

AGENDA
SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
REGULAR MEETING OF THE BOARD OF TRUSTEES
January 22, 2014
District Office Board Room, 3401 CSM Drive, San Mateo, CA 94402

NOTICE ABOUT PUBLIC PARTICIPATION AT BOARD MEETINGS

The Board welcomes public discussion.

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

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

6:00 p.m. ROLL CALL

Pledge of Allegiance

DISCUSSION OF THE ORDER OF THE AGENDA

MINUTES

14-1-2 [Approval of the Minutes of the Board Meeting of January 8, 2014](#)

STATEMENTS FROM EXECUTIVES AND STUDENT REPRESENTATIVES

STATEMENTS FROM THE PUBLIC ON NON-AGENDA ITEMS

NEW BUSINESS

14-1-2A [Approval of Personnel Actions: Changes in Assignment, Compensation, Placement, Leaves, Staff Allocations and Classification of Academic and Classified Personnel](#)

14-1-3A [Approval of Revision to Miscellaneous Pay Rates Salary Schedule](#)

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.

14-1-1CA [Approval of Curricular Additions, Cañada College and College of San Mateo](#)

14-1-2CA [Approval of 2014-15 Integrated Budget Planning Calendar](#)

14-1-3CA [Acceptance of Gifts by the District](#)

- 14-1-4CA [Approval of Nonresident Tuition Fee, 2014-15](#)
- 14-1-5CA [Acceptance of Sub-Award for the Research in Engineering Education Grant from the National Science Foundation for Cañada College](#)
- 14-1-6CA [Approval of the Use of the Foundation for California Community Colleges' Contracts for the Purchase of Office Furniture and Fixtures](#)
- 14-1-7CA [Approval of Award for Contract Management Software](#)
- 14-1-8CA [Approval of Construction Consultants](#)
- 14-1-9CA [Approval of District Organizational Memberships, 2013-14](#)

Other Recommendations

- 14-1-1B [Nominations for Membership on the California Community College Trustees \(CCCT\) Board, 2014](#)
- 14-1-103B [Receipt and Acceptance of the 2012-13 District Audit Report](#)
- 14-1-104B [Receipt and Acceptance of the 2012-13 KCSM Audit Report](#)
- 14-1-105B [Receipt and Acceptance of the 2012-13 General Obligation Bond Financial and Performance Audits](#)
- 14-1-106B [Receipt and Acceptance of the 2012-13 Retirement Futuris Public Entity Investment Trust Audit Report](#)
- 14-1-107B [Board Member Compensation](#)

INFORMATION REPORTS

- 14-1-2C [2014 Contractor Prequalification Update](#)
- 14-1-3C [Review and Discussion of Agenda for Board Retreat of February 1, 2014](#)

COMMUNICATIONS

STATEMENTS FROM BOARD MEMBERS

RECESS TO CLOSED SESSION

1. Closed Session Personnel Items
 - A. Administrative Appointment, Reappointment, Assignment and Reassignment: **District Office** – Vice Chancellor of Human Resources & Employee Relations, Human Resources; **Skyline College** – Interim Director of Middle College, Language Arts/Learning Resources
 - B. Public Employment: **College of San Mateo** – Instructor (English), Language Arts
 - C. Public Employee Discipline, Dismissal, Release

2. Conference with Legal Counsel – Existing Litigation – 1 Case:
Friends of the College of San Mateo Garden v. San Mateo County Community College
District et al.; Case # 506455

CLOSED SESSION ACTIONS TAKEN

ADJOURNMENT

**Minutes of the Study Session of the Board of Trustees
San Mateo County Community College District
January 8, 2014, San Mateo, CA**

The meeting was called to order at 6:03 p.m.

Board Members Present: President Karen Schwarz, Vice President Patricia Miljanich, Trustees Richard Holober, Dave Mandelkern and Tom Mohr, Student Trustee David Zay Latt

Others Present: Chancellor Ron Galatolo, Deputy Chancellor Jim Keller, Skyline College Vice President of Student Services Joi Blake, College of San Mateo Vice President of Administrative Services Jan Roecks, Cañada College Vice President of Instruction Gregory Anderson, and District Academic Senate President Diana Bennett

Pledge of Allegiance

President Schwarz announced that Jim Wyatt, who served as a Dean at both Cañada College and Skyline College, as President of Skyline College, and as Vice Chancellor of the District, passed away on January 5. Mr. Wyatt also served on the Bond Oversight Committee and Measure G Oversight Committee and was an active member of the retirees' organization. President Schwarz requested that the Board adjourn this meeting in his memory. All Board members agreed.

DISCUSSION OF THE ORDER OF THE AGENDA

None

MINUTES

It was moved by Vice President Miljanich and seconded by Trustee Holober to approve the minutes of the meeting of December 11, 2013. The motion carried, all members voting "Aye."

STATEMENTS FROM THE PUBLIC ON NON-AGENDA ITEMS

None

NEW BUSINESS

APPROVAL OF PERSONNEL ACTIONS: CHANGES IN ASSIGNMENT, COMPENSATION, PLACEMENT, LEAVES, STAFF ALLOCATIONS AND CLASSIFICATION OF ACADEMIC AND CLASSIFIED PERSONNEL (14-1-1A)

It was moved by Vice President Miljanich and seconded by Trustee Holober to approve the actions in Board Report No. 14-1-1A. The motion carried, all members voting "Aye."

Other Recommendations

PUBLIC HEARING ON THE INITIAL STUDY AND PROPOSED MITIGATED NEGATIVE DECLARATION FOR THE SOLAR PHOTOVOLTAIC PROJECT AT CAÑADA COLLEGE; ADOPT THE INITIAL STUDY; ADOPT THE MITIGATED NEGATIVE DECLARATION AND MITIGATION MONITORING PROGRAM; AND APPROVE THE PROJECT (14-1-100B)

It was moved by Vice President Miljanich and seconded by Trustee Mandelkern to conduct the public hearing. The motion carried, all members voting "Aye." President Schwarz declared the public hearing open and called for public questions and comments. Hearing none, President Schwarz declared the public hearing closed.

It was moved by Vice President Miljanich and seconded by Trustee Holober to adopt the Initial Study. Trustee Holober asked if any public comments were received, during or after the public comment period. Barbara Christensen, Director of Community/Government Relations, said no comments were received. The motion carried, all members voting "Aye."

It was moved by Vice President Miljanich and seconded by Trustee Mohr to adopt the Mitigated Negative Declaration and Mitigation Monitoring Program. The motion carried, all members voting “Aye.”

It was moved by Vice President Miljanich and seconded by Trustee Mandelkern to approve the Solar Photovoltaic Project at Cañada College. The motion carried, all members voting “Aye.”

ADOPTION OF RESOLUTION NO. 14-1 EXEMPTING THE DISTRICT FROM DIVISION OF STATE ARCHITECT REQUIREMENTS FOR THE SOLAR PHOTOVOLTAIC PROJECT AT CAÑADA COLLEGE (14-1-101B)

It was moved by Vice President Miljanich and seconded by Trustee Holober to approve the adoption of Resolution No. 14-1. The motion carried, all members voting “Aye.”

APPROVAL OF SOLAR PHOTOVOLTAIC PROJECT AT CAÑADA COLLEGE AND APPROVAL OF CONTRACT AWARD FOR THE PROJECT (14-1-102B)

President Schwarz announced that although the Board approved the project as part of the CEQA process in the earlier item, this project approval and contract award is also required. It was moved by Vice President Miljanich and seconded by Trustee Holober to approve the project and contract award as detailed in the report. Karen Powell, Director of Maintenance and Operations, said this project demonstrates the District’s commitment to the Board goal regarding sustainability; follows the proper loading order as required for Proposition 39 funding; leverages available funding; and uses proven technology. Ms. Powell said an RFP was sent to ten qualified vendors. Four vendors replied with strong proposals and all were interviewed. Two of the vendors – Alana Buick and Bers (ABB) and Cupertino Electric – were asked to provide Best and Final Offer proposals. ABB was selected because the company presented the highest economic value and has strong project experience, a skilled engineering team, and a proven track record of successful projects within the District.

Joe Fullerton, Energy Management Coordinator, reported on the project’s first year financial benefit. He said construction costs, including operations and maintenance costs and a performance guarantee, will total \$4,452,708. The projected electricity costs without solar would be \$583,000. The projected costs with solar will be \$351,000, resulting in a savings of \$232,000. In addition, Proposition 39 funds will provide \$554,000 and the California Solar Initiative (CSI) will provide \$176,150. The total one year offset will be \$962,150. The Proposition 39 funds will be one-time funds for this project; however, additional Proposition 39 funds will be available for future projects. The CSI is a five-year incentive program based on performance. There is a performance guarantee assuring that the vendor will reimburse the District if the performance incentive is not met.

Mr. Fullerton said the payback period for the project is estimated at nine years. Trustee Mandelkern noted that the board report states the estimated payback period as just under 12 years. Mr. Fullerton said the range is 7.5 to 13 years.

Mr. Fullerton discussed the project’s benefit over a 25-year period, comparing the proposals from ABB and Cupertino Electric. He said the total operational savings would be \$9,676,208 with ABB and \$8,727,690 with Cupertino Electric. Board members asked for clarification on how some of the figures were calculated. Mr. Fullerton provided further explanation, e.g. use of an energy inflation rate cumulative over 25 years and the amounts of Proposition 39 and utility rebates (primarily CSI). Vice Chancellor José Nuñez said the professional consultant Newcomb Anderson McCormick helped with the calculations.

Trustee Holober said the project seems to be economical considering issues such as construction costs now vs. later, with projected inflation and utility costs factored in, or investing funds in another revenue-producing manner. Trustee Mandelkern questioned the methodology used to calculate the nine-year payback period, but said he believes it is a good project even if the payback period is 13 years.

In response to a question from Trustee Mohr, Mr. Fullerton said there will be significant greenhouse gas savings. Trustee Mandelkern asked if the District has looked into selling the carbon offset for this project. Mr. Fullerton said the District would first have to benchmark its greenhouse gas production and then sell its credits when production has been reduced.

Mr. Fullerton provided project highlights: more than 4,100 high efficiency panels; 412 string level inverters; poured-in-place concrete drilled piers; high tensile, galvanized steel infrastructure; 20-year operations and maintenance package; and 20-year performance guarantee.

President Schwarz asked when construction will begin if the project is approved. Vice Chancellor Nuñez said it is anticipated that construction would begin in April and that the project would produce electricity by June 30, 2014.

Trustee Mandelkern said the recommendation portion of the board report does not name the vendor that is being recommended; the report will be amended to add this information.

After this discussion, the motion carried, all members voting “Aye.”

STUDY SESSION

DISCUSSION OF SOURCES OF REVENUE (14-1-1C)

Chancellor Galatolo said Executive Vice Chancellor Kathy Blackwood will present the report on sources of revenue in preparation for further discussion at the Board of Trustees Retreat on February 1.

Unrestricted General Fund

Executive Vice Chancellor Blackwood said the District’s Unrestricted General Fund consists primarily of property taxes, including redevelopment funds, and student fees. Formerly, state apportionment accounted for a large portion of the fund; however, the District does not receive apportionment since it achieved community-supported status. The total amount of money in the fund was higher in 2012-13 than in other years because of one-time redevelopment funds that were received.

Measure G

Executive Vice Chancellor Blackwood said the four-year parcel tax brings in approximately \$7 million per year. In the first year – 2010-11 – the Colleges and District spent ± \$4.4 million, leaving a balance of ± \$2.7 million. More of the money was spent in the next two years but there was also carryover in each year. \$8.5 million is budgeted for 2013-14, the final year, but the full amount will not be spent and it is anticipated there will be a carryover of \$2-\$3 million to ease the transition as the parcel tax period ends.

Enterprise Fund

Executive Vice Chancellor Blackwood said revenue from Enterprise Operations – Bookstore, Cafeteria, vending services, and San Mateo Athletic Club – continues to grow each year. The fund balance is primarily in the Bookstore as it is needed there for operations and for a reserve to maintain and replace equipment.

Capital Projects Fund

Executive Vice Chancellor Blackwood said expenditures in the Capital Projects Fund have decreased from ± \$95 million in 2010-11 to ± \$10 million in 2012-13 as the funds are nearing depletion. Some money was put aside for a five-year period to allow replacement and maintenance of equipment that was purchased with bond funds; however, these funds will be fully expended by 2017-18.

Executive Vice Chancellor Blackwood asked for Board questions and discussion. Trustee Mandelkern asked Executive Vice Chancellor Blackwood if she anticipates a negative impact upon the cessation of Measure G funds, or if the funding will be replaced with other sources. Executive Vice Chancellor Blackwood said it is difficult to predict. The assessed valuation of property might not increase as much as anticipated, resulting in a decrease in property tax revenues. However, the District will continue to receive funds, both one-time and ongoing, from the dissolution of redevelopment agencies, as well as an undetermined amount from the Student Support and Success Act. Proposition 30 will provide approximately \$2 million per year for seven years (currently in year two).

Trustee Mohr asked how much more money the District will realize this year due to having achieved community-supported status vs. its revenue limit. Executive Vice Chancellor Blackwood said she will not know until the FTES reports are available showing how many students the District served; however, she believes the District will bring in \$10-\$12 million more than the revenue limit.

Trustee Mohr asked if the Colleges' strategic plans will be studied to analyze the impact of the loss of Measure G funds. Executive Vice Chancellor Blackwood said the District can isolate how Measure G funds have been spent, which is primarily to provide class sections. She said cuts will be made as far away from the classroom as possible and the Colleges' strategic plans, goals and missions will help determine decisions about the cuts.

Trustee Mandelkern asked if some of the increase in ongoing revenue could be set aside to help cover the loss of Measure G funds rather than suffering a \$7 million loss at one time. Executive Vice Chancellor Blackwood said Measure G funds are not separated from other revenue. She added that there will not be a full \$7 million impact because other sources of revenue, e.g. property taxes, redevelopment and Proposition 30, will partially cover the loss. Chancellor Galatolo said that, while much of the \$7 million in Measure G funds will be made up through other sources, there are also operating expenses that must be factored in, such as compensation packages provided to faculty and staff. He said the Board will consider all of the impacts of the loss of Measure G funds when making strategic decisions.

Trustee Mohr said it should be possible to explain to the public what the impact would be if Measure G money were no longer available. Vice President Miljanich said the public understands that there are now other sources of revenue, such as redevelopment funds, and the impact of the loss of Measure G funds must be articulated concretely. President Schwarz said the parcel tax language included specific purposes for which Measure G funds would be used and the conversation should now concern how to maintain what the District and Colleges were able to do to meet the stated needs. Executive Vice Chancellor Blackwood said the economic situation has changed since the passage of Measure G. At the time of passage, the District was State-supported and the State was cutting funding; therefore, the funds allowed the District to maintain rather than expand. Deputy Chancellor Keller said that because of the improving economy of the State and County, the District's community-supported status, and redevelopment monies, Measure G is not a single topic issue like it was when voters approved the measure. He said the Board might want to discuss how it wants the District to grow and how to adjust the resource allocation model to reflect a different way of thinking.

Trustee Mandelkern suggested that the District keep a base level of spending, in line with the funding that would be available under a revenue limit status. In that way, it would not suddenly fall into financial difficulty if it were to revert to being a revenue limit district. Chancellor Galatolo said risk factors have been considered. He pointed to the chart included with the board report which shows historical data regarding property taxes and state apportionment. Executive Vice Chancellor Blackwood said the Board might want to discuss what the appropriate level of reserves should be. She said that to the extent that the District has a variety of reserves, it gives more time to react and deal with issues that might arise.

Trustee Holober said he looks forward to receiving information on enrollment projections and enrollment management in order to consider both expenses and income. He said there will be decisions that may not be enrollment-driven as a community-funded entity. Trustee Holober said it is difficult to predict the future and he is weighing what would be the best way to keep faith with the voters. He said the District went to voters a few years ago saying it had a crisis and needed their help now – not forever. He said there may be future funding crises and the Board must weigh the likelihood of needing to go back to the voters for help. Trustee Holober said a decision must be made about telling voters that help is still needed and a renewal of Measure G would not mean new taxes vs. telling voters that things have improved and the District is honoring the commitment that this was a temporary tax.

Trustee Mohr said he believes the District should be careful about what it spends money on in the hope that it can do unusual things in the County that have never been done before and can be a model for serving people who are not being served well currently. Vice President Miljanich said it is important to be concerned about spending but she believes that the District should, when in a position to do so, fund education the way it should be funded in the County. She said it is important that the District be able to articulate a vision.

President Schwarz said the Board will continue to discuss sources of revenue at the Retreat on February 1.

RECESS TO CLOSED SESSION

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

The Board recessed to Closed Session at 7:45 p.m.

The Board reconvened to Open Session at 8:47 p.m.

CLOSED SESSION ACTIONS TAKEN

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

ADJOURNMENT

It was moved by Trustee Mohr and seconded by Trustee Holober to adjourn the meeting. The motion carried, all members voting "Aye." The meeting was adjourned at 8:50 p.m. in memory of Jim Wyatt.

Submitted by

Ron Galatolo, Secretary

Approved and entered into the proceedings of the January 22, 2014 meeting.

Patricia Miljanich, Vice President-Clerk

BOARD REPORT NO. 14-1-2A

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. REASSIGNMENTS

College of San Mateo

Rafael Delgado Office Assistant II Business & Technology

Reassigned through the hiring process from a part-time 10-month Office Assistant I position (Grade 15 of Salary Schedule 60) at Skyline College into this full-time, 11-month position at Grade 18 of the same salary schedule, effective January 24, 2014, replacing Cynthia Cosse who resigned.

B. CHANGE IN STAFF ALLOCATION

Cañada College

1. Recommend a change in staff allocation to delete one full-time Administrative Analyst position (1C0149) and to add one full-time Planning & Research Analyst (Grade 195S of Salary Schedule 40) in the Planning, Research, and Institutional Effectiveness Division, effective January 23, 2014. The change in staff allocation is needed with the increased demands on research and accreditation.
2. Recommend a change in staff allocation to add one full-time Dean of Athletics, Kinesiology & Dance/Learning Center/Library position (Grade AD of the Management Salary Schedule 20), effective January 23, 2014. The change in staff allocation is needed to provide administrative leadership, vision, management, and coordination to this new division.
3. Recommend a change in staff allocation to add one full-time Program Services Coordinator position (Grade 27 of Classified Salary Schedule 60) in the Office of Athletics, Kinesiology, & Dance/Learning Center/Library, effective January 23, 2014. The change in staff allocation is needed to provide support to this new division.
4. Recommend a change in staff allocation to add one full-time Visual Communications Coordinator position (Grade 30 of Classified Salary Schedule 60) in the Office of Instruction. The change in staff allocation is needed for the production of campus publications.
5. Recommend a change in staff allocation to add one full-time Kinesiology Instructor/Men's Soccer Coach in the Athletics, Kinesiology & Dance/Learning Center/Library Division, effective January 23, 2014.

District Office

- 6. Recommend a change in staff allocation to add three (3) full-time Custodian positions (Grade AA of Facilities Salary Schedule 70) in Facilities/Public Safety, effective January 23, 2014. The additional allocation is needed to support Facilities Department coverage of buildings.
- 7. Recommend a change in staff allocation to add four (4) full-time Maintenance Engineer positions (Grade FF of Salary Schedule 70) in Facilities/Public Safety, effective January 23, 2014. The additional allocation is needed to support Facilities Department building and building systems.
- 8. Recommend a reclassification of the Network Manager position to “Network Engineer” at a new level Grade 220S (from 210S) of the Classified Professional Salary Schedule (40), effective February 1, 2014. In addition, recommend the reclassification of Michael Hart from Network Manager into this new position, effective February 1, 2014.

Skyline College

- 9. Recommend creation of a new academic classification titled, “Director of Middle College” at Grade 191E of the Classified/Academic Exempt Supervisory Salary Schedule (35), effective January 23, 2014. Also recommend a change in staff allocation to add one full-time Director of Middle College academic supervisory position in the Language Arts/Learning Resources Division, effective January 23, 2014.

C. LEAVE OF ABSENCE

District Office

Patty Della Bona

Project Director

Human Resources

Request extension of approval of a medical leave of absence without pay and without benefits from January 1, 2014 through April 21, 2014. The previous request for extension of medical leave of absence was Board approved on October 9, 2013.

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	Science & Technology	1	1/23/2014	6/30/2014	Program Services Coordinator: Provide coordination for the STEM Speaker Series, including arranging speakers, creating outreach strategies, and completing all planning activities for the program.
CSM	Counseling Services/ EOPS/CARE	1	1/23/2014	6/30/2014	Office Assistant I: Assist program staff with handling inquiries, assisting with initial program eligibility, filing, and general clerical assistance.
Skyline	Planning, Research & Institutional Effectiveness	1	1/9/2014	6/30/2014	Office Assistant II: Assist with clerical responsibilities during recruitment for a permanent position. <i>This position was inadvertently omitted from the January 8, 2014 Board Report.</i>

BOARD REPORT NO. 14-1-3A

TO: Members of the Board of Trustees

FROM: Ron Galatolo, Chancellor-Superintendent

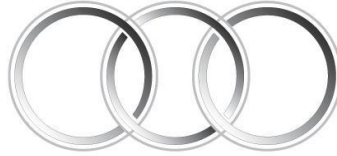
PREPARED BY: Harry W. Joel, Vice-Chancellor, Human Resources and Employee Relations,
(650) 358-6767

APPROVAL OF REVISION TO MISCELLANEOUS PAY RATES SALARY SCHEDULE

The Miscellaneous Pay Rates Salary Schedule was originally established by the Board of Trustees in 1989 (Board Report No. 89-7-3A) for selected services not covered by other District salary schedules. The classifications are designed to supplement current staff services on a short-term, non-continuing basis, and constitute temporary, at-will employment for special District services and projects. The pay rates for Assistant Coaches and Accompanist are in need of adjustment as the rates are no longer competitive.

RECOMMENDATION

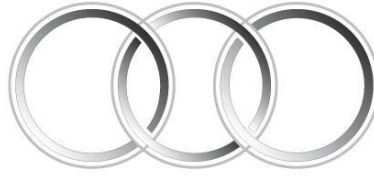
It is recommended that the Miscellaneous Pay Rates Salary Schedule be revised effective January 1, 2014 to include a maximum rate of \$20,000 per season for the Assistant Coach position (previously \$10,000 per season) and a range of \$50.00 to \$75.00 per hour for the Accompanist position (previously \$26.00 to \$36.00 per hour) as indicated on the attached pay schedule.



**SAN MATEO COUNTY
COMMUNITY COLLEGE DISTRICT**

MISCELLANEOUS PAY RATES SALARY SCHEDULE
(Revised January 1, 2014)

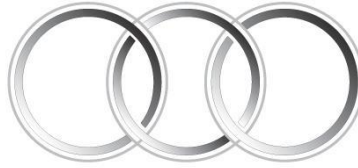
CLASSIFICATION	HOURLY PAY RATES
<p>KCSM Projects Leader Under direction of General Manager or other management staff, directs and coordinates contracts, technical requirements, compliance with Federal Communications Commission regulations, studio scheduling and other strategic planning and logistics for special station projects and productions.</p>	\$60.00 Flat Rate
<p>KCSM Production Operator Operates cameras; adjusts camera angles and apertures; makes minor repairs to equipment and supplies; serves as studio mixer; operates teleprompters.</p>	\$35.00 – \$40.00 – \$45.00
<p>KCSM Floor Director Works with producer and other directors to set up, monitor and adjust camera angles, cues, lighting and sound performance quality; supervises scripts, placement and performance of on-air talent.</p>	\$30.00 – \$35.00 – \$40.00
<p>KCSM Video Shader Operates cameras to monitor color and level of consistency throughout various programs.</p>	\$30.00 – \$35.00 – \$40.00
<p>KCSM Video Mixer Sets up production video consoles pursuant to producer/director requests. Serves as interface between producer/directors and crews.</p>	\$35.00 – \$40.00 – \$45.00
<p>Lifeguard Monitors swimming pool and guest safety; performs watch and rescue procedures; administers CPR and other First-Aid as required; trains guests in swimming pool safety. American Red Cross Lifeguard Training Certificate and ARC CPR/First Aid for the Professional Rescuer.</p>	\$8.50 – \$9.00 – \$9.50
<p>Senior Lifeguard Trains and directs the work of Lifeguards; monitors swimming pool and guest safety; performs watch and rescue procedures; administers CPR and other First-Aid as required; trains guests in swimming pool safety. American Red Cross Lifeguard Training Certificate and ARC CPR/First Aid for the Professional Rescuer.</p>	\$10.50 – \$11.00 – \$11.50



**SAN MATEO COUNTY
COMMUNITY COLLEGE DISTRICT**

MISCELLANEOUS PAY RATES SALARY SCHEDULE (continued)
(Revised January 1, 2014)

CLASSIFICATION	HOURLY PAY RATES
<p>College Physician Plans, implements and leads professional College health care services in conjunction with public health nursing staff; provides medical advice and treatment in the College Health Center; writes prescriptions as needed; confers with medical plan providers and emergency medical personnel regarding follow-up care; sets up and maintains confidential documentation of treatment and services provided; completes required medical provider and emergency forms; makes presentations to students, organizations and other groups as assigned.</p>	\$110 Flat Rate
<p>Assistant Coach Provides support for coaching in a specific sport; supervises practices; assists at games.</p>	Up to \$20,000 per season
<p>EMT I Proctor Assists instructors in the various classes and schedules assignments to part-time instructors, which can result in work assignments varying from one to several class sessions per semester.</p>	\$25.00 Flat Rate
<p>Health Educator Assists in organizing and delivering health education programs and services to students. Provides proactive health information on an as-needed basis.</p>	\$27.00 Flat Rate
<p>Accompanist Plays piano to assist in voice classes and for choral groups.</p>	\$50.00 – \$75.00
<p>Fashion Design Program Assistant Makes minor repairs to sewing machines, provides department tours, designs program websites, creates brochures and flyers to advertise classes and events, speaks at career days, plans for events, and manages supplies and equipment for the Fashion Design program.</p>	\$16.19 – \$16.98 – \$17.80



**SAN MATEO COUNTY
COMMUNITY COLLEGE DISTRICT**

MISCELLANEOUS PAY RATES SALARY SCHEDULE
(Revised January 1, 2014)

EMPLOYMENT REGULATIONS

Individuals who are employed in classifications listed on the Miscellaneous Pay Rates Salary Schedule are not part of the classified service, are at-will employees, subject to unemployment insurance regulations, and are employed pursuant to California Education Code Section 88003.

The “Miscellaneous Pay Rates” classifications are designed to supplement current staff services on a short-term, non-continuing basis, and constitute temporary, at-will employment for special District services and projects.

SALARY STEP PLACEMENT

The initial placement of individuals at one of three steps within a pay range, as well as their subsequent movement to a higher step within the range dependent upon relevant training and previous applicable work experience, and is at the discretion of hiring manager.

Individuals who are employed in any of the listed classifications are paid via timesheet, and are subject to payment at time and a half of the hourly rate for hours in excess of the regular District work day or work week.

EQUAL EMPLOYMENT OPPORTUNITY

The San Mateo County Community College District is an Equal Opportunity Employer that seeks to employ individuals who present the rich diversity of cultures, language groups and abilities in its surrounding communities.

(Rev. 1/1/2014)

BOARD REPORT NO. 14-1-1CA

TO: Members of the Board of Trustees
FROM: Ron Galatolo, Chancellor
PREPARED BY: Jing Luan, Ph.D., Vice Chancellor, Educational Services and Planning, 358-6880

**APPROVAL OF CURRICULAR ADDITIONS
CAÑADA COLLEGE AND COLLEGE OF SAN MATEO**

The addition of three courses to the College catalogs, and the addition of one Associate Degree for Transfer are proposed.

Each of the proposed courses and programs has been reviewed by the appropriate Division Dean and approved by the College Curriculum or Instruction Committee, acting on behalf of the local Academic Senate. In addition, the Academic Senate Presidents provide oversight with respect to the necessary role of the local Senates in the review and approval process. The rigor of the approval process assures that each new course has substance and integrity in relation to its discipline and that it fills a clear student need not being served by existing course offerings.

RECOMMENDATION

It is recommended that the Board approve the attached curricular changes for the Cañada College and College of San Mateo catalogs.

San Mateo County Community College District

January 22, 2014

PREPARED BY: Gregory Anderson, Vice President, Instruction
Cañada College

APPROVED BY: Alicia Carmen Aguirre, Curriculum Committee Chair
Cañada College

Doug Hirzel, Academic Senate President
Cañada College

Lawrence Buckley, President
Cañada College

PROPOSED CURRICULAR ADDITIONS – CAÑADA COLLEGE

COURSE DESCRIPTIONS AND JUSTIFICATIONS

ART

115 ART, MUSIC AND IDEAS (3.0) (day or evening)

Justification: This course expands the Art History Program course offerings, and will allow students to receive general education credit both locally and/or at the CSU/UC campuses. It parallels the existing MUS 115 - Art, Music and Ideas course, and the two courses can be offered concurrently. It is also a selective requirement of the Art History for Transfer AA-T as well as the Music AA Degree Program.

Prerequisite: None.

Recommended Preparation: Eligibility for ENGL 110.

Description: An introduction to the understanding and appreciation of the parallels of art and music throughout history. An investigation into the elements of art and music equip the student to see and hear with greater discrimination, as well as recognize the importance of the sociological, political, and philosophical ideas as they are reflected in the arts. Lectures are illustrated with slides, recordings, and films. Attendance at a live performance and a museum visit are required

Classification: AA/AS Degree; AA-T Degree; CSU transferable.

PROPOSED PROGRAM ADDITIONS – CAÑADA COLLEGE

Cañada College proposes to offer an Associate Degree for Transfer in the following programs:

ENGLISH

English – Associate in Arts Degree for Transfer – 18 units in the major area + Certified completion of the California State University General Education-Breadth pattern (CSU GE Breadth); OR the Intersegmental General Education Transfer Curriculum (IGETC) pattern, and other requirements for the Associate Degree for Transfer

San Mateo County Community College District

January 22, 2014

PREPARED BY: Sandra Comerford, Vice President, Instruction
College of San Mateo

APPROVED BY: Teresa Morris, Chair, Curriculum Committee
College of San Mateo

David Laderman, President, Academic Senate
College of San Mateo

Michael Claire, President
College of San Mateo

PROPOSED CURRICULAR ADDITIONS – COLLEGE OF SAN MATEO

COURSE DESCRIPTIONS AND JUSTIFICATIONS

FIRE

879MA FIREFIGHTER CADET II (3.0) (day or evening)

Justification: The State of California requires individuals to have not only Fire Academy training and EMT I certification, but also one year of volunteer service or six months of paid seasonal service before becoming a certified firefighter. This course will allow students to accrue the necessary hours for their certification. Students in this course will be given additional duties and higher levels of responsibilities as they gain knowledge and skills from previous assignments in the firehouse.

Prerequisite: Sponsorship by a fire service agency as a firefighter cadet and FIRE 810 with a minimum grade of P.

Recommended Preparation: None.

Description: Under supervision, students will work in a firehouse environment alongside professional firefighters. Students are expected to build upon the knowledge and skills obtained in the previous course. Students will be able to use these hours towards their requirement for their Firefighter I State Certification.

Classification: AA/AS Degree; not transferable.

879MB FIREFIGHTER CADET III (3.0) (day or evening)

Justification: The State of California requires individuals to have not only Fire Academy training and EMT I certification, but also one year of volunteer service or six months of paid seasonal service before becoming a certified firefighter. This course will allow students to accrue the necessary hours for their certification. Students in this course will be given additional duties and higher levels of responsibilities as they gain knowledge and skills from previous assignments in the firehouse.

Prerequisite: Sponsorship by a fire service agency as a firefighter cadet and FIRE 810 with a minimum grade of P.

Recommended Preparation: None.

Description: Under supervision, students will complete their assignment working in a firehouse environment alongside professional firefighters. Students will continue hands-on training, emergency response, clerical responsibilities and other duties as assigned. Students will be able to use these hours towards their requirement for their Firefighter I State Certification.

Classification: AA/AS Degree; not transferable.

BOARD REPORT NO. 14-1-2CA

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

APPROVAL OF 2014-15 INTEGRATED DISTRICT BUDGET PLANNING CALENDAR

The budget development process for 2014-15 requires formulation of a budget calendar. Included in the 2014-15 calendar is consultation with the District Committee for Budget and Finance, which is a subcommittee of the District Participatory 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 2014-15 on September 10, 2014.

RECOMMENDATION

It is recommended that the Board of Trustees approve the attached 2014-15 Integrated District Budget Planning Calendar.

Integrated District Budget Planning Calendar, 2014-15

<u>Date</u>	<u>Campus & District Review/Action</u>	<u>Committee for Budget and Finance Consultation</u>	<u>Board Review/Action</u>
September 2013	Colleges Finalize Spring 2014 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 14-15 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 2014-2015 • Review District prelim resource allocation Faculty Obligation Number report due to the State		
October – December	College Budget and Planning committees <ul style="list-style-type: none"> • Submit hiring priorities • Committees submit tentative recommendation for 2014-15 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 2014-15 Budget Proposal		
January – February	College Budget and Planning committees <ul style="list-style-type: none"> • Review 2013-14 expenditures 	Review/revise draft of Budget and Planning Calendar Review and reassess estimates of 2014-15 Governor's Budget proposal and discussion of District revenue and expenditure implications (inform DPGC at its next meeting).	Approval of 2014-15 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 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 2014 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 2013-14 Mid-Year Budget Report	Approval of 2013-14 Mid-Year Budget Report
March - May	Departments submit budget requests for 2014-15 to College Budget Committees College Budget committees review requests		
March	Colleges Finalize Fall 2014 Schedule of Classes	Review of Board budget priorities and Districtwide allocations (inform DPGC at its next meeting).	Review/approval of 2014-15 budget priorities and Districtwide allocations.
Mid-March - April	Run preliminary position control worksheets for 2014-15 Colleges ongoing review of position control		
March – April	College Budget and Planning committees <ul style="list-style-type: none"> Preliminary current year 2013-14 ending balance estimates Colleges prepare for current year external audit		Budget updates with Board; review budget assumptions for Tentative budget. Board Goals for 2014-2015
Mid-May	Governor’s May Revise		
May	Review of Governor’s May Revise	Review of Governor’s May Revise (inform DPGC 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 2014-15 Tentative Budget	
June 25			Adoption of 2014-15 Tentative Budget and 2014-15 Gann Limit.
June	“P2” Second Principal Apportionment	Review apportionment and District Controller certifies to State Controller	
June-August	Final adjustments to budget are made.	Committee is updated throughout the summer on major budget changes	

<u>Date</u>	<u>Campus & District Review/Action</u>	<u>Committee for Budget and Finance Consultation</u>	<u>Board Review/Action</u>
July	Enactment of 2014-15 State Budget		
August	Legislative Trailer Bills		
August	State Budget Workshop (held after Advance)		
August	2013-14 books are closed. District Office completes budget input and prepares Final Budget document.		
September 2014			Public hearing and Adoption of 2014-15 Final Budget.

BOARD REPORT NO. 14-1-3CA

TO: Members of the Board of Trustees
FROM: Ron Galatolo, Chancellor
PREPARED BY: Ginny Brooks, Executive Assistant to the Board of Trustees, 358-6753

ACCEPTANCE OF GIFTS BY THE DISTRICT

Rules and Regulations Section 8.38, Gifts and Donations, requires that a periodic report of gifts and donations valued at \$1,000 or more be made to the Board of Trustees. All gifts are promptly acknowledged when received. The following gift was received since the last report.

GIFT

Recipient: KCSM-FM
\$32,290.70
(Planned Gift Realized)

DONOR

Thomas G. Ayers, Jr.
c/o Merrill Lynch Wealth Management
7 Eisenhower Plaza, Suite 900
Ann Arbor, MI 48108

RECOMMENDATION

It is recommended that the Board accept the gift as described above.

BOARD REPORT NO. 14-1-4CA

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, 2014-15

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 total fee for the 2013-14 fiscal year was \$217 per semester unit, consisting of \$208 nonresident tuition and \$9 capital outlay fee (Board Report No. 13-1-104B). District Administration recommends the nonresident tuition fee for 2014-15 of \$210 per semester unit, which is based on the proposed State COLA of 0.86% above the current fee of \$208.

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 2014-15 District capital outlay fee is calculated at \$10 per semester unit. District Administration recommends the fee for 2014-15 remain at the 2013-14 rate of \$9.00.

For comparison purposes, the tentative 2014-15 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>	
Chabot/Las Positas CCD	381	198	226	17	243
Contra Costa CCD	2415	188	198	10	208
Foothill DeAnza CCD	4352	132	198	25.50	223.50
Ohlone CCD	559	190	210	18	228
San Francisco CCD	2049	206	199	7	206
San Jose/Evergreen CCD	226	207	199	4	203
West Valley/Mission CCD	567	186	204	0	204
San Mateo	540	216	210	9	219
State Average		193			
Comparable 12 state average		388			

RECOMMENDATION

It is recommended that the Board set the 2014-15 nonresident student tuition fee at \$210 per semester unit. It is further recommended 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 \$219 per semester unit for 2014-15.

BOARD REPORT NO. 14-1-5CA

TO: Members of the Board of Trustees

FROM: Ron Galatolo, Chancellor

PREPARED BY: Janet L. Stringer, Dean, Science and Technology, Cañada College, 306-3322

**ACCEPTANCE OF SUB-AWARD FOR THE RESEARCH IN ENGINEERING EDUCATION
GRANT FROM THE NATIONAL SCIENCE FOUNDATION FOR CAÑADA COLLEGE**

Cañada College has been awarded a portion of a grant through the Research in Engineering Education program at the National Science Foundation. The proposed program, “Impacts of Prior Work Experience on Adult, Non-traditional, Engineering Students,” is a collaborative proposal between the University of New Haven, University of California, Berkeley and Cañada College (University of New Haven is the fiscal agent). The project aims to support the persistence of non-traditional engineering students by examining the impact of prior engineering-related work on engineering identity and approach to engineering study. The work will collect and analyze data from traditional and non-traditional engineering undergraduate students at three diverse institutes of higher education: a large public university, a small private university, and a community college.

Cañada College’s portion of the award is \$63,918.73 over a three-year period from June 1, 2014 through May 31, 2017.

RECOMMENDATION

It is recommended that the Board of Trustees accept the sub-award to Cañada College from the National Science Foundation in the amount of \$63,981.73 over a three-year period.

BOARD REPORT NO. 14-1-6CA

TO: Members of the Board of Trustees
FROM: Ron Galatolo, Chancellor
PREPARED BY: Sue Harrison, Interim Director of General Services, 358-6879

APPROVAL OF THE USE OF THE FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES' CONTRACTS FOR THE PURCHASE OF OFFICE FURNITURE AND FIXTURES

In September, 2013 the Foundation for California Community Colleges (FCCC) issued a Request for Proposal (RFP 13-002) for multiple contracts to solicit competitive pricing for 18 different furniture and fixture classifications. This was a public, competitive bid process and, pursuant to Public Contract Code §20652, the RFP provided that any or all public agencies, public and private school districts, and public and private colleges or universities in California would be able to purchase product (or "Piggyback") at the prices stated in the RFP. There are 18 different classifications of furniture available. The list of awardees and the furniture/fixture classifications for this RFP is attached as Exhibit A.

The District has utilized prior FCCC contracts to purchase furniture and fixtures. It is prudent for the District to maintain access to these contracts for its ongoing procurement of furniture and fixtures needs. Uses of the contracts might range from a single office chair to more significant quantities of classroom, office or other furniture or related items for a remodel or refurbishment project.

RECOMMENDATION

It is recommended that the Board of Trustees approve use of the piggyback clause in the contracts established by the Foundation for the California Community Colleges as shown in Exhibit A as a potential source for the District's furniture and fixtures needs. The contract terms are for three (3) years with two one (1) year renewals effective October, 2013.

EXHIBIT A: Furniture/Fixture Applications and Awardees

	CLASSIFICATION	AWARDEE(S)			
1	Traditional Student Desks	American Seating	Krueger International		
2	Contemporary Student Desks	Krueger International			
3	Dynamic Student Desks	Krueger International	Steelcase		
4	Standard Classroom Products	Haworth	Krueger International	Steelcase	
5	Study Areas	Haworth	Krueger International		
6	Student Lounge Products	Agati	Haworth	Krueger International	Steelcase
7	Standard Library Furniture	Krueger International			
8	Custom Library Furniture	Agati	Worden		
9	Office Environments	Haworth	Krueger International	Steelcase	
10	Executive Area Products	Haworth	Steelcase		
11	Public Area Seating	American Seating	Haworth	Krueger International	
12	Fixed Seating	American Seating	Irwin	Krueger International	
13	Wall Systems	Krueger International	Steelcase		
14	Access Flooring Systems	Haworth			
15	Storage Systems	Aurora			
16	Site Furniture	Landscape Forms			
17	White & Chalk Boards, Tack Boards & Executive Display Boards	ABC School Equip. (dba Platinum)			
18	Child Development Areas	Community Playthings			

BOARD REPORT NO. 14-1-7CA

TO: Members of the Board of Trustees

FROM: Ron Galatolo, Chancellor-Superintendent

PREPARED BY: Sue Harrison, Interim Director of General Services, (650) 358-6879

APPROVAL OF AWARD FOR CONTRACT MANAGMENT SOFTWARE

On September 23, 2013, the District released RFP #86669 seeking proposals for a software solution for districtwide contract management. The District enters into various types of contracts including services contracts, software licenses, independent contracts, facilities rentals contracts and others. The RFP asked for a solution that would include components to help the District manage all levels of the contract lifecycle including creating contracts, storage of contracts, development of contract templates, contract review and approval cycles and detail- and executive-level reporting on contract status.

The District received two responsive proposals including pricing for five years as follows:

Vendor	
iContracts	\$ 63,651
ESM Solutions	\$172,000

An additional proposal was received but was considered non-responsive because it did not include the required references information.

A proposal review team consisting of administration and staff scored the proposals using a weighted value matrix. While cost is an important consideration, Public Contract Code 20118.2 allows the District to consider factors other than price when purchasing computers, software and other related equipment. Accordingly, the proposals were also evaluated on factors including vendor experience in working with higher education, quality of product, customer service and support, and a variety of technical specifications. Additionally, each vendor was required to provide references from community colleges or higher education. While both vendors met the experience, quality and customer service and support criteria, iContracts was selected as the vendor that could provide the right set of contract management components at the least cost to the District.

RECOMMENDATION

The District recommends that the Board of Trustees award a three year contract with the option for two one-year renewals to iContracts for Contract Management Software. The value of the contract over five years will not exceed \$63,651.

BOARD REPORT NO. 14-1-8CA

TO: Members of the Board of Trustees

FROM: Ron Galatolo, Chancellor

PREPARED BY: José D. Nuñez, Vice Chancellor, Facilities Planning Maintenance & Operations, 358-6836

APPROVAL OF CONSTRUCTION CONSULTANTS

To fulfill the requirements of its Capital Improvement Program, the District must retain consulting expertise and various construction consulting services. The professional services required by the District in support of its Capital Improvement Program are temporary or specialized in nature and District employees do not provide such expertise. Services provided include architectural and design, engineering, master scheduling, project management, program information and project controls, building commissioning, construction testing and inspection, environmental testing, construction-related legal services and documentation for construction planning, as required by the State Chancellor's office.

As the District begins to wind down the CIP2 program, some consulting needs remain. Listed below are prequalified consultants that the District will have under contract in support of CIP2 planning, design and construction efforts.

Firm	Board Approval Requested	Activity/Projects
Advance Soil Technology	\$100,000	Geotechnical Testing and Inspections Services; Various projects, including Cañada College Solar, Wellness Center, Math & Science, College of San Mateo North Gateway, Building 8, Building 1, and Skyline College, Wellness Center, Center for Visual and Performing Arts
Alfa Tech Cambridge Group	\$250,000	Mechanical, Electrical and Plumbing Services; Districtwide Utility Measurement and Verification, LED Lighting retrofits, Energy Master Plan; College of San Mateo Library Lighting, Student Center Lighting
BKF	\$150,000	Civil Engineering Services; Cañada College, College of San Mateo and Skyline College
Bunton Clifford Associates, Inc.	\$100,000	Architectural Services; Districtwide Programming Services; Cañada College Building 1, College of San Mateo Building 8,
Caldwell Flores Winters, Inc.	\$100,000	Districtwide Facilities Planning, Program Management & Financial Services
CSW/Stuber-Stroeh Engineering Group, Inc	\$100,000	Engineering Services; Districtwide Utility Infrastructure mapping and miscellaneous repairs, storm water management, boundary survey work, Renewable and Sustainable Energy Project Support and other needs as required
Enovity	\$100,000	Districtwide Energy Efficiency and Commissioning Services

GRD Energy	\$150,000	Districtwide Engineering Services; building commissioning and retro-commissioning, Energy Management System, energy efficiency support services, and other needs as required
ICF Jones & Stokes	\$200,000	Professional Services; Districtwide CEQA Support
LPAS, Inc.	\$250,000	Architectural Services; Skyline College Center for Visual and Performing Arts
Newcomb Anderson McCormick	\$100,000	Engineering and Consulting Services; Districtwide Renewable and Sustainable Energy Project procurement support, Energy Master Planning, Sustainability Master Planning, energy rebate and incentive support and other needs as required
Noll & Tam Architects	\$100,000	Districtwide Architectural Services; Cañada College Buildings 1, 3 and 9, and Building 1 FPP, College of San Mateo North Gateway, Edison Project, and other needs as required
Shannon Leigh Associates	\$75,000	Districtwide Design Services for interior and exterior way finding and code required signage
STV vbn	\$350,000	Districtwide Architectural Services; CCCO FUSION / ONUMA integration
Verde Design	\$250,000	Districtwide Architectural Services; Athletic Field replacement, and other Civil Engineering needs as required

Funding sources for construction consultant services include general obligation bond, State and local funds.

RECOMMENDATION

It is recommended that the Board approve these construction consultant services, as detailed above, in an amount not to exceed \$2,375,000.

BOARD REPORT NO. 14-1-9CA

TO: Members of the Board of Trustees

FROM: Ron Galatolo, Chancellor

PREPARED BY: Kathy Blackwood, Executive Vice Chancellor, 358-6790

APPROVAL OF DISTRICT ORGANIZATIONAL MEMBERSHIPS, 2013-14

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, 2013. Memberships requested since the last report to the Board are highlighted on the attachment.

RECOMMENDATION

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

AAA Northern California, Nevada and Utah
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 International Recruitment Council (AIRC)
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 Fastpitch Coaches Association (3CFCA)

California Community College Football Coaches Association
California Community College Internal Auditors
California Community College Men's Basketball Coaches Association
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 Corporate College
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 Alliance of MESA Directors (CCAMD)
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) (2009)
Council for Higher Education Accreditation
Council for Opportunity in Education (COE)
Council for Research Development (2010)
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
Forum on Education Abroad
Foster City Chamber of Commerce
Foundation for California Community Colleges - UMOJA Consortium
Higher Education Recruitment Consortium
Hire-Ed
Hispanic Association of Colleges & Universities
Honors Transfer Council of California
Housing Leadership Council of San Mateo County
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
Multimedia Development Group
Music Association, California Community Colleges
NAFSA: Association of International Educators
National Alliance of Business
National Association of Basketball Coaches
National Association of College Auxiliary Services (Bookstore)
National Association of College Stores (Bookstore)
National Association of Colleges and Employers (NACE)
National Association of Foreign Student Affairs
National Association of Minority Engineering Program Administrators
National Association of Public Television Stations
National Association of Student Financial Aid Administrators (NASFAA)
National Association of Student Personnel Administrations
National Collegiate Honors Council
National Commission for Cooperative Education
National Community College Council for Research and Planning
National Community Colleges Hispanic Council
National Council for Continuing Education & Training
National Council for Marketing & Public Relations
National Council for Occupational Education
National Council of Teachers of English
National Council on Student Development
National Fire Protection Association
National Institute for Staff and Organizational Development
National Kitchen & Bath Association
National Public Radio (KCSM)
National Soccer Coaches Association of America
Non-Profit Gallery Association

Northern California Chief Business Officials
Northern California Community College Computer Consortium
Northern California Community College Consortium - Affirmative Action
Northern California Football Alliance
Northern California Intersegmental Articulation
Northern California Track & Cross Country Coaches Association
Pacific Association College Registrars & Admissions Officers (PACRAO)
Pacific Bell Providers' Consortium
Pacific Coast College Health Association (for District Health Council)
Pacifica Chamber of Commerce
Palo Alto Chamber of Commerce
President's Round Table
Public Agency Risk Managers Association (PARMA)
Public Radio Program Directors Association (KCSM)
Public Television Programmer's Association (KCSM)
Radio Research Consortium (KCSM)
Recording for the Blind and Dyslexic
Redwood City Chamber of Commerce
Redwood City Downtown Business Group
SACNAS
San Bruno Chamber of Commerce
San Bruno Rotary Club
San Carlos Chamber of Commerce
San Francisco African American Chamber of Commerce
San Francisco Black Chamber of Commerce
San Francisco Chamber of Commerce
San Francisco Hispanic Chamber of Commerce
San Francisco Legal Assistant Association
San Mateo Chamber of Commerce
San Mateo Council of Non Profits
San Mateo County Economic Development Association (SAMCEDA)
San Mateo County Employer Advisory Council
San Mateo County Fire Training Officers' Association
San Mateo County School Boards Association
School Employers' Association of Northern California
School Project for Utility Rate Reduction (SPURR)

Silicon Valley Leadership Group
Society for College and University Planning (SCUP)
Society of Hispanic Professional Engineers
South San Francisco Chamber of Commerce
State Association of Fire Educators
StudyCalifornia
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. 14-1-1B

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, 2014

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 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.

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 terms consecutively. Eight persons will be elected to the board this year. Of those eight seats, there are six incumbents eligible to run for re-election, one board member has termed out, and one seat was 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 fewest number of votes among the top eight 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 4, 2014.

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.

CCCT BOARD NOMINATION FORM

Must be returned to the League office **postmarked no later than February 15, 2014**, 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, 2014**, along with the nomination form 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, 2014** along with the nomination form 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>
2014	I.	Casas	2010	2014	1
	I.	Castellanos	2011	2014	2
	I.	Chadwick	2011	2014	2
	I.	*Figueroa	2007	2014	0
	I.	Gomez	2010	2014	1
	I.	Jones (Robert)	2011	2014	2
	I.	Moreno	2011	2014	2
2015	II.	Vacancy	2012	2015	2
	II.	Chaniot	2009	2015	1
	II.	*Jones (Bernard)	2008	2015	0
	II.	*Ontiveros	2008	2015	0
	II.	Otto	2009	2015	1
	II.	Ransford	2012	2015	2
	II.	Zableckis	2009	2015	1
	II.	Wah	2013	2015	2
2016	III.	*Barreras	2006	2016	0
	III.	Biggin	2013	2016	2
	III.	Gulassa	2010	2016	1
	III.	Hart	2010	2016	1
	III.	*Jaffe	2009	2016	0
	III.	Keith	2013	2016	2
* Board member is unable to seek reelection due to three-term limit.					



**CALIFORNIA COMMUNITY COLLEGE TRUSTEES
2013-14 BOARD ROSTER**

ISABEL BARRERAS
Immediate Past-President
State Center CCD

SALLY BIGGIN
Redwoods CCD

LAURA CASAS
Foothill DeAnza CCD

STEPHAN CASTELLANOS
San Joaquin Delta CCD

NANCY CHADWICK
Palomar CCD

JANET CHANIOT
2nd Vice President
Mendocino-Lake CCD

MARY FIGUEROA
Riverside CCD

SIMON FRASER
Pasadena Area CCD

PAUL GOMEZ
Chaffey CCD

CY GULASSA
Peralta CCD

JERRY HART
Imperial CCD

LOUISE JAFFE
1st Vice President
Santa Monica CCD

BERNARD “BEE JAY” JONES
Allan Hancock Joint CCD

ROBERT JONES
Los Rios CCD

SUSAN KEITH
Citrus CCD

JIM MORENO
Coast CCD

MANNY ONTIVEROS
President
North Orange County CCD

DOUGLAS OTTO
Long Beach CCD

ANN RANSFORD
Glendale CA 91208

LINDA WAH
Pasadena CCD

MARCIA ZABLECKIS
Barstow CCD

VACANCY

San Mateo County Community College District

January 22, 2014

BOARD REPORT NO. 14-1-103B

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 2012-13 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, 2013. 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 2012-13 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, 2013 due date.

**SAN MATEO COUNTY
COMMUNITY COLLEGE DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2013 AND 2012

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS JUNE 30, 2013

FINANCIAL SECTION

Independent Auditors' Report	2
Management's Discussions and Analysis (Required Supplementary Information)	4
Basic Financial Statements – Primary Government	
Statements of Net Position	17
Statements of Revenues, Expenses, and Changes in Net Position	18
Statements of Cash Flows	19
Fiduciary Funds	
Statements of Net Position	21
Discretely Presented Component Unit – The Educational Housing Corporation	
Statement of Financial Position	22
Statement of Activities	23
Statement of Cash Flows	24
Notes to Financial Statements	25

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Other Postemployment Benefit (OPEB) Funding Progress	54
--	----

SUPPLEMENTARY INFORMATION

District Organization	56
Schedule of Expenditures of Federal Awards	57
Schedule of Expenditures of State Awards	59
Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance	60
Reconciliation of <i>Education Code</i> Section 84362 (50 Percent Law) Calculation	63
Reconciliation of Annual Financial and Budget Report (CCFS-311) with Fund Financial Statements	64
Proposition 30 Education Protection Act (EPA) Expenditure Report	65
Note to Supplementary Information	66

INDEPENDENT AUDITORS' REPORTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	69
Report on Compliance for Each Major Program and Report on Internal Control Over Compliance Required by OMB Circular A-133	71
Report on State Compliance	73

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditors' Results	76
Financial Statement Findings and Recommendations	77
Federal Awards Findings and Questioned Costs	78
State Awards Findings and Questioned Costs	79
Summary Schedule of Prior Audit Findings	82

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit, the Education Housing Corporation of San Mateo County Community College District (the District) as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component unit of the District as of June 30, 2013 and 2012, and the changes in net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Changes in Accounting Principles

As discussed in the Notes to the basic financial statements, the accompanying financial statements reflect certain changes required as a result of the implementation of GASB Statement No. 62 for the year ended June 30, 2013. These changes require a restatement of the beginning net position of the District as discussed in Note 16. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require 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 audits 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.

Other Information

Our audits were 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, as required by U.S. Office of Management and Budget (OMB) 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.

The supplementary information, including the Schedule of Expenditures of Federal Awards, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2013, 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, 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* in considering the District's internal control over financial reporting and compliance.

Vavrinek, Time, Day & Co., LLP

Pleasanton, California
December 18, 2013

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

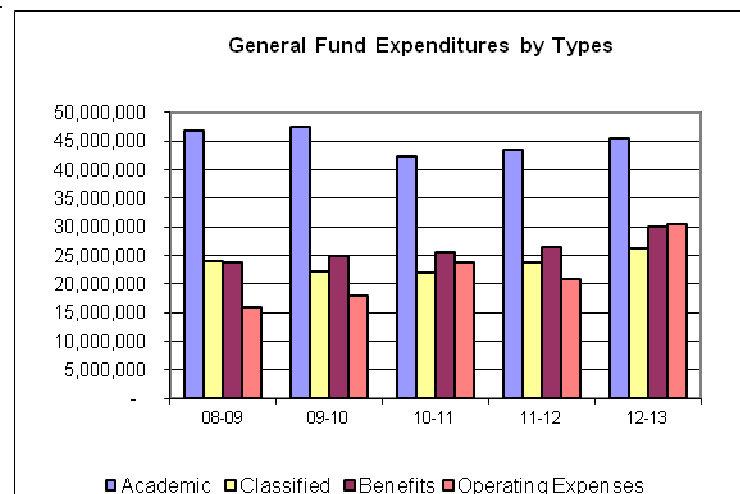
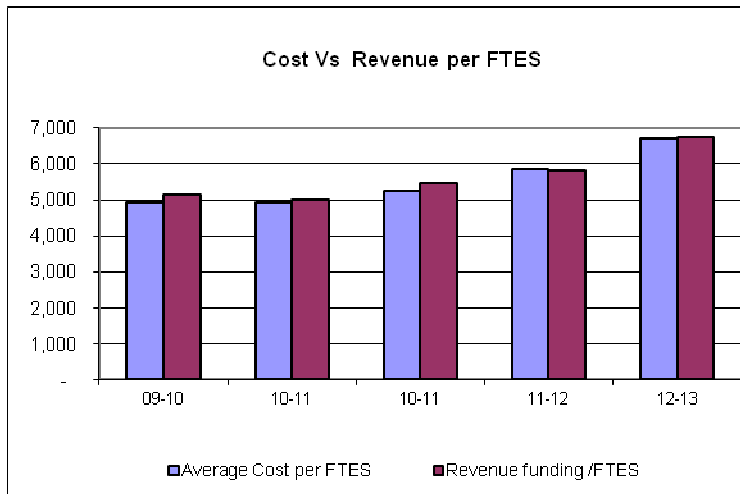
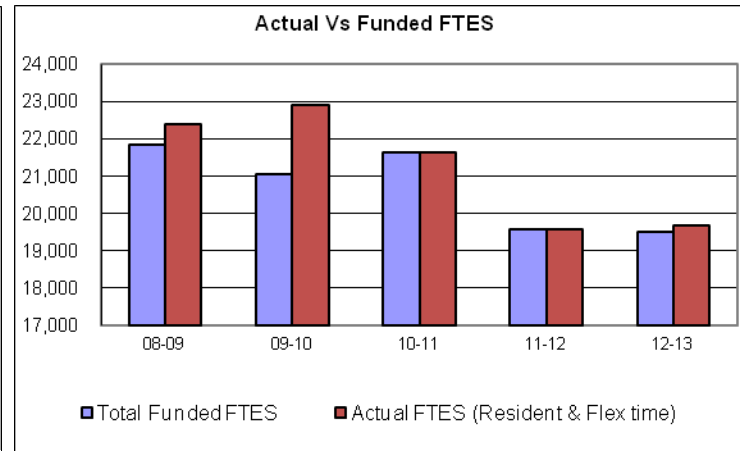
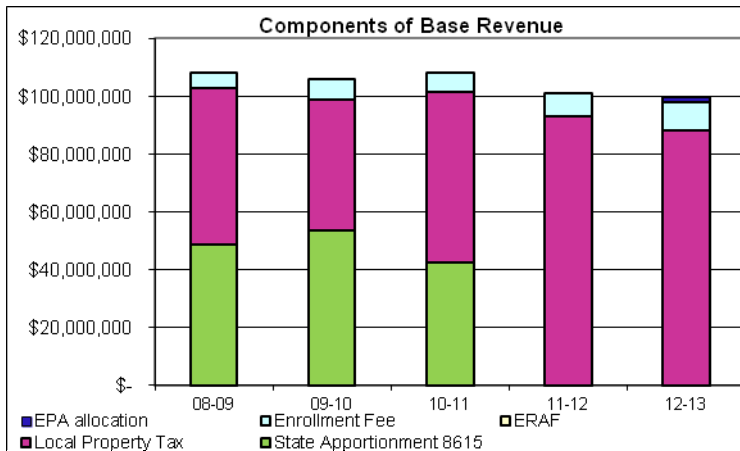
Introduction

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, 2013, June 30, 2012, and June 30, 2011. 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 Position
- Statement of Revenues, Expenses and Changes in Net Position
- Statement of Cash Flows

Financial Highlights of 2012-13



SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

Financial Overview Summary

Total net position at June 30, 2013 increased by \$17 million over the prior fiscal year. The increase was primarily due to an increase in completed capital outlay assets.

- Assets exceeded liabilities for the fiscal year ended June 30, 2013 by \$128 million, and total net position increased by \$17 million over last year.
- Net noncurrent assets increased by \$16 million.
- Net operating loss was \$189 million.
- Net non-operating revenue was \$164 million.

Reporting for the District as a Whole

- Economic position of the District with the State

The District has obtained the enviable status of being community supported, formerly 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 the District is no longer subject to the state borrowing funds by delaying apportionment payments. Adding to this is the parcel tax (Measure G), which continues for one more year, 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 2012/13 with a positive ending balance and has a balanced budget for 2013/14.

- 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 a revenue COLA from the State since 2007-08. Since becoming community supported and benefitting from redevelopment funds, fiscal year 2012-13 reflects a modest salary adjustment (2.81%) for all employee groups. The budget includes January 1, 2013 increases (0 to 16%) in non-capped health premium rates for employees and retirees. Dental insurance premiums increased 10% overall and vision premiums 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 2013-14. 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, 2013, \$458 million of the \$486 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, 2013



Cañada College Banners



Cañada College Tennis Courts



Various small projects were completed throughout the year including: Building 5 Dining Room Remodel, Building 7 Gym Bleacher Replacement, Light Pole Banner and Signage, Tennis Court and Parking Lot Renovation, Exterior Wayfinding Signage, and Building 9 Administration Records and TRIO Reconfiguration.



College of San Mateo Building 10 College Center



College of San Mateo Tracks



Various small projects were completed throughout the year including: Vehicular Entry Security cameras, Building 5 Esthetician Area Electrical Safety Improvements, Building 5 and 8 Locker Room Renovation, Building 6 Aquatics Building Management System Integration, Building 12 Roofing, Football Field Turf Replacement, Light Pole Banner and Signage, and Exterior Wayfinding Signage.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013



Skyline College Dining Room



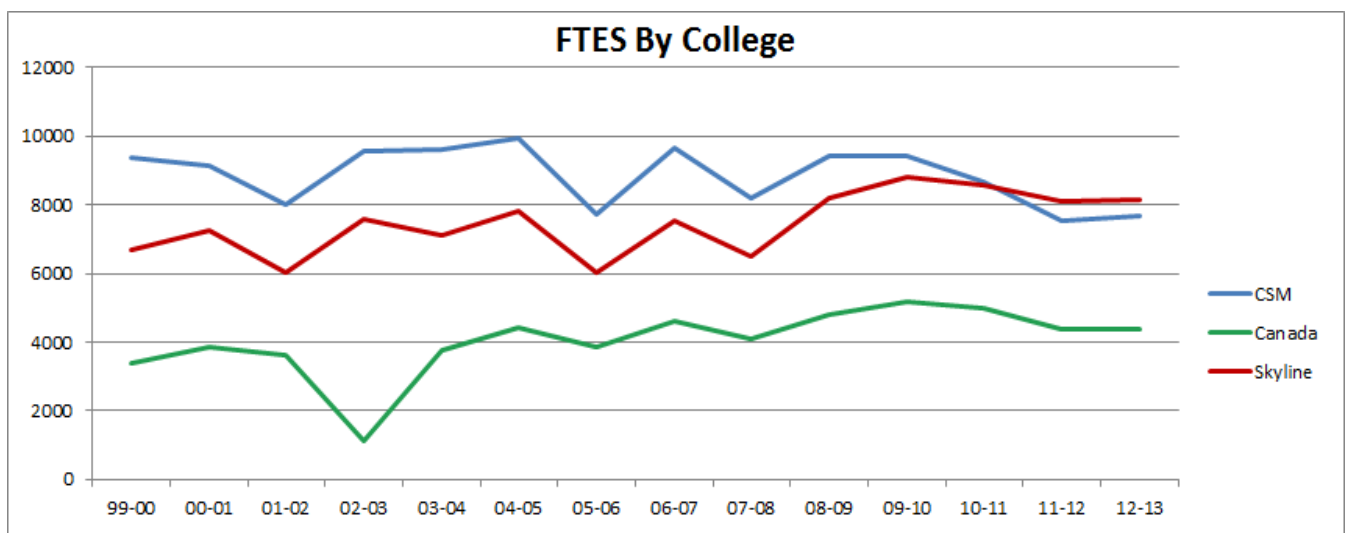
Skyline College Track Resurfacing



Various small projects were completed throughout the year including: Building 2 third floor Student Services Facelift, Building 4 Roof Plaza, Building 5 Disabled Student Programs and Services (DSPS) Relocation, Building 6 Servedy Remodel and Floor Upgrades, Building 6 Public Area Enhancement, Building 19 Pacific Heights Environmental Science Lab Remodel, Track Re-Surfacing, Lower Soccer Field Replacement, Light Pole Banner and Signage, and Exterior Wayfinding Signage.

- Enrollment

For SMCCCD, enrollment no longer drives funding, since property taxes and fees primarily determine funding. However, the Board has directed that the colleges keep their enrollment targets at or near the state-funded levels. As the economy recovers, we have seen minor changes in enrollment. The chart below shows the history of FTES in the District.



SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

Net Position

The Statement of Net Position 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 Position, 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, Institutional Investment Pool 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, and federal governments for grants, as well as benefits, salaries and amounts owed to 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, 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 payable.
- According to GASB Statements, equity is reported as Net Position, rather than Fund Balance. The District's Net Position is classified as follows:
 - Net Investment in capital assets, represents the District's total investment in capital assets, net of outstanding debt obligations related to those capital assets.
 - Restricted Net Position consists of expendable and nonexpendable portions. Restricted expendable Net Position includes resources which the District is contractually obligated to expend in accordance with restrictions imposed by external third parties.
 - Unrestricted Net Position represents resources used for transactions relating to the educational and general operations of the District.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

Analysis of Net Position – June 30, 2013

**Table 1 Statement of Net
Position**

	(In Thousand) 2013	(In Thousand) 2012	(In Thousand) 2011
ASSETS			
Current Assets			
Cash and investments	\$ 203,484	\$ 205,551	\$ 226,483
Restricted cash and investments	26,437	23,588	23,588
Accounts receivable, net	10,578	11,375	21,561
Prepaid expenses	239	121	612
Deferred charges	305	341	267
Stores inventories	2,612	2,423	1,944
Total Current Assets	243,655	243,399	274,455
Noncurrent Assets			
Deferred charges	4,880	5,149	4,882
Nondepreciable capital assets	32,558	93,069	85,620
Depreciable capital assets, net of depreciation	625,598	548,492	556,668
Total Noncurrent Assets	663,036	646,710	647,170
TOTAL ASSETS	906,691	890,109	921,625
LIABILITIES			
Current Liabilities			
Accounts payable	17,030	14,098	22,540
Interest payable, restricted	5,866	13,221	13,992
Deferred revenue	11,921	11,493	11,443
Bonds and notes payable - current portion	17,290	14,910	12,985
Bond premium - current portion	2,000	2,000	878
Total Current Liabilities	54,107	55,722	61,838
Noncurrent Liabilities			
Compensated absences payable - noncurrent portion	3,848	3,766	3,375
Bonds and notes payable - noncurrent portion	689,806	687,265	688,811
Other long-term liabilities - noncurrent portion	30,444	32,444	16,673
Total Noncurrent Liabilities	724,098	723,475	708,859
TOTAL LIABILITIES	778,205	779,197	770,697
NET POSITION			
Net Investment in capital assets	(49,609)	(59,125)	6,632
Restricted for:			
Debt service	26,472	23,633	22,040
Capital projects	80,805	73,503	82,393
Educational programs	13,899	13,496	6,802
Other activities	22,441	25,406	189
Unrestricted	34,476	34,000	32,872
TOTAL NET POSITION	\$ 128,485	\$ 110,913	\$ 150,928

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position shown below consists of operating and non-operating results for 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

	2013	2012	2011
OPERATING REVENUES			
Student Tuition and Fees	\$ 26,372	\$ 21,653	\$ 17,962
Less: Fee waivers and allowance	(10,795)	(8,224)	(5,452)
Less: Bad debt	(791)	(462)	(583)
Net tuition and fees	14,786	12,967	11,927
Auxiliary Enterprise Sales and Charges			
Bookstore	3,230	3,153	2,776
Cafeteria	228	212	196
Fitness Center	3,545	2,774	2,082
Internal Service Sales and Charges	917	1,764	1,680
TOTAL OPERATING REVENUES	22,706	20,870	18,661
OPERATING EXPENSES			
Salaries	92,004	90,672	87,493
Employee benefits	37,376	32,932	32,468
Supplies, materials, and other operating expenses and services	30,009	29,102	38,108
Equipment, maintenance, and repairs	1,117	1,365	17,642
Student financial aid	23,113	22,969	20,891
Depreciation	27,595	21,408	18,566
TOTAL OPERATING EXPENSES	211,213	198,449	215,168
OPERATING LOSS	(188,507)	(177,579)	(196,507)
NONOPERATING REVENUES (EXPENSES)			
State apportionments, noncapital	932	849	43,684
Local property taxes, levied for general purposes	103,865	93,120	58,018
Local property taxes, levied for special purposes	28,977	28,859	27,915
Parcel tax	6,986	7,132	7,055
Federal grants	26,669	26,392	25,330
State grants	9,522	10,510	9,972
Local grants	2,425	2,519	2,923
State taxes and other revenues	3,536	3,696	3,464
Investment income (loss), net	2,540	3,832	2,404
Interest expense on capital related debt	(22,086)	(31,722)	(31,317)
Interest income on capital asset-related debt, net	204	202	94
Other nonoperating revenues (expenses)	333	(14,196)	372
TOTAL NONOPERATING REVENUES (EXPENSES)	163,903	131,193	149,914
LOSS BEFORE OTHER REVENUES AND EXPENSES	(24,604)	(46,387)	(46,593)
State revenues, capital	1,465	4,277	4,909
Local revenues, capital	2,534	2,094	6,167
TOTAL OTHER REVENUES AND EXPENSES	3,999	6,371	11,076
CHANGE IN NET POSITION	(20,605)	(40,015)	(35,517)
NET POSITION, BEGINNING OF YEAR	149,090	150,928	186,444
NET POSITION, END OF YEAR	\$ 128,485	\$ 110,913	\$ 150,927

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

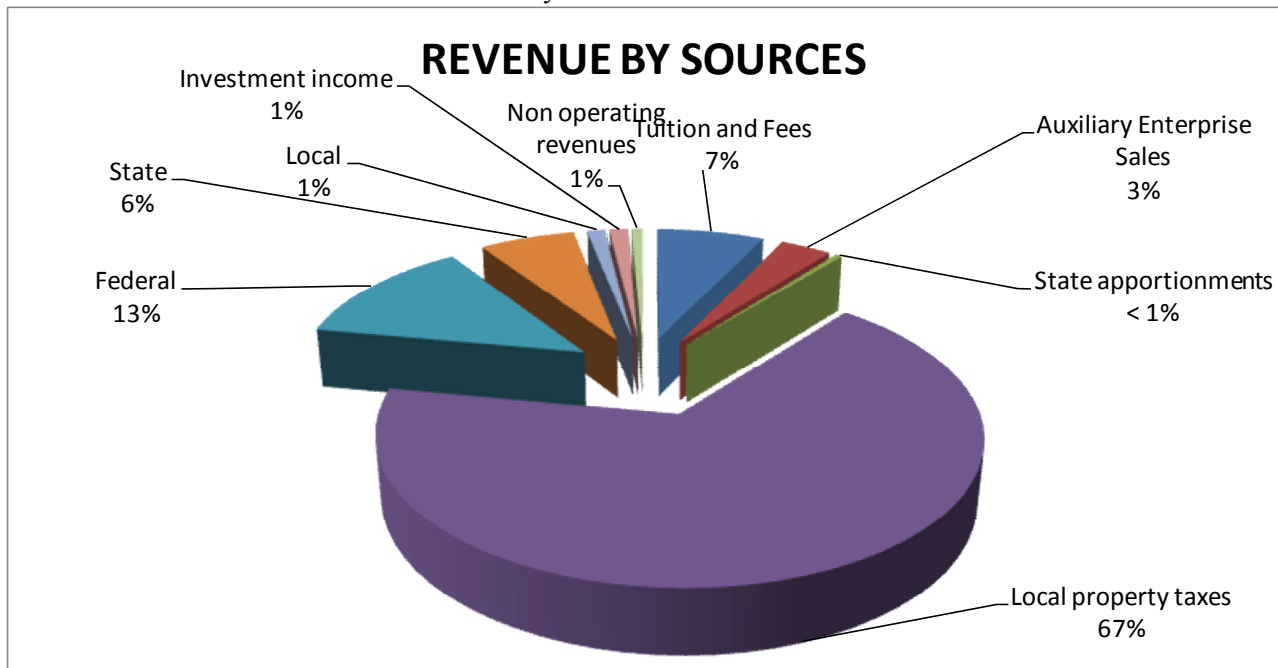
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

Explanatory information for the statement is as follows:

- Tuition and Fees include enrollment, health, non-resident tuition, other student fees, less scholarship discount and allowance as defined by GASB statement No. 35.
- Auxiliary Enterprise Sales and Charges consist of bookstore and cafeteria sales and fitness center income, less discount allowances.
- Internal Services include self-insurance for General Liability and Workers Compensation.
- State apportionments, non-capital includes state apportionment, apprenticeship, and child 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 maintenance funding and issuance of the General Bond. These revenues relate mainly to construction activities.

Below is an illustration of District revenues by source:



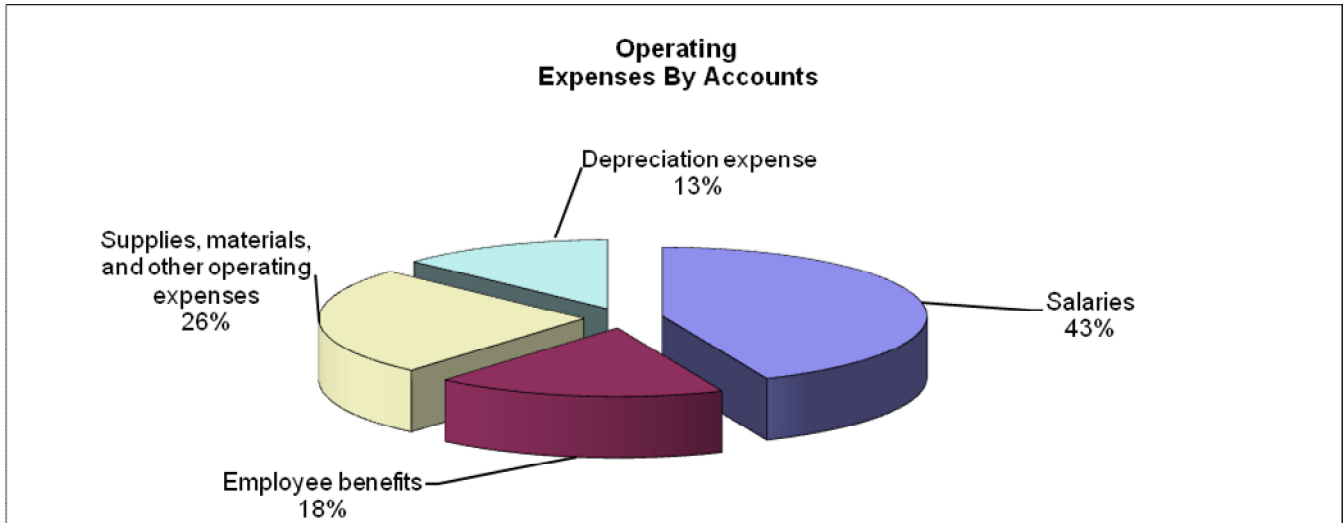
SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

Revenues and expenses changed mainly due to the following:

- Net Operating Revenue illustrated an increase due to an increase in tuition and fees.
- Net Non-operating Revenue increased mainly due to increase in local property tax and decrease in interest expense on capital related debt.



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 using 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, 2013

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 and 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, Institutional Investment Pool, Certificates of Deposits, Bond and Local Agency Investment Fund (LAIF).

Table 3 – Statement of Cash Flows

	<u>2013</u>	<u>2012</u>	<u>2011</u>
CASH FLOWS PROVIDED BY (USED IN):	in thousands	in thousands	in thousands
Operating Activities	\$ (157,929)	\$ (152,794)	\$ (167,566)
Noncapital financing activities	184,237	164,787	183,752
Capital financing activities	(28,267)	(36,906)	(73,166)
Investing activities	2,741	3,981	2,754
NET INCREASE IN CASH AND CASH EQUIVALENTS	782	(20,932)	(54,226)
CASH & CASH EQUIVALENTS, BEGINNING OF YEAR	229,139	250,071	304,297
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 229,921</u>	<u>\$ 229,139</u>	<u>\$ 250,071</u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

Economic Factors and the 2013-14 Budget

Being community supported, the District's revenues primarily consist of property tax revenues and student fees and are relatively predictable. The County Assessor's Office has stated that property taxes will go up 6.3% county-wide in 2013-14. In addition, the District received over \$8 million of one-time and ongoing reallocated redevelopment funds in 2012/13 due to the demise of redevelopment agencies in 2011/12. The ongoing portion of 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 multi-year financial plans and has planned balanced budgets through 2015/16.

C.I.P. Planning 2013-14 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:

- Building 5/6/8/9 Water Intrusion
 - Anticipated Completion date: Spring 2014
- Parking Lot and Roadway Light Upgrade (LED)
 - Anticipated Completion date: Summer 2014
- Building 3 Theater Carper Replacement
 - Anticipated Completion date: Spring 2014
- Solar Installation
 - Anticipated Completion date: Summer 2014
- Baseball Field Upgrade
 - Anticipated Completion date: Summer 2014
- Soccer Field Upgrade
 - Anticipated Completion date: Winter 2013

College of San Mateo:

- North Gateway Project, Phase 2: Demolition of Buildings 21-29, Landscape and Hardscape
 - Anticipated Completion date: Summer 2014
- Building 9 Library Carpet replacement
 - Anticipated Completion date: Winter 2013
- Building 10 Exterior Stair Connection to Softball Plaza
 - Anticipated Completion date: Spring 2014
- Building 19 Hazardous Materials Abatement
 - Anticipated Completion date: Winter 2013
- Diagonal Path Extension
 - Anticipated Completion date: Spring 2014
- East Perimeter Road Sidewalk Addition
 - Anticipated Completion date: Winter 2013
- Parking Lot and Street Light Upgrade (LED)
 - Anticipated Completion date: Summer 2014

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

- Edison Parking Lot
 - Scheduled to Commence: Pending Legal Appeal
- Baseball Field Upgrades
 - Anticipated Completion date: Summer 2014

Skyline College:

- Building 14 Child Development Center Security and ECE Improvement
 - Anticipated Completion date: Winter 2013
- Building 5 Library Carpet Replacement
 - Anticipated Completion date: Winter 2013
- Baseball Field Upgrade
 - Anticipated Completion date: Summer 2014
- Upper Soccer Field Upgrade
 - Anticipated Completion date: Winter 2013

District Wide

- Districtwide Utility Consumption Measurement & Verification
 - Anticipated Completion date: Spring 2014
- Districtwide Monitoring Based Commissioning (MBCx) Energy Efficiency Improvements
 - Anticipated Completion date: Spring 2014
- Districtwide Infrastructure Analysis and Survey
 - Anticipated Completion date: Winter 2013

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 Cañada 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, 22 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, 2013

College Vista:



Cañada 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, 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 POSITION - PRIMARY GOVERNMENT
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
ASSETS		
Current Assets		
Cash and investments	\$ 203,484,355	\$ 205,551,320
Restricted cash and investments	26,436,848	23,587,629
Accounts receivable, net	10,577,768	11,375,095
Prepaid expenses	238,778	120,817
Deferred charges	305,198	341,503
Inventories	2,611,806	2,423,067
Total Current Assets	<u>243,654,753</u>	<u>243,399,431</u>
Noncurrent Assets		
Deferred charges	4,880,152	5,149,045
Nondepreciable capital assets	32,557,758	93,068,540
Depreciable capital assets, net of depreciation	625,597,908	548,492,322
Total Noncurrent Assets	<u>663,035,818</u>	<u>646,709,907</u>
TOTAL ASSETS	<u>906,690,571</u>	<u>890,109,338</u>
LIABILITIES		
Current Liabilities		
Accounts payable	17,030,000	14,098,313
Interest payable	5,866,377	13,220,817
Deferred revenue	11,920,829	11,492,562
Bonds and notes payable - current portion	17,290,000	14,910,000
Bond premium - current portion	2,000,003	2,000,003
Total Current Liabilities	<u>54,107,209</u>	<u>55,721,695</u>
Noncurrent Liabilities		
Compensated absences payable - noncurrent portion	3,848,333	3,765,476
Bonds and notes payable - noncurrent portion	689,805,787	687,265,138
Other long-term liabilities - noncurrent portion	30,444,336	32,444,339
Total Noncurrent Liabilities	<u>724,098,456</u>	<u>723,474,953</u>
TOTAL LIABILITIES	<u>778,205,665</u>	<u>779,196,648</u>
NET POSITION		
Net investment in capital assets	(49,608,514)	(59,124,968)
Restricted for:		
Debt service	26,472,082	23,632,460
Capital projects	80,805,152	73,502,940
Educational programs	13,899,287	13,495,709
Other activities	22,440,761	25,406,277
Unrestricted	34,476,138	34,000,272
TOTAL NET POSITION	<u>\$ 128,484,906</u>	<u>\$ 110,912,690</u>

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PRIMARY GOVERNMENT FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
OPERATING REVENUES		
Student Tuition and Fees	\$ 26,372,479	\$ 21,652,634
Less: Fee waivers and allowance	(10,794,843)	(8,223,892)
Less: Bad debt	(791,217)	(462,198)
Net tuition and fees	14,786,419	12,966,544
Auxiliary Enterprise Sales and Charges		
Bookstore	3,229,619	3,153,480
Cafeteria	227,745	211,805
Fitness Center	3,545,269	2,774,126
Internal Service Sales and Charges	916,587	1,763,716
TOTAL OPERATING REVENUES	22,705,639	20,869,671
OPERATING EXPENSES		
Salaries	92,003,826	90,671,696
Employee benefits	37,376,039	32,932,470
Supplies, materials, and other operating expenses and services	30,008,587	29,102,356
Equipment, maintenance, and repairs	1,117,105	1,364,788
Student financial aid	23,112,911	22,969,111
Depreciation	27,594,568	21,408,359
TOTAL OPERATING EXPENSES	211,213,036	198,448,780
OPERATING LOSS	(188,507,397)	(177,579,109)
NONOPERATING REVENUES (EXPENSES)		
State apportionments, noncapital	932,292	848,646
Local property taxes, levied for general purposes	103,864,700	93,119,831
Local property taxes, levied for special purposes	28,977,091	28,859,238
Parcel tax	6,986,474	7,132,066
Federal grants	26,669,123	26,392,186
State grants	9,521,575	10,509,913
Local grants	2,425,034	2,518,886
State taxes and other revenues	3,536,258	3,695,636
Investment income (loss), net	2,539,589	3,832,486
Interest expense on capital related debt	(22,085,926)	(31,722,355)
Interest income on capital asset-related debt, net	203,812	202,001
Other nonoperating revenues (expenses)	333,118	(14,195,979)
TOTAL NONOPERATING REVENUES	163,903,140	131,192,555
LOSS BEFORE OTHER REVENUES AND EXPENSES	(24,604,257)	(46,386,554)
State revenues, capital	1,465,128	4,277,204
Local revenues, capital	2,533,773	2,094,011
TOTAL OTHER REVENUES AND EXPENSES	3,998,901	6,371,215
CHANGE IN NET POSITION	(20,605,356)	(40,015,339)
NET POSITION, BEGINNING OF YEAR, RESTATED	149,090,262	150,928,029
NET POSITION, END OF YEAR	\$ 128,484,906	\$ 110,912,690

The accompanying notes are in 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, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 13,980,272	\$ 16,143,480
Local grants and contracts	1,777,554	1,243,888
Payments to vendors for supplies and services	(31,981,264)	(31,374,506)
Payments to or on behalf of employees	(126,844,868)	(123,373,712)
Payments to students for scholarships and grants	(23,112,911)	(23,433,630)
Auxiliary sales	8,251,920	8,000,619
Net Cash Flows Used In Operating Activities	<u>(157,929,297)</u>	<u>(152,793,861)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State apportionments	2,600,257	5,572,729
Property taxes, levied for general purposes	103,864,700	93,119,831
Property taxes, levied for special purposes	28,977,091	28,859,238
Grant and contracts	37,696,378	39,421,223
State taxes and other apportionments	3,089,337	4,988,123
Other receipts and disbursements	8,009,978	(7,173,808)
Net Cash Flows From Noncapital Financing Activities	<u>184,237,741</u>	<u>164,787,336</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of capital assets	(7,444,228)	(28,012,246)
Loss on disposal of capital assets	1,188,995	95,228
Bond proceeds	-	125,553,013
State revenue, capital projects	1,465,128	4,277,204
Local revenue, capital projects	2,533,773	2,094,011
Deferred cost on issuance	-	(341,503)
Principal paid on capital debt	(16,910,003)	(127,169,690)
Interest paid on capital debt	(9,304,519)	(13,604,426)
Interest received on capital asset-related debt	203,812	202,001
Net Cash Flows Used In Capital Financing Activities	<u>(28,267,042)</u>	<u>(36,906,408)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received from investments	2,740,852	3,981,136
NET CHANGE IN CASH AND CASH EQUIVALENTS	782,254	(20,931,797)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	229,138,949	250,070,746
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 229,921,203</u>	<u>\$ 229,138,949</u>

The accompanying notes are in 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, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Loss	\$ (188,507,397)	\$ (177,579,109)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation expense	27,594,568	21,408,359
Miscellaneous nonoperating income		
Changes in Assets and Liabilities:		
Receivables, net	543,399	3,659,944
Inventories	(188,739)	(478,830)
Prepaid and other current assets	(117,961)	-
Student loans receivable, net	499,586	416,740
Accounts payable and accrued liabilities	3,175,120	(617,562)
Deferred revenue	(320,344)	396,597
Total Adjustments	<u>31,185,629</u>	<u>24,785,248</u>
Net Cash Flows Provided For Operating Activities	<u>\$ (157,321,768)</u>	<u>\$ (152,793,861)</u>
 CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:		
Cash and investments	\$ 203,484,355	\$ 205,551,320
Restricted cash and investments	26,436,848	23,587,629
Total Cash and Cash Equivalents	<u>\$ 229,921,203</u>	<u>\$ 229,138,949</u>
 NON CASH TRANSACTIONS		
On behalf payments for benefits	<u>\$ 1,903,158</u>	<u>\$ 1,821,547</u>

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2013 AND 2012**

	2013		2012	
	Agency Fund		Agency Fund	
	Associated Students Trust	Student Representation Fee	Associated Students Trust	Student Representation Fee
ASSETS				
Cash and cash equivalents	\$ 1,865,138	\$ 127,956	\$ 1,904,687	\$ 117,707
Accounts receivable	311,694	-	348,875	-
Fixed assets	6,392	-	1,516	-
Total Assets	\$ 2,183,224	\$ 127,956	\$ 2,255,078	\$ 117,707
LIABILITIES				
Accounts payable	\$ 934,533	\$ -	\$ 1,143,551	\$ 117,707
Due to student groups and other	1,248,691	127,956	1,111,527	-
Total Liabilities	\$ 2,183,224	\$ 127,956	\$ 2,255,078	\$ 117,707

The accompanying notes are in 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, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
CURRENT ASSETS		
Cash and investments	\$ 151,324	\$ 146,321
Accounts receivable	-	44
Total Assets	<u>\$ 151,324</u>	<u>\$ 146,365</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Rent security deposits	\$ 135,300	\$ 132,018
Total Liabilities	<u>135,300</u>	<u>132,018</u>
NET ASSETS		
Unrestricted	16,024	14,347
Total Net Assets	<u>16,024</u>	<u>14,347</u>
Total Liabilities and Net Assets	<u>\$ 151,324</u>	<u>\$ 146,365</u>

The accompanying notes are in 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, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
REVENUES		
Rental income	\$ 1,461,947	\$ 1,447,069
Interest and dividends	1,131	1,940
Commission	-	173
Water reimbursement	12,101	12,518
Other local income	3,375	3,177
Total Revenues	<u>1,478,554</u>	<u>1,464,877</u>
EXPENSES		
Operating expenses	316,120	230,920
Total Expenses	<u>316,120</u>	<u>230,920</u>
OTHER SOURCES AND USES		
Transfer out to SMCCCD	(1,160,757)	(1,233,000)
Total Other Uses	<u>(1,160,757)</u>	<u>(1,233,000)</u>
CHANGE IN NET ASSETS	1,677	957
NET ASSETS, BEGINNING OF YEAR	14,347	13,390
NET ASSETS, END OF YEAR	<u>\$ 16,024</u>	<u>\$ 14,347</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, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,677	\$ 957
Changes in Assets and Liabilities		
Accounts receivable	44	21
Prepaid expenses	-	61,784
Rent security deposits	3,282	3,798
Net Cash Flows Provided For Operating Activities	<u>5,003</u>	<u>66,560</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	5,003	66,560
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	146,321	79,761
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 151,324</u>	<u>\$ 146,321</u>

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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. 61.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The District has adopted GASB Statement No. 61, *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 Housing Corp.) is a non-profit organization under IRS Code Section 510(c)(3). The Board of the Housing Corp. is the same as the District's. The Housing Corp. meets the criteria of the governing authority's ability to significantly influence operations and accountability for fiscal matters and the criteria for inclusion in the District's reporting entity. Its purpose is to operate staff and faculty housing. The financial activity of the Housing Corp. is reported as a separate discretely presented component unit. Individually-prepared financial statements are not prepared for the Housing Corp.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

The *San Mateo County Community Colleges Foundation* (the Foundation) is a non-profit organization under IRS Code Section 501(c)(3). The District has determined that the Foundation does not meet the criteria of the governing authority's ability to significantly influence operations and accountability for fiscal matters and the criteria for inclusion in the District's report entity. It is dedicated to providing assistance to the students, teachers, and programs of the Colleges. The financial activity of the Foundation is not included in this report. Individually-prepared financial statements can be obtained from the District Business Office.

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. The District has elected not to apply FASB pronouncements issued after November 30, 1989.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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:

Management's Discussion and Analysis

- Basic Financial Statements for the District as a whole including:
 - Statement of Net Position – Primary Government
 - Statement of Revenues, Expenses, and Changes in Net Position – Primary Government
 - Statement of Cash Flows – Primary Government
 - Financial Statements for the Fiduciary Funds including:
 - Statements of Fiduciary Net Position
- 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, 2013 and 2012, 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 \$2,846,671 and \$3,122,537 for the years ended June 30, 2013 and 2012, respectively.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Prepaid Expenditures

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

Inventory

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

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.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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.

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.

Noncurrent Liabilities

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

Net Position

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

Net Investments in Capital Assets: consist of 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.

Net position is reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the District, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

None of the District's restricted net position has resulted from enabling legislation adopted by the District.

Unrestricted: Net position that is not subject to externally imposed constraints. Unrestricted net position 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 position is 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.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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.

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.

The voters of the District passed a Parcel Tax in 2010 for the general revenue of the District. The parcel tax levy \$34 per parcel for four years to provide for core academic programs, training, and education of students attending the District and transferring to universities. The taxes are assessed, 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 Position. 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*.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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, 2013, was \$1,903,158 for CalSTRS and \$0 for CalPERS. These amounts are reflected in the District's audited financial statements.

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.

Component Unit - Educational Housing Corporation Financial Statement Presentation

The Educational Housing Corporation (the Housing Corp.) presents its financial statements in accordance with Statement of Financial Accounting Codifications. Under these reporting requirements, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by the codification, the Housing Corp. does not use fund accounting.

The assets, liabilities, and fund balance of the Housing Corp. are reported as unrestricted funds, which represent the portion of resources that are available for general purpose of the Housing Corp.'s operations.

Revenues and expenses are recorded when incurred in accordance with the accrual basis of accounting. Revenues are reported as increases in the unrestricted net assets classification unless use of the related assets is limited by donor-imposed restrictions.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Investments are reported at fair value in accordance with FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*.

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 related California Franchise Tax Codes.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Changes in Accounting Principles

In March 2012, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre November 30, 1989 FASB and AICPA Pronouncements*. GASB Statement No. 62 establishes standards of financial accounting and reporting for capitalizing interest cost as a part of the historical cost of acquiring certain assets. For the purposes of applying this Statement, interest cost includes interest recognized on obligations having explicit interest rates and interest imputed on certain types of payables, as well as interest related to capital leases.

The District has implemented the provisions of this Statement for the year ended June 30, 2013. See Note 16 for more information.

In June 2011, the 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 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 District has implemented the provisions of this Statement for the year ended June 30, 2013.

New Accounting Pronouncements

In March 2012, the 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.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Concepts Statement No. 4, *Elements of Financial Statements*, 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. 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 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. Early implementation is encouraged.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB 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 Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of 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.

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 non-employer 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, non-employer 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.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).
- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes, but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

This Statement is effective for fiscal years beginning after June 15, 2014. Early 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.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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.

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

Summary of Deposits and Investments

Deposits and investments of the Primarily Government as of June 30, 2013 and 2012, consist of the following:

	2013	2012
Cash on hand and in banks	\$ 1,454,186	\$ 1,962,867
Cash in revolving	77,000	77,000
Investments	228,390,017	227,099,082
Total Deposits and Investments	<u>\$ 229,921,203</u>	<u>\$ 229,138,949</u>

Deposits and investments of the Fiduciary Funds as of June 30, 2013 and 2012, consist of the following:

	2013	2012
Cash on hand and in banks	\$ 483,108	\$ 596,363
Investments	1,509,986	1,426,031
Total Deposits and Investments	<u>\$ 1,993,094</u>	<u>\$ 2,022,394</u>

Deposits and investments of the Educational Housing Corporation as of June 30, 2013 and 2012, consist of the following:

	2013	2012
Cash on hand and in banks	\$ 96,191	\$ 93,307
Investments	55,134	53,014
Total Deposits and Investments	<u>\$ 151,324</u>	<u>\$ 146,321</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.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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
Corporate fixed income	\$ 8,591,476	2.50*
Government securities	11,403,892	2.66*
County Pool	202,609,167	1.97 years
Money Market Mutual Funds	1,113,900	1.00
State Investment Pool	146,178	278 days
Certificates of deposit	6,090,524	1.00
Total	\$ 229,955,137	

* = Duration

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the County pool and LAIF are not required to be rated, nor have they been rated as of June 30, 2013.

Investment Type	Fair Value	Not Required To Be Rated	Rating as of Year End		
			AAA*	A*	Unrated
Corporate fixed income	\$ 8,591,476	\$ -	\$ -	\$ 8,591,476	\$ -
Government securities	11,403,892	-	11,403,892	-	-
County Pool	202,609,167	202,609,167	-	-	202,609,167
Money Market Mutual Funds	1,113,900	-	1,113,900	-	-
State Investment Pool	146,178	146,178	-	-	146,178
Certificates of deposit	6,090,524	6,090,524	-	-	6,090,524
Total	\$ 229,955,137	\$ 208,845,869	\$ 12,517,792	\$ 8,591,476	\$ 208,845,869

* Moody's

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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, 2013 and 2012, the District's bank balances of approximately \$1,096,000 and \$2,513,000, 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.

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 uncollectible accounts receivable to total revenue ratio. The accounts receivable are as follows:

	Primary Governmnet	
	2013	2012
Federal Government		
Categorical aid	\$ 787,292	\$ 1,025,459
State Government		
Categorical aid	443,166	989,939
Lottery	1,819,792	319,477
Other State sources	850,627	1,119,081
Local Sources		
Interest	119,304	320,567
Student loans	658,548	1,158,134
Student receivables	6,649,254	6,439,317
Other local sources	2,096,456	3,125,658
Less allowance for bad debt	(2,846,671)	(3,122,537)
Total Accounts Receivable, net	<u>\$ 10,577,768</u>	<u>\$ 11,375,095</u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Other Local Receivables at June 30, 2013 and 2012 include \$850,747 and \$905,912 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 \$50,000 per employee. Repayment terms and interest rates are: no payments due in years 1 through 5, payments of principal and interest in years 6-10, with final payment of any remaining balance in year 10. 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, 2013, all of the funds have been loaned out. No loans will be granted to additional employees until existing loans are paid back or the Board authorizes additional amounts to be loaned out.

	Fiduciary Funds	
	2013	2012
Local Sources		
Interest	\$ 2,251	\$ 3,372
Other local sources	309,443	345,503
Total	<u>\$ 311,694</u>	<u>\$ 348,875</u>

The Educational Housing Corporation's accounts receivable at June 30, 2013 were interest receivables.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2013, was as follows:

	Balance Beginning of Year (Restated)	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	\$ 20,628,292	\$ -	\$ -	\$ 20,628,292
Construction in progress	72,440,248	4,731,203	65,241,985	11,929,466
Total Capital Assets Not Being Depreciated	<u>93,068,540</u>	<u>4,731,203</u>	<u>65,241,985</u>	<u>32,557,758</u>
Capital Assets Being Depreciated				
Land improvements	47,992,911	54,710,729	1,097,937	101,605,703
Buildings and improvements	639,659,946	12,368,723	-	652,028,669
Furniture, equipment, and vehicles	28,048,323	632,125	108,400	28,572,048
Total Capital Assets Being Depreciated	<u>715,701,180</u>	<u>67,711,577</u>	<u>1,206,337</u>	<u>782,206,420</u>
Less Accumulated Depreciation				
Land improvements	12,223,743	3,246,808	-	15,470,551
Buildings and improvements	99,609,328	21,946,198	-	121,555,526
Furniture, equipment, and vehicles	17,198,215	2,401,562	17,342	19,582,435
Total Accumulated Depreciation	<u>129,031,286</u>	<u>27,594,568</u>	<u>17,342</u>	<u>156,608,512</u>
Net Capital Assets Being Depreciated	<u>586,669,894</u>	<u>40,117,009</u>	<u>1,188,995</u>	<u>625,597,908</u>
Net Capital Assets	<u>\$ 679,738,434</u>	<u>\$ 44,848,212</u>	<u>\$ 66,430,980</u>	<u>\$ 658,155,666</u>

Depreciation expense for the year was \$27,594,568.

Interest expense on capital related debt for the year ended June 30, 2013, was \$22,085,926. Of this amount, \$2,550,267 was capitalized.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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.

Interest expense on capital related debt for the year ended June 30, 2012, was \$31,722,355. Of this amount, \$12,618,157 was capitalized.

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	Primary Government	
	2013	2012
Paroll related liabilities	\$ 6,108,509	\$ 3,656,369
Mandated cost	1,090,686	1,090,686
ERAF	-	1,781,872
Construction	889,305	1,132,738
Vendor and other	7,039,500	4,322,648
Workers' compensation	1,902,000	2,114,000
Total	<u>\$ 17,030,000</u>	<u>\$ 14,098,313</u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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, 2013 and 2012 consisted of the following:

	Primary Government	
	2013	2012
Federal financial assistance	\$ 22,461	\$ 9,725
State categorical aid	919,191	1,199,204
Enrollment fees	6,689,767	7,010,111
Education Protection Act	1,948,221	-
Other local	2,341,189	3,273,522
Total	<u>\$ 11,920,829</u>	<u>\$ 11,492,562</u>

NOTE 8 - TAX AND REVENUE ANTICIPATION NOTES

On July 2, 2012, the District issued \$23,960,000 Tax and Revenue Anticipation Notes bearing interest at 2 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on April 30, 2013. By April 30, 2013, 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.

	Outstanding Beginning of Year	Additions	Deletions	Outstanding End of Year
2013 2.00% TRANS	\$ -	\$ 23,960,000	\$ 23,960,000	\$ -
Total	<u>\$ -</u>	<u>\$ 23,960,000</u>	<u>\$ 23,960,000</u>	<u>\$ -</u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 9 – INTERFUND TRANSACTIONS

Interfund Receivables and Payable (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the governmental funds and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements.

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.

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2013 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	\$ 702,175,138	\$ 19,830,649	\$ 14,910,000	\$ 707,095,787	\$ 17,290,000
Other Liabilities					
Compensated absences	3,765,476	82,857	-	3,848,333	-
Total Other Liabilities	705,940,614	19,913,506	14,910,000	710,944,120	17,290,000
Premiums, net of amortization	34,444,342	-	2,000,003	32,444,339	2,000,003
Total Long-term Liabilities	<u>\$ 740,384,956</u>	<u>\$ 19,913,506</u>	<u>\$ 16,910,003</u>	<u>\$ 743,388,459</u>	<u>\$ 19,290,003</u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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>

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, 2013, the outstanding balances for the 2001 and 2005 bonds were \$136,242,645 and \$570,853,142, respectively.

Debt Maturity

General Obligation Bonds

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2012	Additions/ Accretions	Redeemed	Bonds Outstanding June 30, 2013
6/4/2002	9/1/2026	3.00-5.74%	\$ 96,875,613	\$ 34,867,222	\$ 1,784,999	\$ 3,355,000	\$ 33,297,221
2/9/2005	9/1/2029	3.00-5.00%	69,995,132	55,564,691	1,612,952	1,535,000	55,642,643
4/11/2006	3/1/2031	3.50-5.00%	40,124,660	46,422,237	1,750,544	870,000	47,302,781
4/11/2006	9/1/2030	3.75-5.00%	135,429,395	119,804,428	4,908,882	5,775,000	118,938,310
12/12/2006	9/1/2038	3.50-5.00%	332,570,194	337,921,560	9,773,272	3,375,000	344,319,832
4/26/2012	9/1/2026	0.33-5.00%	107,595,000	107,595,000	-	-	107,595,000
				<u>\$ 702,175,138</u>	<u>\$ 19,830,649</u>	<u>\$ 14,910,000</u>	<u>\$ 707,095,787</u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

The bonds mature through 2039 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
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	13,167,016	32,088,045
2018	20,468,929	15,636,634	36,105,563
2019-2023	106,595,110	99,417,378	206,012,488
2024-2028	112,298,345	148,866,405	261,164,750
2029-2033	135,640,637	188,651,094	324,291,731
2034-2038	107,617,834	172,908,666	280,526,500
2039	22,852,143	41,963,358	64,815,501
Subtotal	580,359,994	\$ 714,991,080	\$ 1,295,351,074
Accreted Interest To Date	126,735,793		
Total	\$ 707,095,787		

Other Postemployment Benefits (OPEB) Obligation

The District's actuarially determined annual required contribution (ARC) for the year ended June 30, 2013, was \$8,642,396. The District made a contribution of \$7,103,043 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.

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 1001 retirees and beneficiaries currently receiving benefits and 825 active plan members. Separate financial statements are prepared for the Plan and may be obtained by contacting the San Mateo County Community College District.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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 \$7,103,042 for the current retirees' medical premiums. Plan members receiving benefits contributed \$30,300, or approximately .43 percent of the total premiums. Contributions made by retirees, range between \$3 to \$414 per month. In addition to the current year premium, the District contributed \$10,000,000 to the San Mateo County Community College District Public Entity Investment Trust.

Annual OPEB Cost and Net OPEB 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)	\$ 8,642,396
Less : annual OPEB cost (expense) - District paid premiums	7,103,043
Less: current year contribution to the OPEB Trust	10,000,000
Contributions in excess of ARC	<u>8,460,647</u>
OPEB asset, beginning of year	19,009,630
OPEB asset, end of year	<u><u>\$ 27,470,277</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 Assets
2011	\$ 7,702,017	\$ 17,100,154	222%	\$ 9,514,655
2012	7,702,017	17,196,992	223%	19,009,630
2013	8,642,396	17,103,043	198%	27,470,277

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Funding Status and Funding Progress

The funded status of the OPEB Plan as of June 30, 2013, is as follows:

Actuarial Accrued Liability (AAL)	\$ 125,352,953
Actuarial Value of Plan Assets	<u>(39,442,631)</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u><u>\$ 85,910,322</u></u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	31%
Covered Payroll	<u>\$ 92,003,826</u>
UAAL as Percentage of Covered Payroll	<u><u>93%</u></u>

The above noted actuarial accrued liability was based on the February 1, 2013, actuarial valuation. Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, follow the notes to the financial statements, presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the February 1, 2013 actuarial valuation, the Entry Age Normal Actuarial Cost Method was used. The actuarial assumptions included a 7 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 February 1, 2013, was 30 years. The actuarial value of assets of \$34,870,628 was determined in this actuarial valuation. At June 30, 2013, the Trust held net assets in the amount of \$39,442,631 in investments with Benefit Trust.

NOTE 12 - RISK MANAGEMENT

Insurance Coverage

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, 2013, the District contracted with MacCorkle Inc., an insurance broker to manage the District's insurance claims. The District is self-insured for the first \$150,000. Settled claims have not exceeded this commercial coverage.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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 72 retirees that fall under this categorical and the District's share for the fiscal year was \$408,668.

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, 2011 to June 30, 2013:

	<u>Workers' Compensation</u>	<u>Property and Liability</u>
Liability Balance, July 1, 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>
Claims and changes in estimates	-	-
Claims payments	(350,691)	-
Liability Balance, June 30, 2013	<u>\$ 1,752,000</u>	<u>\$ 150,000</u>
Assets available to pay claims at June 30, 2013	<u>\$ 10,921,274</u>	<u>\$ 150,000</u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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, 100 Waterfront Place, West Sacramento, CA 95605.

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 2012-2013 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, 2013, 2012, and 2011, were \$3,292,883, \$3,185,617, and \$3,043,000, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, 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 2012-2013 was 11.417 percent of covered payroll. The District's contributions to CalPERS for fiscal years ending June 30, 2013, 2012, and 2011, were \$4,035,956, \$3,693,915, and \$3,458,509, respectively, and equaled 100 percent of the required contributions for each year.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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, 2013, 2012, and 2011 amounted to \$1,903,158, \$1,821,547, and \$1,569,077, respectively, and equaled 5.176 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 47 457 and 278 403 (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 six 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, 2013.

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, 2013.

Early Retirement

The District offered an early incentive retirement plan to all bargaining units who elect early retirement in prior year. All incentives were paid in fiscal year 2012-2013.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 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, 2013, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
District funded facility improvement projects	\$ 670,292	within 1 year
State funded capital outlay projects	3,705,571	within 1 year
2005 G.O. Bond (Measure A) construction projects	4,498,444	within 1 year
	<u>\$ 8,874,307</u>	

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

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, 2013, the District made total payment of \$933,924 to MacCorkle Inc. for the insurance related services. The District also paid \$42,388 and \$233,815 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.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 16 - RESTATEMENT OF PRIOR YEAR FUND BALANCES

The District's prior year beginning net position has been restated as of June 30, 2013.

Effective in fiscal year 2012-2013, the District was required to capitalize interest as part of the historical cost of constructing certain business-type activity assets. The implementation of this standard required a change in accounting principle and restatement of the beginning net position of the District by \$38,177,572.

NOTE 17 - SUBSEQUENT EVENTS

The District issued \$20,000,000 of Tax and Revenue Anticipation Notes dated July 15, 2013. The notes mature on June 2, 2014, and yield 0.200 percent interest. The notes were sold to supplement cash flow. Repayment requirements are that a percentage of principal and interest be deposited with the Fiscal Agent each month beginning January 1, 2014, until 100 percent of principal and interest due is on account on April 30, 2014.

***REQUIRED SUPPLEMENTARY
INFORMATION***

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
PROGRESS
FOR THE YEAR ENDED JUNE 30, 2013**

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)
February 1, 2013	\$ 34,870,628	\$ 125,352,953	\$ 90,482,325	28%	\$92,003,826	98%
February 1, 2011	15,643,762	118,923,929	103,280,167	13%	90,671,696	114%
February 1, 2009	-	108,915,006	108,915,006	0%	85,080,018	128%

SUPPLEMENTARY INFORMATION

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION JUNE 30, 2013

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>
Karen Schwarz	President	2015
Patricia Miljanich	Vice President- Clerk	2015
Richard Holober	Trustee	2013
Dave Mandelkern	Trustee	2015
David Zay Latt	Student Trustee	2014

ADMINISTRATION

Ron Galatolo	Chancellor - Superintendent
Jim Keller	Deputy Chancellor
Kathy Blackwood	Executive Vice Chancellor
Michael Claire	President – College of San Mateo
Lawrence Buckley	President – Canada College
Regina Stanback-Stroud	President – Skyline College

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2013

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	\$ 459,055
Pell Grant	84.063	none	18,983,700
Supplemental Educational Opportunity Grant (SEOG)	84.007	none	427,706
Direct Student Loans	84.268	none	2,090,781
Postsecondary Education			
TRIO Cluster			
Student Support Services	84.042A	none	810,280
Upward Bound	84.047A	none	293,434
Passed through Santa Clarita Community College District			
Fund for the Improvement of Postsecondary Education	84.116Z	none	2,215
Institutional Service			
Minority Science and Engineering Improvement	84.120	none	10,847
Higher Education -Institutional Aid HSI STEM	84.031C	none	845,017
Higher Education -Institutional Aid HSI Cooperative	84.031S	none	233,257
Vocational Education			
Passed through California Community Colleges Chancellor's Office:			
CTEA I-C Basic Grants to States	84.048A	12-C01-052	571,622
CTEA I-C Basic Grants to States - CTE Transitions	84.048A	12-112-370	139,437
Special Education and Rehabilitation Services			
Passed through California Department of Rehabilitation:			
Vocational Rehabilitation-Workability	84.126A	27721	149,214
Passed through California Department of Developmental Services:			
Special Education-Grants for Infants and Families	84.181	S12-143	12,000
Total U.S. Department of Education			<u>25,028,565</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	77,535
Passed through California Department of Education/CDTC:			
		12-13-3939	
		CCTR2281,	
		CSPP2531, 2013CIP	
Child Care and Development Block Grant	93.575	RC2	84,412
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	CCTR2281, CSPP2531	73,495
Total U.S. Department of Health and Human Services			<u>235,442</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, 2013

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	50,300
Total U.S. Department of Agriculture			<u>50,300</u>
U.S. DEPARTMENT OF LABOR			
WIA Cluster			
Passed through County of San Mateo:			
WIA - Adult - Governor's 15% Discretionary Fund	17.258	71824/73100-13-D001 73100-13-	229,945
WIA - Dislocated Workers	17.278	D007/D005/D006	248,517
Passed through County of San Mateo:			
Community Based Job Training Grant	17.269	71327	319,723
Passed through City of Santa Ana			
H-1B Job Training Grants	17.268	A-2012-017	19,485
Total U.S. Department of Labor			<u>817,670</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
Passed through The San Francisco Foundation:			
Social Innovation Fund	94.019	none	119,268
NATIONAL SCIENCE FOUNDATION			
Education and Human Resources	47.076	none	169,846
Engineering Grants	47.041	none	21,945
Total National Science Foundation			<u>191,791</u>
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			
Minority University Research and Education Program	43.008	none	140,315
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	14,092
Total Department of Energy			<u>14,092</u>
US DEPARTMENT OF COMMERCE			
Passed through Foundation for California Community Colleges:			
ARRA - NTIA-Broadband Technology Opportunities Program	11.557	06-43-B10541	6,511
SMALL BUSINESS ADMINISTRATION			
Passed through California Community Colleges Chancellor's Office			
State Trade and Export Promotion Pilot Grant Program	59.061	F11-0073	62,508
Total Expenditures of Federal Awards			<u>\$ 26,666,462</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, 2013**

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	\$ 1,051,905	\$ 2,024	\$ 1,053,929	\$ 1,053,929	\$ -	\$ 2,024	\$ 1,051,905	\$ 1,051,905
Extended Opportunity Programs & Services	1,089,144	-	1,089,144	1,089,144	-	-	1,089,144	1,089,144
CARE/EOPS	84,815	-	84,815	84,815	-	-	84,815	84,815
Matriculation	687,471	-	687,471	687,471	-	-	687,471	687,471
Foster Parent Training	85,986	-	85,986	64,490	21,496	-	85,986	85,986
FA Administrative Allowance	870,142	-	870,142	870,142	-	-	870,142	870,142
Block Grant - Instructional Equipment	-	28,388	28,388	28,389	-	25,922	2,467	2,467
T-Com and Technology (TTIP)	-	61,324	61,324	61,324	-	41,154	20,170	20,170
CalWORKs	346,819	-	346,819	346,818	1	-	346,819	346,819
Middle College High School	168,306	-	168,306	67,321	100,985	-	168,306	168,306
CITD Economic Development	205,000	19,547	224,547	60,545	164,002	-	224,547	224,547
Staff Development	-	41,803	41,803	41,803	-	39,179	2,624	2,624
MESA/CCCP Funds for Student Success	101,000	31,439	132,439	72,738	45,482	-	118,220	118,220
RCSD CBET Program	50,000	-	50,000	50,000	-	-	50,000	50,000
Lottery-Prop 20-Instructional Materials	612,157	1,289,627	1,901,784	165,706	503,850	-	669,556	277,211
Nursing-Enrollment Growth	112,487	-	112,487	94,489	17,998	-	112,487	112,487
Basic Skills 10-11 appropriation	-	135,685	135,685	135,685	-	-	135,685	135,685
Basic Skills 12-13 appropriation	313,585	-	313,585	291,876	-	221,329	70,547	70,547
Basic Skills 11-12 appropriation	-	208,177	208,177	208,177	-	49,986	158,191	158,191
FCCC-CSM Cares Program	247,320	-	247,320	13,151	39,582	-	52,733	52,733
Rancho Santiago CCD-CEO Grant	50,000	-	50,000	25,000	-	10,969	14,031	14,031
UC Regents Puente Program	35,000	-	35,000	35,000	-	-	35,000	35,000
CTE Com Collaborative Project 11-13	-	59,313	59,313	59,313	-	-	59,313	59,313
CCCCO-CTE-California Career Academy	460,000	-	460,000	345,000	-	345,000	-	-
CCCCO-CTE-CAA Grant	-	460,000	460,000	414,000	-	39,948	374,052	374,052
State Library	-	886	886	886	-	40	846	846
SMC HAS CalFresh	10,000	-	10,000	2,500	-	2,500	-	-
CTE Pathways Initiative	348,000	283,426	631,426	509,626	14,876	128,161	396,341	396,341
Youth Entrepreneurs Career Pathways	-	111,801	111,801	96,801	7,984	-	104,785	104,785
CDE Child Development	253,416	-	253,416	257,848	358	6,141	252,065	252,065
Cal Grant	700,643	-	700,643	677,079	30,402	6,838	700,643	700,643
Total State Programs	7,883,196	2,733,440	10,616,636	\$ 7,911,066	\$ 947,016	\$ 919,191	\$ 7,938,891	\$ 7,546,546

[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, 2013**

CATEGORIES	<u>(Revised)/ Reported Data*</u>	<u>Audit Adjustments</u>	<u>Audited Data</u>
A. Summer Intersession (Summer 2012 only)			
1. Noncredit	16	-	16
2. Credit	2,440	-	2,440
B. Summer Intersession (Summer 2013 - Prior to July 1, 2013)			
1. Noncredit	-	-	-
2. Credit	-	-	-
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	13,532	-	13,532
(b) Daily Census Contact Hours	779	-	779
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	101	-	101
(b) Credit	610	-	610
3. Alternative Attendance Accounting Procedure			
(a) Weekly Census Procedure Courses	1,842	-	1,842
(b) Daily Census Procedure Courses	235	-	235
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	<u>19,555</u>	<u>-</u>	<u>19,555</u>
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	-	-	-
F. Basic Skills courses and Immigrant Education (FTES)			
1. Noncredit	117	-	117
2. Credit	1,885	-	1,885
	<u>2,002</u>	<u>-</u>	<u>2,002</u>

* Annual report revised as of October 2013.

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, 2013**

	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>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	\$ 19,824,752	\$ -	\$ 19,824,752	\$ 19,828,626	\$ -	\$ 19,828,626
Other	1300	17,667,347	-	17,667,347	17,666,409	-	17,666,409
Total Instructional Salaries		37,492,099	-	37,492,099	37,495,035	-	37,495,035
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	5,866,056	-	5,866,056
Other	1400	-	-	-	1,389,514	-	1,389,514
Total Noninstructional Salaries		-	-	-	7,255,570	-	7,255,570
Total Academic Salaries		37,492,099	-	37,492,099	44,750,605	-	44,750,605
<u>Classified Salaries</u>							
Noninstructional Salaries							
Regular Status	2100	-	-	-	21,451,392	-	21,451,392
Other	2300	-	-	-	1,611,281	-	1,611,281
Total Noninstructional Salaries		-	-	-	23,062,673	-	23,062,673
Instructional Aides							
Regular Status	2200	1,534,057	-	1,534,057	1,567,455	-	1,567,455
Other	2400	312,296	-	312,296	316,757	-	316,757
Total Instructional Aides		1,846,353	-	1,846,353	1,884,212	-	1,884,212
Total Classified Salaries		1,846,353	-	1,846,353	24,946,885	-	24,946,885
Employee Benefits	3000	17,110,339	-	17,110,339	30,051,781	-	30,051,781
Supplies and Material	4000	-	-	-	2,031,259	-	2,031,259
Other Operating Expenses	5000	34,180	-	34,180	10,750,431	-	10,750,431
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures							
Prior to Exclusions		56,482,971	-	56,482,971	112,530,961	-	112,530,961

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, 2013**

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	1,088,592	-	1,088,592
Objects to Exclude							
Rents and Leases	5060	-	-	-	1,770	-	1,770
Lottery Expenditures							
Academic Salaries	1000	-	-	-	2,418,480	-	2,418,480
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, 2013**

	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		-	-	-	3,508,842	-	3,508,842
Total for ECS 84362, 50 Percent Law		\$ 56,482,971	\$ -	\$ 56,482,971	\$ 109,022,119	\$ -	\$ 109,022,119
Percent of CEE (Instructional Salary Cost/Total CEE)		51.81%		51.81%	100.00%		100.00%
50% of Current Expense of Education					\$ 54,511,060		\$ 54,511,060

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, 2013**

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2013.

See accompanying note to supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**PROPOSITION 30 EDUCATION PROTECTION ACT (EPA)
EXPENDITURE REPORT
FOR THE YEAR ENDED JUNE 30, 2013**

Activity Classification	Object Code				Unrestricted
EPA Proceeds:	8630				\$ 1,948,221
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	1000-5900	\$ -			\$ -
					-
					-
					-
					-
					-
Total Expenditures for EPA		\$ -	-	-	\$ -
Revenues Less Expenditures					\$ 1,948,221

See accompanying note to supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2013**

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 Position - Primary Government and the related expenditures reported on the Schedule of Expenditures of Federal Awards.

Description	CFDA Number	Amount
Total Federal Revenues per Statement of Revenues, Expenses, and Changes in Net Assets:		\$ 26,669,123
Fish & Wildlife	none	<u>(2,661)</u>
Total Expenditures of Federal Awards		<u>\$ 26,666,462</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, 2013

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.

Proposition 30 Education Protection Act (EPA) Expenditure Report

This schedule provides the District's summary of receipts and uses of the monies received through the EPA.

***INDEPENDENT AUDITORS’
REPORTS***



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

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

We have audited, 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 basic financial statements of the business-type activities of San Mateo County Community College District (the District) and its discretely presented component unit as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 18, 2013.

As discussed in the Notes to the basic financial statements, the accompanying financial statements reflect certain changes required as a result of the implementation of GASB Statement No. 62 for the year ended June 30, 2013. These changes require a restatement of the beginning net position of the District as discussed in Note 16. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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 District's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 that might be material weaknesses or significant deficiencies. Given these limitations, during our audits, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 the District in a separate letter dated December 18, 2013.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavrinek, Tine, Day & Co., LLP

Pleasanton, California
December 18, 2013



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited San Mateo County Community College District's (the District) compliance with the types of compliance requirements described in OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2013. The District's major Federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. 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 State, 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 the District's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of 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, 2013.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program 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 the 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 a 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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Vavrinek, Time, Day & Co., LLP

Pleasanton, California
December 18, 2013



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

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

Report on State Compliance

We have audited San Mateo County Community College District's (the District) compliance with the types of compliance requirements as identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in April 2013 that could have a direct and material effect on each of the District's programs as noted below for the year ended June 30, 2013.

Management's Responsibility

Management is responsible for compliance with the requirements identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in April 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the District's programs based on our audit of the types of compliance requirements referred to above. 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. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the applicable programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such procedures as we consider 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 the District's compliance with those requirements.

Opinion

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the programs noted below that were audited for the year ended June 30, 2013, except as described in the State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

Other Matters

We noted certain matters that we reported to management of the District in a separate letter dated December 18, 2013.

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with State laws and regulations applicable to the following:

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	CalWORKS
Section 435	Open Enrollment
Section 437	Student Fees – Instructional and Other Materials
Section 438	Student Fees – Health Fees and Use of Health Fee Funds
Section 474	Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged (TBA) Hours
Section 490	Proposition 1D State Bond Funded Projects
Section 491	Proposition 30 Education Protection Account Funds

The District reports no Instructional Service Agreements/Contracts for Apportionment Funding; therefore, the compliance tests within this section were not applicable. In addition, the District did not spend Proposition Education Protection Account Funds during the year, therefore, the compliance test within this section were not applicable.

The District's responses to the finding identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the District's responses and, accordingly, we express no opinion on the responses.

Vavrinek, Time, Day & Co., LLP

Pleasanton, California
December 18, 2013

*SCHEDULE OF FINDINGS
AND
QUESTIONED COSTS*

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2013**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unmodified</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>Unmodified</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, <u>84.268</u>	<u>Student Financial Aid Cluster</u>
<u>84.042A, 84.047A</u>	<u>TRIO Cluster</u>
<u>17.269</u>	<u>Community Based Job Training Grant</u>
<u> </u>	<u> </u>

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>None reported</u>
Type of auditors' report issued on compliance for State programs:	<u>Unmodified</u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2013**

None reported.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

None reported.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

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

2013-1 Finding - To Be Arranged Hours (TBA)

Criteria or Specific Requirement

Legal Advisory 08-02

To Be Arranged (TBA) Definition: Some courses with regular scheduled hours of instruction have "hours to be arranged" (TBA) as part of the total contact hours for the course. The TBA portion of the course uses an alternate method for regularly scheduling a credit course for purposes of applying either the Weekly or Daily Census Attendance Accounting Procedures. In other words, TBA hours are only an option for credit courses that apply the Weekly or Daily Attendance Accounting Procedures and not to those that apply the Alternative Attendance Accounting Procedure pursuant to CCR, title 5, section 58003.1(f).

Section 58102 Course Description states that the description of each course shall be clear and understandable to the prospective student. All enrolled students must be informed of TBA instructional activities and expectations for completion in the class syllabus or other document.

Legal Advisory 08-02 To Be Arranged (TBA) Hour 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

During our audit of the compliance requirements for the TBA programs, we noted the following:

- 7 of the 60 courses tested had TBA hours generated from Independent Study courses
- 14 of the 60 courses tested did not have documentation required to substantiate that each student has completed the TBA requirements. In addition, 11 of the 14 courses noted did not have description informing enrolled students about the TBA instructional activities and the expectations for completion in the class syllabus.

Questioned Costs

39.68 FTES were overstated. Extrapolated FTES would be 229.

Effect

The District is not in compliance with requirements for TBA courses.

Cause

Unknown.

Recommendation

We recommend the District review the State compliance requirements for TBA courses and provide necessary trainings to the individuals having these responsibilities to ensure that the District is in compliance with the State requirements.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

Management's Response and Corrective Action Plan

We have instituted a process to deans to make specific reviews of syllabi with TBAs associated and training will be provided to faculty on TBA regulations. Additionally, division offices will oversee the attendance documentation to ensure they are in compliance.

2013-2 Finding - General Apportionment Funding System

Criteria or Specific Requirement

Title 5, Section 58003.1 requires that the District use the appropriate attendance accounting procedure to calculate the contact hours and FTES for each type of the courses and properly classifying the courses in the attendance reports.

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

Title 5, Section 55002 states that the course outline of record shall specify the number of contact hours for the course as a whole. Contact hours claimed for apportionment must be consistent with the number of contact hours specified in the course outline of record. (55002(a)(3), 55002(b)(3), 58050(a)(5).)

Condition

During our audit of the State General Apportionment Funding System, we noted the following:

Actual Hours of Attendance (Commonly referred to as Positive Attendance)

- 2 out of 60 courses tested, we were not able to determine the accuracy of the classification of these courses in accordance with Title 5, Section 58003.1 because these courses were not listed in the Schedule of Classes.
- Of the 60 courses tested, 20 of them had FTES discrepancies between the Annual 320 report and the supporting course detail.

Weekly Contact Hours

- 5 out of 60 courses, the total contact hour per session does not agree with the total contact hour reported on the 320 report.

Questioned Costs

17.61 FTES were overstated for Actual Hours of Attendance (extrapolated FTES would be 19.74) and 0.85 FTES were overstated for the Weekly Contact Hours (extrapolated FTES would be 50.66).

Effect

FTES reported on the Annual 320 report may be overstated.

Cause

Unknown.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

Recommendation

We recommend the District review the State compliance requirements for General Apportionment funding System and provide necessary trainings to the individuals having these responsibilities to ensure that the District is in compliance with the State requirements.

Management's Response and Corrective Action Plan

We are instituting additional training for faculty members to ensure that back-up is assembled and entered correctly. In addition, the Office of Instruction will require that each division's staff check and confirm accuracy and consistency of supporting course detail and instructor's data entered in WebSmart. If class section offered is not in the printed schedule then it must appear on the New Classes report (SQRNCRN) on WebSchedule. A lecture/lab combination course, the procedure has already been implemented with a minimum 10 minute break before the beginning start time of the lab session.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS JUNE 30, 2013

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 Findings and Questioned Costs.

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.

Current Status

Not Implemented, see current year finding #2013-1

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS JUNE 30, 2013

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.

Current Status

Not implemented, see current year finding #2013-2.

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

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

JUNE 30, 2013

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.

Current Status

This program was not tested in 2012-13 fiscal year as it was not required by the Contracted District Audit Manual for the audit of fiscal year 2012-13.

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

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS JUNE 30, 2013

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.

Current Status

Implemented.

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.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

JUNE 30, 2013

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.

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.

Current Status

Implemented.

San Mateo County Community College District

January 22, 2014

BOARD REPORT NO. 14-1-104B

TO: Members of the Board of Trustees

FROM: Ron Galatolo, Chancellor

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

RECEIPT AND ACCEPTANCE OF THE 2012-13 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, 2013. 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 2012-13 audit reports for KCSM-FM and KCSM-TV, which were filed with the Corporation for Public Broadcasting prior to the January 31, 2014 due date.

KCSM-TV

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

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2013

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

JUNE 30, 2013

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1
Statement of Net Position	3
Statement of Revenues, Expenses and Changes in Position.....	4
Statement of Cash Flows	5
NOTES TO FINANCIAL STATEMENTS.....	6
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	11



INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
KCSM-TV

Report on the Financial Statements

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 and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the KCSM-TV's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the KCSM-TV's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the KCSM-TV's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of KCSM-TV, as of June 30, 2013, and the respective changes in financial position and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2013, on our consideration of the KCSM-TV'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering KCSM-TV's internal control over financial reporting and compliance.

Vavrinek, Time, Day & Co., LLP

Pleasanton, California
December 18, 2013

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

STATEMENT OF NET POSITION
JUNE 30, 2013

ASSETS

Current Assets

Cash and cash equivalents	\$ 626,933
Total current assets	<u>626,933</u>

Noncurrent assets

Capital assets	7,542,885
Accumulated depreciation	<u>(5,403,631)</u>
Total noncurrent assets	<u>2,139,254</u>
TOTAL ASSETS	<u>2,766,187</u>

LIABILITIES

Current Liabilities

Accounts payable	25,459
Total liabilities	<u>25,459</u>

NET POSITION

Investment in capital assets	2,139,254
Unrestricted	<u>601,474</u>
TOTAL NET POSITION	<u>\$ 2,740,728</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 POSITION
FOR THE YEAR ENDED JUNE 30, 2013

OPERATING REVENUES

Direct Income	
CPB community service grants	\$ 586,665
CPB television interconnection grants	11,860
Business and industry	1,150
Subscription and membership	28,098
Royalties	47,920
Other income	15,505
Indirect Support	
San Mateo County Community College District	449,148
Total Operating Revenues	<u>1,140,346</u>

OPERATING EXPENSES

Programming and production	427,183
Broadcasting	979,454
Program information and promotion	63,813
Management and general	1,264,890
Fundraising support	39,892
Underwriting and grant solicitation	51,564
Total Operating Expenses	<u>2,826,796</u>
Operating Loss	<u>(1,686,450)</u>

OTHER INCOME

Transfer in from district	<u>1,100,000</u>
---------------------------	------------------

CHANGE IN NET POSITION

NET POSITION AT BEGINNING OF YEAR	(586,450)
NET POSITION AT END OF YEAR	<u>3,327,178</u>
	<u>\$ 2,740,728</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 CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES

CPB community service grants	\$ 586,665
CPB television interconnection grants	11,860
Business and industry	1,150
Subscription and membership	28,098
District support	448,670
Royalties	47,920
Other income	15,505
Payments to suppliers	(999,829)
Payment to /(on behalf of) employees	(1,230,989)
Net Cash Used By Operating Activities	<u><u>(1,090,950)</u></u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Transfer in from District	<u>1,100,000</u>
---------------------------	------------------

NET CHANGE IN CASH 9,050

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 617,883

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 626,933

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

Operating loss	\$ (1,686,450)
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	591,623
Changes in assets and liabilities	
Decrease in due from other funds	201
Decrease in due to district	(679)
Decrease in accounts payable	4,355
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (1,090,950)</u></u>

NONCASH TRANSACTIONS

Indirect support - San Mateo Community College District	<u><u>\$ 449,148</u></u>
---	--------------------------

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

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

KCSM-TV is a public telecommunications television 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, 2013**

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, 2013, are classified in the accompanying financial statements as a governmental fund investment in the amount of \$626,933. 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, 2013

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 \$626,933. The weighted average maturity of the San Mateo pooled investments at June 30, 2013, was approximately 1.97 years.

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 3 – CAPITAL ASSETS

Changes in equipment are summarized as follows:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Equipment	\$ 7,542,885	\$ -	\$ -	\$ 7,542,885
Less - Accumulated Depreciation	<u>4,812,008</u>	<u>591,623</u>	<u>-</u>	<u>5,403,631</u>
Net Equipment	<u>\$ 2,730,877</u>	<u>\$ (591,623)</u>	<u>\$ -</u>	<u>\$ 2,139,254</u>

Current year depreciation expense was \$591,623 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 \$449,148 from San Mateo County Community College District. In addition, the District transferred to KCSM-TV in the amount of \$1,100,000 to support the operating costs.

NOTE 6 – OTHER MATTERS

SMCCCD has entered into a Funding Agreement with Locus Points Network (LPN) on May 16, 2013. LPN has agreed to provide to SMCCCD funding in the amount of \$3,600,000 to be paid in installments of \$225,000 for the operating expenses of the Station as it is currently operated in compliance with the rules, regulations and policies of the FCC. The parties have agreed that in consideration of, among other things, LPN providing such funding to SMCCCD, LPN will have the right to share 36.5% of the Gross Sale Proceeds upon the sale of 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, in accordance with the 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 KCSM - TV resource of the San Mateo County Community College District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise KCSM - TV's financial statements, and have issued our report thereon dated December 18, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered KCSM TV's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of KCSM -TV's internal control. Accordingly, we do not express an opinion on the effectiveness of KCSM - TV's internal control.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavrinek, Tine, Day & Co., LLP

Pleasanton, California
December 18, 2013

KCSM-FM

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

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2013

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

JUNE 30, 2013

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1
Statement of Net Position	3
Statement of Revenues, Expenses, and Changes in Net Position.....	4
Statement of Cash Flows	5
NOTES TO FINANCIAL STATEMENTS.....	6
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	11



INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
KCSM-FM

Report on the Financial Statements

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 and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the KCSM-FM's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the KCSM-FM's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the KCSM-FM's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of KCSM-FM, as of June 30, 2013, and the respective changes in financial position and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2013, on our consideration of the KCSM-FM'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering KCSM-FM's internal control over financial reporting and compliance.

Vavrinek, Time, Day & Co., LLP

Pleasanton, California
December 18, 2013

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

**STATEMENT OF NET POSITION
JUNE 30, 2013**

ASSETS

Current assets

Cash and cash equivalents	\$ 1,137,484
Accounts receivable	16,883
Total current assets	<u>1,154,367</u>

Noncurrent assets

Capital assets	519,402
Accumulated depreciation	(355,574)
Total noncurrent assets	<u>163,828</u>
TOTAL ASSETS	<u>1,318,195</u>

LIABILITIES

Current Liabilities

Accounts payable	15,677
TOTAL LIABILITIES	<u>15,677</u>

NET POSITION

Investment in capital assets	163,828
Unrestricted	1,138,690
TOTAL NET POSITION	<u>\$ 1,302,518</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 POSITION
FOR THE YEAR ENDED JUNE 30, 2013**

OPERATING REVENUES

Direct Income		
CPB community service grants	\$	163,415
Other income		459
Business and industry		81,528
Subscription and membership		1,527,519
Facilities use		8,833
Indirect support		
San Mateo County Community College District		344,297
Total Operating Revenues		<u>2,126,051</u>

OPERATING EXPENSES

Programming and production		565,564
Broadcasting		267,863
Program information and promotion		123,712
Management and general		633,765
Fundraising support		254,646
Underwriting and grant solicitation		65,128
Total Operating Expenses		<u>1,910,678</u>
Total Operating Profit		<u>215,373</u>

CHANGE IN NET POSITION

NET POSITION AT BEGINNING OF YEAR		1,087,145
NET POSITION AT END OF YEAR	\$	<u>1,302,518</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, 2013**

CASH FLOWS FROM OPERATING ACTIVITIES	
CPB community service grants	\$ 163,415
Other income	459
Business and industry	73,302
Subscription and membership	1,527,519
San Mateo County Community College District	344,297
Facilities use	8,833
Payments to suppliers	(825,587)
Payment to /(on behalf of) employees	(1,049,967)
Net Cash Provided By Operating Activities	<u>242,271</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of fixed assets	(1,924)
Net Cash Used By Capital Financing Activities	<u>(1,924)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	240,347
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	897,137
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,137,484</u>
RECONCILIATION OF NET OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Profit	\$ 215,373
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	43,544
Changes in assets and liabilities	
Decrease in accounts receivable	(8,226)
Increase in accounts payable	(8,420)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 242,271</u>
NONCASH TRANSACTIONS	
Indirect support - San Mateo Community College District	<u>\$ 344,297</u>

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

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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 position, 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, 2013**

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, 2013, are classified in the accompanying financial statements as a governmental fund investment in the amount of \$1,137,484. 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, 2013**

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 \$1,137,484. The weighted average maturity of the San Mateo pooled investments at June 30, 2013, was approximately 1.97 years.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 3 – CAPITAL ASSETS

Changes in equipment are summarized as follows:

	<u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2013</u>
Equipment	\$ 517,478	\$ 1,924	\$ -	\$ 519,402
Less - Accumulated Depreciation	<u>312,030</u>	<u>43,544</u>	<u>-</u>	<u>355,574</u>
Net Equipment	<u>\$ 205,448</u>	<u>\$ (41,620)</u>	<u>\$ -</u>	<u>\$ 163,828</u>

Current year depreciation expense was \$43,544 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 \$344,297 from San Mateo Community College.

INDEPENDENT AUDITORS' REPORT



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

Governing Board
KCSM-FM
San Mateo, California

We have audited, in accordance with the 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 KCSM - FM resources of the San Mateo County Community College District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise KCSM - FM's financial statements, and have issued our report thereon dated December 18, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered KCSM FM's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of KCSM -FM's internal control. Accordingly, we do not express an opinion on the effectiveness of KCSM - FM's internal control.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the KCSM-FM's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether KCSM - FM's financial statements are free from 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*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavrinek, Time, Day & Co., LLP

Pleasanton, California
December 18, 2013

BOARD REPORT NO. 14-1-105B

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 2012-13
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, 2013. 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 2012-13 audit reports for the General Obligation Bond funds.

**SAN MATEO COUNTY COMMUNITY
COLLEGE DISTRICT**

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

JUNE 30, 2013

**SAN MATEO COUNTY COMMUNITY
COLLEGE DISTRICT**

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

JUNE 30, 2013

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

**TABLE OF CONTENTS
JUNE 30, 2013**

FINANCIAL SECTION

Independent Auditors' Report	1
Capital Outlay – Bond Fund (Measure A)	
Balance Sheet	3
Statement of Revenues, Expenditures, and Changes in Fund Balance	4
Notes to Financial Statements	5

INDEPENDENT AUDITORS' REPORT

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Financial Statement Findings	13
Summary Schedule of Prior Audit Findings	14



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

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the San Mateo Community College District's (the District), Capital Outlay - Bond Fund 2005 Election (Measure A), and the related notes to the financial statements as of and for the year ended June 30, 2013, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of financial statements, whether due to error or fraud. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Capital Outlay -Bond Fund 2005 Election (Measure A) of the San Mateo Community College District at June 30, 2013, and changes in financial position for the period then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Capital Outlay Fund specific to General Obligation Bonds, Election 2005 (Measure A), and are not intended to present fairly the financial position and changes in financial position of San Mateo County Community College District conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2013, on our consideration of the District Capital Outlay Bond Fund 2005 Election (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* in considering the District's Capital Outlay Fund's (General Obligation Bonds, Measure A) internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavrinek, Time, Day & Co., LLP

Pleasanton, California
December 18, 2013

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

CAPITAL OUTLAY – BOND FUND 2005 ELECTION (MEASURE A)

BALANCE SHEET

JUNE 30, 2013

ASSETS

Deposits and investments	\$ 33,119,836
Accounts receivable	53,350
Due from other funds	4,760
Prepaid expenses	104,697
Total Assets	\$ 33,282,643

LIABILITIES AND FUND BALANCES

LIABILITIES

Overdrafts	
Accounts payable	\$ 803,025
Due to other funds	29,037
Total Liabilities	832,062

FUND BALANCES

Restricted	32,450,581
Total Fund Balances	32,450,581
Total Liabilities and Fund Balances	\$ 33,282,643

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, 2013**

REVENUES	
Interest income	\$ (22,808)
Total Revenues	<u>(22,808)</u>
EXPENDITURES	
Current	
Salaries and benefits	784,832
Supplies	1,644,733
Services and operating expenditures	2,522,049
Capital outlay	<u>2,843,285</u>
Total Expenditures	<u>7,794,899</u>
NET CHANGE IN FUND BALANCES	(7,817,707)
FUND BALANCE - BEGINNING	<u>40,268,288</u>
FUND BALANCE - ENDING	<u><u>\$ 32,450,581</u></u>

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

CAPITAL OUTLAY – BOND FUND 2005 ELECTION (MEASURE A)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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, 2013

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, 2013

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 fairly 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, 2013, was \$33,119,836 and the weighted average maturity of the pool is 1.92 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, 2013, consisted of the following:

Interest	\$ 53,350
	<u>\$ 53,350</u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**CAPITAL OUTLAY – BOND FUND 2005 ELECTION (MEASURE A)
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2013**

NOTE 4 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2013 all consisted of vendor payables.

NOTE 5 - INTERFUND TRANSACTIONS

Interfund receivable balance at June 30, 2013, was as follows:

Due from other funds - Capital Outlay Fund	\$ 4,760
	<u> </u>

Interfund payable balance at June 30, 2013, was as follows:

Due to other funds - Capital Outlay Fund	\$ 29,037
	<u> </u>

NOTE 6 - COMMITMENTS AND CONTINGENCIES

As of June 30, 2013, the Capital Outlay Bond Fund (Measure A) had the following commitments with respect to unfinished capital projects:

	Remaining Construction Commitment	Expected Date of Completion
District wide projects	\$ 418,666	Within 1 year
Skyline projects	233,915	Within 1 year
CSM projects	3,720,241	Within 1 year
Canada projects	125,622	Within 1 year
	\$ 4,498,444	

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***

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

We have audited, in accordance with the 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 accompanying financial statements of the San Mateo Community College District Capital Outlay -Bond Fund 2005 Election (Measure A) and the related notes of the financial statements as of and for the year ended June 30, 2013, and have issued our report thereon dated December 18, 2013.

As discussed in Note 1, the financial statements present only the Capital Outlay -Bond Fund 2005 Election (Measure A), and are not intended to present fairly the financial position and changes in financial position of San Mateo Community College District in conformity with accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered San Mateo 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 the San Mateo Community College District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the San Mateo 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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 significant deficiencies or material weaknesses. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether San Mateo Community College District's Capital Outlay - Bond Fund 2005 Election (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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or non compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavrinek, Time, Day & Co., LLP

Pleasanton, California
December 18, 2013

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, 2013**

None reported.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**CAPITAL OUTLAY – BOND FUND 2005 ELECTION (MEASURE A)
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2013**

None reported.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

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

JUNE 30, 2013

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

TABLE OF CONTENTS

Independent Auditors' Report	1
Authority for Issuance	2
Purpose of Issuance	2
Authority for the Audit	2
Objectives of the Audit	3
Scope of the Audit	3
Procedures Performed	3
Conclusion	3
Schedule of Findings	4



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

VALUE THE DIFFERENCE

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, 2013.

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 18, 2013

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

CAPITAL OUTLAY – BOND FUND 2005 ELECTION (MEASURE A) JUNE 30, 2013

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, 2013

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, 2012 to June 30, 2013. 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, 2013 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, 2013 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, 2012 and ending June 30, 2013, 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 \$2,012,636. This represents 26 percent of the total expenditures of \$7,794,899.
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, 2013**

None reported.

San Mateo County Community College District

January 22, 2014

BOARD REPORT NO. 14-1-106B

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 2012-13 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, 2013. 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 2012-13 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, 2013 and 2012
WITH
INDEPENDENT AUDITORS' REPORT**

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

JUNE 30, 2013

CONTENTS

	PAGE NO.
INDEPENDENT AUDITORS' REPORT.....	1
MANAGEMENT DISCUSSION AND ANALYSIS.....	2
FINANCIAL STATEMENTS	
Statement of Trust Net Position As of June 30, 2013 and 2012	4
Statement of Changes in Trust Net Position For the Year Ended June 30, 2013 and 2012.....	5
Notes to Financial Statements.....	6



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

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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) and the related notes to the financial statements, as of and for the year ended June 30, 2013 and 2012, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Trust at June 30, 2013 and 2012, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed on the table of contents 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2013, on our consideration of the Trust'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavrinek, Time, Day & Co., LLP

Pleasanton, California
December 18, 2013.

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

MANAGEMENT DISCUSSION AND ANALYSIS JUNE 30, 2013

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, 2013. 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 2012-13 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 2013 are \$39,442,631 (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 Position
2. Statement of Changes in Trust Net Position
3. Notes to the Basic Financial Statements

The Statement of Trust Net Position 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 Position, 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 Position and the Statement of Changes in Trust Net Position 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, 2013**

These two statements report the Trust's net position held in irrevocable trust account for retirees' medical benefits. Net position, the difference between assets and liabilities are one way to measure the Trust's financial position. Over time, increase and decrease in net position 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 position may serve over time as a useful indication of the Trust's financial position. The Trust had no liabilities as of June, 30 2013 and 2012.

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
NET POSITION		
Cash and investments	\$ 39,382,756	\$ 26,525,215
Interest receivable	59,875	45,485
Net position	<u>\$ 39,442,631</u>	<u>\$ 26,570,700</u>

The changes to Trust net position during the fiscal year ended June 30, 2013 and 2012, are as follows:

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
CHANGES IN NET POSITION		
Beginning balance	\$ 26,570,700	\$ 16,656,584
Additions	12,994,572	9,992,502
Deductions	(122,641)	(78,386)
Net position	<u>\$ 39,442,631</u>	<u>\$ 26,570,700</u>

CONTACTING THE TRUST'S FINANCIAL MANAGEMENT

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

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

**STATEMENT OF TRUST NET POSITION
AS OF JUNE 30, 2013 AND 2012**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
ASSETS		
Investments	\$ 39,382,756	\$ 26,525,215
Interest receivable	59,875	45,485
Total Assets	<u>\$ 39,442,631</u>	<u>\$ 26,570,700</u>
NET POSITION		
Net position held in trust for OPEB	<u>\$ 39,442,631</u>	<u>\$ 26,570,700</u>
Total Net Position	<u>\$ 39,442,631</u>	<u>\$ 26,570,700</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 POSITION
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
ADDITIONS		
Contributions		
Employer	\$ 10,000,000	\$ 10,000,000
Investment income, net of investment expenses	<u>2,994,572</u>	<u>(7,498)</u>
Total Additions	<u>12,994,572</u>	<u>9,992,502</u>
DEDUCTIONS		
Administrative expenses	<u>122,641</u>	<u>78,386</u>
Total Deductions	<u>122,641</u>	<u>78,386</u>
INCREASE IN NET POSITION	12,871,931	9,914,116
NET POSITION, BEGINNING OF YEAR	<u>26,570,700</u>	<u>16,656,584</u>
NET POSITION, END OF YEAR	<u>\$ 39,442,631</u>	<u>\$ 26,570,700</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, 2013

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 1001 retirees and beneficiaries currently receiving benefits and 825 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, 2013.

Financial Reporting Entity

The financial statements include only the Retirement Futuris Public Entity Investment Trust of the San Mateo County Community College District. The Trust was established for Other Post Employment Benefits purpose. 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.

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.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Administrative Expenses

Certain internal costs of administering the Trust are paid by the Trust. Administrative expenses for the year ended June 30, 2013, were \$122,641.

Benefits

Benefits are recognized when paid.

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.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

The fair values of the Trust’s individual investments at June 30, 2013 and 2012, are as follows:

	June 30, 2013	June 30, 2012
Common Stocks	\$ 19,728,624	\$ 12,243,379
Fixed Income	19,654,132	14,281,836
Total investments	<u>\$ 39,382,756</u>	<u>\$ 26,525,215</u>

During the fiscal years ended June 30, 2013 and 2012, the Trust’s investments (including gains and losses on investments bought and sold as well as held during the year) appreciated as follows:

	June 30, 2013	June 30, 2012
Dividend & Interest Income	\$ 1,050,066	\$ 748,250
Realized gains (loss)	420,804	306,339
Unrealized gains	1,523,702	(1,062,087)
Total investment income	<u>\$ 2,994,572</u>	<u>\$ (7,498)</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, 2013, was \$8,642,396. During the year, the District contributed \$7,103,043 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)	\$ 125,352,953
Actuarial Value of Plan Assets	(34,870,628)
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 90,482,325</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	28%
Covered Payroll	\$ 91,920,969
UAAL as Percentage of Covered Payroll	<u>98%</u>

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Funding Progress

The funding progress of the OPEB plan as of June 30, 2013, 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)
2013	\$ 34,870,628	\$ 125,352,953	\$ 90,482,325	28%	\$91,920,969	98%
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%

BOARD REPORT NO. 14-1-107B

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. In January 2013, the Board approved a 5% increase in Board member compensation.

RECOMMENDATION

Board determined.

BOARD REPORT NO. 14-1-2C

TO: Members of the Board of Trustees

FROM: Ron Galatolo, Chancellor

PREPARED BY: José D. Nuñez, Vice-Chancellor, Facilities Planning and Operations, 574-6512
Sue Harrison, Interim Director, General Services, 358-6879

2014 CONTRACTOR PREQUALIFICATION UPDATE

The District has required prequalification of prospective bidders on public works projects subject to public bidding requirements since April 2000, when the Board of Trustees approved use of Public Contract Code Section 20111.5. Under these provisions, only prequalified bidders are eligible to submit bids for District construction projects. During the Capital Improvement Programs, the process provided the District with a pool of highly qualified contractors using an extensive application process. Although the construction activity has decreased as the Capital Improvement Program comes to a close, the District still needs a pool of qualified contractors to draw upon.

The 2014 prequalification process began in September 2013. Notifications of the application process were placed on the SMCCCD Facilities website, in legal advertisements, and through emails to previously prequalified contractors. A non-mandatory prequalification conference was held in November 2013 to give applicants information about the process and to answer contractor questions. The deadline for submission was December 9, 2013 and contractors were officially notified of their prequalification status in January 2014.

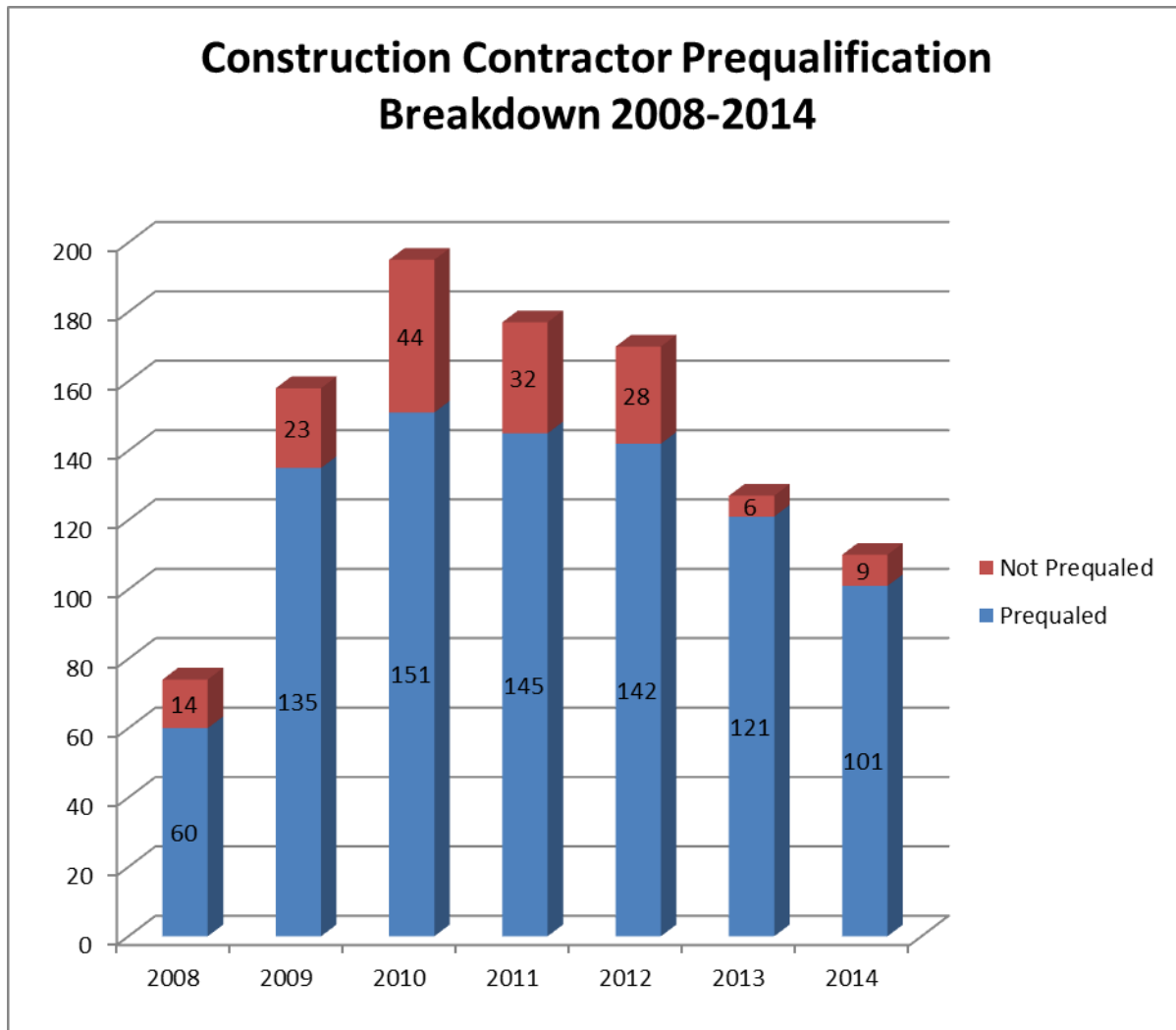
San Mateo County Community College District requires its prequalified contractors to meet certain applicable criteria, such as:

- Construction Experience
- Contractor's License
- Work History
- Litigation and Arbitration History
- Disqualification from Previous Projects
- Compliance with Statutory Requirements
- Documented Safety Record
- Prevailing Wage Requirements
- Project Personnel
- Benefits and Retirement Programs
- Insurance Requirements and Bonding Information
- Financial Information

Submitted applications are reviewed for thoroughness and completeness. The contractor's license must be confirmed on the Contractors State License Board website. Other qualitative documents that staff reviews include: project experience, certified payroll examples, résumés of key personnel, certified financial statements, letter from a surety company confirming bonding capacity, and current Certificates of Insurance.

The following charts demonstrate the breakdown, the breadth, the license types and the demographics of the 2014 prequalified contractor pool. As detailed in the first chart, the pool of prequalified contractors declined slightly again this year, reflecting the completion of CIP2. Nevertheless, the District continues

to be successful at maintaining a large number of highly regarded national and regional contractors while attracting small and emerging local firms. The District is confident that the pool will more than serve the requirements for construction in 2014. As in prior years, the bulk of the contractors are from San Mateo, Alameda and Santa Clara Counties.

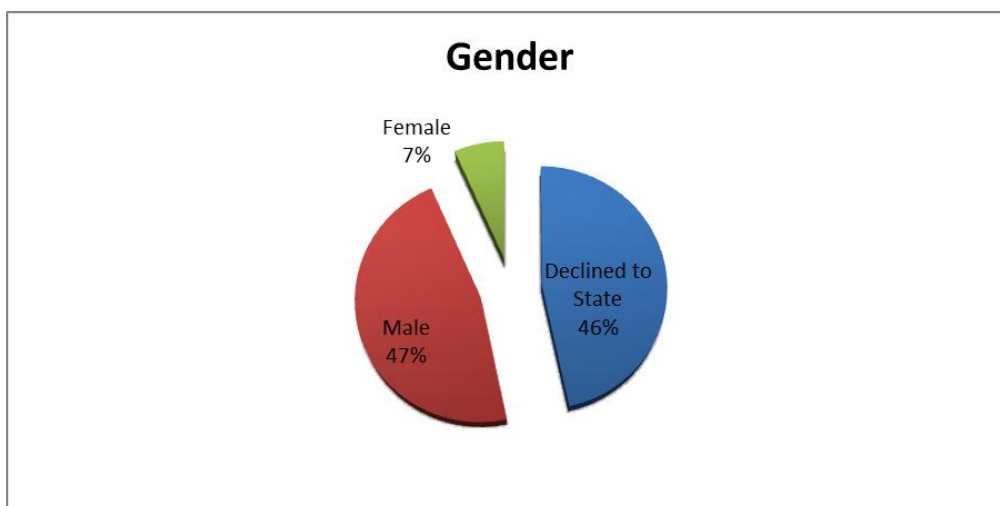
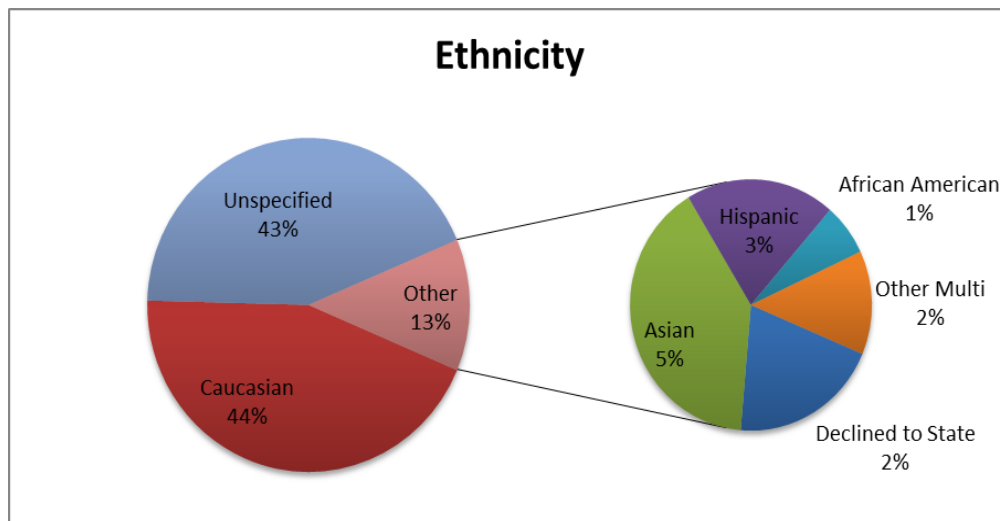
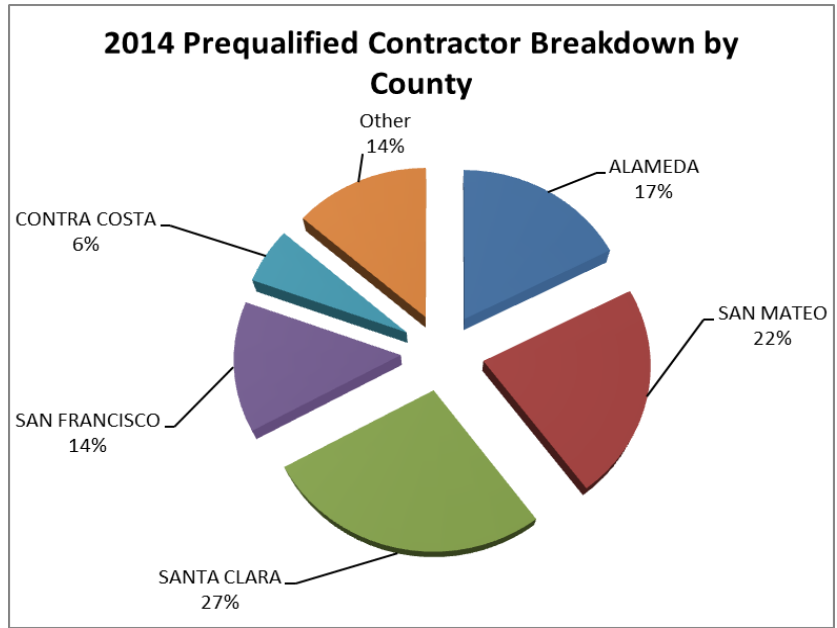


2014 Construction Contractor Prequalification Statistics

2014 Contractor Applicant Summary

- 110 Applicants applied, a 13% decrease compared to 2013
- 101 contractors were prequalified for 2014, a 17% decrease compared to 2013
- 81 of 101 contractors prequalified for 2014 were previously prequalified in 2013
- 4 applicants were prequalified to bid only on non-OCIP projects

2014– All Prequalified Contractor’s License Summary	
Number	License Type
46	A
70	B
3	C-2 – Insulation and Acoustical Contractor
7	C-4 – Boiler, Hot Water Heating and Steam Fitting Contractor
1	C-6 – Cabinet, Millwork and Finish Carpentry Contractor
5	C-7 – Low Voltage Systems Contractor
6	C-8 – Concrete Contractor
1	C-9 – Drywall Contractor
22	C10 – Electrical Contractor
3	C12 – Earthwork and Paving Contractors
2	C13 – Fencing Contractor
3	C15 – Flooring and Floor Covering Contractors
4	C16 – Fire Protection Contractor
2	C17 – Glazing Contractor
12	C20 – HVAC Contractor
10	C21 – Building Moving/Demolition Contractor
8	C27 – Landscaping Contractor
2	C29 – Masonry Contractor
2	C31 – Construction Zone Traffic Control Contractor
3	C33 – Painting and Decorating Contractor
12	C36 – Plumbing Contractor
2	C38 – Refrigeration Contractor
6	C39 – Roofing Contractor
2	C42 – Sanitation System Contractor
6	C43 – Sheet Metal Contractor
1	C46 – Solar Contractor
1	C50 – Reinforcing Steel Contractor
1	C51 – Structural Steel Contractor
1	C57 – Water Well Drilling Contractor
1	D06 – Concrete related Services
1	D10 – Elevated Floors
1	D16 – Hardware, Locks and Safes
1	D28 – Doors, Gates and Activating
1	D34 – Prefabricated Equipment
1	D65 – Weatherization and Energy
13	HAZ – Hazardous Substance Removal Certification
9	ASB – Asbestos Certification



San Mateo County Community College District

January 22, 2014

BOARD REPORT NO. 14-1-3C

TO: Members of the Board of Trustees

FROM: Ron Galatolo, Chancellor

PREPARED BY: Barbara Christensen, Director of Community/Government Relations,
574-6560

**REVIEW AND DISCUSSION OF AGENDA FOR BOARD RETREAT
OF FEBRUARY 1, 2014**

In accordance with Board Policy 1.45, President Schwarz and Chancellor Galatolo have jointly prepared a draft agenda for the Board Retreat of February 1, 2014. Board input is requested for review of and suggested modifications to the attached draft agenda.

AGENDA
SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
BOARD OF TRUSTEES RETREAT
February 1, 2014, 9:00 a.m.
Cañada Vista Clubhouse, 3 Olive Court, Redwood City, CA

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 3401CSM 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 recorded; recordings 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.*
-

9:00 a.m. ROLL CALL

STATEMENTS FROM THE PUBLIC ON NON-AGENDA ITEMS

INFORMATION REPORTS

14-2-1C	9:10 a.m.	Budget Update (Including Governor's Budget, Enrollment Projections; Assessed Valuation Projections; Information on Assessed Valuation vs. Revenue Limit, etc.)
14-2-2C	10:00 a.m.	Discussion of Revised Core Values and Principles Document (Discussion of Defining a New Future for the District)
14-2-3C	10:30 a.m.	Proposed New Project: Cañada College Athletic Complex and Fitness Center
14-2-4C	11:00 a.m.	Future Funding Needs (e.g., Parcel Tax, COP, G/O Bond, etc.)
14-2-5C	12:00 p.m.	Brown Act (Greg Dannis)
14-2-6C	1:00 p.m.	Update on Board Goals for 2013-14
14-1-7C	1:20 p.m.	Initial Discussion of Proposed Board Goals for 2014-15
	2:30 p.m.	Adjourn