SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2015 AND 2014

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS
JUNE 30, 2015

FINANCIAL SECTION

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, the aggregate discretely presented component unit, the Education Housing Corporation of San Mateo County Community College District (the District) as of and for the year ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

5000 Hopyard Road, Suite 335 Pleasanton, CA 94588-3351 Tel: 925.734.6600 www.vtdcpa.com Fax: 925.734.6611

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component unit of the District as of June 30, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 to the financial statements, in 2015, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis, the Schedule of Other Postemployment Benefits (OPEB) Funding Progress, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, as required by (U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary information, including the Schedule of Expenditures of Federal Awards, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2015, 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co., LLP

Pleasanton, California
December 6, 2015

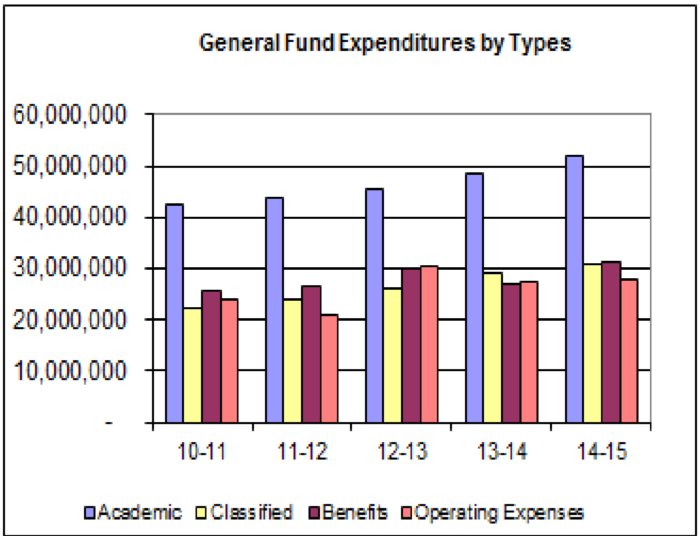
Introduction

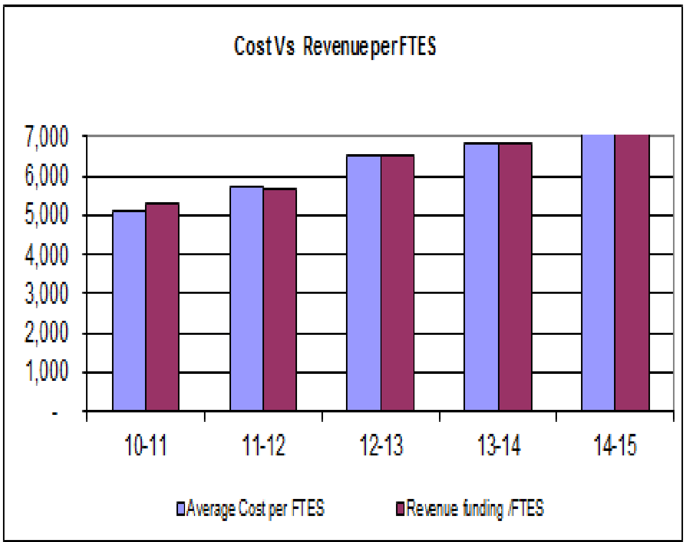
The San Mateo County Community College District's (the District) Annual Financial Report presents management's discussion and analysis of the District's financial activities during the fiscal years ended June 30, 2015, June 30, 2014, and June 30, 2013. The discussion has been prepared by management and is best read in conjunction with the financial statements and the notes following this section.

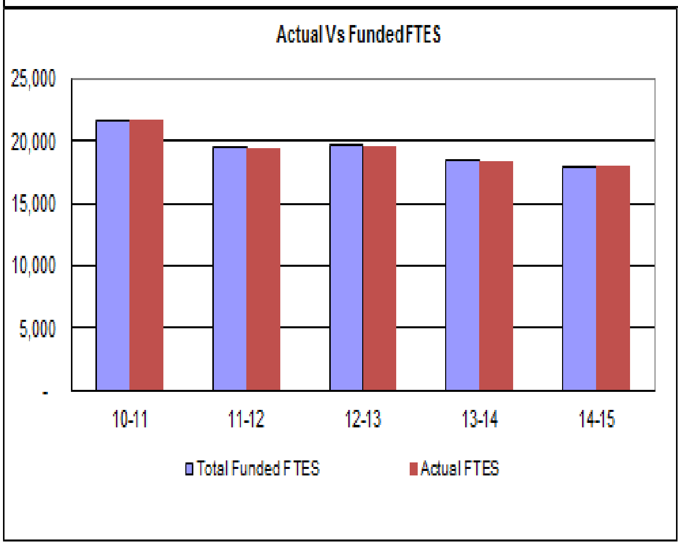
There are three basic financial statements that provide information on the District's financial activities as a whole. These statements are:

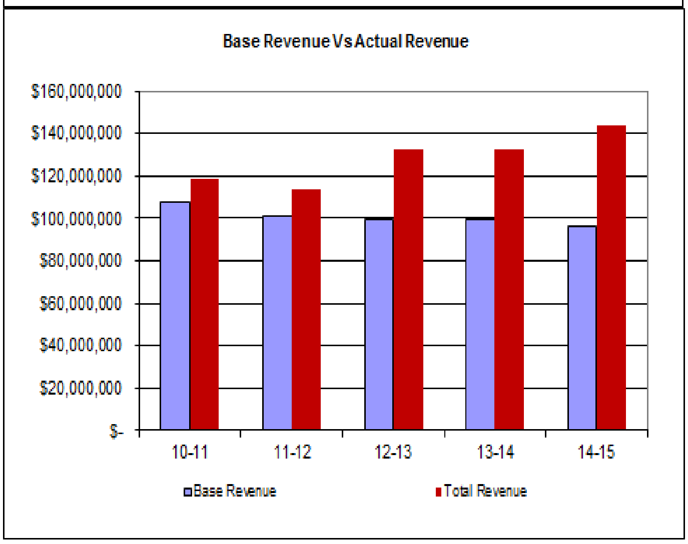
- Statement of Net Position
- Statement of Revenues, Expenses and Changes in Net Position
- Statement of Cash Flows

For comparison purpose, attached below is 5 years financial information









Financial Overview Summary

The District's financial statements look considerably different as of June, 2015, than they looked in June, 2014. Due to the requirement to implement GASB Statement No. 68 this year, the District has restated the beginning net position in the government-wide Statement of Net Position and record of pension liability. The requirement is to report on our financial statements the District's portion of the net pension liability of the state's retirement systems for both academic and classified employees. This is not an increase in the District's liabilities, but a change in how they are being reported. As noted in more detail below, the District is required to report over $100 million of the net liability for those pension systems. As a result, the fiscal year 2014-15 Net Position was a negative $26 million.

- Due to implementing GASB Statement No. 68, liabilities exceeded assets by $26 million, and
- Total assets increased $118 million over last year mainly due to the issuance of capital outlay bonds.
- Net noncurrent assets had an decrease of $11 million.

- Net non-operating revenue decreased $12 million due to the discontinuance of the Parcel Tax, fewer Federal grants and no further repayment from Lehman Brothers.
- Before the change due to GASB Statement No. 68, the change in net assets was a negative $25 million.

Reporting for the District as a Whole

- Economic position of the District with the State

  Fiscal Year 2014/15 is the fourth year that the District has been community supported. Community supported means that when the State sets the District's revenue limit (determining how many students we are funded to serve) and deducts from that revenue limit the local property taxes and student fees, there is no need for State apportionment to sum to our revenue limit. This means that the District has somewhat more resources and is no longer subject to the state borrowing funds by delaying apportionment payments. The District is now firmly in community supported status and anticipates to receive upwards of $30 million in 2015/16 in excess of what the District would have received had we been subject to the state's revenue limit. In addition to an increase in property taxes, the District is receiving funds from the dissolution of Redevelopment Agencies (RDAs). As less of the property taxes are being diverted to RDAs, more of them come to SMCCCD. The former RDAs are also slowly beginning the process of selling off their property, which brings some one-time funs to District coffers. Fiscal Year 2013/14 was the last year for receiving funds from the parcel tax (Measure G) and the funds were fully expended in 2014/15. All in all, the District's revenues have increased and, with a steady real estate market, show every sign of continuing increase.

Salaries and Benefits

- The expenditure projection for salaries includes annual increases for movement on step and column placements and longevity service increments only. The District has not received a revenue COLA from the State since 2007- 08. Since becoming community supported and benefitting from increased in property assessed values per negotiated agreements, fiscal year 2015-16 reflects a salary adjustment of 4.78% across all employee groups. The budget includes January 1, 2016 increases (on average, the rates went up 11.62% across plans) in non-capped health premium rates for employees and retirees. Dental insurance and vision premiums remained unchanged. The PERS rate increased from 11.771% to 11.847% and based on legislative action, the STRS rate increased from 8.88% to 10.73%. The District's Unemployment Insurance Contribution Rate remained at 0.055%. Due to its favorable insured loss experience and current insurance market conditions, the District expects minimal changes to insurance rates for 2015-16. Workers' compensation costs decreased slightly to from 1.0% to 0.96% of salaries. To comply with GASB 45, in 2009-10, the District began charging itself an amount to cover the future medical benefit costs for current employees. These charges appear as part of the benefit expenses in all funds.

- Bond construction

  As of June 30, 2015, $497.6 million of the $501 million Measure A November 2005 general obligation

  (GO) bond (with interest) and $3.48 million of the $388 million Measure H November 2014 GO bond have been spent or encumbered by contract. The projects planned under the 2005 GO bond are substantially completed with students and staff occupying the new and renovated buildings at CSM, Skyline and Cañada College.

Canada Building 3 Theater

Canada Building 9 Library, Learning Center

Various small and medium size projects were completed throughout the year including: Parking Lot and Roadway Light Upgrade, Phase 1; Building 3 Theatre House Lighting; Menlo Park Classroom Renovation; Building 8 Server Move; and Building 13 Business Labs Furniture Upgrade

College of San Mateo

College of San Mateo Health & Wellness

College of San Mateo Building 10 College Center

Various small projects were completed throughout the year including: Parking Lot and Street Light Upgrade, Phase 1; Building 3 Theatre House Lighting; Choral Room Facelift; Library Carpet Replacement; Softball Field Netting, Exterior Signage and Paint Upgrades; and Building 1 Top Floor Repurpose and Office Setup

Skyline COLLEGE

Skyline College Building 4

Skyline College Building 5 and 6

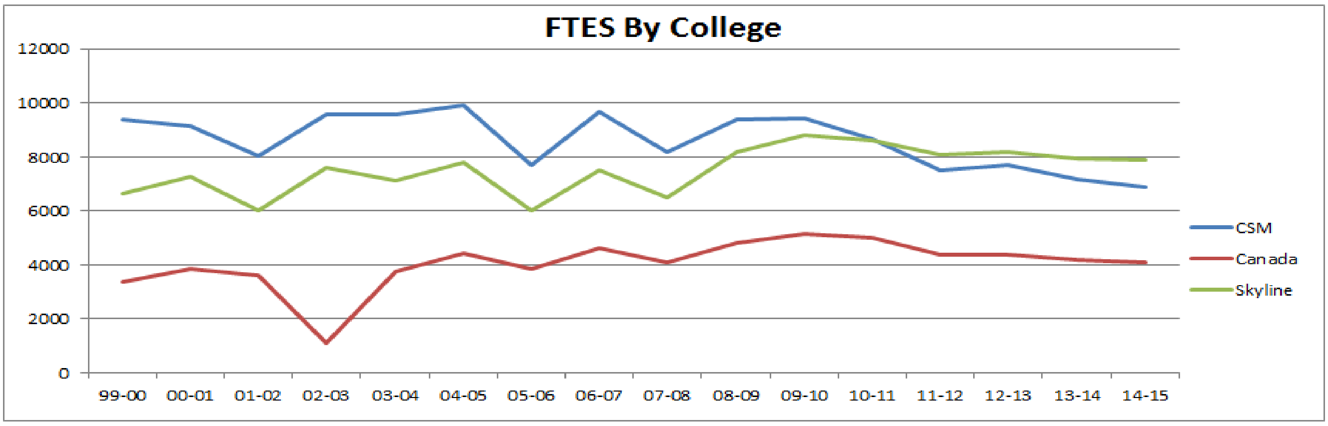
Various small and medium size projects were completed throughout the year including: Upper Soccer Trench Drain;Middle College Build Out; and Guardian Scholars Build Out

Districtwide:

Various small and medium size projects were completed throughout the year including: Districtwide Design Standards Update ; District Office Restroom Remodel; Districtwide Security and Electronic Access Control Upgrade; Districtwide ONUMA Implementation; and Districtwide Seismic Valve Upgrades

- Enrollment

For SMCCCD, enrollment no longer drives funding, since property taxes and fees primarily determine funding. Historically, the District's enrollment goes up when unemployment goes up and goes down when the economy recovers. The District's enrollment declined with the recession, however, because the state cut the funds provided for enrollment. In 2014/15, the District's enrollment declined as was anticipated due to the robust economy in San Mateo County. The chart below shows the history of FTES in the District.



PERS and STRS Pensions. The District participates in the Public Employees Retirement System (CalPERS) and State Teachers Retirement System (CalSTRS). The District and the employee each pay a percentage of the employee's salary into one of these systems. The State of California has contributed to these systems as well. The rates that are paid are set by the CalPERS Board for CalPERS and by the State legislature for CalSTRS. Over the years, the employee rates for both systems have not changed, but the CalPERS Board has decreased or increased the employer rate as deemed necessary. At this time, both systems are underfunded in terms of their total liability. Last year, the CalPERS Board projected (subject to change) and the State legislature set (in law) rates that are projected to near or exceed 20% by 2021. We anticipate these increases to cost the District at least $9 million annually by 2021.

	CalPERS	CalSTRS
2013-14	11.44%	8.25%
2014-15	11.77%	8.88%
2015-16	11.85%	10.73%
2016-17	13.05%	12.58%
2017-18	16.60%	14.43%
2018-19	18.20%	16.28%
2019-20	19.90%	18.13%
2020-21	20.20%	19.10%

In addition, for the first time, and effective with our 2014/15 fiscal year, GASB 68 requires the District to record its share of the systems' total liabilities for these benefits. The rationale is that the employers all have pooled to create these systems and thus are jointly responsible for any shortfall in the systems' reserves. Each of the systems has less funding than their actuarial studies say is needed to provide benefits for current and future retirees.

	CalSTRS	CalPERS	Total
Net Pension Liability	$ 58,437,000,000	$ 11,352,434,849	
SMCCCD Share	0.1029%	0.3571%	
SMCCD Liability	$ 60,122,504	$ 40,542,482	$ 100,664,986

This means that on our 6/30/2015 Statement of Net Position, the District will record an additional $100 million of liability. Even though our Statement of Net Position is entity-wide, that is, it includes all funds, we do have a negative ending balance or Net Position, significantly less than the previous year.

Table 1 – Statement of Net Position with and without GASB 68 – Pension adjustment

As the result of implementing GASB Statement No 68, the District has restated the beginning net postion in the government–wide Statement of Net Position. Effectively decresing net position as of July 1, 2014, by $120 million. The decrease results from recognizing the net pension liability, net of related deferred outflows of resources.

Table below shown amount of Total Net Position between with and without implementing GASB Statement No 68.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET POSITION (With and Without GASB Pension Adjustment)
JUNE 30,

	GASB (Pension Adjustment)	
	With	**Without**
	(In Thousand) **2015**	(In Thousand) **2015**
ASSETS		
Current Assets		
Cash and investments	$ 314,814	$ 314,814
Restricted cash and investments	43,337	43,337
Accounts receivable, net	12,316	12,316
Prepaid expenses	1,827	1,827
Stores inventories	3,186	3,186
Total Current Assets	375,480	375,480
Noncurrent Assets		
Nondepreciable capital assets	50,019	50,019
Depreciable capital assets, net of depreciation	588,731	588,731
Total Noncurrent Assets	638,750	638,750
TOTAL ASSETS	1,014,230	1,014,230
DEFERRED OUTFLOWS OF RESOURCES		
Curent year pension contribution	8,417	-
LIABILITIES		
Current Liabilities		
Accounts payable	18,916	18,916
Interest payable, restricted	3,703	3,703
Unearned revenue	12,300	12,300
Bonds and notes payable - current portion	19,635	19,635
Bond premium - current portion	2,405	2,405
Total Current Liabilities	56,959	56,959
Noncurrent Liabilities		
Compensated absences payable - noncurrent portion	4,110	4,110
Bonds and notes payable - noncurrent portion	820,258	820,258
Aggregate net pension obligation	100,665	-
Other long-term liabilities - noncurrent portion	38,154	38,154
Total Noncurrent Liabilities	963,187	862,522
TOTAL LIABILITIES	1,020,146	919,481
DEFERRED INFLOWS OF RESOURCES		
Difference between projected and actual return on pension plan investments	28,736	-
NET ASSETS		
Net Invested in capital assets	(100,971)	(100,971)
Restricted for:		
Debt service	43,388	43,388
Capital projects	80,516	80,516
Educational programs	15,186	15,186
Other activities	19,243	19,243
Unrestricted	(83,597)	37,387
TOTAL NET POSITION	$ (26,235)	$ 94,749

Net Position

The Statement of Net Position 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 Position, the difference between total assets and total liabilities, is one way to measure the financial condition of the District. Following are explanatory remarks for the statement:

- Cash and cash equivalents consist of cash in the Treasury, Local Agency Investment Fund (LAIF) of the State Treasurer's Office, San Mateo County Pool Investment, Special Deposit Bond and with Wells Fargo Bank, proceeds from the District's general obligation construction bond, Institutional Investment Pool and certificates of deposit with various banks.

- Accounts receivable primarily consists of revenues from local, state, and federal sources from which the District had earnings but which were not received as of the fiscal year's closing date.

- Inventories and other assets include prepaid expenses and bookstore inventories.

- Capital assets, net of depreciation, are the net historical value of land, buildings, construction in progress and equipment less accumulated depreciation.

- Accounts payable and accrued liabilities consist of payables to the state, and federal governments for grants, as well as benefits, salaries and amounts owed to local vendors which the District incurred but for which payments were not issued as of the end of the fiscal year.

- Deferred revenues represent cash received during the fiscal year from state, federal grants, state apportionment and student fees; however, the funds were not earned as the end of the fiscal year.

- Long-term liabilities include obligations to be paid over a period longer than 1 year. The current portion represents payments due within the next 12 months. The District has compensated absences payable, and construction bond payable.

- According to GASB Statements, equity is reported as Net Position, rather than Fund Balance. The District's Net Position is classified as follows:

  - Net Investment in capital assets, represents the District's total investment in capital assets, net of outstanding debt obligations related to those capital assets.

  - Restricted Net Position consists of expendable and nonexpendable portions. Restricted expendable Net Position includes resources which the District is contractually obligated to expend in accordance with restrictions imposed by external third parties.
  - Unrestricted Net Position 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, 2015

Table 2 Statement of Net Position

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET POSITION - PRIMARY GOVERNMENT
FOR THE YEARS ENDED JUNE 30,

	(In Thousand) **2015**	(In Thousand) **2014**	(In Thousand) **2013**
ASSETS			
Current Assets			
Cash and investments	$ 314,814	$ 202,973	$ 203,484
Restricted cash and investments	43,337	28,873	26,437
Accounts receivable, net	12,316	10,863	10,578
Prepaid expenses	1,827	520	239
Stores inventories	3,186	2,722	2,612
Total Current Assets	375,480	245,951	243,350
Noncurrent Assets			
Nondepreciable capital assets	50,019	47,819	32,558
Depreciable capital assets, net of depreciation	588,731	602,153	625,598
Total Noncurrent Assets	638,750	649,972	658,156
TOTAL ASSETS	1,014,230	895,923	901,506
DEFERRED OUTFLOWS OF RESOURCES			
Curent year pension contribution	8,417	8,070	-
LIABILITIES			
Current Liabilities			
Accounts payable	18,916	16,792	17,030
Interest payable, restricted	3,703	3,935	5,866
Unearned revenue	12,300	10,084	11,921
Bonds and notes payable - current portion	19,635	17,290	17,290
Bond premium - current portion	2,405	2,000	2,000
Total Current Liabilities	56,959	50,101	54,107
Noncurrent Liabilities			
Compensated absences payable - noncurrent portion	4,110	4,191	3,848
Bonds and notes payable - noncurrent portion	820,258	693,284	689,806
Aggregate net pension obligation	100,665	128,665	-
Other long-term liabilities - noncurrent portion	38,154	28,444	30,444
Total Noncurrent Liabilities	963,187	854,584	724,098
TOTAL LIABILITIES	1,020,146	904,685	778,205
DEFERRED INFLOWS OF RESOURCES			
Difference between projected and actual returns on pension plan investments	28,736	-	-
NET ASSETS			
Net Invested in capital assets	(100,971)	(64,293)	(49,609)
Restricted for:			
Debt service	43,388	28,911	26,472
Capital projects	80,516	79,595	80,805
Educational programs	15,186	14,936	13,899
Other activities	19,243	27,362	22,441
Unrestricted	(83,597)	(87,203)	34,476
TOTAL NET POSITION	$ (26,235)	$ (692)	$ 128,484

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position shown below consists of operating and non-operating results for the District. Operating revenues represent all revenues from exchange transactions, in which each party gives and receives essentially equal value. Non-operating revenues include State apportionments, property tax revenues, investment earnings, certain Federal and State grants, entitlements, and donations.

Table 3 – Statement of Operating Revenues

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PRIMARY GOVERNMENT
FOR THE YEARS ENDED JUNE 30,

	2015	2014	2013
OPERATING REVENUES			
Student Tuition and Fees	$ 17,580	$ 15,128	$ 14,786
Auxiliary Enterprise Sales and Charges	8,163	7,796	7,003
Internal Service Sales and Charges	1,012	957	917
TOTAL OPERATING REVENUES	26,755	23,881	22,706
OPERATING EXPENSES			
Salaries	103,507	98,860	92,004
Employee benefits	40,621	33,756	37,376
Supplies, materials, and other operating expenses and services	33,950	32,457	30,009
Equipment, maintenance, and repairs	882	2,049	1,117
Student financial aid	21,502	22,429	23,113
Depreciation	25,798	25,690	27,595
TOTAL OPERATING EXPENSES	226,260	215,241	211,214
OPERATING LOSS	(199,505)	(191,360)	(188,508)
NONOPERATING REVENUES (EXPENSES)			
State apportionments, noncapital	1,006	938	932
Local property taxes, levied for general purposes	115,821	108,803	103,865
Local property taxes, levied for special purposes	32,628	31,263	28,977
Parcel tax	-	7,080	6,986
Federal grants	24,464	25,022	26,669
State grants	14,033	13,400	9,522
Local grants	2,852	2,896	2,425
State taxes and other revenues	3,500	3,028	3,536
Investment income (loss), net	2,270	10,126	2,540
Interest expense on capital related debt	(28,708)	(25,293)	(22,086)
Interest income on capital asset-related debt, net	168	416	204
Other nonoperating revenues (expenses)	2,211	4,802	333
TOTAL NONOPERATING REVENUES (EXPENSES)	170,245	182,481	163,903
LOSS BEFORE OTHER REVENUES AND EXPENSES	(29,260)	(8,879)	(24,605)
State revenues, capital	3,028	5,021	1,465
Local revenues, capital	689	461	2,534
TOTAL OTHER REVENUES AND EXPENSES	3,717	5,482	3,999
CHANGE IN NET ASSETS	(25,543)	(3,397)	(20,606)
NET ASSETS, BEGINNING OF YEAR	119,902	123,299	149,090
PRIOR PERIOD RESTATEMENT	(120,594)	(120,594)	-
NET ASSETS, END OF YEAR	$ (26,235)	$ (692)	$ 128,484

Explanatory information for the statement is as follows:

- Tuition and Fees include enrollment, health, non-resident tuition, other student fees, less scholarship discount and allowance as defined by GASB statement No. 35.

- Auxiliary Enterprise Sales and Charges consist of bookstore and cafeteria sales and fitness center income, less discount allowances.

- Internal Services include self-insurance for General Liability and Workers Compensation.

- State apportionments, non-capital includes state apportionment, apprenticeship, and child development apportionment.

- Local property taxes and other non-operating revenues consist primarily of secured and unsecured taxes which are payable to the District in December and April of each year. The County of San Mateo collects the taxes on behalf of the District. Other non-operating revenues are State Lottery revenue and miscellaneous local income.

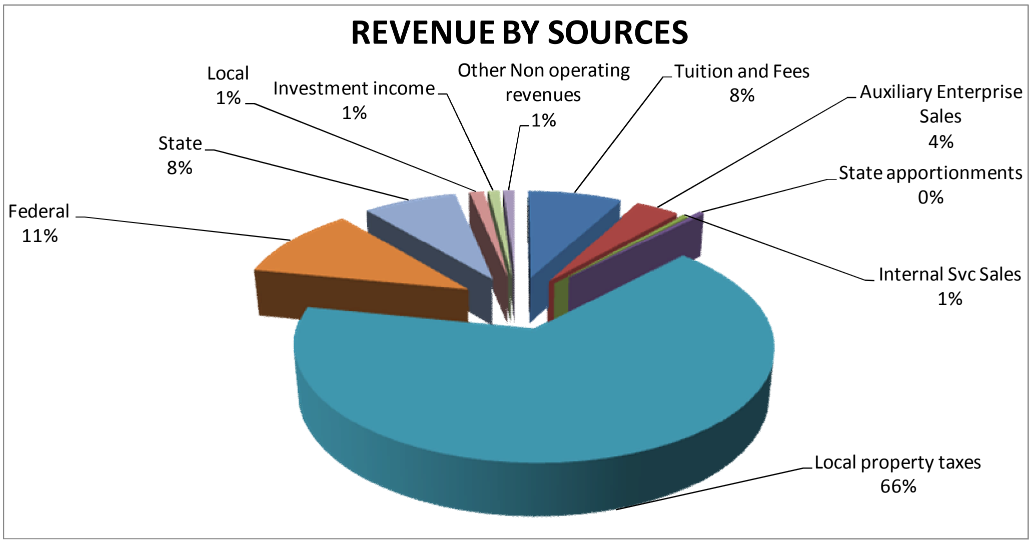
- Federal, and state grants and contract services are exchange transactions for which the District files applications, complies with individual spending restrictions, files expenditure reports, and/or signs contracts.

- Net investment income includes interest from the San Mateo County Investment Pool managed by the County Treasurer, certificates of deposit, bond proceeds, and Local Agency Investment Fund (LAIF), less interest expense on capital related debt.

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

Below is an illustration of District revenues by source:

Graph 1. Revenue by Sources

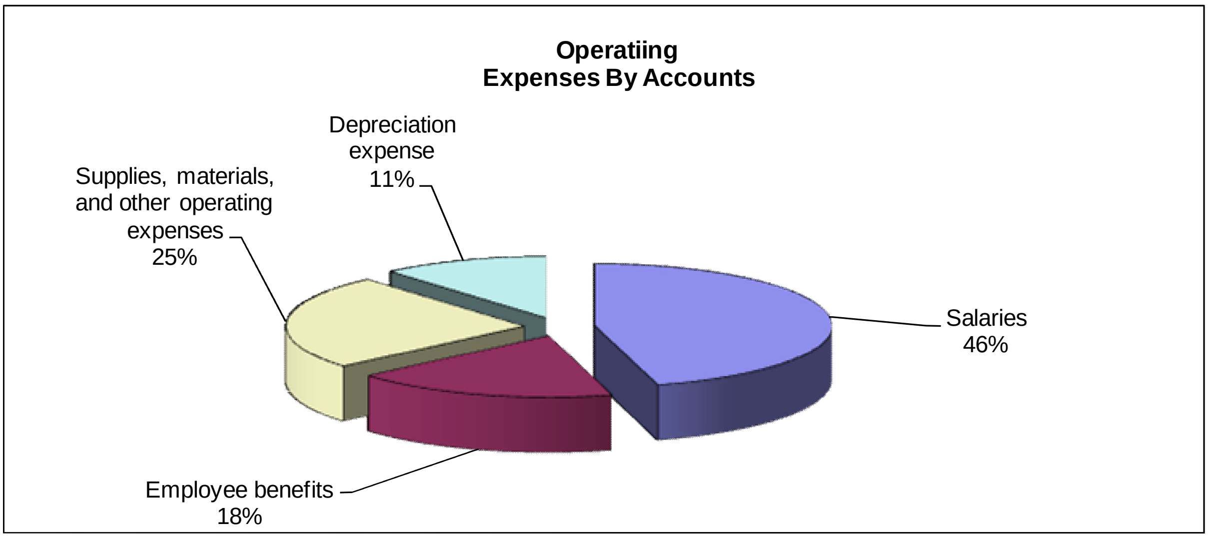


Revenues and expenses changed mainly due to the following:

- Operating Revenue experienced an increase due to an increase in tuition and fees.

- Non-operating Revenue increased mainly due to an increase in local property taxes and a decrease in interest expense on capital related debt.

Graph 2. Operating Expenses By Accounts



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

- Salaries and benefits expenses represent the largest percentage of the District's operating expenses.

- 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 using 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

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 and the District's need for assistance via external financing. The District has adopted the direct method, and under this method, data for cash flow present operating activities by major categories of gross receipts and gross payments as well as the resulting net amount. Additional explanatory information for the statement is as follows:

- The main cash receipts from operating activities consist of tuition, student fees, and auxiliary enterprise sales. Cash outlays include payment of salaries, benefits, supplies and operating expenses.
- State apportionments and property taxes are the primary source of non-capital financing.
- For capital financing activities, the main sources are from special State Apportionments and General Obligation Bond and C.O.P. proceeds.
- Cash from investing activities consists of Interest from County Investment Pool, Institutional Investment Pool, Certificates of Deposits, Bond and Local Agency Investment Fund (LAIF).

Table 4 – Statement of Cash Flows

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30,

	2015	2014	2013
CASH FLOWS PROVIDED BY (USED IN):	in thousands	in thousands	in thousands
Operating Activities	$ (156,641)	$ (165,957)	$ (157,930)
Noncapital financing activities	196,386	195,108	184,237
Capital financing activities	84,319	(37,369)	(28,267)
Investing activities	2,241	10,146	2,741
NET INCREASE IN CASH AND CASH EQUIVALENTS	126,305	1,925	782
CASH & CASH EQUIVALENTS, BEGINNING OF YEAR	231,846	229,921	229,139
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 358,151	$ 231,846	$ 229,921

Economic Factors and the 2015-16 Budget

Being community supported, the District's revenues primarily consist of property tax revenues and student fees and are relatively predictable. The County Assessor's Office has stated that the property tax base went up 7.72% county-wide in 2014-15, which means our projected revenues in 2015/16 are 7.72% higher. In addition, the District received over $7 million of one-time and ongoing reallocated redevelopment funds in 2014/15 due to the demise of redevelopment agencies in 2011/12. The ongoing portion of these funds will continue to grow as property taxes grow, and also as the former redevelopment agencies pay off their debt. This puts the District on very solid financial footing. The District continues to build multi-year financial plans and has planned balanced budgets through 2017/18.

C.I.P. Planning 2014-15 and Beyond

Staff continues to revise and update the master schedule and the master budget of the Capital Improvement Program to coincide with the funding and programming requirements. However, the District has experienced a decline in State Capital Outlay funds for projects on all three campuses due to the fact that the State failed to approve an educational facilities bond since 2006.

Compilations of site-specific activities, which are currently in design or construction phase, are listed below:

Cañada College:

- Parking Lot and Roadway Light Upgrade, Phase 2 (LED)
- Tennis Court Office Conversion
- Space Needs Analysis
- New Team House
- Building 1 Physical Education / Athletics
- Building 23N Math/Science/Technology
- Swing Space Planning for Construction

College of San Mateo:

- North Gateway Project, Phase 2: Demolition of Buildings 21-29, Landscape and Hardscape
- Building 1, 14, 16, and Colonnades Roof Replacement
- Parking Lot and Street Light Upgrade, Phase 2 (LED)
- Building 6 Aquatics Center Pool System Upgrade
- Building 36 Chemistry Ventilation Upgrades
- Solar and Energy Storage
- Building 17 Student Life and Learning Communities Renovation
- Building 3 Humanities and Arts Renovation

Skyline College:

- Building 14 Roof Replacement
- Building 1N Social Science and Creative Arts
- Building 12N Environmental Science
- Building 15N Career and Sustainable Technology
- New Team House
- Building 2 Signage Upgrade
- Building 2, 3rd Floor, Global Learning Program Services Renovation
- Swing Space Planning for Construction

District Wide:

- District Office Deck Waterproofing Replacement
- Districtwide Utility Measurement & Verification
- DW Network Core Switch Upgrade
- DW UPS Device (MDF/IDF) Replacement
- DW Symetra UPS Device (MPOE) Replacement
- DW Network Firewall Switch Replacement
- DW Telephone System Replacement
- DW Wireless Access Point (WAP) Replacement
- DW Network Switch Upgrade
- DW Server Replacement
- DW Evacuation Map Upgrade
- DW Earthquake Preparedness Program

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

Staff and Faculty Housing

In response to the very high cost of housing in San Mateo County, the College District built two apartment projects for faculty and staff, namely College Vista and Cañada Vista. The College District has a total of 104 units—60 at Cañada Vista and 44 at College Vista. Rents for these units are significantly below market, which allows residents to save for a down payment on a home. To date, 37 residents have moved out of the faculty and staff housing and purchased their own home.

College Vista:

Cañada Vista:

Opened in August, 2010 and College Vista has been open for more than 8 ½ years. Interior amenities at both projects include 9 foot ceilings, wood entryways, individual patios or decks; individual garages, large windows and sliding glass doors. The College District believes that provision of this housing has helped the District increase its retention of employees.

Contacting the District's Financial Management Office

This financial report is designed to provide our citizens, taxpayers, students, investors and creditors with a general overview of the District's finances and to show the District's accountability for funding received. Questions or concerns about this report or requests for additional financial information should be addressed to Kathy Blackwood, Executive Vice Chancellor, by phone at 650-358-6869 or by e-mail at blackwoodk@smccd.edu.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

STATEMENTS OF NET POSITION - PRIMARY GOVERNMENT
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
ASSETS		
Current Assets		
Cash and investments	$ 314,813,837	$ 202,972,467
Restricted cash and investments	43,337,423	28,873,380
Accounts receivable, net	12,315,518	10,863,274
Prepaid expenses	1,827,253	519,644
Inventories	3,185,633	2,721,741
Total Current Assets	375,479,664	245,950,506
Noncurrent Assets		
Nondepreciable capital assets	50,019,156	47,818,819
Depreciable capital assets, net of depreciation	588,731,370	602,153,169
Total Noncurrent Assets	638,750,526	649,971,988
TOTAL ASSETS	1,014,230,190	895,922,494
DEFERRED OUTFLOWS OF RESOURCES		
Current year pension contribution	8,416,654	8,070,086
LIABILITIES		
Current Liabilities		
Accounts payable	18,915,558	16,791,999
Interest payable	3,703,388	3,935,426
Unearned revenue	12,300,099	10,083,671
Bonds and notes payable - current portion	19,635,000	17,290,000
Bond premium - current portion	2,404,951	2,000,003
Total Current Liabilities	56,958,996	50,101,099
Noncurrent Liabilities		
Compensated absences payable - noncurrent portion	4,109,861	4,191,399
Bonds and notes payable - noncurrent portion	820,258,350	693,284,017
Aggregate net pension obligation	100,664,986	128,663,876
Other long-term liabilities - noncurrent portion	38,154,094	28,444,333
Total Noncurrent Liabilities	963,187,291	854,583,625
TOTAL LIABILITIES	1,020,146,287	904,684,724
DEFERRED INFLOWS OF RESOURCES		
Difference between projected and actual returns on pension plan investments	28,735,903	-
NET POSITION		
Net investment in capital assets	(100,971,478)	(64,292,833)
Restricted for:		
Debt service	43,388,339	28,911,155
Capital projects	80,516,345	79,595,373
Educational programs	15,185,452	14,936,401
Other activities	19,243,321	27,361,985
Unrestricted	(83,597,325)	(87,204,225)
TOTAL NET POSITION	$ (26,235,346)	$ (692,144)

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PRIMARY GOVERNMENT FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
OPERATING REVENUES		
Student Tuition and Fees	$ 29,027,025	$ 27,149,929
Less: Fee waivers and allowance	(10,993,149)	(11,555,108)
Less: Bad debt	(454,304)	(466,483)
Net tuition and fees	17,579,572	15,128,338
Auxiliary Enterprise Sales and Charges		
Bookstore	3,517,342	3,246,113
Cafeteria	296,922	314,286
Fitness Center	4,348,781	4,234,859
Internal Service Sales and Charges	1,011,977	956,991
TOTAL OPERATING REVENUES	26,754,594	23,880,587
OPERATING EXPENSES		
Salaries	103,507,028	98,860,058
Employee benefits	40,621,198	33,755,593
Supplies, materials, and other operating expenses and services	33,949,551	32,457,261
Equipment, maintenance, and repairs	882,078	2,049,761
Student financial aid	21,502,146	22,428,448
Depreciation	25,797,686	25,689,851
TOTAL OPERATING EXPENSES	226,259,687	215,240,972
OPERATING LOSS	(199,505,093)	(191,360,385)
NONOPERATING REVENUES (EXPENSES)		
State apportionments, noncapital	1,005,977	938,181
Local property taxes, levied for general purposes	115,821,157	108,803,544
Local property taxes, levied for special purposes	32,628,127	31,262,943
Parcel tax	493	7,080,146
Federal grants	24,464,140	25,021,878
State grants	14,033,414	13,399,657
Local grants	2,852,016	2,895,554
State taxes and other revenues	3,497,496	3,027,935
Investment income (loss), net	2,270,458	10,125,576
Interest expense on capital related debt	(28,708,402)	(25,292,690)
Interest income on capital asset-related debt, net	167,984	415,740
Other nonoperating revenues (expenses)	2,211,874	4,802,418
TOTAL NONOPERATING REVENUES	170,244,734	182,480,882
LOSS BEFORE OTHER REVENUES AND EXPENSES	(29,260,359)	(8,879,503)
State revenues, capital	3,028,447	5,020,579
Local revenues, capital	688,710	461,014
TOTAL OTHER REVENUES AND EXPENSES	3,717,157	5,481,593
CHANGE IN NET POSITION	(25,543,202)	(3,397,910)
NET POSITION, BEGINNING OF YEAR, as restated	(692,144)	2,705,766
NET POSITION, END OF YEAR	$ (26,235,346)	$ (692,144)

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

STATEMENTS OF CASH FLOWS – PRIMARY GOVERNMENT
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 18,384,731	$ 15,290,977
Local grants and contracts	(76,495)	(24,078)
Payments to vendors for supplies and services	(38,889,437)	(31,575,910)
Payments to or on behalf of employees	(123,850,431)	(135,832,865)
Payments to students for scholarships and grants	(21,502,146)	(22,428,448)
Auxiliary sales	9,293,258	8,612,642
Net Cash Flows Used In Operating Activities	(156,640,520)	(165,957,682)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State apportionments	2,163,014	(755,484)
Property taxes, levied for general purposes	115,821,157	108,803,544
Property taxes, levied for special purposes	32,628,127	31,262,943
Grant and contracts	40,477,056	39,887,299
State taxes and other apportionments	3,173,267	3,799,831
Other receipts and disbursements	2,123,985	12,108,920
Net Cash Flows From Noncapital Financing Activities	196,386,606	195,107,053
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of capital assets	(10,307,822)	(16,928,759)
Loss on disposal of capital assets	176,764	1,540
Proceeds from sale of general obligation bond	141,013,987	-
State revenue, capital projects	3,028,447	5,020,579
Local revenue, capital projects	688,710	461,014
Principal paid on capital debt	(21,508,749)	(19,290,003)
Interest paid on capital debt	(28,940,440)	(7,050,443)
Interest received on capital asset-related debt	167,984	415,740
Net Cash Flows Used In Capital Financing Activities	84,318,881	(37,370,332)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received from investments	2,240,446	10,145,605
NET CHANGE IN CASH AND CASH EQUIVALENTS	126,305,413	1,924,644
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	231,845,847	229,921,203
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 358,151,260	$ 231,845,847

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

STATEMENTS OF CASH FLOWS, PRIMARY GOVERNMENT, Continued
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Loss	$ (199,505,093)	$ (191,360,385)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation expense	25,797,686	25,689,851
Changes in Assets and Liabilities:		
Accounts receivables, net	(316,285)	(475,502)
Inventories	(463,892)	(109,935)
Prepaid and other current assets	(1,307,609)	(280,866)
Student loans receivable, net	(76,495)	(24,078)
Accounts payable and accrued liabilities	17,991,488	(105,213)
Unearned revenue	1,239,680	708,446
Total Adjustments	42,864,573	25,402,703
Net Cash Flows Provided For Operating Activities	$ (156,640,520)	$ (165,957,682)
CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:		
Cash and investments	$ 314,813,837	$ 202,972,467
Restricted cash and investments	43,337,423	28,873,380
Total Cash and Cash Equivalents	$ 358,151,260	$ 231,845,847
NON CASH TRANSACTIONS		
On behalf payments for benefits	$ 2,259,770	$ 2,132,102
BOG Waivers	$ 10,993,149	$ 11,555,108

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2015 AND 2014

	2015		2014	
	Agency Fund		Agency Fund	
	Associated Students Trust	Student Representation Fee	Associated Students Trust	Student Representation Fee
ASSETS				
Cash and cash equivalents	$ 1,810,761	$ 140,976	$ 1,865,386	$ 138,859
Accounts receivable	266,228	-	287,807	-
Fixed assets	3,442	-	4,917	-
Total Assets	$ 2,080,431	$ 140,976	$ 2,158,110	$ 138,859
LIABILITIES				
Accounts payable	$ 959,530	$ -	$ 1,051,485	$ -
Due to student groups and other	1,120,901	140,976	1,106,625	138,859
Total Liabilities	$ 2,080,431	$ 140,976	$ 2,158,110	$ 138,859

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

DISCRETELY PRESENTED COMPONENT UNIT
EDUCATIONAL HOUSING CORPORATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash and investments	$ 150,804	$ 161,212
Intergovernmental receivables (SMCCCD)	10,843	-
Interest Receivables	82	-
Total Assets	$ 161,729	$ 161,212
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Rent security deposits	$ 141,395	$ 143,985
Total Liabilities	141,395	143,985
NET ASSETS		
Unrestricted	20,334	17,227
Total Net Assets	20,334	17,227
Total Liabilities and Net Assets	$ 161,729	$ 161,212

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

DISCRETELY PRESENTED COMPONENT UNIT
EDUCATIONAL HOUSING CORPORATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
REVENUES		
Rental income	$ 1,513,804	$ 1,516,903
Interest and dividends	1,264	1,414
Water reimbursement	3,696	12,511
Other local income	3,300	143,618
Total Revenues	1,522,064	1,674,446
EXPENSES		
Operating expenses	411,957	456,243
Total Expenses	411,957	456,243
OTHER SOURCES AND USES		
Transfer out to SMCCCD	(1,107,000)	(1,217,000)
Total Other Uses	(1,107,000)	(1,217,000)
CHANGE IN NET ASSETS	3,107	1,203
NET ASSETS, BEGINNING OF YEAR	17,227	16,024
NET ASSETS, END OF YEAR	$ 20,334	$ 17,227

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

DISCRETELY PRESENTED COMPONENT UNIT
EDUCATIONAL HOUSING CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 3,107	$ 1,203
Changes in Assets and Liabilities		
Accounts receivable	(10,843)	-
Rent security deposits	(2,590)	8,685
Net Cash Flows Provided For Operating Activities	(10,408)	9,888
NET CHANGE IN CASH AND CASH EQUIVALENTS	(10,408)	9,888
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	161,212	151,324
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 150,804	$ 161,212

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

NOTE 1 – ORGANIZATION

Organization

The San Mateo County Community College District (the District) was established in 1922 as a political subdivision of the State of California and is a comprehensive, public, two-year institution offering post secondary educational services to residents of San Mateo County and surrounding areas. The District operates under a locally elected five-member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund, special revenue funds, and capital project funds, but these budgets are managed at the department level. Currently, the District operates three college campuses located in the cities of San Mateo, San Bruno, and Redwood City, California. While the District is a political subdivision of the State of California, it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The District has adopted GASB Statement No. 61, *Determining Whether Certain Organizations are Component Units.* This statement amends GASB Statement No. 14, *The Financial Reporting Entity,* to provide additional guidance to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District. The three components used to determine the presentation are: providing a "direct benefit", the "environment and ability to access/influence reporting", and the "significance" criterion. As defined by accounting principles generally accepted in the United States of America and established by the Governmental Accounting Standards Board, the financial reporting entity consists of the primary government, the District, and the following component units:

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

The *San Mateo County Community College District Financing Corporation* (the Corporation) is a legally separate organization component unit of the District. The Corporation was formed to issue debt specifically for the acquisition and construction of capital assets for the District. The Board of Trustees of the Corporation is the same as the Board of Trustees of the District. The financial activity has been "blended" or consolidated within the financial statements as of the District as if the activity was the District's. This activity is accounted for in the District's COP Payment Fund and COP Construction Fund. Individually-prepared financial statements are not prepared for the Corporation.

The *San Mateo County Community Colleges Educational Housing Corporation* (the Housing Corp.) is a non-profit organization under IRS Code Section 510(c)(3). The Board of the Housing Corp. is the same as the District's. The Housing Corp. meets the criteria of the governing authority's ability to significantly influence operations and accountability for fiscal matters and the criteria for inclusion in the District's reporting entity. Its purpose is to operate staff and faculty housing. The financial activity of the Housing Corp. is reported as a separate discretely presented component unit. Individually-prepared financial statements are not prepared for the Housing Corp.

The *San Mateo County Community Colleges Foundation* (the Foundation) is a non-profit organization under IRS Code Section 501(c)(3). The District has determined that the Foundation does not meet the criteria of the governing authority's ability to significantly influence operations and accountability for fiscal matters and the criteria for inclusion in the District's report entity. It is dedicated to providing assistance to the students, teachers, and programs of the Colleges. The financial activity of the Foundation is not included in this report. Individually-prepared financial statements can be obtained from the District Business Office.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37, No. 38 and No. 39. This presentation provides a comprehensive entity-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. Additionally, the District’s policies comply with the California Community Colleges Chancellor’s Office *Budget and Accounting Manual*. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, certain Federal and State grants, entitlements, and donations. Property tax revenue is recognized in the fiscal year received. State apportionment revenue is earned based upon criteria set forth from the Community Colleges Chancellor’s Office and includes reporting of full-time equivalent student (FTES) attendance. The corresponding apportionment revenue is recognized in the period the FTES are generated. Revenue from Federal and State grants and entitlements are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements may include time and/or purpose requirements.

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

The District reports are based on all applicable GASB pronouncements, as well as applicable Financial Accounting Standards Board (FASB) pronouncements. The District has elected not to apply FASB pronouncements issued after November 30, 1989.

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments,* and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities,* as amended by GASB Statements No. 37, No. 38, and No. 39. The business-type activities model followed by the District requires the following components of the District's financial statements:

Management's Discussion and Analysis

- Basic Financial Statements for the District as a whole including:
  - Statement of Net Position – Primary Government
  - Statement of Revenues, Expenses, and Changes in Net Position – Primary Government
  - Statement of Cash Flows – Primary Government
  - Financial Statements for the Fiduciary Funds including:
    - Statements of Fiduciary Net Position
- Notes to the Financial Statements

Cash and Cash Equivalents

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

Investments

In accordance with GASB Statement No. 31 *Accounting and Financial Reporting for Certain Investments and External Investment Pools.* Investments held at June 30, 2015 and 2014, are stated at fair value. Fair value is estimated based on quoted market prices at year-end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets represent investments required by debt covenants to be set aside by the District for the purpose of satisfying certain requirements of the bonded debt issuance.

Accounts Receivable

Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. This allowance is based upon a five-year average ratio over actual revenues. The allowance was estimated at $2,800,639 and $2,799,463 for the years ended June 30, 2015 and 2014, respectively.

Prepaid Expenditures

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

Inventory

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

Capital Assets and Depreciation

Capital assets are long-lived assets of the District as a whole and include land, construction-in-progress, buildings, leasehold improvements, and equipment. The District maintains an initial unit cost capitalization threshold of $5,000 for equipment and $100,000 for land, buildings and improvements. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. The District does not possess any infrastructure. Donated capital assets are recorded at estimated fair market value at the date of donation. Improvements to buildings and land that significantly increase the value or extend the useful life of the asset are capitalized; the costs of routine maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged as an operating expense in the year in which the expense was incurred. Major outlays for capital improvements are capitalized as construction-in-progress as the projects are constructed.

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

Accrued Liabilities and Long-term Obligations

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

Debt Issuance Costs, Premiums, and Discounts

Bond premiums and discounts, as well as issuance costs related to prepaid insurance cost, are amortized over the life of the bonds using the straight-line method.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for the current year pension contributions.

In addition to liabilities, the Statement of Financial Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for the difference between actual and expected rate of return on investments specific to the net pension liability.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (the Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

Compensated Absences

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

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

Unearned Revenue

Unearned 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 unearned revenue is removed from the combined balance sheet and revenue is recognized. Unearned revenue include (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year and (2) amounts received from Federal and State grants received before the eligibility requirements are met.

Noncurrent Liabilities

Noncurrent liabilities include bonds payable and compensated absences with maturities greater than one year.

Net Position

GASB Statements No. 34 and No. 35 report equity as "Net Position." and represent the difference between assets and liabilities. The net position is classified according to imposed restrictions or availability of assets for satisfaction of District obligations according to the following net position categories:

Net Investments in Capital Assets: consist of capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. To the extent debt has been incurred, but not yet expended for capital assets, such are not included as a component invested in capital assets – net of related debt.

Restricted: Net position is reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the District, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

None of the District's restricted net position has resulted from enabling legislation adopted by the District.

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

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

State Apportionments

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

Property Taxes

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

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

The voters of the District passed a 4-year Parcel Tax in 2010 for the general revenue of the District. The parcel tax levy $34 per parcel for four years to provide for core academic programs, training, and education of students attending the District and transferring to universities. The taxes are assessed, billed, and collected as noted above and remitted to the District when collected.

Board of Governors Grants (BOGG) and Fee Waivers

Student tuition and fee revenue is reported net of allowances and fee waivers approved by the Board of Governors through BOGG fee waivers in the Statement of Revenues, Expenditures, and Changes in Net Position. Allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payments on the students' behalf. To the extent that fee waivers and payments have been used to satisfy tuition and fee charges, the District has recorded an allowance.

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, Federal Work-Study, and Stafford Loan programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. These programs are audited in accordance with the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget's revised Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations,* and the related *Compliance Supplement.*

On-Behalf Payments

GASB Statement No. 24 requires direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees for another legally separate entity be recognized as revenues and expenditures by the employer entity. The State of California makes direct on-behalf payments to CalSTRS CalPERS on behalf of all community colleges in California. The California Department of Education has issued a fiscal advisory instructing districts not to record the revenue and expenditures for the on behalf payments within the funds and accounts of a district. The amount of the on behalf payments made for the District of the year ended June 30, 2015, was $2,259,770 for CalSTRS and $0 for CalPERS. These amounts are reflected in the District's audited financial statements.

Estimates

The preparation of the financial statement 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.

Interfund Activity

Interfund transfers and interfund receivables and payables are eliminated during the consolidation process in the Primary Government and Fiduciary Funds' financial statements, respectively.

Component Unit - Educational Housing Corporation Financial Statement Presentation

The Educational Housing Corporation (the Housing Corp.) presents its financial statements in accordance with Statement of Financial Accounting Codifications. Under these reporting requirements, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by the codification, the Housing Corp. does not use fund accounting.

The assets, liabilities, and fund balance of the Housing Corp. are reported as unrestricted funds, which represent the portion of resources that are available for general purpose of the Housing Corp.'s operations.

Revenues and expenses are recorded when incurred in accordance with the accrual basis of accounting. Revenues are reported as increases in the unrestricted net assets classification unless use of the related assets is limited by donor-imposed restrictions.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Investments are reported at fair value in accordance with FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*.

The Corporation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and related California Franchise Tax Codes.

Change in Accounting Principles

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by State and local governments for pensions. It also improves information provided by State and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of State and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.

- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.

- Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).

- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes, but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.

- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled, and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a nonemployer entity has a legal requirement to make contributions directly to a pension plan.

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a State or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement No. 68 requires a State or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a State or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a State or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

As the result of implementing GASB Statement No. 68, the District has restated the beginning net position in the government-wide Statement of Net Position, effectively decreasing net position as of July 1, 2014, by $120,593,790. The decrease results from recognizing the net pension liability, net of related deferred outflows of resources.

New Accounting Pronouncements

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of State and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes.

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement No. 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement No. 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

This Statement also clarifies the application of certain provisions of Statements No. 67 and No. 68 with regard to the following issues:

- Information that is required to be presented as notes to the ten-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported.

- Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions.

- Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of State and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.

- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.

- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. The primary objective of this Statement is to improve accounting and financial reporting by State and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by State and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of State and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures.

For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of State and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier implementation is permitted.

Comparative Financial Information

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

NOTE 2 – DEPOSITS AND INVESTMENTS

Policies and Practices

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

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

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

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Summary of Deposits and Investments

Deposits and investments of the Primarily Government as of June 30, 2015 and 2014, consist of the following:

	2015	2014
Cash on hand and in banks	$ 654,857	$ 784,522
Cash in revolving	70,000	77,000
Investments	357,426,403	230,984,325
Total Deposits and Investments	$ 358,151,260	$ 231,845,847

Deposits and investments of the Fiduciary Funds as of June 30, 2015 and 2014, consist of the following:

	2015	2014
Cash on hand and in banks	$ 267,470	$ 283,435
Investments	1,684,267	1,720,810
Total Deposits and Investments	$ 1,951,737	$ 2,004,245

Deposits and investments of the Educational Housing Corporation as of June 30, 2015 and 2014, consist of the following:

	2015	2014
Cash on hand and in banks	$ 94,320	$ 105,325
Investments	56,484	55,887
Total Deposits and Investments	$ 150,804	$ 161,212

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County pool and local agency investment fund (LAIF) and/or having a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Weighted Average Maturity

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

Investment Type	Fair Value	Weighted Average Maturity (in years)
Corporate fixed income	$ 11,961,835	2.35
Government securities	11,676,084	2.49
County Pool	306,904,311	1.71
Money Market Mutual Funds	144,999	1.50
State Investment Pool	146,897	0.75
Certificates of deposit	28,333,028	1.00
Total	$ 359,167,154	

* = Duration

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the County pool and LAIF are not required to be rated, nor have they been rated as of June 30, 2015.

Investment Type	Fair Value	Not Required To Be Rated	Rating as of Year End AAA*	A*	Unrated
Corporate fixed income	$ 11,961,835	$ -	$ -	$ 11,961,835	$ -
Government securities	11,676,084	-	11,676,084	-	-
County Pool	306,904,311	306,904,311	-	-	306,904,311
Money Market Mutual Funds	144,999	-	144,999	-	-
State Investment Pool	146,897	146,897	-	-	146,897
Certificates of deposit	28,333,028	28,333,028	-	-	28,333,028
Total	$ 359,167,154	$ 335,384,236	$ 11,821,083	$ 11,961,835	$ 335,384,236

* Moody's

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit.) The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2015 and 2014, the District's bank balances of approximately $206,000 and $688,000, respectively, were exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The California government Code and the District’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivables for the District consisted primarily of intergovernmental grants, entitlements, interest, and other local sources. The District computes the allowance for bad debt accounts based on a five-year weighted average on uncollectible accounts receivable to total revenue ratio. The accounts receivable are as follows:

	Primary Governmnet	
	2015	2014
Federal Government		
Categorical aid	$ 909,722	$ 711,673
State Government		
Categorical aid	818,937	484,057
Lottery	1,724,551	489,372
Other State sources	-	1,443,879
Local Sources		
Interest	129,287	99,275
Student loans	759,121	682,626
Student receivables	7,583,550	7,147,853
Other local sources	3,190,989	2,604,002
Less allowance for bad debt	(2,800,639)	(2,799,463)
Total Accounts Receivable, net	$ 12,315,518	$ 10,863,274

Other Local Receivables at June 30, 2015 and 2014 include $985,876 and $947,127 for loans made to District employees to purchase houses. All full time employees who purchase a home and contribute at least 20 percent of the purchase price are eligible to receive loans of up to $100,000 per employee. Repayment terms and interest rates are: no payments due in years 1 through 5, payments of principal and interest in years 6-10, with final payment of any remaining balance in year 10. Selling the property, withdrawing cash from the equity, or leaving the District's employment accelerates the due date of the loan. Interest is charged at 4 percent per year. As of June 30, 2015, all of the funds have been loaned out. No loans will be granted to additional employees until existing loans are paid back or the Board authorizes additional amounts to be loaned out.

	Fiduciary Funds	
	2015	2014
Local Sources		
Interest	$ 2,609	$ 2,991
Other local sources	263,619	284,410
Total	$ 266,228	$ 287,401

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2015, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	$ 20,628,292	$ -	$ -	$ 20,628,292
Construction in progress	27,190,527	17,721,204	15,520,867	29,390,864
Total Capital Assets Not Being Depreciated	47,818,819	17,721,204	15,520,867	50,019,156
Capital Assets Being Depreciated				
Land improvements	101,699,975	9,384,292	-	111,084,267
Buildings and improvements	652,573,776	1,716,175	-	654,289,951
Furniture, equipment, and vehicles	30,023,250	1,363,802	1,457,878	29,929,174
Total Capital Assets Being Depreciated	784,297,001	12,464,269	1,457,878	795,303,392
Less Accumulated Depreciation				
Land improvements	20,169,760	4,936,173	-	25,105,933
Buildings and improvements	140,507,649	18,977,638	-	159,485,287
Furniture, equipment, and vehicles	21,466,423	1,883,875	1,369,496	21,980,802
Total Accumulated Depreciation	182,143,832	25,797,686	1,369,496	206,572,022
Net Capital Assets	$ 649,971,988	$ 4,387,787	$ 15,609,249	$ 638,750,526

Depreciation expense for the year was $25,797,686.

Interest expense on capital related debt for the year ended June 30, 2015, was $28,708,402. Of this amount, $1,200,850 was capitalized.

Capital asset activity for the District for the fiscal year ended June 30, 2014, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	$ 20,628,292	$ -	$ -	$ 20,628,292
Construction in progress	11,929,466	19,589,807	4,328,746	27,190,527
Total Capital Assets Not Being Depreciated	32,557,758	19,589,807	4,328,746	47,818,819
Capital Assets Being Depreciated				
Land improvements	101,605,703	612,117	517,845	101,699,975
Buildings and improvements	652,028,669	3,539,456	2,994,349	652,573,776
Furniture, equipment, and vehicles	28,572,048	1,606,502	155,300	30,023,250
Total Capital Assets Being Depreciated	782,206,420	5,758,075	3,667,494	784,297,001
Less Accumulated Depreciation				
Land improvements	15,470,551	4,699,209	-	20,169,760
Buildings and improvements	121,555,526	18,952,123	-	140,507,649
Furniture, equipment, and vehicles	19,582,435	2,038,519	154,531	21,466,423
Total Accumulated Depreciation	156,608,512	25,689,851	154,531	182,143,832
Net Capital Assets	$ 658,155,666	$ (341,969)	$ 7,841,709	$ 649,971,988

Depreciation expense for the year was $25,689,851.

Interest expense on capital related debt for the year ended June 30, 2014, was $25,292,690. Of this amount, $2,040,250 was capitalized.

NOTE 5 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	Primary Government	
	2015	2014
Payroll related liabilities	$ 2,588,313	$ 2,548,229
Mandated cost	795,748	729,738
Federal	12,998	-
Construction	7,296,216	2,939,432
Vendor and other	6,004,283	8,489,600
Workers' compensation	2,218,000	2,085,000
Total	$ 18,915,558	$ 16,791,999

Fiduciary Funds

The accounts payable of the Fiduciary Fund consists primarily of funds held for student clubs.

Discretely Presented Component Unit

The accounts payable of the Educational Housing Corporation consists of only the rent security deposits.

NOTE 6 - UNEARNED REVENUE

Unearned revenue at June 30, 2015 and 2014 consisted of the following:

	Primary Government	
	2015	2014
Federal financial assistance	$ -	$ 26,745
State categorical aid	2,350,000	1,163,693
Enrollment fees	8,637,893	7,398,213
Other local	1,312,206	1,495,020
Total	$ 12,300,099	$ 10,083,671

NOTE 7 - TAX AND REVENUE ANTICIPATION NOTES

On July 03, 2014, the District issued $18,655,000 Tax and Revenue Anticipation Notes bearing interest at 2 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on April 30, 2015. By April 30, 2015, the District had placed 100 percent of principal and interest in an irrevocable trust for the sole purpose of satisfying the notes. The District was not required to make any additional payments on the notes.

	Outstanding Beginning of Year	Additions	Deletions	Outstanding End of Year
2015 2.00% TRANS	$ -	$ 18,655,000	$ 18,655,000	$ -
Total	$ -	$ 18,655,000	$ 18,655,000	$ -

NOTE 8 – INTERFUND TRANSACTIONS

Interfund Receivables and Payable (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the governmental funds and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements.

Interfund Operating Transfers

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

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2015 fiscal year consisted of the following:

	Balance Beginning of Year	Additions/ Accretions	Deductions	Balance End of Year	Due in One Year
Bonds and Notes Payable					
General obligation bonds	$ 710,574,017	$ 148,794,333	$ 19,475,000	$ 839,893,350	$ 19,635,000
Other Liabilities					
Compensated absences	4,191,399	-	81,538	4,109,861	-
Total Other Liabilities	714,765,416	148,794,333	19,556,538	844,003,211	19,635,000
Bond premiums, net of amortization	30,444,336	12,148,458	2,033,749	40,559,045	2,404,951
Total Long-term Liabilities	$ 745,209,752	$ 160,942,791	$ 21,590,287	$ 884,562,256	$ 22,039,951

The changes in the District's long-term obligations during the 2014 fiscal year consisted of the following:

	Balance Beginning of Year	Additions/ Accretions	Deductions	Balance End of Year	Due in One Year
Bonds and Notes Payable					
General obligation bonds	$ 707,095,787	$ 20,768,230	$ 17,290,000	$ 710,574,017	$ 17,290,000
Other Liabilities					
Compensated absences	3,848,333	343,066	-	4,191,399	-
Total Other Liabilities	710,944,120	21,111,296	17,290,000	714,765,416	17,290,000
Bond premiums, net of amortization	32,444,339	-	2,000,003	30,444,336	2,000,003
Total Long-term Liabilities	$ 743,388,459	$ 21,111,296	$ 19,290,003	$ 745,209,752	$ 19,290,003

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

Description of Debt

General obligation bonds were approved by local elections in 2001, 2005, and 2014. The total amount approved by the voters in 2001, 2005, and 2014 were $207,000,000, $468,000,000, and $388,000,000, respectively. All of the authorized 2001 and 2005 bonds have been issued, and Series A of the 2014 Election was issued in 2015. Interest rates on the 2001 bonds are range from 3.00 percent to 5.74 percent; the interest rates on the 2005 bonds are range from 3.50 percent to 5.00 percent; and the interest rates on the 2014 bonds are range from 3.00 percent to 5.00 percent. At June 30, 2015, the outstanding balances for the 2001, 2005, and 2014 bonds were $141,528,740, $571,364,610, and $127,000,000, respectively.

Debt Maturity

General Obligation Bonds

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2014	Additions/ Accretions	Redeemed	Bonds Outstanding June 30, 2015
6/4/2002	9/1/2026	3.00-5.74%	$ 96,875,613	$ 35,169,423	$ 1,979,085	$ -	$ 37,148,508
2/9/2005	9/1/2029	3.00-5.00%	69,995,132	55,583,348	1,777,275	1,995,000	55,365,623
4/11/2006	3/1/2031	3.50-5.00%	40,124,660	48,169,954	1,929,655	1,085,000	49,014,609
4/11/2006	9/1/2030	3.75-5.00%	135,429,395	117,286,703	5,403,824	7,380,000	115,310,527
12/12/2006	9/1/2038	3.50-5.00%	332,570,194	350,919,589	10,704,494	4,450,000	357,174,083
4/26/2012	9/1/2026	0.33-5.00%	107,595,000	103,445,000	-	4,565,000	98,880,000
5/27/2015	9/1/2045	3.00-5.00%	127,000,000	-	127,000,000	-	127,000,000
				$ 710,574,017	$ 148,794,333	$ 19,475,000	$ 839,893,350

The bonds mature through 2046 as follows:

Fiscal Year		Principal	Interest to Maturity	Total
2016		$ 19,635,000	$ 14,512,980	$ 34,147,980
2017		24,420,000	20,507,334	44,927,334
2018		27,245,000	20,257,459	47,502,459
2019		25,125,000	19,948,071	45,073,071
2020		18,455,000	20,034,446	38,489,446
2021-2025		43,745,000	146,123,355	189,868,355
2026-2030		62,315,000	194,574,731	256,889,731
2031-2035		71,765,000	187,546,636	259,311,636
2036-2040		74,640,000	167,776,623	242,416,623
2041-2045		-	7,623,400	7,623,400
2046		-	249,000	249,000
	Subtotal	367,345,000	$ 791,281,635	$ 1,158,626,635
	Accreted Interest To Date	472,548,350		
	Total	$ 839,893,350		

Other Postemployment Benefits (OPEB) Asset

The District's actuarially determined annual required contribution (ARC) for the year ended June 30, 2015, was $7,138,932. The District made a contribution of $7,265,110 for premiums for current retirees. In addition, the District contributed $12,000,000 to the San Mateo County Community College District Public Entity Investment Trust during the year. See Note 10 for additional information regarding the OPEB asset and the postemployment benefits plan.

NOTE 10 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

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

Plan Description

The Other Postemployment Benefit Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the San Mateo County Community College District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 1019 retirees and beneficiaries currently receiving benefits and 859 active plan members. Separate financial statements are prepared for the Plan and may be obtained by contacting the San Mateo County Community College District.

Funding Policy

The contribution requirements of retirees and the District are established and may be amended by the District and the District's collective bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits. During the year, the District contributed $6,966,440 toward retiree medical and dental benefits. Retirees receiving benefits contributed $47,800, or approximately 0.66% of the total premiums paid by the District. Contributions made by retirees, ranged from $32 – $430 per month. In addition to the current year premium, the District contributed $12,000,000 to the San Mateo County Community College District Public Entity Investment Trust.

Annual OPEB Cost and Net OPEB Asset

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

Annual required contribution (ARC)	$ 7,138,932
Less : annual OPEB cost (expense) - District paid premiums	7,265,110
Less: current year contribution to the OPEB Trust	12,000,000
Contributions in excess of ARC	12,126,178
OPEB asset, beginning of year	35,740,199
OPEB asset, end of year	$ 47,866,377

Trend Information

Trend information for the annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB asset for the past three years is as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Asset
2013	$ 8,642,396	$ 17,103,043	198%	$ 27,470,277
2014	8,642,396	16,912,318	196%	35,740,199
2015	7,138,932	19,265,110	270%	47,866,377

Funding Status and Funding Progress

The funded status of the OPEB Plan as of June 30, 2015, is as follows:

Actuarial Accrued Liability (AAL)	$ 119,086,798
Actuarial Value of Plan Assets	(62,328,025)
Unfunded Actuarial Accrued Liability (UAAL)	$ 56,758,773
Funded Ratio (Actuarial Value of Plan Assets/AAL)	52%
Covered Payroll	$ 85,569,412
UAAL as Percentage of Covered Payroll	66%

The above noted actuarial accrued liability was based on the February 1, 2015, actuarial valuation. Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, follow the notes to the financial statements, presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the February 1, 2015 actuarial valuation, the Entry Age Normal Actuarial Cost Method was used. The actuarial assumptions included a 7 percent investment rate of return (net of administrative expenses), based on the Plan being funded in an irrevocable employee benefit trust fund invested in a long-term fixed income portfolio. Healthcare cost trend rates assumed 4 percent per year. The initial UAAL was amortized using level percent, closed 30 year amortization. The remaining amortization period at February 1, 2015, was 25 years. The actuarial value of assets of $62,328,025 was determined in this actuarial valuation. At June 30, 2015, the Trust held net assets in the amount of $67,752,791 in investments with Benefit Trust.

NOTE 11 - RISK MANAGEMENT

Insurance Coverage

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ending June 30, 2015, the District contracted with MacCorkle Inc., an insurance broker to manage the District's insurance claims. The District is self-insured for the first $150,000. Settled claims have not exceeded this commercial coverage.

Workers' Compensation

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

Employee Medical Benefits

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

As part of each collective bargaining agreement between the District and each of AFSCME, CSEA and AFT, the District has agreed to provide certain health benefits, also referred to as "tiered fringe benefits", to retirees. Non-represented employees receive the same retiree health benefits as represented employees. Under the current agreement with the CalPERS Health Plan System, the District is required to pay a monthly contribution toward the medical premiums of all PERS and STRS retirees who have a medical plan through CalPERS regardless of the District negotiated tiered retiree fringe benefits that includes medical coverage at no cost for certain qualifying District retirees, and other tiers of reduced option medical benefits for other retirees, pursuant to their date of hire. In order for CalPERS to honor the negotiated retiree health benefits, resolutions officially establishing the health vesting requirements set forth in the collective bargaining agreements must be adopted by the Board. The adoption of these resolutions to establish the negotiated District health benefits within the CalPERS Health Plan System is a formality required by CalPERS that in no way impacts retiree eligibility for District health benefits. Current employees and retirees who are eligible to receive benefits pursuant to collective bargaining will continue to be eligible.

The immediate benefit of adopting the resolutions required by CalPERS is that the District will no longer be required to make monthly contributions toward medical plan premiums for future annuitants who do not qualify for the negotiated District retiree benefits. These PERS or STRS retirees will be responsible for their medical plan premiums. Currently, the District is making contributions toward medical plan premiums for 79 individuals in this group at an annual cost of $473,117.

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

Claim Liabilities

The District establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2013 to June 30, 2015:

	Workers' Compensation	Property and Liability
Liability Balance, July 1, 2013	$ 1,752,000	$ 150,000
Claims and changes in estimates	2,085,000	-
Claims payments	(1,752,000)	(150,000)
Liability Balance, June 30, 2014	2,085,000	-
Claims and changes in estimates	2,218,000	-
Claims payments	(2,085,000)	-
Liability Balance, June 30, 2015	$ 2,218,000	$ -
Assets available to pay claims at June 30, 2015	$ 7,664,017	$ -

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of CalSTRS and classified employees are members of CalPERS.

The District implemented GASB Statements No. 68 and No. 71 for the fiscal year ended June 30, 2015. As a result, the District reported its proportionate share of the net pension liabilities, pension expense, and deferred inflow of resources for each of the above plans and a deferred outflow of resources for each of the above plans as follows:

Pension Plan	Proportionate Share of Net Pension Liability	Deferred Outflow of Resources	Proportionate Share of Deferred Inflow of Resources	Proportionate Share of Pension Expense
CalSTRS	$ 60,122,504	$ 3,688,063	$ 14,805,052	$ 5,190,513
CalPERS	40,542,482	4,728,591	13,930,851	3,603,399
Total	$ 100,664,986	$ 8,416,654	$ 28,735,903	$ 8,793,912

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers' Retirement Plan (STRP) administered by CalSTRS. STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at:
http://www.calstrs.com/member-publications.

Benefits Provided

The STRP provides retirement, disability, and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2015, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	8.15%	8.15%
Required employer contribution rate	8.88%	8.88%
Required State contribution rate	5.95%	5.95%

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2015, are presented above, and the District's total contributions were $3,688,063.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:

District's proportionate share of net pension liability	$ 60,122,504
State's proportionate share of net pension liability associated with the District	36,304,564
Total	$ 96,427,068

The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts and the State, actuarially determined. At June 30, 2015, the District's proportion was 0.1029 percent.

For the year ended June 30, 2015, the District recognized pension expense of $5,190,513. In addition, the District recognized revenue and pension expense of $3,134,256 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 3,688,063	$ -
Differences between projected and actual earnings on pension plan investments	-	14,805,052
Total	$ 3,688,063	$ 14,805,052

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	$ 3,701,263
2017	3,701,263
2018	3,701,263
2019	3,701,263
Total	$14,805,052

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary investment practice, a best estimate range was determined assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentile for the long-term distribution of annualized returns. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.20%
Cash/liquidity	1%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.60%)	$ 93,716,260
Current discount rate (7.60%)	$ 60,122,504
1% increase	$ 32,112,251

California Public Employees' Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013, annual actuarial valuation report, Schools Pool Actuarial Valuation, 2013. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at:
https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or age 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2015, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	11.771%	11.771%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2015, are presented above, and the total District contributions were $4,728,591.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2015, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $40,542,482. The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts, actuarially determined. At June 30, 2015, the District's proportion was 0.3571 percent.

For the year ended June 30, 2015, the District recognized pension expense of $3,603,399. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 4,728,591	$ -
Differences between projected and actual earnings on pension plan investments	-	13,930,851
Total	$ 4,728,591	$ 13,930,851

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	$ 3,482,713
2017	3,482,713
2018	3,482,713
2019	3,482,712
Total	$ 13,930,851

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.50%
Investment rate of return	7.50%
Consumer price inflation	2.75%
Wage growth	3.00%

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations, as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	5.25%
Global fixed income	19%	0.99%
Private equity	12%	6.83%
Real estate	11%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	3%	4.50%
Liquidity	2%	-0.55%

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.50%)	$ 71,120,768
Current discount rate (7.50%)	$ 40,542,482
1% increase (8.50%)	$ 14,991,241

On-Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS. The State of California made contributions to CalSTRS on behalf of the District for fiscal year ending June 30, 2015, 2014, and 2013 amounted to $2,259,770, $2,132,102, and $1,903,158, respectively, and equaled 5.679 percent of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution reate for CalPERS. These amounts have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

Deferred Compensation

The District offers its employees a 457 and 403 (b) tax deferred compensation plan. Currently, the District has 28 employees participating in the 457 plan and 277 employees in the 403(b) plan. The plan permits participants to defer a portion of their pre-tax salary into investment(s) provided by the plans. The deferred compensation will become available once a qualifying event, as defined by the IRS, has been met. The District oversees the administrative functions of these plans. The District makes employer contributions for six of its employees, otherwise, these plans are strictly for employee contributions only.

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, 2015.

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

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2015.

Operating leases

The District has entered into various operating leases for equipment with no lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration date.

Construction Commitments

As of June 30, 2015, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
District funded facility improvement projects	$ 202,023	within 1 year
State funded capital outlay projects	1,588,026	within 1 year
2005 G.O. Bond (Measure A) construction projects	4,848,014	within 1 year
2005 G.O. Bond (Measure H) construction projects	1,330,029	within 1 year
	$ 7,968,092	

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

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

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

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

During the year ended June 30, 2015, the District made total payment of $967,614 to MacCorkle Inc. for insurance premiums and the insurance related services. The District also paid $39,352 and $228,000 to School Excess Liability Fund and Princeton Excess and Surplus for excess liability program.

The District is a member of South Bay Regional Public Safety Training Consortium JPA. No payments were made to South Bay Regional Public Safety Training Consortium JPA during the year.

NOTE 15 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

Net Position - Beginning	$	119,901,646
Restatement of long-term obligations for implementation of GASB Statement No. 68		(120,593,790)
Net Position - Beginning as Restated	$	(692,144)

NOTE 16 - SUBSEQUENT EVENTS

The District issued $21 million of Tax and Revenue Anticipation Notes dated July 16, 2015. The notes mature on June 30, 2015, and yield 0.32 percent interest. The notes were sold to supplement cash flow. Repayment requirements are that a percentage of principal and interest be deposited with the Fiscal Agent each month beginning January 1, 2016, until 100 percent of principal and interest due is on account on April 30, 2016.

REQUIRED SUPPLEMENTARY INFORMATION

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a] / c)
February 1, 2011	$ 15,643,762	$ 118,923,929	$ 103,280,167	13%	$90,671,696	114%
February 1, 2013	34,870,628	125,352,953	90,482,325	28%	97,167,462	93%
February 1, 2015	62,328,025	119,086,798	56,758,773	52%	85,569,412	66%

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENTION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2015

CalSTRS

District's proportion of the net pension liability	0.1029%
District's proportionate share of the net pension liability	$ 60,122,504
State's proportionate share of the net pension liability associated with the District	36,304,564
Total	$ 96,427,068
District's covered - employee payroll	$ 41,492,454
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	144.90%
Plan fiduciary net position as a percentage of the total pension liability	77%

CalPERS

District's proportion of the net pension liability	0.3571%
District's proportionate share of the net pension liability	$ 40,542,482
District's covered - employee payroll	37,548,351
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	107.97%
Plan fiduciary net position as a percentage of the total pension liability	83%

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2015

CalSTRS

Contractually required contribution	$ 3,688,063
Contributions in relation to the contractually required contribution	3,688,063
Contribution deficiency (excess)	$ -
District's covered - employee payroll	$ 45,397,612
Contributions as a percentage of covered - employee payroll	8.12%

CalPERS

Contractually required contribution	$ 4,728,591
Contributions in relation to the contractually required contribution	4,728,591
Contribution deficiency (excess)	$ -
District's covered - employee payroll	$ 40,171,800
Contributions as a percentage of covered - employee payroll	11.77%

SUPPLEMENTARY INFORMATION

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION
JUNE 30, 2015

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

BOARD OF TRUSTEES

MEMBER	OFFICE	TERM EXPIRES
Patricia Miljanich	President	2015
Dave Mandelkern	Vice President-Clerk	2015
Richard Holober	Trustee	2017
Karen Schwarz	Trustee	2015
Thomas Mohr	Trustee	2017
Rupinder Bajwa	Student Trustee	2015

ADMINISTRATION

Ron Galatolo	Chancellor - Superintendent
Jim Keller	Deputy Chancellor
Kathy Blackwood	Executive Vice Chancellor
Michael Claire	President – College of San Mateo
Lawrence Buckley	President – Canada College
Regina Stanback-Stroud	President – Skyline College

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

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 Aid Cluster			
Federal Work Study Program	84.033	none	$ 430,316
Pell Grant	84.063	none	17,455,446
Supplemental Educational Opportunity Grant (SEOG)	84.007	none	459,901
Direct Student Loans	84.268	none	1,552,952
Postsecondary Education			
TRIO Cluster			
Student Support Services	84.042A	none	756,107
Upward Bound	84.047A	none	255,657
Institutional Service			
Higher Education -Institutional Aid HSI STEM	84.031C	none	1,178,072
Higher Education -Institutional Aid HSI Cooperative	84.031S	none	712,772
Vocational Education			
Passed through California Community Colleges Chancellor's Office:			
CTEA I-C Basic Grants to States	84.048	14-C01-052	641,417
Elementary and Secondary Education			
Passed through Sequoia Union High School District:			
Twenty-First Century Community Learning Centers	84.287	Not available	4,696
Special Education and Rehabilitation Services			
Passed through California Department of Rehabilitation:			
Vocational Rehabilitation-Workability	84.126A	28851	18,351
Total U.S. Department of Education			23,465,687
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Administration for Children and Families			
Passed through California Community Colleges Chancellor's Office:			
Temporary Assistance for Needy Families (TANF)	93.558	Not available	93,687
Passed through California Department of Education/CDTC:			
Child Care and Development Block Grant	93.575	14-15-3939, 14-15-4047, CCTR4260, CSPP4505	59,025
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	CCTR4260, CSPP4505	70,683
Passed through Asian Americans for Community Involvement:			
Health Care Innovation Awards (HCIA)	93.610	ICICMS331035-01-00	233,168
Total U.S. Department of Health and Human Services			456,563

See accompanying note to supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through California Department of Education:			
Child and Adult Care Food Program	10.558	1754-0A	50,601
Total U.S. Department of Agriculture			50,601
U.S. DEPARTMENT OF LABOR			
Passed through County of San Mateo:			
Workforce Innovation Fund	17.283	12180-14-D003	32,000
INSTITUTE OF MUSEUM AND LIBRARY SERVICES			
National Leadership Grants	45.312	SP-02-14-0042-14	9,853
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
Passed through The San Francisco Foundation:			
Social Innovation Fund	94.019	Not available	84,645
NATIONAL SCIENCE FOUNDATION			
Education and Human Resources	47.076	none	236,444
Passed through University of New Haven			
Engineering Grants	47.041	EEC-1360987	9,373
Total National Science Foundation			245,817
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			
Minority University Research and Education Program	43.008	none	2,371
Passed through Jacobs Technology Inc.			
Aeronautics	43.002	NNA09DB39C	41,518
Total National Aeronautics and Space Administration			43,889
U.S. DEPARTMENT OF ENERGY			
Passed through Stanford Transportation Group			
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	81.117	Not Available	17,062
SMALL BUSINESS ADMINISTRATION			
Passed through Humbold State University Sponsored Programs Foundation:			
Small Business Development Centers	59.037	SBAHQ-13-B-066/ SBAHQ15-B-0068	54,468
Total Expenditures of Federal Awards			$ 24,460,585

See accompanying note to supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

	Program Entitlements			Program Revenues				Total
Program	Current Year	Prior Year	Total Entitlement	Cash Received [1]	Accounts Receivable	Unearned Revenue	Total Revenue	Program Expenditures
GENERAL FUND								
Disabled Students Programs & Services	$ 1,690,806	$ -	$ 1,690,806	$ 1,690,806	$ -	$ -	$ 1,690,806	$ 1,690,806
Extended Opportunity Programs & Services	1,345,035	-	1,345,035	1,345,035	-	-	1,345,035	1,345,035
CARE/EOPS	72,487	-	72,487	72,487	-	-	72,487	72,487
Matriculation	3,286,819	245,950	3,532,769	3,532,769	-	1,246,798	2,285,971	2,285,971
Foster Parent Training	80,005	-	80,005	40,752	39,253	-	80,005	80,005
FA Administrative Allowance	928,662	-	928,662	928,662	-	-	928,662	928,662
Block Grant - Instructional Equipment	-	23,455	23,455	23,456	-	2,398	21,058	21,058
T-Com and Technology (TTIP)	-	40,673	40,673	40,673	-	19,593	21,080	21,080
CalWORKs	404,280	-	404,280	404,279	1	-	404,280	404,280
Staff Development	-	25,259	25,259	25,259	-	15,301	9,958	9,958
MESA/CCCP Funds for Student Success	101,000	11,551	112,551	45,275	39,249	-	84,524	84,524
RCSD CBET Program	50,000	15,737	65,737	5,296	44,704	-	50,000	50,000
Lottery-Prop 20-Instructional Materials	67,035	1,894,250	1,961,285	92,351	638,483	-	730,834	897,118
Nursing-Enrollment Growth	163,787	-	163,787	163,787	-	-	163,787	163,787
CTE Pathways Initiative	-	1,659	1,659	1,659	-	-	1,659	1,659
Basic Skills 14-15 appropriation	270,000	-	270,000	270,000	-	140,423	129,577	129,577
Youth Entrepreneurship Career Pathways	-	-	-	(15,000)	15,000	-	-	-
Basic Skills 12-13 appropriation	-	31,232	31,232	31,232	-	-	31,232	31,232
Basic Skills 13-14 appropriation	-	143,255	143,255	143,255	-	-	143,255	143,255
CCCD-CTE Enhancement	671,590	-	671,590	218,388	-	200,348	18,040	18,040
Peralta CCD Prop 39 Program Improvement Funds	63,000	-	63,000	21,092	8,408	-	29,500	29,500
Student Equity	822,568	-	822,568	822,568	-	626,849	195,719	195,719
Cabrillo CCD DSN/BEC Mini-Grant	4,500	-	4,500	4,500	-	-	4,500	4,500
CCCCO-CTE-Career Adv Academy	-	98,284	98,284	98,284	-	-	98,284	98,284
CCCCO-CEP-Career Adv Academy	-	1,412,853	1,412,853	542,853	-	88,556	454,297	454,297
Instructional Equipment and Library	-	183,804	183,804	183,804	-	-	183,804	183,804
Scheduled Maintenance	2,495,672	174,095	2,669,767	2,495,672	-	-	2,495,672	1,546,373
Deputy Navigator - Global	307,500	156,332	463,832	(23,668)	221,764	-	198,096	198,096
Deputy Navigator - Retail	300,000	100,972	400,972	(79,028)	297,774	-	218,746	218,746
FHDACCD - DSN Energy	14,200	12,128	26,328	12,128	8,866	-	20,994	20,994
West Valley AB86 Career Pathways	6,722	-	6,722	-	6,722	-	6,722	6,722
CCSF ATR DSN Auto Bridge	25,155	-	25,155	-	247	-	247	247
UC Regents Puente Program	35,000	-	35,000	35,000	-	-	35,000	35,000
FCCC-CSM Cares Program	5,000	16,265	21,265	8,819	12,446	-	21,265	21,265
SMUHSD-AB 86 Adult Ed Consortium	-	15,105	15,105	9,205	5,706	-	14,911	14,911
SMC HSA CalFresh	-	8,294	8,294	794	1,667	-	2,461	2,461
El Cam - Sect Navigator - Retail	96,160	-	96,160	-	96,160	-	96,160	96,160
CDE Child Development	319,956	-	319,956	243,048	363	4,105	239,306	239,306
Cal Grant	1,052,191	-	1,052,191	1,037,211	20,609	5,629	1,052,191	1,052,191
Total State Programs	$ 14,679,130	$ 4,611,153	$ 19,290,283	$ 14,472,703	$ 1,457,422	$ 2,350,000	$ 13,580,125	$ 12,797,110

[1]Include cash received from prior year.

See accompanying note to supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT – ANNUAL (ACTUAL) ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2015

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2014 only)			
1. Noncredit	17	-	17
2. Credit	2,313	-	2,313
B. Summer Intersession (Summer 2015 - Prior to July 1, 2015)			
1. Noncredit	-	-	-
2. Credit	-	-	-
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	12,396	-	12,396
(b) Daily Census Contact Hours	637	-	637
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	109	-	109
(b) Credit	557	-	557
3. Alternative Attendance Accounting Procedure			
(a) Weekly Census Procedure Courses	1,810	-	1,810
(b) Daily Census Procedure Courses	136	-	136
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	17,975	-	17,975
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	-	-	-
F. Basic Skills courses and Immigrant Education (FTES)			
1. Noncredit	128	-	128
2. Credit	1,550	-	1,550
	1,679	-	1,679

See accompanying note to supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2015

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional Salaries							
Contract or Regular	1100	$ 22,390,401	$ -	$ 22,390,401	$ 22,456,376	$ -	$ 22,456,376
Other	1300	18,057,854	-	18,057,854	16,538,166	-	16,538,166
Total Instructional Salaries		40,448,255	-	40,448,255	38,994,542	-	38,994,542
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	11,928,277	-	11,928,277
Other	1400	-	-	-	921,581	-	921,581
Total Noninstructional Salaries		-	-	-	12,849,858	-	12,849,858
Total Academic Salaries		40,448,255	-	40,448,255	51,844,400	-	51,844,400
Classified Salaries							
Noninstructional Salaries							
Regular Status	2100	-	-	-	24,992,660	-	24,992,660
Other	2300	-	-	-	1,935,215	-	1,935,215
Total Noninstructional Salaries		-	-	-	26,927,875	-	26,927,875
Instructional Aides							
Regular Status	2200	1,638,753	-	1,638,753	1,385,453	-	1,385,453
Other	2400	485,224	-	485,224	484,038	-	484,038
Total Instructional Aides		2,123,977	-	2,123,977	1,869,491	-	1,869,491
Total Classified Salaries		2,123,977	-	2,123,977	28,797,366	-	28,797,366
Employee Benefits	3000	15,226,626	-	15,226,626	30,724,521	-	30,724,521
Supplies and Material	4000	-	-	-	1,598,100	-	1,598,100
Other Operating Expenses	5000	15,874	-	15,874	9,479,934	-	9,479,934
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		57,814,732	-	57,814,732	122,444,321	-	122,444,321

See accompanying note to supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Exclusions							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	$ -	$ -	$ -	$ -	$ -	$ -
Student Health Services Above Amount Collected	6441	-	-	-	303,350	-	303,350
Student Transportation	6491	-	-	-	1,939,734	-	1,939,734
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	2,632,901	-	2,632,901
Objects to Exclude							
Rents and Leases	5060	-	-	-	9,557	-	9,557
Lottery Expenditures							-
Academic Salaries	1000	-	-	-	2,412,551	-	2,412,551
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-

See accompanying note to supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	$ -	$ -	$ -	$ -	$ -	$ -
Capital Outlay							
Library Books	6000	-	-	-	-	-	-
Equipment	6300	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		-	-	-	7,298,093	-	7,298,093
Total for ECS 84362, 50 Percent Law		$ 57,814,732	$ -	$ 57,814,732	$ 115,146,228	$ -	$ 115,146,228
Percent of CEE (Instructional Salary Cost/Total CEE)		50.21%		50.21%	100.00%		100.00%
50% of Current Expense of Education					$ 57,573,114		$ 57,573,114

See accompanying note to supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH FUND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2015.

See accompanying note to supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

PROPOSITION 30 EDUCATION PROTECTION ACT (EPA) EXPENDITURE REPORT
FOR THE YEAR ENDED JUNE 30, 2015

Activity Classification	**Object Code**				**Unrestricted**
EPA Proceeds:	8630				$ 1,742,772
Activity Classification	**Activity Code**	**Salaries and Benefits (Obj 1000-3000)**	**Operating Expenses (Obj 4000-5000)**	**Capital Outlay (Obj 6000)**	**Total**
Instructional Activities	1000-5900	$ 1,364,610	65		$ 1,364,675
Course and Curriculum Development	6020	12,325			12,325
Media	6130	179,650			179,650
Counseling and Guidance	6310	-			-
Custodial Services	6530	186,122			186,122
Grounds Maintenance and Repairs	6550	-			-
Planning, Policy making and Coordination	6600	-			-
Total Expenditures for EPA		$ 1,742,707	65	-	$ 1,742,772
Revenues Less Expenditures					$ -

See accompanying note to supplementary information.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2015

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

This schedule provides information about the District's governing board members and administration members.

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.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenses, and Changes in Net Position - Primary Government and the related expenditures reported on the Schedule of Expenditures of Federal Awards.

Description	CFDA Number	Amount
Total Federal Revenues per Statement of Revenues, Expenses, and Changes in Net Assets:		$ 24,460,585
Unrestricted federal - other	none	3,555
Total Expenditures of Federal Awards		$ 24,464,140

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. The information in this schedule is presented to comply with reporting requirements of the California State Chancellor's Office.

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

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

Reconciliation of Education Code Section 84362 (50 Percent Law) Calculation

ECS 84362 requires the District to expend a minimum of 50 percent of the unrestricted General Fund monies on salaries of classroom instructors. This is reported annually to the State Chancellor’s Office. This schedule provides a reconciliation of the amount reported to the State Chancellor’s Office and the impact of any audit adjustments and/or corrections noted during the audit.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2015

Reconciliation of Annual Financial and Budget Report (CCFS - 311) with Fund Financial Statements

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

Proposition 30 Education Protection Act (EPA) Expenditure Report

This schedule provides the District's summary of receipts and uses of the monies received through the EPA.

INDEPENDENT AUDITOR'S REPORTS

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

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

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

We have audited, 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, the basic financial statements of the business-type activities, the aggregate discretely presented component unit of San Mateo County Community College District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 6, 2015.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to these matters.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

5000 Hopyard Road, Suite 335 Pleasanton, CA 94588-3351 Tel: 925.734.6600 www.vtdcpa.com Fax: 925.734.6611

Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavrinek, Trine, Day & Co., LLP

Pleasanton, California
December 6, 2015

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited San Mateo County Community College District's (the District) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2015. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of State, 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 consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2015.

5000 Hopyard Road, Suite 335 Pleasanton, CA 94588-3351 Tel: 925.734.6600 www.vtdcpa.com Fax: 925.734.6611

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Vavrinek, Trine, Day & Co., LLP

Pleasanton, California
December 6, 2015

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

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

Report on State Compliance

We have audited San Mateo County Community College District's (the District) compliance with the types of compliance requirements as identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in August 2014 that could have a direct and material effect on each of the District's programs as noted below for the year ended June 30, 2015.

Management's Responsibility

Management is responsible for compliance with the requirements identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in August 2014.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the District's State programs based on our audit of the types of compliance requirements referred to above. 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 standards and procedures identified in the California Community Colleges Chancellor's Office *District Audit Manual*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the applicable programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

5000 Hopyard Road, Suite 335 Pleasanton, CA 94588-3351 Tel: 925.734.6600 www.vtdcpa.com Fax: 925.734.6611

Unmodified Opinion for Each of the Programs

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the programs noted below that were audited for the year ended June 30, 2015.

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with State laws and regulations applicable to the following:

Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Instructional Service Agreements/Contracts
Section 424	State General Apportionment Funding System
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Concurrent Enrollment of K-12 Students in Community College Credit Courses
Section 430	Schedule Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 438	Student Fees – Health Fees and Use of Health Fee Funds
Section 439	Proposition 39 Clean Energy
Section 440	Intersession Extension Programs
Section 474	Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged (TBA) Hours
Section 490	Proposition 1D State Bond Funded Projects
Section 491	Proposition 30 Education Protection Account Funds

The District reports no Instructional Service Agreements/Contracts for Apportionment Funding; therefore, the compliance tests within this section were not applicable. In addition, the District does not offer Intersession Extension Program, therefore the compliance tests within this section were not applicable.

Vavrinek, Trine, Day & Co., LLP

Pleasanton, California
December 6, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2015

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Type of auditor's report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	No
Identification of major Federal programs:	

CFDA Numbers	Name of Federal Program or Cluster
84.033, 84.063, 84.007, 84.268	Student Financial Aid Cluster

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

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Type of auditor's report issued on compliance for State programs:	Unmodified

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2015

None reported.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

None reported.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

None reported.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
JUNE 30, 2015

None reported.