,902</u>

* Moody's

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, 2012 and 2011, the District's bank balances of approximately \$2,513,000 and \$2,296,000, 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.

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.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 4 - ACCOUNTS RECEIVABLE

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

	<u>Primary Governmnet</u>	
	<u>2012</u>	<u>2011</u>
Federal Government		
Categorical aid	\$ 1,025,459	\$ 1,151,795
State Government		
Apportionment	-	5,085,296
Categorical aid	1,214,003	856,871
Other State sources	1,214,494	2,737,776
Local Sources		
Interest	320,567	469,217
Student loans	1,158,134	693,615
Student receivables	6,439,317	8,341,211
Other local sources	3,125,658	4,931,558
Less allowance for bad debt	<u>(3,122,537)</u>	<u>(2,706,290)</u>
Total Accounts Receivable, net	<u>\$ 11,375,095</u>	<u>\$ 21,561,049</u>

Other Local Receivables at June 30, 2012 and 2011 include \$905,912 and \$913,251 for loans made to District employees to purchase houses. All full time employees who purchase a home and contribute at least 20 percent of the purchase price are eligible to receive loans of up to \$75,000 per employee. Repayment terms and interest rates are: no payments due in years 1 through 5, payments of principal and interest in years 6-29, with final payment of any remaining balance in year 30. Selling the property, withdrawing cash from the equity, or leaving the District's employment accelerates the due date of the loan. Interest is charged at 4 percent per year. As of June 30, 2012, all of the funds have been loaned out. No loans will be granted to additional employees until existing loans are paid back or the Board authorizes additional amounts to be loaned out.

	<u>Fiduciary Funds</u>	
	<u>2012</u>	<u>2011</u>
Local Sources		
Interest	\$ 3,372	\$ 4,513
Other local sources	345,503	1,066,671
Total	<u>\$ 348,875</u>	<u>\$ 1,071,184</u>

The Educational Housing Corporation's accounts receivable at June 30, 2012 were interest receivables.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2012, 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	64,991,389	19,577,025	12,128,166	72,440,248
Total Capital Assets Not Being Depreciated	<u>85,619,681</u>	<u>19,577,025</u>	<u>12,128,166</u>	<u>93,068,540</u>
Capital Assets Being Depreciated				
Land improvements	33,638,643	9,890,426	-	43,529,069
Buildings and improvements	603,708,475	2,237,741	-	605,946,216
Furniture, equipment, and vehicles	28,463,280	1,069,079	1,484,036	28,048,323
Total Capital Assets Being Depreciated	<u>665,810,398</u>	<u>13,197,246</u>	<u>1,484,036</u>	<u>677,523,608</u>
Less Accumulated Depreciation				
Land improvements	10,677,983	1,545,760	-	12,223,743
Buildings and improvements	82,127,703	17,481,625	-	99,609,328
Furniture, equipment, and vehicles	16,336,786	2,250,237	1,388,808	17,198,215
Total Accumulated Depreciation	<u>109,142,472</u>	<u>21,277,622</u>	<u>1,388,808</u>	<u>129,031,286</u>
Net Capital Assets Being Depreciated	<u>556,667,926</u>	<u>(8,080,376)</u>	<u>95,228</u>	<u>548,492,322</u>
Net Capital Assets	<u>\$ 642,287,607</u>	<u>\$ 11,496,649</u>	<u>\$ 12,223,394</u>	<u>\$ 641,560,862</u>

Depreciation expense for the year was \$21,277,622.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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

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

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

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	Primary Government	
	2012	2011
Paroll related liabilities	\$ 3,656,369	\$ 3,816,134
Mandated cost	1,090,686	1,090,686
ERAF	1,781,872	1,781,872
Construction	1,132,738	8,956,747
Vendor and other	6,436,648	6,894,445
Total	<u>\$ 14,098,313</u>	<u>\$ 22,539,884</u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

Fiduciary Funds

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

Discretely Presented Component Unit

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

NOTE 7 - DEFERRED REVENUE

Deferred revenue at June 30, 2012 and 2011 consisted of the following:

	Primary Government	
	2012	2011
Federal financial assistance	\$ 9,725	\$ 16,000
State categorical aid	1,199,204	1,956,378
Enrollment fees	7,010,111	6,613,514
Other local	3,273,522	2,856,857
Total	<u>\$ 11,492,562</u>	<u>\$ 11,442,749</u>

NOTE 8 – INTERFUND TRANSACTIONS

Interfund Receivables and Payable (Due To/Due From)

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

Interfund Operating Transfers

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2012 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	\$ 701,795,672	\$ 126,484,466	\$ 126,105,000	\$ 702,175,138	\$ 14,910,000
Other Liabilities					
Compensated absences	3,375,257	390,219	-	3,765,476	-
Total Other Liabilities	3,375,257	126,874,685	126,105,000	705,940,614	14,910,000
Premiums, net of amortization	17,551,019	17,958,013	1,064,690	34,444,342	2,000,003
Total Long-term Liabilities	<u>\$ 722,721,948</u>	<u>\$ 144,832,698</u>	<u>\$ 127,169,690</u>	<u>\$ 740,384,956</u>	<u>\$ 16,910,003</u>

The changes in the District's long-term obligations during the 2011 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	\$ 694,967,051	\$ 18,028,621	\$ 11,200,000	\$ 701,795,672	\$ 12,985,000
Other Liabilities					
Compensated absences	3,489,506	-	114,249	3,375,257	-
Total Other Liabilities	3,489,506	18,028,621	11,314,249	705,170,929	12,985,000
Premiums, net of amortization	18,428,645	-	877,626	17,551,019	877,627
Total Long-term Liabilities	<u>\$ 716,885,202</u>	<u>\$ 18,028,621</u>	<u>\$ 12,191,875</u>	<u>\$ 722,721,948</u>	<u>\$ 13,862,627</u>

Description of Debt

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

General obligation bonds were approved by local elections in 2001 and 2005. The total amount approved by the voters in 2001 and 2005 were \$207,000,000 and \$468,000,000, respectively. All of the authorized 2001 and 2005 bonds have been issued. Interest rates on the 2001 bonds are range from 3.00 percent to 5.74 percent and the interest rates on the 2005 bonds are range from 3.50 percent to 5.00 percent. At June 30, 2012, the outstanding balances for the 2001 and 2005 bonds were \$136,854,150 and \$565,320,988, respectively.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

Debt Maturity

General Obligation Bonds

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds
				Outstanding July 1, 2011	Additions/ Accretions	Redeemed	Outstanding June 30, 2012
6/4/2002	9/1/2026	5.2-5.74%	\$ 96,875,613	\$ 89,471,407	\$ 1,665,815	\$ 56,270,000	\$ 34,867,222
2/9/2005	9/1/2029	3.00-5.00%	69,995,132	73,996,949	1,537,742	19,970,000	55,564,691
4/11/2006	3/1/2031	3.50-5.00%	40,124,660	45,530,822	1,666,415	775,000	46,422,237
4/11/2006	9/1/2030	3.75-5.00%	135,429,395	122,081,343	4,678,085	6,955,000	119,804,428
12/12/2006	9/1/2038	3.50-5.00%	332,570,194	370,715,151	9,341,409	42,135,000	337,921,560
4/26/2012	9/1/2026	0.33-5.00%	107,595,000	-	107,595,000	-	107,595,000
				<u>\$ 701,795,672</u>	<u>\$ 126,484,466</u>	<u>\$ 126,105,000</u>	<u>\$ 702,175,138</u>

The bonds mature through 2039 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2013	\$ 14,910,000	\$ 11,609,719	\$ 26,519,719
2014	17,290,000	12,126,971	29,416,971
2015	19,475,000	11,458,220	30,933,220
2016	19,200,967	10,795,338	29,996,305
2017	18,921,029	10,221,638	29,142,667
2018-2022	108,325,813	43,974,619	152,300,432
2023-2027	113,651,179	33,424,056	147,075,235
2028-2032	132,934,399	21,975,981	154,910,380
2033-2037	105,280,748	10,624,375	115,905,123
2038-2039	45,280,860	977,500	46,258,360
Subtotal	<u>595,269,995</u>	<u>\$ 167,188,417</u>	<u>\$ 762,458,412</u>
Accreted Interest To Date	<u>106,905,144</u>		
Total	<u>\$ 702,175,139</u>		

Other Postemployment Benefits (OPEB) Obligation

The District's actuarially determined annual required contribution (ARC) for the year ended June 30, 2012, was \$7,702,017. The District made a contribution of \$7,196,992 for premiums for current retirees. In addition, the District contributed \$10,000,000 to the San Mateo County Community College District Public Entity Investment Trust during the year. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefits plan.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 10 – DEFEASED DEBT

In 2006, the District defeased the certificates of participation issued in 2004 by creating an irrevocable trust fund. As of June 30, 2012, the amount of defeased debt outstanding but removed from the Long-Term Obligations amounted to \$28,717,186.

In April 2012, the District issued \$107,595,000 general obligation refunding bonds to refund a portion of the outstanding principal amount of three outstanding series of general obligation bonds (2002 Series A, 2005 Series B, and 2006 Series B) of the District. The amount deposited in the escrow fund for the repayment of the prior year bonds were \$124,938,327. The savings to the District's taxpayers are approximately \$14.7 million.

NOTE 11 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

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

Plan Description

The Other Postemployment Benefit Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the San Mateo County Community College District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 1,028 retirees and beneficiaries currently receiving benefits and 834 active plan members. Separate financial statements are prepared for the Plan and may be obtained by contacting the San Mateo County Community College District.

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits. During the year, the District contributed \$7,196,992 for the current retirees' medical premiums. Plan members receiving benefits contributed \$67,000, or approximately .01 percent of the total premiums. Contributions made by retirees, range between \$1 to \$420 per month. In addition to the current year premium, the District contributed \$10,000,000 to the San Mateo County Community College District Public Entity Investment Trust.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Annual OPEB Cost and Net OPEB Asset/Obligation

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

Annual required contribution (ARC)	\$ 7,702,017
Annual OPEB cost (expense) - District paid premiums	(7,196,992)
Current year contribution to the OPEB Trust	<u>(10,000,000)</u>
Contributions in excess of ARC	(9,494,975)
OPEB asset, beginning of year	<u>(9,514,655)</u>
OPEB asset, end of year	<u><u>\$ (19,009,630)</u></u>

Trend Information

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

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation/(Assets)
2012	\$ 7,702,017	\$17,196,992	223%	\$ (19,009,630)
2011	7,702,017	17,100,154	222%	(9,514,655)
2010	7,383,929	11,167,718	151%	(116,518)

Funding Status and Funding Progress

The funded status of the OPEB Plan as of June 30, 2012, is as follows:

Actuarial Accrued Liability (AAL)	\$ 118,923,929
Actuarial Value of Plan Assets	<u>(15,643,762)</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u><u>\$ 103,280,167</u></u>
 Funded Ratio (Actuarial Value of Plan Assets/AAL)	 13%
Covered Payroll	<u>\$ 90,671,696</u>
UAAL as Percentage of Covered Payroll	<u><u>114%</u></u>

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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 April 12, 2011 actuarial valuation, the Entry Age Normal Actuarial Cost Method was used. The actuarial assumptions included a 5 percent investment rate of return (net of administrative expenses), based on the Plan being funded in an irrevocable employee benefit trust fund invested in a long-term fixed income portfolio. Healthcare cost trend rates assumed 4 percent per year. The UAAL is being amortized at a level percentage of payroll method. The remaining amortization period at July 1, 2011, was 30 years. The actuarial value of assets of \$15,643,762 was determined in this actuarial valuation. At July 1, 2012, the Trust held net assets in the amount of \$26,570,700 in investments with Benefit Trust.

NOTE 12 - RISK MANAGEMENT

Insurance Coverages

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ending June 30, 2012, the District contracted with MacCorkle Inc., an insurance broker to manage the District's insurance claims. The District is self-insured for the first \$150,000. Settled claims have not exceeded this commercial coverage.

Workers' Compensation

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

Employee Medical Benefits

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

The District also contributed towards the medical plan premiums of CalPERS and CalSTRS retirees who did not meet the District eligibility requirements for retiree benefits when they retired. This contribution is required by CalPERS and is called the "Employer Share" and was established in order to provide retirees, regardless of District eligibility, with continuation of group medical insurance coverage at a reduced monthly premium. There are currently 63 retirees that fall under this categorical and the District's share for the fiscal year was \$385,907.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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

Claim Liabilities

The District establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2010 to June 30, 2012:

	Workers' Compensation	Property and Liability
Liability Balance, July 1, 2010	\$ 1,652,711	\$ 150,000
Claims and changes in estimates	(4,711)	-
Claims payments	-	(150,000)
Liability Balance, June 30, 2011	1,648,000	-
Claims and changes in estimates	454,691	150,000
Claims payments	-	-
Liability Balance, June 30, 2012	<u>\$ 2,102,691</u>	<u>\$ 150,000</u>
Assets available to pay claims at June 30, 2012	<u>\$ 10,886,642</u>	<u>\$ 150,000</u>

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

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

CalSTRS

Plan Description

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

Funding Policy

Active members are required to contribute 8.0 percent of their salary while the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2011-2012 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, 2012, 2011, and 2010, were \$3,185,617, \$3,043,000, and \$3,114,710, respectively, and equal 100 percent of the required contributions for each year.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

CalPERS

Plan Description

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

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary (7.0 percent of monthly salary over \$133.33 if the member participates in Social Security), and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The District's contribution rate to CalPERS for fiscal year 2011-2012 was 10.923 percent of covered payroll. The District's contributions to CalPERS for fiscal years ending June 30, 2012, 2011, and 2010, were \$3,693,915, \$3,458,509, and \$3,251,939, respectively, and equaled 100 percent of the required contributions for each year.

On-Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS. The State of California made contributions to CalSTRS on behalf of the District for fiscal year ending June 30, 2012, 2011, and 2010 amounted to \$1,821,547, \$1,569,077, and \$1,601,068, respectively, and equaled 4.855 percent of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution reate for CalPERS. These amounts have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

Deferred Compensation

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

NOTE 14 - 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, 2012.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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, 2012.

Early Retirement

The District offered an early incentive retirement plan to all bargaining units who elect early retirement in prior year. All incentives have been paid except for \$35,500 of which will be paid in fiscal year 2012-2013.

Operating leases

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

Construction Commitments

As of June 30, 2012, the District had the following commitments with respect to the unfinished capital projects:

	Remaining Construction Commitment	Expected Date of Completion
CAPITAL PROJECT		
District funded facility improvement projects	\$ 93,099	within 2 months
2005 G.O. Bond (Measure A) construction projects	<u>2,659,733</u>	within 1 year
	<u>\$ 2,752,832</u>	

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 15 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

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

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

During the year ended June 30, 2012, the District made total payment of \$947,290 to MacCorkle Inc. for the insurance related services. The District also paid \$44,660 and \$227,005 to School Excess Liability Fund and Princeton Excess and Surplus for excess liability program.

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

NOTE 16 - TAX AND REVENUE ANTICIPATION NOTES

On July 1, 2011, the District issued \$19,945,000 Tax and Revenue Anticipation Notes bearing interest at 2.00 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on June 1, 2011. By May 2012, the District had placed 100 percent of principal and interest in an irrevocable trust for the sole purpose of satisfying the notes. The District was not required to make any additional payments on the notes.

NOTE 17 - SUBSEQUENT EVENTS

The District issued \$23,960,000 of Tax and Revenue Anticipation Notes dated July 2, 2012. The notes mature on June 1, 2013, and yield 0.240 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 December 1, 2012, until 100 percent of principal and interest due is on account in April, 2013.

***REQUIRED SUPPLEMENTARY
INFORMATION***

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
PROGRESS
FOR THE YEAR ENDED JUNE 30, 2012**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a] / c)
2011	\$ 15,643,762	\$ 118,923,929	\$ 103,280,167	13%	\$90,671,696	114%
2009	-	108,915,006	108,915,006	0%	85,080,018	128%
2006	-	149,530,877	149,530,877	0%	87,823,351	170%

SUPPLEMENTARY INFORMATION

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION JUNE 30, 2012

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

BOARD OF TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Dave Mandelkern	President	2015
Helen Hausman	Vice President- Clerk	2013
Richard Holober	Trustee	2013
Patricia Miljanich	Trustee	2015
Karen Schwarz	Trustee	2015

ADMINISTRATION

Ron Galatolo	Chancellor - Superintendent
Kathy Blackwood	Interim Executive Vice Chancellor
Michael Claire	President – College of San Mateo
Jim Keller	Interim President – Canada College
Regina Stanback-Straoud	President – Skyline College

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

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	\$ 411,312
Pell Grant	84.063	none	19,124,019
Supplemental Educational Opportunity Grant (SEOG)	84.007	none	503,324
Direct Student Loans	84.268	none	1,888,799
Academic Competitiveness Grant (ACG)	84.375	none	657
Postsecondary Education			
TRIO Cluster			
Student Support Services	84.042A	none	707,247
Upward Bound	84.047A	none	255,157
Passed through Santa Clarita Community College District			
Fund for the Improvement of Postsecondary Education	84.116Z	none	149,576
Institutional Service			
Minority Science and Engineering Improvement	84.120	none	234,507
College Cost Reduction and Access Act Hispanic Serving			
Institutions	84.031C	none	71,696
Higher Education -Institutional Aid HSISTEM	84.031C	none	532,628
Vocational Education			
Passed through California Community Colleges Chancellor's Office:			
CTEA I-C Basic Grants to States	84.048A	11-C01-052	573,223
CTEA I-C Basic Grants to States - CTE Transitions	84.048A	11-112-370	140,910
Special Education and Rehabilitation Services			
Passed through California Department of Rehabilitation:			
Vocational Rehabilitation-Workability	84.126A	27721	135,699
Passed through California Department of Developmental Services:			
Special Education-Grants for Infants and Families	84.181	S11-159	11,800
Total U.S. Department of Education			<u>24,740,554</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Administration for Children and Families			
Passed through California Community Colleges Chancellor's Office:			
Temporary Assistance for Needy Families (TANF)	93.558	none	73,390
Passed through California Department of Education/CDTC:			
Child Care and Development Block Grant	93.575	3939, 4047	80,583
Child Care Mandatory and Matching Funds of the Child Care and			
Development Fund	93.596	CCTR1301, CSPP1546	68,502
Total U.S. Department of Health and Human Services			<u>222,475</u>

See accompanying note to supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through California Department of Education:			
Child and Adult Care Food Program	10.558	1754-0A	43,500
Total U.S. Department of Agriculture			<u>43,500</u>
U.S. DEPARTMENT OF LABOR			
Passed through County of San Mateo:			
WIA - Adult - Governor's 15% Discretionary Fund	17.258	71824	33,061
Community Based Job Training Grants	17.269	71327	342,762
Passed through California Community Colleges Chancellor's Office:			
WIA - Adult - Governor's 15% Discretionary Fund	17.258	09-115-15	23,176
Passed through Peralta Community College District			
Community Based Job Training Grant	17.269	14804	75,000
Passed through California Employment Development Department:			
WIA - Adult - Governor's 15% Discretionary Fund	17.258	K079978	168,635
Community Based Job Training Grant	17.269	none	321,408
Passed through City of Santa Ana			
H-1B Job Training Grants	17.268	A-2012-017	4,206
Total U.S. Department of Labor			<u>968,248</u>
U.S. DEPARTMENT OF THE TREASURY			
Volunteer Income Tax Assistance (VITA) Matching Grant Program	21.009	none	13,750
NATIONAL SCIENCE FOUNDATION			
Education and Human Resources	47.076	none	160,695
Engineering Grants	47.041	none	73,564
Total National Science Foundation			<u>234,259</u>
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			
Minority University Research and Education Program	43.008	none	149,618
U.S. DEPARTMENT OF ENERGY			
Passed through Stanford Transportation Group			
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	81.117	none	4,961
Passed through Santa Clarita Community College District:			
Congressionally Directed Project	none	DE-EE0003160	5,775
Total Department of Energy			<u>10,736</u>
US DEPARTMENT OF COMMERCE			
Passed through Foundation for California Community Colleges:			
ARRA - NTIA-Broadband Technology Opportunities Program	11.557	06-43-B10541	6,275
SMALL BUSINESS ADMINISTRATION			
State Trade and Export Promotion Pilot Grant Program	59.061	F11-0073	17,438
Total Expenditures of Federal Awards			<u>\$ 26,406,853</u>

See accompanying note to supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

Program	Program Entitlements			Program Revenues				Total Program Expenditures
	Current Year	Prior Year	Total Entitlement	Cash Received ^[1]	Accounts Receivable	Deferred Revenue	Total Revenue	
GENERAL FUND								
Disabled Students Programs & Services	\$ 1,044,043	\$ -	\$ 1,044,043	\$ 1,044,043	\$ -	\$ -	\$ 1,044,043	\$ 1,044,043
Extended Opportunity Programs & Services	1,112,908	-	1,112,908	1,112,908	-	-	1,112,908	1,112,908
CARE/EOPS	83,371	-	83,371	83,371	-	-	83,371	83,371
Matriculation	690,976	-	690,976	690,976	-	-	690,976	690,976
Foster Parent Training	81,673	-	81,673	61,255	20,418	-	81,673	81,673
FA Administrative Allowance	817,573	23,320	840,893	840,893	-	-	840,893	840,893
Block Grant - Instructional Equipment	-	271,217	271,217	271,217	-	28,389	242,828	242,828
T-Com and Technology (TTIP)	-	92,943	92,943	92,943	-	61,324	31,619	31,619
CalWORKs	344,273	-	344,273	344,271	2	-	344,273	344,273
Middle College High School	198,908	-	198,908	79,563	119,345	-	198,908	198,908
CITD Economic Development	205,000	22,528	227,528	145,525	62,455	-	207,980	207,980
Staff Development	-	42,720	42,720	42,720	-	41,803	917	917
MESA/CCCP Funds for Student Success	101,068	16,444	117,512	85,517	487	-	86,004	86,004
RCSD CBET Program	40,000	-	40,000	5,994	30,006	-	36,000	36,000
Lottery-Prop 20-Instructional Materials	593,827	1,086,837	1,680,664	369,763	224,064	-	593,827	391,038
Nursing-Enrollment Growth	101,087	-	101,087	84,913	16,174	-	101,087	101,087
Entrepreneurship Career Pathways	-	54,782	54,782	54,782	-	-	54,782	54,782
SUHSD CBET Program	42,211	-	42,211	-	42,211	-	42,211	42,211
Basic Skills 10-11 appropriation	-	236,710	236,710	236,710	-	135,685	101,025	101,025
Basic Skills 09-10 appropriation	-	145,402	145,402	145,402	-	-	145,402	145,402
Basic Skills 11-12 appropriation	291,876	-	291,876	291,876	-	208,177	83,699	83,699
California EDD Green Innovation	-	1,846,992	1,846,992	1,846,992	-	-	1,846,992	1,846,992
Rancho Santiago CCD-CEO Grant	7,500	-	7,500	1,875	5,625	-	7,500	7,500
CTE Com Collaborative Project 10-12	-	97,643	97,643	97,643	-	-	97,643	97,643
CTE Com Collaborative Project 11-13	-	354,031	354,031	354,031	-	59,313	294,718	294,718
CCCCO-CTE-California Career Academy	-	1,005,591	1,005,591	402,237	603,354	-	1,005,591	1,005,591
CCCCO-CTE-CAA Grant	460,000	-	460,000	368,000	-	368,000	-	-
State Library	4,837	-	4,837	4,837	-	886	3,951	3,951
EWD RTF Incumbent Workers - Util Tech	-	92,882	92,882	92,882	-	-	92,882	92,882
CTE Pathways Initiative	348,000	-	348,000	278,400	-	213,826	64,574	64,574
Youth Entrepreneurship Career Pathways	150,000	-	150,000	120,000	-	81,801	38,199	38,199
CDE Child Development	219,345	-	219,345	194,935	13,337	-	208,272	208,272
Cal Grant	645,055	-	645,055	568,530	76,525	-	645,055	645,055
Total State Programs	7,583,531	5,390,042	12,973,573	\$ 10,415,004	\$ 1,214,003	\$ 1,199,204	\$ 10,429,803	\$ 10,227,014

[1]Include cash received from prior year.

See accompanying note to supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR STATE
GENERAL APPORTIONMENT – ANNUAL (ACTUAL) ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2012**

CATEGORIES	<u>(Revised)/ Reported Data*</u>	<u>Audit Adjustments</u>	<u>Audited Data</u>
A. Summer Intersession (Summer 2011 only)			
1. Noncredit	13	-	13
2. Credit	1,519	-	1,519
B. Summer Intersession (Summer 2012 - Prior to July 1, 2012)			
1. Noncredit	-	-	-
2. Credit	-	-	-
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	14,774	-	14,774
(b) Daily Census Contact Hours	881	-	881
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	102	-	102
(b) Credit	672	-	672
3. Alternative Attendance Accounting Procedure			
(a) Weekly Census Procedure Courses	1,365	-	1,365
(b) Daily Census Procedure Courses	156	-	156
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	<u>19,482</u>	<u>-</u>	<u>19,482</u>
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	-	-	-
F. Basic Skills courses and Immigrant Education (FTES)			
1. Noncredit	121	-	121
2. Credit	1,991	-	1,991
	<u>2,112</u>	<u>-</u>	<u>2,112</u>

* Revised, November 2012

See accompanying note to supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW)
CALCULATION
FOR THE YEAR ENDED JUNE 30, 2012**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit		Reported Data	Audit	
			Adjustments	Revised Data		Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	\$ 19,511,183	\$ -	\$ 19,511,183	\$ 19,511,183	\$ -	\$ 19,511,183
Other	1300	13,143,391	-	13,143,391	13,213,819	-	13,213,819
Total Instructional Salaries		32,654,574	-	32,654,574	32,725,002	-	32,725,002
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	8,063,491	-	8,063,491
Other	1400	-	-	-	714,137	-	714,137
Total Noninstructional Salaries		-	-	-	8,777,628	-	8,777,628
Total Academic Salaries		32,654,574	-	32,654,574	41,502,630	-	41,502,630
<u>Classified Salaries</u>							
Noninstructional Salaries							
Regular Status	2100	-	-	-	19,511,713	-	19,511,713
Other	2300	-	-	-	1,482,346	-	1,482,346
Total Noninstructional Salaries		-	-	-	20,994,059	-	20,994,059
Instructional Aides							
Regular Status	2200	1,234,804	-	1,234,804	1,101,728	-	1,101,728
Other	2400	252,623	-	252,623	256,422	-	256,422
Total Instructional Aides		1,487,427	-	1,487,427	1,358,150	-	1,358,150
Total Classified Salaries		1,487,427	-	1,487,427	22,352,209	-	22,352,209
Employee Benefits	3000	15,451,072	-	15,451,072	25,917,157	-	25,917,157
Supplies and Material	4000	-	-	-	2,130,860	-	2,130,860
Other Operating Expenses	5000	-	-	-	10,629,328	-	10,629,328
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures		49,593,073	-	49,593,073	102,532,184	-	102,532,184
Prior to Exclusions		49,593,073	-	49,593,073	102,532,184	-	102,532,184

See accompanying note to supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW)
CALCULATION (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Exclusions</u>							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	\$ 2,243,746	\$ -	\$ 2,243,746	\$ 6,232,628	\$ -	\$ 6,232,628
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	69,544	-	69,544
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	1,137,727	-	1,137,727
Objects to Exclude							
Rents and Leases	5060	-	-	-	2,285	-	2,285
Lottery Expenditures							
Academic Salaries	1000	-	-	-	2,395,920	-	2,395,920
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-

See accompanying note to supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF EDUCATION CODE SECTION 84362 (50 PERCENT LAW)
CALCULATION (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Outlay							
Library Books	6000	-	-	-	-	-	-
Equipment	6300	-	-	-	-	-	-
Equipment - Additional	6400	-	-	-	-	-	-
Equipment - Replacement	6410	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		2,243,746	-	2,243,746	9,838,104	-	9,838,104
Total for ECS 84362, 50 Percent Law		\$ 47,349,327	\$ -	\$ 47,349,327	\$ 92,694,080	\$ -	\$ 92,694,080
Percent of CEE (Instructional Salary Cost/Total CEE)		51.08%		51.08%	100.00%		100.00%
50% of Current Expense of Education					\$ 46,347,040		\$ 46,347,040

See accompanying note to supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
(CCFS-311) WITH FUND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2012.

See accompanying note to supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET TO
THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012**

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

Total Fund Balance:

General Funds	\$ 33,097,294
Special Revenue Funds	25,406,277
Capital Projects Funds	117,780,029
Debt Service Funds	23,632,460
Enterprise Funds	7,642,048
Internal Service Funds	8,772,642
Fiduciary Funds	246,691

Total Fund Balance - All District Funds **\$ 216,577,441**

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	\$ 770,722,888	
Accumulated depreciation is	<u>(129,162,026)</u>	641,560,862
Capital assets recorded in proprietary funds.		(110,388)

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

Expenditures relating to issuance of debt were recognized on the modified accrual basis, but should not be recognized in accrual basis. 5,490,548

In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term debt is recognized when it is incurred. (13,220,817)

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	702,175,138	
Premiums, net of amortization	34,444,342	
Compensated absences (vacations)	<u>3,765,476</u>	<u>(740,384,956)</u>
Total Net Assets		<u><u>\$ 110,912,690</u></u>

See accompanying note to supplementary information.

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30,**

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

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

Schedule of Expenditures of Federal Awards

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

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

Description	CFDA Number	Amount
Total Federal Revenues per Statement of Revenues, Expenses, and Changes in Net Assets:		\$ 26,392,186
Adjustments to SEOG program	84.007	14,667
Total Expenditures of Federal Awards		<u>\$ 26,406,853</u>

Schedule of Expenditures of State Awards

The accompanying schedule of expenditures of State awards includes the State grant activity of the District and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The information in this schedule is presented to comply with reporting requirements of the California State Chancellor's Office.

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, including restricted categorical funding, are made to community college districts. This schedule provides information regarding the annual attendance measurements of students throughout the District.

Reconciliation of Education Code Section 84362 (50 Percent Law) Calculation

ECS 84362 requires the District to expend a minimum of 50 percent of the unrestricted General Fund monies on salaries of classroom instructors. This is reported annually to the State Chancellor's Office. This schedule provides a reconciliation of the amount reported to the State Chancellor's Office and the impact of any audit adjustments and/or corrections noted during the audit.

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30,**

NOTE 1 - PURPOSE OF SCHEDULES (CONTINUED)

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

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

Reconciliation of Governmental Funds to the Statement of Net Assets

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

***INDEPENDENT AUDITORS’
REPORTS***



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

VALUE THE DIFFERENCE

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

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

We have audited the basic financial statements of San Mateo County Community College District (the District) and its discretely presented component unit for the years ended June 30, 2012 and 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 18, 2012. 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

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

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

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

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, 2012.

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

Vavrinek, Time, Day & Co., LLP

Pleasanton, California
December 18, 2012



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

VALUE THE DIFFERENCE

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

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

Compliance

We have audited San Mateo County Community College District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of San Mateo County Community College District's major Federal programs for the year ended June 30, 2012. San Mateo County Community College District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of San Mateo County Community College District's management. Our responsibility is to express an opinion on San Mateo County Community College District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about San Mateo County Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of San Mateo County Community College District's compliance with those requirements.

In our opinion, San Mateo County Community College District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

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

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

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

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

Vavrinek, Time, Day & Co., LLP

Pleasanton, California
December 18, 2012



REPORT ON STATE COMPLIANCE

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

We have audited the basic financial statements of San Mateo County Community College District (the District), as of and for the year ended June 30, 2012, and have issued our report thereon dated December 18, 2012.

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

Compliance with the requirements of laws, regulations, contracts, and grants listed below is the responsibility of San Mateo County Community College District's management. In connection with the audit referred to above, we selected and tested transactions and records to determine the San Mateo County Community College District's compliance with the State laws and regulations in accordance with Section 400 of the Chancellor's Office *California Community Colleges Contracted District Audit Manual (CDAM)* issued in May 2012 applicable to the following items:

- Section 421 Salaries of Classroom Instructors: 50 Percent Law
- Section 423 Apportionment for Instructional Service Agreements/Contracts
- Section 424 State General Apportionment Funding System
- Section 425 Residency Determination for Credit Courses
- Section 426 Students Actively Enrolled
- Section 427 Concurrent Enrollment of K-12 Students in Community College Credit Courses
- Section 431 Gann Limit Calculation
- Section 433 California Work Opportunity and Responsibility to Kids (CalWORKS)
- Section 435 Open Enrollment

Section 437	Student Fee – Instructional and Other Materials
Section 438	Student Fees – Health Fees and Use of Health Fees
Section 474	Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
Section 475	Disabled Student Programs and Services (DSPS)
Section 476	Curriculum and Instruction
Section 479	To Be Arranged (TBA) Hours

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

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

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

Vavrinek, Time, Day & Co., LLP

Pleasanton, California
December 18, 2012

*SCHEDULE OF FINDINGS
AND
QUESTIONED COSTS*

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2012**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<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?	<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, 84.268, 84.375	Student Financial Aid Cluster
84.031C	Higher Education-Institutional Aid HIS/STEM, College Cost Reduction and Access Act Hispanic Serving Institutions

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?	<u>Yes</u>
Type of auditors' report issued on compliance for State programs:	<u>Unqualified</u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

None reported.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

None reported.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

The following findings represent instances of noncompliance and/or questioned costs relating to State program laws and regulations. The findings have been coded as follows:

2012-1 Finding – To Be Arranged Hours (TBA)

Criteria or Specific Requirements

Title 5 CCR Section 55002(a)(3) Course Outline of Record indicates that the course is described in a course outline of record that shall be maintained in the official college files and made available to each instructor. The course outline of record shall specify the unit value the expected number of contact hours for the course as a whole, the prerequisites, corequisites or advisories on recommended preparation (if any) for the course, the catalog description, objectives, and content in terms of a specific body of knowledge. The course outline shall also specify types or provide examples of required reading and writing assignments, other outside-of-class assignments, instructional, methodology, and methods of evaluation for determining whether the stated objectives have been met by students.

Legal Advisory 08-02 To Be Arranged (TBA) Hours Compliance Advice indicates that documentation is required to substantiate that each student has completed the TBA requirements as appropriate for either the Weekly or Daily census attendance accounting procedures.

Condition

We noted 28 out of 30 TBA courses reviewed did not have adequate documentation to support TBA hours reported as required.

Questioned Costs

None. The District revised and resubmitted the annual 320 report by reducing approximately 30 FTES.

Effect

The District reported FTES at P1 and P2 that were not properly documented.

Cause

Documentation was not always maintained to support TBA hours claimed.

Recommendation

We recommend the District review the TBA documentation and remove undocumented hours from the 320 report at P1, P2, and the annual report.

Management's Response and Corrective Action Plan

Deans will work closely with the faculty and will request advice from ITS as how to exclude students who did not complete TBAs by census in Banner. We will setup additional guidelines on this issue to make sure it does not happen again. We will also work closely with the Executive Vice Chancellor for instruction on this issue.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

2012-2 Finding – Calculation of Contact Hours for Positive Attendance

Criteria or Specific Requirements

According to Student Attendance Accounting Manual, Chapter 3 Attendance Accounting Application for Actual Hours of Attendance Procedure, Positive attendance is based on an actual count of enrolled students present at each class meeting. In other word, the total student contact hours reported for each class reported under the Actual Hours of Attendance Procedure should be the sum of the individual attendance hour totals for each student in the class as reported by the instructor.

Condition

For the 25 Positive attendance courses reviewed, we noted 14 of them had student total contact hours noted on the roster did not agree to the total contact hours reported on the Banner report (SVRCALD).

Questioned Costs

None. (revised 320 report submitted has reduced 6.66 FTES in question)

Effect

The District was not in compliance with the Positive Attendance contact hours reporting.

Cause

Not all faculty members followed the proper procedures to maintain adequate documentation to support the contact hours reported.

Recommendation

Faculty members should be reminded with the importance of documenting and maintaining accurate attendance rosters to support the hours claimed.

Management's Response and Corrective Action Plan

Deans will work closely with faculty who has Positive Attendance courses to ensure the proper hours are claimed.

2012-3 Finding – Curriculum and Instruction

Criteria or Specific Requirements

Title 5 Section 58007 states that contact hours of enrollment in noncredit courses, except for noncredit courses using the Alternative attendance accounting procedure described in subdivision (f)(2) of Section 58003.1, shall be based upon the count of students present at each course meeting. Full-time equivalent student in noncredit courses shall be computed by dividing the sum of contact hours of enrollment by 525, except for noncredit courses using the alternative attendance accounting procedure described in Section 59003.1(f)(2).

Condition

We noted the 2 noncredit courses reviewed did not have documentation to support the hours claimed.

Questioned Costs

None (Annual 320 report was revised by reducing the 2.04 FTES in question).

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

Effect

The District was not in compliance with noncredit course documentation requirements.

Cause

Hours claimed for noncredit courses were not supported by documentation.

Recommendation

Faculty members should be reminded with the importance of maintaining adequate documentation to support the attendance hours claimed.

Management's Response and Corrective Action Plan

Appropriate manager or VPI will work with the faculty members to ensure that hours reported are properly supported.

2012-4 Finding – Concurrent Enrollment of K-12 Students In Community College Credit Courses

Criteria or Specific Requirements

Title 5, section 53410 sets the basic minimum qualifications for credit instructors which include either a master's degree "in the discipline of the faculty member's assignment" or a master's degree "in a discipline reasonably related" to the assignment and a bachelor's degree "in the discipline of the faculty member's assignment."

Education Code section 87359 requires the Board of Governors to adopt regulations setting forth a process to allow local districts to employ faculty members who do not meet the minimum qualifications adopted by the Board of Governors. The section provides that a person may be hired to serve as a faculty member if the district governing board determines that the individual "possesses qualifications that are at least equivalent to the minimum qualifications specified in regulations of the board of governors adopted pursuant to Section 87356." The section requires a process to ensure that "each individual faculty member employed under the authority granted by the regulations possesses minimum qualification specified in regulations adopted by the board of governors."

Per the District Policy for Minimum Qualifications, in order for faculty to teach in a particular discipline, they must either meet the state minimum qualifications or they must pass an equivalency process. A committee consisting of faculty discipline experts determines if the faculty member has sufficient education or professional achievement to warrant equivalency to the required degree, as stated in the state minimum qualifications for faculty and administrators. Each equivalency is approved by committee, by the Academic Senate, by the appropriate Vice President of the campus, and by the College President. Finally, the equivalency is Board approved before the faculty member is given an FSA (faculty service area certification).

Condition

We noted 1 out of 25 teachers reviewed did not have evidence on file to show that the teacher had met the minimum qualifications or passed the District's equivalency review process.

Questioned Costs

None.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

Effect

The District was not in compliance with credit instructors' minimum qualification or pass equivalency review process.

Cause

The College failed to complete the minimum qualification equivalency review process for the instructor.

Recommendation

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

Management's Response and Corrective Action Plan

The Vice President for Instruction is working with the Deans to ensure that all teaching faculty meet minimum qualifications or pass the equivalency review process.

2012-5 **Finding – Disable Student Program and Services (DSPS)**

Criteria or Specific Requirements

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

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

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

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

Condition

We noted 12 out of 40 student files reviewed did not have a current Student Education Plan (SEP) or Student Education Contract (SEC) on file. For the SEP or SEC carried forward from the prior year, there were no indication that an annual review for the student's status was performed. In addition, 1 student did not have a disability verification form on file.

Questioned Costs

None.

Effect

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

Cause

The Colleges did not perform the required annual student file reviews or did not maintain documentation to evidence that such review was performed. In addition, students no longer registered with Disability Resource Center were not removed from the list of students served.

Recommendation

We recommend the District annually review the students files and evidence such review by a notation to show the name of the person reviewed, date of review, and whether there are changes to the student's status. If status changed, a current SEP or SEC should be completed. Students who are no longer registered for the services should be removed from the list reported.

Management's Response and Corrective Action Plan

The Colleges Disability Resource Center (DRC) is committed to accurate accounting of its files and is currently conducting a self-audit to ensure that all currently registered DRC student files are in compliance with State and District standards. Also, an annual review will be performed for the registered DRC students' files and will show evidence of such review on file.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS JUNE 30, 2012

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

Federal Awards Findings

2011-1 Finding – Student Financial Aid Cluster, Direct Student Loans – CFDA # 84.268 *Significant Deficiency - Compliance*

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

Recommendation

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

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

Current Status:

Implemented.

State Awards Findings

2011-2 Finding – To Be Arranged Hours (TBA) *Significant Deficiency - Compliance*

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS JUNE 30, 2012

hours/meeting is used for contact hour calculation, and for courses with 3 hours/week, 3.8 hours/meeting is used for contact hour calculation.

Recommendation

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

Current Status:

Partially implemented, see current year finding # 2012-1.

2011-3 Finding – Disable Student Program and Services (DSPS)

Significant Deficiency – Compliance

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

Recommendation

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

Current Status:

Not implemented, see current year finding #2012-5

2011-4 Finding – State General Apportionment Funding System

Significant Deficiency – Compliance

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

Recommendation

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

Current Status

Implemented.

San Mateo County Community College District

January 23, 2013

BOARD REPORT NO. 13-1-101B

TO: Members of the Board of Trustees

FROM: Ron Galatolo, Chancellor

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

RECEIPT AND ACCEPTANCE OF THE 2011-12 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, 2012. 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 2011-12 audit reports for KCSM-FM and KCSM-TV, which were filed with the Corporation for Public Broadcasting prior to the January 31, 2013 due date.

KCSM-FM

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

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2012

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

JUNE 30, 2012

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

VALUE THE DIFFERENCE

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, 2012, 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, 2012, 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, 2012, 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 10, 2012, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in assessing the results of our audit.

Vavrinek, Trine, Day & Co., LLP

Pleasanton, California
December 10, 2012

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

**STATEMENT OF NET ASSETS
JUNE 30, 2012**

ASSETS

Current assets

Cash and cash equivalents	\$ 897,137
Accounts receivable	8,657
Total current assets	<u>905,794</u>

Noncurrent assets

Capital assets	517,478
Accumulated depreciation	(312,030)
Total noncurrent assets	<u>205,448</u>
TOTAL ASSETS	<u>1,111,242</u>

LIABILITIES

Current Liabilities

Accounts payable	<u>24,097</u>
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NET ASSETS

Investment in capital assets	205,448
Unrestricted	881,697
TOTAL NET ASSETS	<u>\$ 1,087,145</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, 2012**

OPERATING REVENUES

Direct Income		
CPB community service grants	\$	168,258
Other income		2,840
Business and industry		69,881
Subscription and membership		1,514,051
Facilities use		6,401
Indirect support		
San Mateo County Community College District		275,352
Total Operating Revenues		<u>2,036,783</u>

OPERATING EXPENSES

Programming and production		536,089
Broadcasting		449,302
Program information and promotion		76,217
Management and general		529,568
Fundraising support		140,908
Underwriting and grant solicitation		60,525
Total Operating Expenses		<u>1,792,609</u>
Total Operating Profit		<u>244,174</u>

CHANGE IN NET ASSETS		244,174
NET ASSETS AT BEGINNING OF YEAR		842,971
NET ASSETS AT END OF YEAR	\$	<u>1,087,145</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, 2012**

CASH FLOWS FROM OPERATING ACTIVITIES

CPB community service grants	\$ 168,258
Other income	2,840
Business and industry	75,651
Subscription and membership	1,514,051
San Mateo County Community College District	275,352
Facilities use	6,401
Payments to suppliers	(685,002)
Payment to /(on behalf of) employees	(1,070,866)
Net Cash Provided By Operating Activities	<u>286,685</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of fixed assets	(23,146)
Disposal of assets	3,660
Net Cash Used By Capital Financing Activities	<u>(19,486)</u>

NET CHANGE IN CASH AND CASH EQUIVALENTS	267,199
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	629,938
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 897,137</u>

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

Operating Profit	\$ 244,174
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	40,462
Changes in assets and liabilities	
Decrease in accounts receivable	5,770
Increase in accounts payable	(3,721)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 286,685</u>

NONCASH TRANSACTIONS

Indirect support - San Mateo Community College District	<u>\$ 275,352</u>
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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, 2012**

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, 2012**

Capital Assets

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

Estimates

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

Cash Flows

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

Income Taxes

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

NOTE 2 – DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2012, are classified in the accompanying financial statements as a governmental fund investment in the amount of \$897,137. 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, 2012**

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:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	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 \$897,137. The weighted average maturity of the San Mateo pooled investments at June 30, 2012, was approximately 1.6 years.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 3 – CAPITAL ASSETS

Changes in equipment are summarized as follows:

	<u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2012</u>
Equipment	\$ 528,378	\$ 23,146	\$ 34,046	\$ 517,478
Less - Accumulated Depreciation	<u>301,954</u>	<u>40,462</u>	<u>30,386</u>	<u>312,030</u>
Net Equipment	<u>\$ 226,424</u>	<u>\$ (17,316)</u>	<u>\$ 3,660</u>	<u>\$ 205,448</u>

Current year depreciation expense was \$40,462 and is included in management and general expenses.

NOTE 4 – DONATED SERVICES

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

NOTE 5 – RELATED PARTY TRANSACTIONS

During the year, KCSM-FM received indirect administrative support in the amount of \$275,352 from San Mateo Community College.

INDEPENDENT AUDITORS' REPORT



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

VALUE THE DIFFERENCE

**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, 2012, which comprises the KCSM - FM basic financial statements and have issued our report thereon dated December 10, 2012. 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

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

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

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

Compliance and Other Matters

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

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

Vavrinek, Time, Day & Co., LLP

Pleasanton, California
December 10, 2012

KCSM-TV

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

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2012

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

JUNE 30, 2012

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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, 2012, 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, 2012, 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, 2012, 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 10, 2012, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Vavrinek, Trine, Day & Co., LLP

Pleasanton, California
December 10, 2012

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

STATEMENT OF NET ASSETS
JUNE 30, 2012

ASSETS

Current Assets

Cash and cash equivalents	\$ 617,883
Due from district	201
Total current assets	<u>618,084</u>

Noncurrent assets

Capital assets	7,542,885
Accumulated depreciation	(4,812,008)
Total noncurrent assets	<u>2,730,877</u>
TOTAL ASSETS	<u>3,348,961</u>

LIABILITIES

Current Liabilities

Due to district	679
Accounts payable	21,104
Total liabilities	<u>21,783</u>

NET ASSETS

Investment in capital assets	2,730,877
Unrestricted	596,301
TOTAL NET ASSETS	<u>\$ 3,327,178</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, 2012

OPERATING REVENUES

Direct Income

CPB community service grants	\$ 713,127
CPB television interconnection grants	13,871
Business and industry	8,650
Subscription and membership	316,464
Royalties	25,979
Other income	366

Indirect Support

San Mateo County Community College District	360,105
Total Operating Revenues	<u>1,438,562</u>

OPERATING EXPENSES

Programming and production	376,826
Broadcasting	1,075,451
Program information and promotion	71,397
Management and general	1,232,890
Fundraising support	126,955
Underwriting and grant solicitation	51,745
Total Operating Expenses	<u>2,935,264</u>
Operating Loss	<u>(1,496,702)</u>

OTHER INCOME

Transfer in from district	<u>600,000</u>
---------------------------	----------------

CHANGE IN NET ASSETS

(896,702)

NET ASSETS AT BEGINNING OF YEAR

4,223,880

NET ASSETS AT END OF YEAR

\$ 3,327,178

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, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

CPB community service grants	\$ 713,127
CPB television interconnection grants	13,871
Business and industry	28,110
Subscription and membership	316,464
District support	360,583
Royalties	25,979
Other income	366
Payments to suppliers	(969,235)
Payment to /(on behalf of) employees	(1,333,096)
Net Cash Used By Operating Activities	<u>(843,831)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Transfer in from District	<u>600,000</u>
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CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Loss on disposal of equipment	<u>7,442</u>
Net Cash Provided By Capital Financing Activities	<u>7,442</u>

NET CHANGE IN CASH

(236,389)

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR

854,272

CASH AND CASH EQUIVALENTS AT END OF YEAR

\$ 617,883

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

Operating loss	\$ (1,496,702)
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	649,851
Changes in assets and liabilities	
Decrease in accounts receivable	19,460
Increase in due from other funds	(201)
Increase in due to district	679
Decrease in accounts payable	(16,918)
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (843,831)</u></u>

NONCASH TRANSACTIONS

Indirect support - San Mateo Community College District	<u><u>\$ 360,105</u></u>
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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, 2012**

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, 2012**

Capital Assets

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

Estimates

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

Cash Flows

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

Income Taxes

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

NOTE 2 – DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2012, are classified in the accompanying financial statements as a governmental fund investment in the amount of \$617,883. Cash accounts maintained by KCSM-TV are held by San Mateo County Community College District in pooled amounts at the San Mateo County Treasury.

Policies and Practices

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

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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:

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. KCSM-TV and the District manage exposure to interest rate risk by depositing funds with the San Mateo County Treasury. KCSM-TV's share of deposits with the County Treasury was \$617,883. The weighted average maturity of the San Mateo pooled investments at June 30, 2012, was approximately 1.6 years.

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 3 – CAPITAL ASSETS

Changes in equipment are summarized as follows:

	Beginning of Year	Additions	Deletions	End of Year
Equipment	\$ 7,706,314	\$ -	\$ 163,429	\$ 7,542,885
Less - Accumulated Depreciation	<u>4,318,144</u>	<u>649,851</u>	<u>155,987</u>	<u>4,812,008</u>
Net Equipment	<u>\$ 3,388,170</u>	<u>\$ (649,851)</u>	<u>\$ 7,442</u>	<u>\$ 2,730,877</u>

Current year depreciation expense was \$649,851 and is included in management and general expenses.

NOTE 4 - DONATED SERVICES

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

NOTE 5 – RELATED PARTY TRANSACTIONS

During the year, KCSM-TV received indirect administrative support in the amount of \$360,105 from San Mateo County Community College District. In addition, the District transferred to KCSM-TV in the amount of \$600,000 to support the operating costs.

NOTE 6 – SUBSEQUENT EVENT

The District continues in seeking Request for Proposal for qualified companies to purchase the assets of and take assignment of the Federal Communications Commission noncommercial educational license for KCSM-TV.

INDEPENDENT AUDITORS' REPORT



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

VALUE THE DIFFERENCE

**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, 2012, which comprises the KCSM - TV basic financial statements and have issued our report thereon dated December 10, 2012. 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

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

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

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

Compliance and Other Matters

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

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

Vavrinek, Time, Day & Co., LLP

Pleasanton, California
December 10, 2012

BOARD REPORT NO. 13-1-102B

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

**RECEIPT AND ACCEPTANCE OF THE 2011-12
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, 2012. A representative of the auditing firm will be present at this meeting to respond to questions about the audits in general and about the firm's findings and recommendations. Representatives of the Bond Oversight Committee will receive copies of the audit reports at their next meeting.

RECOMMENDATION

It is recommended that the Board of Trustees receive and accept the 2011-12 audit reports for the General Obligation Bond funds.

**SAN MATEO COUNTY COMMUNITY
COLLEGE DISTRICT**

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

JUNE 30, 2012

**SAN MATEO COUNTY COMMUNITY
COLLEGE DISTRICT**

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

JUNE 30, 2012

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

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JUNE 30, 2012**

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INDEPENDENT AUDITORS' REPORT

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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 San Mateo County Community College District (the District), Capital Outlay – Bond Fund 2005 Election (Measure A), as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Capital Outlay - Bond Fund Measure A of the San Mateo County Community College District at June 30, 2012, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2012, on our consideration of the District Capital Outlay – Bond Fund Measure A internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Vavrinek, Time, Day & Co., LLP

Pleasanton, California
December 14, 2012

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**CAPITAL OUTLAY – BOND FUND 2005 ELECTION (MEASURE A)
BALANCE SHEET
JUNE 30, 2012**

ASSETS

Deposits and investments	\$ 40,836,320
Accounts receivable	128,726
Due from other funds	318,326
Total Assets	\$ 41,283,372

LIABILITIES AND FUND BALANCES

LIABILITIES

Accounts payable	\$ 989,976
Due to other funds	25,108
Total Liabilities	1,015,084

FUND BALANCES

Restricted	40,268,288
Total Fund Balances	40,268,288
Total Liabilities and Fund Balances	\$ 41,283,372

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**CAPITAL OUTLAY – BOND FUND 2005 ELECTION (MEASURE A)
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2012**

REVENUES

Interest income	\$ 579,034
Total Revenues	<u>579,034</u>

EXPENDITURES

Current

Salaries and benefits	2,452,869
Supplies	3,464,392
Services and operating expenditures	6,038,307

Capital outlay	<u>10,578,515</u>
Total Expenditures	<u>22,534,083</u>

DEFICIENCY OF REVENUES OVER EXPENDITURES (21,955,049)

FUND BALANCE - BEGINNING 62,223,337

FUND BALANCE - ENDING \$ 40,268,288

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

CAPITAL OUTLAY – BOND FUND 2005 ELECTION (MEASURE A)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Reporting Entity

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

Fund Accounting

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

Basis of Accounting

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

Budgets and Budgetary Accounting

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

CAPITAL OUTLAY – BOND FUND 2005 ELECTION (MEASURE A)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Encumbrances

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

Fund Balance

Fund balance for the Measure A fund is classified as follows:

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

Spending Order

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

Use of Estimates

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

NOTE 2 - INVESTMENTS

Policies and Practices

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

CAPITAL OUTLAY – BOND FUND 2005 ELECTION (MEASURE A)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Investment in County Treasury

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

General Authorizations

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. The District manages its exposure to interest rate risk by depositing substantially all of its funds in the County Treasury Pool. The fair value of deposits at the County Treasury, at June 30, 2012, was \$40,836,320 and the weighted average maturity of the pool is 1.60 years.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Capital Outlay Bond Fund only invests in county pooled investments which are not required to be rated.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2012, consisted of the following:

Interest	\$ 103,826
Other local sources	24,900
	<u>\$ 128,726</u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**CAPITAL OUTLAY – BOND FUND 2005 ELECTION (MEASURE A)
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012**

NOTE 4 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2012 consisted all vendor payables.

NOTE 5 - INTERFUND TRANSACTIONS

Interfund receivable balance at June 30, 2012, was as follows:

Due from other funds - Capital Outlay Fund	\$ 318,326
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Interfund payable balance at June 30, 2012, was as follows:

Due to other funds - Capital Outlay Fund	\$ 25,108
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NOTE 6 - COMMITMENTS AND CONTINGENCIES

As of June 30, 2012, the Capital Outlay Bond Fund (Measure A) had the following commitments with respect to unfinished capital projects:

<u>MEASURE 39 PROJECTS</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
District wide projects	\$ 240,520	Within 1 year
Skyline projects	558,167	Within 1 year
CSM projects	1,376,720	Within 1 year
Canada projects	484,326	Within 1 year
	<u>\$ 2,659,733</u>	

INDEPENDENT AUDITORS' REPORT



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

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

We have audited the accompanying financial statements of the San Mateo County Community College District (the District) Capital Outlay – Bond Fund 2005 Election (Measure A), as of and for the year ended June 30, 2012, and have issued our report thereon dated December 14, 2012. 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

Management of San Mateo County Community College District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered San Mateo County Community College District's Capital Outlay – Bond Fund Measure A'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 San Mateo County Community College District's Capital Outlay – Bond Fund 2005 Election (Measure A), internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the San Mateo County Community College District's internal control over financial reporting.

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

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

Compliance and Other Matters

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

This report is intended solely for the information and use of the governing board, management, and the Measure A Citizen Oversight Committee, and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Time, Day & Co., LLP

Pleasanton, California
December 14, 2012

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**CAPITAL OUTLAY – BOND FUND 2005 ELECTION (MEASURE A)
FINANCIAL STATEMENT FINDINGS
JUNE 30, 2012**

None reported.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**CAPITAL OUTLAY – BOND FUND 2005 ELECTION (MEASURE A)
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2012**

None reported.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

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

JUNE 30, 2012

**SAN MATEO COMMUNITY COLLEGE DISTRICT
MEASURE A
2005 GENERAL OBLIGATION BONDS**

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

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INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

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

We were engaged to conduct a performance audit of the San Mateo County Community College District (the District), Measure A General Obligation Bond funds for the year ended June 30, 2012.

We conducted this performance audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

Our audit was limited to the objectives listed within the report which includes determining the District's compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Management is responsible for the District's compliance with those requirements.

In planning and performing our performance audit, we obtained an understanding of the District's internal control in order to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39 and outlined in Article XIII A, Section 1 (b)(3)(C) of the California Constitution. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

The results of our tests indicated that the District expended Measure A General Obligation Bond funds only for the specific projects approved by the voters, in accordance with Proposition 39 and outlined in Article XIII A, Section 1 (b)(3)(C) of the California Constitution.

Vavrinek, Trine, Day & Co., LLP

Pleasanton, California
December 14, 2012

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

CAPITAL OUTLAY – BOND FUND 2005 ELECTION (MEASURE A) JUNE 30, 2012

AUTHORITY FOR ISSUANCE

The Measure A Bonds are issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the California Education Code, and other applicable provisions of law. The Bonds are authorized to be issued by a resolution adopted by the Board of Trustees of the District on November 8, 2006 (the "Bond Resolution").

The District received authorization at an election held on November 8, 2005, to issue bonds of the District in an aggregate principal amount not to exceed \$468,000,000 to finance specific acquisition, construction and modernization projects approved by the voters. The proposition required approval by at least 55 percent of the votes cast by eligible voters within the District (the 2005 Authorization). The Bonds represent the first and second series of the authorized bonds to be issued under the 2005 Authorization.

PURPOSE OF ISSUANCE

The net proceeds of the Bonds and any other series of general obligation bonds issued under the Authorization will be used for the purposes specified in the District bond proposition submitted at the Election, which include: to upgrade nursing, health career, science, computer, and biotechnology labs; improve accessibility for disabled students; make earthquake safety improvements; repair/modernized libraries, classrooms, and aging facilities, and other projects.

AUTHORITY FOR THE AUDIT

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools and Financial Accountability Act. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by school districts, community college districts, or county offices of education, "for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of rental property for school facilities", upon approval by 55 percent of the electorate. In addition to reducing the approval threshold from two-thirds to 55 percent, Proposition 39 and the enacting legislation (AB 1908 and AB 2659) requires the following accountability measures as codified in Education Code sections 15278-15282:

1. Requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIII A, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other school operating expenses.
2. The district must list the specific school facilities projects to be funded in the ballot measure, and must certify that the governing board has evaluated safety, class size reduction and information technology needs in developing the project list.
3. Requires the district to appoint a citizen's oversight committee.
4. Requires the district to conduct an annual independent financial audit and performance audit in accordance with the Government Auditing Standards issued by the Comptroller General of the United States of the bond proceeds until all of the proceeds have been expended.
5. Requires the district to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

CAPITAL OUTLAY – BOND FUND 2005 ELECTION (MEASURE A) JUNE 30, 2012

OBJECTIVES OF THE AUDIT

1. Determine whether expenditures charged to the Capital Outlay – Bond Fund have been made in accordance with the bond project list approved by the voters through the approval of Measure A.
2. Determine whether salary transactions, charged to the Bond Fund were in support of Measure A and not for District general administration or operations.

SCOPE OF THE AUDIT

The scope of our performance audit covered the period of July 1, 2011 to June 30, 2012. The population of expenditures tested included all object and project codes associated with the Measure A projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than proceeds of the bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2012 were not reviewed or included within the scope of our audit or in this report.

PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2012 for the Capital Outlay – Bond Fund Measure A. Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution and Measure A as to the approved bond projects list. We performed the following procedures:

1. We selected a sample of expenditures for the period starting July 1, 2011 and ending June 30, 2012, and reviewed supporting documentation to ensure that such funds were properly expended on the specific projects listed in the ballot text.
2. Our sample included transactions totaling \$8,357,716. This represents 37 percent of the total expenditures of \$22,534,083.
3. We verified that funds from the Capital Outlay – Bond Fund Measure A were generally expended for the authorized bond projects. In addition, we verified that funds held in the Capital Outlay – Bond Fund Measure A were used for salaries of administrators only to the extent they perform administrative oversight work on construction projects as allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General.

CONCLUSION

The results of our tests indicated that, in all significant respects, the San Mateo County Community College District has properly accounted for the expenditures held in the Capital Outlay – Bond Fund Measure A and that such expenditures were made for authorized Bond projects. Further, it was noted that funds held in the Capital Outlay – Bond Fund Measure A, and expended by the District, were used for salaries of administrators only to the extent they perform administrative oversight work on construction projects as allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**CAPITAL OUTLAY – BOND FUND 2005 ELECTION (MEASURE A)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2012**

None reported.

San Mateo County Community College District

January 23, 2013

BOARD REPORT NO. 13-1-103B

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

**RECEIPT AND ACCEPTANCE OF THE 2011-12 RETIREMENT FUTURIS PUBLIC
ENTITY INVESTMENT TRUST AUDIT REPORT**

Attached is a copy of the audit of the Retirement Futuris Public Entity Investment Trust for the San Mateo County Community College District, prepared by the Board-approved firm of Vavrinek, Trine, Day & Company. The audit was based upon the fiscal year ending June 30, 2012. 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 2011-12 audit report for the Retirement Futuris Public Entity Investment Trust.

**SAN MATEO COUNTY COMMUNITY
COLLEGE DISTRICT RETIREMENT
FUTURIS PUBLIC ENTITY INVESTMENT TRUST**

**FINANCIAL STATEMENTS
JUNE 30, 2012 and 2011
WITH
INDEPENDENT AUDITORS' REPORT**

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
RETIREMENT FUTURIS PUBLIC ENTITY INVESTMENT TRUST**

JUNE 30, 2012

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VAVRINEK, TRINE, DAY
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Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

The Retirement Board of Authority of the
San Mateo County Community College District
Retirement Futuris Public Entity Investment Trust
San Mateo, California

We have audited the accompanying financial statements of the San Mateo County Community College District Retirement Futuris Public Entity Investment Trust (the Trust), a component unit of the San Mateo County Community College District, (the District) as of June 30, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the Trust at June 30, 2012 and 2011, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Vavrinek, Trine, Day & Co., LLP

Pleasanton, California
December 14, 2012

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT RETIREMENT FUTURIS PUBLIC ENTITY INVESTMENT TRUST

MANAGEMENT DISCUSSION AND ANALYSIS JUNE 30, 2012

This section provides an overview and analysis of the financial activities of San Mateo County Community College District Retirement Futuris Public Entity Investment Trust (the Trust) for the fiscal year ended June 30, 2012. The Trust was established in October 2009 by the District's Board of Directors and assets held for Other Post Employment Benefits were transferred to an irrevocable trust in November 2009. Additional transfers were made during the 2011-12 fiscal year. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our financial statements.

FINANCIAL HIGHLIGHTS

The net assets of the San Mateo Community College District Retirement Futuris Public Entity Investment Trust (Trust) at the close of fiscal year 2012 are \$26,570,700 (net assets held in trust for retiree medical benefits). All of the net assets are available to meet the Trust's ongoing obligations to participants and beneficiaries.

The Trust's funding objective is to meet long-term benefit obligations through contributions and investment income. The Trust is funded through annual contribution from the District's Retiree Benefits Fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following discussion and analysis are intended to serve as an introduction to the Trust's financial statements, which comprises these components:

1. Statement of Trust Net Assets
2. Statement of Changes in Trust Net Assets
3. Notes to the Basic Financial Statements

The Statement of Trust Net Assets is a snapshot of account balances at year-end. It indicates the assets available for future payments to retirees and any current liabilities that are owed at this time.

The Statement of Changes in Trust Net Assets, on the other hand, provides a view of current year additions to and deductions from the Trust. Both statements are in compliance with Governmental Accounting Standard Board Statement (GASB Pronouncements 34, 43 and 45). These pronouncements require certain disclosures and require the state and local governments to report using the full accrual method of accounting. The Trust complies with all material requirements of these pronouncements.

The Statement of Trust Net Assets and the Statement of Changes in Trust Net Assets report information about the Trust's activities. These statements include all assets and liabilities, using the full accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. All investment gains and losses are shown at trade date. In addition, both realized and unrealized gains and losses are shown pertaining to the investments.

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
RETIREMENT FUTURIS PUBLIC ENTITY INVESTMENT TRUST**

**MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2012**

These two statements report the Trust's net assets held in irrevocable trust account for retirees' medical benefits. Net assets, the difference between assets and liabilities are one way to measure the Trust's financial position. Over time, increase and decrease in net assets is one indicator of whether its financial health is improving or deteriorating. Other factors, such as market conditions, should also be considered in measuring the Trust's overall health.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report presents certain supplementary information concerning the Trust's progress in funding its obligations to provide retiree medical benefits to members. This information is presented in Note 3.

FINANCIAL ANALYSIS

As previously noted, net assets may serve over time as a useful indication of the Trust's financial position. The Trust had no liabilities as of June, 30 2012 and 2011.

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
NET ASSETS		
Cash and investments	\$ 26,525,215	\$ 16,640,137
Interest receivable	45,485	16,447
Liabilities	-	-
Net assets	<u>\$ 26,570,700</u>	<u>\$ 16,656,584</u>

The changes to Trust net assets during the fiscal year ended June 30, 2012 and 2011, are as follows:

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
CHANGES IN NET ASSETS		
Beginning balance	\$ 16,656,584	\$ 4,990,358
Additions	9,992,502	11,711,126
Deductions	(78,386)	(44,900)
Net assets	<u>\$ 26,570,700</u>	<u>\$ 16,656,584</u>

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
RETIREMENT FUTURIS PUBLIC ENTITY INVESTMENT TRUST**

**MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2012**

CONTACTING THE TRUST'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, investors, and creditors with a general overview of the Trust's finances and to show the Trust's accountability for the money it receives. If you have any questions about this report or need any additional financial information, please contact Kathy Blackwood at blackwoodk@smccd.edu or (650) 358-6869 with the San Mateo County Community College District.

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
RETIREMENT FUTURIS PUBLIC ENTITY INVESTMENT TRUST**

**STATEMENT OF TRUST NET ASSETS
AS OF JUNE 30, 2012 AND 2011**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
ASSETS		
Investments	\$ 26,525,215	\$ 16,640,137
Interest receivable	45,485	16,447
Total Assets	<u>\$ 26,570,700</u>	<u>\$ 16,656,584</u>
 NET ASSETS		
Net assets held in trust for OPEB	<u>\$ 26,570,700</u>	<u>\$ 16,656,584</u>
Total Net Assets	<u>\$ 26,570,700</u>	<u>\$ 16,656,584</u>

See the accompanying notes to financial statements.

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
RETIREMENT FUTURIS PUBLIC ENTITY INVESTMENT TRUST**

**STATEMENT OF CHANGES IN TRUST NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012 AND 2011**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
ADDITIONS		
Contributions		
Employer	\$ 10,000,000	\$ 10,000,000
Investment income, net of investment expenses	(7,498)	1,711,126
Total Additions	<u>9,992,502</u>	<u>11,711,126</u>
DEDUCTIONS		
Administrative expenses	<u>78,386</u>	<u>44,900</u>
Total Deductions	<u>78,386</u>	<u>44,900</u>
INCREASE IN NET ASSETS	9,914,116	11,666,226
NET ASSETS, BEGINNING OF YEAR	<u>16,656,584</u>	<u>4,990,358</u>
NET ASSETS, END OF YEAR	<u>\$ 26,570,700</u>	<u>\$ 16,656,584</u>

See the accompanying notes to financial statements.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT RETIREMENT FUTURIS PUBLIC ENTITY INVESTMENT TRUST

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

NOTE #1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Retirement Futuris Public Entity Investment Trust (the Trust) is a contributory single-employer defined benefit healthcare plan trust administered by the San Mateo County Community College District. The Trust provides medical insurance benefits to eligible retirees and their spouses. Membership consists of 1028 retirees and beneficiaries currently receiving benefits and 834 active plan members. The Trust is a governmental plan that is not subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

The Trust is funded entirely by the employer. The District contributed \$10,000,000 to the Trust as of June 30, 2012.

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting. Contributions are recognized as revenue in the period in which employee services are performed, pursuant to formal commitments as well as statutory or contractual commitments. Benefits and refunds of contributions are recognized when due and payable under the provisions of the Trust.

Tax Status

The Trust had decided to not pursue an IRS Private Letter Ruling (PLR) for the Trust. Section 115 of the Internal Revenue Code (the IRC) exempts governmental entities from federal taxation on any income derived from an “essential governmental function”. The Trust was established to hold District assets for the purpose of providing irrevocable funding of retiree health and other post-employment benefits to eligible employees and their dependents, and therefore met the definition of “essential governmental function” and is exempt from tax on its income under Section 115 of the Code, and that both the contribution to the Trust and the retiree medical benefits paid there from will not be taxable to retirees or their eligible dependents.

Investment Options

Benefit Trust Company (BTC), the Asset Custodian, maintains the Trust’s investments in various mutual funds, and is the record keeper. BTC contracted with Morgan Stanley Smith Barney as the investment advisor. Funds allocated to the Asset Custodian are invested according to the investment policy statement (IPS) developed and approved by the Retirement Board in a combination of equity and fixed income investments.

Administrative Expenses

Certain internal costs of administering the Trust are paid by the Trust. Administrative expenses for the year ended June 30, 2012, were \$78,386.

Benefits

Benefits are recognized when paid.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT RETIREMENT FUTURIS PUBLIC ENTITY INVESTMENT TRUST

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

Trust Termination

The San Mateo County Community College District and the Trust will adhere to all applicable laws, guidelines and accounting procedures as the Trust Administrator should be doing under current laws and regulations now understood by the District. In absence of procedures the District will follow all prudent processes that would be considered the best to protect all parties' interest in the Trust assets. In the event that all OPEB liabilities have been fulfilled and the liability is determined to be zero, any remaining Trust assets will be returned to the District.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires the Trust administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

NOTE #2 – INVESTMENTS

Investment Valuation

Investments are reported at fair market value. Securities traded on a national or international exchange are valued at the last reported sales price on the last business day of the fiscal year at current exchange rates. The fair market value of the investment in mutual funds was valued by the respective mutual fund management firms. Purchases and sales of securities are reflected on the trade date. Investment income is recognized as earned.

Net Appreciation (Depreciation) on Investments

Net appreciation (depreciation) on investments is comprised of unrealized and realized gains and losses. Unrealized appreciation (depreciation) adjusts investment carrying amounts to reflect current market values, based on quoted prices in an active market.

The Trust has adopted an internally developed investment policy that is governed by the standards established in the California Constitution. In addition, the Trust has written investment policies regarding the type of investments that may be made specifically for the Trust and the amount, which may be invested in any one financial institution or amounts that may be invested in long-term instruments. Management believes the Trust has complied with the provisions of statutes pertaining to the types of investments held, institutions in which deposits were made, and security requirements.

The fair values of the Trust's individual investments at June 30, 2012 and 2011, are as follows:

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Common Stocks	\$ 12,243,379	\$ 7,767,451
Fixed Income	14,281,836	8,872,686
Total investments	<u>\$ 26,525,215</u>	<u>\$ 16,640,137</u>

During the fiscal years ended June 30, 2012 and 2011, the Trust's investments (including gains and losses on investments bought and sold as well as held during the year) appreciated as follows:

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
RETIREMENT FUTURIS PUBLIC ENTITY INVESTMENT TRUST**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

	June 30, 2012	June 30, 2011
Dividend & Interest Income	\$ 748,250	\$ 493,994
Realized gains (loss)	306,339	236,702
Unrealized gains	(1,062,088)	980,430
Total investment income	<u>\$ (7,499)</u>	<u>\$ 1,711,126</u>

**NOTE #3 – THE DISTRICT’S POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER
POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATION**

San Mateo County Community College District provides postemployment health care benefits for retiree employees in accordance with negotiated contracts with the various bargaining units of the District. Below are the District’s OPEB information summarized for additional analysis purpose.

The District’s actuarially determined annual required contribution (ARC) for the year ended June 30, 2012, was \$7,702,017. During the year, the District contributed \$7,196,992 for premium for current retirees. In addition, the District contributed \$10,000,000 to the Trust to fund the future retirement benefit cost.

Funded Status

The funded status of the OPEB plan based on the April 12, 2011, actuarial valuation, is as follows:

Actuarial Accrued Liability (AAL)	\$ 118,923,929
Actuarial Value of Plan Assets	(15,643,762)
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 103,280,167</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	13%
Covered Payroll	\$ 90,671,696
UAAL as Percentage of Covered Payroll	<u>114%</u>

Funding Progress

The funding progress of the OPEB plan as of June 30, 2012, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a] / c)
2011	\$ 15,643,762	\$ 118,923,929	\$ 103,280,167	13%	\$90,671,696	114%
2009	-	108,915,006	108,915,006	0%	85,080,018	128%
2006	-	149,530,877	149,530,877	0%	87,823,351	170%

BOARD REPORT NO. 13-1-104B

TO: Members of the Board of Trustees

FROM: Ron Galatolo, Chancellor

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

APPROVAL OF NONRESIDENT TUITION FEE, 2013-14

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 2012-13 fiscal year was \$203 per semester unit (Board Report No. 12-1-105B). For 2012-13, the Administration recommended the fee of \$203 per semester unit, based on the "no more than average tuition of 12 states with cost of living comparable to California" method prescribed by the Education Code. District Administration recommends a fee of \$208 for 2013-14.

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 2013-14 District capital outlay fee is calculated at \$26 per semester unit. District Administration recommends the fee for 2013-14 remain at the 2012-13 rate of \$9.00.

For comparison purposes, the tentative 2013-14 rates for other local community college districts are shown below:

<u>District</u>	<u>Non Resident FTES</u>	<u>Per State Formula</u>	<u>Proposed Fee Per Unit</u>		<u>Recommended</u>
			<u>Base Fee</u>	<u>Capital Outlay Fee</u>	
Contra Costa CCD	2,130	170	198	7	205
Foothill DeAnza CCD	4,076	188	203	15	218
Ohlone CCD	559	186	210	18	228
San Francisco CCD	1,953	210	217	45	272
San Jose/Evergreen CCD	222	189	199	4	203
West Valley/Mission CCD	567	196	204	0	204
San Mateo	436	208	208	9	217
State Average		184			
Comparable 12 state average		368			

RECOMMENDATION

It is recommended that the Board set the 2013-14 nonresident student tuition fee at \$208 per semester unit. It is recommended further that the Board continue to levy a capital outlay recovery fee of \$9 per semester unit and that no exemptions be made for foreign students enrolled in six units or less, bringing the total nonresident fee to \$217 per semester unit for 2013-14.

BOARD REPORT NO. 13-1-105B

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

DISTRICT ORGANIZATIONAL MEMBERSHIPS, 2012-13

In Board policy 8.54, the District encourages, to the extent possible within financial restraints, college and staff affiliations with professional and educational organizations and associations to provide quality education to students and for the effectiveness and efficiency of the District and College operations.

The policy also states that all applications for membership shall be submitted to the Chancellor or his/her designee, and a list of all organizational memberships shall be submitted to the Board for approval. Attached is the list of all organizational memberships which the Executive Vice Chancellor has received as of December 31, 2012.

RECOMMENDATION

It is recommended that the Board approve and accept all organizational memberships listed on the attached.

Academic Senate for California Community Colleges
Access Text Network
Accreditation Council of Business Programs
Accrediting Commission for Community and Junior Colleges
Adult Learning Satellite Service (PBS) (KCSM)
AIGA
Alliance for Community College Innovation (formerly Comm. Coll. Leadership Inst./Leag. for Innovation in the Comm. College)
Alliance for Mentally Ill of San Mateo County
American Association for Higher Education
American Association for Women in Community Colleges (AAWCC)
American Association of Community and Junior Colleges
American Association of Community Colleges
American Association of Colleges & Universities (AAC&U)
American Association of University Women (AAUW)
American College Health Association
American Council on Education
American Council on Teaching of Foreign Language
American Design Drafting Association
American Payroll Association
American Political Science Association
American Public Television (formerly American Program Service) (KCSM)
American Society for Training and Development
American Society for Travel Agents
American Theatre Association
Art Hazards
Asian American Manufacturer's Association
Asian Business Association
Asian Pacific Islander Council
Associated Bodywork & Massage Professionals (ABMP)
Association for Education Communications and Technology (KCSM)
Association of American Colleges & Universities
Association of America's Public Television Stations (KCSM)
Association of Chief Human Resources Officers/Affirmative Action Officers
Association of College and University

Telecommunications Administrators
Association of College Business Officers
Association of Collegiate Schools of Architecture
Association of Community and Continuing Education (ACCE)
Association of Community College Trustees
Association of Departments of English
Association of Instructional Administrators (AIA)
Association of Physical Plant Administrators
Auxiliary Organizations Association (Bookstore)
Bay Area Faculty Diversity Internship Project (BAFDIP)
Bay Area Shared Information Consortium (BASIC)
Bay Area World Trade Center
Bay Association of College Stores (Bookstore)
Belmont Chamber of Commerce
Board of Registered Nursing
Brisbane Chamber of Commerce
Burlingame Chamber of Commerce
California Association for Alcohol/Drug Educators
California Association for Counseling and Development
California Association for Institutional Research
California Association of College Stores (Bookstore)
California Association of Nurserymen
California Association of School Business Officials (CASBO)
California Association of Student Financial Aid Administrators (CASFAA)
California Association on Postsecondary Education and Disability
California Colleges for International Education
California Community College Admin. of Occupational Education
California Community College Athletic Directors' Association
California Community College Baseball Coaches Association
California Community College Women's Basketball Coaches Association
California Community College Chief Information Systems Officers' Association
California Community College Football Coaches Association
California Community College Internal Auditors
California Community College Mental Health and

Wellness Association
California Community College Police Chiefs' Association
California Community College Soccer Coaches Association
California Community College Softball Coaches Association
California Community College Tennis Coaches Association
California Community College Track and Field Association
California Community College Women's' Basketball Coaches Association
California Community College Women's' Volleyball Coaches Association
California Community College Wrestling Coaches Association
California Community Colleges Chief Instructional Officers
California Community Colleges Chief Student Services Administrators Association (CCCCSSAA)
California Community Colleges EOPS Association
California Community Colleges Matriculation Professionals Association
California Cooperative Education Association
California Landscape Contractors' Association
California Library Association
California Media & Library Educators' Association
California Newspaper Publishers Association
California Organization of Associate Degree Nursing Program Directors
California State Employees' Charitable Campaign (KCSM)
Center for International Trade Development
Chief Instructional Officers of the CCC
Childcare Coordinating Council
Coast Conference
College and University Personnel Association
College Art Association
Collegiate Stores Corporation (CSC) (Bookstore)
Commission on Dental Accreditation American Dental Association (ADA)
Committee on Allied Health Education and Accreditation
Committee on Chemistry in the Two-year Colleges
Committee on the Accreditation for Respiratory Care
Community College Baccalaureate Association

Community College Business Officers (CCBO)
Community College Consortium - Computers, Reading and Language Arts
Community College Facility Coalition (CCFC)
Community College Humanities Association
Community College Leadership Development Initiative Foundation
Comprehensive College Baccalaureate Association (CCBA)
Community Colleges Public Relations Organization
Council for Higher Education Accreditation
Council for Opportunity in Education (COE)
Council for Research Development
Council for the Arts - Palo Alto and Mid-Peninsula
Council of Chief Librarians - California Community Colleges
Daly City/Colma Chamber of Commerce
Downtown Business Group of Redwood City
EDUCOM National Learning Infrastructure Initiative
English Council of California Two-year Colleges
Foster City Chamber of Commerce
Higher Education Recruitment Consortium
Hire-Ed
Hispanic Association of Colleges & Universities
Honors Transfer Council of California
Housing Leadership Council of San Mateo County
Health Services Association California Community College (HSACCC)
IIE Network
Institute of International Education
Intercollegiate Tennis Coaches' Association
International Accounts Payable Professionals, Inc.
International Consortium for Educational Economic Development
Joint Review Committee for Respiratory Therapy
Joint Review Committee on Education in Radiology Technology
Journalism Association of Community Colleges
League for Innovation
Learning Assessment Retention Consortium
Learning Resources Network
Menlo Park Chamber of Commerce
Middle College High School Consortium

Modern Language Association of America	Pacific Association College Registrars & Admissions Officers (PACRAO)
Multimedia Development Group	Pacific Coast College Health Association (for District Health Council)
Music Association, California Community Colleges	Pacifica Chamber of Commerce
NAFSA: Association of International Educators	Palo Alto Chamber of Commerce
National Alliance of Business	President's Round Table
National Association of Basketball Coaches	Public Agency Risk Managers Association (PARMA)
National Association of College Auxiliary Services (Bookstore)	Public Radio Program Directors Association (KCSM)
National Association of College Stores (Bookstore)	Public Television Programmer's Association (KCSM)
National Association of Colleges and Employers (NACE)	Radio Research Consortium (KCSM)
National Association of Foreign Student Affairs	Recording for the Blind and Dyslexic
National Association of Minority Engineering Program Administrators	Redwood City Chamber of Commerce
National Association of Public Television Stations	Redwood City Downtown Business Group
National Association of Student Financial Aid Administrators (NASFAA)	SACNAS
National Association of Student Personnel Administrations	San Bruno Chamber of Commerce
National Collegiate Honors Council	San Bruno Rotary Club
National Commission for Cooperative Education	San Carlos Chamber of Commerce
National Community College Council for Research and Planning	San Francisco African American Chamber of Commerce
National Community Colleges Hispanic Council	San Francisco Black Chamber of Commerce
National Council for Continuing Education & Training	San Francisco Chamber of Commerce
National Council for Marketing & Public Relations	San Francisco Hispanic Chamber of Commerce
National Council for Occupational Education	San Francisco Legal Assistant Association
National Council of Teachers of English	San Mateo Chamber of Commerce
National Council on Student Development	San Mateo Council of Non Profits
National Fire Protection Association	San Mateo County Economic Development Association (SAMCEDA)
National Institute for Staff and Organizational Development	San Mateo County Employer Advisory Council
National Kitchen & Bath Association	San Mateo County Fire Training Officers' Association
National Public Radio (KCSM)	San Mateo County School Boards Association
National Soccer Coaches Association of America	School Employers' Association of Northern California
Non-Profit Gallery Association	School Project for Utility Rate Reduction (SPURR) - dues are built into gas costs.
Northern California Chief Business Officials	Silicon Valley Leadership Group
Northern California Community College Computer Consortium	Society for College and University Planning (SCUP)
Northern California Community College Consortium - Affirmative Action	Society for Advancement of Chicanos and Native Americans in Science (SACNAS)
Northern California Football Alliance	Society of Hispanic Professional Engineers
Northern California Intersegmental Articulation	South San Francisco Chamber of Commerce
Overseas Association for college Admission Counseling	State Association of Fire Educators
	Teachers of English to Speakers of Other Languages
	The Democracy Commitment

Transfer Center Directors Association of California Community Colleges
Tutor Tutor
U.S. Green Building Council
Western Association for College Admission Counseling
Western Intercollegiate Consortium on Education in Radiologic Technology
Western Regional Honors Council
WESTOP
Women in International Trade (Northern California Chapter)
Workforce Alliance
World Affairs Council of Northern California

BOARD REPORT NO. 13-1-106B

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

BOARD MEMBER COMPENSATION

SB 214, which was adopted by the Legislature and signed by the Governor in October 2001, allows the Board to adopt a 5% increase in compensation on an annual basis. Any increase that is approved by the Board is effective as of the date approved by the Board and may not be retroactive.

In January of 2009, 2010, 2011 and 2012, the Board discussed implementation of the 5% annual compensation increase and unanimously agreed to bypass an increase because of the economic climate.

RECOMMENDATION

Board determined.

BOARD REPORT NO. 13-1-107B

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

**APPOINTMENT OF PATRICIA GRIFFIN TO THE MEASURE G
CITIZENS' OVERSIGHT COMMITTEE**

The Measure G Citizens' Oversight Committee is responsible to assure that Measure G funds are expended for the purposes stated in Measure G, including:

“preserve job training programs in nursing, healthcare, computers, green technology, police and firefighting; maintain academic subjects including science, English and mathematics; keep libraries open and maintain library services; prepare students to transfer to four year colleges and universities; maintain academic counseling programs and other student services; attract and retain instructors; modernize classroom technology and computer labs; provide equipment and technology for science labs; and offer classes and labs necessary to meet student demand. None of the funds will be used for administrator salaries or benefits.”

Committee member Jim Wyatt has informed staff that he is retiring and will no longer serve on the committee. In his place, Patricia Griffin has agreed to serve upon approval by the Board. Dr. Griffin is currently the chairperson of the Measure M Bond Oversight Committee for the San Mateo County Union High School District.

RECOMMENDATION

It is recommended that the Board approve the appointment of Patricia Griffin to the Measure G Citizens' Oversight Committee.