

**SAN MATEO COUNTY
COMMUNITY
COLLEGE DISTRICT**

**ANNUAL FINANCIAL REPORT
JUNE 30, 2001**

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

OF SAN MATEO COUNTY

SAN MATEO, CALIFORNIA

JUNE 30, 2001

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Patricia Miljanich	President	2003
Richard Holober	Vice President / Clerk	2001
Helen Hausman	Trustee	2001
Thomas L. Constantino	Trustee	2003
Karen Schwarz	Trustee	2003
Benjamin Gonzales	Student Trustee	2001

ADMINISTRATION

Ron Galatolo	Chancellor – Superintendent
Dr. James Albanese	Associate Chancellor
Dr. Shirley Kelly	President – College of San Mateo
Rosa Perez	President – Canada College
Dr. Frances White	President - Skyline College

ORGANIZATION

The San Mateo Community College District was established in 1922 and included three college campuses. The three colleges; College of San Mateo, Skyline College and Canada College, provide higher educational instructions to students throughout San Mateo County. During the 2000-2001 fiscal year, there were no changes to the boundaries of the District.

INTRODUCTION

The audit of the San Mateo County Community College District has the following objectives:

To determine the accountability for revenues, the propriety of expenditures, and the extent to which funds have been expended in accordance with prescribed state and federal laws and regulations.

To determine whether financial and financially related reports to state and federal agencies are presented fairly.

To determine whether the District's financial statements are presented fairly in accordance with accounting principles generally accepted in the United States of America.

To assess the adequacy of the internal control structure to form the basis for expressing an opinion on the above items.

To recommend appropriate actions to correct any deficiencies in the District's system.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying general-purpose and combining financial statements of the San Mateo County Community College District, as of and for the year ended June 30, 2001, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the general-purpose and combining financial statements referred to above present fairly, in all material respects, the financial position of the San Mateo County Community College District at June 30, 2001, and the results of its operations and the cash flows of its proprietary funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2001, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial and statistical 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose and combining financial statements and, in our opinion, is fairly stated in all material respects, in relation to the general-purpose and combining financial statements taken as a whole.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
October 12, 2001

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SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

ALL FUND TYPES AND ACCOUNT GROUPS
 COMBINED BALANCE SHEET
 JUNE 30, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS				
Cash	\$ 737,195	\$ 225	\$ -	\$ -
Investments	22,798,180	121,064	-	1,708,196
Accounts receivable	5,452,472	19,267	-	2,743,434
Due from other funds	1,187,427	7,672	-	1,539,557
Stores inventory	-	-	-	-
Prepaid expenditures	261,310	-	-	-
Other current assets	38,129	-	-	-
Fixed assests	-	-	-	-
Amount to be provided for the retirement of general long-term debt	-	-	-	-
Total Assets	\$30,474,713	\$ 148,228	\$ -	\$ 5,991,187
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Deficit cash balances	-	-	-	25,000
Accounts payable	12,605,075	32,587	-	1,543,755
Due to other funds	2,525,667	14,615	-	97,211
Deferred revenue	7,177,893	7,205	-	75,000
Due to student groups	-	-	-	-
General long-term debt	-	-	-	-
Total Liabilities	22,308,635	54,407	-	1,740,966
FUND EQUITY				
Retained earnings	-	-	-	-
Investments in fixed assets	-	-	-	-
Fund balances				
Reserved	900,335	93,821	-	4,250,221
Unreserved				
Designated	7,265,743	-	-	-
Undesignated	-	-	-	-
Total Fund Equity	8,166,078	93,821	-	4,250,221
Total Liabilities and Fund Equity	\$30,474,713	\$ 148,228	\$ -	\$ 5,991,187

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

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Long-Term Debt	General Fixed Assets	
\$ 643,973	\$ -	\$ 951,837	\$ -	\$ -	\$ 2,333,230
3,657,962	435,304	14,469,810	-	-	43,190,516
353,665	-	155,498	-	-	8,724,336
-	-	158,566	-	-	2,893,222
1,211,580	-	-	-	-	1,211,580
13,759	-	-	-	-	275,069
-	-	45,797	-	-	83,926
237,808	-	-	-	104,353,611	104,591,419
-	-	-	1,512,242	-	1,512,242
<u>\$ 6,118,747</u>	<u>\$ 435,304</u>	<u>\$ 15,781,508</u>	<u>\$ 1,512,242</u>	<u>\$ 104,353,611</u>	<u>\$ 164,815,540</u>
-	-	-	-	-	25,000
350,873	50,000	214,481	-	-	14,796,771
-	-	255,729	-	-	2,893,222
-	-	168,158	-	-	7,428,256
-	-	823,046	-	-	823,046
-	-	-	1,512,242	-	1,512,242
<u>350,873</u>	<u>50,000</u>	<u>1,461,414</u>	<u>1,512,242</u>	<u>-</u>	<u>27,478,537</u>
5,767,874	385,304	-	-	-	6,153,178
-	-	-	-	104,353,611	104,353,611
-	-	112,896	-	-	5,357,273
-	-	14,207,198	-	-	21,472,941
-	-	-	-	-	-
<u>5,767,874</u>	<u>385,304</u>	<u>14,320,094</u>	<u>-</u>	<u>104,353,611</u>	<u>137,337,003</u>
<u>\$ 6,118,747</u>	<u>\$ 435,304</u>	<u>\$ 15,781,508</u>	<u>\$ 1,512,242</u>	<u>\$ 104,353,611</u>	<u>\$ 164,815,540</u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2001**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
REVENUES				
Federal revenues	\$2,416,562	\$ 25,796	\$ -	\$ -
Other state revenues	19,515,156	338,812	-	2,677,898
Other local revenues	76,918,536	222,563	-	1,336,409
Total Revenues	98,850,254	587,171	-	4,014,307
EXPENDITURES				
Current Expenditures				
Certificated salaries	39,945,939	188,782	-	-
Classified salaries	21,063,879	330,533	-	109,030
Employee benefits	12,655,030	95,976	-	10,230
Books and supplies	2,610,366	78,026	-	53,062
Services and operating expenditures	10,948,255	33,563	40,376	540,304
Other outgo	-	-	-	28,000
Capital outlay	4,447,164	30,838	-	6,242,345
Debt service - principal	-	-	635,000	-
Debt service - interest and other	-	-	20,955	-
Total Expenditures	91,670,633	757,718	696,331	6,982,971
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	7,179,621	(170,547)	(696,331)	(2,968,664)
OTHER FINANCING SOURCES/(USES)				
Operating transfers in	285	101,056	-	4,146,638
Operating transfers out	(5,658,665)	-	-	-
Other sources	-	-	-	778,000
Other uses	(738,786)	-	-	-
Total Other Financing Sources/(Uses)	(6,397,166)	101,056	-	4,924,638
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	782,455	(69,491)	(696,331)	1,955,974
FUND BALANCE, BEGINNING OF YEAR	7,383,623	163,312	696,331	2,294,247
FUND BALANCE, END OF YEAR	\$8,166,078	\$ 93,821	\$ -	\$4,250,221

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

Fiduciary Fund Type	Total (Memorandum Only)
<u>Expendable Trust</u>	
\$ 3,257,283	\$ 5,699,641
169,492	22,701,358
962,592	79,440,100
<u>4,389,367</u>	<u>107,841,099</u>
-	40,134,721
-	21,503,442
-	12,761,236
-	2,741,454
-	11,562,498
-	28,000
-	10,720,347
-	635,000
-	20,955
-	<u>100,107,653</u>
<u>4,389,367</u>	<u>7,733,446</u>
1,350,686	5,598,665
-	(5,658,665)
-	778,000
<u>(3,611,227)</u>	<u>(4,350,013)</u>
<u>(2,260,541)</u>	<u>(3,632,013)</u>
2,128,826	4,101,433
12,191,268	22,728,781
<u>\$ 14,320,094</u>	<u>\$ 26,830,214</u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**ALL GOVERNMENTAL FUND TYPES
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2001**

	General		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES			
Federal revenues	\$ 2,730,484	\$ 2,416,562	\$ (313,922)
Other state revenues	22,970,457	19,515,156	(3,455,301)
Other local revenues	80,214,609	76,918,536	(3,296,073)
Total Revenues	<u>105,915,550</u>	<u>98,850,254</u>	<u>(7,065,296)</u>
EXPENDITURES			
Current Expenditures			
Certificated salaries	40,506,841	39,945,939	560,902
Classified salaries	22,724,705	21,063,879	1,660,826
Employee benefits	13,653,155	12,655,030	998,125
Books and supplies	6,229,192	2,610,366	3,618,826
Services and operating expenditures	13,640,512	10,948,255	2,692,257
Other outgo	-	-	-
Capital outlay	7,618,644	4,447,164	3,171,480
Debt service - principal	-	-	-
Debt service - interest and other	-	-	-
Total Expenditures	<u>104,373,049</u>	<u>91,670,633</u>	<u>12,702,416</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>1,542,501</u>	<u>7,179,621</u>	<u>5,637,120</u>
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	212,191	285	(211,906)
Operating transfers out	(9,138,315)	(5,658,665)	3,479,650
Other sources	-	-	-
Other uses	-	(738,786)	(738,786)
Total Other Financing Sources/(Uses)	<u>(8,926,124)</u>	<u>(6,397,166)</u>	<u>2,528,958</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	<u>(7,383,623)</u>	<u>782,455</u>	<u>8,166,078</u>
FUND BALANCE, BEGINNING OF YEAR	<u>7,383,623</u>	<u>7,383,623</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ 8,166,078</u>	<u>\$ 8,166,078</u>

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

Special Revenue			Debt Service		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 35,000	\$ 25,796	\$ (9,204)	\$ -	\$ -	\$ -
396,919	338,812	(58,107)	-	-	-
279,852	222,563	(57,289)	-	-	-
<u>711,771</u>	<u>587,171</u>	<u>(124,600)</u>	<u>-</u>	<u>-</u>	<u>-</u>
188,782	188,782	-	-	-	-
333,952	330,533	3,419	-	-	-
95,976	95,976	-	-	-	-
92,071	78,026	14,045	-	-	-
257,980	33,563	224,417	40,376	40,376	-
-	-	-	-	-	-
35,638	30,838	4,800	-	-	-
-	-	-	635,000	635,000	-
-	-	-	20,955	20,955	-
<u>1,004,399</u>	<u>757,718</u>	<u>246,681</u>	<u>696,331</u>	<u>696,331</u>	<u>-</u>
<u>(292,628)</u>	<u>(170,547)</u>	<u>122,081</u>	<u>(696,331)</u>	<u>(696,331)</u>	<u>-</u>
129,316	101,056	(28,260)	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>129,316</u>	<u>101,056</u>	<u>(28,260)</u>	<u>-</u>	<u>-</u>	<u>-</u>
(163,312)	(69,491)	93,821	(696,331)	(696,331)	-
163,312	163,312	-	696,331	696,331	-
<u>\$ -</u>	<u>\$ 93,821</u>	<u>\$ 93,821</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**ALL GOVERNMENTAL FUND TYPES
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2001**

	Capital Projects		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES			
Federal revenues	\$ -	\$ -	\$ -
Other state revenues	10,291,424	2,677,898	(7,613,526)
Other local revenues	1,623,257	1,336,409	(286,848)
Total Revenues	<u>11,914,681</u>	<u>4,014,307</u>	<u>(7,900,374)</u>
EXPENDITURES			
Current Expenditures			
Certificated salaries	-	-	-
Classified salaries	111,606	109,030	2,576
Employee benefits	10,868	10,230	638
Books and supplies	78,973	53,062	25,911
Services and operating expenditures	1,599,743	540,304	1,059,439
Other outgo	238,420	28,000	210,420
Capital outlay	15,761,305	6,242,345	9,518,960
Debt service - principal	-	-	-
Debt service - interest and other	-	-	-
Total Expenditures	<u>17,800,915</u>	<u>6,982,971</u>	<u>10,817,944</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>(5,886,234)</u>	<u>(2,968,664)</u>	<u>2,917,570</u>
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	3,591,987	4,146,638	554,651
Operating transfers out	-	-	-
Other sources	-	778,000	778,000
Other uses	-	-	-
Total Other Financing Sources/(Uses)	<u>3,591,987</u>	<u>4,924,638</u>	<u>1,332,651</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	<u>(2,294,247)</u>	<u>1,955,974</u>	<u>4,250,221</u>
FUND BALANCE, BEGINNING OF YEAR	<u>2,294,247</u>	<u>2,294,247</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ 4,250,221</u>	<u>\$ 4,250,221</u>

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

Total (Memorandum Only)

<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 2,765,484	\$ 2,442,358	\$ (323,126)
33,658,800	22,531,866	(11,126,934)
82,117,718	78,477,508	(3,640,210)
<u>118,542,002</u>	<u>103,451,732</u>	<u>(15,090,270)</u>
40,695,623	40,134,721	560,902
23,170,263	21,503,442	1,666,821
13,759,999	12,761,236	998,763
6,400,236	2,741,454	3,658,782
15,538,611	11,562,498	3,976,113
238,420	28,000	210,420
23,415,587	10,720,347	12,695,240
635,000	635,000	-
20,955	20,955	-
<u>123,874,694</u>	<u>100,107,653</u>	<u>23,767,041</u>
<u>(5,332,692)</u>	<u>3,344,079</u>	<u>8,676,771</u>
3,933,494	4,247,979	314,485
(9,138,315)	(5,658,665)	3,479,650
-	778,000	778,000
-	(738,786)	(738,786)
<u>(5,204,821)</u>	<u>(1,371,472)</u>	<u>3,833,349</u>
(10,537,513)	1,972,607	12,510,120
<u>10,537,513</u>	<u>10,537,513</u>	<u>-</u>
<u>\$ -</u>	<u>\$ 12,510,120</u>	<u>\$ 12,510,120</u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**PROPRIETARY FUND TYPES
 COMBINED STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN RETAINED EARNINGS
 FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Enterprise</u>	<u>Internal Service</u>
OPERATING REVENUE		
Local revenues	\$ 6,944,089	\$ 34,586
Total Operating Revenue	<u>6,944,089</u>	<u>34,586</u>
OPERATING EXPENSES		
Classified salaries	1,069,117	-
Employee benefits	176,061	-
Books and supplies	4,941,310	400
Services and other operating expenditures	525,921	31,621
Total Operating Expenses	<u>6,712,409</u>	<u>32,021</u>
OPERATING INCOME	<u>231,680</u>	<u>2,565</u>
NONOPERATING REVENUES/(EXPENSES)		
Interest	190,653	-
Transfers in	-	60,000
Total Nonoperating Revenue/(Expenses)	<u>190,653</u>	<u>60,000</u>
NET INCOME	422,333	62,565
RETAINED EARNINGS, BEGINNING OF YEAR	5,345,541	322,739
RETAINED EARNINGS, END OF YEAR	<u><u>\$ 5,767,874</u></u>	<u><u>\$ 385,304</u></u>

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**PROPRIETARY FUND TYPES - INDIRECT
COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2001.**

	<u>Proprietary</u>	<u>Internal Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income/(loss)	\$ 231,680	\$ 2,565
Adjustments to reconcile operating income/(loss) to net cash flows from operating activities		
Depreciation	76,965	-
Changes in assets and liabilities		
(Increase)/decrease in:		
Accounts receivable	70,714	-
Inventory	104,409	-
Prepaid	(10,976)	-
Increase/(decrease) in:		
Accounts payable	(90,923)	2,000
Other liability	(8,961)	-
Due to other funds	(27,596)	-
Net Cash Flows From Operating Activities	<u>345,312</u>	<u>4,565</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase (sale) of equipment	29,401	-
Changes in investment	(76,965)	-
Transfer in	-	60,000
Interest income	190,653	-
NET INCREASE IN CASH	<u>488,401</u>	<u>64,565</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,813,534</u>	<u>370,739</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 4,301,935</u>	<u>\$ 435,304</u>

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

The District includes all funds and account groups that are controlled by or dependent on the District's governing board for financial reporting purposes. The District has considered all potential component units in determining how to define the reporting entity, using criteria set forth in accounting principles generally accepted in the United States of America. The District determined that there are no potential component units that meet the criteria for inclusion within the reporting entity.

B. Fund Accounting

The accounts of the District are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance (or retained earnings), revenues, and expenditures (or expenses), as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District accounts are organized into fund types and account groups as follows:

Governmental Funds

- General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.
- Special Revenue Fund is used to account for specific revenue sources that are legally restricted to expenditures for specific purposes such as the Child Development Fund.
- Debt Service Funds are used to account for the accumulation of resources for and the payment of general long-term debt principal, interest, and related costs.
- Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental general fixed assets. This fund includes the Capital Outlay Fund.

Proprietary Funds

- Enterprise Funds include the Bookstore and the Cafeteria and are used to account for operations that are financed and operated in a manner similar to private business enterprises.
- Internal Service Funds are used to account for services rendered on a cost-reimbursement basis within the District.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

Fiduciary Funds

- Expendable Trust Funds and Agency Funds are used to account for assets held by the District as trustee. These funds include the Student Financial Aid and Retiree Benefits Funds, and the Associated Student Government and Student Representation Funds.

Account Group

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds and expendable trust funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheet. Their reported fund balance is considered a measure of "available spendable resources". Thus, the long-term liabilities associated with governmental funds and expendable trust funds are accounted for in the account groups of the District.

- General Fixed Assets Account Group is used to account for fixed assets used in governmental fund type operations. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date of the donation. No depreciation is recorded on general fixed assets.
- The General Long-Term Debt Account Group is used to account for long-term liabilities expected to be financed from governmental funds.

C. Basis of Accounting

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

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

Fiduciary fund assets and liabilities are also accounted for on the modified accrual basis.

Proprietary funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the related liabilities are incurred. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before December 31, 1997, unless those pronouncements conflict with or contradict GASB pronouncements.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

D. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. The District's governing board adopts a preliminary operating budget no later than July 1 and a revised budget with a public hearing by September 15 in accordance with State law. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements. The Board revises this budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. It is this final revised budget that is presented in these financial statements. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account. The budget for the Debt Service Fund is maintained within the General Fund and is not shown separately.

E. Encumbrances

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

F. Stores Inventory

Inventory in the Bookstore is valued at a lower of cost or market utilizing the first in, first out method. Inventory consists of books, educational supplies, computers, and sundry items held for sale primarily to students, faculty and employees of the District.

G. Prepaid Expenditures

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

H. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as long-term liabilities of the District in the general long-term debt account group.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. 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, therefore, 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.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

I. Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of fund balance not available for appropriation or amounts legally segregated for a specific future use.

Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

J. Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1. Unsecured property taxes are payable in one installment on or before August 31. The County of San Mateo bills and collects the taxes for the District. The District recognizes tax revenues when received.

K. Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the proprietary funds consider all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalent. Investments held in the county treasury are considered to be cash equivalents.

L. 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.

M. Fixed Assets

Property and equipment in governmental funds are recorded as a current expenditure in the fund incurring the expense and are capitalized in the General Fixed Assets Account Group at cost or estimated historical cost if no other information is available. Donated fixed assets are recorded at their estimated fair value at the date of donation. Assets in governmental funds are not depreciated.

The cost of normal maintenance and repairs that do not add value or extend the useful life of the assets are not capitalized but are expensed as incurred.

Property and equipment in the proprietary funds are capitalized at cost and depreciated on a straight-line basis over their estimated useful lives.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

N. Use of Estimates

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

O. Total (Memorandum Only) Columns on Combined Statements

The Combined Financial Statements include total columns captioned as "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE #2 – CASH

	Bank Balance - Category *			Total	Carrying Amount
	1	2	3		
Categorized					
Deposits					
Cash on hand and in banks	\$ 47,919	\$ -	\$ 1,372,533	\$ 1,420,452	\$ 1,676,638
Cash in revolving fund	52,081	-	-	52,081	205,390
Cash awaiting deposit	-	-	439,200	439,200	451,202
Total Deposits	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 1,811,733</u>	<u>\$ 1,911,733</u>	<u>\$ 2,333,230</u>

These categories are as follows:

Category 1: Insured or collateralized with securities held by the District or by its agent in the District's name.

Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3: Uncollateralized. This includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the District's name.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE #3 – INVESTMENTS

Under provisions of the District's investment policy and Sections 53601 and 53602 of the California Government Code, the District may invest in the following types of investments:

Securities of the U.S. Government or its agencies	Local Agency Investment Fund (State Pool) Deposits
Negotiable Certificates of Deposit	Passbook Savings Account Demand Deposits
County Treasury Pool	

Investments at June 30, 2001, held on behalf of the San Mateo County Community College District are presented below:

	Carrying Amount	Market Value
Uncategorized:		
Cash in County Treasury	\$ 38,021,323	\$ 38,021,323
Local Agency Investment Fund	5,169,193	5,169,193
Total Investments	<u>\$ 43,190,516</u>	<u>\$ 43,190,516</u>

A. Authorized Investments

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

B. Investment in State Treasurer's Pool

The Local Agency Investment Fund (LAIF) is an external investment pool sponsored by the State of California authorized under Section 16429.1, 2, and 3 of the California Government code. The fund is a voluntary program created by statute as an investment alternative for California local governments and special districts. The California State Treasurer administers the fund. The District deposits excess cash in LAIF for investment purposes. LAIF is not required to be categorized. The pool sponsor provided the fair value for these deposits.

C. Deposits with County Treasurer

Deposits with county treasurer is an external investment pool sponsored by the County of San Mateo. Community college districts are required to deposit substantially all receipts and collections of monies with their county treasurer (Education Code Section 41001). Therefore, the District is considered to be an involuntary participant in an external investment pool. County deposits are not required to be categorized. The pool sponsor provided the fair value for these deposits.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001**

NOTE #4 – ACCOUNTS RECEIVABLE

Receivables at June 30, 2001, consist of the following:

	General	Special Revenue	Debt Service	Capital Projects	Proprietary	Fiduciary	Total
Federal Government							
Categorical aid	\$ 562,163	\$ -	\$ -	\$ -	\$ -	\$ 44,136	\$ 606,299
State Government							
Categorical aid	1,813,530	587	-	-	-	20,191	1,834,308
Other state	-	-	-	2,708,565	-	-	2,708,565
Local Sources							
Local	3,076,779	18,680	-	34,869	353,665	91,171	3,575,164
Total	<u>\$ 5,452,472</u>	<u>\$ 19,267</u>	<u>\$ -</u>	<u>\$ 2,743,434</u>	<u>\$ 353,665</u>	<u>\$ 155,498</u>	<u>\$ 8,724,336</u>

NOTE #5 – FIXED ASSETS

A. The District's General Fixed Assets are summarized as follows:

	Balance Beginning of Year	Additions and Adjustments	Deductions	Balance End of Year
Land and land improvements	\$ 15,200,027	\$ 276,083	\$ -	\$ 15,476,110
Building and building improvements	62,373,767	5,945,851	-	68,319,618
Equipment and books	17,554,678	3,493,784	490,579	20,557,883
Total	<u>\$ 95,128,472</u>	<u>\$ 9,715,718</u>	<u>\$ 490,579</u>	<u>104,353,611</u>

B. The Bookstore and Cafeteria funds record equipment and depreciation expense. Depreciation is calculated using the straight-line method over a period of one to ten years. Depreciation expense for the year amounted to \$64,606 and \$12,359, respectively.

	Cost	Accumulated Depreciation	Carrying Value
Bookstore - (May 31, 2001 year-end)	\$ 423,458	\$ 245,616	\$ 177,842
Cafeteria	376,238	316,272	59,966
Total	<u>\$ 799,696</u>	<u>\$ 561,888</u>	<u>\$ 237,808</u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE #6 – INTERFUND TRANSACTIONS

A. Interfund Receivables/Payables (Due To/Due From)

Funds	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General-unrestricted	\$ 932,929	\$ 1,712,860
General-restricted	254,498	812,807
Child development	7,672	14,615
Capital outlay	1,539,557	97,211
Student financial aid	95,246	246,883
Retiree benefits	63,164	-
Associated student government	156	8,846
Total	<u>\$ 2,893,222</u>	<u>\$ 2,893,222</u>

B. Operating Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Interfund transfers for the year ended June 30, 2001, are as follows:

The General unrestricted fund transferred to the Self-insurance fund	\$ 60,000
The General unrestricted fund transferred to the Child Development fund	101,056
The General unrestricted fund transferred to the Capital Projects fund	3,248,573
The General unrestricted fund transferred to the Retiree Benefits fund	1,181,000
The General unrestricted fund transferred to the General restricted fund	285
The General restricted fund transferred to the Capital Projects fund	898,065
The General restricted fund transferred to the Student Financial Aid fund	169,686
Total	<u>\$ 5,658,665</u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE #7 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2001, consists of the following:

	General	Special Revenue	Capital Projects	Enterprise Funds	Internal Service	Fiduciary	Total
State apportionment	\$ 27,881	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,881
Salaries and benefits	1,681,703	6,135	6,339	-	-	-	1,694,177
Compensated absences	754,608	-	-	-	-	-	754,608
Unit banking	681,776	-	-	-	-	-	681,776
Other liabilities	9,459,107	26,452	1,537,416	350,873	50,000	214,481	11,638,329
Total	<u>\$ 12,605,075</u>	<u>\$ 32,587</u>	<u>\$ 1,543,755</u>	<u>\$ 350,873</u>	<u>\$ 50,000</u>	<u>\$ 214,481</u>	<u>\$ 14,796,771</u>

NOTE #8 – DEFERRED REVENUE

Deferred revenue at June 30, 2001, consists of the following:

	General	Special Revenue	Capital Projects	Fiduciary	Total
Federal financial assistance	\$ 24,439	\$ -	\$ -	\$ -	\$ 24,439
State categorical aid	3,149,372	-	-	-	3,149,372
Student enrollment fees	-	-	-	-	-
Student representation fees	-	-	-	124,934	124,934
Other	4,004,082	7,205	75,000	43,224	4,129,511
Total	<u>\$7,177,893</u>	<u>\$ 7,205</u>	<u>\$ 75,000</u>	<u>\$ 168,158</u>	<u>\$7,428,256</u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE #9 – FUND BALANCES

Fund balances are composed of the following elements:

	General	Special Revenue	Capital Projects	Fiduciary
Reserved				
Prepaid expenditures	\$ 261,310	\$ -	\$ -	\$ -
Restricted programs	639,025	93,821	4,250,221	112,896
Total Reserved	<u>900,335</u>	<u>93,821</u>	<u>4,250,221</u>	<u>112,896</u>
Unreserved				
Designated				
Equipment repair	317,080	-	-	-
General reserve	3,317,460	-	-	-
Other	3,631,204	-	-	14,207,198
Total Unreserved	<u>7,265,744</u>	<u>-</u>	<u>-</u>	<u>14,207,198</u>
Total	<u>\$8,166,079</u>	<u>\$ 93,821</u>	<u>\$4,250,221</u>	<u>\$ 14,320,094</u>

NOTE #10 – GENERAL LONG-TERM DEBT

A. Long-Term Debt Summary

A schedule of changes in long-term debt for the year ended June 30, 2001, is shown below:

	Balance Beginning of Year	Additions and Adjustments	Deductions	Balance End of Year
Certificates of participation	\$ 635,000	\$ -	\$ 635,000	\$ -
Building loans	-	750,000	-	750,000
Accumulated vacation - net	1,034,437	-	279,829	754,608
Early retirement incentive program	7,634	-	-	7,634
	<u>\$ 1,677,071</u>	<u>\$ 750,000</u>	<u>\$ 914,829</u>	<u>\$ 1,512,242</u>
Amount to be provided for retirement of general long-term debt				<u>\$ 1,512,242</u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001**

B. Certificates of Participation

In March 1991, the San Mateo County Community College District issued certificates of participation through the California School Board's Association Finance Corporation in the amount of \$4,900,000 with interest rates ranging from 5.0 percent to 6.6 percent. The certificates were paid in full during the year ended June 30, 2001.

C. Building Loan

In May 2001, the San Mateo Community College District entered into a lease purchase agreement in the amount of \$750,000 for site preparation and the purchase of three mobile modular buildings.

Debt Service Requirements to Maturity

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2002	\$ 238,657	\$ 30,422	\$ 269,079
2003	249,825	19,252	269,077
2004	261,518	7,561	269,079
Total	\$ 750,000	\$ 57,235	\$ 807,235

D. Accumulated Vacation Benefits

The liability for accumulated vacation benefits for the District at June 30, 2001, amounted to \$754,608. The full liability for this obligation is considered to be long-term.

E. Early Retirement Incentive Program

During the 1995-1996 year, the District offered an early incentive program to full time faculty members meeting certain eligibility criteria. Under the plan, the District will pay the retiring employee a stipend according to three different options. These options were projected over a four-year period but one of the plans may be excusable over 10 years.

The total amount owing to these retirees under this program was \$7,634. These payments are due in accordance with the following schedule:

<u>Year Ending</u>	<u>Total</u>
<u>June 30,</u>	
2002	\$ 7,634

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE #12 – EMPLOYEE RETIREMENT SYSTEMS

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

A. STRS

Plan Description

The District contributes to the California State Teachers' Retirement System (STRS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. 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. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from STRS, 7667 Folsom Blvd., Sacramento, CA 95826.

Funding Policy

Active plan members are required to contribute 8.0 percent of their salary 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 STRS Teachers' Retirement Board. The required employer contribution rate for fiscal 2000-2001 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to STRS for the fiscal year ending June 30, 2001, 2000, and 1999 were \$2,565,800, \$2,231,161, and \$2,312,534, respectively, and equal 100 percent of the required contributions for each year.

B. PERS

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS.

The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary (prior to January 2001, 7.0 percent of monthly salary over \$133.33 if the member participates in Social Security) and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. There were no required employer contributions for fiscal year ended June 30, 2001, 2000, and 1999.

C. On Behalf Payments

The State of California makes contributions to STRS and PERS on behalf of the District. These payments consist of State General Fund contributions to STRS in the amount of \$1,669,003 (5.0385 percent of salaries subject to STRS) and \$17,983 (.092 percent of salaries subject to PERS). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures, however, guidance received from the California Department of Education advises local educational agencies not to record these amounts in the Annual Financial and Budget Report (J-200). These amounts also have not been recorded in these financial statements.

NOTE #12 – RETIREMENT HEALTH BENEFITS

The District provides postemployment health care benefits in accordance with negotiated employment contracts to full-time employees meeting specified requirements. Classified employees hired prior to July 1, 1992, and certificated employees hired prior to September 1, 1993, with at least 10 years of service receive full health care benefits for themselves and their spouse with no contribution on the part of the employee. Employees hired after the above dates contribute a portion of the cost of the medical plan in accordance with the negotiated contracts. Currently, 741 employees qualify for this benefit.

In anticipation of proposed changes in accounting by the Governmental Accounting Standards Board (GASB), the District established a separate Trust Fund (Retirees Health Care Benefits) to accumulate funds for this future liability. The District obtained an updated actuarial study of the future postemployment health benefits as of July 1996. Based upon this study, issued on February 18, 1997, the actuarial liability to the District was determined to be \$47,728,000. Expenditures for postemployment health benefits are accounted for on a modified pay-as-you-go method whereby the District combines the current year cost with a partial funding of the future liability. The District transferred a total of \$1,181,000 to the Trust Fund bringing the total balance available for future retirement benefits to \$14,207,198.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE #13 – COMMITMENTS AND CONTINGENCIES

A. Litigation

The District is involved in various litigation. In the opinion of management and legal counsel, the disposition of all litigation pending will not have a material effect on the District's financial statements.

B. Construction Commitments

As of June 30, 2001, 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	\$ 1,735,991	Within 2 years
State funded scheduled maintenance projects	1,347,592	Within 4 years
Foundation Theatre	171,293	Within 4 years
Asbestos removal	815,959	Within 4 years
Skyline Library/learning resources center	2,622,812	Within 4 years
Other state funded capital projects	3,272,772	Within 4 years
	<u>\$ 9,966,419</u>	

C. State and Federal Allowances, Awards and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditures disallowance under terms of the grants, in the opinion of management any required reimbursements will not be material.

Skyline college has withdrawn from the Perkins loan program and assigned all remaining accepted loans back to the federal agency. The final payment to close out the program was made during the year ended June 30, 2001.

NOTE #14 – PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of the San Mateo County Community County Schools Self-Insurance Group, and the Bay Area Community College (BACC) public entity risk pools. The District pays an annual premium to each entity for its workers compensation dental and property liability coverage. The relationships between the District and the pools, and the JPA's are such that they are not component units of the District for financial reporting purposes.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2001

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 available from the respective entities.

A. <u>Entity</u>	San Mateo County Schools Self-Insurance Group	Bay Area Community Colleges
B. <u>Purpose</u>	Provides Workers' Compensation and Dental Insurance	Provides Property and Liability or Casualty Insurance
C. <u>Participants</u>	Member Districts in San Mateo	Member Districts in the Bay Area and Central Coast
D. <u>Governing Board</u>	Representatives from member Districts	Representatives from member Districts
E. <u>Condensed Audited Financial Information Follows</u>		
	June 30, 2000*	June 30, 2000*
Assets	\$ 12,922,567	\$ 2,984,843
Liabilities	7,017,573	2,380,940
Fund Equity	\$ 5,904,994	\$ 603,903
Revenues	19,013,903	2,256,477
Expenses	18,971,674	2,579,496
Net Increase in Fund Equity	\$ 42,229	\$ (323,019)
F. <u>Payments for the Current Year</u>	\$ 1,314,405	\$ 385,528

None of the JPA's had long-term debts outstanding at June 30, 2000. The District's share of year-end assets, liabilities or fund equity has not been calculated.

* Most current information available.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE #15 – TAX AND REVENUE ANTICIPATION NOTES

On July 5, 2000, the District issued \$15,480,000 Tax and Revenue Anticipation Notes bearing interest at 4.55 percent. Interest and principal were due and payable on October 4, 2001. By June 30, 2001, 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 and related accrued interest and cash held in trust are not included in these financial statements.

NOTE #16 – SUBSEQUENT EVENTS

The District issued \$14,645,000 of Tax and Revenue Anticipation Notes dated July 3, 2001. The notes mature on June 28, 2002, and yield 5.10 percent interest. The notes were sold to supplement cash flow. Repayment requirements are that 50% of the principal and interest be deposited with the Fiscal Agent by January, 2002 and the other 50% by April 2002.

NOTE #17 – NEW ACCOUNTING PRONOUNCEMENTS

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement of Financial Accounting Standard No. 34 "*Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*". This Statement establishes financial reporting standards for state and local governments, including states, cities, towns, villages and special-purpose governments such as school districts and public utilities. Specifically the basic financial statements and required supplementary information (RSI) for general-purpose governments should consist of:

- A. Management's Discussion and Analysis (MD&A)
- B. Basic Financial Statements which include:
 - Government-wide financial statements prepared using the economic measurement focus and the accrual basis of accountings.
 - Fund financial statements prepared using the current financial resources measurement focus and the modified accrual basis of accounting.
 - Required supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

C. The requirements of this statement are effective in three phases based on a government's total annual revenues for the year ended June 30, 1999, with earlier application encouraged. These phases are as follows:

Phase I: Districts with total revenue of \$100 million or more are required to implement for the year ending June 30, 2002.

Phase II: Districts with total revenue of at least \$10 million but less than \$100 million are required to implement for the year ending June 30, 2003.

Phase III: Districts with total revenue of less than \$10 million are required to implement for the year ending June 30, 2004.

Based on the above criteria, the District expects to adopt the provisions of this statement for the fiscal year ending June 30, 2003. While the District believes the adoption of this statement will have a significant impact on how the District's financial position and results of operations is presented in its annual financial statements, the District has not determined the full impact of the adoption.

SAN MATEO COMMUNITY COLLEGE DISTRICT

**GENERAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2001**

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
ASSETS			
Cash	\$ 673,016	\$ 64,179	\$ 737,195
Investments	17,133,289	5,664,891	22,798,180
Accounts receivable	3,218,439	2,234,033	5,452,472
Due from other funds	932,929	254,498	1,187,427
Prepaid expenditures	251,790	9,520	261,310
Other current assets	33,304	4,825	38,129
Total Assets	<u>\$22,242,767</u>	<u>\$ 8,231,946</u>	<u>\$30,474,713</u>
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts payable	10,780,842	1,824,233	12,605,075
Due to other funds	1,712,860	812,807	2,525,667
Deferred revenue	1,773,008	5,404,885	7,177,893
Total Liabilities	<u>14,266,710</u>	<u>8,041,925</u>	<u>22,308,635</u>
FUND EQUITY			
Fund balances			
Reserved	710,314	190,021	900,335
Unreserved			
Designated	7,265,743	-	7,265,743
Total Fund Equity	<u>7,976,057</u>	<u>190,021</u>	<u>8,166,078</u>
Total Liabilities and Fund Equity	<u>\$22,242,767</u>	<u>\$ 8,231,946</u>	<u>\$30,474,713</u>

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

SAN MATEO COMMUNITY COLLEGE DISTRICT

**GENERAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
REVENUES			
Federal revenues	\$ 980	\$ 2,415,582	\$ 2,416,562
State revenues	10,021,084	9,494,072	19,515,156
Local revenues	70,661,482	6,257,054	76,918,536
Total Revenues	<u>80,683,546</u>	<u>18,166,708</u>	<u>98,850,254</u>
EXPENDITURES			
Current Expenditures			
Academic salaries	36,783,536	3,162,403	39,945,939
Classified salaries	16,190,559	4,873,320	21,063,879
Employee benefits	11,468,734	1,186,296	12,655,030
Books and supplies	1,387,371	1,222,995	2,610,366
Services and operating expenditures	7,195,022	3,753,233	10,948,255
Capital outlay	2,300,719	2,146,445	4,447,164
Total Expenditures	<u>75,325,941</u>	<u>16,344,692</u>	<u>91,670,633</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>5,357,605</u>	<u>1,822,016</u>	<u>7,179,621</u>
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	-	285	285
Operating transfers out	(4,590,914)	(1,067,751)	(5,658,665)
Other uses	-	(738,786)	(738,786)
Total Other Financing Sources/(Uses)	<u>(4,590,914)</u>	<u>(1,806,252)</u>	<u>(6,397,166)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	766,691	15,764	782,455
FUND BALANCE, BEGINNING OF YEAR	<u>7,209,366</u>	<u>174,257</u>	<u>7,383,623</u>
FUND BALANCE, END OF YEAR	<u>\$ 7,976,057</u>	<u>\$ 190,021</u>	<u>\$ 8,166,078</u>

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

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SAN MATEO COMMUNITY COLLEGE DISTRICT

GENERAL FUNDS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2001**

	Unrestricted		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES			
Federal revenues	\$ -	\$ 980	\$ 980
State revenues	10,337,764	10,021,084	(316,680)
Local revenues	70,134,090	70,661,482	527,392
Total Revenues	<u>80,471,854</u>	<u>80,683,546</u>	<u>211,692</u>
EXPENDITURES			
Current Expenditures			
Academic salaries	37,074,761	36,783,536	291,225
Classified salaries	17,310,464	16,190,559	1,119,905
Employee benefits	12,339,895	11,468,734	871,161
Books and supplies	2,385,968	1,387,371	998,597
Services and operating expenditures	8,534,848	7,195,022	1,339,826
Capital outlay	3,159,455	2,300,719	858,736
Total Expenditures	<u>80,805,391</u>	<u>75,325,941</u>	<u>5,479,450</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>(333,537)</u>	<u>5,357,605</u>	<u>5,691,142</u>
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	-	-	-
Operating transfers out	(6,912,160)	(4,590,914)	2,321,246
Other sources	-	-	-
Other uses	-	-	-
Total Other Financing Sources/(Uses)	<u>(6,912,160)</u>	<u>(4,590,914)</u>	<u>2,321,246</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	<u>(7,245,697)</u>	<u>766,691</u>	<u>8,012,388</u>
FUND BALANCE, BEGINNING OF YEAR	<u>7,209,366</u>	<u>7,209,366</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ (36,331)</u>	<u>\$ 7,976,057</u>	<u>\$ 8,012,388</u>

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

Restricted			Total		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 2,730,484	\$ 2,415,582	\$ (314,902)	\$ 2,730,484	\$ 2,416,562	\$ (313,922)
12,632,693	9,494,072	(3,138,621)	22,970,457	19,515,156	(3,455,301)
10,080,519	6,257,054	(3,823,465)	80,214,609	76,918,536	(3,296,073)
<u>25,443,696</u>	<u>18,166,708</u>	<u>(7,276,988)</u>	<u>105,915,550</u>	<u>98,850,254</u>	<u>(7,065,296)</u>
3,432,080	3,162,403	269,677	40,506,841	39,945,939	560,902
5,414,241	4,873,320	540,921	22,724,705	21,063,879	1,660,826
1,313,260	1,186,296	126,964	13,653,155	12,655,030	998,125
3,843,224	1,222,995	2,620,229	6,229,192	2,610,366	3,618,826
5,105,664	3,753,233	1,352,431	13,640,512	10,948,255	2,692,257
4,495,520	2,146,445	2,349,075	7,654,975	4,447,164	3,207,811
<u>23,603,989</u>	<u>16,344,692</u>	<u>7,259,297</u>	<u>104,409,380</u>	<u>91,670,633</u>	<u>12,738,747</u>
<u>1,839,707</u>	<u>1,822,016</u>	<u>(17,691)</u>	<u>1,506,170</u>	<u>7,179,621</u>	<u>5,673,451</u>
212,191	285	(211,906)	212,191	285	(211,906)
(2,226,155)	(1,067,751)	1,158,404	(9,138,315)	(5,658,665)	3,479,650
-	-	-	-	-	-
-	(738,786)	(738,786)	-	(738,786)	(738,786)
<u>(2,013,964)</u>	<u>(1,806,252)</u>	<u>207,712</u>	<u>(8,926,124)</u>	<u>(6,397,166)</u>	<u>2,528,958</u>
(174,257)	15,764	190,021	(7,419,954)	782,455	8,202,409
174,257	174,257	-	7,383,623	7,383,623	-
<u>\$ -</u>	<u>\$ 190,021</u>	<u>\$ 190,021</u>	<u>\$ (36,331)</u>	<u>\$ 8,166,078</u>	<u>\$ 8,202,409</u>

SAN MATEO COMMUNITY COLLEGE DISTRICT

**PROPRIETARY FUND TYPES – ENTERPRISE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2001**

	<u>Bookstore*</u>	<u>Cafeteria</u>	<u>Total</u>
ASSETS			
Cash	\$ 488,583	\$ 155,390	\$ 643,973
Investments	3,060,235	597,727	3,657,962
Accounts receivable	345,118	8,547	353,665
Stores inventory	1,211,580	-	1,211,580
Prepaid expenditures	13,759	-	13,759
Fixed assets	177,842	59,966	237,808
Total Assets	<u>\$ 5,297,117</u>	<u>\$ 821,630</u>	<u>\$ 6,118,747</u>
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts payable	310,843	40,030	350,873
Total Liabilities	<u>310,843</u>	<u>40,030</u>	<u>350,873</u>
FUND EQUITY			
Retained earnings	4,986,274	781,600	5,767,874
Total Fund Equity	<u>4,986,274</u>	<u>781,600</u>	<u>5,767,874</u>
Total Liabilities and Fund Equity	<u>\$ 5,297,117</u>	<u>\$ 821,630</u>	<u>\$ 6,118,747</u>

* Bookstore year-end is May 31.

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

SAN MATEO COMMUNITY COLLEGE DISTRICT

**PROPRIETARY FUND TYPES – ENTERPRISE FUND
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Bookstore*</u>	<u>Cafeteria</u>	<u>Total</u>
REVENUES			
Local revenues	\$ 6,848,259	\$ 95,830	\$ 6,944,089
Total Operating Revenues	<u>6,848,259</u>	<u>95,830</u>	<u>6,944,089</u>
OPERATING EXPENSES			
Classified salaries	1,062,688	6,429	1,069,117
Employee benefits	175,622	439	176,061
Books and supplies	4,941,310	-	4,941,310
Services and operating expenditures	445,917	80,004	525,921
Total Operating Expenses	<u>6,625,537</u>	<u>86,872</u>	<u>6,712,409</u>
OPERATING INCOME	<u>222,722</u>	<u>8,958</u>	<u>231,680</u>
NONOPERATING REVENUES			
Interest	149,638	41,015	190,653
Total Nonoperating Revenues	<u>149,638</u>	<u>41,015</u>	<u>190,653</u>
NET INCOME	372,360	49,973	422,333
RETAINED EARNINGS, BEGINNING OF YEAR	4,613,914	731,627	5,345,541
RETAINED EARNINGS, END OF YEAR	<u>\$ 4,986,274</u>	<u>\$ 781,600</u>	<u>\$ 5,767,874</u>

* Bookstore year-end is May 31.

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

SAN MATEO COMMUNITY COLLEGE DISTRICT

**PROPRIETARY FUND TYPES – ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Bookstore*</u>	<u>Cafeteria</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income	\$ 222,722	\$ 8,958	\$ 231,680
Adjustments to reconcile operating income to net cash flows from operating activities			
Depreciation	64,606	12,359	76,965
Changes in assets and liabilities (Increase)/decrease in:			
Accounts receivable	68,466	2,248	70,714
Inventory	104,409	-	104,409
Prepaid	(10,976)	-	(10,976)
Increase/(decrease) in:			
Accounts payable	(130,953)	40,030	(90,923)
Other liability	(8,961)	-	(8,961)
Due to other funds	-	(27,596)	(27,596)
Operating Activities	<u>309,313</u>	<u>35,999</u>	<u>345,312</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase (disposal) of equipment	(9,728)	(37,836)	(47,564)
Interest income	149,638	41,015	190,653
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>449,223</u>	<u>39,178</u>	<u>488,401</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,099,595</u>	<u>713,939</u>	<u>3,813,534</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$3,548,818</u></u>	<u><u>\$753,117</u></u>	<u><u>\$4,301,935</u></u>

* Bookstore year-end is May 31.

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

SAN MATEO COMMUNITY COLLEGE DISTRICT

**FIDUCIARY FUND TYPES – EXPENDABLE TRUST AND AGENCY FUNDS
COMBINING BALANCE SHEET
FOR THE YEAR ENDED JUNE 30, 2001**

	Expendable Trusts		Agency		Total
	Student Financial Aid	Retiree Benefits	Associated Student Government	Student Representation	
ASSETS					
Cash	\$ 13,782	\$ -	\$ 813,121	\$ 124,934	\$ 951,837
Investments	325,776	14,144,034	-	-	14,469,810
Accounts receivable	141,429	-	14,069	-	155,498
Due from other funds	95,246	63,164	156	-	158,566
Other assets	-	-	45,797	-	45,797
Total Assets	<u>\$ 576,233</u>	<u>\$ 14,207,198</u>	<u>\$ 873,143</u>	<u>\$ 124,934</u>	<u>\$ 15,781,508</u>
LIABILITIES AND FUND EQUITY					
LIABILITIES					
Accounts payable	173,230	-	41,251	-	214,481
Due to other funds	246,883	-	8,846	-	255,729
Due to student groups	-	-	823,046	-	823,046
Deferred revenue	43,224	-	-	124,934	168,158
Total Liabilities	<u>463,337</u>	<u>-</u>	<u>873,143</u>	<u>124,934</u>	<u>1,461,414</u>
FUND EQUITY					
Reserved	112,896	-	-	-	112,896
Unreserved					
Designated	-	14,207,198	-	-	14,207,198
Undesignated	-	-	-	-	-
Total Fund Equity	<u>112,896</u>	<u>14,207,198</u>	<u>-</u>	<u>-</u>	<u>14,320,094</u>
Total Liabilities and Fund Equity	<u>\$ 576,233</u>	<u>\$ 14,207,198</u>	<u>\$ 873,143</u>	<u>\$ 124,934</u>	<u>\$ 15,781,508</u>

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

SAN MATEO COMMUNITY COLLEGE DISTRICT

**FIDUCIARY FUND TYPES – EXPENDABLE TRUST FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2001**

	Student Financial Aid	Retiree Benefits	Total
REVENUES			
Federal revenues	\$ 3,257,283	\$ -	\$ 3,257,283
State revenues	169,492	-	169,492
Local revenues	5,471	957,121	962,592
Total Revenue	<u>3,432,246</u>	<u>957,121</u>	<u>4,389,367</u>
 EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	 <u>3,432,246</u>	 <u>957,121</u>	 <u>4,389,367</u>
 OTHER FINANCING SOURCES/(USES)			
Transfers in	169,686	1,181,000	1,350,686
Other uses	(3,611,227)	-	(3,611,227)
Total Other Financing Sources/(Uses)	<u>(3,441,541)</u>	<u>1,181,000</u>	<u>(2,260,541)</u>
 EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	 (9,295)	 2,138,121	 2,128,826
 FUND BALANCE, BEGINNING OF YEAR	 <u>122,191</u>	 <u>12,069,077</u>	 <u>12,191,268</u>
 FUND BALANCE, END OF YEAR	 <u>\$ 112,896</u>	 <u>\$ 14,207,198</u>	 <u>\$ 14,320,094</u>

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

SAN MATEO COMMUNITY COLLEGE DISTRICT

**FIDUCIARY FUND TYPES – AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2001**

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<u>ASSOCIATED STUDENT GOVERNMENT</u>				
ASSETS				
Cash	\$ 772,998	\$ 1,120,159	\$ 1,080,036	\$ 813,121
Accounts receivable	19,463	14,069	19,463	14,069
Due from other funds	5,374	156	5,374	156
Furniture and equipment	61,752	45,797	61,752	45,797
Total Assets	<u>\$ 859,587</u>	<u>\$ 1,180,181</u>	<u>\$ 1,166,625</u>	<u>\$ 873,143</u>
LIABILITIES				
Accounts payable	28,054	41,251	28,054	41,251
Due to other funds	1,880	8,846	1,880	8,846
Due to student groups	829,653	1,199,382	1,205,989	823,046
Total Liabilities	<u>\$ 859,587</u>	<u>\$ 1,249,479</u>	<u>\$ 1,235,923</u>	<u>\$ 873,143</u>
<u>STUDENT REPRESENTATION FUND</u>				
ASSETS				
Cash	\$ 99,994	\$ 24,940	\$ -	\$ 124,934
LIABILITIES				
Deferred revenue	\$ 99,994	\$ 24,940	\$ -	\$ 124,934

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

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SAN MATEO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2001

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
Bridges to BA Degree	84.unk	none	\$ 6,500
Business International Education	84.unk	none	58,989
CDBG SMILE-IT	84.unk	none	102,300*
Child Development Consortium	84.unk	30038	20,032
Federal Reserve Bank One-Time Training Program	84.unk	none	19,000
Federal Work Study Program	84.003	none	434,936
High Education - TRIO Staff Training Program ^[1]	84.103	none	367,851
Military reimbursement	84.unk	none	980
National Council for Reserch in Education	84.unk	none	1,448
National Science Foundation Administration	84.242	none	17,759
Pell Grant ^[1]	84.063	none	2,756,334
Supplemental Educational Opportunity Grant (SEOG) ^[1]	84.007	none	500,949
Title III - Strengthening Institution ^[1]	84.031A	none	328,825
Title V Hispanic Educational Program	84.031S	none	287,658
Vocational Education Act			
VATEA Non-Traditional	84.048	03579	5,469
VATEA II-C	84.048	03579	315,160
VATEA III-E	84.048	03579	213,001
Workability	84.003	none	158,102
Total U.S. Department of Education			<u>5,595,293</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through CDE:			
TANF	93.558	none	<u>45,338</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child and Adult Care Food Program	10.558	03393	<u>25,796</u>
U.S. DEPARTMENT OF LABOR			
Passed through CDE:			
County of San Mateo, JTPA	17.25	03422	<u>33,214</u>
Total Expenditures of Federal Awards			<u><u>\$ 5,699,641</u></u>

[1] Major program.

See accompanying note to supplementary information.

SAN MATEO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR PROGRAM BASED FUNDING
FOR THE YEAR ENDED JUNE 30, 2001**

CATEGORIES	<u>Reported Data</u>	<u>Audited Adjustments</u>	<u>Revised Data</u>
A. Credit Full-Time Equivalent Student (FTES)			
1. Summer	3,769.34	-	3,769.34
2. Weekly census	12,785.36	-	12,785.36
3. Daily census	1,744.77	-	1,744.77
4. Actual hours of attendance	943.78	-	943.78
Sub-total	<u>19,243.25</u>	<u>-</u>	<u>19,243.25</u>
B. Noncredit FTES			
1. Summer	0.21	-	0.21
2. Actual hours of attendance	11.59	-	11.59
Sub-total	<u>11.80</u>	<u>-</u>	<u>11.80</u>
Total FTES	<u><u>19,255.05</u></u>	<u><u>-</u></u>	<u><u>19,255.05</u></u>

See accompanying note to supplementary information.

SAN MATEO COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2001.

See accompanying note to supplementary information.

SAN MATEO COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2001

NOTE #1 - PURPOSE OF SCHEDULES

A. 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 general-purpose financial statements.

B. Schedule of Workload Measures for Program-Based Funding

Full-Time Equivalent Students (FTES) is a measurement of the number of students 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. This schedule provides information regarding the attendance of student throughout the District.

C. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING 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 San Mateo County Community College District as of and for the year ended June 30, 2001, and have issued our report thereon dated October 12, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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 grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered San Mateo County Community College District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect San Mateo County Community College District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Financial Statement Findings as items numbers 1 through 3.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended for the information and use of the Board of Trustees, management, the California Chancellor's Office and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Vavurek, Trine, Day & Co LLP

Pleasanton, California

October 12, 2001



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

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

Compliance

We have audited the compliance of San Mateo County Community College District 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, 2001. 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 on 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, 2001.

Internal Control Over Compliance

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

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

This report is intended for the information and use of the Board of Trustees, management, the California Chancellor's Office and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Vavinek, Trine, Day & Co LLP

Pleasanton, California
October 12, 2001



INDEPENDENT AUDITORS' 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 as of and for the year ended June 30, 2001, and have issued our report thereon dated October 12, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Chancellor's Office *Contracted District Audit Manual*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The management of San Mateo County Community College District is responsible for compliance with laws and regulations. In connection with the audit referred to above, we performed an audit for compliance as required in Part II, State and Federal Compliance Requirements for those programs identified in the State Department of Finance's transmittal of audit requirements for community colleges. The objective of the examination of compliance is to determine with reasonable assurance that the District complied with requirements for:

General Directives

MIS Implementation – Required Data Elements

Compliance Requirement

Each district shall have the ability to support timely, accurate and complete information for the following workload measures used in the calculation of State General Apportionment:

- Credit Full – Time Equivalent Student (FTES) is weekly census, daily census, actual hour of attendance and apprenticeship courses.
- Noncredit FTES in actual hours of attendance courses.
- Gross square footage and FTES growth in new facilities.

Salaries of Classroom Instructors (50 Percent Law)

Compliance Requirement

Each district's salaries of instructors shall equal or exceed 50 percent of the district's current expense of education in accordance with Section 84362 of the California Education Code.

Gann Limit Calculation

Compliance Requirement

Each district shall calculate and adopt an appropriation amount annually in a public meeting. The calculation and adoption shall be verified by certified public accountants as part of the annual audit of financial statements.

Student Actively Enrolled

Compliance Requirement

Each district shall claim for apportionment purposes only the attendance of students actively enrolled in a course section as of the census date (if census procedures are used to record attendance in the course section).

Enrollment Fees

Compliance Requirement

Community colleges are required to report the total amount students should have paid for enrollment fees for the purpose of determining each district's share of apportionment revenue. All enrollment fees for residents of the State of California are to be charged and reported to the Chancellor's Office in accordance with guidelines provided to the District.

Apportionment for Instructional Service Agreements/Contracts

Compliance Requirement

Community colleges may claim FTES for classes given at a contractor's site and use the contractor's employees as instructors for the classes if the following requirements are met:

- Programs must be approved by the State Chancellor's Office and courses must be part of those approved programs, or the District must have received delegated authority to separately approve those courses.
- Course must be open to the general public.
- Students must be under the immediate supervision of a district employee.
- The District employee must possess valid credentials or meet the minimum qualifications required for the assignment.

Uses of Matriculation Funds

Compliance Requirement

The District is required to use local funds to support at least 75 percent of the matriculation activities with the remaining expenditures claimable against the State matriculation allocation. All expenditures related to the allocation, both State and locally funded portions, must be consistent with the District's State-approved matriculation plan and identifiable as matriculation related activities as authorized by the Seymour-Campbell Matriculation Act of 1986.

Special Programs

Extended Opportunity Programs and Services-(EOP&S) and Disabled Student Programs and Services (DSP&S) – Allocation of Costs

Compliance Requirement

Salaries of instructors teaching FTES generating classes, school counselors providing academic advisement, Student Services at the Dean level or above and financial aid officers conducting need analysis are not considered supportable charges against either EOP&S or DSP&S accounts unless their activities require them to perform additional functions for the EOP&S or DSP&S programs that are beyond the scope of services provided to all students in the normal performance of the regular duty assignments. These activities may be supported only to the extent of the supplementary services provided for EOP&S and DSP&S.

Extended Opportunity Programs and Services (EOP&S) – Administrator/Director Requirements

Compliance Requirement

District's accepting EOP&S funds are required to contribute from non-EOP&S sources the salary of the EOP&S administrator/director at the rate of 100 percent of salary and benefits for formal program activities associated with the implementation and operation of EOP&S specific activities over and above general supervision of EOP&S activities. Additionally, each college receiving EOP&S funds must employ a full time, 100 percent director to directly manage and coordinate the daily operation of the programs and services offered, and to supervise and coordinate the staff assigned to EOP&S, unless an exemption is specifically certified by the State Chancellor's Office.

Economic Development Program

Compliance Requirement

In addition to complying with standard grant conditions, community colleges must comply with state laws and regulations concerning:

- Procedures for subcontracts or grant amendments including appropriate authorization by the Chancellor's Office
- Procurement procedures
- Travel authorization
- Hiring procedures
- Appropriate use of fiscal agents

Facilities Program

Scheduled Maintenance Program

Compliance Requirement

Funds provided by the State must be to supplement, not supplant, District deferred maintenance funds. This is defined as the amount spent in fiscal year 1995-96 for Operation and Maintenance of Plant increased by an amount equal to the State's contribution and District's match for the Scheduled Maintenance Program for the year being audited.

Based on our audit, we found that, for the items tested, the San Mateo Community College District complied with the laws and regulations referred to above. Further, based on our audit, for items not tested, nothing came to our attention to indicate that the San Mateo Community College District had not complied with the laws and regulations.

Vavrinek, Tine, Day & Co LLP

Pleasanton, California
October 12, 2001

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2001**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>Yes</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Reporting conditions 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)	
Identification of major programs:	<u>No</u>

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.007, 84.063, 84.003</u>	<u>Financial Aid Cluster</u>
<u>84.031A</u>	<u>Title III - Strengthening Institutions</u>
<u>84.103</u>	<u>High Education - TRIO Staff Training Program</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>No</u>

STATE AWARDS

Internal control over state programs:	
Material weaknesses identified?	<u>No</u>
Reporting conditions 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

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2001

The following findings represent reportable conditions, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with government audit standards, generally accepted in the United States of America. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
20000	Inventory of Equipment
30000	Internal Control
60000	Miscellaneous

ASSOCIATED STUDENT GOVERNMENT

1. Finding (30000)

During our testing of site procedures, we noted that printed tickets were not controlled by use of a log indicating the ticket numbers that were issued for particular events. Revenue earned at Associated Student functions is subject to greater risk of loss due to the nature of the fundraising events and decentralization of the cash collection procedures. Due to the lack of a ticket log, it is difficult to verify that all monies collected from the ticket events were deposited intact and timely.

Recommendation

Ticket logs should be maintained to show the number of the tickets sold and to used to compare to the actual money collected, any difference should be investigated and documented. A master ticket log control will assist in decreasing the risk of potential unauthorized issuance of tickets without collection of the appropriate funds. A master ticket log should be maintained which notes the type of ticket and the beginning and ending ticket number for all rolls of tickets. When a ticket roll is issued for use at an event, the log should be updated to include the beginning ticket number, the name of the event, and the name of the person receiving that group of tickets. When the ticket sales recap form is returned after the event, the form should be reconciled to the log and the ending ticket number for that event entered on the log.

District Response

The district has discussed this with the colleges and an appropriate system will be established.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2001

2. Finding (30000)

During the audit, we noted that the associated student government maintains its monthly accounting records on the cash basis of accounting. The cash basis of accounting is a basis of accounting other than the standard basis of accounting used by colleges. The standard basis of accounting for local governmental agencies, including colleges and other local educational agencies, is the modified accrual basis of accounting. Under the modified accrual basis of accounting, accounts receivable are recorded for amounts that are related to the current period and will be collected within a measured time period. Accounts payable are recorded for amounts that are for goods or services provided during the current period and will be paid for out of current resources. Accrued salaries are recorded for personnel services provided during the current period but not paid for until the next period..

Recommendation

We recommend that the associated student government bookkeepers be trained in the use of the modified accrual basis of accounting and begin using this method on either a quarterly or monthly basis. The recording of accounts receivable, accounts payable, and accrued salaries provides for a more accurate picture of the current finances of the student government because it includes amounts that the student government has obligated itself to pay but may not have been processed through the check writing system yet.

District Response

The District will review the accounting basis with the associated student governments.

BOOKSTORE

3. Finding (60000)

During the audit, we noted that there was a prior year adjustment of \$15,819 to the bookstore fund balance that was carried from years ago due to an opening balance entry created in the past when setting up and new accounting software system.

Recommendation

We recommend that the balance be investigated to verify that in fact, it should not be a current year balance. If it is not a valid balance to be collected in future years, then the balance should be written off through current year revenues or expenditures.

District Response

The balance will be written off in 2001-2002 fiscal year.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2001**

There were no findings representing reportable conditions, material weaknesses, or instances of noncompliance including questioned costs that are required to be reported by OMB Circular A-133.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2001**

There were no findings representing instances of noncompliance and questioned costs relating to state program laws and regulations.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2001**

There were no findings representing conditions, material weaknesses, or instances of noncompliance related to the financial statements that are required to be reported in accordance with government audit standards generally accepted in the United States of America.