

**SAN MATEO COUNTY
COMMUNITY
COLLEGE DISTRICT**

**ANNUAL FINANCIAL REPORT
JUNE 30, 2004 AND JUNE 30, 2003**

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of the San Mateo County Community College District, as of and for the years ended June 30, 2004 and 2003. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the San Mateo County Community College District as of June 30, 2004 and 2003, and the respective changes in financial position and cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 4 through 13 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2004, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the report is to describe the scope of or testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in considered in assessing the results of our audit.

As discussed in Note # 1 to the financial statements, the District has adopted the provisions of the Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations are Component Units*, during the year ended June 30, 2004.

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

Vavinek, Trine, Day & Co LLP

Pleasanton, California
October 1, 2004

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2004 AND 2003

Introduction

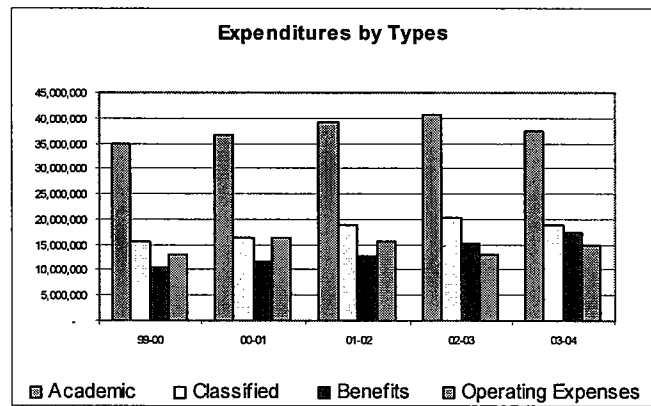
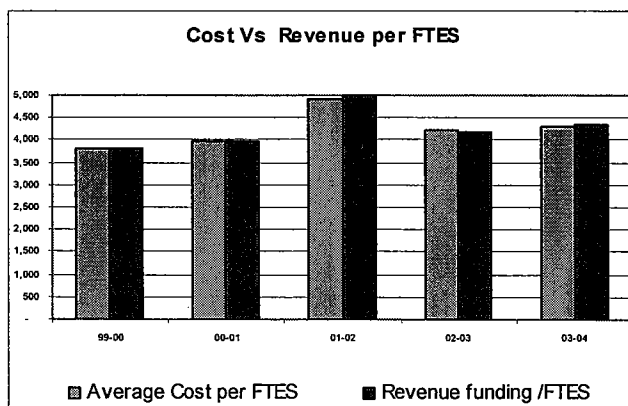
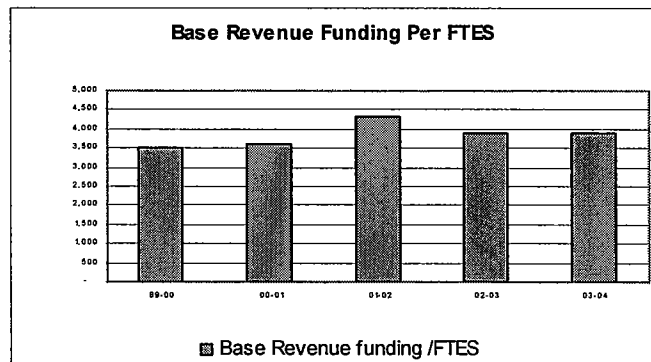
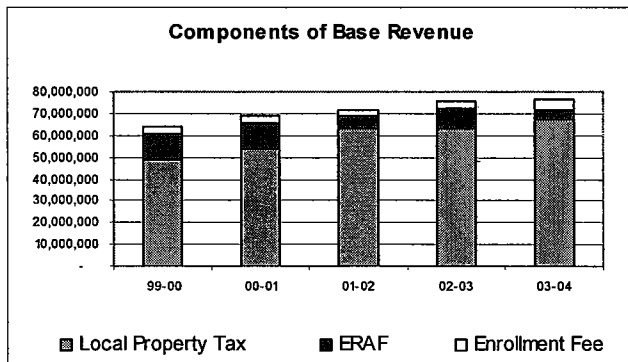
The San Mateo County Community College District's (the District) Annual Financial Report presents management's discussion and analysis of the District's financial activities during the fiscal years ended June 30, 2004 and June 30, 2003. The discussion has been prepared by management and is best read in conjunction with the financial statements and the notes following this section.

The fiscal year ended June 30, 2003 was the first year that the District presented financial statements in accordance with the Governmental Accounting Standards Board (GASB) No. 35. Therefore, certain data is not available for fiscal year ended June 30, 2002 for comparative analysis.

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

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

Financial Highlights of 2003-04



SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2004 AND 2003

Financial Overview

- Assets exceeded liabilities for the fiscal year ended June 30, 2004 by \$150.3 million, and net assets increased \$44.5 million over last year.
- Net capital assets increased \$58.5 million.
- Operating revenues increased by \$1.8 million over June 30, 2003.
- Operating expenses decreased by \$15.0 million over the same period in fiscal year 2003.

Reporting for the District as a Whole

- *Economic position of the District with the State*

Fiscal year 2003-04 reflected the reality of significant state funding adjustments to accommodate a large state budget deficit. State financial constraints along with price increases compelled the District to make \$10 million in budget reductions. The total District budget reductions were related to State funding reductions such as Partnership for Excellence and Mandated Costs allowances, state categorical programs, scheduled maintenance and instructional equipment. To assist in achieving the budget reduction, retirement and voluntary separation incentives were offered to staff. Also, the District instituted a managed hiring program, which resulted in elimination of some positions and a matching of employee experience, talents, and skills to other available positions within the District. Several employees received promotions through the process, and none experienced a pay reduction.
- *Salaries and Benefits*

In 2001-02, the San Mateo County Community College District approved three-year collective bargaining agreements for employees. The contracts expired in June, 2004. Health care premiums increased by an average of 22% in January, 2003, and 18% in January, 2004, and will again increase by an average of 15% in January, 2005. These increases have substantially increased District expenditures, as well as employee out-of-pocket expenses above the District's medical cap. The employer contribution rate for STRS has not changed in several years. The PERS employer contribution rate declined from 10.42% in 2003-04 to 9.952% in 2004-05. Dental insurance premiums increased by 13% in October, 2004. In addition, unemployment insurance doubled from 0.30% in 2003-04 to 0.65% in 2004-05, and Workers' Compensation increased by 15%.
- *Bond construction*

As of fiscal year-end 2003-04 a total of \$56 million of the authorized \$207 million was spent. As of that date, another \$22.7 million was committed via contracts and/or materials purchase orders. The majority of project programming and schematic design work is now complete, and several major projects are underway. Three Design Build (DB) contracts were awarded—the first ever in the California Community College system. Work is well underway on these projects: a new synthetic turf football field was installed at CSM in time for the Fall 2004 season, synthetic turf installation is underway for CSM Baseball, Skyline Baseball & Soccer, as are new tracks at Skyline and CSM. Cañada athletic fields and facilities are in design and work will commence there during Winter, 2004. DB contracts were awarded for the new CSM Building 36 Science Building and Skyline's Student Support & Community Center/Science Annex Buildings 6/7A. Work has commenced on CSM Building 36. Skyline Buildings 6/7A design documents have been submitted to the Division of State Architect for approval. Cañada's new Building 9 Library & Learning Resources Center design documents as well as Skyline Building 8 Seismic & Modernization projects were also submitted to DSA for approval. CSM's Building 18 Seismic & Modernization project is under construction and CSM's new Building 35 Regional Public Safety Center (RPSC) is pending DSA approval. The program is on track for scheduled completion in December 2007.

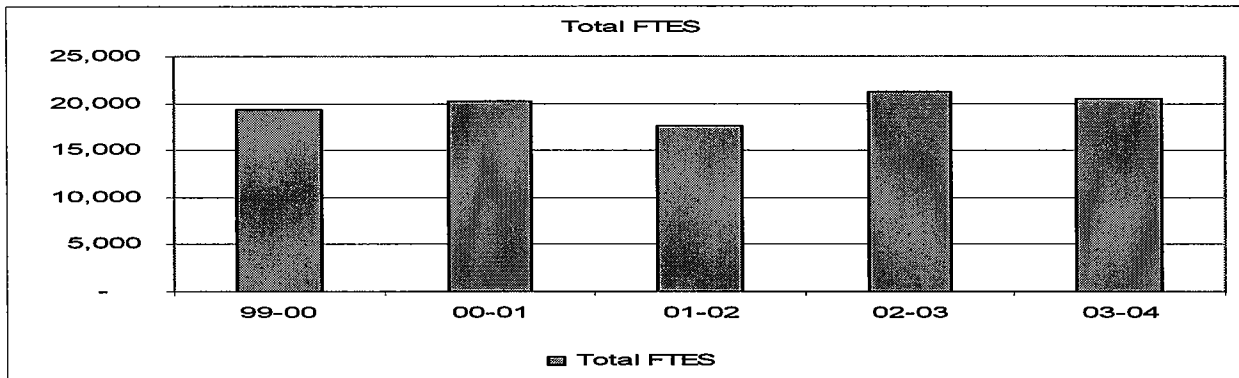
SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2004 AND 2003

- *Enrollments*

In 2003-04, the District's enrollment declined slightly, but is still up at a historically high level. The following chart shows comparative FTES data for the past five fiscal years.



Net Assets

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

- *Cash and cash equivalents* consist of cash in the Treasury, Local Agency Investment Fund (LAIF) of the State Treasurer's Office, San Mateo County Pool Investment, a Special Deposit Bond with Wells Fargo Bank, proceeds from the District's general obligation construction bond and certificates of deposit with various banks.
- *Accounts receivable* primarily consists of revenues from local, state, and federal sources from which the District had earnings but which were not received as of the fiscal year's closing date.
- *Inventories and other assets* include prepaid expenses and bookstore inventories.
- *Capital assets, net of depreciation*, are the net historical value of land, buildings, construction in progress and equipment less accumulated depreciation.
- Accounts payable and accrued liabilities consist of payables to the state, federal grants, benefits, salaries and local vendors which the District incurred but for which payments were not issued as of the end of the fiscal year.
- *Deferred revenues* represent cash received during the fiscal year from state, federal grants, general tax apportionment and student fees; however, the funds were not earned as the end of the fiscal year.
- Long-term liabilities (current and non-current portion) include obligations that should have been paid in the current year or are to be paid in more than one year. The District has compensated absences payable, a construction bond, and Certificate of Participation (C.O.P.).
- According to GASB Statements, equity is reported as "Net Assets" rather than "Fund Balance." The District's net assets are classified as follows:
 - Invested in capital assets, net of related debt, represents the District's total investment in capital assets and net of outstanding debt obligations related to those capital assets.
 - Restricted net assets consist of expendable and nonexpendable portions. Restricted expendable net assets include resources which the District is contractually obligated to expend in accordance with restrictions imposed by external third parties. Restricted net assets nonexpendable represent

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2004 AND 2003

endowment and similar funds for which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal be maintained and invested for the purpose of producing present and future income.

- o Unrestricted net assets represent resources used for transactions relating to the educational and general operations of the District.

STATEMENTS OF NET ASSETS

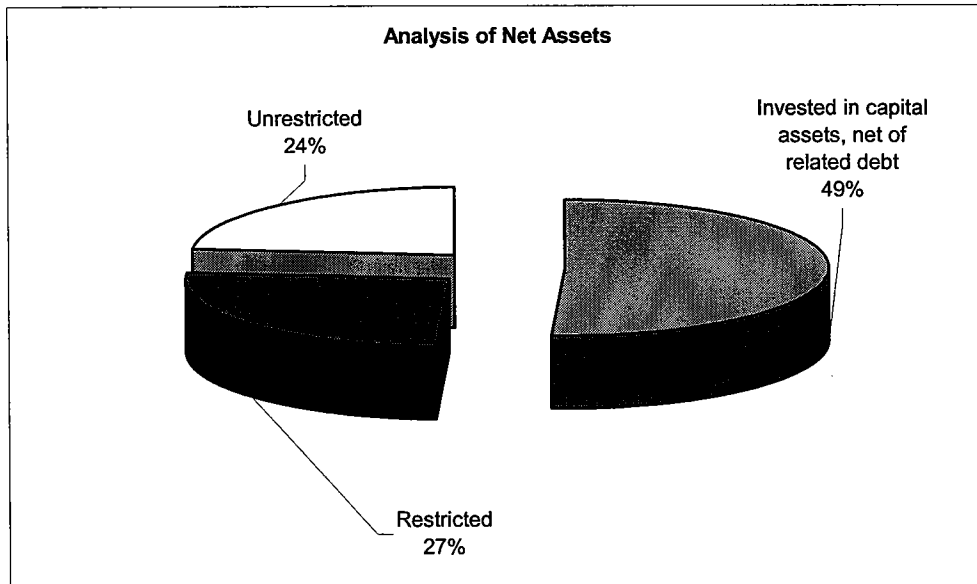
JUNE 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>	<u>Increase/(Decrease)</u>	
	in thousands	in thousands	in thousands	%
ASSETS				
Current Assets:				
Cash and cash equivalents	\$194,199	\$152,503	41,696	
Accounts receivable	12,498	10,352	2,146	
Inventories and other assets	4,214	3,596	618	
	<u>210,912</u>	<u>166,451</u>	44,461	26.71
Noncurrent Assets:				
Capital assets, net of depreciation	130,349	71,888	58,461	
	<u>130,349</u>	<u>71,888</u>	58,461	
	<u>341,261</u>	<u>238,338</u>	102,923	43.18
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	50,771	22,814	27,957	
Deferred revenue	8,788	7,440	1,348	
Amount held in trust on behalf of others	1,079	935	144	
Current portion of long-term liabilities	5,279	4,334	945	
	<u>65,916</u>	<u>35,522</u>	30,394	85.56
Noncurrent Liabilities				
Long-term liabilities - noncurrent portion	125,070	97,045	28,025	
	<u>125,070</u>	<u>97,045</u>	28,025	
	<u>190,986</u>	<u>132,567</u>	58,419	44.07
NET ASSETS				
Invested in capital assets, net of related debt	73,308	58,508	14,800	
Restricted	40,418	16,900	23,518	
Unrestricted	36,549	30,363	6,186	
	<u>\$150,275</u>	<u>\$105,771</u>	44,504	42.08

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2004 AND 2003

Analysis of Net Assets – June 30, 2004



Total net assets at June 30, 2004, increased \$44.5 million over the prior fiscal year. The increase was primarily due to the following:

- Cash and cash equivalents, investment increased due to proceeds from Construction bonds and C.O.P.
- The increase of net capital assets from Bond and C.O.P. construction in the District.

Statement of Revenues, Expenses and Changes in Net Assets

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

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2004 AND 2003

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>	<u>Increase/Decrease</u>	
	in thousands	in thousands	in thousands	%
OPERATING REVENUES				
Tuition and Fees	\$9,165	\$7,749	\$1,416	
Grants and Contracts, noncapital	25,305	24,396	909	
Auxiliary Enterprise Sales and Charges	7,484	8,044	(560)	
TOTAL OPERATING REVENUES	41,954	40,189	1,765	4.39
OPERATING EXPENSES	107,931	122,945	(15,014)	(12.21)
OPERATING LOSS	(65,977)	(82,757)	16,780	20.28
NON-OPERATING REVENUES (EXPENSES)				
State apportionments, noncapital	5,111	5,402	(291)	
Local property taxes and other non-operating revenue	77,891	85,608	(7,717)	
Investment income/(expense), net	(2,944)	(1,671)	(1,273)	
TOTAL NON-OPERATING REVENUES (EXPENSES)	80,057	89,338	(9,281)	(10.39)
INCOME BEFORE OTHER REVENUES AND EXPENSES	14,080	6,582	7,498	113.92
OTHER REVENUES AND EXPENSES	30,424	9,393	21,031	223.91
NET INCREASE IN NET ASSETS	44,505	15,975	28,530	178.59
NET ASSETS, BEGINNING OF YEAR	105,771	89,796	15,975	17.79
NET ASSETS, END OF YEAR	\$150,275	\$105,771	\$44,504	42.08

Explanatory information for the statement is as follows:

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

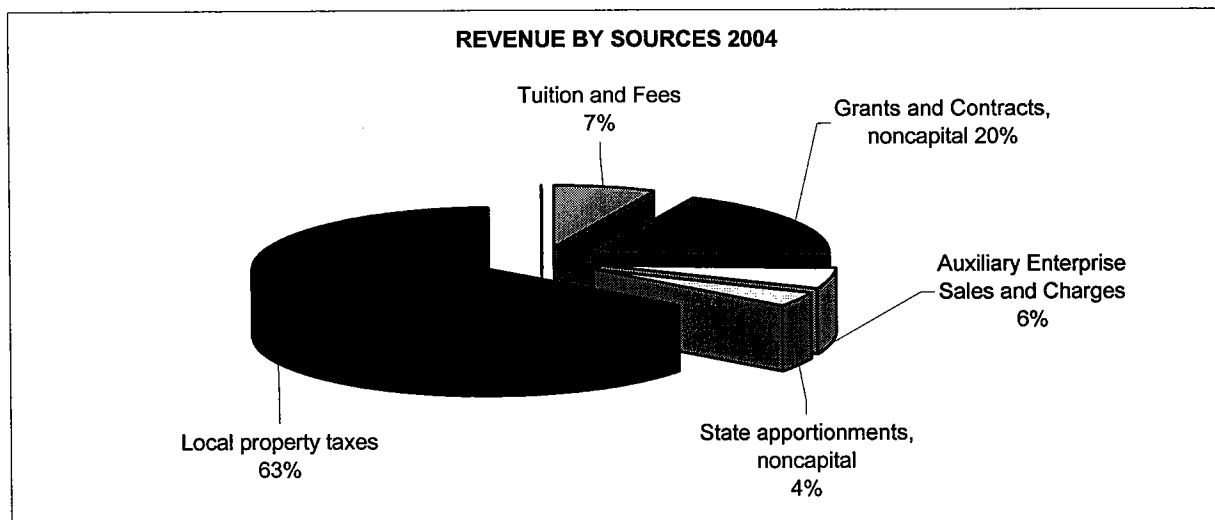
SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2004 AND 2003

- State and Local Revenues, capital includes State scheduled maintenances funding and issuance of the General Bond. These revenues relate mainly to construction activities.

Below is an illustration of District revenues by source:



Revenues and expenses changed mainly due to the following:

- Operating Revenues increased as a result of a tuition increased from \$11 to \$18 per unit.
- Non-Operating Revenues decreased mainly due to the State budget reduction in categorical programs, mandated costs allowances, scheduled maintenance and Partnership for Excellence.
- Operating Expenses increased primarily due to health care premiums, depreciation for capital assets and other operating expenses and services.

Operating Expenses

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

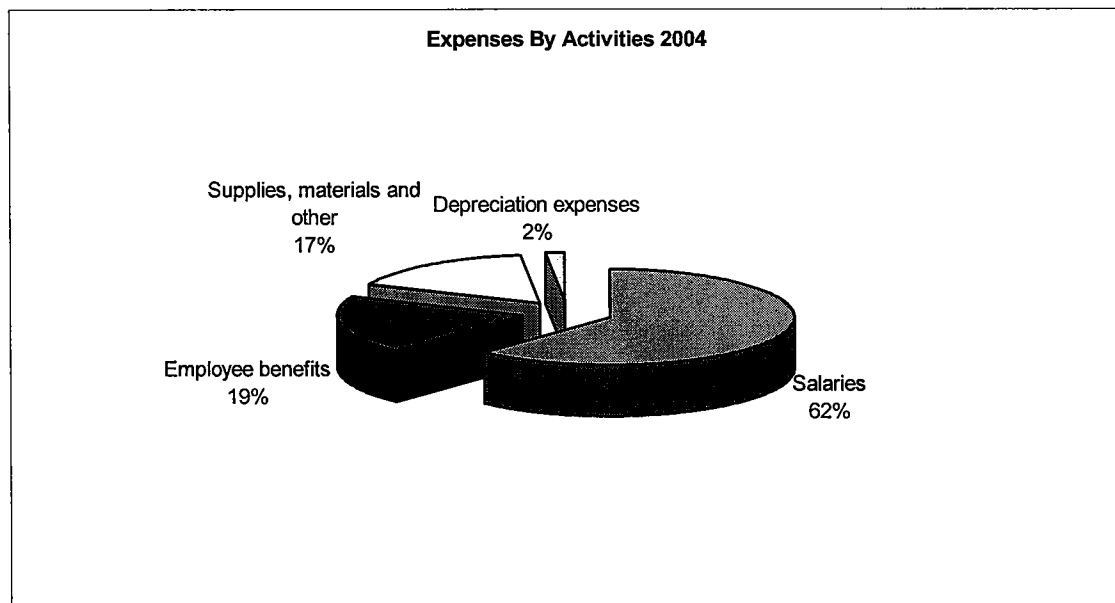
- Salaries and benefits expenses, which represent the largest percentage of the District's operating expense, increased due to salary and health care benefits improvement in addition to price increases.
- Supplies, materials, other operating expenses, services and utilities are the normal cost of operating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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2004 AND 2003

- o 25 to 50 years for buildings

Statement of Operating Expenses by Account	<u>2004</u>	<u>2003</u>	<u>Increase/(Decrease)</u>	
	in thousands	in thousands	in thousands	%
Salaries	\$66,742	\$71,906	\$(5,164)	
Employee benefits	20,980	19,779	1,201	
Supplies, materials, and other operating expenses and supplies	18,307	29,108	(10,801)	
Depreciation	1,901	2,151	(250)	
TOTAL OPERATING EXPENSES	<u>\$107,930</u>	<u>\$122,945</u>	\$(15,015)	12.21



Cash Flows

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2004 AND 2003

- Main cash receipts from operating activities consist of tuition, student fees, auxiliary enterprise sales, Federal, State grants and contracts. Cash outlays include payment of salaries, benefits, supplies and operating expenses.
- State apportionments and property taxes are the primary source of non-capital financing.
- For capital financing activities, the main sources are from special State Apportionments and General Obligation Bond proceeds.
- Cash from investing activities consists of Interest from County Investment Pool, Certifications of Deposits, Bond and Local Agency Investment Fund (LAIF). For 2002-03, the County Pool Investment performance has been considerably better than that of LAIF. Average yields for the County Pool and LAIF were 3.4% and 1.45%, respectively.

STATEMENTS OF CASH FLOWS - DIRECT METHOD FOR THE YEAR ENDED JUNE 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>	<u>Increase/(Decrease)</u>	
	in thousands	in thousands	in thousands	%
CASH FLOWS PROVIDED BY (USED IN):				
Operating Activities	\$(54,828)	\$(74,534)	\$19,706	
Noncapital financing activities	98,271	90,562	(7,709)	
Capital financing activities	(3,416)	(10,886)	(1,707)	
Investing activities	<u>1,669</u>	<u>2,157</u>	3,181	
NET INCREASE IN CASH AND CASH EQUIVALENTS	41,696	7,299	34,397	471.23
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>152,503</u>	<u>145,203</u>	7,299	5.03
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$194,199</u>	<u>\$152,503</u>	\$41,696	27.34

Economic Factors and the 2004-05 Budget

The 2004-05 State budget is an improvement over the 2003-04 budget. The State budget provides the District included a 2.41% COLA, modest funded Enrollment growth (3.65% statewide) and equalization funds for the District. The State budget also includes \$31.4 million in cuts to Partnership for Excellence funds, resulting in a \$576,000 drop in funding for the District. The State budget includes capital outlay projects funded through Proposition 55, of which approximately \$40 million is for District projects. Student enrollment fees for 2004-05 are increased 44% (from \$18 to \$26 per unit). This is on top of a 64% increase in 2003-04 (from \$11 to \$18 per unit). However, this fee increase does not bring in additional funds to the District. Instead, the revenue from the increase in fees offset revenue from property taxes that would have received.

Because the District reduced its base budget in 2003-04, the 2004-05 budget is in balance. However, the 3-year compensation agreements ended on June 30, 2004, and compensation settlements have yet to be negotiated for 2004-05.

The economic outlook of the state as well as for the District is improving but remains tenuous. Statewide revenues are exceeding those anticipated. Nevertheless, the state expects that it will face a \$5 billion deficit for fiscal year

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2004 AND 2003

2005-06. This may have an effect on public education funding in general and upon community colleges specifically. Currently, the California Community College Board of Governors has submitted a budget change proposal amounting to \$500 million and representing a 10% increase in community college funding. The proposal as submitted is within the limits of Proposition 95 guaranteed funding, but does not represent accommodations for the state's budget deficit.

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

Bond & C.O.P. Construction 2004-05 and Beyond

Staff and Faculty Housing available in 2005



In addition to Bond construction, the District is utilizing C.O.P. funds to implement a Staff & Faculty Housing Project, also delivered via the Design Build Delivery Method. The project will furnish below-market rate rental housing to District Faculty and Staff. The Design Build Contract has been awarded and construction is under way.

The District is planning several other important construction projects during the 2004-2005 fiscal year. The projects are to be funded by various income sources mentioned earlier in this analysis including Bond, and State and Local funding. At the CSM campus, the projects include construction of a Regional Public Safety Center and upgrades to the campus water supply. At the Skyline campus, plans call for seismic retrofit and modernization of buildings 3 and 8 and at the Canada campus a Library Learning Resources Center is scheduled. These projects are slated to be completed by December 2007.

Contacting the District's Financial Management Office

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF NET ASSETS
JUNE 30, 2004 AND 2003**

	<u>June 30, 2004</u>	<u>June 30, 2003</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 2,154,051	\$ 2,116,336
Investments	192,045,062	150,386,420
Accounts receivable	12,119,799	10,314,459
Student loans receivable	378,896	37,187
Prepaid expenses	2,502,684	1,814,930
Stores inventories	1,697,771	1,331,558
Other current assets	13,842	449,812
Total Current Assets	<u>210,912,105</u>	<u>166,450,702</u>
Noncurrent Assets:		
Capital assets, net of depreciation	130,349,119	71,887,545
TOTAL ASSETS	<u>341,261,224</u>	<u>238,338,247</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	47,629,558	21,616,392
Accrued interest payable	3,141,005	1,197,226
Deferred revenue	8,787,895	7,440,129
Amounts held in trust on behalf of others	1,078,645	934,704
Compensated absences payable - current portion	1,785,426	1,689,153
Notes payable - current portion	-	261,517
Current portion of general obligation bonds	3,455,000	2,335,000
Current portion of other long-term liabilities	38,588	47,984
Total Current Liabilities	<u>65,916,117</u>	<u>35,522,105</u>
Noncurrent Liabilities:		
Compensated absences payable - noncurrent portion	595,430	697,183
Noncurrent portion of general obligation bonds	123,728,613	95,244,417
Noncurrent portion of other long-term liabilities	745,575	1,103,638
Total Noncurrent Liabilities	<u>125,069,618</u>	<u>97,045,238</u>
TOTAL LIABILITIES	<u>190,985,735</u>	<u>132,567,343</u>
NET ASSETS		
Invested in capital assets, net of related debt	73,308,502	58,508,335
Restricted for:		
Debt service	8,895,200	4,497,007
Capital projects	30,829,306	11,488,184
Educational programs	599,467	758,914
Other activities	93,854	155,849
Unrestricted	36,549,160	30,362,615
Total Net Assets	<u>\$ 150,275,489</u>	<u>\$ 105,770,904</u>

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003**

	<u>June 30, 2004</u>	<u>June 30, 2003</u>
OPERATING REVENUES		
Tuition and Fees	\$ 11,482,853	\$ 8,954,303
Less: Scholarship discount and allowance	(2,317,539)	(1,204,845)
Net tuition and fees	9,165,314	7,749,458
Grants and Contracts, noncapital:		
Federal	8,807,264	8,202,874
State	14,261,574	16,192,773
Local	2,235,845	-
Auxiliary Enterprise Sales and Charges		
Bookstore	7,314,666	7,864,528
Cafeteria	169,108	179,168
TOTAL OPERATING REVENUES	<u>41,953,771</u>	<u>40,188,801</u>
OPERATING EXPENSES		
Salaries	66,742,488	71,906,374
Employee benefits	20,980,061	19,779,130
Supplies, materials, and other operating expenses and services	18,306,920	29,108,341
Depreciation	1,901,321	2,151,480
TOTAL OPERATING EXPENSES	<u>107,930,790</u>	<u>122,945,325</u>
OPERATING LOSS	<u>(65,977,019)</u>	<u>(82,756,524)</u>
NON-OPERATING REVENUES (EXPENSES)		
State apportionments, noncapital	5,110,499	5,401,692
Local property taxes	76,962,511	78,356,639
State taxes and other revenues	1,308	-
Investment income, net	2,605,483	2,157,386
Interest expense on capital related debt	(5,852,431)	(3,866,352)
Interest income on capital asset-related debt, net	301,494	37,785
Other non-operating revenue	928,342	7,251,120
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>80,057,206</u>	<u>89,338,270</u>
INCOME BEFORE OTHER REVENUES AND EXPENSES	<u>14,080,187</u>	<u>6,581,746</u>
OTHER REVENUES AND EXPENSES		
State revenues, capital	1,824,517	3,048,945
Local revenues, capital	28,599,881	6,343,930
TOTAL OTHER REVENUES AND EXPENSES	<u>30,424,398</u>	<u>9,392,875</u>
NET INCREASE IN NET ASSETS	44,504,585	15,974,621
NET ASSETS, BEGINNING OF YEAR	105,770,904	89,796,283
NET ASSETS, END OF YEAR	<u>\$ 150,275,489</u>	<u>\$ 105,770,904</u>

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003**

CASH FLOWS FROM OPERATING ACTIVITIES	June 30, 2004	June 30, 2003
Tuition and fees	\$ 9,082,426	\$ 7,712,271
Federal grants and contracts	8,931,025	8,202,874
State grants and contracts	14,030,553	13,860,610
Local grants and contracts	2,235,845	-
Payments to suppliers	(7,341,622)	(20,850,961)
Payments to/(on behalf of) employees	(89,249,534)	(91,502,939)
Auxiliary enterprise sales and charges		
Bookstore	7,314,666	7,864,528
Cafeteria	169,108	179,168
Net Cash Used by Operating Activities	(54,827,533)	(74,534,449)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State apportionments	3,554,642	5,401,692
Property taxes	76,962,511	78,356,639
State taxes and other apportionments	3,328,292	-
Other non-operating	(1,919,156)	6,863,120
Proceeds from TRANS	20,300,000	-
Student organization and other agency transactions	(3,955,672)	(59,104)
Net Cash Provided by Noncapital Financing Activities	98,270,617	90,562,347
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Proceeds from deposit on sale of capital assets	-	388,000
Proceeds from sale of certificated participation	29,874,740	-
Purchase of capital assets	(64,789,978)	(22,047,375)
State revenue, capital projects	1,824,517	3,048,945
Local revenue, capital projects	28,599,881	10,470,068
Principal paid on capital debt	(2,596,517)	(249,825)
Interest paid on capital debt	3,370,196	(2,533,427)
Interest income on capital asset-related debt, net	301,494	37,785
Net Cash Used by Capital Financing Activities	(3,415,667)	(10,885,829)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received from investments	1,668,940	2,157,386
NET INCREASE IN CASH AND CASH EQUIVALENTS	41,696,357	7,299,455
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	152,502,756	145,203,301
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 194,199,113	\$ 152,502,756

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF CASH FLOWS, CONTINUED
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003**

**RECONCILIATION OF NET OPERATING REVENUES TO NET CASH
USED BY OPERATING ACTIVITIES**

Operating loss	\$ (65,977,019)	\$ (82,756,524)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation	1,901,321	2,260,195
Changes in assets and liabilities		
Increase in accounts receivable	(1,805,340)	(1,567,501)
Increase in student loans	(341,709)	(37,187)
Increase in stores inventory	(366,213)	(117,813)
Decrease in prepaid expenditures	(687,754)	(321,333)
Decrease in other current assets	435,970	(339,670)
Increase in accounts payable	9,677,897	8,927,381
Increase amount held in trust	143,941	-
Decrease in notes payable	(261,517)	-
Increase in current portion of compensated absences	96,273	222,138
Increase in current portion of other long term debt	1,110,604	-
Increase in deferred revenue	1,347,766	(764,562)
Decrease in long term portion of compensated absences	(101,753)	(39,573)
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (54,827,533)</u>	<u>\$ (74,534,449)</u>

CASH AND CASH EQUIVALENTS

Cash	\$ 2,154,051	\$ 2,116,336
Investments	192,045,062	150,386,420
Total cash and cash equivalents	<u>\$ 194,199,113</u>	<u>\$ 152,502,756</u>

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004 AND 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The San Mateo County Community College District (The District) is a political subdivision of the State of California and provides educational services to the local residents of San Mateo County. The District consists of three community colleges located in the County of San Mateo, California. While the District is a political subdivision of the State, it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14. The District operates under a locally elected six-member Board of Trustees form of government and provides higher education in the County of San Mateo. The District currently operates three college campuses located in the cities of San Mateo, San Bruno, and Redwood City, California.

B. Financial Reporting Entity

During the year ended June 30, 2004, the District implemented Governmental Accounting Standard Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units*. This statement amends GASB Statement No. 14, *The Financial Reporting Entity*, to provide additional guidance to determine whether certain organizations, for which the District is not financially accountable, should reported as component units based on the nature and significance of their relationship with the District. The adoption of this statement had no impact on the District.

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

San Mateo County Community College District Financing Corporation

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency and intra-fund transactions have been eliminated.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004 AND 2003

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 90 days of fiscal year-end.

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

The accounting policies of the District conform to accounting principles generally accepted in the United State of America as applicable to colleges and universities, as well as those prescribed by the California Community College's Chancellor's Office. The District reports are based on all applicable Governmental Accounting Standards Board (GASB) pronouncements. When applicable, certain prior year amounts have been reclassified to conform to current year presentation.

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

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

The following is a summary of the more significant policies:

Cash and Cash Equivalents

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

Investments

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004 AND 2003

Accounts Receivable

Accounts receivable include amounts due from the Federal, State and /or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff, the majority of each residing in the State of California. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. The allowance is based upon management's estimates and analysis. The allowance was estimated at \$605,068 and \$0 for the years ended June 30, 2004 and 2003, respectively.

Inventory

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

Capital Assets and Depreciation

Capital assets are long-lived assets of the District as a whole and include land, building, and equipment. The District maintains a capitalization threshold of \$5,000 for equipment and \$100,000 for land, buildings and improvements. The auxiliary funds (Cafeterias, Bookstores and Associated Student Body) maintain and capitalization threshold of \$500. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. The District does not possess any infrastructure. Donated capital assets are recorded at estimated fair market value at the date of donation. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized. Major outlays for capital improvements are capitalized as Work in Process as the projects are constructed.

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

Accrued Liabilities and Long-Term Obligations

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

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year end that have not yet been paid with expendable available financial resources. These amounts are recorded in the fund from which the employees who have accumulated leave are paid.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004 AND 2003

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 are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave.

The District also participates in "load banking" with eligible academic employees whereby the employees may teach extra courses in one period in exchange for time off in another period. The full liability for this benefit is accrued in the appropriate fund.

Deferred Revenue

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

Net Assets

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

- **Invested in Capital Assets, Net of Related Debt:** Capital Assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- **Restricted – expendable:** Net assets whose use by the District is subject to externally imposed constraints that can be fulfilled by actions of the District pursuant to those constraints or by the passage of time.
- **Unrestricted net assets:** Net assets that are not subject to externally imposed constraints. Unrestricted net assets may be designed for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net assets are designated for educational and general operations of the District.

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004 AND 2003

Operating Revenues and Expenses

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

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

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

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

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

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

D. Estimates

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

E. 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 on behalf of the District. Local property tax revenues are recorded when received.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004 AND 2003

F. Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, Federal Work-Study, and Stafford Loan programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to students in the form of reduced tuition. These programs are audited in accordance with the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget's revised Circular A-133 "Audits of States, Local Governments and Non-Profit Organizations," and the related *Compliance Supplement*. During the years ended June 30, 2004 and 2003, the District distributed \$267,246 and \$37,187 in direct lending through the U.S. Department of Education. These amounts have not been included as revenues or expenses within the accompanying financial statements as the amounts were passed directly to qualifying students however the amounts are included on the Schedule of Federal Financial Assistance.

G. Reclassification

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

NOTE 2 - DEPOSITS AND INVESTMENTS

A. Policies and Practices

The District is considered to be an involuntary participant in an external investment pool since the District is required to deposit all receipts and collections of monies with their county treasurer. In addition, the District is authorized to maintain deposits with certain financial institutions that are federally insured up to \$100,000. *California Government Code* Sections 16520-16522 require 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.

Under provision of the District's investment policy, and in accordance with Sections 53601 and 53602 of the *California Government Code*, the District may also make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

B. Deposits

At June 30, 2004 and 2003, the carrying amount of the District's deposits were \$2,154,051 and \$2,116,336, respectively. The bank balances totaled \$2,553,408 and \$2,268,719 respectively. Of this amount, \$100,000 and \$230,000 was federally insured by the Federal Deposit Insurance Corporation. The balances of \$2,453,408 and \$2,038,719 is collateralized with securities held by the individual financial institutions.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003**

C. Investments

The District's investments are categorized to give an indication of the level of risk assumed by the District at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the counterparty's trust department or agent in the District's name holds the securities. Category 3 includes uninsured and unregistered investments for which the securities are held by the financial institution's trust department or agent but not in the District's name. Deposits with the County Treasury and investments in the State Treasurer's Investment Pool are not categorized because they do not represent securities, which exist in physical or book entry form. 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 and is administered by California State Treasurer. The deposits with county treasury and the State pool's investments are valued using the amortized cost method (which approximates fair value). The fair values were provided by the county and State treasurers for their respective pools.

The investments at June 30, 2004 and 2003, is as follows:

	2004		2003	
	Reported Amount	Fair Value	Reported Amount	Fair Value
Categorized				
Mortgage Backed Securities - Category 1	\$ 3,086,934	\$ 3,086,934	\$ -	\$ -
Uncategorized				
Certificate of deposit	5,000	5,000	5,000	5,000
Deposits with county treasurer	188,489,785	188,489,785	149,922,611	152,283,907
Investment in State treasurer's pool	463,343	462,594	458,809	458,809
Total	<u>\$ 192,045,062</u>	<u>\$ 192,044,313</u>	<u>\$ 150,386,420</u>	<u>\$ 152,747,716</u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003**

NOTE 3 – ACCOUNTS RECEIVABLES

Receivables at June 30, 2004 and 2003 consisted of intergovernmental grants, entitlements, interest, and other local sources. The District computes the allowance for doubtful accounts based on the age of the receivables.

	<u>June 30, 2004</u>	<u>June 30, 2003</u>
Federal Government		
Categorical aid	\$ 968,632	\$ 1,144,446
State Government		
Apportionment	-	11,136
Categorical aid	1,066,193	626,421
Lottery	1,306,862	538,716
Other state sources	914,334	4,823,052
Local Government		
Interest	1,110,508	173,965
Student receivables	4,675,888	3,033,910
Other local sources	3,061,346	-
Total	<u>13,103,763</u>	<u>10,351,646</u>
Less: Allowance for doubtful accounts	<u>(605,068)</u>	<u>-</u>
Total Accounts Receivable, net	<u>\$ 12,498,695</u>	<u>\$ 10,351,646</u>

Receivables at June 30, 2004 include \$350,000 for loans made to seven District employees to purchase houses. All full time employees who purchase a home and contribute at least 15% of the purchase price are eligible to receive loans of up to \$50,000 per employee. Repayment terms and interest rates are no payments due in years 1 through 5, payments of principal and interest in years 6-29, with final payment of any remaining balance in year 30. Selling the property, withdrawing cash from the equity, or leaving the District’s employment accelerates the due date of the loan. Interest is charged at 4% per year.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003**

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	\$ 4,187,944	\$ 16,440,348	\$ -	\$ 20,628,292
Construction in progress	20,827,815	43,367,711	8,850,316	55,345,210
Total Capital Assets Not Being Depreciated	<u>25,015,759</u>	<u>59,808,059</u>	<u>8,850,316</u>	<u>75,973,502</u>
Capital Assets Being Depreciated				
Land improvements	8,256,136	1,578,110	-	9,834,246
Buildings and improvements	72,788,294	7,650,777	-	80,439,071
Furniture, equipment and vehicles	12,379,080	2,309,178	2,123,353	12,564,905
Total Capital Assets Being Depreciated	<u>93,423,510</u>	<u>11,538,065</u>	<u>2,123,353</u>	<u>102,838,222</u>
Total Capital Assets	<u>118,439,269</u>	<u>71,346,124</u>	<u>10,973,669</u>	<u>178,811,724</u>
Less Accumulated Depreciation				
Land improvements	7,094,110	73,235	-	7,167,345
Buildings and improvements	33,321,666	1,531,145	-	34,852,811
Furniture, equipment and vehicles	6,135,948	309,884	3,383	6,442,449
Total Accumulated Depreciation	<u>46,551,724</u>	<u>1,914,264</u>	<u>3,383</u>	<u>48,462,605</u>
Net Capital Assests	<u>\$ 71,887,545</u>	<u>\$ 69,431,860</u>	<u>\$ 10,970,286</u>	<u>\$ 130,349,119</u>

Depreciation expense for the year ended June 30, 2004 for governmental and enterprise funds was \$1,839,091 and \$75,173, respectively.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003**

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	\$ 4,187,944	\$ -	\$ -	\$ 4,187,944
Construction in progress	9,517,647	19,041,718	7,731,550	20,827,815
Total Capital Assets Not Being Depreciated	<u>13,705,591</u>	<u>19,041,718</u>	<u>7,731,550</u>	<u>25,015,759</u>
Capital Assets Being Depreciated				
Land improvements	8,149,126	107,010	-	8,256,136
Buildings and improvements	65,163,754	7,624,540	-	72,788,294
Furniture, equipment and vehicles	9,373,423	3,005,657	-	12,379,080
Total Capital Assets Being Depreciated	<u>82,686,303</u>	<u>10,737,207</u>	<u>-</u>	<u>93,423,510</u>
Total Capital Assets	<u>96,391,894</u>	<u>29,778,925</u>	<u>7,731,550</u>	<u>118,439,269</u>
Less Accumulated Depreciation				
Land improvements	7,037,525	56,585	-	7,094,110
Buildings and improvements	31,913,986	1,407,680	-	33,321,666
Furniture, equipment and vehicles	5,340,018	795,930	-	6,135,948
Total Accumulated Depreciation	<u>44,291,529</u>	<u>2,260,195</u>	<u>-</u>	<u>46,551,724</u>
Net Capital Assets	<u>\$52,100,365</u>	<u>\$27,518,730</u>	<u>\$7,731,550</u>	<u>\$ 71,887,545</u>

Depreciation expense for the year ended June 30, 2003 for governmental and enterprise funds was \$2,151,480 and \$108,715, respectively.

NOTE 5 - INTERFUND TRANSACTIONS

Operating Transfers

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003**

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2004 and 2003, consisted of the following:

	<u>June 30, 2004</u>	<u>June 30, 2003</u>
Accrued payroll and benefits	\$ 3,422,238	\$ 4,949,223
Apportionment	7,196,359	8,763,352
Taxable Tax and Revenue Anticipation Notes	20,300,000	-
Construction	6,244,699	-
Other	10,466,262	7,903,817
Total	<u>\$ 47,629,558</u>	<u>\$ 21,616,392</u>

NOTE 7 - DEFERRED REVENUE

Deferred revenue at June 30, 2004 and 2003, consisted of the following:

	<u>June 30, 2004</u>	<u>June 30, 2003</u>
Federal financial assistance	\$ 53,254	\$ 1,201
State categorical aid	2,267,463	2,476,214
Enrollment fees - tuition, registration, materials	2,411,848	2,328,960
Other local	4,055,330	2,633,754
Total	<u>\$ 8,787,895</u>	<u>\$ 7,440,129</u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003**

NOTE 8 - LONG-TERM DEBT

A. Long-Term Debt Summary

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

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
Bonds and Notes Payable					
General obligation bonds	\$97,579,417	\$ 1,054,196	\$ 2,335,000	\$ 96,298,613	\$ 3,455,000
Certificates of participation	-	30,885,000	-	30,885,000	-
Notes payable	261,517	-	261,517	-	-
Total Bonds and Notes Payable	<u>97,840,934</u>	<u>31,939,196</u>	<u>2,596,517</u>	<u>127,183,613</u>	<u>3,455,000</u>
Other Liabilities					
Compensated absences	697,183	-	101,753	595,430	-
Total Other Liabilities	<u>697,183</u>	<u>-</u>	<u>101,753</u>	<u>595,430</u>	<u>-</u>
Total Long-Term Debt	<u>98,538,117</u>	<u>31,939,196</u>	<u>2,698,270</u>	<u>127,779,043</u>	<u>3,455,000</u>
Premiums, net of amortization	1,151,622	(328,871)	38,588	784,163	38,588
Total	<u>\$99,689,739</u>	<u>\$ 31,610,325</u>	<u>\$ 2,736,858</u>	<u>\$128,563,206</u>	<u>\$ 3,493,588</u>

B. Description of Debt

General obligation bonds were approved by a local election in 2001. The total amount approved by the voters was \$207,000,000. At June 30, 2004, \$96,875,613 had been issued and \$96,298,613 was outstanding. Interest rates on the bonds are from 5.20% – 5.74%.

The certificates of participation were issued in 2004 in the amount of \$30,885,000 to finance and construct athletic facility improvements, faculty and staff housing units, college bookstores and other facilities for the District. The certificates mature through 2038 with interest rates not to exceed 5.25 percent.

The notes payable were issued in 2001 in the amount of \$750,000 for site preparation and the purchase of three modular buildings. The balance was paid off in May 2004.

C. Debt Maturity

General Obligation Bonds

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2003	Interest Accretions	Bonds Redeemed	Bonds Outstanding June 30, 2004
6/4/2002	9/1/2026	5.2-5.74%	\$96,875,613	<u>\$97,579,417</u>	<u>\$1,054,196</u>	<u>\$2,335,000</u>	<u>\$ 96,298,613</u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003**

Debt Maturity

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2005	\$ 3,455,000	\$ 3,556,653	\$ 7,011,653
2006	3,905,000	3,469,802	7,374,802
2007	1,395,000	3,359,402	4,754,402
2008	1,560,000	3,279,902	4,839,902
2009	1,855,000	3,235,577	5,090,577
2010-2014	14,795,000	14,387,242	29,182,242
2015-2019	22,980,810	17,575,748	40,556,558
2020-2024	25,655,674	15,565,825	41,221,499
2025-2027	19,642,933	4,702,987	24,345,920
Total	<u>95,244,417</u>	<u>\$ 69,133,138</u>	<u>\$ 164,377,555</u>
Accretions to date	1,054,196		
	<u>\$ 96,298,613</u>		

D. Certificates of Participation

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ -	\$ 515,790	\$ 515,790
2006	-	1,497,456	1,497,456
2007	385,000	1,497,456	1,882,456
2008	465,000	1,485,906	1,950,906
2009	525,000	1,471,956	1,996,956
2010-2014	1,930,000	7,120,230	9,050,230
2015-2019	3,335,000	6,651,901	9,986,901
2020-2024	5,920,000	5,585,902	11,505,902
2025-2029	9,625,000	3,754,940	13,379,940
2030-2034	3,940,000	1,855,183	5,795,183
2035-2039	4,760,000	843,575	5,603,575
Total	<u>\$ 30,885,000</u>	<u>\$ 32,280,295</u>	<u>\$ 63,165,295</u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004 AND 2003

NOTE 9 - POSTEMPLOYMENT BENEFITS

The District provides medical, dental, and vision insurance coverage, as prescribed in the various employee union contracts, to retirees meeting plan eligibility requirements. Eligible employees retiring from the District may become eligible for these benefits when the requirements are met. The eligibility requirement for employees participating in Public Employees' Retirement System (PERS) is a minimum age of 55 and a minimum ten years of continuous service with the District. Additional age and service criteria may be required. The eligibility requirement for employees participating in State Teachers' Retirement System (STRS) is a minimum age of 60 with five years of service, or age 50 with 30 years of service. In addition, the District also has minimum continuous service requirements for retirement that range from three years to ten years and varies by employee class. The District recognizes expenditures for these post employment health benefits on a pay-as-you-go-basis. During the 2003-2004 fiscal year, the District provided insurance premium benefits to 645 retired employees with total expenditures of \$4,492,910.

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

NOTE 10 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year ending June 30, 2004, the District contracted with the Bay Area Community Colleges Joint Powers Authority for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

B. Workers' Compensation

For fiscal year 2004, the District participated in the Protected Insurance Program for Schools Joint Powers Authority (PIPS), an insurance purchasing pool. The intent of the PIPS is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the PIPS. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the PIPS. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of 23% percent. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the PIPS. Participation in the PIPS is limited to districts that can meet the PIPS selection criteria. The firm of Keenan and Associates provides administrative, cost control, and actuarial services to the group.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004 AND 2003

Coverage provided by BACCD JPA and PIPS for property and liability and workers' compensation is as follows:

<u>Insurance Program / Company Name</u>	<u>Type of Coverage</u>	<u>Limits</u>
Protected Insurance Program for Schools JPA (PIPS)	Workers' Compensation	\$ 1,000,000
Protected Insurance Program for Schools JPA (PIPS)	Excess Workers' Compensation	\$ 5,000,000
Bay Area CCD JPA	Property and Liability	\$ 4,000,000

Employee Medical Benefits

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

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 California Public Employees' Retirement System (CalPERS).

STRS

Plan Description

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

The STRP, a defined benefit pension plan, provides retirement, disability, and death benefits, and depending on which component of the STRP the employee is in, post-retirement cost-of-living adjustments may also be offered. Employees in the DB Plan attaining the age of 60 with five years of credited California service (services) are eligible for "normal" retirement and are entitled to a monthly benefit of two percent of their final compensation for each year of service. Final compensation is generally defined as the average salary earnable for the highest three consecutive years of service. The plan permits early retirement options at age 55 or as early as age 50 with at least 30 years of service. While early retirement can reduce the two percent age factor used at age 60, services of 30 or more years will increase the percentage age factor to be applied. Disability benefits are generally the maximum of 50 percent of final compensation for most applicants. Eligible dependent children can increase this

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004 AND 2003

benefit up to a maximum of 90 percent of final compensation. After five years of credited service, members become 100 percent vested in retirement benefits earned to date. If a member's employment is terminated, the accumulated member contributions are refundable. The features of the CB Benefit Program include immediate vesting, variable contribution rates that can be bargained, guaranteed interest rates, and flexible retirement options. Participation in the CB Benefit Program is optional; however, if the employee selects the CB Benefit Program and their basis of employment changes to half time or more, the member will automatically become a member of the DB Plan.

Funding Policy

Active members of the DB Plan are required to contribute eight percent of their salary while the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2003-2004 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The CB Benefit Program is an alternative STRS contribution plan for part-time instructors. Instructors who choose not to sign up for the DB Plan or social security may participate in the CB Benefit Program. The District's contribution rate for the CB Benefit Program is always a minimum of four percent with the sum of the District and employee contribution always being equal or greater than eight percent.

Annual Pension Cost

The District's total contribution to STRP for the fiscal years ended June 30, 2004, 2003, and 2002, were \$3,189,148, \$3,019,236, and \$2,745,647, respectively, and equal 100 percent of the required contributions for each year. The State of California may make additional direct payments for retirement benefits to the STRS on behalf of all community colleges on the State. The revenue and expenditures associated with these payments, if any, have not been included in these financial statements

B. CalPERS

Plan Description

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

The Public Employees' Retirement Law (Part 3 of the *California Government Code*, Section 20000 et seq.) establishes benefit provisions for CalPERS. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004 AND 2003

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. The required employer contribution rate for the fiscal year 2003-2004 was 10.42 percent of annual payroll. The contribution requirements of the plan members are established by State statute.

Annual Pension Cost

The District's contributions to CalPERS for the fiscal years ended June 30, 2004 and 2003 were \$2,489,436 and \$706,898 and equaled 100 percent of the required contributions for the year. The District was not required to make contributions during the fiscal year ended June 30, 2002. The actuarial assumptions used as part of the June 30, 2001, actuarial valuation (the most recent actuarial information available) included (a) an 8.25 percent investment rate of return (net of administrative expense); (b) an overall growth in payroll of 3.75 percent annually; and (c) an inflation component of 3.5 percent compounded annually that is a component of assumed wage growth, and assumed future post-retirement cost of living increases. The actuarial value of pension fund assets was determined by using a technique to smooth the effect of short-term volatility in the market value of investments.

On Behalf Payments

The State of California makes contributions to STRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to STRS which amounted to \$1,082,378 (2.28 percent of salaries subject to STRS). A contribution to CalPERS was not required for the year ended June 30, 2004. 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 California Community College's Annual Financial and Budget Report (CCFS-311). These amounts have been recorded in these financial statements.

Deferred Compensation

The District offers its employees a CalPERS administered 457 Deferred Compensation Program (the Program). The Program, available to all permanent employees, permits them to defer a portion of pre-tax salary into investment of an individual's own choosing until future years. The deferred compensation is not available to the employees or their beneficiaries until termination, retirement, death, or an unforeseeable emergency. The CalPERS Board controls the investment and administrative functions of the CalPERS 457 Deferred Compensation Program. The Board for the exclusive benefit of participating employees, which adds security, holds the assets in trust. During fiscal year 2002-2003, Program membership grew to 31 from 30.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004 AND 2003

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

NOTE 12 - COMMITMENTS AND CONTINGENCIES

A. Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2004.

The California State Controller's Office is auditing the District's mandated costs claims. The District has recorded \$475,000 in accounts payable as an estimate of the amount that may be due upon completion of the audit. In addition, an Internal Revenue Service audit of the use of tax and revenue anticipate note proceeds completed subsequent to the year end resulted in no change.

College of San Mateo has withdrawn from the Perkins loan program and assigned all remaining accepted loans back to the federal agency. The final payment to close out the program was made during the year ended June 30, 2004.

B. Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2004.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003**

C. Construction Commitments

As of June 30, 2004, the District had the following commitments with respect to the unfinished capital projects:

	Remaining Construction Commitment	Expected Date of Completion
CAPITAL PROJECT		
District Funded Facility Improvement Projects	\$ 349,263	within 5 years
State Funded Scheduled Maintenance Projects	20,000	within 3 years
Districtwide Fire Alarm Replacement	1,722,942	within 2 years
General Obligation Bond Construction Projects	22,721,292	within 5 years
	<u>\$ 24,813,497</u>	

NOTE 13 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of the Bay Area Community College (BACC) Joint Powers Authority JPA. The District pays annual premiums for its property and liability insurance coverage. The relationship between the District and the JPA is such that it is not a component unit of the District for financial reporting purposes.

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

Current year condensed audited financial information is as follows:

	June 30, 2003*
Assets	\$ 5,398,221
Liabilities	2,177,941
Fund Equity	<u>\$ 3,220,280</u>
Revenues	4,049,478
Expenses	3,012,722
Net Increase in Fund Equity	<u>\$ 1,036,756</u>
Payments for the Current Year	<u>\$ 502,496</u>

* Most current information available.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004 AND 2003

NOTE 14 - TAX AND REVENUE ANTICIPATION NOTES

On October 2, 2003, the District issued \$20,000,000 Taxable Tax and Revenue Anticipation Notes bearing interest at 2.00 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on October 02, 2004. By June 30, 2004, the District had placed 100 percent of principal and interest in county treasury for the sole purpose of satisfying the notes. The District was not required to make any additional payments on the notes. The District has recorded 100 percent principal and interest as a current liability in the financial statements.

On July 1, 2003, the District issued \$10,300,000 Tax and Revenue Anticipation Notes bearing interest at 2.00 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on January and April 2004. By May 1, 2004, 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 15 - SUBSEQUENT EVENTS

The District issued \$12,000,000 of Tax And Revenue Anticipation Notes dated July 6, 2004. The notes mature on July 6, 2005, and have a 3.0 percent interest rate. The notes were sold to supplement cash flow. Repayment requirements are that 40% of the principal and interest be deposited with the Fiscal Agent in February 2005, 10% in March, 10% in April and the remaining 40% to be deposited in May 2005.

Land Purchase and Sale

In February 2001, the District approved a sales agreement with SummerHill Homes to sell 22 acres of vacant land at Skyline College for \$28 million dollars. At the same time, the District entered into a purchase agreement with the Laguna Salada Union School District (now the Pacifica School District) to purchase the Pacific Heights Middle School, which is on an approximate 14.75 acre parcel adjacent to Skyline College. The purchase price was \$16,440,338.

Because of the need to seek entitlements for the housing development it was planning, SummerHill made down payments on the property throughout 2001 and 2002 totaling \$1.5 million, which were shared with the Pacifica School District. In addition, SummerHill paid the District a total of \$11,516,521 in July 2003 and \$9,106,086 in April 2004, which was proportionally split with the Pacifica School District. The remainder of the funds owed will be paid in September 2004.

Because of its need for cash for construction purposes, Laguna Salada asked the District to pay \$8 million of the funds owed to them in June 2002 (through an escrow closing in July 2002). Because the District had not yet received the sales proceeds from the 22 acres, the College District used bond funds to make this \$8 million payment.

SUPPLEMENTARY INFORMATION

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SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION

JUNE 30, 2004

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

BOARD OF TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Karen Schwarz	President	2007
Patricia Miljanich	Vice President/Clerk	2007
Richard Holober	Member	2005
Helen Hausman	Member	2005
Dave Mandelkern	Member	2007
Patrick Burns	Student Trustee	2005

ADMINISTRATION

Ron Galatolo	Chancellor - Superintendent
James W. Keller	Executive Vice Chancellor
Patricia Griffin	Interim President – College of San Mateo
Rosa Perez	President – Canada College
Dr. Shirley Kelly	Interim President – Skyline College

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004**

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	\$ 438,979
Pell Grant ^[1]	84.063	none	5,381,460
Supplemental Educational Opportunity Grant (SEOG) ^[1]	84.007	none	506,387
Postsecondary Education			
Business and International Education	84.153A	none	79,000
TRIO: Student Support Services ^[1]	84.042A	none	496,314
TRIO: Upward Bound	84.047A	none	60,797
Higher Education - Institutional Aid			
Title III - Strengthening Institutions	84.031A	none	48,708
Title V Hispanic Serving Institutions	84.031S	none	241,107
Passed through California Department of Education:			
Vocational Education			
VATEA I-B State Leadership - Bay Region Consortium	84.048A	02-0342	316,000
VATEA I-C Basic Grants to States	84.048A	02-C01	337,458
VATEA II - Tech Prep Education	84.243	02-0139	250,500
Special Education and Rehabilitation Services			
Passed through California Department of Rehabilitation:			
Vocational Rehabilitation - Workability III ^[1]	84.126A	23405	307,776
Passed through WETA Learning and Interactive Media:			
Special Education - Technology and Media Services	84.327Q	H327Q030001	7,500
Total U.S. Department of Education			<u>8,471,986</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Education:			
Administration for Children and Families			
Temporary Assistance to Needy Families (TANF)	93.558	unknown	40,910
Child Care and Development Block Grant	93.575	5036	25,225
Foster Care Title IV-E - Training for Community Based Organization	93658	unknown	12,058
Total U.S. Department of Health and Human Services			<u>78,193</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through City of Redwood City:			
Community Development Block Grant	14.218	unknown	<u>112,979</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through California Department of Education:			
Child and Adult Care Food Program	10.558	5320	<u>24,214</u>
U.S. DEPARTMENT OF LABOR			
Passed through NOVA/California EDD:			
WIA Adult Program	17.258	0110-H-1B-04	57,305
Passed through County of San Mateo/California Employment Development Department:			
WIA Dislocated Workers	17.260	73200-03-D012	294,560
Total U.S. Department of Labor			<u>351,865</u>
Total Expenditures of Federal Awards			<u>\$ 9,039,237</u>

[1] Tested as a major program.

See accompanying note to supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2004**

Program	Program Revenues				Program Expenditures
	Cash Received	Accounts Receivable	Deferred Revenue	Total Revenue	
GENERAL FUND					
AB 77/DSPS/Handicap	\$ 1,432,926	\$ -	\$ -	\$1,432,926	\$ 1,432,926
Extended Opportunity Programs	1,500,091	-	-	1,500,091	1,500,091
Care/EOP	138,279	-	-	138,279	138,279
Matriculation	965,980	-	77,430	888,550	888,550
Foster Parent Training	32,358	28,723	-	61,081	61,081
State Instructional Equipment Program	162,680	-	446	162,234	162,234
AB 602 FA Administrative Allowance	697,294	-	152,033	545,261	545,260
Block Grant	1,535,804	-	1,243,839	291,965	291,964
T-Com and Technology	350,249	-	221,833	128,416	128,416
Cal Works	181,758	(9,542)	-	172,216	172,216
Middle College High School	83,398	176,570	-	259,968	259,968
CITD Economic Development	169,930	25,714	-	195,644	195,644
Applied Bio Technology	6,763	-	-	6,763	6,763
California Articulation No System	22,800	-	-	22,800	22,800
AB 1725 Staff Diversity	22,176	-	-	22,176	22,176
Staff Development	31,078	-	26,782	4,296	4,295
Statewide Leadership Multimedia	155,000	-	-	155,000	155,000
MESA/CCCP FSS	142,517	21,310	-	163,827	163,826
Economic Development Advanced		10,000	25	9,975	9,975
Transfer and Articulation	7,360	-	-	7,360	7,360
RCSD CBET Program	6,056	131,688	-	137,744	137,744
RHORC - Santa Rosa JC	30,000	-	-	30,000	30,000
Office of Emergency Services	2,430	-	-	2,430	2,430
Lottery-Prop 20-Instructional Materials	339,896	357,876	396,580	301,192	301,192
So Orange CCD	35,000	-	-	35,000	35,000
SFSU Project	355,071	-	211,756	143,315	143,315
San Bruno Elementary	9,350	35,781	-	45,131	45,131
Emergency Services FM	21,006	-	-	21,006	21,006
Nursing-Enrollment Growth	106,668	-	44,177	62,491	62,491
TTIP Video Over IP Grant	100,000	-	18,083	81,917	81,917
SUHSD CBET Program	-	32,658	-	32,658	32,658
State Library	29,511	-	-	29,511	29,511
Child Deveopment program	401,845	117,717	-	519,562	519,562
Cal Grant	314,122	137,698	504	451,316	451,316
Total State Programs	\$ 9,389,396	\$1,066,193	\$2,393,488	\$8,062,101	\$ 8,062,097

See accompanying note to supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR STATE APPORTIONMENT
ANNUALIZED ATTENDANCE AND ANNUAL APPRENTICESHIP HOURS
OF INSTRUCTION
FOR THE YEAR ENDED JUNE 30, 2004**

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
A. <u>Credit Full-Time Equivalent Student (FTES)</u>			
1. Summer	2,049	-	2,049
2. Weekly census	14,994	-	14,994
3. Daily census	1,586	-	1,586
4. Actual hours of attendance	1,080	-	1,080
5. Independent study/work experience	557	-	557
Subtotal	20,266	-	20,266
B. <u>Noncredit FTES</u>			
1. Summer	-	-	-
2. Actual hours of attendance	47	-	47
Subtotal	47	-	47
Total FTES	20,313	-	20,313
C. <u>In-Service Training Courses</u>			
	122	-	122
D. <u>Basic Skills Courses</u>			
1. Credit	2,124	-	2,124
2. Non credit	-	-	-
Total Basic Skills FTES	2,124	-	2,124
E. <u>FTES Generated in Leased Space</u>			
	107	-	107
F. <u>Gross Square Footage</u>			
1. Existing facilities	1,239,163	-	1,239,163
2. New facilities	15,882	-	15,882
Total Gross Square Footage	1,255,045	-	1,255,045

Schedule of Annual Apprenticeship Hours of Instruction

	Reported Data	Audit Adjustments	Audited Data
July 1 - December 31, 2003	37,619	-	37,619
January 1 - April 15, 2004	648	-	648
April 16 - June 30, 2004	34,993	-	34,993
Total	73,260	-	73,260

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, 2004**

	Associated Student Trust
FUND BALANCE/DUE TO STUDENT GROUPS	
Balance, June 30, 2004, (CCFS-311)	\$ 269,420
Increase/decrease in:	
Cash decrease	(32,289)
Investments decrease	(70,646)
Fixed assets decrease	(8,229)
Accounts payable (increase) decrease	(158,256)
Balance, June 30, 2004, Audited Financial Statement	<u>\$ -</u>

See accompanying note to supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2004

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

Schedule of Expenditures of State Awards

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

Schedule of Workload Measures for Program-Based Funding

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

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' REPORTS

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

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

We have audited the basic financial statements of San Mateo County Community College District (the District) as of and for the year ended June 30, 2004, and have issued our report thereon dated October 1, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered San Mateo County Community College District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. 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 affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Financial Statement Findings and Questioned Costs as Item 2004-1 through 2004-2.

Compliance and Other Matters

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

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

Vavinek, Tine, Day & Co LLP

Pleasanton, California
October 1, 2004



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

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

Compliance

We have audited the compliance of San Mateo County Community College District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2004. The District's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, San Mateo County Community College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

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

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

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

Vavrinek, Tine, Day & Co LLP

Pleasanton, California
October 1, 2004



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

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

We have audited the financial statements of the San Mateo County Community College District for the year ended June 30, 2004, and have issued our report thereon dated October 1, 2004.

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

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

General 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.
- Credit Student Headcount Data.
- Gross square footage and FTES growth in leased facilities.

Administrative

Fiscal Operations - Salaries of Classroom Instructors (50 Percent Law)

Compliance Requirement

Each district's salaries of classroom 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*.

Fiscal Operation - Gann Limit Calculation

Compliance Requirement

Each district shall calculate and adopt an appropriation limit 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.

Apportionments - Students 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).

Apportionments - 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.

Apportionment - 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.
- Courses 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.

Apportionment - Residency Determination for Credit Classes

Compliance Requirement

District internal fiscal controls should ensure that State apportionment for credit course is only claimed for student attendance allowed by statute and regulation. Student residence at the time of registration is a major factor for allowing Districts to claim State apportionment for credit courses.

Apportionment - Concurrent Enrollment of K-12 Students in Community College Courses

Compliance Requirement

A community college district may claim FTES for the attendance of K-12 pupils who take courses offered by the district under this concurrent enrollment arrangement only if it complies with all related California Education Code sections.

Open Enrollment

Compliance Requirement

Community colleges shall comply with Title 5 provisions of the *California Code of Regulations* related to open enrollment by the general public for all courses being submitted for State apportionment funding.

Student Services

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) - 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 EOP&S accounts unless their activities require them to perform additional functions for the EOP&S program 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.

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

Compliance Requirement

District's accepting EOP&S funds are required to contribute from non-EOP&S sources the salary of the EOP&S administrator/director at the rate of 100 percent of salary and benefits for formal program activities associated with the implementation and operation of EOP&S specific activities over and above general supervision of EOP&S activities.

Facilities Program

Scheduled Maintenance Program

Compliance Requirement

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

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

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

In our opinion, the San Mateo County Community College District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2004.

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

Vavinek, Trine, Day & Co LLP

Pleasanton, California
October 1, 2004

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2004**

SUMMARY OF AUDITORS' RESULTS

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 Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.033</u>	<u>Federal Work Study Program</u>
<u>84.063</u>	<u>Pell Grant</u>
<u>84.007</u>	<u>Supplemental Educational Opportunity Grant (SEOG)</u>
<u>84.042A</u>	<u>TRIO: Student Support Services</u>
<u>84.126A</u>	<u>Workability</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2004

FINANCIAL STATEMENT FINDINGS

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 Auditing Standards*.

2004-1 Finding

During our review of accounts receivable records, we noted that the subsidiary accounts receivable ledgers include balances for customers whose payments have already been received and excludes other customers who have not paid their balances. Based on the responses to our inquiries, we were informed that the Banner software has a setting that automatically applies amounts received to the oldest outstanding receivable regardless of whether or not it was that customer was the one making the payment.

We also noted that the combined general ledger detail report, which includes both student and non-student receivables, did not match the amount reported on the balance sheet summary. Upon further investigation it was determined that the student receivables tracking system is unable to print an outstanding receivable cut off list as of June 30. The system is a dynamic system that provides detail of amounts owed on any particular day however it cannot look back to a date prior to the processing date and determine the amount that was owed on a date that is in the past. In addition to the student receivable report issue described above, we also noted discrepancies in the non-student receivables between the various levels of detail (report id #TYQFTYP did not match report id #TYQFABL).

Recommendation

In order to maintain a customer balance listing that is in a usable format for the District to be able to follow up on outstanding receivables, we recommend that the District perform a detailed review of the Banner accounts receivable subsidiary ledger and make any necessary corrections. We understand that the KCSM receivables were reviewed and corrected during the 2003-2004 fiscal year, however, it is apparent that significant work remains to be done in the federal and state grant receivable category. We also recommend that the District continue the process of monitoring and refining the District policies over establishment of appropriate allowances for uncollectible amounts.

In addition, we recommend that the District office consult with the technology department to determine if there is a solution to the problem of obtaining a listing of student receivables that supports the accounts receivable balance as of the end of the year. We also recommend that the District compare the various levels of reports and investigate any differences and document explanations for those differences by adding notes to the reports.

District Response

The District is continuing the effort of reviewing the questionable and aged federal and state grants accounts receivable. All known uncollectible accounts entries will be corrected and further

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2004

investigation will be made as errors are identified.

Information Technology Department and SCT consultant have been informed about the problem regarding with our home-grown reports. Investigating and rewriting the program have been started.

2004-2 **Finding**

During the review of the Apportionment Attendance Report, Form 320, of Skyline College, we noted a discrepancy between the hours reported under Actual Hour Attendance for Credit Courses in third session and the supporting attendance records.

Recommendation

The District should submit a revised Consolidated 320 report to the Chancellor's office to revise the FTES claimed for Skyline Actual Hours in Credit Courses claimed for the third period.

District Response

A manual report had to be secured for a large group of positive attendance provided by the Learning Center. The total had to be manually calculated and was entered incorrectly.

The following procedures have been taken to avoid occurrence again:

1. Learning Center responsible for reporting this positive attendance has been given access and instructions to report the hours using Banner system. The Admissions Office is monitoring the entry of this data on a periodic basis to ensure timely reporting. This methodology will capture the actual hours of positive attendance from the Banner system.
2. Procedure has been established that the final entries on the 320 report will be reviewed by the Registrar and the Vice-President of Instruction before submitting.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2004**

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2004**

STATE AWARD FINDINGS AND QUESTIONED COSTS

There were no findings representing reportable conditions, material weaknesses, and instances of noncompliance related to state program laws and regulations that are required to be reported in accordance with *Government Auditing Standards*.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2004

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

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

Financial Statement Findings

2003-1 Finding

During our review of accounts receivable records, we noted that the subsidiary accounts receivable ledgers include balances for customers whose payments have already been received and excludes other customers who have not paid their balances. Based on the responses to our inquiries, we were informed that the Banner software has a setting that automatically applies amounts received to the oldest outstanding receivable regardless of whether or not it was that customer was the one making the payment.

Recommendation

In order to maintain a customer balance listing that is in a usable format for the District to be able to follow up on outstanding receivables, we recommend that the District perform a detailed review of the Banner accounts receivable subsidiary ledger and make any necessary corrections. The most significant problems in the subsidiary accounts receivable ledgers are the sections for the District federal and state grant receivables and KCSM receivables. We also recommend that the District develop and determine an amount of an allowance for uncollectible accounts and record that in its general ledger.

Current Status

See current year comment.

ADDITIONAL SUPPLEMENTARY INFORMATION

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**BALANCE SHEET
ALL GOVERNMENTAL FUNDS
JUNE 30, 2004**

	<u>General Unrestricted</u>	<u>General Restricted</u>	<u>Child Development</u>	<u>Bond Interest and Redemption</u>
ASSETS				
Cash and cash equivalents	\$ 947,194	\$ 341,538	\$ 5,243	\$ -
Investments	41,668,113	7,898,807	85,099	5,724,931
Accounts receivable, net of allowance	6,970,499	2,473,879	135,825	30,966
Due from other funds	6,981,213	2,826,407	20,392	-
Prepaid expenses	722,258	20,000	-	-
Other current assets	13,842	-	-	-
Total Assets	<u>\$57,303,119</u>	<u>\$13,560,631</u>	<u>\$ 246,559</u>	<u>\$ 5,755,897</u>
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	39,528,764	2,386,064	136,316	-
Due to other funds	4,469,379	5,526,479	10,959	-
Deferred revenue	3,357,282	5,048,621	5,430	-
Total Liabilities	<u>47,355,425</u>	<u>12,961,164</u>	<u>152,705</u>	<u>-</u>
FUND EQUITY				
Fund Balances				
Reserved	1,166,290	599,467	-	-
Unreserved				
Designated	8,466,180	-	2,682	4,497,007
Undesignated	315,224	-	91,172	1,258,890
Total Fund Equity	<u>9,947,694</u>	<u>599,467</u>	<u>93,854</u>	<u>5,755,897</u>
Total Liabilities and Fund Equity	<u>\$57,303,119</u>	<u>\$13,560,631</u>	<u>\$ 246,559</u>	<u>\$ 5,755,897</u>

COP Payment	Capital Outlay Projects	COP Construction	Bond Construction	Retiree Benefits	Governmental Funds
\$ -	\$ 1,321	\$ -	\$ -	\$ -	\$ 1,295,296
3,086,934	30,242,717	26,763,355	51,490,687	19,526,167	186,486,810
52,369	835,459	-	458,058	473,656	11,430,711
-	2,766,594	5,244,069	75	-	17,838,750
-	-	-	-	-	742,258
-	-	-	-	-	13,842
<u>\$ 3,139,303</u>	<u>\$ 33,846,091</u>	<u>\$ 32,007,424</u>	<u>\$ 51,948,820</u>	<u>\$ 19,999,823</u>	<u>\$ 217,807,667</u>
-	474,254	1,111,429	4,667,579	-	48,304,406
-	2,533,763	5,244,069	303	-	17,784,952
-	8,768	-	-	-	8,420,101
-	<u>3,016,785</u>	<u>6,355,498</u>	<u>4,667,882</u>	-	<u>74,509,459</u>
-	-	-	-	-	1,765,757
3,139,303	11,488,184	25,651,926	47,280,938	19,999,823	120,526,043
-	19,341,122	-	-	-	21,006,408
<u>3,139,303</u>	<u>30,829,306</u>	<u>25,651,926</u>	<u>47,280,938</u>	<u>19,999,823</u>	<u>143,298,208</u>
<u>\$ 3,139,303</u>	<u>\$ 33,846,091</u>	<u>\$ 32,007,424</u>	<u>\$ 51,948,820</u>	<u>\$ 19,999,823</u>	<u>\$ 217,807,667</u>

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SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

BALANCE SHEET RECONCILIATION JUNE 30, 2004

Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:

Total Fund Balance - All Governmental Funds	\$ 143,298,208
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. However, capital assets in enterprise funds are financial resources and no adjustment is needed for those capital assets.</p>	
The cost of capital assets in governmental funds is	177,817,202
Accumulated depreciation in governmental funds is	<u>47,648,157</u>
Payments made for Enterprise fund expenditures	130,169,045
Expenditures relating to issuance costs of debt were recognized in modified accrual basis, but should not be recognized in accrual basis.	1,730,730
In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term debt is recognized when it is incurred.	(3,141,005)
An internal service fund is used by the District's management to charge the costs of the property and liability insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	488,060
Enterprise funds are used by the District's management to account for the activity of the bookstores and cafeterias. The assets and liabilities of the enterprise funds are included with governmental activities.	6,293,657
Long-term liabilities at year end consist of:	
Bonds payable	96,298,613
Unamortized debt premium/discount	784,163
Certificates of participation	30,885,000
Compensated absences (vacations)	<u>595,430</u>
Total Net Assets	<u><u>\$ 150,275,489</u></u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE

ALL GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2004

	<u>General Unrestricted</u>	<u>General Restricted</u>	<u>Child Development</u>	<u>Bond Interest and Redemption</u>
REVENUES				
Federal revenues	\$ -	\$2,917,827	\$ 45,881	\$ -
State revenues	11,304,675	6,976,876	499,303	65,807
Local revenues	78,372,924	7,002,595	135,273	7,084,736
Total Revenues	<u>89,677,599</u>	<u>16,897,298</u>	<u>680,457</u>	<u>7,150,543</u>
EXPENDITURES				
Current Expenditures				
Academic salaries	37,383,771	3,125,287	140,998	-
Classified salaries	18,855,139	5,695,098	399,195	-
Employee benefits	18,415,256	2,105,614	160,540	-
Books and supplies	1,082,808	1,202,795	64,714	-
Services and operating expenditures	8,303,099	3,941,095	120,118	-
Capital outlay	508,868	837,929	29,574	-
Debt service - principal	-	-	-	2,335,000
Debt service - interest and other	-	-	-	3,556,653
Total Expenditures	<u>84,548,941</u>	<u>16,907,818</u>	<u>915,139</u>	<u>5,891,653</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>5,128,658</u>	<u>(10,520)</u>	<u>(234,682)</u>	<u>1,258,890</u>
OTHER FINANCING SOURCES/(USES)				
Operating transfers in	-	1,233,730	325,854	-
Operating transfers out	(4,814,593)	(263,607)	-	-
Other sources	4,054	-	-	-
Other uses	(2,895)	(1,082,875)	-	-
Total Other Financing Sources/(Uses)	<u>(4,813,434)</u>	<u>(112,752)</u>	<u>325,854</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	<u>315,224</u>	<u>(123,272)</u>	<u>91,172</u>	<u>1,258,890</u>
FUND BALANCE, BEGINNING OF YEAR	<u>9,632,470</u>	<u>722,739</u>	<u>2,682</u>	<u>4,497,007</u>
FUND BALANCE, END OF YEAR	<u>\$ 9,947,694</u>	<u>\$ 599,467</u>	<u>\$ 93,854</u>	<u>\$ 5,755,897</u>

COP Payment	Capital Outlay Projects	COP Construction	Bond Construction	Retiree Benefits	Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,963,708
-	1,824,517	-	-	-	20,671,178
52,369	2,187,575	4,108,189	2,167,621	57,860	101,169,142
<u>52,369</u>	<u>4,012,092</u>	<u>4,108,189</u>	<u>2,167,621</u>	<u>57,860</u>	<u>124,804,028</u>
-	-	-	-	-	40,650,056
-	24,946	-	-	-	24,974,378
-	3,533	-	-	-	20,684,943
-	15,708	-	36,624	-	2,402,649
681,389	1,400,100	908,924	3,800,808	-	19,155,533
-	6,566,135	4,335,145	31,689,520	-	43,967,171
-	-	-	-	-	2,335,000
-	-	-	-	-	3,556,653
<u>681,389</u>	<u>8,010,422</u>	<u>5,244,069</u>	<u>35,526,952</u>	<u>-</u>	<u>157,726,383</u>
<u>(629,020)</u>	<u>(3,998,330)</u>	<u>(1,135,880)</u>	<u>(33,359,331)</u>	<u>57,860</u>	<u>(32,922,355)</u>
-	1,812,075	26,787,806	-	1,500,000	31,659,465
(26,787,806)	-	-	(928,886)	-	(32,794,892)
30,556,129	21,527,377	-	-	-	52,087,560
-	-	-	-	-	(1,085,770)
<u>3,768,323</u>	<u>23,339,452</u>	<u>26,787,806</u>	<u>(928,886)</u>	<u>1,500,000</u>	<u>49,866,363</u>
3,139,303	19,341,122	25,651,926	(34,288,217)	1,557,860	16,944,008
-	11,488,184	-	81,569,155	18,441,963	126,354,200
<u>\$ 3,139,303</u>	<u>\$ 30,829,306</u>	<u>\$ 25,651,926</u>	<u>\$ 47,280,938</u>	<u>\$ 19,999,823</u>	<u>\$ 143,298,208</u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS RECONCILIATION
FOR THE YEAR ENDED JUNE 30, 2004**

Total Net Change in Fund Balances - Governmental Funds

**Amounts Reported for Governmental Activities in the Statement of
Revenues, Expenses, and Changes in Net Assets are Difference Because:**

\$ 16,944,008

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the district-wide statement of revenues, expenses, and net assets.

The amount by which the current period capital outlays exceed depreciation

The cost of capital assets in governmental funds is

60,134,924

Accumulated depreciation in governmental funds is

1,853,424

58,281,500

Fiduciary fund is used by the District's management to account for the student activities. The net assets of the fiduciary funds are recorded as in the statement of net assets as a liability to the student.

(1,078,645)

An internal service fund is used by District's management to charge the costs of property and liability insurance programs to the individual funds. The net revenue of the internal service fund is reported with the district wide statement of revenues, expenses, and changes in net assets.

104,908

Enterprise funds are used by the District's management to account for the activity of the bookstores and cafeterias. The revenues and expenses of the enterprise funds are included with district wide statement of revenues, expenses, and net assets.

3,296

A student financial aid fiduciary fund is used by the District's management to account for the activity of student financial aid services. The revenues and expenses of the student financial aid fund are included with district wide statement of revenues, expenses, and net assets.

10,633

In the district wide statement of revenues, expenses and net assets, certain operating expenses (compensated absences - vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (amount paid). This year vacation paid was more than the amount earned.

101,753

Issuance of certificates of participation are a revenue in the governmental funds when debt is issued, however it is recorded as a long term liability on the district-wide statement of net assets.

(30,885,000)

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS RECONCILIATION FOR THE YEAR ENDED JUNE 30, 2004

Accretion of loan principal on general obligation bonds is reported as debt proceeds in the governmental funds, but it increases long term liabilities in the statement of net assets and does not affect the district wide statement of revenues, expenses, and net assets.	(1,054,196)
Interest on long term debt in the district-wide statement of revenues, expenses, and net assets differs from the amount reported in governmental funds because interest is recorded as an expenditure in the governmental funds when it is due. However, interest expense is recognized as an expense in the district-wide statement of revenues, expenses, and net assets when it accrues, regardless of when it is due.	(1,503,099)
Bond issue costs are recognized in the governmental funds when debt is issued, however they are recorded as prepaid assets and amortized over the term of the debt on the district-wide statement of net assets and statement of revenues, expenses and changes in net assets.	615,451
Bond premiums and discounts are recognized in the governmental funds when debt is issued, however they are recorded as other liabilities and amortized over the term of the bond on the district-wide statement of net assets and statement of revenues, expenses and changes in net assets.	367,459
Total Net Assets	<u>\$ 44,504,585</u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**BALANCE SHEET
 PROPRIETARY FUNDS
 JUNE 30, 2004**

	Enterprise Funds			Internal Service Fund
	Bookstore	Cafeteria	Total	
ASSETS				
Cash and cash equivalents	\$ 334,077	\$ 58,784	\$ 392,861	\$ -
Investments	3,839,520	703,288	4,542,808	547,072
Accounts receivable, net	370,893	7,674	378,567	3,488
Due from other funds	75,000	-	75,000	-
Prepaid expenses	29,696	-	29,696	-
Stores inventories	1,697,771	-	1,697,771	-
Furniture and equipment (net)	65,107	93,149	158,256	-
Total Assets	\$ 6,412,064	\$ 862,895	\$ 7,274,959	\$ 550,560
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	712,293	116,479	828,772	62,500
Due to other funds	75,000	-	75,000	-
Other current liabilities	77,530	-	77,530	-
Total Liabilities	864,823	116,479	981,302	62,500
FUND EQUITY				
Retained earnings	5,547,241	746,416	6,293,657	488,060
Total Liabilities and Fund Equity	\$ 6,412,064	\$ 862,895	\$ 7,274,959	\$ 550,560

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2004**

	<u>Enterprise Funds</u>			<u>Internal Service Fund</u>
	<u>Bookstore</u>	<u>Cafeteria</u>	<u>Total</u>	
OPERATING REVENUES				
Sales revenues	\$ 7,314,666	\$ 169,108	\$ 7,483,774	\$ -
OPERATING EXPENSES				
Classified salaries	1,219,807	-	1,219,807	-
Employee benefits	295,118	-	295,118	-
Books and supplies	5,424,175	-	5,424,175	-
Services and other operating expenditures	405,676	252,464	658,140	(43,284)
Total Operating Expenses	<u>7,344,776</u>	<u>252,464</u>	<u>7,597,240</u>	<u>(43,284)</u>
Operating Income (Loss)	<u>(30,110)</u>	<u>(83,356)</u>	<u>(113,466)</u>	<u>43,284</u>
NONOPERATING REVENUES (EXPENSES)				
Interest and investment income	98,557	18,205	116,762	1,624
Operating transfers in	-	-	-	60,000
Total Nonoperating Revenues (Expenses)	<u>98,557</u>	<u>18,205</u>	<u>116,762</u>	<u>61,624</u>
NET INCOME/(LOSS)	68,447	(65,151)	3,296	104,908
RETAINED EARNINGS, BEGINNING OF YEAR	<u>5,478,794</u>	<u>811,567</u>	<u>6,290,361</u>	<u>383,152</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 5,547,241</u>	<u>\$ 746,416</u>	<u>\$ 6,293,657</u>	<u>\$ 488,060</u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2004**

	<u>Enterprise Funds</u>			<u>Internal</u>
	<u>Bookstore</u>	<u>Cafeteria</u>	<u>Total</u>	<u>Service</u> <u>Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from user charges	\$ 7,410,427	\$ 175,978	\$ 7,586,405	\$ -
Cash payments to employees for services	(1,514,925)	-	(1,514,925)	-
Cash payments to suppliers for goods and services	(5,701,809)	(167,121)	(5,868,930)	(21,888)
Net Cash Provided (Used) for Operating Activities	<u>193,693</u>	<u>8,857</u>	<u>202,550</u>	<u>(21,888)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital contributions	-	-	-	60,000
Acquisition of capital assets	(20,824)	(25,244)	(46,068)	-
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(20,824)</u>	<u>(25,244)</u>	<u>(46,068)</u>	<u>60,000</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	98,557	18,205	-	1,624
Net Cash Provided from Investing Activities	<u>98,557</u>	<u>18,205</u>	<u>-</u>	<u>1,624</u>
Net increase in cash and cash equivalents	271,426	1,818	273,244	39,736
Cash and cash equivalents - Beginning	3,902,171	760,254	4,662,425	507,336
Cash and cash equivalents - Ending	<u>\$ 4,173,597</u>	<u>\$ 762,072</u>	<u>\$ 4,935,669</u>	<u>\$ 547,072</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (30,110)	\$ (83,356)	\$ (113,466)	\$ 43,284
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	50,458	31,139	81,597	-
Changes in assets and liabilities:				
Receivables	95,761	6,870	102,631	558
Prepaid expenses	(7,207)	-	(7,207)	-
Inventories	(366,213)	-	(366,213)	-
Accrued liabilities	441,632	54,204	495,836	(65,730)
Other current liabilities	9,372	-	9,372	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 193,693</u>	<u>\$ 8,857</u>	<u>\$ 202,550</u>	<u>\$ (21,888)</u>
CASH AND CASH EQUIVALENTS				
Cash	\$ 334,077	\$ 58,784	\$ 392,861	\$ -
Investments	3,839,520	703,288	4,542,808	547,072
Total cash and cash equivalents	<u>\$ 4,173,597</u>	<u>\$ 762,072</u>	<u>\$ 4,935,669</u>	<u>\$ 547,072</u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

BALANCE SHEET – FIDUCIARY FUNDS

JUNE 30, 2004

	Associated Students Trust	Student Representation Fee	Student Financial Aid	Total
ASSETS				
Cash and cash equivalents	\$ 422,088	\$ 32,289	\$ 11,517	\$ 465,894
Investments	264,558	70,646	133,168	468,372
Accounts receivable, net	298,679	-		298,679
Student loans receivable, net	-	-	378,896	378,896
Due from other funds	-	-	22,305	22,305
Fixed Assets	21,818	-	-	21,818
Total Assets	\$ 1,007,143	\$ 102,935	\$ 545,886	\$ 1,655,964
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	55,884	-	85,892	141,776
Due to other funds	-	-	67,749	67,749
Deferred revenue	-	102,935	264,859	367,794
Due to student groups	951,259	-	-	951,259
Total Liabilities	1,007,143	102,935	418,500	1,528,578
FUND EQUITY				
Fund Balances				
Reserved	-	-	127,386	127,386
Total Fund Equity	-	-	127,386	127,386
Total Liabilities and Fund Equity	\$ 1,007,143	\$ 102,935	\$ 545,886	\$ 1,655,964

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004**

	Associated Students Trust	Student Financial Aid	Total
REVENUES			
Federal revenues	\$ -	\$ 5,843,556	\$ 5,843,556
State revenues	-	451,316	451,316
Local revenues	324,127	38,707	362,834
Total Revenues	<u>324,127</u>	<u>6,333,579</u>	<u>6,657,706</u>
EXPENDITURES			
Current Expenditures			
Classified salaries	75,499	-	75,499
Books and supplies	8,136	-	8,136
Services and operating expenditures	223,937	137	224,074
Total Expenditures	<u>307,572</u>	<u>137</u>	<u>307,709</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>16,555</u>	<u>6,333,442</u>	<u>6,349,997</u>
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	-	171,132	171,132
Operating transfers out	-	(17,007)	(17,007)
Other uses	-	(6,493,489)	(6,493,489)
Total Other Financing Sources/(Uses)	<u>-</u>	<u>(6,339,364)</u>	<u>(6,339,364)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	<u>16,555</u>	<u>(5,922)</u>	<u>10,633</u>
FUND BALANCE/DUE TO STUDENT GROUPS, BEGINNING OF YEAR	<u>934,704</u>	<u>133,308</u>	<u>1,068,012</u>
FUND BALANCE/DUE TO STUDENT GROUPS, END OF YEAR	<u>\$ 951,259</u>	<u>\$ 127,386</u>	<u>\$ 1,078,645</u>