

**SAN MATEO COUNTY
COMMUNITY
COLLEGE DISTRICT**

**ANNUAL FINANCIAL REPORT
JUNE 30, 2003**

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

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JUNE 30, 2003

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the business-type activities of the San Mateo County Community College District, as of and for the year ended June 30, 2003, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

As discussed in the Notes to the basic financial statements, the accompanying financial statements reflect certain changes required as a result of the implementation of GASB Statement No. 34, "Basic Financial Statements and Management's Discussions and Analysis – for State and Local Governments", and Statement No. 35, "Basic Financial Statements and Management's Discussions and Analysis – for Colleges and Universities" for the year ended June 30, 2003. This results in a change to the format and content of the basic financial statements.

The Management's Discussion and Analysis on pages 4 through 14 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 3, 2003, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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*, and the additional supplementary information listed in the table of contents, 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.

Vavrinek, Ture, Day & Co LLP

Pleasanton, California
October 3, 2003

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2003

The San Mateo County Community College District's Annual Financial Report presents management's discussion and analysis of the District's financial activities during the fiscal year ended June 30, 2003. This is the first year of the new format prescribed by GASB 34 and 35. Only one year of data is presented. In future years, a comparative analysis between the audit year and the previous year will be provided. The discussion has been prepared by management and is best read in conjunction with the financial statements and the notes following this section.

New Accounting Standards

In June 1999, the Government Accounting Standard's Board (GASB) issued Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*, which established a new reporting format for annual financial statements. In November 1999, GASB released Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, which applies the new reporting requirements to all public colleges and universities. Under the new standards, the California Community College Chancellor's Office determined that all community college districts shall follow the new guidelines using the Business Type Activity (BTA) model. Accordingly, San Mateo County Community College District complied with the new standards for the fiscal year ended June 30, 2003. The financial statements herein reflect the newly required format.

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

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

Financial Highlights of the Past Year

Reporting the District as a Whole

- *Economic position of the District with the State*
The San Mateo County Community College District is considered a "self-supporting" District as it does not receive State general apportionment funding. Local property tax and student fee revenue constitute the District's base revenue allocation, which is established by the State and is based primarily on student enrollment. There are, however, special allocations that the District receives from the State, which are subject to fluctuations in special program offerings and State support. In 2002-03 the District experienced funding reductions to the following State categorical programs: Cal WORKS (-46.2%), Matriculation (-28.8%), Telecommunications and Technology Program (-44.7%), Faculty and Staff Development Program (-100%), as well as specific grants in the area of Fund for Student Success and Economic Development. Mid-year State reductions included Instructional Equipment (-61%), Partnership for Excellence (-2%), Telecommunications and Technology Program (-6%) and Instructional Improvement (-25%).

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2003

- *Salaries*

In 2001-02, the San Mateo County Community College District approved three-year collective bargaining agreements for employees. The contracts included a 7% salary increase for 2001-02, a 3% increase for 2002-03, and a 3% increase for 2003-04. Adjunct faculty received a distribution of State part-time faculty parity funds (equivalent to approximately 9%) in 2001-02, a 13.07% salary increase for 2002-03, and a 7% salary increase for 2003-04.

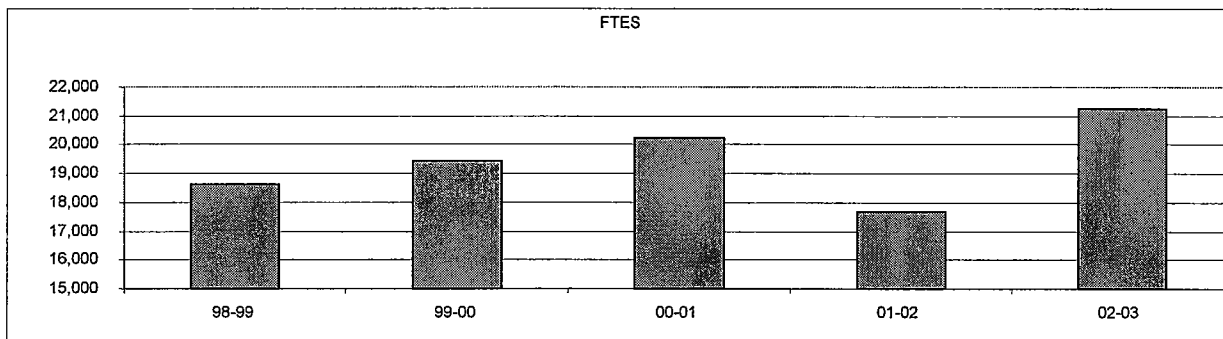
- *Bond construction*

Major bond activities and expenditures focused on programming and design processes as Architects and college constituents worked to define the needs of the colleges and shape the campus Capital Improvement Projects (CIP) programs. Districtwide construction work focused on Chevron Energy Efficiency upgrades and associated hazardous materials abatement. Work was completed on Building 22 and SMART Classroom renovations at Cañada College, Building 33 (Child Development Center) improvements, gymnasium asbestos abatement and lighting retrofit, and Choral Room renovations at College of San Mateo, and completion of the Center for Advanced Learning Technologies at Skyline College.

- *Enrollments*

In 2002-03, the District achieved its highest enrollment since the 1992-93 fiscal year. Total FTES for the District was 21,253 (an increase of 8.22% over 2001-02 enrollments).

The following chart shows comparative FTES data for the past five fiscal years:



SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2003

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* consists of cash in the Treasury, Local Agency Investment Fund (LAIF) of the State Treasurer's Office, San Mateo County Pool Investment, Special Deposit Bond with 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* includes prepaid expenses and store inventories.
- *Capital assets, net of depreciation*, is the net historical value of land, buildings, construction in progress and equipment less accumulated depreciation.
- *Accounts payable and accrued liabilities* consists 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 June 30, 2003.
- *Deferred revenues* represents cash received during the fiscal year from state, federal grants, general tax apportionment and student fees; however, funds were not earned as of June 30, 2003.
- *Long-term liabilities (current and non-current portion)* includes obligations that should have been paid in the current year or in more than one year. The District has a compensated absences payable, a construction bond, and a capital loan payable to Zions Bank.
- 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 obligation related to those capital assets.
 - *Restricted net assets* consists 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 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.
 - *Unrestricted net assets* represents resources used for transactions relating to the educational and general operations of the District.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2003

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2003

ASSETS

Current Assets:

Cash and cash equivalents	\$	152,502,756
Accounts receivable		10,351,646
Inventories and other assets		3,596,300
Total Currents Assets		<u>166,450,702</u>

Noncurrent Assets:

Capital assets, net of depreciation		71,887,545
TOTAL ASSETS		<u>238,338,247</u>

LIABILITIES

Current Liabilities:

Accounts payable and accrued liabilities		22,813,618
Deferred revenue		7,440,129
Amount held in trust on behalf of others		934,704
Current portion of long-term liabilities		4,333,654
Total Current Liabilities		<u>35,522,105</u>

Noncurrent Liabilities

Long-term liabilities - noncurrent portion		97,045,238
TOTAL LIABILITIES		<u>132,567,343</u>

NET ASSETS

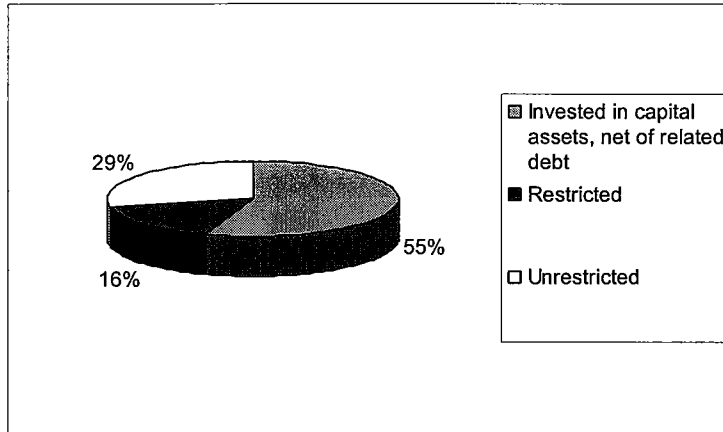
Invested in capital assets, net of related debt		58,508,335
Restricted		16,899,954
Unrestricted		30,362,615
TOTAL NET ASSETS	\$	<u>105,770,904</u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2003

Analysis of Net Assets - June 30, 2003



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 presents all revenues from programmatic source. Non-operating revenues include State apportionments, Local property tax revenues, investment earnings and gifts.

Operating revenue includes activities characterized by exchange transactions, such as student fees, sales and services of Bookstore and Cafeteria's 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. Following is the statement:

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2003

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

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

OPERATING REVENUES

Tuition and Fees	\$ 7,749,458
Grants and Contracts, noncapital	24,395,647
Auxiliary Enterprise Sales and Charges	8,043,696
TOTAL OPERATING REVENUES	<u>40,188,801</u>

OPERATING EXPENSES

122,945,325

OPERATING LOSS

(82,756,524)

NON-OPERATING REVENUES (EXPENSES)

State apportionments, noncapital	5,401,692
Local property taxes and other non-operating revenue	85,607,759
Investment income/(expense), net	(1,671,181)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>89,338,270</u>

INCOME BEFORE OTHER REVENUES AND EXPENSES

6,581,746

OTHER REVENUES AND EXPENSES

9,392,875

NET INCREASE IN NET ASSETS

15,974,621

NET ASSETS, BEGINNING OF YEAR

89,796,283

NET ASSETS, END OF YEAR

\$ 105,770,904

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, state *grants and contracts* 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* consists 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 portion 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.

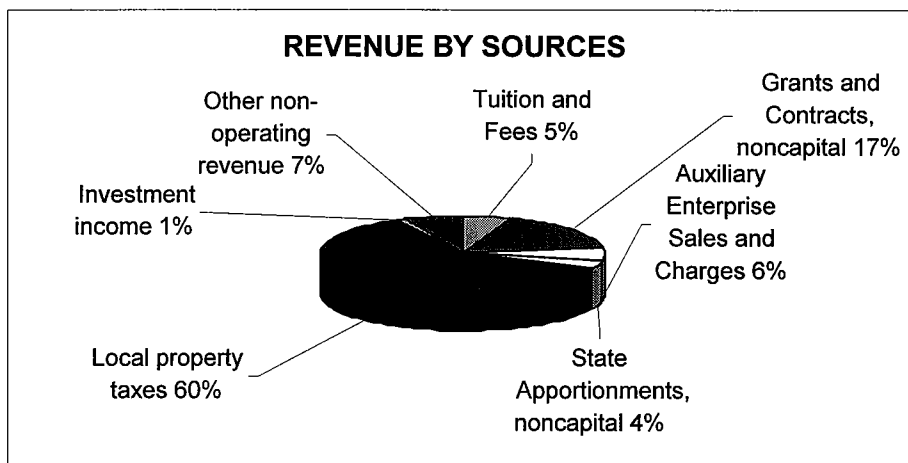
SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2003

- *Net investment income* includes interest from the San Mateo County Investment Pool managed by the County Treasurer, certificates of deposit, bond proceeds, and Local Agency Investment Fund (LAIF), less interest expense on capital related debt.
- *State and Local Revenues, capital* includes State scheduled maintenances funding and issuance of the General Bond. These revenues mainly relate to construction activities.

Below is an illustration of District revenues by source:



SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2003

Operating Expenses

The District's operating expenses are shown below (with explanatory remarks) by accounts and by activities. 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
 - 25 to 50 years for buildings

Statement of Operating Expenses by Accounts

Salaries	\$ 71,906,374
Employee benefits	19,779,130
Supplies, materials, and other operating expenses and supplies	29,108,341
Depreciation	2,151,480
TOTAL OPERATING EXPENSES	\$122,945,325

Statement of Operating Expenses by Activities

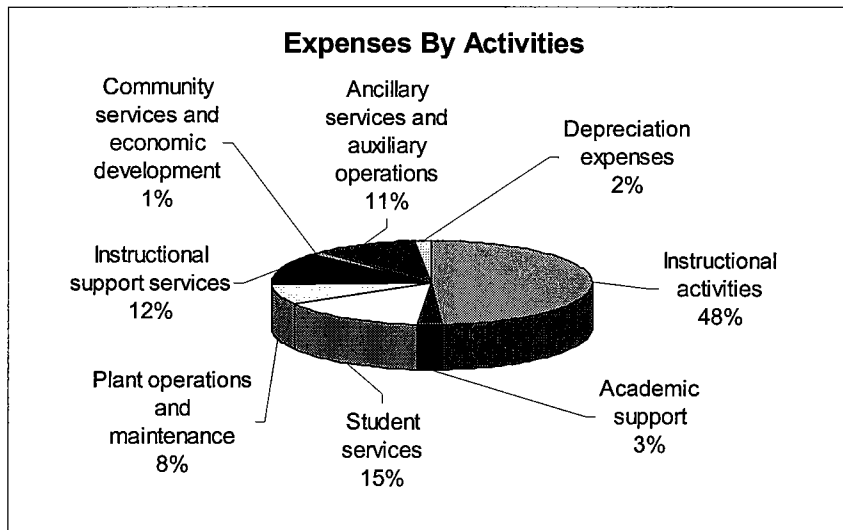
Instructional activities	\$ 60,204,540
Academic support	3,131,673
Student services	18,166,015
Plant operations and maintenance	10,146,478
Instructional support services	14,981,461
Community services and economic development	1,144,308
Ancillary services and auxiliary operations	13,019,370
Depreciation expenses	2,151,480
TOTAL OPERATING EXPENSES	\$ 122,945,325

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2003

The following is an illustration of operating expenses by activities:



SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2003

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 adopts 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:

- 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 County Pool and LAIF were 3.4% and 1.45%, respectively.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT STATEMENT OF CASH FLOWS - DIRECT METHOD FOR THE YEAR ENDED JUNE 30, 2003

CASH FLOWS PROVIDED BY (USED IN):

Operating Activities	\$ (74,534,449)
Non-capital financing activities	90,562,347
Capital financing activities	(10,885,829)
Investing activities	<u>2,157,386</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,299,455
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	145,203,301
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 152,502,756</u></u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2003

Economic Factors and the 2003-04 Budget

Health care premiums increased an average of 22% on January 1, 2003. Premiums increased again on January 1, 2004 by approximately 18%. Additionally, after four years of suspended employer contributions for the PERS pension fund, the local school employer contribution rate was set at 2.894% for 2002-03. The rate increased to 10.42% for 2003-04. Other benefit cost increases for 2003-04 were Unemployment Insurance (from 0.12% to 0.30%), Workers' Compensation (from 1.31% to 2%), and Dental Insurance premiums, which increased by 5%. These increases represented a significant hike in benefit costs for the District.

The State budget for 2003-04 included a 64% student enrollment fee increase (from \$11 per unit to \$18 per unit) as well as many reductions to categorical programs. Reductions as compared to the 2002-03 adopted State Budget include: Partnership for Excellence (25% reduction), EOPS (1.2% reduction), CARE (1.2% reduction), Disabled Students (1.2% reduction), Part-time Faculty Compensation (10.8% reduction), Telecommunications and Technology Program (10% reduction), Economic Development (11.2% reduction), Scheduled Maintenance & Instructional Equipment (74.6% reduction), Hazardous Substance Abatement (45% reduction), and Mandated Cost Allowance for Health Services (100% reduction).

The District reduced its base budget in 2003-04 by \$10 million. The reduction was necessary to accommodate increases in operating costs, such as salary compensation increases, the increased cost of employee benefits, and projected increases in utility and other costs. Approximately \$3 million of the total District budget reduction was related to State funding reductions such as Partnership for Excellence and Mandated Cost Allowances. To assist in achieving the \$10 million 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 managed hiring process, and none experienced a pay reduction.

2003-04 and Beyond

Bond Construction

Some key District planning efforts will be brought to fruition with several important construction projects. Three design-build projects (College of San Mateo Building 36 Science project, Skyline Buildings 6 and 7A, and Districtwide athletic facilities) will commence. The three projects represent approximately \$55 million of the total Capital Improvement Program. Chevron Energy Efficiency upgrades in the District will continue, the Skyline Pacific Heights facility will be readied to accommodate programs displaced during construction, and Districtwide infrastructure upgrades and repairs (including sewer and storm drain systems and data and telephone infrastructure) are underway.

Contacting the District's Financial Management

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

**STATEMENT OF NET ASSETS
JUNE 30, 2003**

ASSETS

Current Assets:

Cash and cash equivalents	\$ 2,116,336
Investments	150,386,420
Accounts receivable	10,314,459
Student loans receivable	37,187
Prepaid expenses	1,814,930
Stores inventories	1,331,558
Other current assets	449,812
Total Current Assets	<u>166,450,702</u>

Noncurrent Assets:

Capital assets, net of depreciation	71,887,545
TOTAL ASSETS	<u>238,338,247</u>

LIABILITIES

Current Liabilities:

Accounts payable	21,616,392
Accrued interest payable	1,197,226
Deferred revenue	7,440,129
Amounts held in trust on behalf of others	934,704
Compensated absences payable - current portion	1,689,153
Notes payable - current portion	261,517
Current portion of general obligation bonds	2,335,000
Current portion of other long-term liabilities	47,984
Total Current Liabilities	<u>35,522,105</u>

Noncurrent Liabilities:

Compensated absences payable - noncurrent portion	697,183
Noncurrent portion of general obligation bonds	95,244,417
Noncurrent portion of other long-term liabilities	1,103,638
Total Noncurrent Liabilities	<u>97,045,238</u>
TOTAL LIABILITIES	<u>132,567,343</u>

NET ASSETS

Invested in capital assets, net of related debt	58,508,335
Restricted for:	
Debt service	4,497,007
Capital projects	11,488,184
Educational programs	758,914
Other activities	155,849
Unrestricted	30,362,615
Total Net Assets	<u>\$ 105,770,904</u>

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2003**

OPERATING REVENUES	
Tuition and Fees	\$ 8,954,303
Less: Scholarship discount and allowance	(1,204,845)
Net tuition and fees	<u>7,749,458</u>
Grants and Contracts, noncapital:	
Federal	8,202,874
State	16,192,773
Auxiliary Enterprise Sales and Charges	
Bookstore	7,864,528
Cafeteria	<u>179,168</u>
TOTAL OPERATING REVENUES	<u><u>40,188,801</u></u>
OPERATING EXPENSES	
Salaries	71,906,374
Employee benefits	19,779,130
Supplies, materials, and other operating expenses and services	29,108,341
Depreciation	<u>2,151,480</u>
TOTAL OPERATING EXPENSES	<u><u>122,945,325</u></u>
OPERATING LOSS	<u><u>(82,756,524)</u></u>
NON-OPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	5,401,692
Local property taxes	78,356,639
Investment income, net	2,157,386
Interest expense on capital related debt	(3,866,352)
Interest income on capital asset-related debt, net	37,785
Other non-operating revenue	<u>7,251,120</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u><u>89,338,270</u></u>
INCOME BEFORE OTHER REVENUES AND EXPENSES	<u><u>6,581,746</u></u>
OTHER REVENUES AND EXPENSES	
State revenues, capital	3,048,945
Local revenues, capital	<u>6,343,930</u>
TOTAL OTHER REVENUES AND EXPENSES	<u><u>9,392,875</u></u>
NET INCREASE IN NET ASSETS	15,974,621
NET ASSETS, BEGINNING OF YEAR	<u>89,796,283</u>
NET ASSETS, END OF YEAR	<u><u>\$ 105,770,904</u></u>

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2003

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees	\$ 7,712,271
Federal grants and contracts	8,202,874
State grants and contracts	13,860,610
Payments to suppliers	(20,850,961)
Payments to/(on behalf of) employees	(91,502,939)
Auxiliary enterprise sales and charges	
Bookstore	7,864,528
Cafeteria	179,168
Net Cash Used by Operating Activities	<u>(74,534,449)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State apportionments	5,401,692
Property taxes	78,356,639
Other non-operating	6,863,120
Student organization and other agency transactions	(59,104)
Net Cash Provided by Noncapital Financing Activities	<u>90,562,347</u>

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Proceeds from deposit on sale of capital assets	388,000
Purchase of capital assets	(22,047,375)
State revenue, capital projects	3,048,945
Local revenue, capital projects	10,470,068
Principal paid on capital debt	(249,825)
Interest paid on capital debt	(2,533,427)
Interest income on capital asset-related debt, net	37,785
Net Cash Used by Capital Financing Activities	<u>(10,885,829)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received from investments	<u>2,157,386</u>
------------------------------------	------------------

NET INCREASE IN CASH AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR

CASH AND CASH EQUIVALENTS, END OF YEAR

7,299,455
<u>145,203,301</u>
<u>\$ 152,502,756</u>

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CASH FLOWS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2003**

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

Operating loss	\$ (82,756,524)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	2,260,195
Changes in assets and liabilities	
Increase in accounts receivable	(1,567,501)
Increase in student loans	(37,187)
Increase in stores inventory	(117,813)
Increase in prepaid expenditures	(321,333)
Increase in other current assets	(339,670)
Increase in accounts payable	8,927,381
Increase in current portion of compensated absences	222,138
Increase in deferred revenue	(764,562)
Increase in long term portion of compensated absences	(39,573)
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (74,534,449)</u></u>

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The San Mateo County Community College District (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.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For San Mateo County Community College District, this includes general operations, food services, bookstores, and student related activities of the District.

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt, or the levying of their taxes. The District has no component units.

Joint Powers Agencies and Public Entity Risk Pools - The District is associated with the Bay Area Community College Districts joint powers agencies (JPA). This organization does not meet the criteria for inclusion as component units of the District. Summarized financial information is presented in Note 14 to the financial statements.

Basis of Presentation

The financial statements have been prepared in accordance with accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), including statements No. 34, *Basic Financial Statements – and Management's Discussions and Analysis – for State and Local Governments* and No. 35, *Basic Financial Statements and Management's Discussions and Analysis of Public Colleges and Universities*, issued in June and November 1999, respectively. These statements provide a comprehensive entity-wide perspective of the District's assets, liabilities, and cash flows and replaces the fund-group perspective previously required. The District now follows the "business-type" activities reporting requirements of the statements that provides a comprehensive "one-look" at the District's financial activities.

Basis of Accounting - Measurement Focus

Entity-Wide Financial Statements - The entity-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenditures are recorded when a liability is incurred, regardless of the timing of the related cash flows. All significant intra-agency transactions have been eliminated.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

Exceptions to the accrual basis of accounting are as follows:

Summer session tuition and fees received before year-end are recorded as deferred revenue as of June 30 with the revenue being reported in the fiscal year in which the program is predominately conducted. Summer session expenditures through June 30 are recorded as prepaid expenses.

The entity-wide statement of activities presents a comparison between operating revenues and operating expenses of the District. Revenues and expenses that are not classified as operating revenues or expenses are presented as non-operating revenues and expenses. Non-operating revenues and expenses include State apportionments, property taxes, interest and investment income, or expenses as these sources and uses of funds are derived from the general population and not from operations.

Net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Revenues - Exchange and Non-Exchange Transactions - 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.

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. Certain Federal and State grants received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. Allocations of costs, such as depreciation and amortization, are recognized in the entity-wide financial statements although they are not allocated in individual funds within the District's financial records.

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.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

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.

Accounts Receivable

Accounts receivable 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. Accounts receivable also include amounts due from the Federal government, State, and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts.

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. 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 a capitalization threshold of \$500. The District does not possess any infrastructure. 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.

When purchased, such assets are recorded as expenditures in the District's governmental funds and capitalized within the entity-wide financial statements. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated cost based on replacement cost or appraised. Donated capital assets are capitalized at estimated fair market value on the date donated.

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.

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 the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the accounts payable in the fund from which the employees who have accumulated leave are paid. The non-current portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

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.

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.

Accrued Liabilities and Long-Term Obligations

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

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.

Invested in capital assets, net of related debt – This represents the District's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component invested in capital assets, net of related debt.

Restricted net assets – expendable – Restricted expendable net assets include resources that the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Restricted net assets – nonexpendable – Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principle is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Unrestricted net assets – Unrestricted net assets represent resources derived from student tuition and fees, State apportionments, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the District, and may be used at the discretion of the Board of Trustees to meet current expenses for any purpose.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

Operating Revenues and Expenses

Operating revenues include all revenues from programmatic sources. Non-operating revenues include State apportionments, State and local tax revenues, investment income, and gifts.

Classification of Revenues – The District has classified its revenues as either operating or non-operating. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues, as defined by GASB Statement No. 35, including State appropriations, local property taxes, and investment income. Nearly all the District's expenses are from exchange transactions. Revenues and expenses are classified 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 gifts and contributions, and other revenue sources described in GASB Statement No. 34, such as State appropriations and investment income.

Operating expenses are necessary costs to provide the services of the District. Non-operating expenses include interest expense and other expenses not directly related to the services of the District.

Estimates

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

Property Tax

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

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, Federal Work-Study, and Stafford Loan programs, as well as other programs funded by the Federal government. Financial aid to students is 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 year ended June 30, 2003, the District distributed \$37,187 in direct lending

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

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.

NOTE 2 - CHANGES IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2003, the District has implemented GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments," GASB Statement No. 35, "Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities," GASB Statement No. 36, "Receipt Reporting for Certain Shared Nonexchange Revenues," GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus," and GASB Statement No. 38, "Certain Financial Statement Note Disclosures." As a result, the financial statements for the first time include 1) a Management Discussion and Analysis (MD&A) section providing an analysis of the District's overall financial position and results of operations, 2) financial statements prepared using full accrual accounting for all of the District's activities, and 3) a change from the fund financial statements to focus on the entity-wide financial statements. These and other changes are reflected in the accompanying financial statements, including notes to financial statements.

In connection with the implementation of GASB Statements No. 34 and 35, the following adjustments have been made to reflect the cumulative effect of this accounting change:

Capitalization of nondepreciable assets	\$ 38,394,774
Capitalization of depreciable assets, net of accumulated depreciation	13,798,590
Recording of long-term obligations	(99,323,318)
Recording of accrued interest on long-term obligations	(287,334)
Reclassification of agency funds	875,600
Total Adjustments	<u>(46,541,688)</u>
Fund balances reported on June 30, 2002	136,397,121
Net Asset Balance July 1, 2002	<u><u>\$ 89,855,433</u></u>

NOTE 3 - DEPOSITS AND INVESTMENTS

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

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.

Deposits

At year-end, the carrying amount of the District's deposits was \$2,116,636. The bank balances totaled \$2,268,719. Of this amount, \$230,000 is federally insured by the Federal Deposit Insurance Corporation. The balance of \$2,038,719 is collateralized with securities held by the individual financial institutions.

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, 2003, are as follows:

	<u>Reported Amount</u>	<u>Fair Value</u>
Uncategorized		
Certificate of deposit	\$ 5,000	\$ 5,000
Deposits with county treasurer	149,922,611	152,283,907
Investment in State treasurer's pool	458,809	458,809
Total	<u>\$ 150,386,420</u>	<u>\$ 152,747,716</u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

NOTE 4 – ACCOUNTS RECEIVABLES

Receivables at June 30, 2003, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

Federal Government	
Categorical aid	\$ 1,144,446
State Government	
Apportionment	11,136
Categorical aid	626,421
Lottery	538,716
Other state sources	5,009,464
Local Government	
Interest	173,965
Other local sources	2,847,498
Total	<u>\$10,351,646</u>

Receivables at June 30, 2003 include \$250,000 for loans made to five District employees to purchase houses. All full time employees who purchase a home and contribute at least 15% 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 one through five, payments of principal and interest in years 6-29, with final payment of any remaining balance in 30 years. 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, 2003**

NOTE 5 - CAPITAL ASSETS

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 Assests	<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 \$108,718, respectively.

NOTE 6 - 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, 2003**

NOTE 7 - ACCOUNTS PAYABLE

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

Accrued payroll and benefits	\$ 4,949,223
Apportionment	8,763,352
Other	<u>7,903,817</u>
Total	<u>\$21,616,392</u>

NOTE 8 - DEFERRED REVENUE

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

Federal financial assistance	\$ 1,201
State categorical aid	2,476,214
Enrollment fees - tuition, registration, materials	2,328,960
Other local	<u>2,633,754</u>
Total	<u>\$ 7,440,129</u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

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

NOTE 9 - LONG-TERM DEBT

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	\$ 96,875,613	\$ 703,804	\$ -	\$ 97,579,417	\$ 2,335,000
Notes payable	511,343	-	249,826	261,517	261,517
Total Bonds and Notes Payable	<u>97,386,956</u>	<u>703,804</u>	<u>249,826</u>	<u>97,840,934</u>	<u>2,596,517</u>
Other Liabilities					
Compensated absences	736,756	-	39,573	697,183	-
Total Other Liabilities	<u>736,756</u>	<u>-</u>	<u>39,573</u>	<u>697,183</u>	<u>-</u>
Total Long-Term Debt	98,123,712	703,804	289,399	98,538,117	2,596,517
Premiums, net of amortization	1,199,606	-	47,984	1,151,622	47,984
Total	<u>\$ 99,323,318</u>	<u>\$ 703,804</u>	<u>\$ 337,383</u>	<u>\$ 99,689,739</u>	<u>\$ 2,644,501</u>

Description of Debt – General Obligation Bonds

In June 2002, the San Mateo County Community College District issued general obligation capital appreciation bonds for the purpose of construction and modernization, in the amount of \$96,875,613.

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds		Bonds Outstanding June 30, 2003
				Outstanding July 1, 2002	Issued Accretions Redeemed	
6/4/2002	9/1/2026	5.2-5.74%	\$96,875,613	<u>\$96,875,613</u>	<u>\$ 703,804</u> \$ -	<u>\$ 97,579,417</u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

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

Debt Maturity

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2004	\$ 2,335,000	\$ 3,556,652	\$ 5,891,652
2005	3,455,000	3,469,802	6,924,802
2006	3,905,000	3,359,402	7,264,402
2007	1,395,000	3,279,902	4,674,902
2008	1,560,000	3,235,577	4,795,577
2009-2013	12,845,000	14,950,642	27,795,642
2014-2018	22,315,071	16,287,148	38,602,219
2019-2023	23,340,575	16,086,137	39,426,712
2024-2028	25,724,967	7,035,649	32,760,616
Total	96,875,613	\$71,260,911	\$ 168,136,524
Accretions to date	703,804		
	<u>\$ 97,579,417</u>		

Description of Debt – Building Loans

In May 2001, the San Mateo County Community College District entered into a lease purchase agreement in the amount of \$750,000 for site preparation and the purchase of three modular buildings. The final payment is due in May 2004.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2004	\$ 261,517	\$ 7,563	\$ 269,080

NOTE 10 - POSTEMPLOYMENT BENEFITS

The District provides medical, dental, and vision insurance coverage, as prescribed in the various employee union contracts, to retirees meeting plan eligibility requirements. Eligible employees retiring from the District may become eligible for these benefits when the requirements are met. The eligibility requirement for employees participating in 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 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 2002-2003 fiscal year, the District provided insurance premium benefits to 820 retired employees with total expenditures of \$3,756,391.

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.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

NOTE 11 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year ending June 30, 2003, 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.

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

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

STRS

Plan Description

The District contributes to the California State Teachers' Retirement System (STRS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from STRS, 7667 Folsom Blvd., Sacramento, CA 95826.

Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2002-2003 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to STRS for the fiscal years ending June 30, 2003, 2002, and 2001, were \$3,019,236, \$2,745,647, and \$2,565,800, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

service credit. Retirement compensation is reduced if the plan is coordinated with Social Security. Retirement after age 55 will increase the percentage rate to a maximum of 2.5 percent at age 63 with an increased rate. The plan also provides death and disability benefits. Retirement benefits fully vest after five years of credited service. Upon separation from the Fund, members' accumulated contributions are refundable with interest credited through the date of separation.

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

Funding Policy

Active plan members are required to contribute seven percent of their salary (seven percent of monthly salary over \$133.33 if the member participates in Social Security), and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The District's contribution rate to CalPERS for fiscal year 2002-2003 was 2.894 percent beginning with the first pay period ending in July 2002; CalPERS then lowered the rate to 2.771 percent beginning with the first pay period ending in February 2003. On May 16, 2003, CalPERS approved an employer contribution rate of 10.42 percent beginning with the first pay period that ends in July 2003.

Annual Pension Cost

The District's contributions to CalPERS for the fiscal year ended June 30, 2003 was \$706,898 and equaled 100 percent of the required contributions for the year. The District was not required to make contributions during the fiscal years ended June 30, 2002 and 2001. 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 \$1,820,454 (4.475 percent of salaries subject to STRS) and PERS in the amount of \$9,291 (0.092 percent of salaries subject to PERS). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures, however, guidance received from the California Department of Education advises local educational agencies not to record these amounts in the California Community College's Annual Financial and Budget Report (CCFS-311). These amounts have been recorded in these financial statements.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

Deferred Compensation

The District offers its employees a CalPERS administered 457 Deferred Compensation Program (Program). The plan, 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 2001-2002, Program membership grew to 30 from zero.

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

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2003. 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.

In October 2002, Canada college notified the federal agency of intention to withdraw 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, 2003. In October 2003, the College of San Mateo notified the federal agency of its intention to withdraw from the Perkins loan program.

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, 2003.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

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

Construction Commitments

As of June 30, 2003, the District had the following commitments with respect to the unfinished capital projects:

	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
CAPITAL PROJECT		
District Funded Facility Improvement Projects	\$ 4,978,426	within 5 years
State Funded Scheduled Maintenance Projects	16,005	within 2 years
Foundation Projects	9,433	within 1 years
Cañada Child Development Center	712,573	within 1 years
Skyline Library/Learning Resource Center	6,980	within 1 years
Skyline Center for Advanced Learning Technology	480	within 1 years
Other State Funded Capital Projects	39,700	within 4 years
KCSM Digital Transmittal	1,447,516	within 4 years
General Obligation Bond Construction Projects	22,833,330	within 5 years
	<u>\$ 30,044,443</u>	

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

The District is a member of the Bay Area Community College (BACC) Joint Powers Authority JPA. 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:

	<u>June 30, 2002*</u>
Assets	\$ 4,203,134
Liabilities	2,019,610
Fund Equity	<u>\$ 2,183,524</u>
Revenues	3,671,701
Expenses	2,504,191
Net Increase in Fund Equity	<u>\$ 1,167,510</u>
 Payments for the Current Year	 <u>\$ 602,313</u>

The JPA had no long-term debt outstanding at June 30, 2002. The District's share of year-end assets, liabilities, or fund equity has not been calculated.

* Most current information available.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

NOTE 15 - SUBSEQUENT EVENTS

Taxable Tax and Revenue Anticipation Notes

The District issued \$20,000,000 of Taxable Tax And Revenue Anticipation Notes dated October 2, 2003. The notes mature on October 2, 2004, and have a 2.0 percent interest rate. The notes were sold to supplement cash flow. Repayment requirements are that 30% of the principal and interest be deposited with the Fiscal Agent in January 2004 and the remaining 70% to be deposited in April 2004.

Nontaxable Tax and Revenue Anticipation Notes

The District issued \$10,300,000 of Tax And Revenue Anticipation Notes dated July 1, 2003. The notes mature on June 30, 2004, and have a 2.0 percent interest rate. The notes were sold to supplement cash flow. Repayment requirements are that 50% of the principal and interest be deposited with the Fiscal Agent in January 2004 and the remaining 50% to be deposited in April 2004.

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, which was proportionally split with the Pacifica School District. The remainder of the funds owed will be paid in two installments--one in July 2004 and one in July 2005.

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.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

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

NOTE 16 - FUNCTIONAL EXPENSES

	Salaries	Employee Benefits	Supplies Material and Other Expenses and Services	Depreciation	Total
Instructional activities	\$ 42,229,576	\$ 12,621,308	\$ 5,353,656	\$ -	\$ 60,204,541
Academic support	2,304,677	466,995	360,001	-	3,131,673
Student services	9,284,545	1,813,786	7,067,683	-	18,166,015
Plant operations and maintenance	3,776,802	1,005,304	5,364,372	-	10,146,478
Instructional support services	7,923,845	2,540,791	4,516,826	-	14,981,461
Community services and economic development	536,805	115,220	492,283	-	1,144,308
Ancillary services and auxiliary operations	5,850,124	1,215,727	5,953,520	-	13,019,370
Depreciation expense	-	-	-	2,151,480	2,151,480
Total	<u>\$ 71,906,374</u>	<u>\$ 19,779,130</u>	<u>\$ 29,108,341</u>	<u>\$ 2,151,480</u>	<u>\$ 122,945,325</u>

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SUPPLEMENTARY INFORMATION

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SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION

JUNE 30, 2003

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>
Helen Hausman	President	2005
Thomas L. Constantino	Vice President/Clerk	2003
Richard Holober	Member	2005
Patricia Miljanich	Member	2003
Karen Schwarz	Member	2003
Tom Rogers	Student Trustee	2003

ADMINISTRATION

Ron Galatolo	Chancellor - Superintendent
Jim Keller	Executive Vice Chancellor
Dr. Shirley Kelly	President – College of San Mateo
Rosa Perez	President – Canada College
Dr. Frances White	President – Skyline College

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2003**

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	84.033	none	\$ 461,306
Pell Grant ^[1]	84.063	none	4,365,286
Supplemental Educational Opportunity Grant (SEOG) ^[1]	84.007	none	443,978
Postsecondary Education			
Business and International Education	84.153A	none	34,766
TRIO: Student Support Services	84.042A	none	427,331
Higher Education - Institutional Aid			
Title III - Strengthening Institutions	84.031A	none	366,403
Title V Hispanic Serving Institutions	84.031S	none	481,142
Passed through San Francisco State University:			
Fund for the Improvement of Postsecondary Education	84.116B	P116B011242	10,287
Passed through California Department of Education:			
Vocational Education			
VATEA I-B State Leadership - Bay Region Consortium	84.048A	02-0342	289,302
VATEA I-C Basic Grants to States ^[1]	84.048A	02-C01	326,935
VATEA II - Tech Prep Education	84.243	02-0139	255,075
Rehabilitation Services			
Passed through California Department of Rehabilitation:			
Vocational Rehabilitation -Workability	84.126A	23405	209,122
Total U.S. Department of Education			<u>7,670,933</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California State University Hayward:			
National Institutes of Health			
Special Minority Initiatives - Bridges to BA Degree	93.960	GM48983-04	6,500
Passed through California Department of Education:			
Administration for Children and Families			
Temporary Assistance to Needy Families (TANF)	93.558	unknown	43,071
Child Care and Development Block Grant - Training Consortium	93.575	5036	23,659
Total U.S. Department of Health and Human Services			<u>73,230</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through City of Redwood City:			
Community Development Block Grant	14.218	unknown	107,400
U.S. DEPARTMENT OF AGRICULTURE			
Passed through California Department of Education:			
Child and Adult Care Food Program	10.558	5320	25,017
U.S. DEPARTMENT OF LABOR			
Passed through County of San Mateo/California Employment Development Department:			
WIA Dislocated Workers ^[1]	17.260	73200-03-D012	326,294
Total Expenditures of Federal Awards			<u>\$ 8,202,874</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, 2003**

Program	Program Revenues				Program Expenditures
	Cash Received	Accounts Receivable	Deferred Revenue	Total Revenue	
GENERAL FUND					
AB 77/DSPS/Handicap	\$ 1,388,111	\$ -	\$ 45,127	\$1,342,984	\$ 1,343,254
Extended Opportunity Programs	1,402,473	19,146	88,923	1,332,696	1,329,339
Care/EOP	111,372	-	32,475	78,897	78,897
Matriculation	910,762	-	31,928	878,834	878,834
Foster Parent Training	26,315	51,855	-	78,170	78,170
State Instructional Equipment Program	616,214	-	162,680	453,534	453,534
AB 602 FA Administrative Allowance	89,003	-	13,957	75,046	75,046
Block Grant	1,086,775	-	1,084,722	2,053	2,053
T-Com and Technology	708,271	-	229,677	478,594	478,594
Cal Works	193,087	-	-	193,087	193,087
Middle College High School	243,209	88,030	-	331,239	293,739
CITD Economic Development	251,409	66,287	-	317,696	317,696
Applied Bio Technology	16,000	-	-	16,000	15,992
California Articulation No System	15,000	-	7,800	7,200	7,200
AB 1725 Staff Diversity	20,606	-	-	20,606	20,606
Staff Development	42,849	-	31,078	11,771	11,771
California Health Services Tobacco Control	4,506	-	-	4,506	4,506
Statewide Leadership Multimedia	122,960	22,040	-	145,000	145,000
MESA/CCCP FSS	149,937	20,483	-	170,420	170,420
Economic Development Advanced					
Transportation Technology	10,000	-	-	10,000	10,000
Business and Workforce Performance					
Improvement	288,281	45,600	-	333,881	310,995
FII Read /Write	59,740	-	-	59,740	59,740
Transfer and Articulation	45,121	-	7,360	37,761	37,761
RCSD CBET Program	353,293	56,353	6,056	403,590	192,601
Office of Emergency Services	68,134	-	2,430	65,704	65,704
Lottery-Prop 20-Instructional Materials	630,014	169,735	246,175	553,574	553,574
So Orange CCD	35,000	-	35,000	-	-
SFSU Project	880,512	-	355,071	525,441	525,914
Economic Development	64,448	6,645	-	71,093	71,093
San Bruno Elementary	-	12,174	-	12,174	17,220
Emergency Services FM	21,006	-	21,006	-	-
Nursing-Enrollment Growth	105,117	9,999	52,992	62,124	62,124
State Library	19,027	-	13,541	5,486	5,486
County San Mateo ETP	22,386	-	-	22,386	22,386
Child Deveopment program	353,248	(2,378)	8,216	342,654	354,680
Cal Grant	305,132	60,452	-	365,584	365,584
Total State Programs	<u>\$10,659,318</u>	<u>\$ 626,421</u>	<u>\$2,476,214</u>	<u>\$8,809,525</u>	<u>\$ 8,552,600</u>

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, 2003**

CATEGORIES	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Audited Data</u>
A. <u>Credit Full-Time Equivalent Student (FTES)</u>			
1. Summer	2,501	-	2,501
2. Weekly census	14,637	-	14,637
3. Daily census	1,697	-	1,697
4. Actual hours of attendance	1,076	-	1,076
5. Independent study/work experience	495	-	495
Subtotal	<u>20,406</u>	<u>-</u>	<u>20,406</u>
B. <u>Noncredit FTES</u>			
1. Summer	1	-	1
2. Actual hours of attendance	8	-	8
Subtotal	<u>9</u>	<u>-</u>	<u>9</u>
Total FTES	<u>20,415</u>	<u>-</u>	<u>20,415</u>
C. <u>Basic Skills Courses</u>			
1. Credit	2,111	-	2,111
2. Non credit	-	-	-
Total Basic Skills FTES	<u>2,111</u>	<u>-</u>	<u>2,111</u>
D. <u>FTES Generated in Leased Space</u>			
	<u>144</u>	<u>-</u>	<u>144</u>
E. <u>Gross Square Footage</u>			
1. Existing facilities	1,189,591	-	1,189,591
2. New facilities	49,572	-	49,572
Total Gross Square Footage	<u>1,239,163</u>	<u>-</u>	<u>1,239,163</u>
Schedule of Annual Apprenticeship Hours of Instruction			
	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Audited Data</u>
July 1 - December 31, 2002	38,455	-	38,455
January 1 - April 15, 2003	11,114	-	11,114
April 16 - June 30, 2003	53,375	-	53,375
Total	<u>102,944</u>	<u>-</u>	<u>102,944</u>

See accompanying note to supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003**

	Capital Outlay Bond Fund	Associated Student Trust	Bookstore
FUND BALANCE/DUE TO STUDENT GROUPS			
Balance, June 30, 2003, (CCFS-311)	\$ 86,140,547	\$ 252,616	\$ 5,565,321
Increase/decrease in:			
Cash decrease	-	(62,727)	-
Investments decrease		(57,073)	-
Accounts receivable decrease	(4,126,138)	(8,079)	29,966
Fixed assets increase		249	-
Accounts payable (increase) decrease	(445,254)	809,718	(48,333)
Compensated absences increase			(68,160)
Deferred revenue increase	-	(934,704)	-
Balance, June 30, 2003, Audited Financial Statement	<u>\$ 81,569,155</u>	<u>\$ -</u>	<u>\$ 5,478,794</u>

See accompanying note to supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2003

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 COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF BASIC 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, 2003, and have issued our report thereon dated October 3, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered San Mateo County Community College District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could 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.

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. 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. However, we believe none of the reportable conditions described above is a material weakness.

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, Trine, Day & Co LLP
Pleasanton, California
October 3, 2003



**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, 2003. 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, 2003.

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, Trine, Day & Co LLP

Pleasanton, California
October 3, 2003



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, 2003, and have issued our report thereon dated October 3, 2003.

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, 2003.

This report is intended solely for the information of the District's Management, Board of Trustees, audit committee, 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.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
October 3, 2003

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, 2003**

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>84.063</u>	<u>Pell Grant</u>
<u>84.007</u>	<u>Supplemental Educational Opportunity Grant (SEOG)</u>
<u>84.048A</u>	<u>VATEC I-C Basic Grants to States</u>
<u>17.260</u>	<u>WIA Dislocated Workers</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, 2003

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*.

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.

District Response

Detailed review of federal and state grants and KCSM accounts receivable has been done, followed up with letters and calls to all outstanding receivable accounts. Appropriate correcting entries will be made in Banner subsidiary ledgers to reflect accurate balances by customer. Questionable aged accounts will be adjusted in fiscal year 2003-2004.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2003**

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, 2003**

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, 2003

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

2002-1 Finding

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

Recommendation

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

Current Status

Implemented.

2002-2 Finding

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

Recommendation

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

Current Status

Implemented.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2003**

2002-3 Finding

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

Recommendation

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

Current Status

Implemented.

ADDITIONAL SUPPLEMENTARY INFORMATION

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SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**BALANCE SHEET
ALL FUNDS
JUNE 30, 2003**

	General Unrestricted	General Restricted	Child Development	Bond Interest and Redemption
ASSETS				
Cash and cash equivalents	\$ 726,940	\$ 451,964	\$ 1,091	\$ -
Investments	22,314,899	2,587,147	43,243	4,497,007
Accounts receivable, net	3,898,668	3,017,615	18,200	-
Due from other funds	1,691,414	253,075	93,315	-
Prepaid expenses	662,675	14,487	-	-
Other current assets	56,987	4,825	-	-
Total Assets	<u>\$29,351,583</u>	<u>\$ 6,329,113</u>	<u>\$ 155,849</u>	<u>\$ 4,497,007</u>
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	16,496,196	898,227	57,365	-
Due to other funds	820,993	111,082	80,949	-
Deferred revenue	2,401,924	4,597,065	14,853	-
Total Liabilities	<u>19,719,113</u>	<u>5,606,374</u>	<u>153,167</u>	<u>-</u>
FUND EQUITY				
Fund Balances				
Reserved	1,166,290	722,739	-	-
Unreserved				
Designated	8,466,180	-	2,682	4,497,007
Total Fund Equity	<u>9,632,470</u>	<u>722,739</u>	<u>2,682</u>	<u>4,497,007</u>
Total Liabilities and Fund Equity	<u>\$29,351,583</u>	<u>\$ 6,329,113</u>	<u>\$ 155,849</u>	<u>\$ 4,497,007</u>

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

Capital Outlay Projects	Bond Construction	Retiree Benefits	Total Governmental Fund (Memorandum Only)
\$ 124,981	\$ -	\$ -	\$ 1,304,976
12,049,380	85,432,696	18,057,205	144,981,577
1,946,565	-	384,758	9,265,806
578,538	682,168	-	3,298,510
-	-	-	677,162
-	-	-	61,812
<u>\$ 14,699,464</u>	<u>\$ 86,114,864</u>	<u>\$ 18,441,963</u>	<u>\$ 159,589,843</u>
809,728	4,545,709	-	22,807,225
2,267,175	-	-	3,280,199
134,377	-	-	7,148,219
<u>3,211,280</u>	<u>4,545,709</u>	<u>-</u>	<u>33,235,643</u>
-	-	-	1,889,029
<u>11,488,184</u>	<u>81,569,155</u>	<u>18,441,963</u>	<u>124,465,171</u>
<u>11,488,184</u>	<u>81,569,155</u>	<u>18,441,963</u>	<u>126,354,200</u>
<u>\$ 14,699,464</u>	<u>\$ 86,114,864</u>	<u>\$ 18,441,963</u>	<u>\$ 159,589,843</u>

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SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

BALANCE SHEET RECONCILIATION JUNE 30, 2003

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

Total Fund Balance - All Governmental Funds	\$ 126,354,200
<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	117,442,441
Accumulated depreciation in governmental funds is	45,778,548
Deposit on sale of land was collected this year, but sale does not occur until the following year, therefore proceeds are deferred in the governmental activities.	71,663,893
Expenditures relating to issuance costs of debt were recognized in modified accrual basis, but should not be recognized in accrual basis.	388,000
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.	1,115,279
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.	(1,197,226)
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.	383,152
A fiduciary fund is used by the District's management to account for the activities of the student financial aid services. The assets and liabilities of the financial aid fund are included with governmental activities.	6,290,361
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	133,308
<p>Long-term liabilities at year end consist of:</p>	
Bonds payable	97,579,417
Unamortized bond premium	1,151,622
Compensated absences (vacations)	629,024
Total Net Assets	\$ 105,770,904

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE
ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2003**

	General Unrestricted	General Restricted	Child Development
REVENUES			
Federal revenues	\$ 1,254	\$ 3,388,823	\$ 3,533
State revenues	12,720,632	8,090,191	342,654
Local revenues	78,967,719	7,653,481	123,389
Total Revenues	91,689,605	19,132,495	469,576
EXPENDITURES			
Current Expenditures			
Academic salaries	40,610,733	3,200,127	134,652
Classified salaries	20,437,641	5,954,857	351,615
Employee benefits	17,692,596	1,729,117	120,196
Books and supplies	1,066,729	1,402,579	56,797
Services and operating expenditures	8,802,464	3,680,927	20,249
Capital outlay	562,467	1,569,151	42,744
Debt service - principal	-	-	-
Debt service - interest and other	-	-	-
Total Expenditures	89,172,630	17,536,758	726,253
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	2,516,975	1,595,737	(256,677)
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	-	401,770	184,197
Operating transfers out	(2,811,018)	(406,586)	-
Other sources	-	-	-
Other uses	(383)	(944,210)	-
Total Other Financing Sources/(Uses)	(2,811,401)	(949,026)	184,197
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	(294,426)	646,711	(72,480)
FUND BALANCE, BEGINNING OF YEAR	9,926,896	76,028	75,162
FUND BALANCE, END OF YEAR	\$ 9,632,470	\$ 722,739	\$ 2,682

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

Bond Interest and Redemption	Capital Outlay Projects	Bond Construction	Retiree Benefits	Total Governmental Fund (Memorandum Only)
\$ -	\$ -	\$ -	\$ -	\$ 3,393,610
-	3,048,945	-	-	24,202,422
7,011,181	3,239,140	3,104,790	802,062	100,901,762
<u>7,011,181</u>	<u>6,288,085</u>	<u>3,104,790</u>	<u>802,062</u>	<u>128,497,794</u>
-	799	-	-	43,946,311
-	79,722	-	-	26,823,835
-	9,766	-	-	19,551,675
-	40,083	21,679	-	2,587,867
-	496,121	1,517,856	-	14,517,617
-	3,905,751	15,235,851	-	21,315,964
-	-	-	-	-
2,514,174	-	-	-	2,514,174
<u>2,514,174</u>	<u>4,532,242</u>	<u>16,775,386</u>	<u>-</u>	<u>131,257,443</u>
<u>4,497,007</u>	<u>1,755,843</u>	<u>(13,670,596)</u>	<u>802,062</u>	<u>(2,759,649)</u>
-	-	-	1,500,000	2,085,967
-	-	-	-	(3,217,604)
-	1,401,987	-	-	1,401,987
-	(51,000)	-	-	(995,593)
<u>-</u>	<u>1,350,987</u>	<u>-</u>	<u>1,500,000</u>	<u>(725,243)</u>
4,497,007	3,106,830	(13,670,596)	2,302,062	(3,484,892)
-	8,381,354	95,239,751	16,139,901	129,839,092
<u>\$ 4,497,007</u>	<u>\$ 11,488,184</u>	<u>\$ 81,569,155</u>	<u>\$ 18,441,963</u>	<u>\$ 126,354,200</u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS RECONCILIATION
FOR THE YEAR ENDED JUNE 30, 2003**

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: \$ (3,484,892)

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	21,967,309	
Accumulated depreciation in governmental funds is	2,151,480	19,815,829

Deposit on sale of land was collected this year, but sale does not occur until the following year, therefore proceeds are deferred in the district wide statement of revenues, expenses, and changes in net assets. 388,000

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. (40,921)

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. 255,882

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. 33,830

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. 107,732

Payment of loan principal on building loans is an expenditures in the governmental funds, but it reduces long term liabilities in the statement of net assets and does not affect the district wide statement of revenues, expenses, and net assets. 249,825

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS RECONCILIATION
FOR THE YEAR ENDED JUNE 30, 2003**

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.	(703,804)
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.	(2,899,158)
Payment of issue costs of bonds is an expenditure in the governmental funds when debt is issued, however it is recorded as prepaid expense and amortization over the term of the bond on the district-wide statement of net assets and statement of revenues, expenses, and changes in net assets.	47,984
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.	(46,470)
Total Net Assets	<u><u>\$ 15,974,621</u></u>

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**BALANCE SHEET
 PROPRIETARY FUNDS
 JUNE 30, 2003**

	Enterprise Funds			
	Bookstore	Cafeteria	Total	Internal Service Fund
ASSETS				
Cash and cash equivalents	\$ 174,354	\$ 58,166	\$ 232,520	\$ -
Investments	3,727,817	702,088	4,429,905	507,336
Accounts receivable, net	466,654	14,544	481,198	4,046
Prepaid expenses	22,489	-	22,489	-
Stores inventories	1,331,558	-	1,331,558	-
Furniture and equipment (net)	94,741	99,044	193,785	-
Total Assets	\$ 5,817,613	\$ 873,842	\$ 6,691,455	\$ 511,382
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	270,661	62,275	332,936	128,230
Other current liabilities	68,158	-	68,158	-
Total Liabilities	338,819	62,275	401,094	128,230
FUND EQUITY				
Retained earnings	5,478,794	811,567	6,290,361	383,152
Total Liabilities and Fund Equity	\$ 5,817,613	\$ 873,842	\$ 6,691,455	\$ 511,382

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2003**

	<u>Enterprise Funds</u>			<u>Internal Service Fund</u>
	<u>Bookstore</u>	<u>Cafeteria</u>	<u>Total</u>	
OPERATING REVENUES				
Sales revenues	\$ 7,929,304	\$ 179,168	\$ 8,108,472	\$ -
OPERATING EXPENSES				
Classified salaries	1,243,960	-	1,243,960	-
Employee benefits	227,455	-	227,455	-
Books and supplies	5,862,735	-	5,862,735	-
Services and other operating expenditures	466,930	169,685	636,615	123,110
Total Operating Expenses	<u>7,801,080</u>	<u>169,685</u>	<u>7,970,765</u>	<u>123,110</u>
Operating Income (Loss)	<u>128,224</u>	<u>9,483</u>	<u>137,707</u>	<u>(123,110)</u>
NONOPERATING REVENUES (EXPENSES)				
Interest and investment income	99,983	18,192	118,175	22,189
Operating transfers in	-	-	-	60,000
Total Nonoperating Revenues (Expenses)	<u>99,983</u>	<u>18,192</u>	<u>118,175</u>	<u>82,189</u>
NET INCOME/(LOSS)	<u>228,207</u>	<u>27,675</u>	<u>255,882</u>	<u>(40,921)</u>
RETAINED EARNINGS, BEGINNING OF YEAR	<u>5,250,587</u>	<u>783,892</u>	<u>6,034,479</u>	<u>424,073</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 5,478,794</u>	<u>\$ 811,567</u>	<u>\$ 6,290,361</u>	<u>\$ 383,152</u>

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2003**

	Enterprise Funds			Internal
	Bookstore	Cafeteria	Total	Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from user charges	\$7,808,807	\$177,943	\$7,986,750	\$ -
Cash received from assessments made to other funds	(3,614)	-	(3,614)	531
Cash payments to employees for services	(1,403,257)	-	(1,403,257)	-
Cash payments to suppliers for goods and services	(6,481,755)	(122,863)	(6,604,618)	(69,880)
Net Cash Provided (Used) for Operating Activities	(79,819)	55,080	(24,739)	(69,349)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital contributions	-	-	-	60,000
Acquisition of capital assets	(38,862)	(38,811)	(77,673)	-
Net Cash Provided (Used) for Capital and Related Financing Activities	(38,862)	(38,811)	(77,673)	60,000
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	99,983	18,192	-	22,189
Net Cash Provided (Used) from Investing Activities	99,983	18,192	-	22,189
Net increase in cash and cash equivalents	(18,698)	34,461	15,763	12,840
Cash and cash equivalents - Beginning	3,920,869	725,793	4,646,662	494,496
Cash and cash equivalents - Ending	<u>\$3,902,171</u>	<u>\$760,254</u>	<u>\$4,662,425</u>	<u>\$507,336</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$128,224	\$9,483	\$137,707	\$(123,110)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	69,525	23,702	93,227	-
Changes in assets and liabilities:				
Receivables	(120,497)	(1,224)	(121,721)	531
Prepaid expenses	(11,422)	-	(11,422)	-
Inventories	(117,813)	-	(117,813)	-
Accrued liabilities	(24,222)	23,119	(1,103)	53,230
Due to other fund	(3,614)	-	(3,614)	-
Deferred revenue	-	-	-	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ (79,819)</u>	<u>\$ 55,080</u>	<u>\$ (24,739)</u>	<u>\$ (69,349)</u>

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**BALANCE SHEET – FIDUCIARY FUNDS
JUNE 30, 2003**

	Associated Students Trust	Student Representation Fee	Student Financial Aid	Total
ASSETS				
Cash and cash equivalents	\$ 513,148	\$ 62,727	\$ 2,965	\$ 578,840
Investments	277,680	57,073	132,849	467,602
Accounts receivable, net	184,043	8,079		192,122
Student loans receivable, net	-	-	408,474	408,474
Due from other funds	-	-	2,056	2,056
Fixed Assets	30,047	-	-	30,047
Total Assets	\$ 1,004,918	\$ 127,879	\$ 546,344	\$ 1,679,141
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	70,214	-	228,458	298,672
Due to other funds	-	-	20,547	20,547
Deferred revenue	-	127,879	164,031	291,910
Due to student groups	934,704	-	-	934,704
Total Liabilities	1,004,918	127,879	413,036	1,545,833
FUND EQUITY				
Fund Balances				
Reserved	-	-	133,308	133,308
Unreserved				
Designated	-	-	-	-
Total Fund Equity	-	-	133,308	133,308
Total Liabilities and Fund Equity	\$ 1,004,918	\$ 127,879	\$ 546,344	\$ 1,679,141

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2003**

	Associated Students Trust	Student Financial Aid	Total
REVENUES			
Federal revenues	\$ -	\$ 4,809,264	\$ 4,809,264
State revenues	-	365,584	365,584
Local revenues	352,065	59,321	411,386
Total Revenues	352,065	5,234,169	5,586,234
EXPENDITURES			
Current Expenditures			
Classified salaries	79,804	-	79,804
Books and supplies	7,781	-	7,781
Services and operating expenditures	205,376	-	205,376
Total Expenditures	292,961	-	292,961
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	59,104	5,234,169	5,293,273
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	-	104,997	104,997
Operating transfers out	-	(17,848)	(17,848)
Other uses	-	(5,287,488)	(5,287,488)
Total Other Financing Sources/(Uses)	-	(5,200,339)	(5,200,339)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	59,104	33,830	92,934
FUND BALANCE, BEGINNING OF YEAR	875,600	99,478	975,078
FUND BALANCE, END OF YEAR	\$ 934,704	\$ 133,308	\$ 1,068,012

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