

**SAN MATEO COUNTY
COMMUNITY
COLLEGE DISTRICT**

**ANNUAL FINANCIAL REPORT
JUNE 30, 2002**

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

OF SAN MATEO COUNTY

SAN MATEO, CALIFORNIA

JUNE 30, 2002

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Richard Holoher	President	2005
Helen Hausman	Vice President / Clerk	2005
Patricia Miljanich	Trustee	2003
Thomas L. Constantino	Trustee	2003
Karen Schwarz	Trustee	2003
Benjamin Gonzales	Student Trustee	2002

ADMINISTRATION

Ron Galatolo	Chancellor – Superintendent
Dr. James Albanese	Executive Vice 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 2001-2002 fiscal year, there were no changes to the boundaries of the District.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS

JUNE 30, 2002

<i>INTRODUCTION</i>	i
<i>SECTION I - COMBINED FINANCIAL STATEMENTS</i>	
Independent Auditors' Report	I.1
All Fund Types and Account Groups	
Combined Balance Sheet	I.2
All Governmental Fund Types and Fiduciary Fund Type	
Combined Statement of Revenues, Expenditures and Changes in Fund Balance	I.3
All Governmental Fund Types	
Combined Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	I.4
Proprietary Fund Types	
Combined Statement of Revenues, Expenses and Changes in Retained Earnings	I.6
Combined Statement of Cash Flows	I.7
Notes to Financial Statements	I.8
 <i>SECTION II - COMBINING FINANCIAL STATEMENTS</i>	
General Funds	
Combining Balance Sheet	II.1
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	II.2
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	II.3
Capital Projects Fund Types	
Combining Balance Sheet	II.4
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	II.5
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	II.6
Proprietary Fund Types – Enterprise Funds	
Combining Balance Sheet	II.7
Combining Statement of Revenues, Expenditures and Changes in Retained Earnings	II.8
Combining Statement of Cash Flows	II.9
Fiduciary Fund Types	
Combining Balance Sheet	II.10
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	II.11
Statement of Changes in Assets and Liabilities	II.12

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS

JUNE 30, 2002

SECTION III - SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards	III.1
Schedule of Expenditures of State Awards	III.3
Schedule of Workload Measures for Program-Based Funding	III.5
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements	III.6
Note to Supplementary Information	III.7

SECTION IV - INDEPENDENT AUDITORS' REPORTS

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	IV.1
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	IV.3
Report on State Compliance	IV.5

SECTION V - SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditors' Results	V.1
Financial Statement Findings	V.2
Federal Award Findings and Questioned Costs	V.4
State Award Findings and Questioned Costs	V.5
Summary Schedule of Prior Audit Findings	V.6

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.



INDEPENDENT AUDITORS' REPORT

Governing Board
San Mateo County Community College District
San Mateo, California

We have audited the accompanying general-purpose financial statements of the San Mateo County Community College District, as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose 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 general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose 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, 2002, 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 4, 2002, 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 general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated in all material respects, in relation to the general-purpose financial statements taken as a whole.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
October 4, 2002

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**ALL FUND TYPES AND ACCOUNT GROUPS
COMBINED BALANCE SHEET
JUNE 30, 2002**

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
ASSETS			
Cash	\$ 1,230,733	\$ 270	\$ 337
Investments	18,110,207	198,136	103,335,971
Accounts receivable	6,387,847	116,267	5,489,894
Due from other funds	5,237,525	128	1,421,424
Stores inventory	-	-	-
Prepaid expenditures	367,251	-	-
Other current assets	67,179	-	-
Fixed assests	-	-	-
Amount to be provided for the retirement of general long-term debt	-	-	-
Total Assets	\$ 31,400,742	\$ 314,801	\$ 110,247,626
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts payable	12,385,728	33,914	1,465,938
Due to other funds	1,295,500	156,639	4,967,472
Deferred revenue	7,716,590	49,086	193,111
Due to student groups	-	-	-
General long-term debt	-	-	-
Total Liabilities	21,397,818	239,639	6,626,521
FUND EQUITY			
Retained earnings	-	-	-
Investments in fixed assets	-	-	-
Fund balances			
Reserved	971,259	75,162	-
Unreserved			
Designated	6,024,327	-	103,621,105
Undesignated	3,007,338	-	-
Total Fund Equity	10,002,924	75,162	103,621,105
Total Liabilities and Fund Equity	\$ 31,400,742	\$ 314,801	\$ 110,247,626

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	
\$ 243,694	\$ -	\$ 937,715	\$ -	\$ -	\$ 2,412,749
4,402,968	494,496	16,248,774	-	-	142,790,552
359,476	4,577	514,935	-	-	12,872,996
-	-	63,882	-	-	6,722,959
1,213,745	-	-	-	-	1,213,745
11,067	-	-	-	-	378,318
-	-	42,963	-	-	110,142
209,339	-	-	-	111,156,043	111,365,382
-	-	-	98,123,712	-	98,123,712
<u>\$ 6,440,289</u>	<u>\$ 499,073</u>	<u>\$ 17,808,269</u>	<u>\$ 98,123,712</u>	<u>\$ 111,156,043</u>	<u>\$ 375,990,555</u>
402,197	75,000	147,652	-	-	14,510,429
3,614	-	299,734	-	-	6,722,959
-	-	245,904	-	-	8,204,691
-	-	875,600	-	-	875,600
-	-	-	98,123,712	-	98,123,712
<u>405,811</u>	<u>75,000</u>	<u>1,568,890</u>	<u>98,123,712</u>	<u>-</u>	<u>128,437,391</u>
6,034,478	424,073	-	-	-	6,458,551
-	-	-	-	111,156,043	111,156,043
-	-	99,478	-	-	1,145,899
-	-	16,139,901	-	-	125,785,333
-	-	-	-	-	3,007,338
<u>6,034,478</u>	<u>424,073</u>	<u>16,239,379</u>	<u>-</u>	<u>111,156,043</u>	<u>247,553,164</u>
<u>\$ 6,440,289</u>	<u>\$ 499,073</u>	<u>\$ 17,808,269</u>	<u>\$ 98,123,712</u>	<u>\$ 111,156,043</u>	<u>\$ 375,990,555</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, 2002**

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
REVENUES			
Federal revenues	\$ 2,774,420	\$ 30,962	\$ -
Other state revenues	19,500,444	352,506	6,109,189
Other local revenues	84,588,821	161,444	1,837,568
Total Revenues	106,863,685	544,912	7,946,757
EXPENDITURES			
Current Expenditures			
Certificated salaries	42,899,452	174,824	419
Classified salaries	24,436,676	304,541	147,539
Employee benefits	14,211,981	102,618	14,767
Books and supplies	2,812,447	72,383	98,277
Services and operating expenditures	11,917,267	48,951	1,764,970
Capital outlay	3,572,757	-	6,293,220
Debt service - principal	-	-	238,657
Debt service - interest and other	-	-	30,422
Total Expenditures	99,850,580	703,317	8,588,271
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	7,013,105	(158,405)	(641,514)
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	503,471	139,746	2,710,388
Operating transfers out	(4,719,422)	-	-
Other sources	180,545	-	99,782,016
Other uses	(1,140,853)	-	(2,480,006)
Total Other Financing Sources/(Uses)	(5,176,259)	139,746	100,012,398
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	1,836,846	(18,659)	99,370,884
FUND BALANCE, BEGINNING OF YEAR	8,166,078	93,821	4,250,221
FUND BALANCE, END OF YEAR	\$10,002,924	\$ 75,162	\$ 103,621,105

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

Fiduciary Fund Type Expendable Trust	Total (Memorandum Only)
\$ 4,053,474	\$ 6,858,856
289,926	26,252,065
779,189	87,367,022
<u>5,122,589</u>	<u>120,477,943</u>
-	43,074,695
-	24,888,756
-	14,329,366
-	2,983,107
-	13,731,188
-	9,865,977
-	238,657
-	30,422
<u>-</u>	<u>109,142,168</u>
<u>5,122,589</u>	<u>11,335,775</u>
1,325,817	4,679,422
(20,000)	(4,739,422)
-	99,962,561
<u>(4,509,121)</u>	<u>(8,129,980)</u>
<u>(3,203,304)</u>	<u>91,772,581</u>
1,919,285	103,108,356
<u>14,320,094</u>	<u>26,830,214</u>
<u>\$ 16,239,379</u>	<u>\$ 129,938,570</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, 2002**

	General		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES			
Federal revenues	\$ 3,135,390	\$ 2,774,420	\$ (360,970)
Other state revenues	23,908,300	19,500,444	(4,407,856)
Other local revenues	86,513,250	84,588,821	(1,924,429)
Total Revenues	<u>113,556,940</u>	<u>106,863,685</u>	<u>(6,693,255)</u>
EXPENDITURES			
Current Expenditures			
Certificated salaries	44,136,471	42,899,452	1,237,019
Classified salaries	24,842,774	24,436,676	406,098
Employee benefits	14,937,037	14,211,981	725,056
Books and supplies	6,014,035	2,812,447	3,201,588
Services and operating expenditures	15,965,690	11,917,267	4,048,423
Capital outlay	6,392,768	3,572,757	2,820,011
Debt service - principal	-	-	-
Debt service - interest and other	-	-	-
Total Expenditures	<u>112,288,775</u>	<u>99,850,580</u>	<u>12,438,195</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>1,268,165</u>	<u>7,013,105</u>	<u>5,744,940</u>
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	177,596	503,471	325,875
Operating transfers out	(8,601,863)	(4,719,422)	3,882,441
Other sources	369,351	180,545	(188,806)
Other uses	(1,379,331)	(1,140,853)	238,478
Total Other Financing Sources/(Uses)	<u>(9,434,247)</u>	<u>(5,176,259)</u>	<u>4,257,988</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	<u>(8,166,082)</u>	<u>1,836,846</u>	<u>10,002,928</u>
FUND BALANCE, BEGINNING OF YEAR	<u>8,166,078</u>	<u>8,166,078</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ (4)</u>	<u>\$ 10,002,924</u>	<u>\$ 10,002,928</u>

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

Special Revenue			Capital Projects		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 44,500	\$ 30,962	\$ (13,538)	\$ -	\$ -	\$ -
481,163	352,506	(128,657)	10,618,283	6,109,189	(4,509,094)
222,524	161,444	(61,080)	9,623,703	1,837,568	(7,786,135)
<u>748,187</u>	<u>544,912</u>	<u>(203,275)</u>	<u>20,241,986</u>	<u>7,946,757</u>	<u>(12,295,229)</u>
175,386	174,824	562	810	419	391
347,923	304,541	43,382	189,453	147,539	41,914
113,882	102,618	11,264	15,085	14,767	318
214,403	72,383	142,020	603,987	98,277	505,710
115,446	48,951	66,495	3,936,271	1,764,970	2,171,301
1,350	-	1,350	20,303,060	6,293,220	14,009,840
-	-	-	-	238,657	(238,657)
-	-	-	-	30,422	(30,422)
<u>968,390</u>	<u>703,317</u>	<u>265,073</u>	<u>25,048,666</u>	<u>8,588,271</u>	<u>16,460,395</u>
(220,203)	(158,405)	61,798	(4,806,680)	(641,514)	4,165,166
162,128	139,746	(22,382)	1,678,926	2,710,388	1,031,462
-	-	-	(372,467)	-	372,467
-	-	-	-	99,782,016	99,782,016
(1,733)	-	(1,733)	-	(2,480,006)	(2,480,006)
<u>160,395</u>	<u>139,746</u>	<u>(24,115)</u>	<u>1,306,459</u>	<u>100,012,398</u>	<u>98,705,939</u>
(59,808)	(18,659)	41,149	(3,500,221)	99,370,884	102,871,105
93,821	93,821	-	4,250,221	4,250,221	-
<u>\$ 34,013</u>	<u>\$ 75,162</u>	<u>\$ 41,149</u>	<u>\$ 750,000</u>	<u>\$ 103,621,105</u>	<u>\$ 102,871,105</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, 2002**

	Total (Memorandum Only)		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Federal revenues	\$ 3,179,890	\$ 2,805,382	\$ (374,508)
Other state revenues	35,007,746	25,962,139	(9,045,607)
Other local revenues	96,359,477	86,587,833	(9,771,644)
Total Revenues	<u>134,547,113</u>	<u>115,355,354</u>	<u>(19,191,759)</u>
EXPENDITURES			
Current Expenditures			
Certificated salaries	44,312,667	43,074,695	1,237,972
Classified salaries	25,380,150	24,888,756	491,394
Employee benefits	15,066,004	14,329,366	736,638
Books and supplies	6,832,425	2,983,107	3,849,318
Services and operating expenditures	20,017,407	13,731,188	6,286,219
Capital outlay	26,697,178	9,865,977	16,831,201
Debt service - principal	-	238,657	(238,657)
Debt service - interest and other	-	30,422	(30,422)
Total Expenditures	<u>138,305,831</u>	<u>109,142,168</u>	<u>29,163,663</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>(3,758,718)</u>	<u>6,213,186</u>	<u>9,971,904</u>
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	2,018,650	3,353,605	1,334,955
Operating transfers out	(8,974,330)	(4,719,422)	4,254,908
Other sources	369,351	99,962,561	99,593,210
Other uses	(1,381,064)	(3,620,859)	(2,239,795)
Total Other Financing Sources/(Uses)	<u>(7,967,393)</u>	<u>94,975,885</u>	<u>102,943,278</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	<u>(11,726,111)</u>	<u>101,189,071</u>	<u>112,915,182</u>
FUND BALANCE, BEGINNING OF YEAR	<u>12,510,120</u>	<u>12,510,120</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 784,009</u>	<u>\$ 113,699,191</u>	<u>\$ 112,915,182</u>

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

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, 2002**

	<u>Enterprise</u>	<u>Internal Service</u>
OPERATING REVENUE		
Local revenues	\$ 7,605,306	\$ 22,878
Total Operating Revenue	<u>7,605,306</u>	<u>22,878</u>
OPERATING EXPENSES		
Classified salaries	1,187,426	-
Employee benefits	191,599	-
Books and supplies	5,399,468	-
Services and other operating expenditures	605,622	44,109
Total Operating Expenses	<u>7,384,115</u>	<u>44,109</u>
OPERATING INCOME	<u>221,191</u>	<u>(21,231)</u>
NONOPERATING REVENUES/(EXPENSES)		
Interest	45,413	-
Transfers in	-	60,000
Total Nonoperating Revenue/(Expenses)	<u>45,413</u>	<u>60,000</u>
NET INCOME	266,604	38,769
RETAINED EARNINGS, BEGINNING OF YEAR	5,767,874	385,304
RETAINED EARNINGS, END OF YEAR	<u>\$ 6,034,478</u>	<u>\$ 424,073</u>

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**PROPRIETARY FUND TYPES
COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2002**

	<u>Enterprise</u>	<u>Internal Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income/(loss)	\$ 221,191	\$ (21,231)
Adjustments to reconcile operating income/(loss) to net cash flows from operating activities		
Depreciation	85,704	-
Changes in assets and liabilities		
(Increase)/decrease in:		
Accounts receivable	(5,811)	(4,577)
Inventory	(2,165)	-
Prepaid	2,692	-
Increase/(decrease) in:		
Accounts payable	53,072	25,000
Due to other funds	3,614	-
Net Cash Flows From Operating Activities	<u>358,297</u>	<u>(808)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase (sale) of equipment	(58,983)	-
Transfer in	-	60,000
Interest income	45,413	-
Net Cash Flows From Investing Activities	<u>(13,570)</u>	<u>60,000</u>
NET INCREASE IN CASH	<u>344,727</u>	<u>59,192</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>4,301,935</u>	<u>435,304</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 4,646,662</u></u>	<u><u>\$ 494,496</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, 2002

NOTE #1 – DEFINITION OF THE REPORTING ENTITY

San Mateo County Community College District (District) provides higher education in the County of San Mateo (County), State of California (State). The District consists of three community college sites located in San Mateo, San Bruno, and Redwood City California.

For financial reporting purposes, the District includes all funds, account groups, agencies and authorities that are controlled by or dependent on the District's governing board. Control by or dependence on the District was determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the District, obligations of the District to finance any deficits that may occur, or receipt of significant subsidies from the District.

As a result, the general-purpose financial statements of the District include the financial activities of the District and the combined totals of the trust and agency funds that represent the various scholarships and student organizations within the District. In conjunction with the educational services, the District also provides supporting student services, such as the operation of campus bookstores and cafeterias. Individual totals by scholarship and organization are maintained in the District's accounting system.

The Bay Area Community College Districts Joint Powers Agency is associated but not fully part of the District and is not included in these financial statements because it does not meet the above oversight criteria. A governing board separate from the District administers this entity (see Note 14 - Joint Powers Agreements).

NOTE #2 – SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board and *Audits of State and Local Governmental Units* issued by the American Institute of Certified Public Accountants. The accompanying statements include all funds and account groups of the District.

The budgetary and financial accounts of the District have been recorded and maintained in accordance with the Chancellor's Office of the California Community College's *Budget and Accounting Manual*.

B. Fund Structure and Basis of Accounting

The accompanying financial statements are structured into three categories of funds and a fourth type of accounting entity, account groups. The fund categories include governmental funds, proprietary funds, and fiduciary funds. Account groups are presented for general fixed assets and general long-term debt.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2002

The District's Governmental Funds include:

- The General Fund - used to account for all financial transactions not accounted for in another fund.
- The Special Revenue Funds - used to account for specific revenue sources (other than special assessments, expendable trusts, or sources for major capital projects) that are legally restricted to expenditure for specific programs or activities such as the Child Development Fund.
- The Capital Projects Funds - used to account for the acquisition or construction of all major governmental general fixed assets and any other major repairs or other deferred maintenance. These funds included the Capital Outlay Funds.

All of the governmental funds are maintained on the modified accrual basis of accounting. As such, revenues are recognized when they become susceptible to accrual, which is to say, when they become both measurable and available to finance expenditures of the current period. Expenditures are generally recognized as the related fund liability is incurred, if measurable, except for unmatured interest on general long term debt, which should be recognized when due.

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. Year-end encumbrances in the unrestricted general fund are established as a reserve for encumbrances. Other year-end encumbrances in the other funds are reappropriated in the following year and expended when the liability is incurred.

The Proprietary Funds include:

- The Enterprise Funds - used to account for the operations of self-sustaining District operations rendering service on a user charge basis, including the bookstores and cafeterias.
- The Internal Service Funds - used to account for the operations of self-sustaining District operations rendering services to other District departments or units on a cost-reimbursement basis.

The Proprietary Funds are maintained on the accrual basis of accounting.

The Fiduciary Funds include the Trust and Agency Funds that are used to account for assets held by the District as trustee or agent. Nonexpendable Trust Funds are maintained on the accrual basis of accounting. Expendable Trust and Agency Funds are maintained on the modified accrual basis of accounting.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2002

Account Groups

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 (fixed assets) and long-term liabilities associated with governmental funds and expendable trust funds are accounted for in the account groups of the District.

- The 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. Inventory

Inventory in the District's bookstore and cafeteria funds consist of books, instructional materials, sundry items and food held for resale to students and staff of the College. Inventory is valued at lower of cost or market utilizing the first in, first out method. Cost is recorded as an expenditure at the time the items are withdrawn from inventory and sold.

D. Prepaid Expenditures

The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures when incurred.

E. Fixed Assets and Depreciation

Property and equipment is accounted for at cost or, if the cost is not practicably determinable, at estimated cost. Donated fixed assets are recorded at their estimated fair value at the time received. Depreciation of general fixed assets is not recorded in the accounts of governmental funds.

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, 2002

F. Fund Balance Reserves, Restrictions 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.

G. Total (Memorandum Only) Columns on Combined Statements

"Total Memorandum Only" represents an aggregation of the individual combined financial statements. The totals column is presented for overview informational purposes and does not represent consolidated financial information. Data in these columns do not present financial position, results of operation, or changes in financial position in conformity with accounting principles generally accepted in the United States of America.

H. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The amount of the liability expected to be paid from current resources is recognized at year end in the governmental fund that will pay the benefit. The noncurrent portion of the liability is recognized in the general long-term debt account group.

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. The full liability for this benefit is accrued in the appropriate fund.

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.

I. 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 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 for the District. The District recognizes tax revenues when received.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

J. Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the internal service fund and enterprise funds consider all highly liquid investments with an original maturity of three months or less to be cash equivalents. Investments held in the county treasury are considered to be cash equivalents.

K. Deferred Revenue

Deferred revenue arises when a 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.

L. Use of Estimates

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

NOTE #3 – CASH AND INVESTMENTS

The California Government Code requires California banks and savings and loan associations to secure the District's deposits by pledging government securities as collateral. The market value of pledged securities must equal 110 percent of an agency's deposits. California law also allows financial institutions to secure an agency's deposits by pledging first trust deed mortgage notes having a value of 150 percent of an agency's total deposits and collateral is considered to be held in the name of the District.

	Bank Balance - Category *			Total	Carrying Amount
	1	2	3		
Categorized					
Deposits					
Cash on hand and in banks	\$ 50,000	\$ -	\$ 1,685,539	\$ 1,735,539	\$ 1,528,990
Cash in revolving fund	50,000	-	-	50,000	50,000
Cash awaiting deposit	-	-	724,752	724,752	833,759
Total Deposits	<u>\$100,000</u>	<u>\$ -</u>	<u>\$2,410,291</u>	<u>\$2,510,291</u>	<u>\$2,412,749</u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2002

Cash in banks and specifically identifiable investments are classified as to credit risk by three categories and summarized as follows:

- Category 1: Includes investments that are insured or registered or for which securities are held by the District or its agent in the District's name and deposits insured or collateralized with securities held by the District.
- Category 2: Includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the District's name and deposits collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.
- Category 3: Includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the District's name.

A. Authorized Investments

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

- Bonds issued by the District
- Securities of the U.S. Government, or its agencies
- Registered state warrants or treasury notes or bonds of the State
- Small Business Administration Loans
- Negotiable Certificates of Deposit
- Bankers' Acceptances
- Commercial Paper
- Local Agency Investment Fund (State Pool) Deposits
- Passbook Savings Account Demand Deposits
- Medium-term notes (remaining maturity of five years or less; rated "A" or better)
- Repurchase Agreements or reverse repurchase agreements
- Mortgage passthrough security

The District is authorized to make direct investments in state registered bonds, notes or warrants; State Treasurer's Investment Pool; U.S. Treasury instruments; registered state warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; and time deposits 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.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2002

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

As provided for by Education Code, Section 41001, a significant portion of the District's cash balances of most funds is deposited with the County Treasurer for the purpose of increasing interest earnings through county investment activities. Each respective fund's share of the total pooled cash is included in the accompanying combined balance sheet under the caption "Investments." Interest earned on such pooled investment balances is distributed to the participating funds based upon each fund's average balance during the distribution period. Community college districts are required to deposit substantially all receipts and collections of monies with their county treasurer, 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.

At June 30, 2002, the District's investments primarily consist of deposits with county treasurer and bonds, which are presented below.

	<u>Carrying Amount</u>	<u>Market Value</u>
Uncategorized:		
Cash in County Treasury	\$ 137,438,572	\$ 138,939,521
Local Agency Investment Fund	5,351,980	5,351,980
Total Investments	<u>\$ 142,790,552</u>	<u>\$ 144,291,501</u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

NOTE #4 – ACCOUNTS RECEIVABLE

Receivables at June 30, 2002, consist of the following:

	General	Special Revenue	Capital Projects	Proprietary	Fiduciary	Total
Federal Government						
Categorical aid	\$ 1,450,465	\$ 88,638	\$ -	\$ -	\$ 46,075	\$ 1,585,178
State Government						
Apportionment	3,038	-	-	-	-	3,038
Categorical aid	537,990	207	4,676,569	-	47,845	5,262,611
Other state	853,277	-	-	-	-	853,277
Local Sources						
Local	3,543,077	27,422	813,325	364,053	421,015	5,168,892
Total	<u>\$ 6,387,847</u>	<u>\$ 116,267</u>	<u>\$ 5,489,894</u>	<u>\$ 364,053</u>	<u>\$ 514,935</u>	<u>\$ 12,872,996</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	\$ 15,476,110	\$ 448,736	\$ -	\$ 15,924,846
Building and building improvements	68,319,618	4,561,531	-	72,881,149
Equipment and books	20,557,883	1,798,095	5,930	22,350,048
Total	<u>\$ 104,353,611</u>	<u>\$ 6,808,362</u>	<u>\$ 5,930</u>	<u>111,156,043</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 \$66,958 and \$18,746, respectively.

	Cost	Accumulated Depreciation	Carrying Value
Bookstore - (May 31, 2002 year-end)	\$ 436,519	\$ 311,115	\$ 125,404
Cafeteria	418,869	334,934	83,935
Total	<u>\$ 855,388</u>	<u>\$ 646,049</u>	<u>\$ 209,339</u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

NOTE #6 – INTERFUND TRANSACTIONS

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

Funds	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General-unrestricted	\$ 4,025,809	\$ 1,152,386
General-restricted	1,211,716	143,114
Child development	128	156,639
Capital outlay	1,421,424	3,649,216
Student financial aid/trust	63,882	299,734
Capital outlay - bond fund	-	1,318,256
Bookstore	-	3,614
Total	<u>\$ 6,722,959</u>	<u>\$ 6,722,959</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, 2002, 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	139,746
The General unrestricted fund transferred to the Capital Outlay fund	2,599,388
The General unrestricted fund transferred to the Retiree Benefits fund	1,228,000
The General unrestricted fund transferred to the General restricted fund	503,471
The General restricted fund transferred to the Capital Outlay fund	91,000
The General restricted fund transferred to the Student Financial Aid fund	97,817
The Student Financial Aid/Trust fund transferred to Capital Outlay fund	20,000
Total	<u>\$ 4,739,422</u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

NOTE #7 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2002, consists of the following:

	General	Special Revenue	Capital Projects	Enterprise Funds	Internal Service	Fiduciary	Total
State apportionment	\$ 2,582,454	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,582,454
Salaries and benefits	4,481,595	16,980	10,865	-	-	-	4,509,440
Compensated absences	1,467,015	-	-	-	-	-	1,467,015
Unit banking	786,161	-	-	-	-	-	786,161
Other liabilities	3,068,503	16,934	1,455,073	402,197	75,000	147,652	5,165,359
Total	<u>\$ 12,385,728</u>	<u>\$ 33,914</u>	<u>\$ 1,465,938</u>	<u>\$ 402,197</u>	<u>\$ 75,000</u>	<u>\$ 147,652</u>	<u>\$ 14,510,429</u>

NOTE #8 – DEFERRED REVENUE

Deferred revenue at June 30, 2002, consists of the following:

	General	Special Revenue	Capital Projects	Fiduciary	Total
Federal financial assistance	\$ 101,809	\$ -	\$ -	\$ -	\$ 101,809
State categorical aid	3,569,678	-	-	-	3,569,678
Student enrollment fees	2,045,065	-	-	-	2,045,065
Student representation fees	-	-	-	149,556	149,556
Other	2,000,038	49,086	193,111	96,348	2,338,583
Total	<u>\$ 7,716,590</u>	<u>\$ 49,086</u>	<u>\$ 193,111</u>	<u>\$ 245,904</u>	<u>\$ 8,204,691</u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

NOTE #9 – FUND BALANCES

Fund balances are composed of the following elements:

	General	Special Revenue	Capital Projects	Fiduciary
Reserved				
Prepaid expenditures	\$ 367,251	\$ -	\$ -	\$ -
Restricted programs	604,008	75,162	-	-
Student financial aid	-	-	-	99,478
Total Reserved	<u>971,259</u>	<u>75,162</u>	<u>-</u>	<u>99,478</u>
Unreserved				
Designated				
Equipment repair	381,635	-	-	-
General reserve	3,749,460	-	-	-
Other	1,893,232	-	103,621,105	16,139,901
Total Unreserved	<u>6,024,327</u>	<u>-</u>	<u>103,621,105</u>	<u>16,139,901</u>
Undesignated	3,007,338	-	-	-
Total	<u>\$ 10,002,924</u>	<u>\$ 75,162</u>	<u>\$ 103,621,105</u>	<u>\$ 16,239,379</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, 2002, is shown below:

	Balance Beginning of Year	Additions and Adjustments	Deductions	Balance End of Year
General obligation bonds payable	\$ -	\$ 96,875,613	\$ -	\$ 96,875,613
Building loans	750,000	-	238,657	511,343
Accumulated vacation - net	754,608	-	17,852	736,756
Early Retirement incentive program	7,634	-	7,634	-
	<u>\$ 1,512,242</u>	<u>\$ 96,875,613</u>	<u>\$ 264,143</u>	<u>\$ 98,123,712</u>
Amount to be provided for retirement of general long-term debt				<u>\$ 98,123,712</u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2002

B. General Obligation Bonds

In June 2002, the San Mateo County Community College District issued general obligation capital appreciation bonds for the purpose of construction and modernization, in the amount of \$96,875,613 maturing through September 2026 with interest rates ranging from 5.20 percent to 5.74 percent. At June 30, 2002, the principal balance outstanding was \$96,875,613, and the accreted interest to date amounted to \$0.

The bonds mature in the year 2026. The District's portion of the principal and interest payments are as follows:

Year Ending June 30,	Principal	Interest	Total
2003	\$ -	\$ -	\$ -
2004	2,335,000	4,310,013	6,645,013
2005	3,455,000	3,521,628	6,976,628
2006	3,905,000	3,417,977	7,322,977
2007	1,395,000	3,300,828	4,695,828
Thereafter	85,785,613	40,474,823	126,260,436
Total	<u>96,875,613</u>	<u>\$ 55,025,269</u>	<u>\$ 151,900,882</u>
Accreted Interest	-		
	<u>\$ 96,875,613</u>		

C. Building Loan

In May 2001, the San Mateo County 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

Fiscal Year	Principal	Interest to Maturity	Total
2003	\$ 249,825	\$ 19,253	\$ 269,078
2004	261,518	7,562	269,080
Total	<u>\$ 511,343</u>	<u>\$ 26,815</u>	<u>\$ 538,158</u>

D. Accumulated Vacation Benefits

The long term portion of the accumulated vacation benefits for the District at June 30, 2002, amounted to \$736,756.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2002

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 remaining balance was paid in full during the year.

NOTE #11 – 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 year 2001-2002 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 years ending June 30, 2002, 2001, and 2000 were \$2,745,647, \$2,565,800, and \$2,231,16, respectively, and equal 100 percent of the required contributions for each year.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2002

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.

Funding Policy

Active plan members are required to contribute 7.0 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 the CalPERS Board of Administration. There were no required employer contributions for fiscal years ended June 30, 2002, 2001, and 2000.

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 \$332,806 (1.975 percent of salaries subject to STRS) and \$0 (zero 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. These amounts also have not been recorded in these financial statements.

NOTE #12 – COMMITMENTS AND CONTINGENCIES

A. Leases

The District has entered into various operating leases for land, buildings and equipment. All leases contain termination clauses providing for cancellation after 30 days written notice to lessors. It is expected that in the normal course of business most of these leases will be replaced by similar leases. Expenditures for rent under leases for the year ended June 30, 2002 amounted to \$325,076.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

B. 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 expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

C. 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.

D. Construction Commitments

As of June 30, 2002, 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	\$ 849,738	Within 2 years
State funded scheduled maintenance projects	460,059	Within 3 years
Theatre renovation	83,917	Within 1 years
Asbestos removal	948,827	Within 3 years
Canada Child Development Center	2,337,420	Within 2 years
Skyline Library/learning resources center	67,353	Within 2 years
Skyline Center for Advanced Learning	743,183	Within 2 years
Other state funded capital projects	543,306	Within 4 years
KCSM Digital Transmittal	1,600,000	Within 5 years
General Obligation Bond construction projects	4,772,960	Within 5 years
	<u>\$ 12,406,763</u>	

NOTE #13 – RETIREE BENEFITS

The District provides postemployment health care benefits in accordance with District 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, 971 employees qualify for this benefit.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

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 2001. Based upon this study, issued on December 21, 2001, the actuarial liability to the District was determined to be \$86,174,000. 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 \$1,228,000 to the Trust Fund bringing the total balance available for future retirement benefits to \$16,139,901.

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

The District is a member of the Bay Area Community College (BACC) public entity risk pool. The District pays an annual premium to the entity for its property liability coverage. The relationships between the District and the pool is such that it is not a component unit of the District for financial reporting purposes.

The entity has 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 entity.

- A. Entity Bay Area Community Colleges
- B. Purpose Provides Property and Liability or Casualty Insurance
- C. Participants Member Districts in the Bay Area and Central Coast
- D. Governing Board Representatives from member Districts
- E. Condensed Audited Financial Information Follows

		June 30, 2001*
Assets		\$ 3,582,517
Liabilities		2,566,503
	Fund Equity	<u>\$ 1,016,014</u>
Revenues		2,516,286
Expenses		2,104,175
	Net Increase in Fund Equity	<u>\$ 412,111</u>
F. <u>Payments for the Current Year</u>		<u>\$ 562,449</u>

* Most current information available.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2002

The JPA had no long-term debts outstanding at June 30, 2001. The District's share of year-end assets, liabilities or fund equity has not been calculated.

NOTE #15 – TAX AND REVENUE ANTICIPATION NOTES

On July 3, 2001, the District issued \$14,645,000 Tax and Revenue Anticipation Notes bearing interest at 5.10 percent. Interest and principal were due and payable on July 2, 2002. 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 \$14,255,000 of Tax and Revenue Anticipation Notes dated July 1, 2002. The notes mature on June 30, 2003, and yield 3.00 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 2003 and the other 50% by April 2003.

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*" and Statement No. 35, "*Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities.*" These Statements establish 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.
- 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:

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2002

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 COUNTY COMMUNITY COLLEGE DISTRICT

**GENERAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2002**

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
ASSETS			
Cash	\$ 958,161	\$ 272,572	\$ 1,230,733
Investments	14,791,955	3,318,252	18,110,207
Accounts receivable	3,814,600	2,573,247	6,387,847
Due from other funds	4,025,809	1,211,716	5,237,525
Prepaid expenditures	360,955	6,296	367,251
Other current assets	62,354	4,825	67,179
Total Assets	<u>\$24,013,834</u>	<u>\$7,386,908</u>	<u>\$31,400,742</u>
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts payable	10,839,287	1,546,441	12,385,728
Due to other funds	1,152,386	143,114	1,295,500
Deferred revenue	2,095,265	5,621,325	7,716,590
Total Liabilities	<u>14,086,938</u>	<u>7,310,880</u>	<u>21,397,818</u>
FUND EQUITY			
Fund balances			
Reserved	901,508	69,751	971,259
Unreserved			
Designated	6,018,050	6,277	6,024,327
Undesignated	3,007,338		3,007,338
Total Fund Equity	<u>9,926,896</u>	<u>76,028</u>	<u>10,002,924</u>
Total Liabilities and Fund Equity	<u>\$24,013,834</u>	<u>\$7,386,908</u>	<u>\$31,400,742</u>

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**GENERAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2002**

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
REVENUES			
Federal revenues	\$ 392	\$ 2,774,028	\$ 2,774,420
State revenues	10,860,918	8,639,526	19,500,444
Local revenues	<u>77,719,772</u>	<u>6,869,049</u>	<u>84,588,821</u>
Total Revenues	<u>88,581,082</u>	<u>18,282,603</u>	<u>106,863,685</u>
EXPENDITURES			
Current Expenditures			
Academic salaries	39,164,206	3,735,246	42,899,452
Classified salaries	18,938,654	5,498,022	24,436,676
Employee benefits	12,793,056	1,418,925	14,211,981
Books and supplies	1,598,481	1,213,966	2,812,447
Services and operating expenditures	8,001,741	3,915,526	11,917,267
Capital outlay	<u>1,594,417</u>	<u>1,978,340</u>	<u>3,572,757</u>
Total Expenditures	<u>82,090,555</u>	<u>17,760,025</u>	<u>99,850,580</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>6,490,527</u>	<u>522,578</u>	<u>7,013,105</u>
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	-	503,471	503,471
Operating transfers out	(4,530,605)	(188,817)	(4,719,422)
Other sources	34,382	146,163	180,545
Other uses	<u>(43,465)</u>	<u>(1,097,388)</u>	<u>(1,140,853)</u>
Total Other Financing Sources/(Uses)	<u>(4,539,688)</u>	<u>(636,571)</u>	<u>(5,176,259)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	1,950,839	(113,993)	1,836,846
FUND BALANCE, BEGINNING OF YEAR	<u>7,976,057</u>	<u>190,021</u>	<u>8,166,078</u>
FUND BALANCE, END OF YEAR	<u>\$ 9,926,896</u>	<u>\$ 76,028</u>	<u>\$ 10,002,924</u>

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

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SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**GENERAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2002**

	Unrestricted		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES			
Federal revenues	\$ -	\$ 392	\$ 392
State revenues	11,682,383	10,860,918	(821,465)
Local revenues	75,952,659	77,719,772	1,767,113
Total Revenues	<u>87,635,042</u>	<u>88,581,082</u>	<u>946,040</u>
EXPENDITURES			
Current Expenditures			
Academic salaries	40,367,052	39,164,206	1,202,846
Classified salaries	18,978,255	18,938,654	39,601
Employee benefits	13,517,388	12,793,056	724,332
Books and supplies	2,211,051	1,598,481	612,570
Services and operating expenditures	10,653,002	8,001,741	2,651,261
Capital outlay	2,006,248	1,594,417	411,831
Total Expenditures	<u>87,732,996</u>	<u>82,090,555</u>	<u>5,642,441</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>(97,954)</u>	<u>6,490,527</u>	<u>6,588,481</u>
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	-	-	-
Operating transfers out	(8,247,454)	(4,530,605)	3,716,849
Other sources	369,351	34,382	(334,969)
Other uses	-	(43,465)	(43,465)
Total Other Financing Sources/(Uses)	<u>(7,878,103)</u>	<u>(4,539,688)</u>	<u>3,338,415</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	<u>(7,976,057)</u>	<u>1,950,839</u>	<u>9,926,896</u>
FUND BALANCE, BEGINNING OF YEAR	<u>7,976,057</u>	<u>7,976,057</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ 9,926,896</u>	<u>\$ 9,926,896</u>

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

Restricted			Total		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 3,135,390	\$ 2,774,028	\$ (361,362)	\$ 3,135,390	\$ 2,774,420	\$ (360,970)
12,225,917	8,639,526	(3,586,391)	23,908,300	19,500,444	(4,407,856)
10,560,591	6,869,049	(3,691,542)	86,513,250	84,588,821	(1,924,429)
<u>25,921,898</u>	<u>18,282,603</u>	<u>(7,639,295)</u>	<u>113,556,940</u>	<u>106,863,685</u>	<u>(6,693,255)</u>
3,769,419	3,735,246	34,173	44,136,471	42,899,452	1,237,019
5,864,519	5,498,022	366,497	24,842,774	24,436,676	406,098
1,419,649	1,418,925	724	14,937,037	14,211,981	725,056
3,802,984	1,213,966	2,589,018	6,014,035	2,812,447	3,201,588
5,312,688	3,915,526	1,397,162	15,965,690	11,917,267	4,048,423
4,386,520	1,978,340	2,408,180	6,392,768	3,572,757	2,820,011
<u>24,555,779</u>	<u>17,760,025</u>	<u>6,795,754</u>	<u>112,288,775</u>	<u>99,850,580</u>	<u>12,438,195</u>
1,366,119	522,578	(843,541)	1,268,165	7,013,105	5,744,940
177,596	503,471	325,875	177,596	503,471	325,875
(354,409)	(188,817)	165,592	(8,601,863)	(4,719,422)	3,882,441
-	146,163	146,163	369,351	180,545	(188,806)
<u>(1,379,331)</u>	<u>(1,097,388)</u>	<u>281,943</u>	<u>(1,379,331)</u>	<u>(1,140,853)</u>	<u>238,478</u>
<u>(1,556,144)</u>	<u>(636,571)</u>	<u>919,573</u>	<u>(9,434,247)</u>	<u>(5,176,259)</u>	<u>4,257,988</u>
(190,025)	(113,993)	76,032	(8,166,082)	1,836,846	10,002,928
190,021	190,021	-	8,166,078	8,166,078	-
<u>\$ (4)</u>	<u>\$ 76,028</u>	<u>\$ 76,032</u>	<u>\$ (4)</u>	<u>\$ 10,002,924</u>	<u>\$ 10,002,928</u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**CAPITAL PROJECTS FUND
COMBINING BALANCE SHEET
FOR THE YEAR ENDED JUNE 30, 2002**

	<u>Capital Outlay</u>	<u>Capital Outlay Bond Fund</u>	<u>Total</u>
ASSETS			
Cash	\$ 337	\$ -	\$ 337
Investments	6,799,525	96,536,446	103,335,971
Accounts receivable	5,372,017	117,877	5,489,894
Due from other funds	1,421,424	-	1,421,424
Total Assets	<u>\$ 13,593,303</u>	<u>\$ 96,654,323</u>	<u>\$ 110,247,626</u>
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts payable	1,369,622	96,316	1,465,938
Due to other funds	3,649,216	1,318,256	4,967,472
Deferred revenue	193,111	-	193,111
Total Liabilities	<u>5,211,949</u>	<u>1,414,572</u>	<u>6,626,521</u>
FUND EQUITY			
Fund balances			
Unreserved			
Designated	8,381,354	95,239,751	103,621,105
Total Fund Equity	<u>8,381,354</u>	<u>95,239,751</u>	<u>103,621,105</u>
Total Liabilities and Fund Equity	<u>\$ 13,593,303</u>	<u>\$ 96,654,323</u>	<u>\$ 110,247,626</u>

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**CAPITAL PROJECTS FUND
 COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES
 IN FUND BALANCE
 FOR THE YEAR ENDED JUNE 30, 2002**

	Capital Outlay	Capital Outlay Bond Fund	Total
REVENUES			
State revenues	\$ 6,109,189	\$ -	\$ 6,109,189
Local revenues	1,719,691	117,877	1,837,568
Total Revenues	<u>7,828,880</u>	<u>117,877</u>	<u>7,946,757</u>
EXPENDITURES			
Current Expenditures			
Certificated salaries	419	-	419
Classified salaries	147,539	-	147,539
Employee benefits	14,767	-	14,767
Books and supplies	98,277	-	98,277
Services and operating expenditures	1,764,970	-	1,764,970
Capital outlay	5,819,881	473,339	6,293,220
Debt service - principal	238,657	-	238,657
Debt service - interest and other	30,422	-	30,422
Total Expenditures	<u>8,114,932</u>	<u>473,339</u>	<u>8,588,271</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>(286,052)</u>	<u>(355,462)</u>	<u>(641,514)</u>
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	2,710,388	-	2,710,388
Operating transfers out	-	-	-
Other sources	1,706,797	98,075,219	99,782,016
Other uses	-	(2,480,006)	(2,480,006)
Total Other Financing Sources/(Uses)	<u>4,417,185</u>	<u>95,595,213</u>	<u>100,012,398</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	4,131,133	95,239,751	99,370,884
FUND BALANCE, BEGINNING OF YEAR	4,250,221	-	4,250,221
FUND BALANCE, END OF YEAR	<u><u>\$ 8,381,354</u></u>	<u><u>\$ 95,239,751</u></u>	<u><u>\$ 103,621,105</u></u>

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**CAPITAL PROJECTS FUND
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2002**

	Capital Outlay		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES			
State revenues	\$ 10,618,283	\$ 6,109,189	\$ (4,509,094)
Local revenues	9,623,703	1,719,691	(7,904,012)
Total Revenues	<u>20,241,986</u>	<u>7,828,880</u>	<u>(12,413,106)</u>
EXPENDITURES			
Current Expenditures			
Certificated salaries	810	419	391
Classified salaries	189,453	147,539	41,914
Employee benefits	15,085	14,767	318
Books and supplies	603,987	98,277	505,710
Services and operating expenditures	3,936,271	1,764,970	2,171,301
Capital outlay	20,303,060	5,819,881	14,483,179
Debt service - principal	-	238,657	(238,657)
Debt service - interest and other	-	30,422	(30,422)
Total Expenditures	<u>25,048,666</u>	<u>8,114,932</u>	<u>17,202,813</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>(4,806,680)</u>	<u>(286,052)</u>	<u>4,789,707</u>
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	1,678,926	2,710,388	1,031,462
Operating transfers out	(372,467)	-	372,467
Other sources	-	1,706,797	1,706,797
Other uses	-	-	-
Total Other Financing Sources/(Uses)	<u>1,306,459</u>	<u>4,417,185</u>	<u>3,110,726</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	<u>(3,500,221)</u>	<u>4,131,133</u>	<u>7,631,354</u>
FUND BALANCE, BEGINNING OF YEAR	<u>4,250,221</u>	<u>4,250,221</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 750,000</u></u>	<u><u>\$ 8,381,354</u></u>	<u><u>\$ 7,631,354</u></u>

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

Capital Outlay - Bond Fund			Total		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 10,618,283	\$ 6,109,189	\$ (4,509,094)
-	117,877	117,877	9,623,703	1,837,568	(7,786,135)
-	117,877	117,877	20,241,986	7,946,757	(12,295,229)
-	-	-	810	419	391
-	-	-	189,453	147,539	41,914
-	-	-	15,085	14,767	318
-	-	-	603,987	98,277	505,710
-	-	-	3,936,271	1,764,970	2,171,301
-	473,339	(473,339)	20,303,060	6,293,220	14,009,840
-	-	-	-	238,657	(238,657)
-	-	-	-	30,422	(30,422)
-	473,339	(473,339)	25,048,666	8,588,271	16,729,474
-	(355,462)	(355,462)	(4,806,680)	(641,514)	4,165,166
-	-	-	1,678,926	2,710,388	1,031,462
-	-	-	(372,467)	-	372,467
-	98,075,219	98,075,219	-	99,782,016	99,782,016
-	(2,480,006)	(2,480,006)	-	(2,480,006)	(2,480,006)
-	95,595,213	95,595,213	1,306,459	100,012,398	98,705,939
-	95,239,751	95,239,751	(3,500,221)	99,370,884	102,871,105
-	-	-	4,250,221	4,250,221	-
\$ -	\$ 95,239,751	\$ 95,239,751	\$ 750,000	\$ 103,621,105	\$ 102,871,105

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**PROPRIETARY FUND TYPES – ENTERPRISE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2002**

	<u>Bookstore*</u>	<u>Cafeteria</u>	<u>Total</u>
ASSETS			
Cash	\$ 191,661	\$ 52,033	\$ 243,694
Investments	3,729,208	673,760	4,402,968
Accounts receivable	346,157	13,319	359,476
Stores inventory	1,213,745	-	1,213,745
Prepaid expenses	11,067	-	11,067
Fixed assets	125,404	83,935	209,339
Total Assets	<u>\$ 5,617,242</u>	<u>\$ 823,047</u>	<u>\$ 6,440,289</u>
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts payable	363,041	39,156	402,197
Due to other fund	3,614	-	3,614
Total Liabilities	<u>366,655</u>	<u>39,156</u>	<u>405,811</u>
FUND EQUITY			
Retained earnings	5,250,587	783,891	6,034,478
Total Fund Equity	<u>5,250,587</u>	<u>783,891</u>	<u>6,034,478</u>
Total Liabilities and Fund Equity	<u>\$ 5,617,242</u>	<u>\$ 823,047</u>	<u>\$ 6,440,289</u>

* Bookstore year-end is May 31.

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**PROPRIETARY FUND TYPES – ENTERPRISE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN RETAINED EARNINGS
 FOR THE YEAR ENDED JUNE 30, 2002**

	<u>Bookstore*</u>	<u>Cafeteria</u>	<u>Total</u>
REVENUES			
Local revenues	\$ 7,476,701	\$ 128,605	\$ 7,605,306
Total Operating Revenues	<u>7,476,701</u>	<u>128,605</u>	<u>7,605,306</u>
OPERATING EXPENSES			
Classified salaries	1,182,509	4,917	1,187,426
Employee benefits	191,211	388	191,599
Books and supplies	5,399,468	-	5,399,468
Services and operating expenditures	461,964	143,658	605,622
Total Operating Expenses	<u>7,235,152</u>	<u>148,963</u>	<u>7,384,115</u>
OPERATING INCOME (LOSS)	<u>241,549</u>	<u>(20,358)</u>	<u>221,191</u>
NONOPERATING REVENUES			
Interest	22,764	22,649	45,413
Total Nonoperating Revenues	<u>22,764</u>	<u>22,649</u>	<u>45,413</u>
NET INCOME	264,313	2,291	266,604
RETAINED EARNINGS, BEGINNING OF YEAR	4,986,274	781,600	5,767,874
RETAINED EARNINGS, END OF YEAR	<u>\$ 5,250,587</u>	<u>\$ 783,891</u>	<u>\$ 6,034,478</u>

* Bookstore year-end is May 31.

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**PROPRIETARY FUND TYPES – ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2002**

	<u>Bookstore*</u>	<u>Cafeteria</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income (loss)	\$ 241,549	\$ (20,358)	\$ 221,191
Adjustments to reconcile operating income to net cash flows from operating activities			
Depreciation	66,958	18,746	85,704
Changes in assets and liabilities (Increase)/decrease in:			
Accounts receivable	(1,039)	(4,772)	(5,811)
Stores inventory	(2,165)	-	(2,165)
Prepaid expenses	2,692	-	2,692
Increase/(decrease) in:			
Accounts payable	52,198	874	53,072
Due to other funds	3,614	-	3,614
Cash Flows Provided (Used) by Operating Activities	<u>363,807</u>	<u>(5,510)</u>	<u>358,297</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of equipment	(14,520)	(44,463)	(58,983)
Interest income	22,764	22,649	45,413
Cash Flows Provided (Used) by Investing Activities	<u>8,244</u>	<u>(21,814)</u>	<u>(13,570)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	372,051	(27,324)	344,727
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,548,818</u>	<u>753,117</u>	<u>4,301,935</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 3,920,869</u>	<u>\$ 725,793</u>	<u>\$ 4,646,662</u>

* Bookstore year-end is May 31.

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**FIDUCIARY FUND TYPES – EXPENDABLE TRUST AND AGENCY FUNDS
COMBINING BALANCE SHEET
FOR THE YEAR ENDED JUNE 30, 2002**

	Expendable Trusts		Agency		Total
	Student Financial Aid/Trust	Retiree Benefits	Associated Student Government	Student Representation	
ASSETS					
Cash	\$ 2,419	\$ -	\$ 806,139	\$ 129,157	\$ 937,715
Investments	334,006	15,914,768	-	-	16,248,774
Accounts receivable	159,852	225,133	109,551	20,399	514,935
Due from other funds	63,882	-	-	-	63,882
Other assets	-	-	42,963	-	42,963
Total Assets	\$ 560,159	\$ 16,139,901	\$ 958,653	\$ 149,556	\$ 17,808,269
LIABILITIES AND FUND EQUITY					
LIABILITIES					
Accounts payable	64,599	-	83,053	-	147,652
Due to other funds	299,734	-	-	-	299,734
Due to student groups	-	-	875,600	-	875,600
Deferred revenue	96,348	-	-	149,556	245,904
Total Liabilities	460,681	-	958,653	149,556	1,568,890
FUND EQUITY					
Reserved	99,478	-	-	-	99,478
Unreserved					
Designated	-	16,139,901	-	-	16,139,901
Undesignated	-	-	-	-	-
Total Fund Equity	99,478	16,139,901	-	-	16,239,379
Total Liabilities and Fund Equity	\$ 560,159	\$ 16,139,901	\$ 958,653	\$ 149,556	\$ 17,808,269

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

SAN MATEO COUNTY 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, 2002**

	Student Financial Aid/Trust	Retiree Benefits	Total
REVENUES			
Federal revenues	\$ 4,053,474	\$ -	\$ 4,053,474
State revenues	289,926	-	289,926
Local revenues	74,486	704,703	779,189
Total Revenue	<u>4,417,886</u>	<u>704,703</u>	<u>5,122,589</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>4,417,886</u>	<u>704,703</u>	<u>5,122,589</u>
OTHER FINANCING SOURCES/(USES)			
Transfers in	97,817	1,228,000	1,325,817
Transfers out	(20,000)	-	(20,000)
Other uses	(4,509,121)	-	(4,509,121)
Total Other Financing Sources/(Uses)	<u>(4,431,304)</u>	<u>1,228,000</u>	<u>(3,203,304)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	(13,418)	1,932,703	1,919,285
FUND BALANCE, BEGINNING OF YEAR	<u>112,896</u>	<u>14,207,198</u>	<u>14,320,094</u>
FUND BALANCE, END OF YEAR	<u>\$ 99,478</u>	<u>\$ 16,139,901</u>	<u>\$ 16,239,379</u>

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**FIDUCIARY FUND TYPES – AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2002**

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<u>ASSOCIATED STUDENT GOVERNMENT</u>				
ASSETS				
Cash	\$ 813,121	\$ 487,041	\$ 494,023	\$ 806,139
Accounts receivable	14,069	109,551	14,069	109,551
Due from other funds	156	-	156	-
Furniture and equipment	45,797	42,963	45,797	42,963
Total Assets	<u>\$ 873,143</u>	<u>\$ 639,555</u>	<u>\$ 554,045</u>	<u>\$ 958,653</u>
LIABILITIES				
Accounts payable	41,251	83,053	41,251	83,053
Due to other funds	8,846	-	8,846	-
Due to student groups	823,046	546,577	494,023	875,600
Total Liabilities	<u>\$ 873,143</u>	<u>\$ 629,630</u>	<u>\$ 544,120</u>	<u>\$ 958,653</u>
<u>STUDENT REPRESENTATION FUND</u>				
ASSETS				
Cash	\$ 124,934	\$ 4,223	\$ -	129,157
Accounts receivable	-	20,399	-	20,399
	<u>\$ 124,934</u>	<u>\$ 24,622</u>	<u>\$ -</u>	<u>\$ 149,556</u>
LIABILITIES				
Deferred revenue	<u>\$ 124,934</u>	<u>\$ 24,622</u>	<u>\$ -</u>	<u>\$ 149,556</u>

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

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SUPPLEMENTARY INFORMATION

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2002**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Student Financial Assistance			
Federal Work Study Program ^[1]	84.033	none	\$ 457,422
Pell Grant ^[1]	84.063	none	3,621,796
Supplemental Educational Opportunity Grant (SEOG) ^[1]	84.007	none	431,678
Postsecondary Education			
Business and International Education	84.153A	none	68,018
TRIO: Student Support Services	84.042A	none	528,762
Title III - Strengthening Institutions	84.031A	none	303,860
Title V Hispanic Serving Institutions ^[1]	84.031S	none	459,469
Passed through California Community Colleges:			
Vocational Education			
VATEA I-B State Leadership - Bay Region Consortium	84.048A	unk	10,000
VATEA I-C Basic Grants to States	84.048A	01-C01-052	325,200
VATEA II - Tech Prep Education	84.243	01-139-062	213,000
Rehabilitation Services			
Vocational Rehabilitation -Workability	84.126A	23405	201,048
Total U.S. Department of Education			<u>6,620,253</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California State University Hayward:			
National Institutes of Health			
Special Minority Initiatives - Bridges to BA Degree	93.960	GM48983-04	6,500
Passed through California Community Colleges:			
Administration for Children and Families			
Temporary Assistance to Needy Families (TANF)	93.558	unk	43,071
Passed through California Department of Education (CDE):			
Child Care and Development Block Grant - Training Consortium	93.575	5036	21,212
Total U.S. Department of Health and Human Services			<u>70,783</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through City of Redwood City:			
Community Development Block Grant	14.218	unk	<u>120,000</u>

^[1] Tested as major program.

See accompanying note to supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2002**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child and Adult Care Food Program	10.558	5320	<u>30,962</u>
U.S. DEPARTMENT OF LABOR			
Youth Employment CETA	17.250	none	<u>1,187</u>
NATIONAL SCIENCE FOUNDATION			
Passed through San Jose State University Foundation:			
Education and Human Resources - MASTEP	47.076	9553786	<u>15,671</u>
Total Expenditures of Federal Awards			<u><u>\$ 6,858,856</u></u>

[1] Major program.

See accompanying note to supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2002**

Program	Program Entitlements			Program Revenues				Program Expenditures
	Current Year	Prior Year	Total Entitlement	Cash Received	Accounts Receivable	Deferred Revenue	Total Revenue	
	Year	Year	Entitlement	Received	Receivable	Revenue	Revenue	
GENERAL FUND								
AB 77/DSPS/Handicap	\$ 1,397,813	\$ 52,857	\$ 1,450,670	\$ 1,439,907	\$ -	\$ 52,857	\$ 1,371,307	\$ 1,387,050
Extended Opportunity Programs	1,389,126	17,409	1,406,535	1,399,543	19,146	17,409	1,385,769	1,401,280
Care/EOP	79,662	-	79,662	81,123	-	-	79,662	81,123
Matriculation	1,262,153	21,548	1,283,701	1,320,628	-	21,548	1,262,153	1,299,080
Foster Parent Training	72,567	-	72,567	20,078	52,502	-	72,567	72,580
State Instructional Equipment Program	598,078	-	598,078	625,181	-	355,307	269,874	269,874
AB 602 FA Administrative Allowance	76,520	-	76,520	79,027	-	-	76,520	79,027
Block Grant	-	1,343,464	1,343,464	1,343,464	-	1,086,775	256,689	256,689
T-Com and Technology	847,168	654,020	1,501,188	1,501,607	-	359,384	1,141,803	1,142,223
Cal Works	349,971	-	349,971	349,971	-	-	349,971	349,971
Middle College High School	300,000	132,732	432,732	78,198	223,824	-	264,522	302,022
TANF	43,071	7,260	50,331	50,331	-	7,260	43,071	43,071
CITD Economic Development	294,875	162,294	457,169	410,045	4,895	6,250	408,634	408,690
Applied Bio Technology	13,000	3,000	16,000	17,146	-	-	16,000	17,146
California Articulation No System	15,000	-	15,000	14,994	-	-	15,000	14,994
AB 1725 Staff Diversity	21,720	-	21,720	21,720	-	-	21,720	21,720
Staff Development	85,491	35,780	121,271	121,271	-	42,849	78,422	78,422
California Health Services Tobacco Control	47,253	-	47,253	34,777	-	-	34,777	34,777
San Mateo County/State SPARK Program	71,674	-	71,674	65,701	1,625	-	67,326	67,326
Statewide Leadership Multimedia	138,500	5,898	144,398	122,238	22,160	-	144,398	144,398
MESA/CCCCP FSS	137,316	-	137,316	75,990	46,516	-	121,569	122,506

See accompanying note to supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2002

Program	Program Entitlements			Program Revenues				Program Expenditures
	Current Year	Prior Year	Total Entitlement	Cash Received	Accounts Receivable	Deferred Revenue	Total Revenue	
Economic Development Advanced								
Transportation Technology	20,723	-	20,723	320	20,600	-	20,723	20,920
FII English Basic Skills	-	49,348	49,348	49,348	-	-	48,807	49,348
FII Math Skills	-	42,688	42,688	42,688	-	-	42,688	42,688
Transfer and Articulation	61,989	-	61,989	61,989	-	45,120	16,869	16,869
REBRAC	-	17,524	17,524	-	15,444	-	-	-
FII Framing the World	-	186,989	186,989	187,067	-	-	186,989	187,067
FSS Connects	16,661	-	16,661	12,497	854	-	13,351	13,351
RCSD CBET Program	284,497	118,763	403,260	256,625	-	-	45,635	256,625
West Valley/Mission Health	150,000	-	150,000	146,383	-	-	146,383	146,383
Office of Emergency Services	-	180,315	180,315	180,315	-	68,134	112,181	112,181
Lottery-Prop 20-Instructional Materials	-	403,324	403,324	403,324	-	403,324	-	-
So Orange CCD	35,000	-	35,000	35,000	-	35,000	-	-
SFSU Project	1,000,000	-	1,000,000	1,000,000	-	880,512	119,488	119,488
Economic Development	300,000	-	300,000	274,886	-	-	252,000	274,886
San Bruno Elementary	42,954	-	42,954	263	42,954	-	42,954	43,217
FII-Read/Write	67,663	-	67,663	50,747	7,923	-	58,670	58,670
Emergency Services FM	-	21,006	21,006	21,006	-	21,006	-	-
MESA-FSS	56,144	-	56,144	24,477	12,616	-	38,085	37,093
Nursing-Enrollment Growth	52,492	-	52,492	52,492	-	52,125	367	367
State Library	19,823	-	19,823	19,890	-	7,309	12,581	12,581
County San Mateo ETP	-	-	-	-	66,931	-	-	-
Total State Programs				\$ 11,992,258	\$ 537,990	\$ 3,462,169	\$ 8,639,526	\$ 8,985,704

See accompanying note to supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR PROGRAM BASED FUNDING
FOR THE YEAR ENDED JUNE 30, 2002**

CATEGORIES	Reported Data	Audited Adjustments	Revised Data
A. Credit Full-Time Equivalent Student (FTES)			
1. Summer	240.22	-	240.22
2. Weekly census	13,570.98	-	13,570.98
3. Daily census	1,924.69	-	1,924.69
4. Actual hours of attendance	977.52	-	977.52
Sub-total	<u>16,713.41</u>	<u>-</u>	<u>16,713.41</u>
B. Noncredit FTES			
1. Summer	0.33	-	0.33
2. Actual hours of attendance	25.01	-	25.01
Sub-total	<u>25.34</u>	<u>-</u>	<u>25.34</u>
Total FTES	<u><u>16,738.75</u></u>	<u><u>-</u></u>	<u><u>16,738.75</u></u>

See accompanying note to supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

The following adjustments were made to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2002.

	<u>General</u>	<u>Capital Outlay Bond Fund</u>	<u>Bookstore</u>
FUND BALANCE			
Balance, June 30, 2002, Unaudited	\$ 10,248,122	\$ 95,336,067	\$ 5,300,861
Increase in accounts payable	(245,198)	(96,316)	(50,274)
Balance, June 30, 2002, Audited Financial Statement	<u>\$ 10,002,924</u>	<u>\$ 95,239,751</u>	<u>\$ 5,250,587</u>

See accompanying note to supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2002

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 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. The information in this schedule is presented in accordance with the requirements of the State Chancellor's Office. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements.

C. 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 students throughout the District.

D. 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*

Governing Board
San Mateo County Community College District
San Mateo, California

We have audited the general-purpose financial statements of San Mateo County Community College District as of and for the year ended June 30, 2002, and have issued our report thereon dated October 4, 2002. 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 general-purpose 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 general-purpose 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 general-purpose 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 general-purpose financial statements. Reportable conditions are described in the accompanying Schedule of Financial Statement Findings as items 2002-1 through 2002-3.

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 general-purpose 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 solely for the information and use of the Governing Board, audit committee, the California State Chancellor's Office, federal 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, Trine, Day & Co LLP
Pleasanton, California
October 4, 2002



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

Governing Board
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, 2002. 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, 2002.

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 solely for the information and use of the Governing Board, audit committee, the California State Chancellor's Office, federal 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, Trine, Day & Co LLP

Pleasanton, California
October 4, 2002



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board
San Mateo County Community College District
San Mateo, California

We have audited the general-purpose financial statements of the San Mateo County Community College District as of and for the year ended June 30, 2002, and have issued our report thereon dated October 4, 2002. 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 general-purpose 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 general-purpose 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

Districts 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 used 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 County Community College District complied with the laws and regulations referred to above except as described on the accompanying state award findings and questioned costs. Further, based on our audit, for items not tested, nothing came to our attention to indicate that the San Mateo County Community College District had not complied with the laws and regulations, except as described on the accompanying state award findings and questioned costs.

This report is intended solely for the information and use of the Governing Board, audit committee, the California State Chancellor's Office, federal 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, Trine, Day & Co LLP
Pleasanton, California
October 4, 2002

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2002**

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)	<u>No</u>
Identification of major programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.007, 84.063, 84.033</u>	<u>Financial Aid Cluster</u>
<u>84.031S</u>	<u>Title V Hispanic Serving Institutions</u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>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>Yes</u>
Type of auditors' report issued on compliance for state programs:	<u>Qualified</u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2002

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 BODY

2002-1. Finding (30000)

During the review of the Canada Associated Student Body accounts, we noted that approvals for the disbursements were not always present. In addition, the timing of some purchases indicated that purchases were sometimes made prior to approvals. Also, ticket logs were not used to keep track of the tickets sold. Without ticket logs it is difficult to determine whether the money collected from the ticket events were for the actual tickets sold.

Recommendation

We recommend that the Associated Student Body implement procedures to ensure that expenditures are properly approved prior to purchasing to prevent unauthorized spending. Also, the Student Body should begin using ticket logs to reconcile tickets sold to event income deposited to safeguard against potential losses of funds.

District Response

The College Business Officer will be the approver of these routine invoices and has begun reviewing and initialing requests. This new procedure will insure that the Business Office has approval for every transaction of this type before initiating the issuance of the check. Student Life Coordinator is advised with the auditor's request on issuing tickets for events that require an admittance fee. A ticket log for each event is requested. Tickets for the Drama Club were reviewed by the Business Office. Fall play ticket sales, indicates tickets were sold, a log sheet for every night was kept, and ticket stubs were saved.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2002

PARKING METERS

2002-2. Finding (30000)

During the review of the cash receipts for the Canada College parking meters, we noted that the parking meters operate on solar energy. During overcast days, the meters do not receive sufficient energy and often malfunction. This malfunction causes the sales records of amounts collected to differ from the actual money collected.

Recommendation

We recommend that the college consider an alternative way to collect parking tickets during overcast days to reduce the possibility of meter malfunction as being the cause for any differences between sales records of amounts collected and actual funds collected.

District Response

Buildings and Grounds, and VP are working with the vendor to correct the problem of the solar energy parking meters at Canada College.

BOOKSTORE

2002-3. Finding (30000)

One of the bookstores has an unreconciled cash difference of \$6,900 at year end.

Recommendation

The bookstore or the District should continue their efforts to investigate the unreconciled cash difference.

District Response

Canada Bookstore has recovered an unreconciled cash difference mainly due to duplicated payment from account receivable and credit card disputes. Adjustments were made in 02-03 fiscal year.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2002**

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, 2002

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>
40000	State Compliance

EOP & S PROGRAM

2002-4. Finding (40000)

During the review of the EOP & S program, we noted that when there were multi-funded employees working on the programs, salaries were allocated based on the budgeted percentage at the beginning of the year rather than the actual time spent on the program.

Recommendation

We suggest that the District keep a record of the actual time spent on each program and charge the program according to the actual time spent rather than the budgeted amount.

District Response

The District will put into place a record management timesheet system for multi-funded employees similar to the Federal program.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2002

ASSOCIATED STUDENT GOVERNMENT

1. Finding (30000)

During our testing of College of San Mateo 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 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.

Current Status

Implemented

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.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2002**

Recommendation

Current Status

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.

Implemented

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

Current Status

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.

Implemented