

**SAN MATEO COUNTY  
COMMUNITY COLLEGE DISTRICT**

**ANNUAL FINANCIAL REPORT  
JUNE 30, 2006**



**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**  
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**JUNE 30, 2006**

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***FINANCIAL SECTION***

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of the San Mateo County Community College District (the District) as of and for the years ended June 30, 2006 and 2005, and its discretely presented component unit the Educational Housing Corporation as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the San Mateo County Community College District and its discretely presented component unit as of June 30, 2006 and 2005, and the respective changes in financial position and cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis, as listed in the Table of Contents, is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. This supplementary information is the responsibility of the District's management. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2006, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of or testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

The unaudited supplementary information listed in the table of contents, including the Combining Statements - Governmental Funds, Proprietary Funds and Fiduciary Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Vavinek, Trine, Day & Co LLP*  
Pleasanton, California  
October 6, 2006

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2006

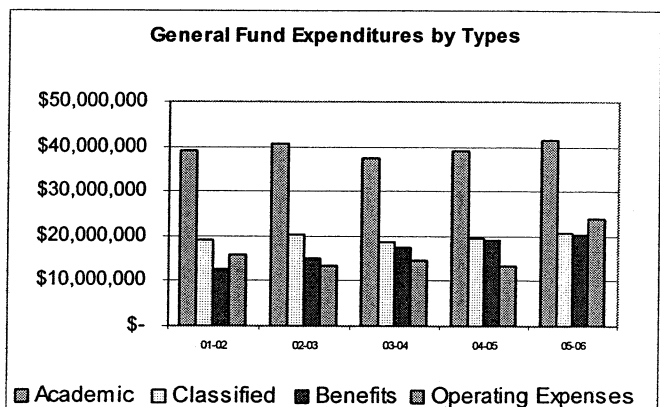
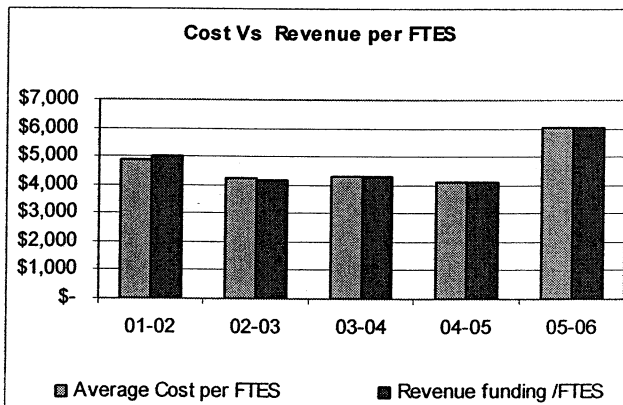
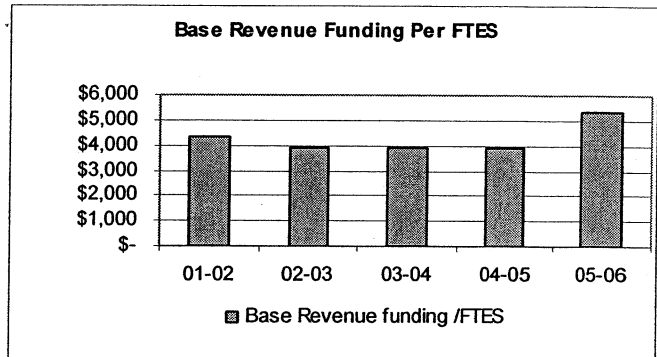
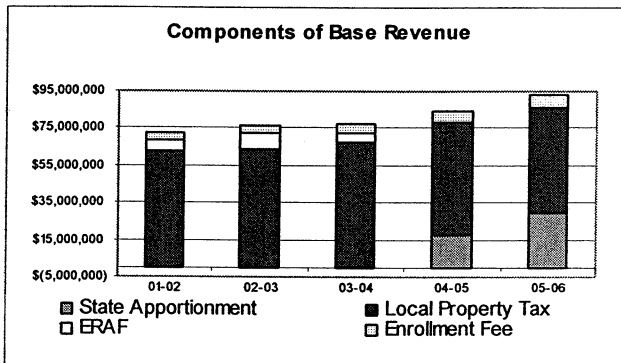
### Introduction

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, 2006, June 30, 2005 and June 30, 2004. The discussion has been prepared by management and is best read in conjunction with the financial statements and the notes following this section.

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

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

### Financial Highlights of 2005-06



### Financial Overview

- Assets exceeded liabilities for the fiscal year ended June 30, 2006 by \$168 million, and net assets increased \$22 million over last year.
- Net noncurrent capital assets increased \$75 million.
- Operating revenues increased by \$786 thousand over June 30, 2005.
- Operating expenses decreased by \$2 million over the same period in fiscal year 2005.

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

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### Reporting for the District as a Whole

- *Economic position of the District with the State*

Because districts across the state were not growing, which resulted in available resources, the state requested districts to take advantage of a provision to report Summer 2005 FTES as part of the 2004-05 fiscal year. SMCCCD responded by reporting all of Summer 2005 (2200 FTES) in 2004-05. Since the District could not report those FTES in 2005-06, this resulted in the District's declining enrollment status during 2005-06. However, the District's revenue base was held harmless, that is, the District received the same amount of FTES funding in 2005-06 as was received in 2004-05. In addition to a 4.23% state revenue COLA, these revenues kept the District in a stable financial situation.

- *Salaries and Benefits*

In 2005-06, the San Mateo County Community College District approved multi-year collective bargaining agreements for employees including for 2005-06 a 4.23% compensation improvement (3.23% salary and 1% medical cap) for all groups. The contracts will expire in June, 2009. Health care premiums increased by an average of 22% in January, 2003, 18% in January, 2004, 18% in January, 2005, and 9.4% in January, 2006. These increases have substantially increased District expenditures. The collective bargaining agreements approved for 2005-06 include increases in the employee medical caps on a tiered basis. The employer contribution rate for STRS has not changed in several years. The PERS employer contribution rate increased slightly from 9.116% in 2005-06 to 9.124% in 2006-07. Dental insurance premiums increased by 2% in January, 2006 and again by 14% in October, 2006. In addition, unemployment insurance decreased from 0.45% in 2005-06 to 0.05% in 2006-07, and Workers' Compensation remains at 2.257% in 2005-06 and 2006-07.

Collective bargaining agreements in subsequent years for employees includes for 2006-07 a 5.92% compensation improvement (4.92% on salary and 1% on medical cap), and for 2007-08 and 2008-09 a 4.0% compensation improvement (3% on salary and 1% on medical cap) for all employee groups except AFT (faculty). The compensation improvement for AFT will be based on the state cost of living adjustment.

- *Bond construction*

The District passed a second general obligation bond authorization in the amount of \$468 million in November 2005. As of June 30, 2006 a total of \$175 million of the \$207 million November 2001 general obligation bond had been spent or encumbered by contract. The 2001 bond authorization projects are scheduled to be completed in 2007. A program definition identifying projects, sequence of construction, and cost estimates are being developed for the 2005 general obligation authorization. The District completed a facilities master plan update in August 2006 and has engaged bridging architects to develop RFP for the Districts major design-build projects that are estimated to exceed \$180 million.

The District is the first community college district in the state to complete a design-build project as authorized under AB 1000 passed by the California Legislature in 2004. The District will complete its second bond related design-build project in the Spring of 2007. In addition, the District completed a major upgrade of its athletic facilities funded by community redevelopment funds under the design-build construction delivery system. Also, the District is the first community college district in the state to have built faculty-staff housing so as to offer income eligible faculty and staff below market rate rental housing. This project was also built using the design-build delivery method.

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

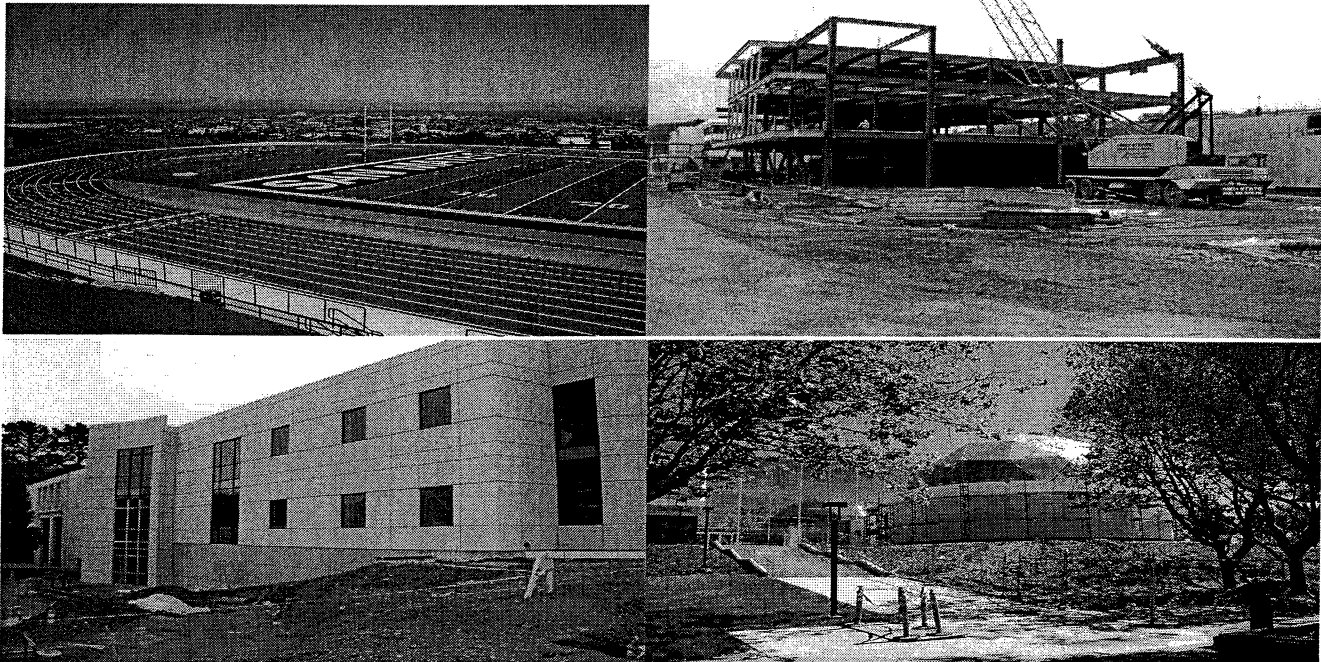
JUNE 30, 2006

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The District spent much of its first bond authorization funds to repair and upgrade the District's utility and mechanical systems. In addition, it constructed new science buildings at CSM and Skyline College, a student center at Skyline, and supplemented the state funds to construct a new learning resource center at Cañada College. The funds of the 2005 general obligation will be used to refurbish most of the three colleges' classroom spaces and to construct additional instructional and student services facilities as well as faculty offices. The 2005 general obligation bond construction projects are scheduled to be completed in 2012.

- At the College of San Mateo, the main portion of the new Science Building (Building 36) was dedicated on September 8, 2006 and is in full occupancy beginning the Fall 2006 Semester. This project is the first community college project delivered utilizing the design-build delivery method authorized under Education Code §81700. The Planetarium portion of this project is still under construction and will be ready in time for Spring 2007 classes. Another new building at CSM, the Walter H. Moore Regional Public Safety Center (Building 35) was also dedicated on June 14, 2006. This new facility provides a home for law enforcement training in San Mateo County.
- Skyline College's Student Support and Community Services Center & Science Annex Buildings (Buildings 6/7A) are scheduled for occupancy in Spring 2007.
- Cañada College's Library & Student Resources Center (Building 9) is scheduled for occupancy in Summer 2007.

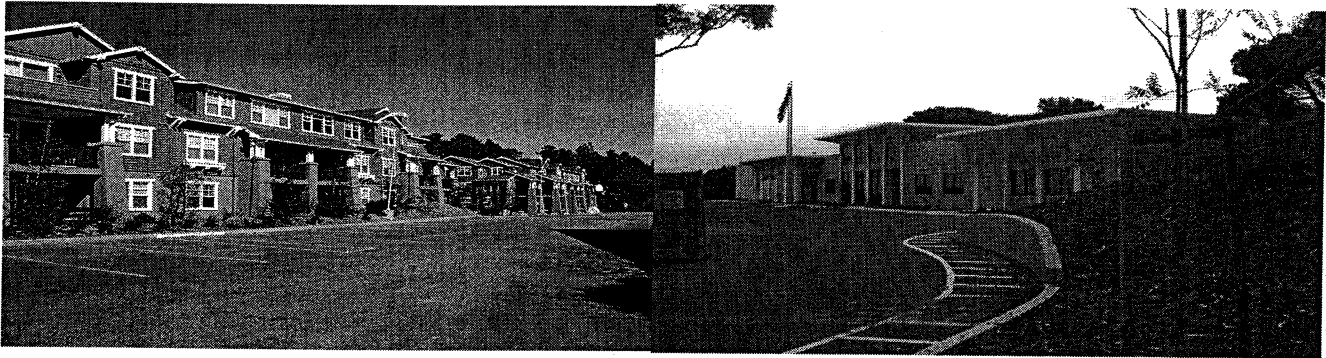
The entire Measure C 2001 Bond program is scheduled for completion in August 2008.



# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006



College of San Mateo, Athletic Field (Top Left)

Canada College, Building 9 under construction (Top Right)

Skyline College, Student Support and Community Services Center (Middle Left)

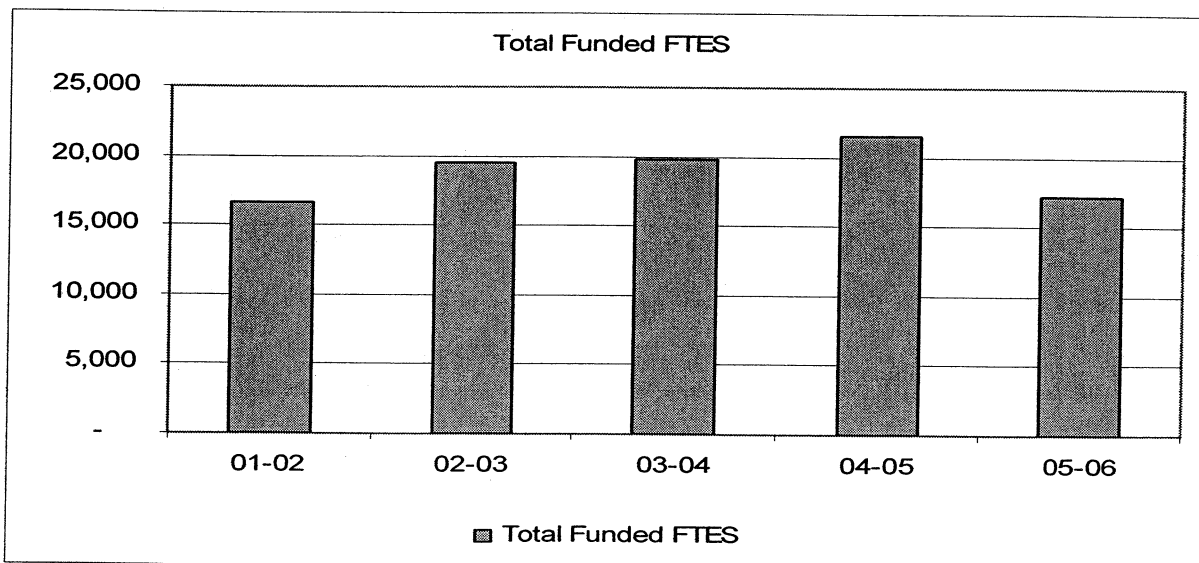
College of San Mateo, Science Building (Middle Right)

Staff and Faculty Housing (Bottom Left)

College of San Mateo, Walter H. Moore Regional Public Safety Center (Bottom Right)

- *Enrollments*

In 2004-05, districts across the state were not growing which resulted in available resources. The state requested districts to take advantage of a provision to report Summer 2005 FTES as part of the 2004-05 fiscal year. SMCCCD responded by reporting all of Summer 2005 (2200 FTES) in 2004-05. Since the District could not report those FTES in 2005-06, this resulted in the District's declining enrollment status during 2005-06. However, the District's revenue base was held harmless, that is, the District received the same amount of FTES funding in 2005-06 as was received in 2004-05. In addition to a 4.23% state revenue COLA, these revenues kept the District in a stable financial situation. The following chart shows comparative funded FTES data for the past five fiscal years.





# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

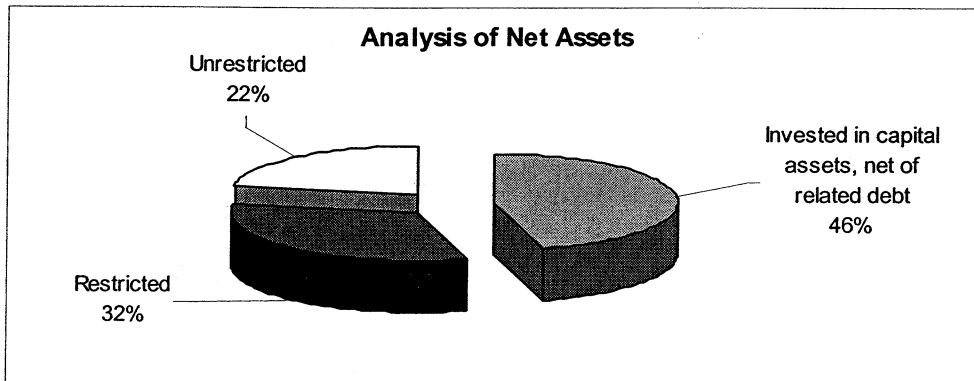
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### Net Assets

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

- *Cash and cash equivalents* consist of cash in the Treasury, Local Agency Investment Fund (LAIF) of the State Treasurer's Office, San Mateo County Pool Investment, Special Deposit Bond with Lehman Brothers and with Wells Fargo Bank, proceeds from the District's general obligation construction bond and certificates of deposit with various banks.
- *Accounts receivable* primarily consists of revenues from local, state, and federal sources from which the District had earnings but which were not received as of the fiscal year's closing date.
- *Inventories and other assets* include prepaid expenses and bookstore inventories.
- *Capital assets, net of depreciation*, are the net historical value of land, buildings, construction in progress and equipment less accumulated depreciation.
- Accounts payable and accrued liabilities consist of payables to the state, federal grants, benefits, salaries and local vendors which the District incurred but for which payments were not issued as of the end of the fiscal year.
- *Deferred revenues* represent cash received during the fiscal year from state, federal grants, general tax 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. Certificates of Participation 2004 (COPs) were defeased as of June 30, 2006.
- According to GASB Statements, equity is reported as "Net Assets" rather than "Fund Balance." The District's net assets are classified as follows:
  - Invested in capital assets, net of related debt, represents the District's total investment in capital assets and net of outstanding debt obligations related to those capital assets.
  - Restricted net assets consist of expendable and nonexpendable portions. Restricted expendable net assets include resources which the District is contractually obligated to expend in accordance with restrictions imposed by external third parties.
  - Unrestricted net assets represent resources used for transactions relating to the educational and general operations of the District.

Analysis of Net Assets – June 30, 2006



**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2006**

**STATEMENT OF NET ASSETS  
JUNE 30, 2006, 2005 AND 2004**

<b>ASSETS</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
	in thousands	in thousands	in thousands
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 272,466	\$ 205,680	\$ 194,199
Accounts receivable	21,693	12,498	12,499
Inventories and other assets	5,278	4,353	4,214
<b>Total Current Assets</b>	<b>299,437</b>	<b>222,531</b>	<b>210,912</b>
<b>Noncurrent Assets:</b>			
Restricted cash	5,621	9,468	0,000
Capital assets, net of depreciation	246,477	167,717	130,349
<b>Total Noncurrent Assets</b>	<b>252,099</b>	<b>177,185</b>	<b>130,349</b>
<b>TOTAL ASSETS</b>	<b>551,535</b>	<b>399,716</b>	<b>341,261</b>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts payable and accrued liabilities	25,636	33,725	50,771
Deferred revenue	8,457	10,075	8,788
Amount held in trust on behalf of others	1,452	8,541	1,079
Current portion of long-term liabilities	4,555	7,046	5,279
<b>Total Current Liabilities</b>	<b>40,100</b>	<b>59,386</b>	<b>65,916</b>
<b>Noncurrent Liabilities</b>			
Long-term liabilities - noncurrent portion	343,010	194,449	125,070
<b>Total Noncurrent Liabilities</b>	<b>343,010</b>	<b>194,449</b>	<b>125,070</b>
<b>TOTAL LIABILITIES</b>	<b>383,110</b>	<b>253,836</b>	<b>190,986</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	76,865	14,292	73,309
Restricted	54,221	51,674	40,418
Unrestricted	37,339	79,914	36,549
<b>TOTAL NET ASSETS</b>	<b>\$ 168,425</b>	<b>\$ 145,880</b>	<b>\$ 150,275</b>

Total net assets at June 30, 2006, increased \$22 million over the prior fiscal year. The increase was primarily due to the following:

- The increase of net capital assets from Bond and C.O.P. construction in the District.
- The COPs were defeased as of June 30, 2006.

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

### Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets shown below consists of operating and non-operating results of the District. Operating revenues represent all revenues from programmatic sources. Non-operating revenues include State apportionments, Local property tax revenues, investment earnings and gifts.

Operating revenues include activities characterized by exchange transactions, such as student fees, sales and services of Bookstore and Cafeteria operations, services provided and contracted to grants agencies, and interest from institutional student loans. Non-operating revenue, on the other hand, is characterized by non-exchange transactions, such as donations, gifts, State appropriations and regular investment income.

### STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2006, 2005 AND 2004

	2006	2005	2004
	in thousands	in thousands	in thousands
<b>OPERATING REVENUES</b>			
Tuition and Fees	\$10,672	\$10,580	\$9,165
Grants and Contracts, noncapital	28,894	27,229	25,305
Auxiliary Enterprise Sales and Charges	7,307	8,279	7,484
<b>TOTAL OPERATING REVENUES</b>	<u>46,873</u>	<u>46,087</u>	<u>41,954</u>
<b>OPERATING EXPENSES</b>	<u>147,366</u>	<u>149,410</u>	<u>107,931</u>
<b>OPERATING LOSS</b>	(100,494)	(103,323)	(65,977)
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
State apportionments, noncapital	36,086	16,970	5,110
Local property taxes	56,824	66,570	76,963
State taxes	60	1	1
Investment income/(expense), net	2,099	2,095	2,605
Interest income/(expense) on capital related debt, net	(10,896)	(6,482)	(5,551)
Other non-operating revenues	20,127	13,763	23,208
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>104,300</u>	<u>92,917</u>	<u>102,336</u>
<b>INCOME BEFORE OTHER REVENUES AND EXPENSES</b>	<u>3,807</u>	<u>(10,406)</u>	<u>36,359</u>
<b>OTHER REVENUES AND EXPENSES</b>	<u>18,738</u>	<u>6,010</u>	<u>8,145</u>
<b>NET INCREASE IN NET ASSETS</b>	22,544	(4,396)	44,503
<b>NET ASSETS, BEGINNING OF YEAR</b>	145,880	150,275	105,771
<b>NET ASSETS, END OF YEAR</b>	<u>\$168,425</u>	<u>\$145,879</u>	<u>\$150,274</u>

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

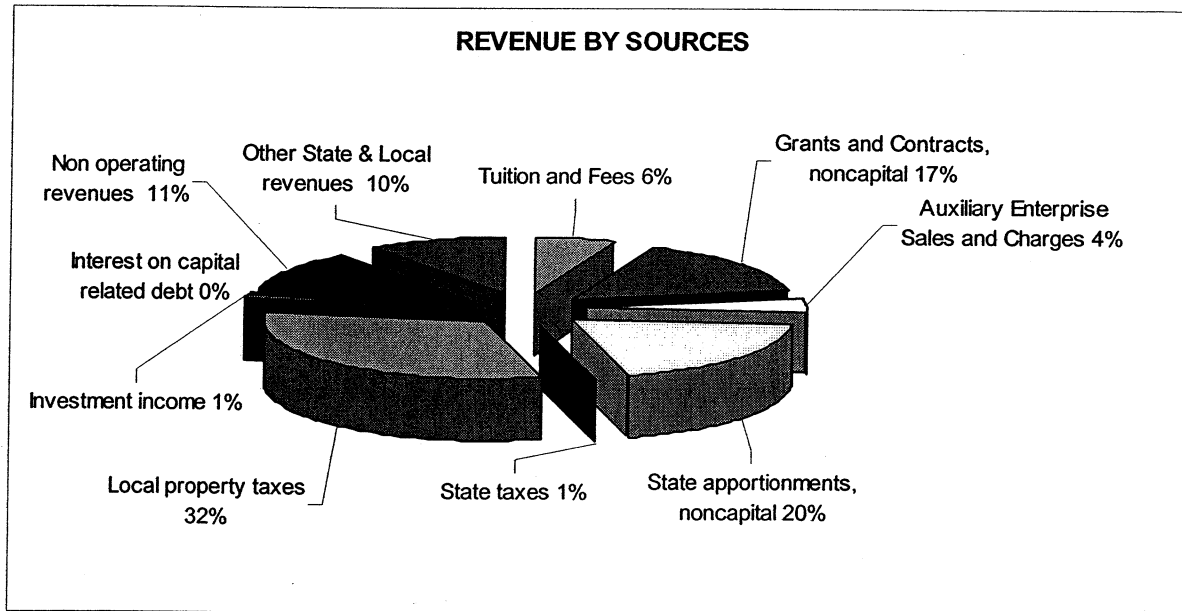
## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

Explanatory information for the statement is as follows:

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

Below is an illustration of District revenues by source:



Revenues and expenses changed mainly due to the following:

- Operating Revenues show a slight decrease in sales from Bookstores and Café operations.
- Non-Operating Revenues increased mainly due to an increase in the State apportionment revenue.
- Operating Expenses decreased primarily due to savings from supplies and general operating expenses.

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

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### Operating Expenses

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

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

#### Statement of Operating Expenses by Account

	<u>2006</u>	<u>2005</u>	<u>2004</u>
	in thousands	in thousands	in thousands
Salaries	\$75,071	\$71,407	\$66,743
Employee benefits	25,229	23,873	20,980
Supplies, materials, and other operating expenses	43,471	51,865	18,307
Depreciation expense	3,596	2,265	1,901
<b>TOTAL OPERATING EXPENSES</b>	<u>\$147,366</u>	<u>\$149,410</u>	<u>\$107,931</u>

#### Statement of Operating Expenses by Activity

	<u>2006</u>	<u>2005</u>	<u>2004</u>
	in thousands	in thousands	in thousands
Instructional activities	\$54,369	\$53,618	\$52,922
Academic support	6,832	6,130	5,901
Student services	14,254	13,334	17,658
Plant operations and maintenance	38,691	45,716	11,669
Instructional support services	6,203	16,368	2,933
Community svcs and economic development	1,036	959	1,151
Ancillary svcs and auxiliary operations	22,385	11,019	13,995
Depreciation expense	3,596	2,266	1,702
<b>TOTAL OPERATING EXPENSES</b>	<u>\$147,366</u>	<u>\$149,410</u>	<u>\$107,931</u>

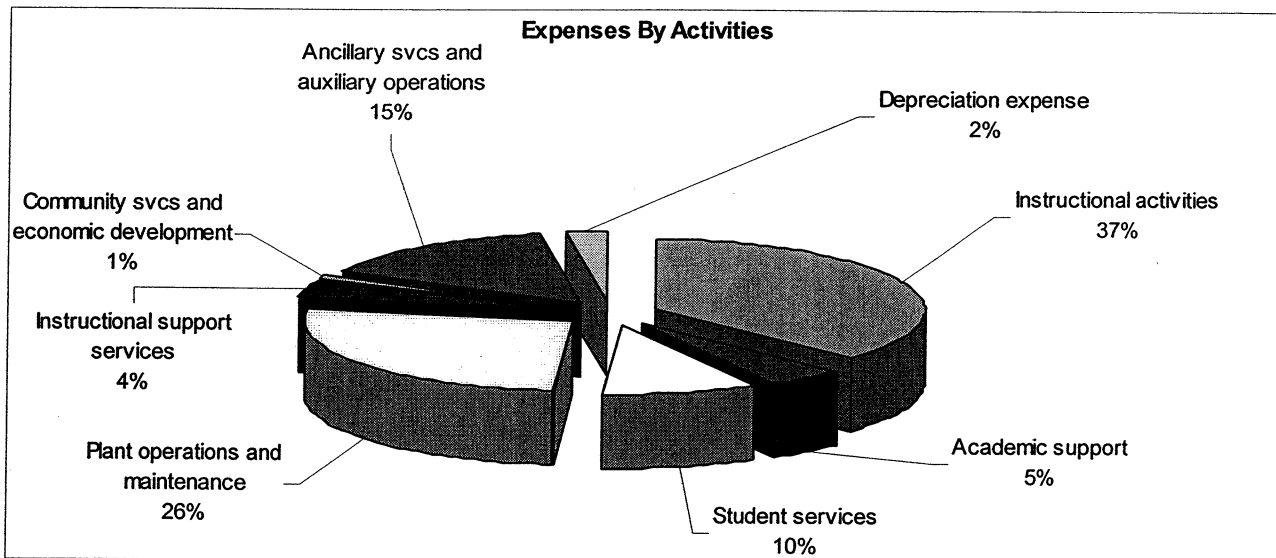
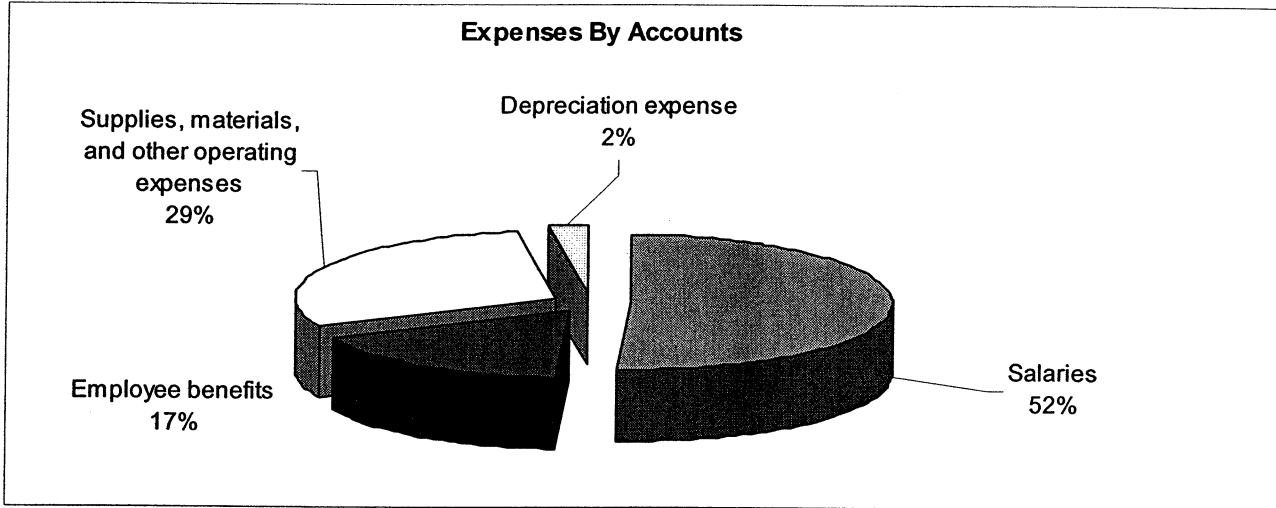
# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

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



### Cash Flows

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

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

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

### STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2006, 2005 AND 2004

	2006	2005	2004
<b>CASH FLOWS PROVIDED BY (USED IN):</b>			
Operating Activities	in thousands (\$121,990)	in thousands (\$106,644)	in thousands (\$54,828)
Noncapital financing activities	109,964	99,142	98,271
Capital financing activities	73,544	26,893	(3,416)
Investing activities	1,422	1,558	1,669
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	62,939	20,949	41,696
<b>CASH &amp; CASH EQUIVALENTS, BEGINNING OF YEAR</b>	215,148	194,199	152,503
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$278,087</u>	<u>\$215,148</u>	<u>\$194,199</u>

#### New State Funding Method

During the last several years, the state community college leadership has been working on a new funding formula for allocating funds to community college districts. This effort culminated in SB361, which was passed by the legislature, signed by the governor and took effect July 1, 2006. This is the first major change to community college funding since Program-Based Funding (PBF) was implemented 18 years ago (1988).—SB361 eliminates the five measures in PBF (credit FTES, non-credit FTES, new students, continuing students and square footage) and replaces them with a foundation grant, an amount per credit FTES, and a smaller amount per non-credit FTES. The amounts per FTES are the same across the state, and equalize funding at the 90<sup>th</sup> percentile of current funding for community colleges. This puts greater emphasis on growth in FTES for a district to increase funding, and it reduces the effect of adding new buildings.

#### Economic Factors and the 2006-07 Budget

Counting the funding contained in SB361, community colleges will be funded at 10.7% of the Proposition 98 total for K-14. This is the highest level in 15 years and brings community colleges considerably closer to the statutory requirement of 11%. In addition, because state revenues outpaced budgets in 2005-06, there are considerable one-time funds allocated in 2006-07. Many of the additional one-time funds have restrictions and require new expenditures, but nonetheless, they will help soften the potential for declining revenues.

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

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The economic outlook for the state continues to improve, although inflation increases along with state revenues. School Services is anticipating the increase in the cost of living for 2007-08 to be over 4%. The Chancellor's Office has submitted a budget change proposals amounting to \$711 million in ongoing funds and \$100 million in one-time funds for 2007-08, however it is unlikely that all of the proposals will be funded

The biggest challenges facing the community colleges in California and for San Mateo County Community College District is the continued constraint on funding per student which falls short of the funding provided for all other sectors of public education in California.

### **Bond & C.O.P. Construction 2006-07 and Beyond**

Voter approval of Measure A in November 2005 brought an additional \$468 million dollars in capital improvement funding to the District. District Staff and the Board of Trustees have explored various strategies for planning and implementation of work with these funds. In August 2006, the Board approved the 2006 Facilities Master Plan which will be the basis of capital construction projects for the next phase of the Capital Improvement Program. An electronic copy can be downloaded from <http://www.smccd.edu/accounts/facilities/planconstruct/masterplan.html>.

In addition to the above-referenced projects, the modernization of building 17 at Cañada College is currently underway with an estimated completion date of Summer 2007. The following projects, to name a few that are in the 2006 Facilities Master Plan, are currently in the design and planning stage and will be completed within the next seven years. Renovation and modernization of instructional spaces in buildings districtwide that were not addressed during the first phase of the Capital Improvement Program; construction of new buildings to support Faculty, Students, and Administration and Workforce/Wellness Centers at College of San Mateo and Skyline College; construction of new Facilities Maintenance Centers at Cañada College and Skyline College; campuswide infrastructure improvements to include parking, roadways, pedestrian walkways and ADA improvements at all three colleges; as well as additional athletic field renovations and upgrades at all three colleges.

### **Contacting the District's Financial Management Office**

This financial report is designed to provide our citizens, taxpayers, students, investors and creditors with a general overview of the District's finances and to show the District's accountability for funding received. Questions or concerns about this report or requests for additional financial information should be addressed to James W. Keller, Executive Vice Chancellor, by phone at 650-574-6500 or by e-mail at [kellerj@smccd.net](mailto:kellerj@smccd.net).



**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**STATEMENTS OF NET ASSETS  
JUNE 30, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,286,987	\$ 2,354,503
Investments	271,179,198	203,325,428
Accounts receivable, net	21,105,769	12,113,989
Student loans receivable	586,741	384,190
Prepaid expenses	93,963	108,072
Deferred charges	3,480,307	2,476,744
Stores inventories	1,678,001	1,395,011
Other current assets	25,565	372,725
<b>Total Current Assets</b>	<u>299,436,531</u>	<u>222,530,662</u>
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents	5,621,269	9,468,025
Nondepreciable capital assets	108,375,276	93,388,551
Depreciable capital assets, net of depreciation	138,102,083	74,328,686
<b>Total Noncurrent Assets</b>	<u>252,098,628</u>	<u>177,185,262</u>
<b>TOTAL ASSETS</b>	<u>551,535,159</u>	<u>399,715,924</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	23,061,711	19,159,460
Interest payable, restricted	2,574,201	2,565,549
Current loans	-	12,000,000
Deferred revenue	8,456,809	10,074,575
Amounts held in trust on behalf of others	1,452,285	8,540,831
Compensated absences payable - current portion	1,924,219	1,830,686
Bonds and notes payable - current portion	2,435,000	4,945,000
Lease obligations - current portion	-	156,242
Other long-term liabilities - current portion	195,957	114,078
<b>Total Current Liabilities</b>	<u>40,100,182</u>	<u>59,386,421</u>
<b>Noncurrent Liabilities</b>		
Compensated absences payable - noncurrent portion	828,618	720,342
Lease obligations - noncurrent portion	-	156,242
Other long-term liabilities - noncurrent portion	342,181,694	193,572,581
<b>Total Noncurrent Liabilities</b>	<u>343,010,312</u>	<u>194,449,165</u>
<b>TOTAL LIABILITIES</b>	<u>383,110,494</u>	<u>253,835,586</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	76,864,540	14,291,712
Restricted for:		
Debt service	5,669,093	10,019,898
Capital projects	45,146,987	41,404,204
Educational programs	3,132,518	-
Other activities	272,564	250,125
Unrestricted	37,338,963	79,914,399
<b>TOTAL NET ASSETS</b>	<u>\$ 168,424,665</u>	<u>\$ 145,880,338</u>

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

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**STATEMENTS OF REVENUES, EXPENSES,  
AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
<b>OPERATING REVENUES</b>		
Student Tuition and Fees	\$ 14,552,548	\$ 14,286,344
Less: Fee waivers and allowance	(3,880,732)	(3,706,428)
Net tuition and fees	<u>10,671,816</u>	<u>10,579,916</u>
Grants and Contracts, noncapital:		
Federal	9,525,670	9,031,725
State	16,361,652	15,148,082
Local	3,006,382	3,049,068
Auxiliary Enterprise Sales and Charges		
Bookstore	7,164,687	8,125,966
Cafeteria	142,543	152,620
<b>TOTAL OPERATING REVENUES</b>	<u>46,872,750</u>	<u>46,087,377</u>
<b>OPERATING EXPENSES</b>		
Salaries	75,070,580	71,407,153
Employee benefits	25,228,934	23,872,691
Supplies, materials, and other operating expenses and services	42,949,003	51,865,121
Equipment, maintenance, and repairs	521,949	-
Depreciation	3,595,888	2,265,503
<b>TOTAL OPERATING EXPENSES</b>	<u>147,366,354</u>	<u>149,410,468</u>
<b>OPERATING LOSS</b>	<u>(100,493,604)</u>	<u>(103,323,091)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State apportionments, noncapital	36,086,461	16,970,129
Local property taxes	56,824,309	66,570,360
State taxes and other revenues	59,813	1,008
Investment income, net	2,098,731	2,094,713
Interest expense on capital related debt	(10,959,993)	(9,574,949)
Interest income on capital asset-related debt, net	63,894	3,093,327
Other nonoperating revenue	20,126,973	13,763,099
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>104,300,188</u>	<u>92,917,687</u>
<b>INCOME/(LOSS) BEFORE OTHER REVENUES AND EXPENSES</b>	<u>3,806,584</u>	<u>(10,405,404)</u>
State revenues, capital	16,224,616	4,602,094
Local revenues, capital	2,513,127	1,408,159
<b>TOTAL OTHER REVENUES AND EXPENSES</b>	<u>18,737,743</u>	<u>6,010,253</u>
<b>INCREASE/(DECREASE) IN NET ASSETS</b>	22,544,327	(4,395,151)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>145,880,338</u>	<u>150,275,489</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 168,424,665</u>	<u>\$ 145,880,338</u>

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

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees	\$ 11,486,873	\$ 12,043,697
Non capital grants and contracts	27,589,027	28,341,998
Payments to vendors for supplies and services	(59,350,541)	(61,360,687)
Payments to or on behalf of employees	(98,859,144)	(93,699,114)
Payments to students for scholarships and grants	(586,741)	(397,810)
Auxiliary sales	7,395,772	8,379,238
Amounts held for others	(7,088,546)	-
Other operating receipts (payments)	(2,576,877)	48,356
<b>Net Cash Flows From Operating Activities</b>	<u>(121,990,177)</u>	<u>(106,644,322)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State apportionments	33,040,699	9,330,910
Property taxes	56,824,309	66,570,360
State taxes and other apportionments	59,813	(722,530)
Other receipts (payments)	20,039,227	23,963,229
<b>Net Cash Flows From Noncapital Financing Activities</b>	<u>109,964,048</u>	<u>99,141,969</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Purchase of capital assets	(81,257,542)	(41,668,325)
Proceeds from sale of general obligation bond	180,802,508	69,995,132
Proceeds from sale of capital assets	79,173	-
State revenue, capital projects	16,224,616	4,602,094
Local revenue, capital projects	2,513,127	1,408,159
Deferred cost on issuance	1,003,563	746,014
Principal paid on capital debt	(34,934,000)	(3,455,000)
Interest paid on capital debt	(10,951,341)	(6,911,898)
Interest received on capital asset-related debt	63,894	2,177,261
<b>Net Cash Flows From Capital Financing Activities</b>	<u>73,543,998</u>	<u>26,893,437</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received from investments	1,421,629	1,557,759
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	62,939,498	20,948,843
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>215,147,956</u>	<u>194,199,113</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 278,087,454</u>	<u>\$ 215,147,956</u>

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

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**STATEMENTS OF CASH FLOWS, Continued  
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
<b>RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating Loss	<u>\$(100,493,604)</u>	<u>\$(103,323,091)</u>
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation expense	3,595,888	2,265,503
Changes in Assets and Liabilities:		
Receivables, net	(5,944,819)	515
Inventories	(282,990)	302,760
Prepaid items	361,269	(441,015)
Accounts payable and accrued liabilities	(10,519,608)	(6,853,650)
Deferred revenue	(1,617,767)	1,286,680
Funds held for others	<u>(7,088,546)</u>	<u>117,976</u>
Total Adjustments	<u>(21,496,573)</u>	<u>(3,321,231)</u>
<b>Net Cash Flows From Operating Activities</b>	<u><u>\$(121,990,177)</u></u>	<u><u>\$(106,644,322)</u></u>
 <b>CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:</b>		
Cash in banks	\$ 1,286,987	\$ 2,354,503
Cash equivalents, restricted	5,621,269	9,468,025
Cash equivalents	<u>271,179,198</u>	<u>203,325,428</u>
<b>Total Cash and Cash Equivalents</b>	<u><u>\$ 278,087,454</u></u>	<u><u>\$ 215,147,956</u></u>
 <b>NON CASH TRANSACTIONS</b>		
On behalf payments for benefits	<u><u>\$ 1,765,554</u></u>	<u><u>\$ 1,734,177</u></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  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2006**

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**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$	81,136
Accounts receivable		1,069
Prepaid expenses		5,241
<b>Total Current Assets</b>		<u>87,446</u>

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable		1,734
Deferred rent		32,727
Rent security deposits		48,825
<b>Total Current Liabilities</b>		<u>83,286</u>

**NET ASSETS**

Unrestricted		<u>4,160</u>
<b>Total Liabilities and Net Assets</b>	\$	<u>87,446</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  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2006**

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	<u>2006</u>
<b>REVENUES</b>	
Rental income	\$ 261,075
Interest and dividends	1,069
Commision	3,714
Donation	17,000
<b>Total Revenues</b>	<u>282,858</u>
<b>EXPENSES</b>	
Operating expenses	48,698
<b>Total Expenses</b>	<u>48,698</u>
<b>OTHER SOURCES AND USES</b>	
Transfer out to SMCCCD	(230,000)
<b>Total Other Uses</b>	<u>(230,000)</u>
<b>CHANGE IN NET ASSETS</b>	4,160
<b>NET ASSETS, BEGINNING OF YEAR</b>	-
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 4,160</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  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2006**

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	<u>2006</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in Net Assets	\$ 4,160
Changes in Assets and Liabilities	
Increase in accounts receivable	(1,069)
Increase in prepaid	(5,241)
Increase in accounts payable	1,734
Increase in deferred revenues	32,727
Increase in deposits	48,825
<b>Net Cash Flows From Operating Activities</b>	<u>81,136</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	81,136
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	-
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 81,136</u>

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

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Organization**

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

#### **Financial Reporting Entity**

The District follows GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. This statement amends GASB Statement No. 14, *The Financial Reporting Entity*, to provide additional guidance to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District. The District has determined that the San Mateo College Community Foundation does not meet the criteria for inclusion under GASB 39.

As defined by generally accepted accounting principals established by the GASB, the financial reporting entity consist of the primary government (the District), as well as the following component units San Mateo County Community College District.

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

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

The San Mateo County Community Colleges Educational Housing Corporation (the Corporation) is a legally separate organization component unit of the District. The Corporation was formed to operate staff and faculty housing. The Board of Trustees of the Corporation is the same as the Board of Trustees of the District. The financial activity of the Corporation is reported separately in the financial statements.



# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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### 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. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency and intra-fund transactions have been eliminated.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of fiscal year-end.

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

The accounting policies of the District conform to accounting principles generally accepted in the United State of America (US GAAP) as applicable to colleges and universities, as well as those prescribed by the California Community Colleges Chancellor's Office. The District reports are based on all applicable GASB pronouncements, as well as applicable FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. When applicable, certain prior year amounts have been reclassified to conform to current year presentation.

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

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

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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The following is a summary of the more significant policies:

### **Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of one year or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

### **Investments**

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

### **Accounts Receivable**

Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. This allowance is based upon a five-year average ratio over actual revenues. The allowance was estimated at \$1,090,775 and \$846,706 for the years ended June 30, 2006 and 2005, respectively.

### **Prepaid Expenditures**

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

### **Inventory**

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

### **Capital Assets and Depreciation**

Capital assets are long-lived assets of the District as a whole and include land, construction-in-progress, buildings, leasehold improvements, and equipment. The District maintains an initial unit cost capitalization threshold of \$5,000 for equipment and \$100,000 for land, buildings and improvements. The auxiliary funds (Cafeterias, Bookstores, and Associated Student Body) maintain a capitalization threshold of \$500. 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 are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Major outlays for capital improvements are capitalized as construction-in-progress as the projects are constructed.

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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

### **Accrued Liabilities and Long-term Obligations**

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

### **Deferred Issuance Costs, Premiums, and Discounts**

In the government-wide financial statements and in the proprietary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method.

### **Compensated Absences**

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the entity-wide financial statements. The amounts have been recorded in the fund from which the employees, who have accumulated the leave, are paid. Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave.

The District also participates in "load banking" with eligible academic employees whereby the employees may teach extra courses in one period in exchange for time off in another period. The full liability for this benefit is reported on the entity-wide financial statements.

### **Deferred Revenue**

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

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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### Net Assets

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

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

**Restricted – Expendable:** Net assets whose use by the District is subject to externally imposed constraints that can be fulfilled by actions of the District pursuant to those constraints or by the passage of time.

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

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

### Operating Revenues and Expenses

**Classification of Revenues -** The District has classified its revenues as either operating or nonoperating according to the following criteria:

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

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

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

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

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

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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### State Apportionments

Certain current year apportionments from the State are based on financial and statistical information of the previous year. Any corrections due to the recalculation of the apportionment are made in February of the subsequent year and are recorded in the District's financial records when received.

### Estimates

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

### Property Tax

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.

### Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, and Federal Work-Study programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or fee waivers, 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. Fee waivers and allowances represent the portion of aid provided to students in the form of reduced tuition. 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*.

### Component Unit

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

The Corporation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private corporation. Accordingly, no provision for income taxes has been provided in the financial statements. The Corporation annually files information returns, Forms 990, 199, and RRF-1, with the appropriate agencies.

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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### Changes in Accounting Principles

- **GASB Statement No. 46:** In December 2004, GASB issued Statement No. 46, *Net Assets Restricted by Enabling Legislation*, an amendment of GASB No. 34. This statement clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government can compel a government to honor. Accordingly, it clarifies the determination of restricted net assets within the statement of net assets. The District has implemented this statement.
- **GASB Statement No. 47:** In June 2005, GASB issued Statement No. 47, *Accounting for Termination Benefits*. This statement establishes accounting standards for termination benefits. The District has implemented this statement.

### New Accounting Pronouncements

- **GASB Statement No. 43:** In April 2004, GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefits Other than Pension Plans*. The standards in this statement apply for trust funds included in the financial reports of plan sponsors or employers, as well as for the stand-alone financial reports of OPEB plans or the public employee retirements systems, or other third parties that administer them. The provisions of this statement are effective for periods beginning after December 15, 2005. The San Mateo County Community College District is not a plan sponsor of an OPEB Plan.
- **GASB Statement No. 45:** In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. This statement establishes standards for the measurement, recognition and display of OPEB expense, expenditures and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports of State and local governmental employers. This statement generally provides for prospective implementation - that is, that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. The District is in the process of determining the impact the implementation of this statement will have on the government-wide statements of net assets and activities. This statement is effective for periods beginning after December 15, 2006, depending upon the size of the governmental entities' financial activity. The San Mateo County Community College District will be implementing the requirements of this standard in the 2007-2008 fiscal year. The District expects that it will record the liability for postemployment benefits at this time. Since fiscal year 1992-93, the District has been setting aside funds for this liability and has currently designated \$24 million set aside for this purpose.

### 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.

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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### ***NOTE 2 - CASH AND INVESTMENTS***

#### **Policies and Practices**

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

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

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

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

### General Authorizations

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

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

### Summary of Deposits and Investments

Deposits and investments as of June 30, 2006, are classified in the accompanying financial statements as follows:

	2006	2005
Business-type activities	\$ 278,087,454	\$ 215,147,956
Component Unit	81,136	-
Total Deposits and Investments	<u>\$ 278,168,590</u>	<u>\$ 215,147,956</u>

Deposits and investments as of June 30, 2006, consist of the following:

	2006	2005
Cash on hand and in banks	\$ 1,356,509	\$ 2,342,889
Cash in revolving	11,614	11,614
Investments	276,800,467	212,793,453
Total Deposits and Investments	<u>\$ 278,168,590</u>	<u>\$ 215,147,956</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 primarily investing in County and State investment pools.



# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

### Specific Identification

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

Investment Type	Fair Value	Weighted Average Maturity In Years
Commercial paper	\$ 2,376,397	0.25 years
County Pool	257,310,108	1.4 years
State Investment Pool	17,113,962	0.422 years
Total	\$ 276,800,467	

### 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, 2006. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

Investment Type	Fair Value	Minimum Legal Rating	Rating 6/30/2006
Commercial paper	\$ 2,376,397	AAA	AAA
County Pool	257,310,108	n/a	n/a
State Investment Pool	17,113,962	n/a	n/a
Total	\$ 276,800,467		

### 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, 2006, the District's bank balance of approximately \$2,795,000 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**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 3 - ACCOUNTS RECEIVABLE**

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

The accounts receivable are as follows:

	<u>2006</u>	<u>2005</u>
Federal Government		
Categorical aid	\$ 1,144,027	\$ 1,334,871
State Government		
Apportionment	2,621,661	442,860
Categorical aid	842,597	918,760
Lottery	248,333	1,791,843
Other state sources	6,883,840	1,152,891
Local Government		
Interest	2,326,696	1,649,594
Other local sources	3,500,721	835,160
Subtotal	<u>17,567,875</u>	<u>8,125,979</u>
Student receivables	4,628,669	4,834,716
Less allowance for bad debt	(1,090,775)	(846,706)
Accounts receivables, net of allowance for bad debts	<u>\$ 21,105,769</u>	<u>\$ 12,113,989</u>
Student loans	<u>\$ 586,741</u>	<u>\$ 384,190</u>

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

Receivables at June 30, 2006 and 2005 include \$250,000 for loans made to five District employees to purchase houses. All full time employees who purchase a home and contribute at least 15 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 6-29, with final payment of any remaining balance in year 30. Selling the property, withdrawing cash from the equity, or leaving the District's employment accelerates the due date of the loan. Interest is charged at 4 percent per year.

**Discretely Presented Component Unit**

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

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the District for the fiscal year ended June 30, 2006, 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	72,760,259	74,695,023	59,708,298	87,746,984
Total Capital Assets Not Being Depreciated	<u>93,388,551</u>	<u>74,695,023</u>	<u>59,708,298</u>	<u>108,375,276</u>
Capital Assets Being Depreciated				
Land improvements	9,834,246	1,138,828	-	10,973,074
Buildings and improvements	101,073,771	61,850,550	-	162,924,321
Furniture, equipment, and vehicles	13,551,682	4,672,266	574,015	17,649,933
Total Capital Assets Being Depreciated	<u>124,459,699</u>	<u>67,661,644</u>	<u>574,015</u>	<u>191,547,328</u>
Less Accumulated Depreciation				
Land improvements	7,287,486	120,141	-	7,407,627
Buildings and improvements	36,536,379	2,467,464	-	39,003,843
Furniture, equipment, and vehicles	6,307,148	1,008,283	281,656	7,033,775
Total Accumulated Depreciation	<u>50,131,013</u>	<u>3,595,888</u>	<u>281,656</u>	<u>53,445,245</u>
Net Capital Assets Being Depreciated	<u>74,328,686</u>	<u>64,065,756</u>	<u>292,359</u>	<u>138,102,083</u>
Net Capital Assets	<u>\$ 167,717,237</u>	<u>\$ 138,760,779</u>	<u>\$ 60,000,657</u>	<u>\$ 246,477,359</u>

Depreciation expense for the year was \$3,595,888.

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

Capital asset activity for the District for the fiscal year ended June 30, 2005, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 20,628,292	\$ -	\$ -	\$ 20,628,292
Construction in progress	55,345,210	37,688,287	20,273,238	72,760,259
<b>Total Capital Assets Not Being Depreciated</b>	<u>75,973,502</u>	<u>37,688,287</u>	<u>20,273,238</u>	<u>93,388,551</u>
<b>Capital Assets Being Depreciated</b>				
Land improvements	9,834,246	-	-	9,834,246
Buildings and improvements	80,439,071	20,634,700	-	101,073,771
Furniture, equipment, and vehicles	12,564,905	1,641,198	654,421	13,551,682
<b>Total Capital Assets Being Depreciated</b>	<u>102,838,222</u>	<u>22,275,898</u>	<u>654,421</u>	<u>124,459,699</u>
<b>Less Accumulated Depreciation</b>				
Land improvements	7,167,345	120,141	-	7,287,486
Buildings and improvements	34,852,811	1,683,568	-	36,536,379
Furniture, equipment, and vehicles	6,442,449	383,788	519,089	6,307,148
<b>Total Accumulated Depreciation</b>	<u>48,462,605</u>	<u>2,187,497</u>	<u>519,089</u>	<u>50,131,013</u>
<b>Net Capital Assets Being Depreciated</b>	<u>54,375,617</u>	<u>20,088,401</u>	<u>135,332</u>	<u>74,328,686</u>
<b>Net Capital Assets</b>	<u>\$ 130,349,119</u>	<u>\$ 57,776,688</u>	<u>\$ 20,408,570</u>	<u>\$ 167,717,237</u>

Depreciation expense for the year was \$2,265,503.

**NOTE 5 - INTERFUND TRANSACTIONS**

**Interfund Receivables/Payables (Due To/Due From)**

Interfund receivable and payable balances consist of amounts owed between funds as a result of the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions recorded in the accounting system and (3) payments between funds occur. These interfund transactions have been eliminated through consolidation within the entity-wide financial statements.

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**Operating Transfers**

Operating transfers between District governmental funds 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 unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. These operating transfers have been eliminated through consolidation within the entity-wide financial statements.

**NOTE 6 - ACCOUNTS PAYABLE**

Accounts payable for the District consisted of the following:

	<u>2006</u>	<u>2005</u>
Accrued payroll	\$ 2,126,555	\$ 3,047,369
Construction	12,932,887	9,590,980
Other	8,002,269	6,521,111
Total	<u>\$ 23,061,711</u>	<u>\$ 19,159,460</u>

**Discretely Presented Component Unit**

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

**NOTE 7 - DEFERRED REVENUE**

Deferred revenue at consisted of the following:

	<u>2006</u>	<u>2005</u>
Federal financial assistance	\$ 93,007	\$ -
State categorical aid	1,162,570	1,641,005
Enrollment fees	4,240,570	3,875,629
Other local	2,960,662	4,557,941
Total	<u>\$ 8,456,809</u>	<u>\$ 10,074,575</u>

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**NOTE 8 - LONG-TERM OBLIGATIONS**

**Long-term Obligations Summary**

The changes in the District's long-term obligations during the 2006 fiscal year consisted of the following:

	Balance Beginning of Year	Additions/ Accretions	Deductions	Balance End of Year	Due in One Year
<b>Bonds and Notes Payable</b>					
General obligation bonds	\$ 165,113,823	\$ 178,990,454	\$ 3,905,000	\$ 340,199,277	\$ 2,435,000
Certificates of participation	30,885,000	-	30,885,000	-	-
Capital leases	312,484	-	312,484	-	-
<b>Total Bonds and Notes Payable</b>	<u>196,311,307</u>	<u>178,990,454</u>	<u>35,102,484</u>	<u>340,199,277</u>	<u>2,435,000</u>
<b>Other Liabilities</b>					
Compensated absences	720,342	2,032,495	-	2,752,837	-
<b>Total Other Liabilities</b>	<u>197,031,649</u>	<u>181,022,949</u>	<u>35,102,484</u>	<u>342,952,114</u>	<u>2,435,000</u>
Premiums, net of amortization	2,632,836	1,812,054	(168,484)	4,613,374	195,957
<b>Total Long-term Liabilities</b>	<u>\$ 199,664,485</u>	<u>\$ 182,835,003</u>	<u>\$ 34,934,000</u>	<u>\$ 347,565,488</u>	<u>\$ 2,630,957</u>

The changes in the District's long-term obligations during the 2005 fiscal year consisted of the following:

	Balance Beginning of Year	Additions/ Accretions	Deductions	Balance End of Year	Due in One Year
<b>Bonds and Notes Payable</b>					
General obligation bonds	\$ 96,298,613	\$ 72,270,210	\$ 3,455,000	\$ 165,113,823	\$ 4,945,000
Certificates of participation	30,885,000	-	-	30,885,000	-
Capital leases	-	467,842	155,358	312,484	156,242
<b>Total Bonds and Notes Payable</b>	<u>127,183,613</u>	<u>72,738,052</u>	<u>3,610,358</u>	<u>196,311,307</u>	<u>5,101,242</u>
<b>Other Liabilities</b>					
Compensated absences	595,430	124,912	-	720,342	-
<b>Total Other Liabilities</b>	<u>127,779,043</u>	<u>72,862,964</u>	<u>3,610,358</u>	<u>197,031,649</u>	<u>10,202,484</u>
Premium, net of amortization	784,163	1,887,261	38,588	2,632,836	114,078
<b>Total Long-term Liabilities</b>	<u>\$ 128,563,206</u>	<u>\$ 74,750,225</u>	<u>\$ 3,648,946</u>	<u>\$ 199,664,485</u>	<u>\$ 5,215,320</u>

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

### Description of Debt

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. Payments on the Certificates of Participation (COP's) are made by the Bookstores, Redevelopment Project Funds, and the COP Reserve Funds using bond proceeds. Capital leases payments are made by the fund for which the vehicles were used. The accrued vacation will be paid by the fund for which the employee worked.

General obligation bonds were approved by local elections in 2001 and 2005. The total amount approved by the voters in 2001 was \$207,000,000 and in 2005 was \$468,000,000. At June 30, 2006, all \$207,000,000 of the 2001 election bonds had been issued and \$204,134,593 was outstanding. Interest rates on the bonds are from 3.00 percent – 5.74 percent. At June 30, 2006, the first issue of 2005 election had been issued in the amount of \$135,429,395 and \$136,064,684 was outstanding. Interest rates on the bonds are from 3.75 percent – 5.00 percent.

The certificates of participation (COPs) were issued in 2004 in the amount of \$30,885,000 to finance and construct athletic facility improvements, faculty and staff housing units, college bookstores and other facilities for the District. The COPs were defeased as of June 30, 2006.

The District has utilized capital leases purchase agreements to purchase primarily equipment. The current lease purchase agreement in the amount of \$312,484 was paid of as of June 30, 2006.

### Debt Maturity

#### General Obligation Bonds

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds		Interest Accretions	Bonds	
				Outstanding July 1, 2005	Issued		Redeemed	Outstanding June 30, 2006
6/4/2002	9/1/2026	5.2-5.74%	\$96,875,613	\$ 94,536,763	\$ -	\$ 1,208,175	\$ 3,905,000	\$ 91,839,938
2/9/2005	9/1/2029	3.00-5.00%	69,995,132	70,577,060	-	1,155,122	-	71,732,182
4/11/2006	3/1/2031	3.50-5.00%	40,124,660	-	40,124,660	437,813	-	40,562,473
4/11/2006	9/1/2030	3.75-5.00%	135,429,395	-	135,429,395	635,289	-	136,064,684
				<u>\$165,113,823</u>	<u>\$ 175,554,055</u>	<u>\$ 3,436,399</u>	<u>\$ 3,905,000</u>	<u>\$340,199,277</u>

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

The bonds mature through 2031 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2007	\$ 2,435,000	\$ 6,180,953	\$ 8,615,953
2008	12,245,000	9,380,222	21,625,222
2009	16,065,000	7,986,410	24,051,410
2010	9,575,000	7,351,103	16,926,103
2011	10,730,000	6,956,476	17,686,476
2012-2016	64,963,855	32,094,154	97,058,009
2017-2021	68,281,779	55,383,360	123,665,139
2022-2026	71,096,508	59,263,695	130,360,203
2027-2031	84,807,135	58,224,096	143,031,231
Total	<u>\$ 340,199,277</u>	<u>\$ 242,820,469</u>	<u>\$ 583,019,746</u>

### **NOTE 9 – DEFEASED DEBT**

In 2006, the District defeased \$30,885,000 certificates of participation issued in 2004 by creating an irrevocable trust fund. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust fund. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore, removed as a liability from the District's Long-Term Obligations. As of June 30, 2006, the amount of defeased debt outstanding but removed from the Long-Term Obligations amounted to \$30,885,000. As a result of the advance refunding, the District reduced its total debt service requirements by \$30,885,000 which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$6,209,220.

### **NOTE 10 - POSTEMPLOYMENT BENEFITS**

The District provides medical, dental, and vision insurance coverage, as prescribed in the various employee union contracts, to retirees meeting plan eligibility requirements. Eligible employees retiring from the District may become eligible for these benefits when the requirements are met. The eligibility requirement for employees participating in Public Employees' Retirement System (PERS) is a minimum age of 55 and a minimum ten years of continuous service with the District. Additional age and service criteria may be required. The eligibility requirement for employees participating in State Teachers' Retirement System (STRS) is a minimum age of 60 with five years of service, or age 50 with 30 years of service. In addition, the District also has minimum continuous service requirements for retirement that range from three years to ten years and varies by employee class. The District recognizes expenditures for these post employment health benefits on a pay-as-you-go-basis. During the 2006 fiscal year, the District provided insurance premium benefits to 670 retired employees with total expenditures of \$6,658,738.

The District had an actual study of the postemployment health benefits completed in December 2001. The accumulated future liability as of July 2001 amounted to \$86,174,000 as determined by the actuarial study.



# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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### ***NOTE 11 - RISK MANAGEMENT***

#### **Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year ending June 30, 2006, the District contracted with the Bay Area Community Colleges Joint Powers Authority for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

#### **Workers' Compensation**

For fiscal year 2005-2006, the District participated in the Protected Insurance Program for Schools Joint Powers Authority (PIPS), an insurance purchasing pool. The intent of the PIPS is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the PIPS. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium rate is applied to all districts in the PIPS. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the PIPS. Participation in the PIPS is limited to districts that can meet the PIPS selection criteria.

#### **Employee Medical Benefits**

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

### ***NOTE 12 - 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 State Teachers' Retirement System (STRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

#### **STRS**

##### **Plan Description**

All certificated employees and those employees meeting minimum standards adopted by the Board of Governors of the California Community Colleges and employed 50 percent or more of a full-time equivalent position

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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participate in the Defined Benefit Plan (DB Plan). Part-time educators hired under a contract of less than 50 percent or on an hourly or daily basis without contract may elect membership in the Cash Balance Benefit Program (CB Benefit Program). Since January 1, 1999, both of these plans have been part of the State Teachers' Retirement Plan (STRS), a cost-sharing, multiple-employer contributory public employee retirement system. The State Teachers' Retirement Law (Part 13 of the *California Education Code*, Section 22000 et seq.) established benefit provisions for STRS. Copies of the STRS annual financial report may be obtained from the STRS Executive Office, 7667 Folsom Boulevard, Sacramento, California 95851.

The STRS, a defined benefit pension plan, provides retirement, disability, and death benefits, and depending on which component of the STRS the employee is in, post-retirement cost-of-living adjustments may also be offered. Employees in the DB Plan attaining the age of 60 with five years of credited California service (service) are eligible for "normal" retirement and are entitled to a monthly benefit of two percent of their final compensation for each year of service. Final compensation is generally defined as the average salary earnable for the highest three consecutive years of service. The plan permits early retirement options at age 55 or as early as age 50 with at least 30 years of service. While early retirement can reduce the two percent age factor used at age 60, service of 30 or more years will increase the percentage age factor to be applied. Disability benefits are generally the maximum of 50 percent of final compensation for most applicants. Eligible dependent children can increase this benefit up to a maximum of 90 percent of final compensation. After five years of credited service, members become 100 percent vested in retirement benefits earned to date. If a member's employment is terminated, the accumulated member contributions are refundable. The features of the CB Benefit Program include immediate vesting, variable contribution rates that can be bargained, guaranteed interest rates, and flexible retirement options. Participation in the CB Benefit Program is optional; however, if the employee selects the CB Benefit Program and their basis of employment changes to half time or more, the member will automatically become a member of the DB Plan.

### **Funding Policy**

Active members of the DB Plan are required to contribute eight percent of their salary while the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2005-2006 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The CB Benefit Program is an alternative STRS contribution plan for instructors. Instructors who choose not to sign up for the DB Plan or FICA may participate in the CB Benefit Program. The District contribution rate for the CB Benefit Program is always a minimum of four percent with the sum of the District and employee contribution always being equal or greater than eight percent.

### **Annual Pension Cost**

The District's total contributions to STRS for the fiscal years ended June 30, 2006, 2005, and 2004, were \$3,010,591, \$2,986,039, and \$3,189,148, respectively, and equal 100 percent of the required contributions for each year.

### **CalPERS**

#### **Plan Description**

All full-time classified employees participate in the CalPERS, an agent multiple-employer contributory public employee retirement system that act as a common investment and administrative agent for participating public

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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entities within the State of California. The San Mateo County Community College District is part of a "cost-sharing" pool with CalPERS. Employees are eligible for retirement as early as age 50 with five years of service. At age 55, the employee is entitled to a monthly benefit of 2.0 percent of final compensation for each year of service credit. Retirement compensation is reduced if the plan is coordinated with Social Security. Retirement after age 55 will increase the percentage rate to a maximum of 2.5 percent at age 63 with an increased rate. The plan also provides death and disability benefits. Retirement benefits fully vest after five years of credited service. Upon separation from the Fund, members' accumulated contributions are refundable with interest credited through the date of separation.

The Public Employees' Retirement Law (Part 3 of the *California Government Code*, Section 20000 et seq.) establishes benefit provisions for CalPERS. 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 95814.

### **Funding Policy**

Active plan members are required to contribute seven percent of their salary (seven percent of monthly salary over \$133.33 if the member participates in Social Security), and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The District's contribution rate to CalPERS for fiscal year 2005-2006 was 9.952 percent of annual payroll.

### **Annual Pension Cost**

The District's contributions to CalPERS for fiscal years ending June 30, 2006, 2005, and 2004, were \$2,462,338, \$2,511,809, and \$2,489,436, respectively, and equaled 100 percent of the required contributions for each year.

### **On Behalf Payments**

The State of California makes contributions to STRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to STRS which amounted to \$1,765,554 (4.517 percent) of salaries subject to STRS. A contribution to CalPERS was not required for the year ended June 30, 2006. These amounts have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

### **Deferred Compensation**

The District offers its employees a Hartford administered 457 Deferred Compensation Program (the Program). The Program, available to all permanent employees, permits them to defer a portion of pre-tax salary into investment of an individual's own choosing until future years. The deferred compensation is not available to the employees or their beneficiaries until termination, retirement, death, or an unforeseeable emergency. The District oversees the investment and administrative functions of the Hartford 457 Deferred Compensation Program. There were 45 members participating in the 457 plan at June 30, 2006.

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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

### NOTE 13 - 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, 2006.

The California State Controller's Office audited the District's mandated costs claims in the prior year. 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, 2006.

#### Construction Commitments

As of June 30, 2006, 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	\$ 75,896	within 5 years
State funded capital outlay projects	8,181,130	within 3 years
State funded scheduled maintenance projects	3,255	within 1 year
General obligation bond construction projects	22,501,689	within 5 years
Faculty/Staff housing (College Vista)	249,517	within 1 year
Districtwide athletic facilities	350,010	within 2 years
	<u>\$ 31,361,497</u>	

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

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2006**

**NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES**

The District is a member of the Bay Area Community College (BACC) Joint Powers Authority JPA and Protective Insurance Program for Schools (PIPS) risk pool, and the South Bay Regional Public Safety Training Consortium Joint Powers Authority (JPAs). The District pays an annual premium to the applicable entity for its property and liability insurance and workers' compensation coverage. Payments for the property and liability insurance are paid to the BACC JPA and workers' compensation are paid to the administrator Keenan & Associates then remitted to the JPA's. The relationships between the District, the pools, and the JPA's 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, 2006, the District made payment of \$573,540, \$1,857,386, and \$253,885 to BACC Joint Powers Authority JPA, PIPS risk pools, and South Bay Regional Public Safety Training Consortium JPA, respectively.

**NOTE 15 - TAX AND REVENUE ANTICIPATION NOTES**

On July 6, 2004, the District issued \$12,000,000 Tax and Revenue Anticipation Notes bearing interest at 3.00 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on July 6, 2005. By June 30, 2005, the District had placed 100 percent of principal and interest in an irrevocable trust for the sole purpose of satisfying the notes. The District was not required to make any additional payments on the notes.

On July 6, 2005, the District issued \$15,000,000 Tax and Revenue Anticipation Notes bearing interest at 4.00 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on July 6, 2006. By May 2006, the District had placed 100 percent of principal and interest in an irrevocable trust for the sole purpose of satisfying the notes. The District was not required to make any additional payments on the notes. As the District has in substance defeased the debt, the tax anticipation notes of \$15,000,000 and related accrued interest and cash held in trust are not included in these financial statements.

	Outstanding Beginning of Year	Additions	Deletions	Outstanding End of Year
2004 3.00% TRANS	\$ 12,000,000	\$ -	\$ 12,000,000	\$ -
2005 4.00% TRANS	-	15,000,000	15,000,000	-
Total	<u>\$ 12,000,000</u>	<u>\$ 15,000,000</u>	<u>\$ 27,000,000</u>	<u>\$ -</u>

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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### *NOTE 16 - SUBSEQUENT EVENTS*

The District issued \$10,000,000 of Tax and Revenue Anticipation Notes dated July 6, 2006. The notes mature on July 6, 2007, and yield 3.5 percent interest. The notes were sold to supplement cash flow. Repayment requirements are that a percentage of principal and interest be deposited with the Fiscal Agent each month beginning February 2007, until 100 percent of principal and interest due is on account in May 2007.

Effective July 1, 2006, the District will withdraw from the Bay Area Community College Districts Joint Power Agency and from Protected Insurance Program for Schools Joint Powers Authority. Beginning July 1, 2006, the District will self-insure for both workers' compensation benefits and for general liability.

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***SUPPLEMENTARY INFORMATION***

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# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## DISTRICT ORGANIZATION

JUNE 30, 2006

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The San Mateo County Community College District was established in 1922, and includes three college campuses located in San Mateo County. There were no changes in the boundaries of the District during the current year.

### BOARD OF TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Dave Mandelkern	President	2007
Helen Hausman	Vice President- Clerk	2009
Richard Holober	Member	2009
Patricia Miljanich	Member	2007
Karen Schwarz	Member	2007
Patrick Burns	Student Trustee	2006

### ADMINISTRATION

Ron Galatolo	Chancellor - Superintendent
James W. Keller	Executive Vice Chancellor
Shirley Kelly	President – College of San Mateo
Tom Mohr	Interim President – Canada College
Victoria Morrow	President – Skyline College



**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2006**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Student Financial Assistance Programs			
Federal Work Study Program <sup>[1]</sup>	84.033	none	\$ 444,816
Pell Grant <sup>[1]</sup>	84.063	none	5,464,926
Supplemental Educational Opportunity Grant (SEOG) <sup>[1]</sup>	84.007	none	458,547
Postsecondary Education			
Business and International Education	84.153A	none	16,728
TRIO: Student Support Services	84.042A	none	594,002
TRIO: Upward Bound	84.047A	none	291,492
Higher Education - Institutional Aid			
Title V - Hispanic Serving Institutions <sup>[1]</sup>	84.031S	none	410,246
Vacational Education			
Passed through CDE:			
VTEA I-B State Leadership - Bay Area Regional Consortium	84.048A	02-0342	340,744
VTEA I-C Basic Grants to States	84.048A	02-C01	443,570
VTEA II Tech Prep Education	84.243	02-0139	225,750
Special Education and Rehabilitation Services			
Passed through California Department of Rehabilitation:			
Vocational Rehabilitation-Workability	84.126A	23405	120,916
Total U.S. Department of Education			<u>8,811,737</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Administration for Children and Families			
Passed through CDE:			
Temporary Assistance for Needy Families (TANF)	93.558	none	40,171
Child Care and Development Block Grant	93.575	5036	32,846
Passed through County of San Mateo:			
Foster Care Title IV-E - Training for Community Based Organizations	93.658	none	157,218
Total U.S. Department of Health and Human Services			<u>230,235</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
Passed through City of Daly City:			
Community Development Block Grant	14.218	none	<u>6,000</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through CDE:			
Child and Adult Care Food Program	10.558	5320	<u>31,496</u>
<b>U.S. DEPARTMENT OF LABOR</b>			
Passed through County of San Mateo/California EDD:			
WIA Dislocated Workers	17.260	73200-03-D012	<u>240,962</u>
<b>NATIONAL SCIENCE FOUNDATION</b>			
Passed through University of California CSEMS:			
Education and Human Resources	47.076	0324218	3,125
Total Expenditures of Federal Awards			<u>\$ 9,323,555</u>

[1] Tested as a Major Program.

See accompanying note to supplementary information.

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2006**

Program	Program Revenues			Total Revenue	Total Program Expenditures
	Cash Received	Accounts Receivable	Deferred Income		
<b>GENERAL FUND</b>					
AB 77/Disabled Students Program	\$ 1,580,549	\$ -	\$ -	\$ 1,580,549	\$ 1,580,549
Extended Opportunity Programs	1,585,258	-	-	1,585,258	1,585,258
Care/EOP	123,337	-	-	123,337	123,337
Matriculation	1,006,720	-	-	1,006,720	1,006,720
Foster Parent Training	47,877	47,876	-	95,753	95,753
AB 602 FA Administrative Allowance	767,156	-	-	767,156	767,156
Block Grant	1,150,136	-	340,028	810,108	810,108
T-Com and Technology (TTIP)	366,278	-	219,025	147,253	147,253
CalWorks	169,411	-	5,957	163,454	163,454
Middle College High School	385,265	107,950	-	493,215	493,215
CITD Economic Development	150,300	28,575	-	178,875	178,875
Economic Development Applied Bio Technology	-	6,470	-	6,470	6,470
Staff Diversity	51,245	-	32,339	18,906	18,906
Staff Development	7,394	-	3,310	4,084	4,084
Statewide Leadership Multimedia	128,133	24,367	-	152,500	152,500
MESA/CCCP Funds for Student Success	132,677	38,298	-	170,975	170,975
RCSD CBET Program	58,022	44,148	-	102,170	102,170
Lottery-Prop 20-Instructional Materials	934,173	242,704	525,860	651,017	651,017
SFSU Project	74,132	-	3,789	70,343	70,343
Nursing -Enrollment Growth	63,937	-	-	63,937	63,937
SUHSD CBET Program	36,129	7,179	-	43,308	43,308
Economic Development IDRC Manufacturing	266,024	50,620	-	316,644	316,644
Economic Development IDRC Biotechnology	342,280	65,342	-	407,622	407,622
Economic Development IDRC Rio Hondo CCD	71,822	42,728	-	114,550	114,550
CCC Live Caption	46,685	-	7,575	39,110	39,110
State Library	18,892	-	18,892	-	-
CDE Child Development	451,502	68,011	5,795	513,718	513,718
Cal Grant	476,693	68,328	-	545,021	545,021
Subtotal	<u>\$10,492,027</u>	<u>\$ 842,596</u>	<u>\$1,162,570</u>	<u>10,172,053</u>	<u>\$10,172,053</u>

See accompanying note to supplementary information.

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF WORKLOAD MEASURES FOR STATE  
GENERAL APPORTIONMENT  
FOR THE YEAR ENDED JUNE 30, 2006**

<b>CATEGORIES</b>	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Audited Data</u>
<b>A. <u>Credit Full-Time Equivalent Student (FTES)</u></b>			
1. Summer	40	-	40
2. Weekly census	14,008	-	14,008
3. Daily census	1,588	-	1,588
4. Actual hours of attendance	1,091	-	1,091
5. Independent study/work experience	669	-	669
Subtotal	<u>17,396</u>	<u>-</u>	<u>17,396</u>
<b>B. <u>Noncredit FTES</u></b>			
1. Summer	-	-	-
2. Actual hours of attendance	44	-	44
3. Independent study/work experience	-	-	-
Subtotal	<u>44</u>	<u>-</u>	<u>44</u>
Total FTES	<u>17,440</u>	<u>-</u>	<u>17,440</u>
<b>C. <u>Basic Skills Courses</u></b>			
1. Credit			1,921
2. Noncredit			-
Total Basic Skills FTES			<u>1,921</u>
<b>D. <u>FTES Generated in Leased Space</u></b>			
			<u>-</u>
<b>E. <u>Gross Square Footage</u></b>			
1. Existing facilities			1,220,892
2. New facilities			37,608
Total Gross Square Footage			<u>1,258,500</u>

See accompanying note to supplementary information.

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF ANNUAL APPRENTICESHIP HOURS OF INSTRUCTION  
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Audited Data</u>
July 1 - December 31, 2005	36,806	-	36,806
January 1 - April 15, 2006	1,412	-	1,412
April 16 - June 30, 2006	40,419	-	40,419
Total	<u>78,637</u>	<u>-</u>	<u>78,637</u>

See accompanying note to supplementary information.

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT  
WITH FUND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006**

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Summarized below are the fund balance reconciliations between the Annual Financial and Budget Report (CCFS-311) and the fund financial statements.

	<u>General Unrestricted</u>	<u>General Restricted</u>
<b>FUND BALANCE</b>		
Balance, June 30, 2006, (CCFS-311)	\$ 9,879,704	\$ 2,016,773
Increase in:		
Cash	50,000	-
Increase/(Decrease) in:		
Prepaid assets	350,000	-
Accounts payable	(350,000)	-
Deferred revenue	-	1,115,745
Balance, June 30, 2006, Fund Financial Statement	<u>\$ 9,929,704</u>	<u>\$ 3,132,518</u>

See accompanying note to supplementary information.

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEETS TO THE  
STATEMENT OF NET ASSETS  
JUNE 30, 2006**

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

<b>Total Fund Balance - All District Funds</b>	<b>\$ 257,163,945</b>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	
The cost of capital assets is	\$ 298,723,946
Accumulated depreciation is	<u>(52,815,225)</u>
	245,908,721
A fiduciary fund is used by the District's management to account for the activities of the student financial aid services. The assets and liabilities of the financial aid fund are included with governmental activities.	436,966
Expenditures relating to issuance of debt were recognized on the modified accrual basis, but should not be recognized in accrual basis.	3,480,307
In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term debt is recognized when it is incurred.	(2,574,201)
An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	9,650,196
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Long-term liabilities at year end consist of:	
Bonds payable	340,199,277
Premiums, net of amortization	4,613,374
Compensated absences (vacations)	828,618
<b>Total Net Assets</b>	<u><u>\$ 168,424,665</u></u>

See accompanying note to supplementary information.

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2006

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### *NOTE 1 - PURPOSE OF SCHEDULES*

#### **Schedule of Expenditures of Federal Awards**

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

#### **Schedule of Expenditures of State Awards**

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

#### **Schedule of Workload Measures for State General Apportionment and Schedule of Annual Apprenticeship Hours of Instruction**

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

#### **Reconciliation of Annual Financial and Budget Report with Fund Financial Statements**

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

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

This schedule provides a reconciliation of the adjustments necessary to bring the District's fund financial statements, prepared on a modified accrual basis, to the accrual basis required under GASB Statement No. 35.

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***INDEPENDENT AUDITORS' REPORTS***

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

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

We have audited the basic financial statements of San Mateo County Community College District (the District) as of and for the years ended June 30, 2006 and 2005, and have issued our report thereon dated October 6, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered San Mateo County Community College District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of San Mateo County Community College District in a separate letter dated October 6, 2006.

Compliance and Other Matters

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

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

*Vavinek, Tine, Day & Co LLP*

Pleasanton, California

October 6, 2006



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

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

Compliance

We have audited the compliance of San Mateo County Community College District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2006. The District's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, San Mateo County Community College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2006.

## Internal Control Over Compliance

The management of San Mateo County Community College District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered San Mateo County Community College District's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

*Vavine K. Tine, Day & Co LLP*

Pleasanton, California  
October 6, 2006



## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

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

We have audited the basic financial statements of the San Mateo County Community College District (the District) for the years ended June 30, 2006 and 2005, and have issued our report thereon dated October 6, 2006.

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

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

### General Directive

- MIS Implementation - Required Data Elements

### Administration

- Open Enrollment
- Minimum Conditions - Standards of Scholarship
- Student Fee - Instructional Materials and Health Fees
- Apportionment of Instructional Service Agreements/Contracts
- Residency Determination for Credit Courses
- Concurrent Enrollment of K-12 Students in Community College Credit Courses
- Enrollment Fee
- Students Actively Enrolled
- Salaries of Classroom Instructors (50% Law)
- Use of Matriculation Funds
- Allocation of Costs (DSPS and EOPS)
- Non Credit Courses

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

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

In our opinion, except as described in the Schedule of State Award Findings and Questioned Costs, the San Mateo County Community College District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2006.

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

*Vavrinek, Trine, Day & Co LLP*

Pleasanton, California  
October 6, 2006

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

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**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATION  
FOR THE YEAR ENDED JUNE 30, 2006**

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None reported.

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2006**

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None reported.

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2006**

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

**2006-1 STUDENTS ACTIVELY ENROLLMENT**

**Criteria or Specific Requirements**

Under the California Code of Regulations, Title V, section 58003.1, 58004, 58005, and 58051, for attendance accounting purposes, districts are required to clear the rolls of all inactive students as of each course section's drop date. The drop date shall be no later than the end of business of the date immediately preceding the beginning of the census week in weekly census procedure courses, or the day immediately preceding census day in daily census procedure courses, and is the date used to clear the rolls of the inactive enrollment for attendance accounting purposes. For noncredit distance learning courses, the drop date to clear the rolls of inactive students shall be the day prior to each of the two census dates.

**Condition**

Each district shall claim for apportionment purposes only the attendance of students actively enrolled in a course section as of the census date. District instructors are the individuals who possess the most accurate knowledge of which students are actively enrolled at any time, and therefore, serve as the most effective way to verify the enrollment information is accurate through reviewing and certifying their enrollment rosters after each census date.

**Questioned Costs**

Unknown.

# **SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

## **STATE AWARD FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2006**

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### **Context**

Instructors certify and submit the certified census rosters in order to assist the District in assuring that enrollment is accurately compiled and reported. The District provides instructors the tools to complete and submit the certification either on line or manually on paper.

### **Effect**

Failure to submit certified census rosters, results in difficulties in determining if students were dropped at the appropriate point in time to ensure that FTES are properly reported and that state funding is correctly determined. This may result in the District receiving too much or too little state funding.

### **Cause**

During our testing of Student Active Enrollment, we noted that not all instructors are turning in the census rosters following the census date.

### **Recommendation**

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

### **District Response**

The District will remind its faculty that they are responsible for ensuring that class rosters are accurate.

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2006

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

### *State Award Findings*

#### 2005-1 STANDARDS OF SCHOLARSHIP-COURSE REPETITION

##### Finding

Certain classes allow students to repeat the course several times, however, there is a maximum number of times for which the course repeat may be claimed for apportionment. During our audit of the State Compliance requirements, we noted that the District is not reducing apportionment for the FTES associated with repeated classes exceeding the maximum of three repeats that are allowable for apportionment purposes.

##### Recommendation

Maintaining a system to track and evaluate FTES generated from repeatable course work is important in ensuring the correct reporting for the number of FTES and therefore the calculation of state apportionment revenues. In order to comply with the State regulations, the District should implement a method of identifying and deducting repeats unallowable for apportionment purposes.

##### Current Status

Implemented.

#### 2005-2 PETITION OF REPETITION OF COURSES

##### Finding

During our review of these procedures, we noted that a student at College of San Mateo, who had petitioned and been denied permission to repeat Psychology 100 by the Counseling department based on the fact that the student had previously failed the course repeatedly and it was not a required course for the student's major program, was nevertheless enrolled in the course for Spring 2005.

##### Recommendation

We recommend the College adhere to all board adopted policies and parameters set forth in the registration policies. In certain circumstances, a student may be approved to repeat a course, however, proper documentation of such approval should be completed and maintained by the College.

##### Current Status

Implemented.

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2006**

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**2005-3 STANDARDS OF SCHOLARSHIP – REMEDIAL COURSES**

**Finding**

During our review of the State Compliance of the Standards of Scholarship, we noted that the District has not implemented a written policy limiting the amount of remedial courses a student may take, nor has it implemented a process for monitoring of the allowable limit of remedial course work.

**Recommendation**

We recommend the District investigate the requirements and parameters of CCR 55756.5 and adopt a written policy statement on the allowable limits of remedial coursework. With the adopted policy, the District should include a monitoring control that will allow testing of compliance with the State requirements.

**Current Status**

Implemented.

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***ADDITIONAL SUPPLEMENTARY INFORMATION***

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SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

GOVERNMENTAL FUNDS  
BALANCE SHEETS - (UNAUDITED)  
JUNE 30, 2006

	General Unrestricted	General Restricted	Child Development	Bond Interest and Redemption
<b>ASSETS</b>				
Cash and cash equivalents	\$ 774,965	\$ -	\$ -	\$ -
Investments	22,742,581	5,273,328	200,818	5,543,835
Accounts receivable, net of allowance	7,724,738	3,132,771	116,840	47,824
Due from other funds	-	-	-	-
Prepaid expenses	45,061	4,087	-	-
Other current assets	11,944	-	-	-
<b>Total Assets</b>	<b>\$ 31,299,289</b>	<b>\$ 8,410,186</b>	<b>\$ 317,658</b>	<b>\$ 5,591,659</b>
<b>LIABILITIES AND FUND EQUITY</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 9,489,757	\$ 980,977	\$ 34,676	\$ -
Due to other funds	8,200,000	-	-	-
Deferred revenue	3,679,828	4,296,691	10,418	-
<b>Total Liabilities</b>	<b>21,369,585</b>	<b>5,277,668</b>	<b>45,094</b>	<b>-</b>
<b>FUND EQUITY</b>				
Fund Balances				
Reserved	406,561	-	-	-
Unreserved				
Designated	9,473,143	2,016,772	-	-
Undesignated	50,000	1,115,746	272,564	5,591,659
<b>Total Fund Equity</b>	<b>9,929,704</b>	<b>3,132,518</b>	<b>272,564</b>	<b>5,591,659</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 31,299,289</b>	<b>\$ 8,410,186</b>	<b>\$ 317,658</b>	<b>\$ 5,591,659</b>

See accompanying note to additional supplementary information - unaudited.

<b>COP Payment</b>	<b>Capital Outlay Projects</b>	<b>Bond Construction</b>	<b>COP Construction</b>	<b>Retiree Benefits</b>	<b>Total Governmental Funds (Memorandum Only)</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 774,965
77,434	36,506,627	170,396,335	5,693,664	23,969,354	270,403,976
-	7,293,002	1,541,014	20,116	250,000	20,126,305
-	5,500,000	-	-	-	5,500,000
-	885	39,355	1,500	-	90,888
-	-	-	-	-	11,944
<u>\$ 77,434</u>	<u>\$ 49,300,514</u>	<u>\$ 171,976,704</u>	<u>\$ 5,715,280</u>	<u>\$ 24,219,354</u>	<u>\$ 296,908,078</u>
\$ -	\$ 4,034,631	\$ 8,783,792	\$ 114,467	\$ -	\$ 23,438,300
-	-	-	-	-	8,200,000
-	118,896	-	-	-	8,105,833
-	<u>4,153,527</u>	<u>8,783,792</u>	<u>114,467</u>	-	<u>39,744,133</u>
-	-	-	-	-	406,561
-	-	-	-	-	11,489,915
77,434	45,146,987	163,192,912	5,600,813	24,219,354	245,267,469
<u>77,434</u>	<u>45,146,987</u>	<u>163,192,912</u>	<u>5,600,813</u>	<u>24,219,354</u>	<u>257,163,945</u>
<u>\$ 77,434</u>	<u>\$ 49,300,514</u>	<u>\$ 171,976,704</u>	<u>\$ 5,715,280</u>	<u>\$ 24,219,354</u>	<u>\$ 296,908,078</u>

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**GOVERNMENTAL FUNDS**

**STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2006**

	<b>General Unrestricted</b>	<b>General Restricted</b>	<b>Child Development</b>	<b>Bond Interest and Redemption</b>
<b>REVENUES</b>				
Federal revenues	\$ 455	\$ 3,559,164	\$ 41,015	\$ -
State revenues	41,614,557	9,775,265	509,025	64,058
Local revenues	66,352,342	8,043,777	140,861	7,651,925
<b>Total Revenues</b>	<u>107,967,354</u>	<u>21,378,206</u>	<u>690,901</u>	<u>7,715,983</u>
<b>EXPENDITURES</b>				
Current Expenditures				
Academic salaries	41,341,361	3,673,767	156,176	-
Classified salaries	20,782,987	7,035,400	400,331	-
Employee benefits	22,013,930	2,637,563	185,448	-
Books and supplies	1,420,461	2,249,785	68,645	-
Services and operating expenditures	8,593,920	4,386,963	98,802	-
Capital outlay	179,910	154,984	10,503	-
Debt service - principal	84,874	227,610	-	3,905,000
Debt service - interest and other	-	-	-	5,437,057
<b>Total Expenditures</b>	<u>94,417,443</u>	<u>20,366,072</u>	<u>919,905</u>	<u>9,342,057</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>13,549,911</u>	<u>1,012,134</u>	<u>(229,004)</u>	<u>(1,626,074)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	8,646	3,370,524	251,443	-
Operating transfers out	(13,621,873)	(391,803)	-	-
Other sources	69,756	-	-	-
Other uses	(4,122)	(825,944)	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>(13,547,593)</u>	<u>2,152,777</u>	<u>251,443</u>	<u>-</u>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<u>2,318</u>	<u>3,164,911</u>	<u>22,439</u>	<u>(1,626,074)</u>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>9,927,386</u>	<u>(32,393)</u>	<u>250,125</u>	<u>7,217,733</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 9,929,704</u>	<u>\$ 3,132,518</u>	<u>\$ 272,564</u>	<u>\$ 5,591,659</u>

See accompanying note to additional supplementary information - unaudited.



<b>COP Payment</b>	<b>Capital Outlay Projects</b>	<b>Bond Construction</b>	<b>COP Construction</b>	<b>Retiree Benefits</b>	<b>Total Governmental Fund (Memorandum Only)</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,600,634
-	16,224,616	-	-	-	68,187,521
240,239	2,513,127	272,970	217,081	758,347	86,190,669
<u>240,239</u>	<u>18,737,743</u>	<u>272,970</u>	<u>217,081</u>	<u>758,347</u>	<u>157,978,824</u>
-	-	-	-	-	45,171,304
-	14,338	-	-	-	28,233,056
-	1,455	-	-	-	24,838,396
-	252,122	3,481,062	148,901	-	7,620,976
-	518,655	6,340,292	31,901	-	19,970,533
-	17,622,236	53,081,111	11,183,324	-	82,232,068
30,885,000	-	-	-	-	35,102,484
1,909,401	-	-	-	-	7,346,458
<u>32,794,401</u>	<u>18,408,806</u>	<u>62,902,465</u>	<u>11,364,126</u>	<u>-</u>	<u>250,515,275</u>
<u>(32,554,162)</u>	<u>328,937</u>	<u>(62,629,495)</u>	<u>(11,147,045)</u>	<u>758,347</u>	<u>(92,536,451)</u>
32,047,839	6,461,562	-	9,497,550	1,500,000	53,137,564
(2,430,189)	(7,826,901)	(32,252,507)	-	-	(56,523,273)
211,781	4,779,185	177,366,712	-	-	182,427,434
-	-	-	-	-	(830,066)
<u>29,829,431</u>	<u>3,413,846</u>	<u>145,114,205</u>	<u>9,497,550</u>	<u>1,500,000</u>	<u>178,211,659</u>
(2,724,731)	3,742,783	82,484,710	(1,649,495)	2,258,347	85,675,208
2,802,165	41,404,204	80,708,202	7,250,308	21,961,007	171,488,737
<u>\$ 77,434</u>	<u>\$45,146,987</u>	<u>\$163,192,912</u>	<u>\$ 5,600,813</u>	<u>\$ 24,219,354</u>	<u>\$ 257,163,945</u>

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**PROPRIETARY FUNDS  
BALANCE SHEETS - (UNAUDITED)  
JUNE 30, 2006**

	<u>Enterprise Funds</u>			<u>Internal Service Fund</u>
	<u>Bookstore</u>	<u>Cafeteria</u>	<u>Total</u>	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 61,370	\$ 21,790	\$ 83,160	\$ 5,000
Investments	4,064,517	623,663	4,688,180	660,537
Accounts receivable	329,362	3,595	332,957	-
Due from other funds	-	-	-	2,700,000
Prepaid expenses	3,075	-	3,075	-
Stores inventories	1,678,001	-	1,678,001	-
Furniture and equipment (net)	511,491	40,710	552,201	-
<b>Total Assets</b>	<u>\$ 6,647,816</u>	<u>\$ 689,758</u>	<u>\$ 7,337,574</u>	<u>\$ 3,365,537</u>
<b>LIABILITIES AND FUND EQUITY</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 937,944	\$ 58,899	\$ 996,843	\$ 43,611
Other current liabilities	12,461	-	12,461	-
<b>Total Liabilities</b>	<u>950,405</u>	<u>58,899</u>	<u>1,009,304</u>	<u>43,611</u>
<b>FUND EQUITY</b>				
Retained earnings	5,697,411	630,859	6,328,270	3,321,926
<b>Total Liabilities and Fund Equity</b>	<u>\$ 6,647,816</u>	<u>\$ 689,758</u>	<u>\$ 7,337,574</u>	<u>\$ 3,365,537</u>

See accompanying note to additional supplementary information - unaudited.

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**PROPRIETARY FUNDS**

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN  
RETAINED EARNINGS - (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Enterprise Funds</u>			<u>Internal Service Fund</u>
	<u>Bookstore</u>	<u>Cafeteria</u>	<u>Total</u>	
<b>OPERATING REVENUES</b>				
Sales revenues	\$ 7,164,687	\$ 142,543	\$ 7,307,230	\$ -
<b>OPERATING EXPENSES</b>				
Classified salaries	1,412,037	145,907	1,557,944	-
Employee benefits	390,389	149	390,538	-
Books and supplies	5,214,310	-	5,214,310	-
Services and other operating expenditures	358,841	80,142	438,983	(21,210)
<b>Total Operating Expenses</b>	<u>7,375,577</u>	<u>226,198</u>	<u>7,601,775</u>	<u>(21,210)</u>
<b>Operating Income (Loss)</b>	<u>(210,890)</u>	<u>(83,655)</u>	<u>(294,545)</u>	<u>21,210</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest income	138,673	21,707	160,380	11,825
Transfers in	471,161	-	471,161	2,760,000
<b>Total Nonoperating Revenues (Expenses)</b>	<u>609,834</u>	<u>21,707</u>	<u>631,541</u>	<u>2,771,825</u>
<b>NET INCOME (LOSS)</b>	398,944	(61,948)	336,996	2,793,035
<b>RETAINED EARNINGS, BEGINNING OF YEAR</b>	<u>5,298,467</u>	<u>692,807</u>	<u>5,991,274</u>	<u>528,891</u>
<b>RETAINED EARNINGS, END OF YEAR</b>	<u>\$ 5,697,411</u>	<u>\$ 630,859</u>	<u>\$ 6,328,270</u>	<u>\$3,321,926</u>

See accompanying note to additional supplementary information - unaudited.

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**PROPRIETARY FUNDS  
STATEMENTS OF CASH FLOWS - (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2006**

	Enterprise Funds			Internal Service Fund
	Bookstore	Cafeteria	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from user charges	\$7,345,656	\$ 149,265	\$7,494,921	\$ 5,284
Cash payments to employees for services	(1,882,469)	(146,056)	(2,028,525)	-
Cash reimbursements from insurance claims	-	-	-	21,210
Cash payments to suppliers for goods and services	(5,825,262)	(116,369)	(5,941,631)	(23,389)
Net Cash Provided (Used) for Operating Activities	(362,075)	(113,160)	(475,235)	3,105
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Capital contributions	471,161	-	471,161	(421,338)
Acquisition of capital assets	(451,866)	(5,629)	(457,495)	-
Net Cash Provided (Used) for Capital and Related Financing Activities	19,295	(5,629)	13,666	(421,338)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest on investments	138,673	21,707	160,380	11,825
Net decrease in cash and cash equivalents	(204,107)	(97,082)	(301,189)	(406,408)
Cash and cash equivalents - Beginning	4,329,994	742,535	5,072,529	1,071,945
Cash and cash equivalents - Ending	\$4,125,887	\$ 645,453	\$4,771,340	\$ 665,537
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>				
Operating income (loss)	(210,890)	(83,655)	(294,545)	21,210
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	40,697	26,665	67,362	-
Changes in assets and liabilities:				
Receivables	81,820	6,722	88,542	5,284
Due from other fund	99,149	-	99,149	-
Prepaid expenses	14,250	-	14,250	-
Inventories	(282,990)	-	(282,990)	-
Accrued liabilities	10,889	(62,892)	(52,003)	(23,389)
Due to other fund	(115,000)	-	(115,000)	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ (362,075)</u>	<u>\$ (113,160)</u>	<u>\$ (475,235)</u>	<u>\$ 3,105</u>

See accompanying note to additional supplementary information - unaudited.

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**FIDUCIARY FUNDS  
BALANCE SHEETS - (UNAUDITED)  
JUNE 30, 2006**

	Associated Students Trust	Student Representation Fee	Student Financial Aid	BACC JPA	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 320,882	\$ 102,766	\$ 214	\$ -	\$ 423,862
Investments	771,212	-	206,345	70,217	1,047,774
Accounts receivable	582,718	-	586,741	63,789	1,233,248
Fixed assets	16,437	-	-	-	16,437
Other current assets	-	-	13,621	-	13,621
<b>Total Assets</b>	<b>\$ 1,691,249</b>	<b>\$ 102,766</b>	<b>\$ 806,921</b>	<b>\$ 134,006</b>	<b>\$ 2,734,942</b>
<b>LIABILITIES AND FUND EQUITY</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 62,705	\$ -	\$ 432,010	\$ -	\$ 494,715
Deferred revenue	-	102,766	248,210	-	350,976
Due to student groups	1,628,544	-	-	134,006	1,762,550
<b>Total Liabilities</b>	<b>1,691,249</b>	<b>102,766</b>	<b>680,220</b>	<b>134,006</b>	<b>2,608,241</b>
<b>FUND EQUITY</b>					
Fund Balances					
Unreserved					
Undesignated	-	-	126,701	-	126,701
<b>Total Fund Equity</b>	<b>-</b>	<b>-</b>	<b>126,701</b>	<b>-</b>	<b>126,701</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 1,691,249</b>	<b>\$ 102,766</b>	<b>\$ 806,921</b>	<b>\$ 134,006</b>	<b>\$ 2,734,942</b>

See accompanying note to additional supplementary information - unaudited.

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**FIDUCIARY FUNDS**

**STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2006**

	<b>Associated Students Trust</b>	<b>Student Financial Aid</b>	<b>Total</b>
<b>REVENUES</b>			
Federal revenues	\$ -	\$ 5,925,036	\$ 5,925,036
State revenues	-	545,021	545,021
Local revenues	683,610	301	683,911
<b>Total Revenues</b>	<u>683,610</u>	<u>6,470,358</u>	<u>7,153,968</u>
<b>EXPENDITURES</b>			
Current Expenditures			
Classified salaries	66,412	-	66,412
Books and supplies	12,589	-	12,589
Services and operating expenditures	336,120	-	336,120
<b>Total Expenditures</b>	<u>415,121</u>	<u>-</u>	<u>415,121</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>268,489</u>	<u>6,470,358</u>	<u>6,738,847</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	-	154,703	154,703
Operating transfers out	-	(155)	(155)
Other uses	-	(6,626,166)	(6,626,166)
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>(6,471,618)</u>	<u>(6,471,618)</u>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<u>268,489</u>	<u>(1,260)</u>	<u>267,229</u>
<b>FUND BALANCE/DUE TO STUDENT GROUPS, BEGINNING OF YEAR</b>	<u>1,360,055</u>	<u>127,961</u>	<u>1,488,016</u>
<b>FUND BALANCE/DUE TO STUDENT GROUPS, END OF YEAR</b>	<u>\$1,628,544</u>	<u>\$ 126,701</u>	<u>\$ 1,755,245</u>

See accompanying note to additional supplementary information - unaudited.

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTE TO ADDITIONAL SUPPLEMENTARY INFORMATION JUNE 30, 2006

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### *NOTE 1 - PURPOSE OF SCHEDULES*

#### **Fund Financial Statements**

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

