

**SAN MATEO COUNTY
COMMUNITY COLLEGE DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2009 AND 2008

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

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FINANCIAL SECTION



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

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of the business-type activities of San Mateo County Community College District (the District) as of and for the years ended June 30, 2009 and 2008, and its discretely presented component unit the Education Housing Corporation as listed in the Table of Contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of San Mateo County Community College District and its discretely presented component unit as of June 30, 2009 and 2008, and the respective changes in financial position and cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2009, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important for assessing the results of our audit.

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

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

Vavrinek, Time, Day & Co., LLP

Pleasanton, California
December 8, 2009

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2009

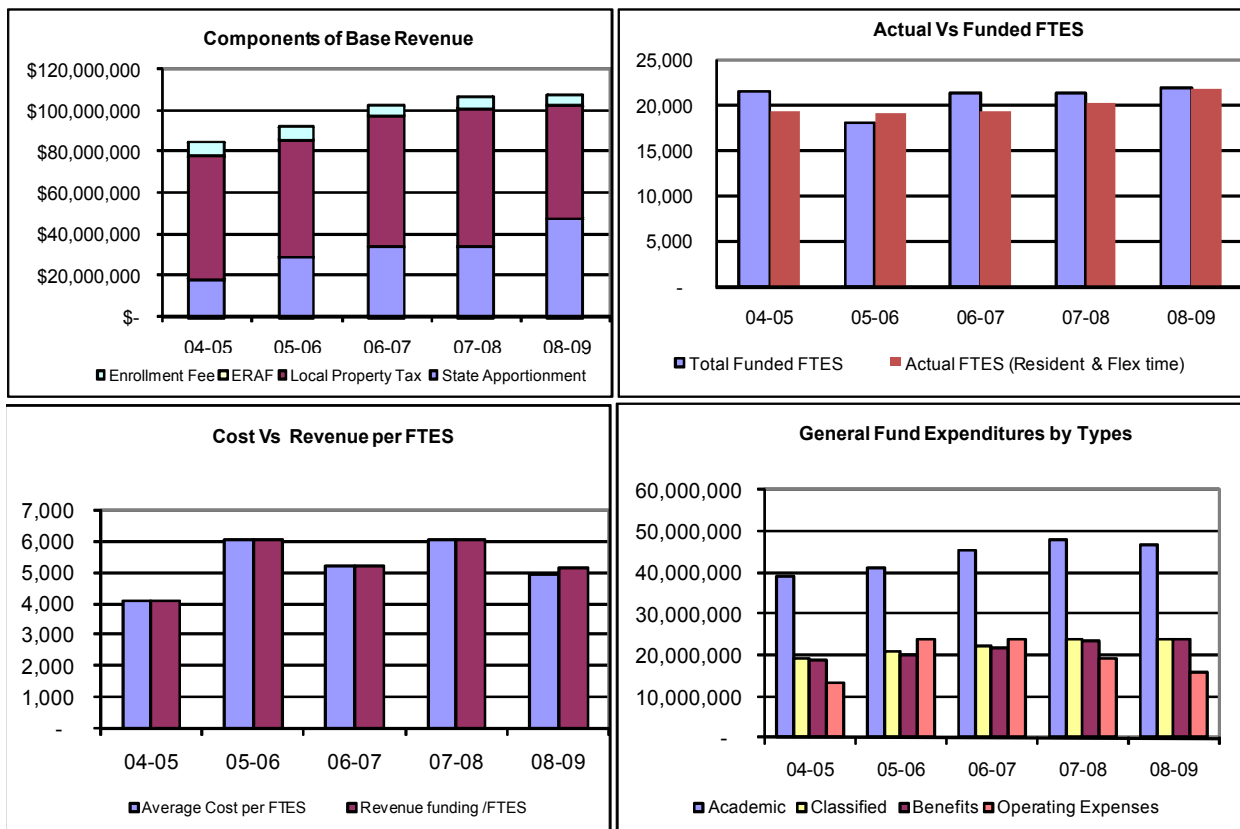
Introduction

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, 2009, June 30, 2008 and June 30, 2007. 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 2008-09



SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2009

Financial Overview

- Assets exceeded liabilities for the fiscal year ended June 30, 2009 by \$171 million, and net assets decreased \$23 million over last year.
- Net noncurrent assets decreased \$15 million.
- Net operating loss was \$157 million.
- Net non-operating gain was \$120 million.

Reporting for the District as a Whole

- Economic position of the District with the State
As the state's economy faltered during 2008/09 and continuing in 2009/10, the District's economic position has been more challenging. The District has responded by cutting 10% of the sites' operating budgets for 2009/10 as well as continuing to maximize its apportionment funding from the state. The District borrowed 116 FTES from Summer 2009, increasing its revenue for 2008/09. The District expects to be over its funded FTES cap for 2009/10. In addition to cutting the budget, the District has been preparing to cover its long term liabilities by establishing a post retirement benefits trust so that the liabilities for retiree medical benefits can be funded.
- Salaries and Benefits
The expenditure projection for salaries includes annual increases for movement on step and column placements and longevity service increments only. The District completed year two of its three-year contracts with each of the employee bargaining groups. The 2009-10 (third year) settlement provides salary and benefit increases for the CSEA bargaining unit only (3% on wages; 1% towards medical cap) which was retroactive to July 1, 2008. With no State COLA in 2009-10, COLA is not projected in the 2009-10 budget any employee group. The budget includes the January 1, 2009 increases (3 – 15%) in non-capped health premium rates for employees and retirees. Dental insurance and vision rates did not increase. The District's Unemployment Insurance Contribution Rate remained at 3%. Worker's compensation decreased slightly from 2.257% to 2%. To comply with GASB 45, the District begun charging itself an amount (4%) to cover the future medical benefit costs for current employees. These charges appear as part of the benefit expenses in all funds.
- Bond construction
As of June 30, 2009, all of the \$207 million November 2001 general obligation bond and \$346 million of the \$468 million November 2005 general obligation bond have been spent or encumbered by contract. The 2001 bond authorization projects are scheduled to be completed by the end of 2009. A program definition identifying projects, sequence of construction, and cost estimates has been developed for the 2005 general obligation authorization. This will be adjusted regularly to keep pace with the academic and construction environment. The funds of the 2005 general obligation continues to 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.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2009

- The Cañada College Building 8 Phase 2 renovation project, which costs \$2.3 M, was completed in spring of 2009. The first floor was completely renovated; providing additional offices, conference rooms, staff break room and work room. Also included was the installation of a new air conditioning system for the entire building. A new 14,000 square foot Facilities Maintenance Center was completed in summer of 2009. This \$10.3 million project provides new offices, work space and truck and car bays and storage areas for the facilities team. This new building has received Silver LEED certification (Leadership in Energy and Environmental Design), demonstrating the District's commitment to sustainable building design and construction.

Cañada College's largest bond funded project – Gateways, Circulation, Parking and Infrastructure project – was completed fall 2009. This \$10.9 million project includes landmark new entries at Farm Hill Boulevard and Cañada Road; landscape hierarchies to define vehicular and pedestrian circulation routes; accessible paths of travel for the physically disabled community; emergency vehicle access and other safety and security measures/renovation of old and construction of new parking lots.

- College of San Mateo's Fine Arts Complex (Buildings 2 and 4) and General Lecture Buildings (Buildings 14 and 16) underwent major renovations with upgraded classrooms and offices, ADA restrooms, and enhanced entries and lobbies. These two projects were completed in spring of 2009. The Fine Arts Courtyard project which consisted of a total remodel of the courtyard and landscaping was completed in spring of 2009. In August of 2009, the newly built stelevator was recently completed beside Building 4. This iconic stair elevator combination provides a new Gateway to students and staff parking in the Beethoven lot and affords a new accessible path of travel into the main campus.

College of San Mateo's largest bond funded project is the Design-Build Project which involved demolition of four buildings; construction of two new buildings, a new aquatic center and extensive site work and landscape improvements. The construction of Health and Wellness Center, Building 5, is on schedule. This building, the new home for the Workforce programs, including Dental Assisting, Nursing and Cosmetology, as well as the new home for the San Mateo Fitness and Aquatics Center, is scheduled for completion in spring 2010. The construction of the new, College Center, Building 10, began in spring 2009 and is scheduled for completion in spring 2011. This new facility will unite Student Services into a "One-Stop Shop", including admissions, career services, counseling, health center, financial aid, a learning center, disabled students programs & services, cafeteria, and bookstore.

- Skyline College's new Facilities Maintenance Center was completed in fall 2009. This \$8.2 million project consists of engineering, custodial, and grounds facilities to maintain campus operations. Skyline College's largest bond funded project is the Design-Build Project, which is currently under construction. The new Building 4 will be the new home of the Cosmetology program, the Multi-Cultural Center and college administration and general assignment classrooms. The new Building 11 Automotive Transmission Facility will support the very popular automotive technology program. These two new buildings are scheduled for completion in 2011. Also part of this Design Build project is parking, paving, sidewalk and roadway upgrades; new campus entries; landscape improvements and renovation of existing quads on campus which are expected to be completed in 2011.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2009



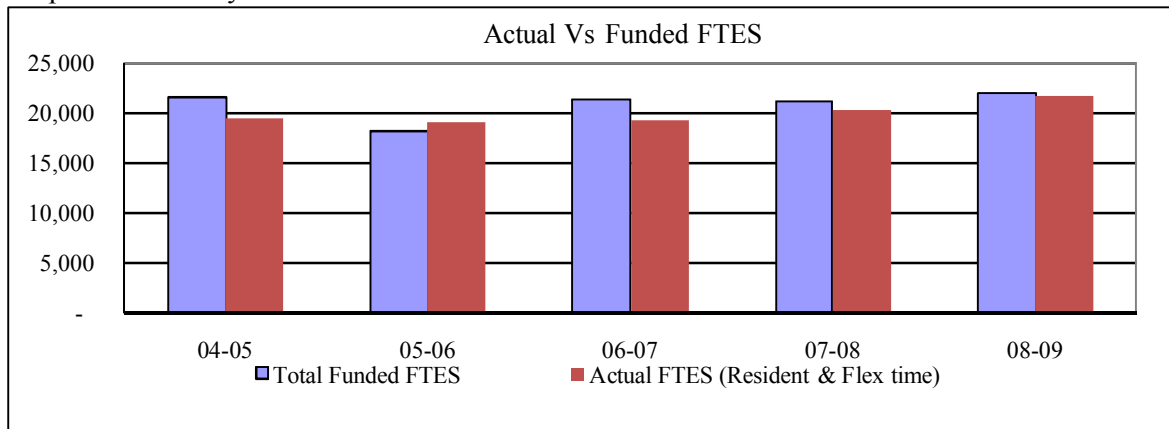
Cañada College Building 7 Facilities Maintenance Center (Top Left)
CSM Conceptual Rendering of Building 10 Campus Center (Top Right)
CSM Building 4 Stelevator (Middle Left)
Skyline College Design Build Sitework Improvements: Central Quad (Middle Right)
Skyline College Facilities Maintenance Center (Bottom)

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2009

- Enrollment

Over the last several years, the District has been borrowing FTES from the following summer to boost enrollment, while being held harmless for funding in the year from which the FTES were taken. In 2008/09, the District has finally just about reached its funded FTES cap, borrowing only 116 FTES from 2009/10. With the state 3.4% reduction in funded FTES in 2009/10, the District anticipates being over its funded FTES cap in 2009/10. The following chart shows comparative funded and actual FTES data for the past five fiscal years.



Net Assets

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

- Cash and cash equivalents consist of cash in the Treasury, Local Agency Investment Fund (LAIF) of the State Treasurer's Office, San Mateo County Pool Investment, Special Deposit Bond 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.

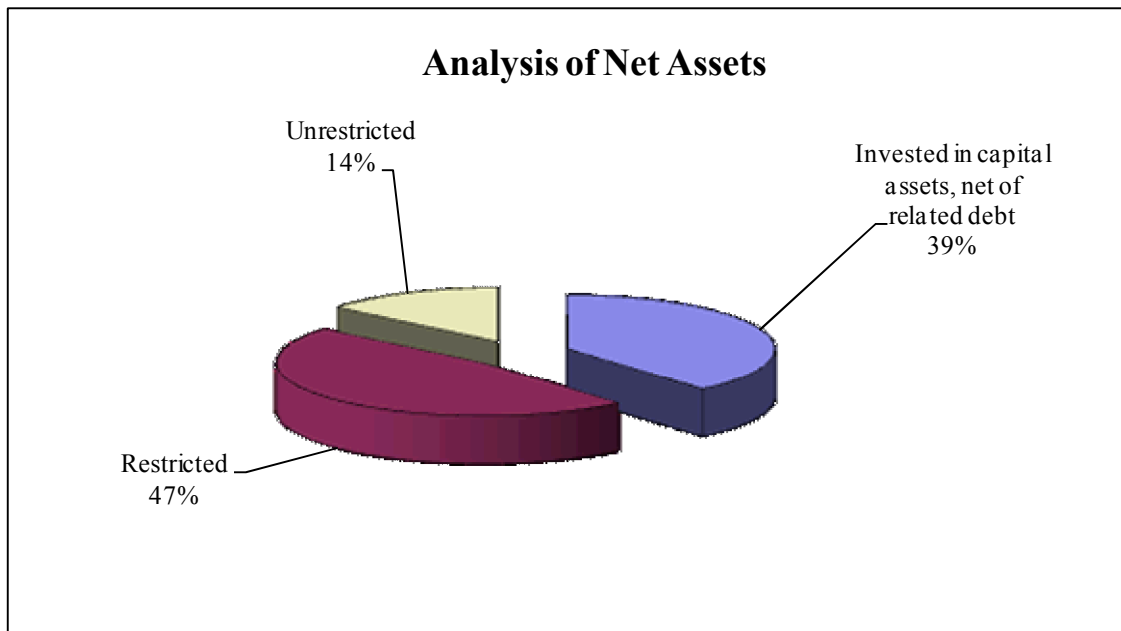
SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2009

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

Analysis of Net Assets – June 30, 2009



SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2009

Table 1 Statement of Net Assets

	2009	2008	2007
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 882,404	\$ 5,554,918	\$ 981,235
Investments	70,945,508	66,683,257	67,134,733
Accounts receivable, net	27,517,468	22,256,730	22,535,089
Student loans receivable	770,222	621,628	510,673
Prepaid expenses	172,303	3,586,283	1,516,058
Deferred charges	266,780	266,780	266,780
Stores inventories	1,832,612	1,754,594	1,692,450
Other current assets	-	-	25,750
Total Currents Assets	102,387,297	100,724,190	94,662,768
Noncurrent Assets:			
Deferred charges	5,415,828	5,682,608	5,949,388
Prepaid expenses	7,078,461	7,387,606	-
Restricted cash and cash equivalents	368,589,938	499,030,957	538,217,494
Non-depreciable capital assets	180,487,313	99,114,649	45,311,034
Depreciable capital assets, net of depreciation	284,588,149	250,013,002	251,229,009
Total Noncurrent Assets	846,159,689	861,228,822	840,706,925
TOTAL ASSETS	948,546,986	961,953,012	935,369,693
LIABILITIES			
Current Liabilities:			
Accounts payable	33,625,589	25,564,758	18,072,661
Interest payable, restricted	16,624,786	17,622,768	8,107,914
Deferred revenue	11,507,994	10,178,081	10,003,127
Amount held in trust on behalf of others	953,758	949,659	1,803,748
Compensated absences payable - current portion	-	2,303,149	2,038,973
Bonds and notes payable - current portion	9,575,000	16,065,000	12,245,000
Other long-term liabilities - current portion	877,627	877,627	877,627
Total Current Liabilities	73,164,754	73,561,042	53,149,050
Noncurrent Liabilities			
Compensated absences payable - noncurrent portion	3,338,217	1,013,153	2,975,755
Bonds and notes payable - noncurrent portion	677,772,064	670,946,723	-
Net OPEB Obligation	4,350,423	2,709,003	-
Other long-term liabilities - noncurrent portion	18,428,645	19,306,275	691,536,128
Total Noncurrent Liabilities	703,889,349	693,975,154	694,511,883
TOTAL LIABILITIES	777,054,103	767,536,196	747,660,933
NET ASSETS			
Invested in capital assets, net of related debt	66,322,802	79,328,342	69,284,869
Restricted for:			
Debt service	18,441,351	26,772,227	30,844,675
Capital projects	58,337,149	56,979,609	52,659,542
Educational programs	4,207,126	3,976,966	3,973,234
Other activities	166,888	177,874	156,256
Unrestricted	24,017,567	27,181,798	30,790,184
TOTAL NET ASSETS	\$ 171,492,883	\$ 194,416,816	\$ 187,708,760

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2009

Total net assets at June 30, 2009, decreased \$23 million over the prior fiscal year. The decrease was primarily due to the decrease in cash and cash equivalents account and increase in liability for Bond construction in the District.

Statement of Revenues, Expenses and Changes in Net Assets

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

Table 2 – Statement of Operating Revenues

	2009	2008	2007
OPERATING REVENUES			
Student Tuition and Fees	\$ 13,580,206	\$ 12,617,332	\$ 13,319,298
Less: Fee waivers and allowance	(3,241,560)	(2,942,230)	(3,380,891)
Net Tuition and fees	<u>10,338,646</u>	<u>9,675,102</u>	<u>9,938,407</u>
Auxiliary Enterprise Sales and Charges			
Bookstore	8,769,069	8,569,211	7,675,822
Cafeteria	211,458	207,873	156,063
Internal Service Sales and Charges	-	-	2,003,309
TOTAL OPERATING REVENUES	<u>19,319,173</u>	<u>18,452,186</u>	<u>19,773,601</u>
OPERATING EXPENSES			
Salaries	92,142,686	87,820,850	83,216,422
Employee benefits	31,784,596	32,107,393	27,731,770
Supplies, materials, and other operating expenses and services	32,627,603	36,265,682	42,979,059
Student financial aid	9,097,088	6,899,035	-
Depreciation	10,486,701	12,596,369	6,705,276
TOTAL OPERATING EXPENSES	<u>176,138,674</u>	<u>175,689,329</u>	<u>160,632,527</u>
OPERATING LOSS	<u>(156,819,501)</u>	<u>(157,237,143)</u>	<u>(140,858,926)</u>
NON-OPERATING REVENUES (EXPENSES)			
State apportionments, noncapital	48,244,024	33,478,098	36,434,017
Local property taxes, levied for general purposes	53,585,109	66,173,389	62,006,836
Local property taxes, levied for special purposes	24,274,761	23,577,893	-
Federal	12,285,730	9,526,924	8,422,187
State	13,644,091	12,572,475	12,628,741
Local	2,188,699	2,811,493	2,693,243
State taxes and other revenues	2,307,213	2,518,268	3,875,899
Investment income (loss), net	(15,601,986)	26,619,435	33,969,407
Interest expense on capital related debt	(30,588,864)	(40,904,192)	(44,963,775)
Interest income on capital asset-related debt, net	155,977	164,587	118
Other non-operating revenue	9,405,516	11,808,859	30,365,811
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>119,900,270</u>	<u>148,347,229</u>	<u>145,432,484</u>
INCOME (LOSS) BEFORE OTHER REVENUES AND EXPENSES	<u>(36,919,231)</u>	<u>(8,889,914)</u>	<u>4,573,558</u>
OTHER REVENUES AND EXPENSES			
State revenues, capital	11,103,757	12,762,469	12,238,275
Local revenues, capital	2,891,541	2,835,501	2,472,262
TOTAL OTHER REVENUES AND EXPENSES	<u>13,995,298</u>	<u>15,597,970</u>	<u>14,710,537</u>
CHANGE IN NET ASSETS	(22,923,933)	6,708,056	19,284,095
NET ASSETS, BEGINNING OF YEAR	194,416,816	187,708,760	168,424,665
NET ASSETS, END OF YEAR	<u>\$ 171,492,883</u>	<u>\$ 194,416,816</u>	<u>\$ 187,708,760</u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2009

Explanatory information for the statement is as follows:

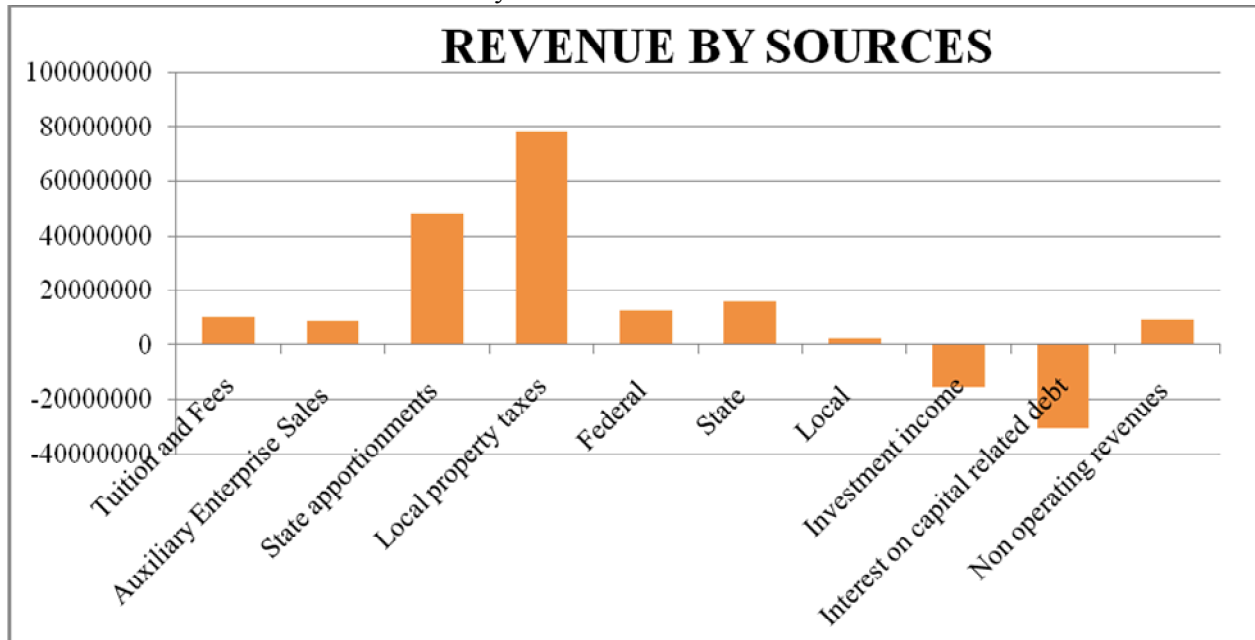
- Tuition and Fees are net of enrollment, health, non-resident tuition, other student fees and less scholarship discount and allowance as defined by GASB statement No. 35.
- Auxiliary Enterprise Sales and Charges consist of bookstore and cafeteria sales less discount allowances.
- State apportionments, 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.
- Federal, and state grants and contract services are “exchange” transactions for which the District files applications, complies with individual spending restrictions, files expenditure reports, and/or signs contracts.
- Net investment income includes interest from the San Mateo County Investment Pool managed by the County Treasurer, certificates of deposit, bond proceeds, and Local Agency Investment Fund (LAIF), less interest expense on capital related debt. The loss to the county investment pool due the Lehman Brothers bankruptcy totaling \$25 million in bond funds and operating funds contributed to the negative interest for year 2008-09. (Note: The County Treasurer manages and invests deposits from governmental entities in San Mateo County in this pool and is examining options and strategies to minimize the actual loss.)
- State and Local Revenues, capital includes State scheduled maintenances funding and issuance of the General Bond. These revenues relate mainly to construction activities.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2009

Below is an illustration of District revenues by source:



Revenues and expenses changed mainly due to the following:

- Net Income from Operating sources illustrated an increase in grants and tuition, increase in salaries and benefits.
- Net Non-Operating sources increased mainly due to an increase in the State apportionment revenue.

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2009

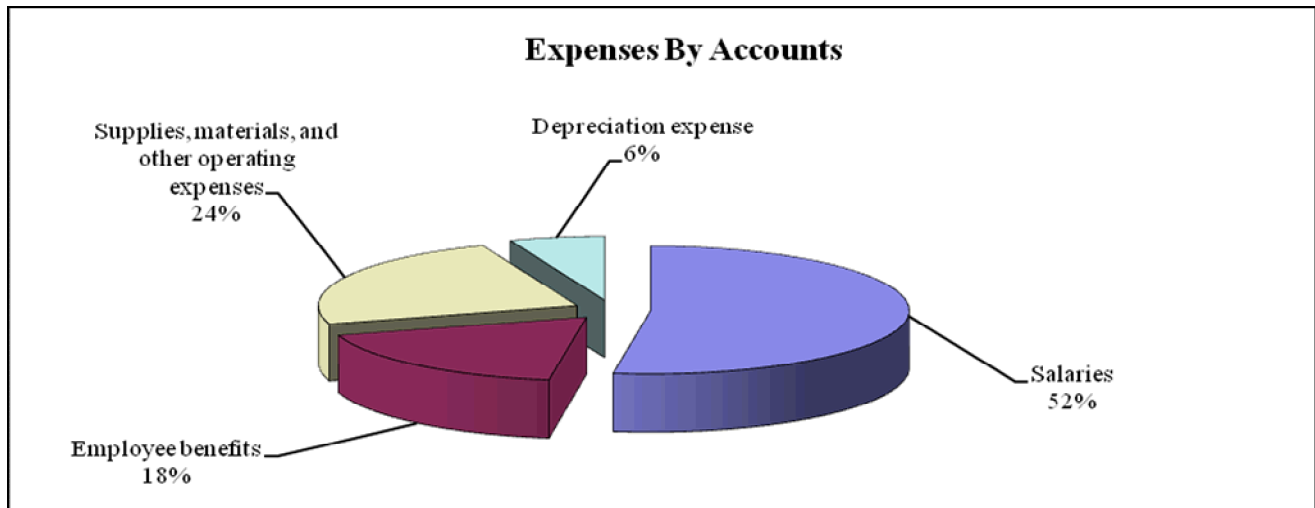
Statement of Operation Expenses by Account

	<u>2009</u>	<u>2008</u>	<u>2007</u>
	in thousands	in thousands	in thousands
Salaries	\$ 92,143	\$ 87,821	\$ 83,216
Employee benefits	31,785	32,107	27,732
Supplies, materials, and other operating expenses	41,725	43,165	42,979
Depreciation expense	10,487	12,596	6,705
TOTAL OPERATING EXPENSES	\$ 176,139	\$ 175,689	\$ 160,633

Statement of Operating Expenses by Activity

	<u>2009</u>	<u>2008</u>	<u>2007</u>
	in thousands	in thousands	in thousands
Instructional activities	\$ 74,873	\$ 67,279	\$ 65,249
Academic support	8,746	10,159	7,021
Student services	20,060	13,923	14,541
Plant operations and maintenance	23,250	46,142	36,870
Instructional support services	15,760	3,554	6,503
Community services and economic development	1,548	1,043	1,160
Ancillary services and auxiliary operations	21,415	20,993	22,583
Depreciation expense	10,487	12,596	6,706
TOTAL OPERATING EXPENSES	\$ 176,139	\$ 175,689	\$ 160,633

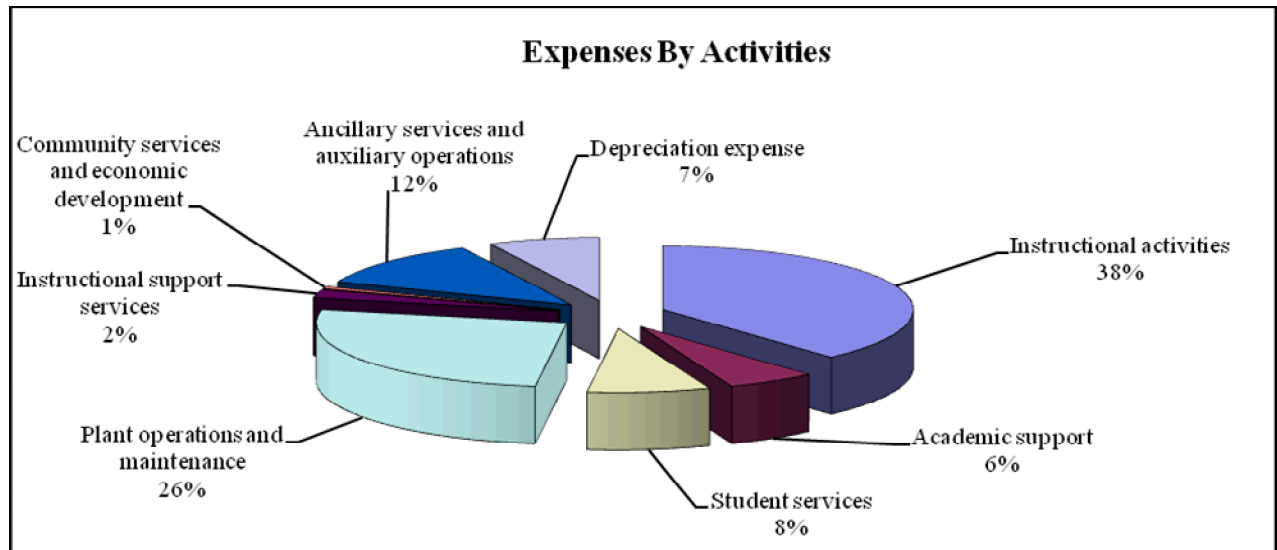
Below are illustrations of District expenditures by accounts and by activities.



SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2009



Cash Flows

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

- The main cash receipts from operating activities consist of tuition, student fees, 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).

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

	<u>2009</u>	<u>2008</u>	<u>2007</u>
	in thousands	in thousands	in thousands
CASH FLOWS PROVIDED BY (USED IN):			
Operating Activities	\$ (131,160,717)	\$ (142,367,221)	\$ (109,377,683)
Noncapital financing activities	152,910,854	149,237,547	111,914,543
Capital financing activities	(138,987,036)	(70,927,807)	296,138,384
Investing activities	(13,614,383)	28,993,151	29,570,764
	<hr/>	<hr/>	<hr/>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(130,851,282)	(35,064,330)	328,246,008
CASH & CASH EQUIVALENTS, BEGINNING OF YEAR	571,269,132	606,333,462	278,087,454
	<hr/>	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 440,417,850	\$ 571,269,132	\$ 606,333,462

Economic Factors and the 2009-10 Budget

The 2009/10 state budget was actually adopted in February, 2009, but was out of balance as soon as it was passed. The budget was revised late in the summer and was again pronounced out of balance. The state’s revenues continue to come in below the budget. The state is relying on borrowing from schools, deferring payments both within the current and into the next fiscal year. The District is relying primarily upon local tax dollars to assist with cash flow, in addition to borrowing through a Tax Revenue Anticipation Note (TRAN). The District adopted a deficit budget for 2009/10, using reserves generated from shifting FTES between years. This is allowing the District time to prepare for mid-year cuts and cuts for the 2010/11 fiscal year. Because the District is planning and preparing for budget cuts one year in advance, the District is able to use the District’s strategic plan to make the cuts in the least harmful way. The District continues to prepare multi-year projections to allow it to plan ahead.

C.I.P. Planning 2009-10 and Beyond

Staff continues to revise and update the master schedule and the master budget of the Capital Improvement Program to coincide with the funding and programming requirements of CSM and Skyline College’s Design-Build Projects, State and locally funded modernization projects. Compilations of site-specific activities, which have recently been completed or are currently in design, pre-construction, or construction, are listed below. The following projects are in the design or preconstruction phases:

Cañada College:

- Buildings 5& 6 Student Center/Classroom Modernization
- Electrical Infrastructure Upgrades

College of San Mateo:

- Building 9 Modernization
- North Gateway (Demolition of Buildings 21-29) Project (State Funded Project)
 - Increment 1- Electrical Load Center 4 Replacement
 - Increment 2- Demolition of Buildings 21-27 & 29; Construction of new North Gateway

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2009

Skyline College:

- Building 1 Ceramics Lab
- Building 1 Skylights Replacement & Waterproofing
- Electrical Infrastructure Upgrades

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

Staff and Faculty Housing

The College District is building a second housing project (Cañada Vista) for faculty and staff on Parking Lot 3 at Cañada College. The project was fully entitled by the City of Redwood City, Town of Woodside and the Local Agency Formation Commission; construction began in April, 2009 and completion is expected in early summer 2010.

Canada Vista will have 60 units: 22 one bedroom or one bedroom with den; 32 two bedrooms; and 6 three-bedroom units. Fifty-six units will have private, individual garages and a washer/dryer. Interior amenities include 9 foot ceilings, wood entryways, individual patios or decks; large windows and sliding glass doors. As is the case with College Vista, rents are expected to be significantly below market rate. The District currently has a wait list of more than 90 faculty and staff members who are interested in renting these units.

The College Vista Project, which has been open for more than 3½ years, continues to be successful and we believe that it has helped the district increase its retention of employees. Ten employees who lived at College Vista have moved out to purchase a new home.

Contacting the District's Financial Management Office

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF NET ASSETS
JUNE 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 882,404	\$ 5,554,918
Investments	70,945,508	66,683,257
Accounts receivable, net	27,517,468	22,256,730
Student loans receivable	770,222	621,628
Prepaid expenses	172,303	3,586,283
Deferred charges	266,780	266,780
Stores inventories	1,832,612	1,754,594
Total Current Assets	<u>102,387,297</u>	<u>100,724,190</u>
Noncurrent Assets		
Deferred charges	5,415,828	5,682,608
Prepaid expenses	7,078,461	7,387,606
Restricted cash and cash equivalents	368,589,938	499,030,957
Nondepreciable capital assets	180,487,313	99,114,649
Depreciable capital assets, net of depreciation	284,588,149	250,013,002
Total Noncurrent Assets	<u>846,159,689</u>	<u>861,228,822</u>
TOTAL ASSETS	<u>948,546,986</u>	<u>961,953,012</u>
LIABILITIES		
Current Liabilities		
Accounts payable	33,625,589	25,564,758
Interest payable, restricted	16,624,786	17,622,768
Deferred revenue	11,507,994	10,178,081
Amounts held in trust on behalf of others	953,758	949,659
Compensated absences payable - current portion	-	2,303,149
Bonds and notes payable - current portion	9,575,000	16,065,000
Other long-term liabilities - current portion	877,627	877,627
Total Current Liabilities	<u>73,164,754</u>	<u>73,561,042</u>
Noncurrent Liabilities		
Compensated absences payable - noncurrent portion	3,338,217	1,013,153
Bonds and notes payable - noncurrent portion	677,772,064	670,946,723
Net OPEB Obligation	4,350,423	2,709,003
Other long-term liabilities - noncurrent portion	18,428,645	19,306,275
Total Noncurrent Liabilities	<u>703,889,349</u>	<u>693,975,154</u>
TOTAL LIABILITIES	<u>777,054,103</u>	<u>767,536,196</u>
NET ASSETS		
Invested in capital assets, net of related debt	66,322,802	79,328,342
Restricted for:		
Debt service	18,441,351	26,772,227
Capital projects	58,337,149	56,979,609
Educational programs	4,207,126	3,976,966
Other activities	166,888	177,874
Unrestricted	24,017,567	27,181,798
TOTAL NET ASSETS	<u>\$ 171,492,883</u>	<u>\$ 194,416,816</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, 2009 AND 2008**

	2009	2008
OPERATING REVENUES		
Student Tuition and Fees	\$ 13,580,206	\$ 12,617,332
Less: Fee waivers and allowance	(3,241,560)	(2,942,230)
Net tuition and fees	10,338,646	9,675,102
Auxiliary Enterprise Sales and Charges		
Bookstore	8,769,069	8,569,211
Cafeteria	211,458	207,873
TOTAL OPERATING REVENUES	19,319,173	18,452,186
OPERATING EXPENSES		
Salaries	92,142,686	87,820,850
Employee benefits	31,784,596	32,107,393
Supplies, materials, and other operating expenses and services	32,627,603	36,265,682
Student financial aid	9,097,088	6,899,035
Depreciation	10,486,701	12,596,369
TOTAL OPERATING EXPENSES	176,138,674	175,689,329
OPERATING LOSS	(156,819,501)	(157,237,143)
NONOPERATING REVENUES (EXPENSES)		
State apportionments, noncapital	48,244,024	33,478,098
Local property taxes, levied for general purposes	53,585,109	66,173,389
Local property taxes, levied for special purposes	24,274,761	23,577,893
Federal grants	12,285,730	9,526,924
State grants	13,644,091	12,572,475
Local grants	2,188,699	2,811,493
State taxes and other revenues	2,307,213	2,518,268
Investment income (loss), net	(15,601,986)	26,619,435
Interest expense on capital related debt	(30,588,864)	(40,904,192)
Interest income on capital asset-related debt, net	155,977	164,587
Other nonoperating revenue	9,405,516	11,808,859
TOTAL NONOPERATING REVENUES (EXPENSES)	119,900,270	148,347,229
LOSS BEFORE OTHER REVENUES AND EXPENSES	(36,919,231)	(8,889,914)
State revenues, capital	11,103,757	12,762,469
Local revenues, capital	2,891,541	2,835,501
TOTAL OTHER REVENUES AND EXPENSES	13,995,298	15,597,970
CHANGE IN NET ASSETS	(22,923,933)	6,708,056
NET ASSETS, BEGINNING OF YEAR	194,416,816	187,708,760
NET ASSETS, END OF YEAR	\$ 171,492,883	\$ 194,416,816

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, 2009 AND 2008**

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 12,810,510	\$ 8,845,398
Non capital grants and contracts	5,103,588	(296,234)
Payments to vendors for supplies and services	(25,724,876)	(27,955,087)
Payments to or on behalf of employees	(122,866,914)	(122,159,326)
Payments to students for scholarships and grants	(9,245,682)	(7,009,990)
Auxiliary sales	8,758,558	7,062,107
Amounts held for others	4,099	(854,089)
Net Cash Flows Used For Operating Activities	(131,160,717)	(142,367,221)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State apportionments	39,535,288	33,100,152
Property taxes, levied for general purposes	53,585,109	66,173,389
Property taxes, levied for special purposes	24,274,761	25,054,878
State taxes and other apportionments	25,862,558	27,429,160
Other receipts (payments)	9,653,138	(2,520,032)
Net Cash Flows From Noncapital Financing Activities	152,910,854	149,237,547
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of capital assets	(122,978,899)	(61,111,115)
Loss on disposal of capital assets	328,303	297,436
Bond accretions	16,400,341	15,659,497
Net increase on OPEB obligations	1,641,420	2,709,003
State revenue, capital projects	11,103,757	12,762,469
Local revenue, capital projects	2,891,541	2,835,501
Deferred cost on issuance	-	266,780
Principal paid on capital debt	(16,942,630)	(13,122,627)
Interest paid on capital debt	(31,586,846)	(31,389,338)
Interest received on capital asset-related debt	155,977	164,587
Net Cash Flows Used for Capital Financing Activities	(138,987,036)	(70,927,807)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received/(paid) from investments	(13,614,383)	28,993,151
NET CHANGE IN CASH AND CASH EQUIVALENTS	(130,851,282)	(35,064,330)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	571,269,132	606,333,462
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 440,417,850	\$ 571,269,132

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, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Loss	<u>\$ (156,819,501)</u>	<u>\$ (132,326,251)</u>
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation expense	10,486,701	12,596,369
Changes in Assets and Liabilities:		
Receivables, net	2,529,798	(2,095,357)
Inventories	(78,018)	(62,144)
Prepaid items	3,413,980	(2,044,475)
Student loans receivable, net	(148,594)	(110,955)
Accounts payable and accrued liabilities	8,060,831	7,265,619
Deferred revenue	1,389,987	174,954
Funds held for others	4,099	(854,089)
Total Adjustments	<u>25,658,784</u>	<u>14,869,922</u>
Net Cash Flows From Operating Activities	<u><u>\$ (131,160,717)</u></u>	<u><u>\$ (117,456,329)</u></u>
 CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:		
Cash in banks, unrestricted	\$ 882,404	\$ 5,554,918
Cash equivalents	70,945,508	66,683,257
Cash equivalents, restricted	368,589,938	499,030,957
Total Cash and Cash Equivalents	<u><u>\$ 440,417,850</u></u>	<u><u>\$ 571,269,132</u></u>
 NON CASH TRANSACTIONS		
On behalf payments for benefits	<u><u>\$ 1,772,764</u></u>	<u><u>\$ 1,771,986</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
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 86,793	\$ 53,577
Accounts receivable	202	404
Prepaid expenses	2,500	2,721
Total Current Assets	<u>\$ 89,495</u>	<u>\$ 56,702</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 136	\$ -
Deferred rent	30,614	-
Other deferred revenue	510	-
Rent security deposits	50,899	50,024
Total Current Liabilities	<u>82,159</u>	<u>50,024</u>
NET ASSETS		
Unrestricted	<u>7,336</u>	<u>6,678</u>
Total Liabilities and Net Assets	<u>\$ 89,495</u>	<u>\$ 56,702</u>

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

DISCRETELY PRESENTED COMPONENT UNIT EDUCATIONAL HOUSING CORPORATION STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
REVENUES		
Rental income	\$ 560,482	\$ 553,581
Interest and dividends	1,234	146
Commission	221	2,262
Water reimbursement	11,304	8,670
Total Revenues	<u>573,241</u>	<u>564,659</u>
EXPENSES		
Operating expenses	115,083	93,931
Total Expenses	<u>115,083</u>	<u>93,931</u>
OTHER SOURCES AND USES		
Transfer out to SMCCCD	(457,500)	(470,000)
Total Other Uses	<u>(457,500)</u>	<u>(470,000)</u>
CHANGE IN NET ASSETS	658	728
NET ASSETS, BEGINNING OF YEAR	6,678	5,950
NET ASSETS, END OF YEAR	<u>\$ 7,336</u>	<u>\$ 6,678</u>

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**DISCRETELY PRESENTED COMPONENT UNIT
EDUCATIONAL HOUSING CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 658	\$ 728
Changes in Assets and Liabilities		
Decrease in accounts receivable	202	121
Decrease in prepaid expenses	221	437
Increase/(decrease) in accounts payable	136	(1,966)
Increase/(decrease) in deferred revenue	31,124	(32,036)
Increase in rent security deposits	875	590
Net Cash Flows From Operating Activities	<u>33,216</u>	<u>(32,126)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	33,216	(32,126)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>53,577</u>	<u>85,703</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 86,793</u></u>	<u><u>\$ 53,577</u></u>

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

Financial Reporting Entity

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

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

The San Mateo County Community College District Financing Corporation (the Corporation) is a legally separate organization component unit of the District. The Corporation was formed to issue debt specifically for the acquisition and construction of capital assets for the District. The Board of Trustees of the Corporation is the same as the Board of Trustees of the District. The financial activity has been “blended” or consolidated within the financial statements as the District as if the activity was the District’s. The activity is included as the COP Payment Fund and COP Construction Fund in the District’s governmental funds. The Certificates of Participation issued by the Corporation were defeased in fiscal year 2005-2006 and the related liabilities have been removed from the District’s financial statement. Individually-prepared financial statements are not prepared for the Corporation.

The San Mateo County Community Colleges Educational Housing Corporation (the Corporation) is a legally separate organization component unit of the District. The Corporation was formed to operate staff and faculty housing. The Board of Trustees of the Corporation is the same as the Board of Trustees of the District. The financial activity of the Corporation is reported separately in the financial statements. Individually-prepared financial statements are not prepared for the Corporation.

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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 are classified as nonoperating revenue. Federal and State grants received to provide direct grants to students are classified as nonoperating revenues because the District does not generally receive any direct benefit from the grants and are recognized in the fiscal year in which all eligibility requirements are satisfied. Eligibility requirements may include time and/or purpose requirements. Property tax revenue is recognized in the fiscal year received. State apportionment revenue is earned based upon criteria set forth from the Community Colleges System's Office and includes reporting of full-time equivalent student (FTES) attendance. The corresponding apportionment revenue is recognized in the period the FTES are generated.

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

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

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

- 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

Cash and Cash Equivalents

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

Investments

Investments held at June 30, 2009 and 2008, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

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 \$1,757,816 and \$1,429,168 for the years ended June 30, 2009 and 2008, respectively.

Prepaid Expenditures

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

Inventory

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

Capital Assets and Depreciation

Capital assets are long-lived assets of the District as a whole and include land, construction-in-progress, buildings, leasehold improvements, and equipment. The District maintains an initial unit cost capitalization threshold of \$5,000 for equipment and \$100,000 for land, buildings and improvements. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. The District does not possess any infrastructure.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

Donated capital assets are recorded at estimated fair market value at the date of donation. Improvements to buildings and land that significantly increase the value or extend the useful life of the asset are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Major outlays for capital improvements are capitalized as construction-in-progress as the projects are constructed.

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

Accrued Liabilities and Long-term Obligations

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

Deferred Issuance Costs, Premiums, and Discounts

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

Compensated Absences

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

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

Deferred Revenue

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

Net Assets

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

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

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

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

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

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

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

State Apportionments

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

On-Behalf Payments

GASB Statement No. 24 requires direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees for another legally separate entity be recognized as revenues and expenditures by the employer entity. The State of California makes direct on-behalf payments to the California State Teachers' Retirement System (CalSTRS) on behalf of all community colleges in California. The amounts of on-behalf payments were \$1,772,764.

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.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

Property Taxes

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

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

Scholarship Discounts and Allowances

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

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, Federal Work-Study, and Stafford Loan programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. These programs are audited in accordance with the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget's revised Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the related *Compliance Supplement*. During the year ended June 30, 2009 and 2008, the District distributed \$1,313,235 and \$423,255 in student loans through the U.S. Department of Education Federal Family Education Loan Program.

These amounts have not been included as revenues or expenses within the accompanying financial statements as the amounts were passed directly to qualifying students; however, the amounts are included on the Schedule of Expenditures of Federal Awards.

Interfund Activity

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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.

New Accounting Pronouncements

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Classifications*. The objectives of this Statements is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this Statement are effective for the financial statements for periods beginning after June 15, 2010. The District does not anticipate a significant impact in reporting as a result of this Statement as fund financial information is not reported.

In April 2009, the GASB issued GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to incorporate the hierarchy of generally accepted accounting principles (GAAP) for State and local governments into the GASB authoritative literature. The "GAAP hierarchy" consists of the sources of accounting principles used in the preparation of financial statements for State and local governmental entities that are presented in conformity with GAAP and the framework for selecting those principles. GASB Statement No. 55 is effective immediately.

In April 2009, the GASB issued GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statement on Auditing Standards*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the AICPA's Statements on Auditing Standards. This Statement addresses three issues not included in the authoritative literature that establishes accounting principles: related party transactions, going concern considerations, and subsequent events. The presentation of principles used in the preparation of financial statements is more appropriately included in accounting and financial reporting standards rather than auditing literature. GASB Statement No. 56 is effective immediately.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

Comparative Financial Information

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

NOTE 2 – DEPOSITS AND INVESTMENTS

Policies and Practices

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

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

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

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, 2009 and 2008 are classified in the accompanying financial statements as follows:

	2009	2008
Business-type activities	\$ 440,417,850	\$ 571,269,132
Component Unit	86,793	53,577
Total Deposits and Investments	<u>\$ 440,504,643</u>	<u>\$ 571,322,709</u>

Deposits and investments as of June 30, 2009 and 2008 consist of the following:

	2009	2008
Cash on hand and in banks	\$ 887,397	\$ 5,546,595
Cash in revolving	81,800	61,900
Investments	439,535,446	565,714,614
Total Deposits and Investments	<u>\$ 440,504,643</u>	<u>\$ 571,323,109</u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

Interest Rate Risk

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

Weighted Average Maturity

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity In Years</u>
Brokered certificates of deposit	\$ 5,000	0.35
County Pool	411,287,544	1.00
State Investment Pool	28,242,902	0.64
Total	<u>\$ 439,535,446</u>	

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the County pool and LAIF are not required to be rated, nor have they been rated as of June 30, 2009.

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, 2009 and 2008, the District's bank balances of approximately \$0 and \$790,000, respectively, were exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

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>2009</u>	<u>2008</u>
Federal Government		
Categorical aid	\$ 1,679,591	\$ 1,412,150
State Government		
Apportionment	7,828,425	2,762,055
Categorical aid	956,107	1,071,633
Lottery	1,153,244	1,008,431
Other state sources	5,010,449	744,000
Local Sources		
Interest	2,364,020	4,351,623
Other local sources	<u>5,322,634</u>	<u>5,100,667</u>
Subtotal	24,314,470	16,450,559
Student receivables	4,960,814	7,235,339
Less allowance for bad debt	<u>(1,757,816)</u>	<u>(1,429,168)</u>
Accounts receivables, net	<u>\$ 27,517,468</u>	<u>\$ 22,256,730</u>
Student loans	<u>\$ 770,222</u>	<u>\$ 621,628</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, 2009 and 2008 include \$907,136 for loans made to 14 District employees to purchase houses. All full time employees who purchase a home and contribute at least 20 percent of the purchase price are eligible to receive loans of up to \$75,000 per employee. Repayment terms and interest rates are: no payments due in years 1 through 5, payments of principal and interest in years 6-29, with final payment of any remaining balance in year 30. Selling the property, withdrawing cash from the equity, or leaving the District’s employment accelerates the due date of the loan. Interest is charged at 4 percent per year. As of June 30, 2009, all of the funds have been loaned out. No loans will be granted to additional employees until existing loans are paid back.

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, 2009**

NOTE 4 – PREPAID EXPENSES AND OTHER ASSETS

The significant item within prepaid expense is that the District has entered into a long-term contract for the insurance of the bond construction projects throughout the District. The insurance agreement calls for an original lump-sum payment of \$10,264,301 which is being amortized over the life of the insurance coverage. The prepaid expense as of June 30, 2009 was \$7,078,461. Amortization of the prepaid balance is as follows:

2009-2010	\$ 3,247,065
2010-2011	3,145,563
2011-2012	677,016
2012-2013	7,558
2013-2014	1,259
Total	<u><u>\$ 7,078,461</u></u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2009, 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	78,486,357	123,729,738	42,357,074	159,859,021
Total Capital Assets Not Being Depreciated	<u>99,114,649</u>	<u>123,729,738</u>	<u>42,357,074</u>	<u>180,487,313</u>
Capital Assets Being Depreciated				
Land improvements	12,953,351	-	-	12,953,351
Buildings and improvements	287,580,688	42,357,074	3,525,767	326,411,995
Furniture, equipment, and vehicles	19,678,183	3,033,077	86,157	22,625,103
Total Capital Assets Being Depreciated	<u>320,212,222</u>	<u>45,390,151</u>	<u>3,611,924</u>	<u>361,990,449</u>
Less Accumulated Depreciation				
Land improvements	8,401,201	264,234	-	8,665,435
Buildings and improvements	52,489,281	7,716,829	3,197,464	57,008,646
Furniture, equipment, and vehicles	9,308,738	2,505,638	86,157	11,728,219
Total Accumulated Depreciation	<u>70,199,220</u>	<u>10,486,701</u>	<u>3,283,621</u>	<u>77,402,300</u>
Net Capital Assets Being Depreciated	<u>250,013,002</u>	<u>34,903,450</u>	<u>328,303</u>	<u>284,588,149</u>
Net Capital Assets	<u><u>\$ 349,127,651</u></u>	<u><u>\$ 158,633,188</u></u>	<u><u>\$ 42,685,377</u></u>	<u><u>\$ 465,075,462</u></u>

Depreciation expense for the year was \$10,486,701.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

Capital asset activity for the District for the fiscal year ended June 30, 2008, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	\$ 20,628,292	\$ -	\$ -	\$ 20,628,292
Construction in progress	24,682,742	64,031,063	10,227,448	78,486,357
Total Capital Assets Not Being Depreciated	<u>45,311,034</u>	<u>64,031,063</u>	<u>10,227,448</u>	<u>99,114,649</u>
Capital Assets Being Depreciated				
Land improvements	10,973,536	1,979,815	-	12,953,351
Buildings and improvements	279,333,055	8,247,633	-	287,580,688
Furniture, equipment, and vehicles	20,662,450	1,450,351	2,434,618	19,678,183
Less Accumulated Depreciation				
Land improvements	8,131,701	269,500	-	8,401,201
Buildings and improvements	43,115,386	9,373,895	-	52,489,281
Furniture, equipment, and vehicles	8,492,945	2,952,974	2,137,181	9,308,738
Total Accumulated Depreciation	<u>59,740,032</u>	<u>12,596,369</u>	<u>2,137,181</u>	<u>70,199,220</u>
Net Capital Assets Being Depreciated	<u>251,229,009</u>	<u>(918,570)</u>	<u>297,437</u>	<u>250,013,002</u>
Net Capital Assets	<u>\$ 296,540,043</u>	<u>\$ 63,112,493</u>	<u>\$ 10,524,885</u>	<u>\$ 349,127,651</u>

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

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	2009	2008
Accrued payroll	\$ 2,508,857	\$ 1,470,404
Federal categorical aid	-	1,775
Construction	18,433,665	14,976,277
Vendor	12,683,067	9,116,302
Total	<u>\$ 33,625,589</u>	<u>\$ 25,564,758</u>

Discretely Presented Component Unit

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 7 - DEFERRED REVENUE

Deferred revenue at June 30, 2009 consisted of the following:

	<u>2009</u>	<u>2008</u>
Federal financial assistance	\$ 10,000	\$ 13,880
State categorical aid	1,387,587	542,988
Enrollment fees	3,821,366	3,952,675
Other local	6,289,041	5,668,538
Total	<u>\$ 11,507,994</u>	<u>\$ 10,178,081</u>

NOTE 8 – INTERFUND TRANSACTIONS

Interfund Receivables and Payable (Due To/Due From)

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

Operating Transfers

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. These operating transfers have been eliminated through consolidation within the entity-wide financial statements.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2009 fiscal year consisted of the following:

	Balance Beginning of Year	Additions/ Accretions	Deductions	Balance End of Year	Due in One Year
Bonds and Notes Payable					
General obligation bonds	\$ 687,011,723	\$ 16,400,341	\$ 16,065,000	\$ 687,347,064	\$ 9,575,000
Other Liabilities					
Compensated absences	3,316,302	21,915	-	3,338,217	-
Net OPEB obligation	2,709,003	8,175,590	6,534,170	4,350,423	-
Total Other Liabilities	693,037,028	24,597,846	22,599,170	695,035,704	9,575,000
Premiums, net of amortization	20,183,902	-	877,630	19,306,272	877,627
Total Long-term Liabilities	<u>\$ 713,220,930</u>	<u>\$ 24,597,846</u>	<u>\$ 23,476,800</u>	<u>\$ 714,341,976</u>	<u>\$ 10,452,627</u>

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

	Balance Beginning of Year	Additions/ Accretions	Deductions	Balance End of Year	Due in One Year
Bonds and Notes Payable					
General obligation bonds	\$ 683,597,226	\$ 15,659,497	\$ 12,245,000	\$ 687,011,723	\$ 16,065,000
Total Bonds and Notes Payable	<u>683,597,226</u>	<u>15,659,497</u>	<u>12,245,000</u>	<u>687,011,723</u>	<u>16,065,000</u>
Other Liabilities					
Compensated absences	2,975,755	340,547	-	3,316,302	2,303,149
Net OPEB obligation	-	9,056,503	6,347,500	2,709,003	-
Total Other Liabilities	686,572,981	25,056,547	18,592,500	693,037,028	18,368,149
Premiums, net of amortization	21,061,529	-	877,627	20,183,902	877,627
Total Long-term Liabilities	<u>\$ 707,634,510</u>	<u>\$ 25,056,547</u>	<u>\$ 19,470,127</u>	<u>\$ 713,220,930</u>	<u>\$ 19,245,776</u>

Description of Debt

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

General obligation bonds were approved by local elections in 2001 and 2005. The total amount approved by the voters in 2001 and 2005 were \$207,000,000 and \$468,000,000, respectively. All of the authorized 2001 and 2005 bonds have been issued. Interest rates on the 2001 bonds are range from 3.00 percent - 5.74 percent and the interest rates on the 2005 bonds are range from 3.50 percent – 5.00 percent. At June 30, 2009, the outstanding balances for the 2001 and 2005 bonds were \$208,069,324 and \$479,277,740, respectively.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

Debt Maturity

General Obligation Bonds

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds
				Outstanding July 1, 2008	Interest Accretions	Redeemed	Outstanding June 30, 2009
6/4/2002	9/1/2026	5.2-5.74%	\$96,875,613	\$ 91,509,353	\$ 1,424,139	\$ 1,855,000	\$ 91,078,492
2/9/2005	9/1/2029	3.00-5.00%	69,995,132	72,734,449	1,333,078	800,000	73,267,527
4/11/2006	3/1/2031	3.50-5.00%	40,124,660	42,835,070	1,438,235	550,000	43,723,305
4/11/2006	9/1/2030	3.75-5.00%	135,429,395	134,361,478	4,050,670	12,860,000	125,552,148
12/12/2006	9/1/2038	3.50-5.00%	332,570,194	345,571,373	8,154,219	-	353,725,592
				<u>\$ 687,011,723</u>	<u>\$ 16,400,341</u>	<u>\$ 16,065,000</u>	<u>\$ 687,347,064</u>

The bonds mature through 2039 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2010	\$ 9,575,000	\$ 15,685,881	\$ 25,260,881
2011	11,200,000	15,294,608	26,494,608
2012	12,985,000	14,836,700	27,821,700
2013	14,910,000	14,289,483	29,199,483
2014	16,945,000	13,692,094	30,637,094
2015-2019	115,083,537	57,048,482	172,132,019
2020-2024	127,108,335	40,821,590	167,929,925
2025-2029	131,052,569	30,445,688	161,498,257
2030-2034	130,475,398	18,537,000	149,012,398
2035-2039	118,012,225	7,180,000	125,192,225
Total	<u>\$ 687,347,064</u>	<u>\$ 227,831,526</u>	<u>\$ 915,178,590</u>

NOTE 10 – 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, 2009, the amount of defeased debt outstanding but removed from the Long-Term Obligations amounted to \$29,869,679.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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

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

Plan Description

The Postemployment Benefit Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the San Mateo County Community College District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 712 retirees and beneficiaries currently receiving benefits and 840 active plan members. Board designated activity of the Plan is presented in these financial statements as the Retiree Health Benefits Reserve Fund. Unfunded portion of annual required contributions (net OPEB obligation) is presented in the statement of net assets as a portion of long-term obligations.

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually through agreements between the District and the bargaining units. For fiscal year 2008-2009, the District contributed \$6,536,822 to the Plan, all of which was used for premiums (approximately 80 percent of current year's annual required contribution). Plan members receiving benefits contributed \$709,430. Contributions made by retirees include \$3,660 paid to the District by the retirees for premiums and approximately \$98,796 deducted from the retirees' pensions for premiums.

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 8,175,590
Annual OPEB cost (expense)	(6,534,170)
Increase in net OPEB obligation	<u>1,641,420</u>
Net OPEB obligation, beginning of year	<u>2,709,003</u>
Net OPEB obligation, end of year	<u><u>\$ 4,350,423</u></u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2009 was as follows:

<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
2008	\$ 9,056,503	70%	\$ 2,709,003
2009	\$ 8,175,590	80%	\$ 4,350,423

Funding Status and Funding Progress

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

Actuarial Methods and Assumptions

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

In the June 30, 2009, actuarial valuation, the Entry Age Normal Actuarial Cost Method was used. The actuarial assumptions included a 5 percent investment rate of return (net of administrative expenses), based on the Plan being funded in a retiree benefits reserve fund invested in a long-term fixed income portfolio. Healthcare cost trend rates assumed 4 percent per year. The UAAL is being amortized at a level dollar method. The remaining amortization period at June 30, 2009, was 30 years. The actuarial value of assets was not determined in this actuarial valuation. At July 1, 2009, the District's Retiree Health Benefits Reserve Fund held net assets in the amount of \$34,564,965, which consisted of \$33,580,139 on deposit with the bank and county treasurer and receivables in the amount of \$990,638.

NOTE 12 - RISK MANAGEMENT

Insurance Coverages

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ending June 30, 2009, the District contracted with MacCorkle Inc., an insurance broker to manage the District's insurance claims. The District is self-insured for the first \$150,000. Settled claims have not exceeded this commercial coverage.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

Workers' Compensation

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

Employee Medical Benefits

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

Claim Liabilities

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

Unpaid Claims Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2007 to June 30, 2009 (in thousands):

	Workers' Compensation	Property and Liability
Liability Balance, July 1, 2007	\$ 225,947	\$ 240,415
Claims and changes in estimates	859,601	71,130
Claims payments	(216,923)	(11,545)
Liability Balance, June 30, 2008	868,625	300,000
Claims and changes in estimates	938,053	-
Claims payments	(272,532)	-
Liability Balance, June 30, 2009	\$ 1,534,146	\$ 300,000
Assets available to pay claims at June 30, 2009	\$ 7,821,334	\$ 300,000

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

CalSTRS

Plan Description

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

Funding Policy

Active members are required to contribute eight percent of their salary while the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2008-2009 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's total contributions to CalSTRS for the fiscal years ended June 30, 2009, 2008, and 2007, were \$3,248,693, \$3,538,898, and \$3,385,035, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

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

Funding Policy

Active plan members are required to contribute 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 2008-2009 was 9.428 percent of covered payroll. The District's contributions to CalPERS for fiscal years ending June 30, 2009, 2008, and 2007, were \$3,221,484, \$3,067,890, and \$2,734,647, respectively, and equaled 100 percent of the required contributions for each year.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

On-Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS. The State of California made contributions to CalSTRS on behalf of the District for fiscal year ending June 30, 2009, 2008, and 2007 amounted to \$1,772,764, \$1,771,986, and \$2,004,829, respectively, and equaled 4.517 percent of salaries subject to CalSTRS. These amounts have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

Deferred Compensation

The District offers its employees 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 46 members participating in the 457 plan at June 30, 2009.

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 14 - COMMITMENTS AND CONTINGENCIES

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2009.

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

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2009.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

Early Retirement

The District offered an early incentive retirement plan to all bargaining units who elect early retirement. The program provides six options depending on their eligibility. All options include a cash payout. A net savings of \$1,085,322 is estimated as a result of the early incentive retirement plan. As of June 30, 2009, 22 employees elected to accept the early incentive retirement. The cost of the incentives was \$426,750. 20 of the positions were eliminated. One portion of the incentive in the amount of \$10,000 will be paid in 2009-10.

Construction Commitments

As of June 30, 2009, 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	\$ 916,361	within 1 years
State funded capital outlay projects	120,719	within 2 year
2001 G.O. Bond (Measure C) construction projects	25,389	within 6 months
2005 G.O. Bond (Measure A) construction projects	139,092,143	within 4 years
	<u>\$140,154,612</u>	

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

Deferral of State Apportionments

Due to the inability of the California State legislature to enact a budget by June 30, 2009, certain apportionments owed to the District for funding of FTES, categorical programs, and construction reimbursements which are attributable to the 2008-2009 fiscal year have been deferred to the 2009-2010 fiscal year. The total amount of funding deferred into the 2009-2010 fiscal year was \$7,823,637 million. As of July 31, 2009, the entire deferred balance has been received. These deferrals of apportionment are considered permanent with future funding also being subject to deferral into future years.

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

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

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

During the year ended June 30, 2009, the District made payment of \$55,000 to MacCorkle Inc. for the insurance related services, \$30,308 to School Excess Liability Fund for excess liability program and approximately \$325,000 to South Bay Regional Public Safety Training Consortium JPA.

NOTE 16 - TAX AND REVENUE ANTICIPATION NOTES

On July 6, 2007, the District issued \$5,000,000 Tax and Revenue Anticipation Notes bearing interest at 4.250 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on July 1, 2008. By May, 2008, the District had placed 100 percent of principal and interest in an irrevocable trust for the sole purpose of satisfying the notes. The District was not required to make any additional payments on the notes.

On July 1, 2008, the District issued \$13,395,000 Tax and Revenue Anticipation Notes bearing interest at 3.000 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on July 6, 2009. By May 2009, 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 \$13,395,000 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
2008 3.00% TRANS	\$ -	\$ 13,395,000	\$ 13,395,000	\$ -

NOTE 17 - SUBSEQUENT EVENTS

The District issued \$29,530,000 of Tax and Revenue Anticipation Notes dated July 6, 2009. The notes mature on July 1, 2010, and yield 0.594 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, 2010, until 100 percent of principal and interest due is on account in May, 2010.

In October 2009, the District established an irrevocable trust fund for the Other Postemployment Benefit Plan and transferred \$5 million into the Trust to relieve the District of its post retirement medical benefits liability. The District intends to transfer funds annually as the budget allows.

***REQUIRED SUPPLEMENTARY
INFORMATION***

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
PROGRESS
FOR THE YEAR ENDED JUNE 30, 2009**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a] / c)
September 1, 2006	\$ -	\$ 149,530,877	\$ 149,530,877	\$ -	\$ 87,823,351	170.26%
September 8, 2009	\$ -	\$ 135,296,490	\$ 135,296,490	\$ -	\$ 92,142,686	146.83%

SUPPLEMENTARY INFORMATION

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION JUNE 30, 2009

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

BOARD OF TRUSTEES

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

ADMINISTRATION

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION		
Student Financial Aid Cluster		
Federal Work Study Program	84.033	\$ 396,815
Pell Grant	84.063	8,016,809
Supplemental Educational Opportunity Grant (SEOG)	84.007	500,241
Federal Family Education Loans	84.032	1,313,235
Academic Competitiveness Grant (ACG)	84.375	90,550
Postsecondary Education		
TRIO Cluster		
Student Support Services	84.042A	655,559
Upward Bound	84.047A	242,194
International Education		
Undergraduate International Studies and Foreign Language	84.016	42,277
Undergraduate Education		
Minority Science and Engineering Improvement	84.120	48,769
College Cost Reduction and Access Act Hispanic Serving Institutions	84.031C	442,594
Vocational Education		
Passed through Cabrillo Community College District:		
CTEA I-B State Leadership - Bay Area Regional Consortium	84.048A	49,664
Passed through California Department of Education:		
CTEA I-C Basic Grants to States	84.048A	695,227
CTEA II Tech Prep Education	84.243	249,215
Educational Research and Improvement		
Passed through County of San Mateo:		
Fund for the Improvement of Education	84.215	237,204
Elementary and Secondary Education		
Passed through Sequoia Union High School District:		
Twenty-First Century Community Learning Centers	84.287	24,717
Special Education and Rehabilitation Services		
Passed through California Department of Development Services:		
Special Education-Grants for Infants and Families	84.181	8,090
Passed through California Department of Rehabilitation:		
Vocational Rehabilitation-Workability	84.126A	142,143
Total U.S. Department of Education		13,155,303
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Administration for Children and Families		
Passed through California Department of Education:		
Temporary Assistance for Needy Families (TANF)	93.558	78,376
Child Care and Development Block Grant	93.575	42,268
Total U.S. Department of Health and Human Services		120,644

See accompanying note to supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2009**

U.S. DEPARTMENT OF AGRICULTURE		
Passed through California Department of Education:		
Child and Adult Care Food Program	10.558	<u>33,591</u>
U.S. DEPARTMENT OF LABOR		
Passed through County of San Mateo/California EDD:		
WIA Dislocated Workers	17.260	2,104
Community Based Job Training Grants	17.269	<u>7,050</u>
Total U.S. Department of Labor		<u>9,154</u>
U.S. DEPARTMENT OF THE TREASURY		
Volunteer Income Tax Assistance (VITA) Matching Grant Program	21.009	<u>3,000</u>
NATIONAL SCIENCE FOUNDATION		
Education and Human Resources	47.076	<u>295,773</u>
Total Expenditures of Federal Awards		<u>\$ 13,617,465</u>

See accompanying note to supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2009**

Program	Program Revenues				Total
	Cash Received	Accounts Receivable	Deferred Revenue ^[1]	Total Revenue	Program Expenditures
GENERAL FUND					
Disabled Students Programs & Services	1,775,024	\$ -	53,099	\$ 1,721,925	\$ 1,721,925
Extended Opportunity Programs & Services	1,799,917	-	71,503	1,728,414	1,728,414
CARE/EOPS	120,739	-	22,402	98,337	98,337
Matriculation	1,428,589	-	123,220	1,305,369	1,305,369
Foster Parent Training	35,592	38,351	-	73,943	73,943
FA Administrative Allowance	750,992	-	36,640	714,352	714,352
Block Grant	193,725	-	(36,316)	230,041	230,041
T-Com and Technology (TTIP)	108,108	-	(36,959)	145,067	145,067
CalWORKs	334,125	-	-	334,125	334,125
Middle College High School	97,476	147,392	-	244,868	244,868
CITD Economic Development	234,400	38,400	(159,992)	432,792	432,792
Transfer and Articulation	12,000	-	457	11,543	11,543
Staff Diversity	19,451	-	(3,812)	23,263	23,263
Staff Development	-	-	(15,114)	15,114	15,114
Statewide Leadership Multimedia	144,900	27,600	(8,499)	180,999	180,999
MESA/CCCP Funds for Student Success	83,988	75,266	-	159,254	159,254
RCSD CBET Program	75,432	7,840	-	83,272	83,272
Lottery-Prop 20-Instructional Materials	53,006	235,861	-	288,867	198,996
Nursing-Enrollment Growth	116,256	22,144	(22,147)	160,547	160,547
SUHSD CBET Program	17,485	18,880	-	36,365	36,365
Econ Dev Quick Start Biotech	40,000	16,781	-	56,781	56,781
Econ Dev Quick Start Multimedia Cabrillo CCD	15,800	-	-	15,800	15,800
Basic Skills 06-07 reappropriation	-	-	(325,440)	325,440	325,440
Econ Dev IDRC Judicial Careers	-	38,454	-	38,454	38,454
Econ Dev IDRC Int'l Trade Logistics	46,770	54,423	(138,937)	240,130	240,130
Econ Dev JDIF Technician Training	-	27,502	(52,577)	80,078	80,078
Garfield RCSD CBET Program	9,706	170	-	9,875	9,875
Econ Dev Health Careers Pathways	125,000	-	(79,870)	204,870	204,870
Basic Skills 07-08	-	-	(402,151)	402,151	402,151
CCC Live Caption	-	-	(6,197)	6,197	6,197
Econ Dev Incumbent Worker - Solar Energy	-	80,000	(249,084)	329,084	329,084
CTE Equip - Allied Health	-	-	(99,930)	99,930	99,930
Econ Dev IDRC Surgical Technology	264,572	50,395	-	314,967	314,967
CTE Community Collaborative Project	369,655	-	194,614	175,041	175,041
Basic Skills 08-09 appropriation	538,662	-	477,264	61,398	61,398
CTE Com Collaborative Project 09-10	399,701	-	375,651	24,050	24,050
Entrepreneurship Career Pathways	50,000	-	50,000	-	-
LACCD - CCC ESL/BSI Prof Dev Grant	-	31,250	-	31,250	31,250
State Library	9,777	1,182	(5,314)	16,273	16,273
CDE Child Development	454,953	26,197	-	481,150	481,150
Cal Grant	468,110	18,019	-	486,129	486,129
Total State Programs	\$ 10,193,911	\$ 956,107	\$ (237,489)	\$ 11,387,505	\$ 11,297,634

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

See accompanying note to supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR STATE
GENERAL APPORTIONMENT – ANNUAL/ACTUAL ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2009**

CATEGORIES	<u>Revised Reported Data*</u>	<u>Audit Adjustments</u>	<u>Audited Data</u>
A. Summer Intersession (Summer 2008 Only)			
1. Noncredit	1	-	1
2. Credit	2,486	-	2,486
B. Summer Intersession (Summer 2009 - Prior to July 1, 2009)			
1. Noncredit	-	-	-
2. Credit	116	-	116
C. Primary Terms (Exclusive of Summer Intersection)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	15,708	-	15,708
(b) Daily Census Contact Hours	1,058	-	1,058
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	85	-	85
(b) Credit	1,208	-	1,208
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	894	-	894
(b) Daily Census Contact Hours	292	-	292
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	<u>21,850</u>	<u>-</u>	<u>21,850</u>
E. Basic Skills courses and Immigrant Education (FTES)			
1. Noncredit	40	-	40
2. Credit	2,198	-	2,198
	<u>2,238</u>	<u>-</u>	<u>2,238</u>

* Revised on October 1, 2009.

See accompanying note to supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
(CCFS-311) WITH FUND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

There were no adjustments to the Annual Financial and Budget Report (CCFS-311), which required reconciliation to the audited financial statements at June 30, 2009.

See accompanying note to supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET TO
THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009**

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

Total Fund Balance - All District Funds	\$ 418,842,288
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	542,477,762
Accumulated depreciation is	<u>(77,402,300)</u>
Capital assets recorded in proprietary funds.	(532,903)
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.	235,312
Expenditures relating to issuance of debt were recognized on the modified accrual basis, but should not be recognized in accrual basis.	5,682,608
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.	(16,624,786)
An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	13,156,878
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Long-term liabilities at year end consist of:	
Bonds payable	687,347,064
Premiums, net of amortization	19,306,272
Net OPEB Obligation	4,350,423
Compensated absences (vacations)	<u>3,338,217</u>
Total Net Assets	<u>\$ 171,492,883</u>

See accompanying note to supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2009**

	General Unrestricted	General Restricted	Child Development	Retiree Benefits
ASSETS				
Cash and cash equivalents	\$ 8,483,641	\$ 8,582,109	\$ 179,295	\$ 11,334,204
Investments	5,736,136	-	-	22,245,935
Accounts receivable, net of allowance	13,093,110	3,776,761	58,592	990,638
Due from other funds	41,038	-	-	-
Prepaid expenses	25,885	35,355	-	-
Total Assets	\$ 27,379,810	\$ 12,394,225	\$ 237,887	\$ 34,570,777
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	\$ 8,979,675	\$ 1,035,349	\$ 55,931	\$ 4,600
Due to other funds	90	-	-	-
Deferred revenue	3,869,640	7,151,750	15,068	1,212
Total Liabilities	12,849,405	8,187,099	70,999	5,812
FUND EQUITY				
Fund Balances				
Reserved	25,785	-	-	-
Unreserved				
Designated	14,244,896	3,940,520	-	-
Undesignated	259,724	266,606	166,888	34,564,965
Total Fund Equity	14,530,405	4,207,126	166,888	34,564,965
Total Liabilities and Fund Equity	\$ 27,379,810	\$ 12,394,225	\$ 237,887	\$ 34,570,777

See accompanying note to additional supplementary information.

Bond Interest and Redemption	COP Payment	Capital Outlay Projects	Bond Construction	COP Construction	Total Governmental Funds (Memorandum Only)
\$ 18,194,825	\$ 157,735	\$ 55,623,294	\$ 289,656,913	\$ 4,957,171	\$ 397,169,187
-	-	-	-	-	27,982,071
87,886	905	6,414,558	1,844,306	-	26,266,756
-	-	-	51,823	-	92,861
-	-	-	7,141,962	-	7,203,202
<u>\$ 18,282,711</u>	<u>\$ 158,640</u>	<u>\$ 62,037,852</u>	<u>\$ 298,695,004</u>	<u>\$ 4,957,171</u>	<u>\$ 458,714,077</u>
\$ -	\$ -	\$ 3,375,894	\$ 14,285,123	\$ 772,648	\$ 28,509,220
-	-	51,823	-	-	51,913
-	-	272,986	-	-	11,310,656
-	-	3,700,703	14,285,123	772,648	39,871,789
-	-	-	-	-	25,785
-	-	-	-	-	18,185,416
18,282,711	158,640	58,337,149	284,409,881	4,184,523	400,631,087
<u>18,282,711</u>	<u>158,640</u>	<u>58,337,149</u>	<u>284,409,881</u>	<u>4,184,523</u>	<u>418,842,288</u>
<u>\$ 18,282,711</u>	<u>\$ 158,640</u>	<u>\$ 62,037,852</u>	<u>\$ 298,695,004</u>	<u>\$ 4,957,171</u>	<u>\$ 458,714,077</u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2009**

	General Unrestricted	General Restricted	Child Development	Retiree Benefits
REVENUES				
Federal revenues	\$ -	\$ 3,693,819	\$ 53,434	\$ -
State revenues	52,812,233	10,415,651	481,150	-
Local revenues	61,395,605	7,674,460	241,850	297,539
Total Revenues	114,207,838	21,783,930	776,434	297,539
EXPENDITURES				
Current Expenditures				
Academic salaries	46,855,300	4,973,147	187,560	-
Classified salaries	23,991,334	8,356,389	548,475	-
Employee benefits	23,810,308	3,338,067	296,268	-
Books and supplies	1,453,317	1,994,359	75,589	-
Services and operating expenditures	9,768,956	3,725,648	96,839	69,016
Capital outlay	132,353	269,792	15,484	-
Debt service - principal	-	-	-	-
Debt service - interest and other	-	-	-	-
Total Expenditures	106,011,568	22,657,402	1,220,215	69,016
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	8,196,270	(873,472)	(443,781)	228,523
OTHER FINANCING SOURCES (USES)				
Operating transfers in	631,487	2,064,236	432,795	1,500,000
Operating transfers out	(4,612,935)	(121,265)	-	-
Other sources	9,574	411,795	-	-
Other uses	(5,542)	(1,251,134)	-	-
Total Other Financing Sources (Uses)	(3,977,416)	1,103,632	432,795	1,500,000
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	4,218,854	230,160	(10,986)	1,728,523
FUND BALANCE, BEGINNING OF YEAR	10,311,551	3,976,966	177,874	32,836,442
FUND BALANCE, END OF YEAR	\$ 14,530,405	\$ 4,207,126	\$ 166,888	\$ 34,564,965

See accompanying note to additional supplementary information.

Bond Interest and Redemption	COP Payment	Capital Outlay Projects	Bond Construction	COP Construction	Total Governmental Fund (Memorandum Only)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,747,253
156,142	-	11,103,757	-	-	74,968,933
23,640,377	1,740	1,237,522	10,758,464	13,570	105,261,127
<u>23,796,519</u>	<u>1,740</u>	<u>12,341,279</u>	<u>10,758,464</u>	<u>13,570</u>	<u>183,977,313</u>
-	-	-	142,601	-	52,158,608
-	-	73,421	2,773,508	-	35,743,127
-	-	13,605	842,713	-	28,300,961
-	-	1,019,168	3,990,473	9,334	8,542,240
-	-	558,632	33,704,593	2,583,420	50,507,104
-	-	10,093,341	101,733,075	69,516	112,313,561
16,065,000	-	-	-	-	16,065,000
16,064,135	-	-	-	-	16,064,135
<u>32,129,135</u>	<u>-</u>	<u>11,758,167</u>	<u>143,186,963</u>	<u>2,662,270</u>	<u>319,694,736</u>
(8,332,616)	1,740	583,112	(132,428,499)	(2,648,700)	(135,717,423)
-	-	1,408,773	16,116	-	6,053,407
-	-	(1,043,116)	(393,565)	-	(6,170,881)
-	-	408,771	3,415	-	833,555
-	-	-	-	-	(1,256,676)
<u>-</u>	<u>-</u>	<u>774,428</u>	<u>(374,034)</u>	<u>-</u>	<u>(540,595)</u>
(8,332,616)	1,740	1,357,540	(132,802,533)	(2,648,700)	(136,258,018)
26,615,327	156,900	56,979,609	417,212,414	6,833,223	555,100,306
<u>\$ 18,282,711</u>	<u>\$ 158,640</u>	<u>\$ 58,337,149</u>	<u>\$284,409,881</u>	<u>\$ 4,184,523</u>	<u>\$ 418,842,288</u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**PROPRIETARY FUNDS
BALANCE SHEET
JUNE 30, 2009**

	Enterprise Funds			Internal Service Fund
	Bookstore	Cafeteria	Total	
ASSETS				
Cash and cash equivalents	\$ 2,443,684	\$ 245,658	\$ 2,689,342	\$ 8,121,334
Investments	2,236,692	-	2,236,692	-
Accounts receivable	315,528	42,205	357,733	-
Prepaid expenses	47,562	-	47,562	-
Stores inventories	1,832,612	-	1,832,612	-
Furniture and equipment (net)	353,856	168,118	521,974	-
Total Assets	\$ 7,229,934	\$ 455,981	\$ 7,685,915	\$ 8,121,334
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	\$ 758,196	\$ 16,590	\$ 774,786	\$ 1,834,637
Due to other funds	-	40,948	40,948	-
Total Liabilities	758,196	57,538	815,734	1,834,637
FUND EQUITY				
Retained earnings	6,471,738	398,443	6,870,181	6,286,697
Total Liabilities and Fund Equity	\$ 7,229,934	\$ 455,981	\$ 7,685,915	\$ 8,121,334

See accompanying note to additional supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
RETAINED EARNINGS
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Enterprise Funds</u>			<u>Internal Service Fund</u>
	<u>Bookstore</u>	<u>Cafeteria</u>	<u>Total</u>	
OPERATING REVENUES				
Sales revenues	\$ 8,769,069	\$ 211,458	\$ 8,980,527	\$ -
Total Operating Income	<u>8,769,069</u>	<u>211,458</u>	<u>8,980,527</u>	<u>-</u>
OPERATING EXPENSES				
Classified salaries	1,765,302	20,401	1,785,703	121,604
Employee benefits	23,027	4,886	27,913	41,530
Books and supplies	6,473,648	-	6,473,648	-
Services and other operating expenditures	679,511	181,817	861,328	1,802,343
Total Operating Expenses	<u>8,941,488</u>	<u>207,104</u>	<u>9,148,592</u>	<u>1,965,477</u>
Operating Income (Loss)	<u>(172,419)</u>	<u>4,354</u>	<u>(168,065)</u>	<u>(1,965,477)</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	124,563	(13,978)	110,585	(215,748)
Other sources	337,670	-	337,670	2,022,868
Total Nonoperating Revenues (Expenses)	<u>462,233</u>	<u>(13,978)</u>	<u>448,255</u>	<u>1,807,120</u>
NET INCOME (LOSS)	289,814	(9,624)	280,190	(158,357)
RETAINED EARNINGS, BEGINNING OF YEAR	<u>6,181,924</u>	<u>408,067</u>	<u>6,589,991</u>	<u>6,445,054</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 6,471,738</u>	<u>\$ 398,443</u>	<u>\$ 6,870,181</u>	<u>\$ 6,286,697</u>

See accompanying note to additional supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**PROPRIETARY FUNDS
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Enterprise Funds</u>			<u>Internal Service Fund</u>
	<u>Bookstore</u>	<u>Cafeteria</u>	<u>Total</u>	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from user charges	\$ 8,738,704	\$ 214,114	\$ 8,952,818	\$ -
Cash paid from other funds	-	(118,958)	(118,958)	(5,054)
Cash payments to employees for services	(1,788,329)	(25,287)	(1,813,616)	(163,134)
Cash reimbursements from insurance claims	-	-	-	1,534,637
Cash payments to suppliers for goods and services	(7,132,275)	(14,248)	(7,146,523)	(1,802,343)
Net Cash Provided (Used) for Operating Activities	<u>(181,900)</u>	<u>55,621</u>	<u>(126,279)</u>	<u>(435,894)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Contribution from other funds	337,670	-	337,670	2,022,868
Net Cash Provided from Noncapital Financing Activities	<u>337,670</u>	<u>-</u>	<u>337,670</u>	<u>2,022,868</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(64,516)	(146,303)	(210,819)	-
Net Cash Used for Capital and Related Financing Activities	<u>(64,516)</u>	<u>(146,303)</u>	<u>(210,819)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	124,563	(13,978)	110,585	(215,748)
Net Cash Provided (Used) from Investing Activities	<u>124,563</u>	<u>(13,978)</u>	<u>110,585</u>	<u>(215,748)</u>
Net increase (decrease) in cash and cash equivalents	215,817	(104,660)	111,157	1,371,226
Cash and cash equivalents - Beginning	4,464,559	350,318	4,814,877	6,750,108
Cash and cash equivalents - Ending	<u>\$ 4,680,376</u>	<u>\$ 245,658</u>	<u>\$ 4,926,034</u>	<u>\$ 8,121,334</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	(172,419)	4,354	(168,065)	(1,965,477)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	90,987	29,978	120,965	-
Changes in assets and liabilities:				
Receivables	(30,365)	2,656	(27,709)	-
Due to other fund	-	(118,958)	(118,958)	(5,054)
Prepaid expenses	5,631	126,381	132,012	-
Inventories	(78,018)	-	(78,018)	-
Accrued liabilities	2,284	11,210	13,494	1,534,637
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (181,900)</u>	<u>\$ 55,621</u>	<u>\$ (126,279)</u>	<u>\$ (435,894)</u>

See accompanying note to additional supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**FIDUCIARY FUNDS
BALANCE SHEET
JUNE 30, 2009**

	Associated Students Trust	Student Representation Fee	Student Financial Aid
ASSETS			
Cash and cash equivalents	\$ 1,499,388	\$ 57,818	602,858
Accounts receivable	892,979	-	770,222
Fixed assets	10,929	-	-
Total Assets	\$ 2,403,296	\$ 57,818	\$ 1,373,080
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts payable	\$ 1,507,356	\$ -	\$ 939,924
Deferred revenue	-	-	197,338
Due to student groups and other	895,940	57,818	506
Total Liabilities	2,403,296	57,818	1,137,768
FUND EQUITY			
Fund Balances			
Unreserved			
Undesignated	-	-	235,312
Total Fund Equity	-	-	235,312
Total Liabilities and Fund Equity	\$ 2,403,296	\$ 57,818	\$ 1,373,080

See accompanying note to additional supplementary information.

BACC	
JPA	Total
\$ 59,160	\$ 2,219,224
-	1,663,201
-	10,929
<u>\$ 59,160</u>	<u>\$ 3,893,354</u>

\$ -	\$ 2,447,280
-	197,338
59,160	1,013,424
<u>59,160</u>	<u>3,658,042</u>

-	235,312
-	235,312
<u>\$ 59,160</u>	<u>\$ 3,893,354</u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2009**

	Student Financial Aid
REVENUES	
Federal revenues	\$ 8,538,477
State revenues	486,129
Local revenues	61,812
Total Revenues	<u>9,086,418</u>
OTHER FINANCING SOURCES (USES)	
Operating transfers in	121,265
Operating transfers out	(3,791)
Other uses	(9,160,580)
Total Other Financing Sources (Uses)	<u>(9,043,106)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	43,312
FUND BALANCE, BEGINNING OF YEAR	<u>192,000</u>
FUND BALANCE, END OF YEAR	<u>\$ 235,312</u>

See accompanying note to additional supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2009

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

Schedule of Expenditures of State Awards

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

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

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

Reconciliation of Annual Financial and Budget Report with Fund Financial Statements

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

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

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

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.

*INDEPENDENT AUDITORS'
REPORTS*



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

VALUE THE DIFFERENCE

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

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

We have audited the financial statements of the business-type activities of the San Mateo County Community College District (the District) for the years ended June 30, 2009 and 2008, and have issued our report thereon dated December 8, 2009. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of San Mateo County Community College District in a separate letter dated December 8, 2009.

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

Vavrinek, Time, Day & Co., LLP

Pleasanton, California
December 8, 2009



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

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

Compliance

We have audited the compliance of San Mateo County Community College District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2009. San Mateo County Community College District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of San Mateo County Community College District's management. Our responsibility is to express an opinion on San Mateo County Community College District's compliance based on our audit.

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

In our opinion, San Mateo County Community College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

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

A *control deficiency* in a district's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a Federal program on a timely basis.

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

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

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

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

Vavrinek, Time, Day & Co., LLP

Pleasanton, California
December 8, 2009



REPORT ON STATE COMPLIANCE

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

We have audited the financial statements of the San Mateo County Community College District (the District) with the type of compliance requirements described in Section 400 of the California State System's Office's *California Community College District Audit Manual (CDAM)* that are applicable to community colleges in the State of California. The specific requirements are described below.

We conducted our audit of compliance 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements with State laws and regulations have occurred. An audit includes examining, on a test basis, evidence about San Mateo County Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of San Mateo County Community College District's compliance with those requirements.

General Directive

Section 424: MIS Implementation - State General Apportionment Funding System

Administration

Section 435: Open Enrollment

Section 437: Student Fees - Instructional Materials and Health Fees

Apportionments

Section 423: Apportionment of Instructional Service Agreements/Contracts

Section 425: Residency Determination for Credit Courses

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

Section 432: Enrollment Fee

Section 426: Students Actively Enrolled

Fiscal Operations

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

Section 431: Gann Limit Calculation

Student Services

Section 428: Use of Matriculation Funds

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

Facilities

Section 434: Scheduled Maintenance Program

In our opinion, the San Mateo County Community College District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2009.

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

Vavrinek, Time, Day & Co., LLP

Pleasanton, California
December 8, 2009

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2009**

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.033, 84.063, 84.007, 84.375, 84.032	Student Financial Aid Cluster
84.031C	Hispanic Serving Institutions
_____	_____
_____	_____

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 408,524</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for State programs:	<u>Unqualified</u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS

None reported.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported.

STATE AWARDS FINDINGS AND QUESTIONED COSTS

None reported.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

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

2008-1 Finding

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

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

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

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

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

Criteria or Specific Requirement

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

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

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

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

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

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

Condition

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

Questioned Costs

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

Context

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

Effect

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

Cause

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

Recommendation

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

Current Status

Implemented.