

**SAN MATEO COUNTY  
COMMUNITY COLLEGE DISTRICT**

ANNUAL FINANCIAL REPORT

**JUNE 30, 2011 AND 2010**

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

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***FINANCIAL SECTION***

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VAVRINEK, TRINE, DAY  
& COMPANY, LLP  
*Certified Public Accountants*

VALUE THE DIFFERENCE

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of San Mateo County Community College District (the District) as of and for the years ended June 30, 2011 and 2010, and its discretely presented component unit the Education Housing Corporation as listed in the Table of Contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 of material misstatement. The financial statements of the Education Housing Corporation were not audited in accordance with Government Auditing Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of San Mateo County Community College District and its discretely presented component unit as of June 30, 2011 and 2010, and the respective changes in financial position and cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2011, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of 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* and is important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Other Postemployment Benefits (OPEB) Funding Progress 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.

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

*Vavrinek, Time, Day & Co., LLP*

Pleasanton, California  
December 15, 2011

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## MANAGEMENT’S DISCUSSION AND ANALYSIS

**JUNE 30, 2011**

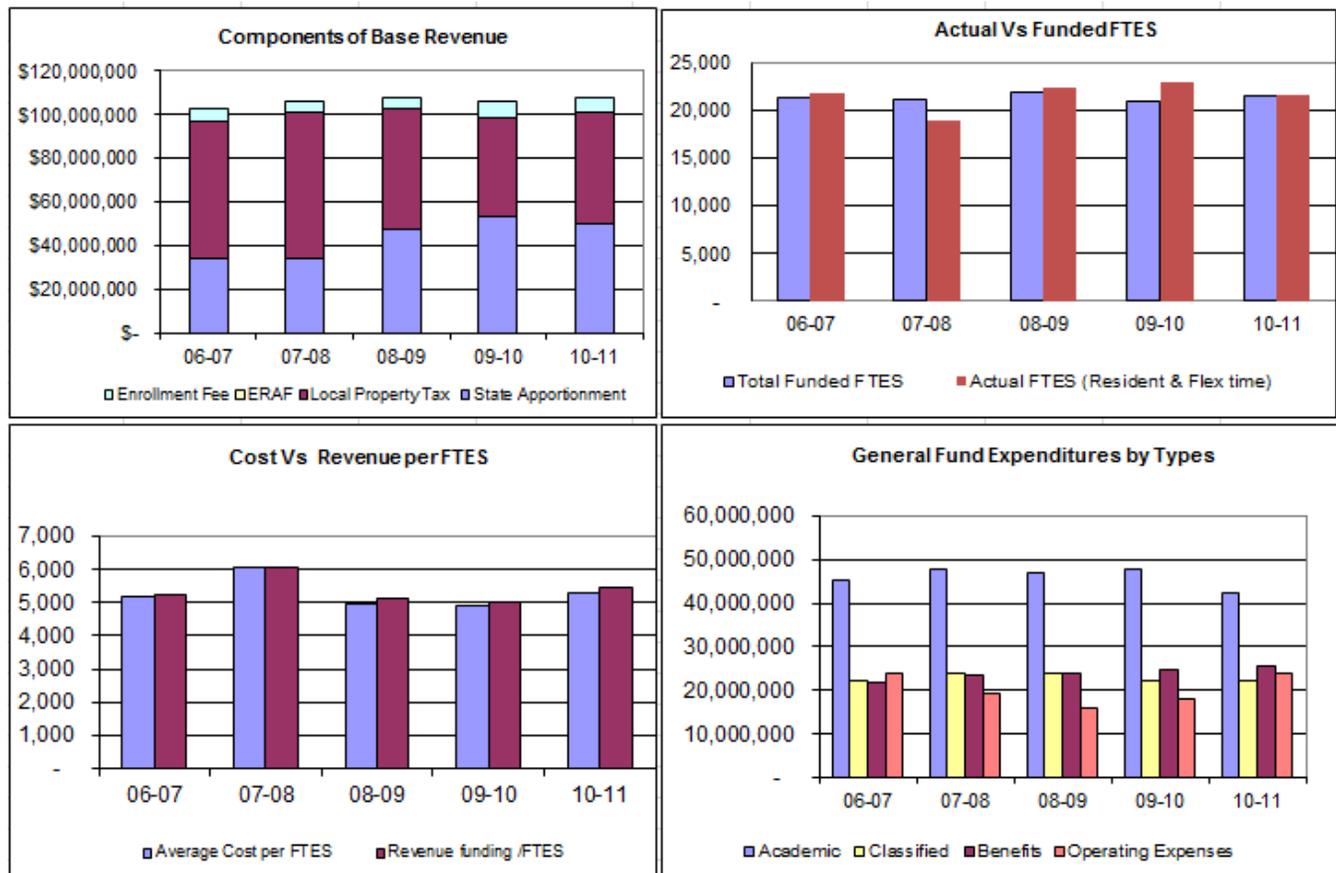
### Introduction

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, 2011, June 2010 and June 30, 2009. 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 Assets
- Statement of Revenues, Expenses and Changes in Net Assets
- Statement of Cash Flows

### Financial Highlights of 2010-11



### Financial Overview

- Assets exceeded liabilities for the fiscal year ended June 30, 2011 by \$151 million, and total net assets decreased \$35 million over last year.
- Net noncurrent assets increased \$36 million.
- Net operating loss was \$198 million.
- Net non-operating revenues were \$152 million.

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

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### Reporting for the District as a Whole

- Economic position of the District with the State

The State's budget continues to be out of balance and is leaking revenues rapidly. The State restored 2.2% of the 2009/10 workload reduction in 2010/11, and promptly cut the workload (number of students districts are funded for) in 2011/12 by another 6.2%. Fortunately, the county's voters approved a parcel tax (Measure G) for SMCCCD for 4 years, starting with 2010/11. This funding, approximately \$7 million, has allowed the District to cut significantly fewer sections than would have been cut and maintain some services to students. In addition, the District's General Fund ended 2010/11 with a positive ending balance that will also be used to offset cuts in 2011/12.

- Salaries and Benefits

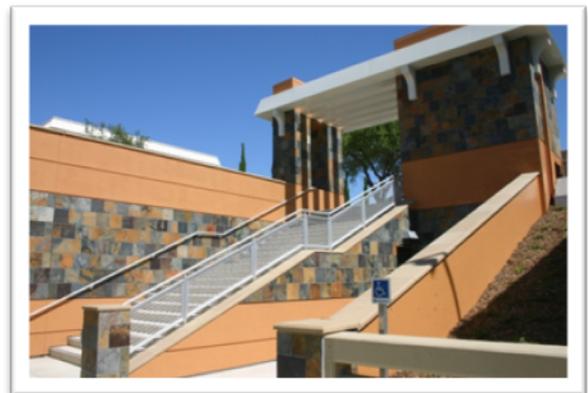
The expenditure projection for salaries includes annual increases for movement on step and column placements and longevity service increments only. The District has not received COLA from the State since 2007-08. Fiscal year 2010-11 marks the third year that COLA is not projected for any employee group. The budget includes the January 1, 2011 increases (2 – 9%) in non-capped health premium rates for employees and retirees. Dental insurance and vision rates increased slightly (1.9%). The PERS rate increased from 9.709% to 10.707%. The District's Unemployment Insurance Contribution Rate increased dramatically from .3% to .72%. Worker's compensation remained at 2%. To comply with GASB 45, in 2009-10, the District began charging itself an amount (4%) 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, 2011, \$437 million of the \$473 million Measure A November 2005 general obligation (GO) bond (with interest) have been spent or encumbered by contract. This District's Sources and Uses document is adjusted regularly to keep pace with the construction completion and to free up last remaining funds for college requested small projects. The projects planned under the 2005 GO bond are substantially completed with students and staff occupying the new and renovated buildings at CSM and Skyline and Cañada College.



Cañada College Buildings 5 & 6 Renovation Project was a State Funded project. This project supported the expansion of the University Center, is the home for Student Activities and the Health Center, as well as classrooms, faculty offices and Central Duplicating. In addition, the 36 year old electrical, plumbing and HVAC systems were upgraded and a new gateway and elevator were constructed, improving accessibility and architecturally tying this portion of campus into



# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

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recent improvements. Staff and students moved into Building 5 and 6 at the end of the summer session, 2011. As part of a separate project, the Building 5 Dining Room will be modernized, with a video wall, new flooring, enhanced lighting and wood slat walls. The Parking Lot 4 Planter and Entrance Upgrade, Fire Road Paving Project was also completed over the summer. The project enhanced the arrival zone at Cañada and upgraded deteriorating fire access roads.

Several small projects were constructed to prepare Cañada for the 2011-2012 academic school year including Building 16 Science Lab Improvements, Building 9 Student Services Remodel, Veteran's Center, the creation of the Center for Innovation and Excellence in Teaching and Learning (CIETL), and campus wide Exterior Painting Project.

## College of San Mateo

roadway and landscape improvements and a Chiller Plant to support the new buildings. The project was completed in late summer 2011. The Health and Wellness Center, Building 5, is now the home for the Workforce programs, including Dental Assisting, Nursing and Cosmetology, as well as the home for the San Mateo Fitness and Aquatics Center. The San Mateo Athletic Club and Aquatics Center has exceeded expectations and currently has more than 3,400 members. The building was fully occupied in the fall semester of 2010. The Chiller Plant was completed in spring 2010 and the electrical upgrade completed in January 2009. The construction of the College Center, Building 10, began in spring 2009 and was completed in late spring 2011 with the Ribbon Cutting in April 2011. Occupancy was phased and took place from in late spring through summer 2011. This new facility unites Student Services into a "One-Stop Shop", including admissions, career services, counseling, health center, financial aid, a learning center, disabled students programs & services, cafeteria, convenience store, coffee bar, a copy center and the CSM Bookstore. In addition, the building will house the Multi-Media program, International Students, Administration, conference rooms and medium and

College of San Mateo's largest bond funded project was the Design-Build Project, which involved demolition of four buildings; construction of two new buildings, a new aquatic center, upgraded electrical system, extensive site work,



# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

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large forum classrooms. The Sitework, including Parking lots, new campus entries, roadways and landscaping was completed in the summer of 2011.



College of San Mateo Building 12/15/17/34 Modernization (Design Build). Buildings 15 and 17 house administrators, faculty, and staff. Building 17 is home to Student Life and Leadership Development and the first floor of Building 12 is the new home for Fire Science and Administrative Justice. Building 34 houses ITS, Fire Science Equipment storage and the CSM mail and receiving department. Occupancy of Building 34 occurred over summer 2011. The Hillsdale Parking Lot Project was renovated as a subproject to this Design-Build Project, which was completed in the summer 2011. Phase 1 of the North Gateway Project (State Funded) was also completed

in the summer. This project included a new electrical Load Center 8 resolving a dangerous safety concern in Load Center 4 and much needed tree maintenance.

Various small projects were completed in the summer of 2011 including CSM Building 1 Renovation (Health & Psychological Services and Public Safety), Building 16 Veteran's Center, Building 32 Track and Grounds Exterior Storage and campus wide Exterior Painting Project.



Skyline College's largest bond funded project, the Design-Build Project, was completed in the summer of 2011. The first phase of this project, Building 11 Automotive Transmission Facility, was completed in spring 2010 and Automotive Transmission classes began in the fall semester 2010. Building 4 is home to the Cosmetology program, the Multi-Cultural Center, college administration and general assignment classrooms. Building 4 was finished in the spring of 2011 with the Ribbon Cutting occurred in April 2011. Occupancy occurred over the summer session 2011. Also completed during the summer were extensive landscape improvements, parking lot, paving, sidewalk and roadway upgrades,

new campus entries; and the renovation of existing quads on campus. The campus wide Exterior Painting Project at Skyline was completed in summer 2011.

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

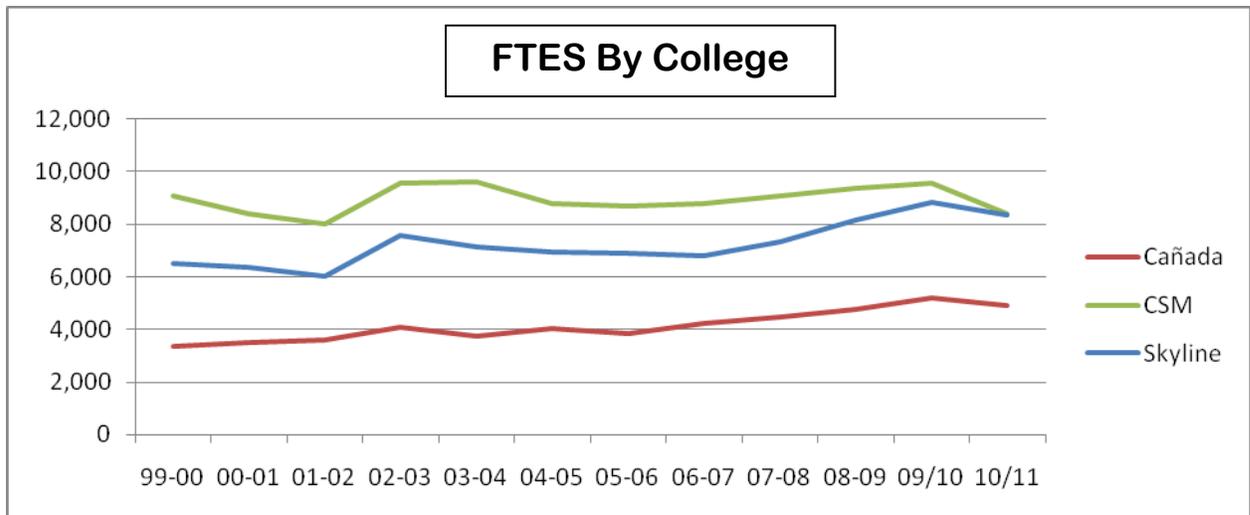
JUNE 30, 2011

There are several small projects that are being constructed in fall 2011, including Skyline Building 2 Computer Network Program Relocation, Building 4 NE Stair and Lighting, Skyline Building 1 Administration Backfill, Career Center Renovation



- Enrollment

The District was over its funded enrollment cap in 2009/10 by 1,800 FTES. The state funded a 2.2% workload restoration in 2010/11, which, when accompanied by section reductions to meet the board's goals of transfer, vocational/career technology and basic skills education meant that the District was below our funded cap in 2010/11. The District used some of the Summer 2011 enrollment to maximize the 2010/11 funding. That means that the District won't have to cut as much in 2011/12 to achieve its FTES targets, about 2% reduction. The chart below shows the history of FTES in the District.



### Net Assets

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

- Cash and cash equivalents consist of cash in the Treasury, Local Agency Investment Fund (LAIF) of the State Treasurer's Office, San Mateo County Pool Investment, Special Deposit Bond and with Wells Fargo Bank, proceeds from the District's general obligation construction bond and certificates of deposit with various banks.
- Accounts receivable primarily consists of revenues from local, state, and federal sources from which the District had earnings but which were not received as of the fiscal year's closing date.

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

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- Inventories and other assets include prepaid expenses and bookstore inventories.
- Capital assets, net of depreciation, are the net historical value of land, buildings, construction in progress and equipment less accumulated depreciation.
- Accounts payable and accrued liabilities consist of payables to the state, federal grants, benefits, salaries and local vendors which the District incurred but for which payments were not issued as of the end of the fiscal year.
- Deferred revenues represent cash received during the fiscal year from state, federal grants, general 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.
- According to GASB Statements, equity is reported as “Net Assets” rather than “Fund Balance.” The District’s net assets are classified as follows:
  - Invested in capital assets, net of related debt, represents the District’s total investment in capital assets and net of outstanding debt obligations related to those capital assets.
  - Restricted net assets consist of expendable and nonexpendable portions. Restricted expendable net assets include resources which the District is contractually obligated to expend in accordance with restrictions imposed by external third parties.
  - Unrestricted net assets represent resources used for transactions relating to the educational and general operations of the District.

Analysis of Net Assets – June 30, 2011

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2011**

**Table 1 Statement of Net Assets**

<b>ASSETS</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
	in thousands	in thousands	in thousands
<b>Current Assets:</b>			
Cash and cash equivalents	\$250,071	\$304,297	\$438,861
Accounts receivable	21,561	38,175	27,395
Inventories and other assets	2,823	5,701	2,272
<b>Total Current Assets</b>	<b>274,455</b>	<b>348,173</b>	<b>468,527</b>
<b>Noncurrent Assets:</b>			
Deferred charges and other assets	4,882	5,661	12,494
Capital assets, net of depreciation	642,288	605,174	465,075
<b>Total Noncurrent Assets</b>	<b>647,170</b>	<b>610,835</b>	<b>477,570</b>
<b>TOTAL ASSETS</b>	<b>921,625</b>	<b>959,008</b>	<b>946,097</b>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts payable and accrued liabilities	36,532	43,676	48,743
Deferred revenue	11,443	12,002	11,508
Current portion of long-term liabilities	13,863	12,078	10,453
<b>Total Current Liabilities</b>	<b>61,838</b>	<b>67,756</b>	<b>70,704</b>
<b>Noncurrent Liabilities</b>			
Long-term liabilities - noncurrent portion	708,859	704,808	703,889
<b>Total Noncurrent Liabilities</b>	<b>708,859</b>	<b>704,808</b>	<b>703,889</b>
<b>TOTAL LIABILITIES</b>	<b>770,697</b>	<b>772,564</b>	<b>774,593</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	6,632	62,387	66,323
Restricted	111,424	95,180	81,153
Unrestricted	32,872	28,876	24,018
<b>TOTAL NET ASSETS</b>	<b>\$150,928</b>	<b>\$186,444</b>	<b>\$171,493</b>

Total net assets at June 30, 2011 decreased \$ 35 million over the prior fiscal year. The decrease was primarily due to the decrease in restricted cash & cash equivalents accounts.

**Statement of Revenues, Expenses and Changes in Net Assets**

The Statement of Revenues, Expenses and Changes in Net Assets shown below consists of operating and non-operating results of the District. Operating revenues represent all revenues from programmatic sources. Non-operating revenues include State apportionments, Local property tax revenues, investment earnings and gifts. Operating revenues include activities characterized by exchange transactions, such as student fees, sales and services of Bookstore and Cafeteria operations, services provided and contracted to grants agencies, and interest from institutional student loans. Non-operating revenue, on the other hand, is characterized by non-exchange transactions, such as donations, gifts, State appropriations and regular investment income.

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2011**

**Table 2 – Statement of Operating Revenues**

	<b>2011</b>	<b>2010</b>	<b>2009</b>
	in thousands	in thousands	in thousands
<b>OPERATING REVENUES</b>			
Tuition and Fees	\$12,510	\$12,301	\$10,339
Auxiliary Enterprise Sales and Charges	2,972	2,824	2,786
Internal Service Sales and Charges	2,082	216	000
<b>TOTAL OPERATING REVENUES</b>	<b>17,565</b>	<b>15,341</b>	<b>13,125</b>
<b>OPERATING EXPENSES</b>	<b>215,751</b>	<b>162,126</b>	<b>169,944</b>
<b>OPERATING LOSS</b>	<b>(198,186)</b>	<b>(146,785)</b>	<b>(156,820)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
State apportionments, noncapital	43,684	55,359	48,244
Local property taxes	92,988	67,423	77,860
Federal	25,330	19,886	12,286
State	13,436	10,385	15,951
Local	2,923	2,892	2,189
Investment income/(expense), net	2,404	5,355	(15,602)
Interest income/(expense) on capital related debt, net	(31,223)	(30,142)	(30,433)
Other non-operating revenues	2,052	14,514	9,406
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>151,595</b>	<b>145,671</b>	<b>119,900</b>
<b>INCOME (LOSS) BEFORE OTHER REVENUES AND EXPENSES</b>	<b>(46,592)</b>	<b>(1,115)</b>	<b>(36,919)</b>
<b>OTHER REVENUES AND EXPENSES</b>	<b>11,076</b>	<b>16,066</b>	<b>13,995</b>
<b>CHANGE IN NET ASSETS</b>	<b>(35,516)</b>	<b>14,951</b>	<b>(22,924)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>187,444</b>	<b>171,493</b>	<b>194,417</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$151,928</b>	<b>\$186,444</b>	<b>\$171,493</b>

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

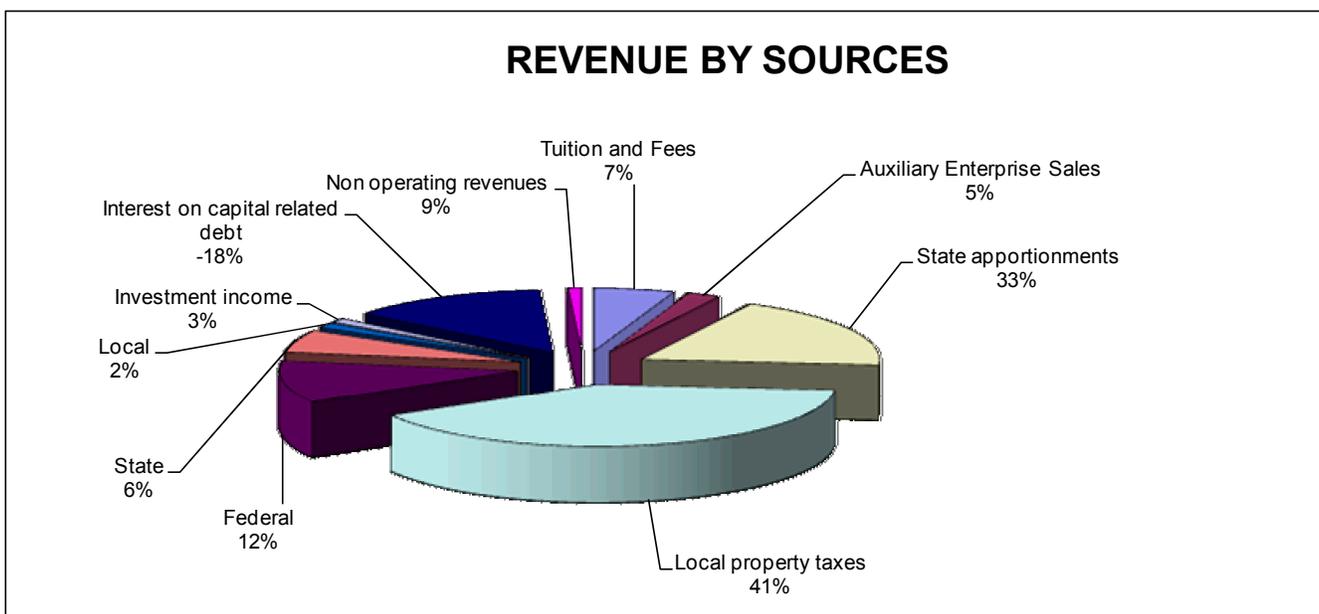
## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

Explanatory information for the statement is as follows:

- Tuition and Fees include enrollment, health, non-resident tuition, other student fees and less scholarship discount and allowance as defined by GASB statement No. 35.
- Auxiliary Enterprise Sales and Charges consist of bookstore, cafeteria sales and fitness center less discount allowances.
- State apportionments, non-capital includes state apportionment, apprenticeship, and child care development apportionment.
- Local property taxes and other non-operating revenues consist primarily of secured and unsecured taxes which are payable to the District in December and March of each year. The County of San Mateo collects the taxes on behalf of the District. Other non-operating revenues are State Lottery revenue and miscellaneous local income.
- 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 maintenances funding and issuance of the General Bond. These revenues relate mainly to construction activities.

Below is an illustration of District revenues by source:



# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

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Revenues and expenses changed mainly due to the following:

- Net Income from Operating sources illustrated an increase in tuition and fees.
- Net Non-Operating sources increased mainly due to an increase in local property taxes.

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

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

### Cash Flows

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

- 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, Certifications of Deposits, Bond and Local Agency Investment Fund (LAIF).

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**JUNE 30, 2011**

	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>CASH FLOWS PROVIDED BY (USED IN):</b>			
Operating Activities	in thousands (\$167,566)	in thousands (\$135,159)	in thousands (\$131,165)
Noncapital financing activities	183,752	167,199	151,358
Capital financing activities	(73,166)	(173,502)	(138,987)
Investing activities	2,754	6,899	(13,614)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	(54,226)	(134,564)	(132,408)
<b>CASH &amp; CASH EQUIVALENTS, BEGINNING OF YEAR</b>	304,297	438,861	571,269
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$250,071</u>	<u>\$304,297</u>	<u>\$438,861</u>

**Economic Factors and the 2011-12 Budget**

The 2011/12 state budget arrived with a 6.2% reduction in state revenues and significant draws upon the District’s cash flows. The state’s revenues are coming in significantly below the budget just passed and mid-year cuts are extremely likely. The 2011/12 state budget anticipates as much as \$4 billion that is not likely to materialize. If the mid-year cuts are triggered, the state budget calls for up to an additional \$102 million cut to community colleges as well as a fee increase from \$36 to \$46 in January 2012 (up from \$26 in Spring 2011). The state is also relying on borrowing from schools, deferring payments both within the current and into the next fiscal year. The District is relying primarily upon local tax dollars to assist with cash flow, in addition to borrowing through a Tax Revenue Anticipation Note (TRAN). The District had anticipated mid-year cuts in 2010/11. Because those cuts were deferred to 2011/12, the District did not experience that deficit and ended the year with a surplus. The District is now planning on using that surplus in 2011/12, while again budgeting for mid-year cuts. This will allowed the District time to prepare for cuts for the 2012/13 fiscal year. Because the District is planning and preparing for budget cuts one year in advance, the District is able to use the District’s strategic plan to make the cuts in the least harmful way. The District continues to prepare multi-year projections to allow it to plan ahead.

**C.I.P. Planning 2011-12 and Beyond**

The focus of the Capital Improvement Program for fiscal year 2011-2012 will be the close out of the College of San Mateo Design-Build Project, Skyline College Design-Build Project, and Buildings 5 and 6 at Cañada College. These projects, which represent approximately 70% of the value of the District’s second phase of the Capital Improvement Program (CIP2), have been completed on schedule and under budget. As of fall semester 2011, Staff and students have occupied CSM Building 10, Skyline College Building 4 and Cañada College Buildings 5 and 6. In addition to these major projects, there are two state-funded electrical upgrade projects in construction, one each at Cañada and Skyline College. A multitude of small projects has been launched at all three colleges to help meet program needs.

Staff continues to revise and update the master schedule and the master budget of the Capital Improvement Program to coincide with remaining funding and to help meet existing facilities changes based on academic programming requirements. The situation at the state level for potential bond funding remains negative. There were no state bond elections in 2008 and 2010 and it has been reported that there will not be a bond in 2012. Staff continues to work with the state to update Final Project Proposals and create new Initial Project Proposals so that the District is poised to receive funding when the state process begins again.

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

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

### **Cañada College:**

- Cañada Dining Room Remodel
  - Construction November 2011-April 2012
- Several small projects including Gym Bleacher Replacement, Light Pole Banner and Signage Project, Storm Water and Site Drainage Repair, Cañada Parking Lot Lighting Efficiency Upgrades
  - Construction fall 2011 & spring 2012

### **College of San Mateo:**

- North Gateway Project (State Funded)
  - Phase 2: Demolition of Buildings 21-29, Landscape, Hardscape
  - This phase has been bid, but award and subsequent construction is forthcoming, pending resolution of a law suit.
- Edison Parking Lot
  - This project has been bid, but award and subsequent construction is forthcoming, pending resolution of a law suit.
- CSM B12 and Colonnades Reroof
  - Construction fall 2011
- Several small projects including, CSM B12 and Colonnades Reroofing, Aquatics Equipment Building Management System Integration, Parking Permit Shelters, Building 10 East Deck Modifications, Vehicular Entry Security Cameras, Expansion of Diagonal Edge & Lighting Upgrade and the Building 8 Walk of Fame
  - Construction fall 2011/spring 2012

### **Skyline College:**

- The are several small projects are in design and pre-construction:
  - SKY Pac Heights Environmental Science Lab, Skyline Building 1 CALT Remodel, Building 6 Servery Remodel and Floor Upgrade, Electric Vehicle Charging Stations
    - Construction fall 2011

### **District Wide**

- Boilers BAAQMD Emissions Upgrade Project
  - Upgrade Boilers to meet new Bay Area Air Quality Management District (BAAQMD) standards for emissions
- District Office Parking Lot Soil Investigation and Improvements

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.

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

### **2011 Facilities Master Plan**

The 2011 Facilities Master Plan for the San Mateo County Community College District has been developed to serve as a guide for future development at each of the three Colleges in the District:



Canada College

College of San Mateo

Skyline College

It provides a graphic and narrative description of the District's strategy to support the educational program needs, address the long range forecast for enrollment, and positions the District to maximize funding opportunities. It is guided by each of the College's Educational Plan, which serve as the foundation for recommendations regarding facilities. The plan provides a roadmap for future development including recommendations for renovation and replacement of facilities as well as a number of site improvements for each campus.

In conjunction with the Facilities Master Plan process, the District engaged Alana, Buick & Bers (ABB) to complete a Renewable and Alternative Energy Feasibility study. ABB analyzed the technical and economic feasibility of various renewable and alternative energy systems for each of our campuses. Technical feasibility analysis included suitability for each location, longevity of existing comparable installations and the proven performance record of various technologies. Financial analysis included forecasted life-cycle cost and payback periods, including available and possible future financial incentives, and procurement strategy recommendations. Like the Facility Master plan, this study will provide a roadmap for potential incorporation of renewable and alternative energy technologies to support the academic mission, continue the Board of Trustee's commitment to sustainability and reduce operating costs.

### **Staff and Faculty Housing**

We have two staff housing projects for faculties and staffs, namely College Vista and Canada Vista.

Canada Vista was grand opened on August 12, 2010, it has 60 units: 22 one bedroom or one bedroom with den; 32 two bedrooms; and 6 three-bedroom units. Fifty-six units will have private, individual garages and a washer/dryer. Interior amenities include 9 foot ceilings, wood entryways, individual patios or decks; large windows and sliding glass doors. As is the case with College Vista, rents are significantly below market rate. The District has allocated all the units to faculty and staff who had been on the wait list for housing.

The College Vista Project, which has been open for more than 5½ years, continues to be successful and we believe that it has helped the District increase its retention of employees. Twelve employees who lived at College Vista have moved out to purchase new homes.

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

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### College Vista:



### Canada Vista:



### 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, Interim Executive Vice Chancellor, by phone at 650-358-6869 or by e-mail at [blackwoodk@smccd.edu](mailto:blackwoodk@smccd.edu).

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**STATEMENTS OF NET ASSETS – PRIMARY GOVERNMENT  
JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 78,954,858	\$ 52,658,313
Restricted cash and cash equivalents	171,115,888	251,638,753
Accounts receivable, net	21,561,049	38,175,038
Prepaid expenses	612,280	3,592,332
Deferred charges	266,780	266,780
Stores inventories	1,944,237	1,841,518
<b>Total Current Assets</b>	<u>274,455,092</u>	<u>348,172,734</u>
<b>Noncurrent Assets</b>		
Deferred charges	4,882,265	5,149,046
Prepaid expenses	-	511,915
Nondepreciable capital assets	85,619,681	197,058,518
Depreciable capital assets, net of depreciation	556,667,926	408,115,705
<b>Total Noncurrent Assets</b>	<u>647,169,872</u>	<u>610,835,184</u>
<b>TOTAL ASSETS</b>	<u>921,624,964</u>	<u>959,007,918</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	22,539,884	28,686,223
Interest payable, restricted	13,992,354	14,990,244
Deferred revenue	11,442,749	12,002,231
Bonds and notes payable - current portion	12,985,000	11,200,000
Bond premium - current portion	877,627	877,627
<b>Total Current Liabilities</b>	<u>61,837,614</u>	<u>67,756,325</u>
<b>Noncurrent Liabilities</b>		
Compensated absences payable - noncurrent portion	3,375,257	3,489,506
Bonds and notes payable - noncurrent portion	688,810,672	683,767,051
Other long-term liabilities - noncurrent portion	16,673,392	17,551,018
<b>Total Noncurrent Liabilities</b>	<u>708,859,321</u>	<u>704,807,575</u>
<b>TOTAL LIABILITIES</b>	<u>770,696,935</u>	<u>772,563,900</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	6,632,145	62,387,368
Restricted for:		
Debt service	22,040,501	20,213,256
Capital projects	82,393,022	69,832,065
Educational programs	6,801,876	4,946,405
Other activities	188,777	188,718
Unrestricted	32,871,708	28,876,206
<b>TOTAL NET ASSETS</b>	<u>\$ 150,928,029</u>	<u>\$ 186,444,018</u>

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

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**STATEMENTS OF REVENUES, EXPENSES,  
AND CHANGES IN NET ASSETS – PRIMARY GOVERNMENT  
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	<b>2011</b>	<b>2010</b>
<b>OPERATING REVENUES</b>		
Student Tuition and Fees	\$ 17,961,991	\$ 17,238,134
Less: Fee waivers and allowance	(5,451,849)	(4,936,761)
Net tuition and fees	12,510,142	12,301,373
Auxiliary Enterprise Sales and Charges		
Bookstore	2,776,158	2,637,793
Cafeteria	195,780	186,399
Fitness Center	2,082,443	215,505
<b>TOTAL OPERATING REVENUES</b>	<b>17,564,523</b>	<b>15,341,070</b>
<b>OPERATING EXPENSES</b>		
Salaries	87,492,518	85,071,308
Employee benefits	32,468,015	25,920,582
Supplies, materials, and other operating expenses and services	38,691,384	21,978,873
Equipment, maintenance, and repairs	17,642,418	-
Student financial aid	20,890,933	15,270,317
Depreciation	18,565,671	13,885,147
<b>TOTAL OPERATING EXPENSES</b>	<b>215,750,939</b>	<b>162,126,227</b>
<b>OPERATING LOSS</b>	<b>(198,186,416)</b>	<b>(146,785,157)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State apportionments, noncapital	43,684,006	55,358,880
Local property taxes, levied for general purposes	58,018,305	40,915,540
Local property taxes, levied for special purposes	27,915,076	26,507,015
Parcel tax	7,055,081	-
Federal grants	25,330,119	19,885,592
State grants	9,971,963	7,567,964
Local grants	2,923,325	2,891,579
State taxes and other revenues	3,463,708	2,817,037
Investment income (loss), net	2,403,806	5,354,937
Interest expense on capital related debt	(31,317,096)	(30,256,360)
Interest income on capital asset-related debt, net	94,445	114,206
Other nonoperating revenue	2,051,969	14,514,253
<b>TOTAL NONOPERATING REVENUES     (EXPENSES)</b>	<b>151,594,707</b>	<b>145,670,643</b>
<b>LOSS BEFORE OTHER REVENUES AND EXPENSES</b>	<b>(46,591,709)</b>	<b>(1,114,514)</b>
State revenues, capital	4,908,777	1,592,888
Local revenues, capital	6,166,943	14,472,761
<b>TOTAL OTHER REVENUES AND EXPENSES</b>	<b>11,075,720</b>	<b>16,065,649</b>
<b>CHANGE IN NET ASSETS</b>	<b>(35,515,989)</b>	<b>14,951,135</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>186,444,018</b>	<b>171,492,883</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 150,928,029</b>	<b>\$ 186,444,018</b>

The accompanying notes are 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, 2011 AND 2010**

	<b>2011</b>	<b>2010</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees	\$ 12,553,426	\$ 12,618,314
Local grants and contracts	11,013,632	(2,052,169)
Payments to vendors for supplies and services	(58,857,074)	(27,349,024)
Payments to or on behalf of employees	(118,364,331)	(111,243,775)
Payments to students for scholarships and grants	(20,139,559)	(15,943,740)
Auxiliary sales	6,227,453	8,811,134
<b>Net Cash Flows Provided For Operating Activities</b>	<b>(167,566,453)</b>	<b>(135,159,260)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State apportionments	49,749,197	51,434,144
Property taxes, levied for general purposes	58,018,305	40,915,540
Property taxes, levied for special purposes	27,915,076	26,507,015
Grant and contracts	38,156,407	35,003,471
State taxes and other apportionments	2,858,321	2,817,037
Other receipts	7,055,081	10,521,487
<b>Net Cash Flows From Noncapital Financing Activities</b>	<b>183,752,387</b>	<b>167,198,694</b>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Purchase of capital assets	(58,101,541)	(160,626,141)
Loss on disposal of capital assets	129,029	442,777
Bond accretions	18,028,621	17,194,987
Net decrease on OPEB obligations	-	(4,350,423)
State revenue, capital projects	4,908,777	1,592,888
Local revenue, capital projects	6,166,943	14,472,761
Principal paid on capital debt	(12,077,626)	(10,452,627)
Interest paid on capital debt	(32,314,986)	(31,890,902)
Interest received on capital asset-related debt	94,445	114,206
<b>Net Cash Flows Used for Capital Financing Activities</b>	<b>(73,166,338)</b>	<b>(173,502,474)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received from investments	2,754,084	6,899,462
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(54,226,320)</b>	<b>(134,563,578)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>304,297,066</b>	<b>438,860,644</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 250,070,746</b>	<b>\$ 304,297,066</b>

The accompanying notes are 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, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating Loss	\$ (198,186,416)	\$ (146,785,157)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation expense	18,565,671	13,885,147
Miscellaneous nonoperating income		
Changes in Assets and Liabilities:		
Receivables, net	11,826,031	(1,499,014)
Inventories	(102,719)	(8,906)
Prepaid and other current assets	2,980,052	3,146,517
Accounts payable and accrued liabilities	(2,692,264)	(4,392,084)
Deferred revenue	43,192	494,237
Total Adjustments	<u>30,619,963</u>	<u>11,625,897</u>
<b>Net Cash Flows Provided For Operating Activities</b>	<u><u>\$ (167,566,453)</u></u>	<u><u>\$ (135,159,260)</u></u>
 <b>CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:</b>		
Cash and cash equivalents, unrestricted	\$ 78,954,858	\$ 52,658,313
Cash and cash equivalents, restricted	171,115,888	251,638,753
<b>Total Cash and Cash Equivalents</b>	<u><u>\$ 250,070,746</u></u>	<u><u>\$ 304,297,066</u></u>
 <b>NON CASH TRANSACTIONS</b>		
On behalf payments for benefits	<u><u>\$ 1,569,077</u></u>	<u><u>\$ 1,601,068</u></u>

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

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**STATEMENTS OF FIDUCIARY NET ASSETS  
JUNE 30, 2011 AND 2010**

	2011		2010	
	Agency Fund		Agency Fund	
	Associated Students Trust	Student Representation Fee	Associated Students Trust	Student Representation Fee
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,837,327	\$ 109,935	\$ 1,718,403	\$ 115,130
Accounts receivable	1,071,184	-	1,004,649	-
Fixed assets	3,336	-	7,854	-
<b>Total Assets</b>	<b>\$ 2,911,847</b>	<b>\$ 109,935</b>	<b>\$ 2,730,906</b>	<b>\$ 115,130</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 1,720,682	\$ -	\$ 1,701,509	\$ -
Due to student groups and other	1,191,165	109,935	1,029,397	115,130
<b>Total Liabilities</b>	<b>\$ 2,911,847</b>	<b>\$ 109,935</b>	<b>\$ 2,730,906</b>	<b>\$ 115,130</b>

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 FINANCIAL POSITION JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 79,761	\$ 77,631
Accounts receivable	65	146
Prepaid expenses	61,784	2,721
<b>Total Assets</b>	<u>\$ 141,610</u>	<u>\$ 80,498</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Rent security deposits	128,220	67,934
<b>Total Liabilities</b>	<u>128,220</u>	<u>67,934</u>
<b>NET ASSETS</b>		
Unrestricted	<u>13,390</u>	<u>12,564</u>
<b>Total Liabilities and         Net Assets</b>	<u>\$ 141,610</u>	<u>\$ 80,498</u>

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 ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>REVENUES</b>		
Rental income	\$ 1,249,244	\$ 560,912
Interest and dividends	426	444
Commission	167	151
Water reimbursement	12,892	11,715
Other local income	2,415	1,235
<b>Total Revenues</b>	<u>1,265,144</u>	<u>574,457</u>
<b>EXPENSES</b>		
Operating expenses	<u>207,818</u>	<u>97,729</u>
<b>Total Expenses</b>	<u>207,818</u>	<u>97,729</u>
<b>OTHER SOURCES AND USES</b>		
Transfer out to SMCCCD	<u>(1,056,500)</u>	<u>(471,500)</u>
<b>Total Other Uses</b>	<u>(1,056,500)</u>	<u>(471,500)</u>
<b>CHANGE IN NET ASSETS</b>	826	5,228
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>12,564</u>	<u>7,336</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 13,390</u>	<u>\$ 12,564</u>

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, 2011 AND 2010

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	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 826	\$ 5,228
Changes in Assets and Liabilities		
Accounts receivable	81	56
Prepaid expenses	(59,063)	(221)
Accounts payable	-	(136)
Deferred revenue	-	(31,124)
Rent security deposits	60,286	17,035
<b>Net Cash Flows Provided (Used) For Operating Activities</b>	<u>2,130</u>	<u>(9,162)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	2,130	(9,162)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	77,631	86,793
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 79,761</u>	<u>\$ 77,631</u>

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

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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### 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 provides 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. 39.

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Financial Reporting Entity

The District has adopted GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. This statement amends GASB Statement No. 14, *The Financial Reporting Entity*, to provide additional guidance to determine whether certain organizations, for which the District is not financially accountable, should 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

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 included as the COP Payment Fund and COP Construction Fund in the District’s governmental funds. Individually-prepared financial statements are not prepared for the Corporation.

The San Mateo County Community Colleges Educational Housing Corporation (the Corporation) is a legally separate organization component unit of the District. The Corporation was formed to operate staff and faculty housing. The Board of Trustees of the Corporation is the same as the Board of Trustees of the District. The financial activity of the Corporation is reported separately in the financial statements. Individually-prepared financial statements are not prepared for the Corporation. 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 classified by the Internal Revenue Service as other than a private corporation. Accordingly, no provision for income taxes has been provided in the financial statements. The Corporation annually files information returns, Forms 990, 199, and RRF-1, with the appropriate agencies.

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2011**

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The District has determined that the San Mateo County Community Colleges Foundation does not meet the criteria for inclusion under GASB 39.

### **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 and No. 38. 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. 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 and cafeteria.

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 accounting policies of the District conform to accounting principles generally accepted in the United States of America (US GAAP) as applicable to colleges and universities, as well as those prescribed by the California Community Colleges Chancellor's Office. The District reports are based on all applicable GASB pronouncements, as well as applicable FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. The District has not elected to apply FASB pronouncements after that date. When applicable, certain prior year amounts have been reclassified to conform to current year presentation. The budgetary and financial accounts of the District are maintained in accordance with the State System's Office's *Budget and Accounting Manual*.

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 and No. 38. The business-type activities model followed by the District requires the following components of the District's financial statements:

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2011**

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

### **Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be 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**

Investments held at June 30, 2011 and 2010, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

### **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 \$2,706,290 and \$2,246,281 for the years ended June 30, 2011 and 2010, 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.

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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### **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.

### **Deferred Issuance Costs, Premiums, and Discounts**

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method.

### **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.

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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### Deferred Revenue

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

### Non Current Liabilities

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

### Net Assets

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

**Invested in Capital Assets, Net of Related Debt:** Capital Assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

**Restricted – Nonexpendable:** Net assets whose use by the District has been externally restricted in perpetuity such as Endowment funds where future investment earnings may be used for the donor stipulated purpose. The District has no nonexpendable net assets.

**Restricted – Expendable:** Net assets whose use by the District is subject to externally imposed constraints that can be fulfilled by actions of the District pursuant to those constraints or by the passage of time. Net assets may be restricted for capital projects, debt repayment, and/or educational programs.

None of the District's restricted net assets have resulted from enabling legislation adopted by the District.

**Unrestricted:** Net assets that are not subject to externally imposed constraints. Unrestricted net assets 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 assets are designated for educational and general operations of the District.

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

### 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 area generated.

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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### 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.

### Scholarship Discounts and Allowances

Student tuition and fee revenue is reported net of scholarship discounts and allowances in the Statement of Revenues, Expenditures, and Changes in Net Assets. Scholarship discounts and 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 discounts have been used to satisfy tuition and fee charges, the District has recorded a scholarship discount and 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*. During the years ended June 30, 2011, the District distributed \$1,726,628 in direct student loan through the U. S. Department of Education. The District distributed \$1,673,444 in student loans through the U.S. Department of Education Federal Family Education Loan Program in 2010. These amounts have not been included as revenues or expenses within the accompanying financial statements as the amounts were passed directly to qualifying students; however, the amounts are included on the Schedule of Expenditures of Federal Awards.

### 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 the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) on behalf of all community colleges in California.

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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### 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 entity-wide financial statements.

### New Accounting Pronouncements

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of GASB Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. For component units that currently are blended based on the "substantively the same governing body" criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility (as defined in paragraph 8a) for the activities of the component unit. New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government. Lastly, additional reporting guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting.

This Statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Early implementation is encouraged.

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2011**

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### **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 3 – 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 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.

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**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	180 days	30%	10%
Negotiable Certificates of Deposit	5 years	30%	FDIC
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	\$20 million

**Summary of Deposits and Investments**

Deposits and investments of the Primarily Government as of June 30, 2011 and 2010, consist of the following:

	2011	2010
Cash on hand and in banks	\$ 1,105,073	\$ 4,492,639
Cash in revolving	131,008	123,800
Investments	248,834,665	299,680,627
Total Deposits and Investments	<u>\$ 250,070,746</u>	<u>\$ 304,297,066</u>

Deposits and investments of the Fiduciary Funds as of June 30, 2011 and 2010, consist of the following:

	2011	2010
Cash on hand and in banks	\$ 448,752	\$ 596,090
Investment - county pool	1,498,510	1,237,443
Total Deposits and Investments	<u>\$ 1,947,262</u>	<u>\$ 1,833,533</u>

Deposits and investments of the Educational Housing Corporation as of June 30, 2011 and 2010, consist of the following:

	2011	2010
Cash on hand and in banks	\$ 79,761	\$ 77,763
Total Deposits and Investments	<u>\$ 79,761</u>	<u>\$ 77,763</u>

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

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**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 primarily investing in the County pool and local agency investment fund (LAIF).

**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
Brokered certificates of deposit	\$ 5,000	0.35
County Pool	234,727,725	1.50
State Investment Pool	14,101,940	0.65
Total	<u>\$ 248,834,665</u>	

**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, 2011.

**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, 2011 and 2010, the District's bank balances of approximately \$2,296,000 and \$1,766,000, 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.

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**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 4 - 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 uncollectibles accounts receivable to total revenue ratio. The accounts receivable are as follows:

	Primary Governmnet	
	2011	2010
Federal Government		
Categorical aid	\$ 1,151,795	\$ 2,204,764
State Government		
Apportionment	5,085,296	11,753,161
Categorical aid	856,871	441,857
Lottery	1,046,241	267,820
Other State sources	1,691,535	1,226,614
Local Sources		
Interest	469,217	819,495
Student loans	693,615	1,444,989
Student receivables	8,341,211	6,501,279
Other local sources	4,931,558	15,761,340
Less allowance for bad debt	(2,706,290)	(2,246,281)
Total Accounts Receivable, net	\$ 21,561,049	\$ 38,175,038

Other Local Receivables at June 30, 2011 and 2010 include \$913,251 and \$977,521 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 \$75,000 per employee. Repayment terms and interest rates are: no payments due in years 1 through 5, payments of principal and interest in years 6-29, with final payment of any remaining balance in year 30. Selling the property, withdrawing cash from the equity, or leaving the District’s employment accelerates the due date of the loan. Interest is charged at 4 percent per year. As of June 30, 2011, 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	
	2011	2010
Local Sources		
Interest	\$ 4,513	\$ 3,782
Other local sources	1,066,671	1,000,867
Total	\$ 1,071,184	\$ 1,004,649

The Educational Housing Corporation's accounts receivable are interest receivable.

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**NOTE 5 – PREPAID EXPENSES AND OTHER ASSETS**

The significant item within prepaid expense is that the District has entered into an insurance contract for the bond construction projects throughout the District. The insurance agreement calls for an original lump-sum payment of \$10,264,301 which is being amortized over the life of the insurance coverage. The remaining unamortized insurance prepaid expense as of June 30, 2011 was \$605,849.

**NOTE 6 - CAPITAL ASSETS**

Capital asset activity for the District for the fiscal year ended June 30, 2011, 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	176,430,226	66,701,954	178,140,791	64,991,389
Total Capital Assets Not Being Depreciated	<u>197,058,518</u>	<u>66,701,954</u>	<u>178,140,791</u>	<u>85,619,681</u>
Capital Assets Being Depreciated				
Land improvements	32,292,299	1,346,344	-	33,638,643
Buildings and improvements	441,052,352	162,656,123	-	603,708,475
Furniture, equipment, and vehicles	25,510,583	3,244,454	291,757	28,463,280
Total Capital Assets Being Depreciated	<u>498,855,234</u>	<u>167,246,921</u>	<u>291,757</u>	<u>665,810,398</u>
Less Accumulated Depreciation				
Land improvements	9,413,143	1,264,840	-	10,677,983
Buildings and improvements	67,303,141	14,824,562	-	82,127,703
Furniture, equipment, and vehicles	14,023,245	2,476,269	162,728	16,336,786
Total Accumulated Depreciation	<u>90,739,529</u>	<u>18,565,671</u>	<u>162,728</u>	<u>109,142,472</u>
Net Capital Assets Being Depreciated	<u>408,115,705</u>	<u>148,681,250</u>	<u>129,029</u>	<u>556,667,926</u>
Net Capital Assets	<u>\$ 605,174,223</u>	<u>\$ 215,383,204</u>	<u>\$ 178,269,820</u>	<u>\$ 642,287,607</u>

Depreciation expense for the year was \$18,565,671.

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

Capital asset activity for the District for the fiscal year ended June 30, 2010, 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	159,859,021	147,981,558	131,410,353	176,430,226
Total Capital Assets Not Being Depreciated	<u>180,487,313</u>	<u>147,981,558</u>	<u>131,410,353</u>	<u>197,058,518</u>
Capital Assets Being Depreciated				
Land improvements	12,953,351	19,338,948	-	32,292,299
Buildings and improvements	326,411,995	114,640,357	-	441,052,352
Furniture, equipment, and vehicles	22,455,685	3,887,104	832,206	25,510,583
Total Capital Assets Being Depreciated	<u>361,821,031</u>	<u>137,866,409</u>	<u>832,206</u>	<u>498,855,234</u>
Less Accumulated Depreciation				
Land improvements	8,665,435	747,708	-	9,413,143
Buildings and improvements	57,008,646	10,294,495	-	67,303,141
Furniture, equipment, and vehicles	11,569,730	2,842,944	389,429	14,023,245
Total Accumulated Depreciation	<u>77,243,811</u>	<u>13,885,147</u>	<u>389,429</u>	<u>90,739,529</u>
Net Capital Assets Being Depreciated	<u>284,577,220</u>	<u>123,981,262</u>	<u>442,777</u>	<u>408,115,705</u>
Net Capital Assets	<u>\$ 465,064,533</u>	<u>\$ 271,962,820</u>	<u>\$ 131,853,130</u>	<u>\$ 605,174,223</u>

Depreciation expense for the year was \$13,885,147.

**NOTE 7 - ACCOUNTS PAYABLE**

Accounts payable for the District consisted of the following:

	Primary Government	
	2011	2010
Accrued payroll	\$ 3,816,134	\$ 2,105,683
Mandated cost	1,090,686	1,678,403
ERAF	1,781,872	1,781,872
Construction	8,956,747	11,412,932
Vendor	5,227,616	9,978,365
Other	1,666,829	1,728,968
Total	<u>\$ 22,539,884</u>	<u>\$ 28,686,223</u>

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2011**

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### **Fiduciary Funds**

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

### **Discretely Presented Component Unit**

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

### **NOTE 8 - DEFERRED REVENUE**

Deferred revenue at June 30, 2011 and 2010 consisted of the following:

	Primary Government	
	2011	2010
Federal financial assistance	\$ 16,000	\$ 5,873
State categorical aid	1,956,378	2,630,352
Enrollment fees	6,613,514	5,190,307
Other local	2,856,857	4,175,699
Total	<u>\$ 11,442,749</u>	<u>\$ 12,002,231</u>

The Fiduciary Fund and the Education Housing Corp had no deferred revenues as of June 30, 2011.

### **NOTE 9 – 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. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process.

#### **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. Transfers between the primary government and the fiduciary funds are not eliminated in the consolidation process.

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**NOTE 10 - LONG-TERM OBLIGATIONS**

**Summary**

The changes in the District's long-term obligations during the 2011 fiscal year consisted of the following:

	Balance Beginning of Year	Accretions	Prepaid/ Deductions	Balance End of Year	Due in One Year
Bonds and Notes Payable					
General obligation bonds	\$ 694,967,051	\$ 18,028,621	\$ 11,200,000	\$ 701,795,672	\$ 12,985,000
Other Liabilities					
Compensated absences	3,489,506	-	114,249	3,375,257	-
Total Other Liabilities	3,489,506	18,028,621	11,314,249	705,170,929	12,985,000
Premiums, net of amortization	18,428,645	-	877,626	17,551,019	877,627
Total Long-term Liabilities	<u>\$ 716,885,202</u>	<u>\$ 18,028,621</u>	<u>\$ 12,191,875</u>	<u>\$ 722,721,948</u>	<u>\$ 13,862,627</u>

The changes in the District's long-term obligations during the 2010 fiscal year consisted of the following:

	Balance Beginning of Year	Additions/ Accretions	Prepaid/ Deductions	Balance End of Year	Due in One Year
Bonds and Notes Payable					
General obligation bonds	\$ 687,347,064	\$ 17,194,987	\$ 9,575,000	\$ 694,967,051	\$ 11,200,000
Total Bonds and Notes Payable	687,347,064	17,194,987	9,575,000	694,967,051	11,200,000
Other Liabilities					
Compensated absences	3,338,217	151,289	-	3,489,506	-
Net OPEB obligation	4,350,423	7,430,914	11,781,337	-	-
Total Other Liabilities	7,688,640	7,582,203	11,781,337	3,489,506	-
Premiums, net of amortization	19,306,272	-	877,627	18,428,645	877,627
Total Long-term Liabilities	<u>\$ 714,341,976</u>	<u>\$ 24,777,190</u>	<u>\$ 22,233,964</u>	<u>\$ 716,885,202</u>	<u>\$ 12,077,627</u>

**Description of Debt**

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.

General obligation bonds were approved by local elections in 2001 and 2005. The total amount approved by the voters in 2001 and 2005 were \$207,000,000 and \$468,000,000, respectively. All of the authorized 2001 and 2005 bonds have been issued. Interest rates on the 2001 bonds are range from 3.00 percent to 5.74 percent and the interest rates on the 2005 bonds are range from 3.50 percent to 5.00 percent. At June 30, 2011, the outstanding balances for the 2001 and 2005 bonds were \$208,999,178 and \$492,796,494, respectively.

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**Debt Maturity**

**General Obligation Bonds**

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds
				Outstanding July 1, 2010	Interest Accretions	Redeemed	Outstanding June 30, 2011
6/4/2002	9/1/2026	5.2-5.74%	\$96,875,613	\$ 90,407,606	\$ 1,588,801	\$ 2,525,000	\$ 89,471,407
2/9/2005	9/1/2029	3.00-5.00%	69,995,132	73,685,589	1,466,360	1,155,000	73,996,949
4/11/2006	3/1/2031	3.50-5.00%	40,124,660	44,628,834	1,586,988	685,000	45,530,822
4/11/2006	9/1/2030	3.75-5.00%	135,429,395	123,986,975	4,459,368	6,365,000	122,081,343
12/12/2006	9/1/2038	3.50-5.00%	332,570,194	362,258,047	8,927,104	470,000	370,715,151
				<u>\$ 694,967,051</u>	<u>\$ 18,028,621</u>	<u>\$ 11,200,000</u>	<u>\$ 701,795,672</u>

The bonds mature through 2039 as follows:

Fiscal Year	Interest to		Total
	Principal	Maturity	
2012	\$ 12,985,000	\$ 14,836,700	\$ 27,821,700
2013	14,910,000	14,289,483	29,199,483
2014	16,945,000	13,692,094	30,637,094
2015	19,195,000	12,940,682	32,135,682
2016	20,465,575	11,989,097	32,454,672
2017-2021	116,747,043	49,779,331	166,526,374
2022-2026	135,837,261	36,563,437	172,400,698
2027-2031	153,493,112	25,735,963	179,229,075
2032-2036	119,669,455	14,114,500	133,783,955
2037-2039	91,548,226	2,909,750	94,457,976
Total	<u>\$ 701,795,672</u>	<u>\$ 196,851,037</u>	<u>\$ 898,646,709</u>

**Other Postemployment Benefit (OPEB) Obligation**

The District’s actuarially determined annual required contribution (ARC) for the year ended June 30, 2011, was \$7,702,017. The District made a contribution of \$7,100,154 for premiums for current retirees. In addition, the District contributed \$10,000,000 to the San Mateo County Community College District Public Entity Investment Trust during the year. See Note 12 for additional information regarding the OPEB obligation and the postemployment benefits plan.

**NOTE 11 – DEFEASED DEBT**

In 2006, the District defeased the certificates of participation issued in 2004 by creating an irrevocable trust fund. As of June 30, 2011, the amount of defeased debt outstanding but removed from the Long-Term Obligations amounted to \$29,018,181.

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2011**

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### **NOTE 12 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFIT (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 1028 retirees and beneficiaries currently receiving benefits and 820 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 plan members and the District are established and may be amended by the District and the District's 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 \$7,100,154 for the current retirees' medical premiums. Plan members receiving benefits contributed \$30,000, or approximately .004 percent of the total premiums. Contributions made by retirees range between \$1 to \$325 per month. In addition to the current year premium, the District contributed \$10,000,000 to the San Mateo County Community College District Public Entity Investment Trust.

#### **Annual OPEB Cost and Net OPEB (Prepaid)/Obligation**

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 obligation to the Plan:

Annual required contribution (ARC)	\$ 7,702,017
Annual OPEB cost (expense) - District paid premiums	(7,100,154)
Current year contribution to the OPEB Trust	(10,000,000)
Contributions in excess of ARC	<u>(9,398,137)</u>
OPEB asset, beginning of year	(116,518)
OPEB asset, end of year	<u><u>\$ (9,514,655)</u></u>

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**Trend Information**

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

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation/(Assets)
2011	\$ 7,702,017	\$17,100,154	222%	\$ (9,514,655)
2010	7,383,929	11,167,718	151%	(116,518)
2009	8,175,590	6,534,170	80%	4,350,423

**Funding Status and Funding Progress**

The funded status of the OPEB Plan as of June 30, 2011, is as follows:

Actuarial Accrued Liability (AAL)	\$ 118,923,929
Actuarial Value of Plan Assets	<u>(15,643,762)</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u><u>\$ 103,280,167</u></u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	13%
Covered Payroll	<u>\$ 87,492,518</u>
UAAL as Percentage of Covered Payroll	<u><u>118%</u></u>

The above noted actuarial accrued liability was based on the April 12, 2011, 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.

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2011**

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In the April 12, 2011 actuarial valuation, the Entry Age Normal Actuarial Cost Method was used. The actuarial assumptions included a 5 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 UAAL is being amortized at a level percentage of payroll method. The remaining amortization period at July 1, 2011, was 30 years. The actuarial value of assets of \$15,643,762 was determined in this actuarial valuation. At July 1, 2011, the Trust held net assets in the amount of \$16,656,584 in investments with Benefit Trust.

### **NOTE 13 - RISK MANAGEMENT**

#### **Insurance Coverages**

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, 2011, 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 Cal PERS 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.

The District also contributed towards the medical plan premiums of CalPERS and CalSTRS retirees who did not meet the District eligibility requirements for retiree benefits when they retired. This contribution is required by CalPERS and is called the "Employer Share" and was established in order to provide retirees, regardless of District eligibility, with continuation of group medical insurance coverage at a reduced monthly premium. There are currently 60 retirees that fall under this categorical and the District's share for the fiscal year was \$348,588.

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.

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

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**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, 2009 to June 30, 2011:

	Workers' Compensation	Property and Liability
Liability Balance, July 1, 2009	\$ 1,534,146	\$ 300,000
Claims and changes in estimates	118,565	-
Claims payments	-	(150,000)
Liability Balance, June 30, 2010	<u>1,652,711</u>	<u>150,000</u>
Claims and changes in estimates	(4,711)	-
Claims payments	-	(150,000)
Liability Balance, June 30, 2011	<u>\$ 1,648,000</u>	<u>\$ -</u>
Assets available to pay claims at June 30, 2011	<u>\$ 10,288,748</u>	<u>\$ -</u>

**NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS**

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

**CalSTRS**

**Plan Description**

The District contributes to CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, California 95826.

**Funding Policy**

Active members are required to contribute 8.0 percent of their salary while the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2010-2011 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's total contributions to CalSTRS for the fiscal years ended June 30, 2011, 2010, and 2009, were \$3,043,000, \$3,114,710, and \$3,248,693, respectively, and equal 100 percent of the required contributions for each year.

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2011**

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### **CalPERS**

#### **Plan Description**

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95811.

#### **Funding Policy**

Active plan members are required to contribute 7.0 percent of their salary (7.0 percent of monthly salary over \$133.33 if the member participates in Social Security), and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The District's contribution rate to CalPERS for fiscal year 2010-2011 was 10.707 percent of covered payroll. The District's contributions to CalPERS for fiscal years ending June 30, 2011, 2010, and 2009, were \$3,458,509, \$3,251,939, and \$3,221,484, respectively, and equaled 100 percent of the required contributions for each year.

#### **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, 2011, 2010, and 2009 amounted to \$1,569,077, \$1,601,068, and \$1,772,764, respectively, and equaled 4.267 percent of salaries subject to CalSTRS. 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 two 457 and seven 403 (b) tax deferred compensation plans. The plans, available to all employees, permits them 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 five of its employees, otherwise, these plans are strictly for employee contributions only.

### **NOTE 15 - 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, 2011.

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2011**

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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, 2011.

### **Early Retirement**

The District offered an early incentive retirement plan to all bargaining units who elect early retirement in prior year. All incentives have been paid except for \$135,000 of which will be paid in fiscal year 2011-2012.

### **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, 2011, the District had the following commitments with respect to the unfinished capital projects:

	Remaining Construction Commitment	Expected Date of Completion
CAPITAL PROJECT		
District funded facility improvement projects	\$ 34,108	within 1 year
State funded capital outlay projects	985,284	within 1 year
2005 G.O. Bond (Measure A) construction projects	10,043,177	within 1 year
	<u>\$ 11,062,569</u>	

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

### **Deferral of State Apportionments**

Certain apportionments owed to the District for funding of FTES, categorical programs, and construction reimbursements which are attributable to the 2010-2011 fiscal year have been deferred to the 2011-2012 fiscal year. The total amount of funding deferred into the 2011-2012 fiscal year was \$4,957,288 which have been received on July 8, 2011. These deferrals of apportionment are considered permanent with future funding also being subject to deferral into future years.

# **SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

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### **NOTE 16 - 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, 2011, the District made payment of \$1,047,821 MacCorkle Inc. for the insurance related services. The District also paid \$41,467 and \$219,365 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 17 - TAX AND REVENUE ANTICIPATION NOTES**

On July 1, 2010, the District issued \$14,415,000 Tax and Revenue Anticipation Notes bearing interest at 2.00 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on June 1, 2011. By May 2011, 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.

### **NOTE 18 - SUBSEQUENT EVENTS**

The District issued \$19,945,000 of Tax and Revenue Anticipation Notes dated July 1, 2011. The notes mature on June 1, 2012, and yield 0.350 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, 2012, until 100 percent of principal and interest due is on account in May, 2012.

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***REQUIRED SUPPLEMENTARY  
INFORMATION***

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**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING  
PROGRESS  
FOR THE YEAR ENDED JUNE 30, 2011**

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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)
2011	\$ 15,643,762	\$ 118,923,929	\$ 103,280,167	13%	\$87,492,518	118%
2009	-	108,915,006	108,915,006	0%	85,080,018	128%
2006	-	149,530,877	149,530,877	0%	87,823,351	170%

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***SUPPLEMENTARY INFORMATION***

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# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## DISTRICT ORGANIZATION

**JUNE 30, 2011**

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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

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Richard Holober	President	2013
Dave Mandelkern	Vice President- Clerk	2011
Helen Hausman	Trustee	2013
Patricia Miljanich	Trustee	2011
Karen Schwarz	Trustee	2011

### ADMINISTRATION

Ron Galatolo	Chancellor - Superintendent
James Keller	Executive Vice Chancellor
Michael Claire	President – College of San Mateo
Tom Mohr	President – Canada College
Victoria Morrow	President – Skyline College

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Student Financial Aid Cluster			
Federal Work Study Program	84.033	none	\$ 369,343
Pell Grant	84.063	none	17,407,642
Supplemental Educational Opportunity Grant (SEOG)	84.007	none	505,321
Direct Student Loans	84.268	none	1,726,628
Academic Competitiveness Grant (ACG)	84.375	none	130,907
Postsecondary Education			
TRIO Cluster			
Student Support Services	84.042A	none	737,460
Upward Bound	84.047A	none	240,878
Passed through Santa Clarita Community College District			
Fund for the Improvement of Postsecondary Education	84.116Z	none	198,210
Institutional Service			
Minority Science and Engineering Improvement	84.120	none	295,382
College Cost Reduction and Access Act Hispanic Serving Institutions	84.031C	none	514,674
Vocational Education			
Passed through California Community Colleges Chancellor's Office:			
CTEA I-C Basic Grants to States	84.048A	10-C01-052	560,287
CTEA II Tech Prep Education	84.243	10-139-370	209,124
Elementary and Secondary Education			
Passed through California Community Colleges Chancellor's Office:			
ARRA - State Fiscal Stabilization Fund - Education State Grants	84.394	none	55,818
Special Education and Rehabilitation Services			
Passed through California Department of Rehabilitation:			
Vocational Rehabilitation-Workability	84.126A	27721	144,904
Passed through California Department of Developmental Services:			
Special Education-Grants for Infants and Families	84.181	s11-063	6,740
Total U.S. Department of Education			<u>23,103,318</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Administration for Children and Families			
Passed through California Community Colleges Chancellor's Office:			
Temporary Assistance for Needy Families (TANF)	93.558	none	73,610
Passed through California Department of Education/CDTC:			
Child Care and Development Block Grant	93.575	3939, 4047	131,365
Total U.S. Department of Health and Human Services			<u>204,975</u>

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, 2011**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through California Department of Education:			
Child and Adult Care Food Program	10.558	1754-0A	34,328
Total U.S. Department of Agriculture			<u>34,328</u>
<b>U.S. DEPARTMENT OF LABOR</b>			
Passed through County of San Mateo:			
ARRA - WIA Dislocated Workers	17.260	73200-10-C175	218,690
Community Based Job Training Grants	17.269	71327	47,414
Passed through California Community Colleges Chancellor's Office:			
WIA - Adult - Governor's 15% Discretionary Fund	17.258	09-115-15	33,735
ARRA - WIA - Adult - Governor's 15% Discretionary Fund	17.258	09-127-19	66,973
Community Based Job Training Grant	17.269	none	946,602
Passed through California Employment Development Department:			
ARRA - WIA - Adult - Governor's 15% Discretionary Fund	17.258	K079978	56,365
Employment Services - Wagner-Peyser 10%	17.207	K079976	75,000
Total U.S. Department of Labor			<u>1,444,779</u>
<b>U.S. DEPARTMENT OF THE TREASURY</b>			
Volunteer Income Tax Assistance (VITA) Matching Grant Program	21.009	none	10,500
<b>NATIONAL SCIENCE FOUNDATION</b>			
Education and Human Resources	47.076	none	303,593
Engineering Grants	47.041	none	40,910
Total National Science Foundation			<u>344,503</u>
<b>NATIONAL AERONAUTICS AND SPACE ADMINISTRATION</b>			
Minority University Research and Education Program	43.008	none	78,825
<b>U.S. DEPARTMENT OF ENERGY</b>			
Passed through Santa Clarita Community College District:			
Congressionally Directed Project	none	DE-EE0003160	94,225
Total Expenditures of Federal Awards			<u>\$ 25,315,453</u>

See accompanying note to supplementary information.

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2011**

Program	Program Entitlements			Program Revenues				Total Program Expenditures
	Current Year	Prior Year	Total Entitlement	Cash Received <sup>[1]</sup>	Accounts Receivable	Deferred Revenue	Total Revenue	
<b>GENERAL FUND</b>								
Disabled Students Programs & Services	\$ 1,048,334	\$ -	\$ 1,048,334	\$ 1,165,706	\$ -	\$ 118,366	\$ 1,047,340	\$ 1,047,340
Extended Opportunity Programs & Services	1,086,358	2,660	1,089,018	1,089,018	-	-	1,089,018	1,089,018
CARE/EOPS	82,487	1,296	83,783	83,783	-	-	83,783	83,783
Matriculation	691,414	-	691,414	691,414	-	-	691,414	691,414
Foster Parent Training	83,792	-	83,792	52,545	31,247	-	83,792	83,792
FA Administrative Allowance	750,257	28,547	778,804	778,804	-	23,320	755,484	755,484
Block Grant	-	1,263,678	1,263,678	1,263,679	-	271,218	992,461	992,461
T-Com and Technology (TTIP)	-	112,589	112,589	112,589	-	92,943	19,646	19,647
CalWORKs	356,255	-	356,255	356,255	-	-	356,255	356,255
Middle College High School	198,908	-	198,908	79,563	119,345	-	198,908	198,908
CITD Economic Development	205,000	-	205,000	122,998	59,475	-	182,473	182,472
Staff Development	-	48,288	48,288	48,288	-	42,720	5,568	5,568
MESA/CCCP Funds for Student Success	101,000	24,358	125,358	93,431	15,483	-	108,914	108,915
RCSD CBET Program	40,000	-	40,000	40,000	-	-	40,000	40,000
Lottery-Prop 20-Instructional Materials	772,874	533,673	1,306,547	122,867	376,669	-	499,536	219,710
Nursing-Enrollment Growth	101,087	11,211	112,298	81,042	31,256	-	112,298	112,298
TTIP Video Over IP Grant	-	11,619	11,619	11,619	-	-	11,619	11,619
SUHSD CBET Program	42,211	-	42,211	42,211	-	-	42,211	42,211
Basic Skills 10-11 appropriation	305,440	-	305,440	305,440	-	236,710	68,730	68,730
Basic Skills 09-10 appropriation	-	263,978	263,978	263,978	-	145,402	118,576	118,575
Basic Skills 08-09 appropriation	-	150,003	150,003	150,003	-	-	150,003	150,003
California EDD Green Innovation	2,700,000	-	2,700,000	323,940	529,068	-	853,008	853,008
CTE Community Collaborative Project Rancho Santiago CCD-YEP	15,000	-	15,000	-	15,000	-	15,000	15,000
CTE Com Collaborative Project 10-12	-	288,115	288,115	288,115	-	97,643	190,472	190,472
CTE Com Collaborative Project 11-13	400,000	-	400,000	400,000	-	354,031	45,969	45,969
CCCCO-CTE-California Career Academy	1,005,591	-	1,005,591	402,237	-	402,237	-	-
Entrepreneurship Career Pathways	90,000	-	90,000	90,000	-	54,782	35,218	35,218
LACCD - CCC ESL/BSI Prof Dev Grant	-	31,379	31,379	31,379	-	-	31,379	31,379
EWD RTF Incumbent Workers	148,786	-	148,786	148,786	-	92,882	55,904	55,904
EWD RTF Incumbent Workers	-	300,000	300,000	300,000	-	-	300,000	300,000
State Library	8,561	21,724	30,285	30,285	-	15,986	14,299	14,299
CDE Child Development	252,388	-	252,388	198,575	27,645	-	226,220	226,221
Cal Grant	519,600	-	519,600	499,385	28,353	8,138	519,600	519,600
<b>Total State Programs</b>	<b>11,005,343</b>	<b>3,310,690</b>	<b>14,316,033</b>	<b>\$ 9,885,507</b>	<b>\$ 1,233,541</b>	<b>\$ 1,956,378</b>	<b>\$ 9,162,670</b>	<b>\$ 8,882,845</b>

[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, 2011**

CATEGORIES	(Revised)/ Reported Data*	Audit Adjustments	Audited Data
<b>A. Summer Intersession</b>			
1. Noncredit	15	-	15
2. Credit	2,315	-	2,315
<b>B. Summer Intersession</b>			
1. Noncredit	-	-	-
2. Credit	963	-	963
<b>C. Primary Terms</b>			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	15,485	-	15,485
(b) Daily Census Contact Hours	744	-	744
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	118	-	118
(b) Credit	808	-	808
3. Alternative Attendance Accounting Procedure			
(a) Weekly Census Procedure Courses	1,112	-	1,112
(b) Daily Census Procedure Courses	155	-	155
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
<b>D. Total FTES</b>	<u>21,713</u>	<u>-</u>	<u>21,713</u>
<b>E. Basic Skills courses and Immigrant Education (FTES)</b>			
1. Noncredit	136	-	136
2. Credit	2,026	-	2,026
	<u>2,161</u>	<u>-</u>	<u>2,161</u>

\* Revised, October 2011.

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, 2011**

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There were no adjustments to the Annual Financial and Budget Report (CCFS-311), which required reconciliation to the audited financial statements at June 30, 2011.

See accompanying note to supplementary information.

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET TO  
THE STATEMENT OF NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2011**

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

**Total Fund Balance:**

General Funds	\$ 27,427,509
Special Revenue Funds	29,395,924
Capital Projects Funds	144,616,359
Debt Service Funds	22,040,501
Enterprise Funds	6,992,197
Internal Service Funds	8,629,439
Fiduciary Funds	295,373

**Total Fund Balance - All District Funds**

**\$ 239,397,302**

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

The cost of capital assets is \$ 751,430,082

Accumulated depreciation is (109,142,475) 642,287,607

Capital assets recorded in proprietary funds. (191,623)

District contribution to the Enterprise Funds were eliminated for consolidated reporting purpose. 1,000,000

Expenditures relating to issuance of debt were recognized on the modified accrual basis, but should not be recognized in accrual basis. 5,149,045

In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term debt is recognized when it is incurred. (13,992,354)

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term liabilities at year end consist of:

Bonds payable 701,795,672

Premiums, net of amortization 17,551,019

Compensated absences (vacations) 3,375,257 (722,721,948)

**Total Net Assets**

**\$ 150,928,029**

See accompanying note to supplementary information.

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**NOTE TO SUPPLEMENTARY INFORMATION  
JUNE 30, 2011**

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**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 Assets-Primary Government and the related expenditures reported on the Schedule of Federal Awards.

Description	CFDA Number	Amount
Total Federal Revenues per Statement of Revenues, Expenses, and Changes in Net Assets:		\$ 25,330,119
Adjustments to Federal Work Study program	84.033	(77,115)
Adjustments to SEOG program	84.007	62,449
Total Expenditures of Federal Awards		<u>\$ 25,315,453</u>

**Schedule of Expenditures of State Awards**

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

**Schedule of Workload Measures for 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 are made to community college districts. These schedules provide information regarding the attendance of students throughout the District.

**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.

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**NOTE TO SUPPLEMENTARY INFORMATION (CONTINUED)**  
**JUNE 30, 2011**

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**NOTE 1 - PURPOSE OF SCHEDULES**

**Reconciliation of the Governmental Fund Balance Sheets to the Statement of Net Assets**

This schedule provides a reconciliation of the adjustments necessary to bring the District's internal fund financial statements, prepared on a modified accrual basis, to the entity-wide full accrual basis financial statements required under GASB Statements No. 34 and No. 35 business-type activities reporting model.

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*INDEPENDENT AUDITORS’  
REPORTS*

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

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

We have audited the basic financial statements of San Mateo County Community College District (the District) and its discretely presented component unit for the years ended June 30, 2011 and 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 15, 2011. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

The management of San Mateo County Community College District is responsible for establishing and maintaining effective internal control over financial reporting.

In planning and performing our audits, we considered San Mateo County Community College District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of San Mateo County Community College District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of San Mateo County Community College District's internal control over financial reporting.

*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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether San Mateo County Community College District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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 audits 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*.

We noted certain matters that we reported to management of San Mateo County Community College District in a separate letter dated December 15, 2011.

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

*Vavrinek, Time, Day & Co., LLP*

Pleasanton, California  
December 15, 2011



VAVRINEK, TRINE, DAY  
& COMPANY, LLP  
*Certified Public Accountants*

VALUE THE DIFFERENCE

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT  
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

**Compliance**

We have audited San Mateo County Community College District's (the District's) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of San Mateo County Community College District's major Federal programs for the year ended June 30, 2011. San Mateo County Community College District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of San Mateo County Community College District's management. Our responsibility is to express an opinion on San Mateo County Community College District's compliance based on our audit.

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

In our opinion, San Mateo County Community College District complied, in all material respects, with the compliance requirements referred to above could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2011-1.

## Internal Control Over Compliance

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

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 that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

San Mateo County Community College District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit San Mateo County Community College District's response and, accordingly, we express no opinion on the response.

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

*Vavrinek, Time, Day & Co., LLP*

Pleasanton, California  
December 15, 2011



**REPORT ON STATE COMPLIANCE**

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

We have audited the basic financial statements of San Mateo County Community College District (the District), as of and for the year ended June 30, 2011, and have issued our report thereon dated December 15, 2011.

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 of America and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Compliance with the requirements of laws, regulations, contracts, and grants listed below is the responsibility of San Mateo County Community College District's management. In connection with the audit referred to above, we selected and tested transactions and records to determine the San Mateo County Community College District's compliance with the State laws and regulations applicable to the following items:

- Section 421 Salaries of Classroom Instructors: 50 Percent Law
- Section 423 Apportionment for Instructional Service Agreements/Contracts
- Section 424 State General Apportionment Required Data Elements
- 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 431 Gann Limit Calculation
- Section 432 Enrollment Fee
- Section 433 CalWORKS – Use of State and Federal TANF Funding
- Section 435 Open Enrollment
- Section 437 Student Fee – Instructional Materials and Health Fees
- Section 473 Economic and Workforce Development (EWD)
- Section 474 Extended Opportunity Programs and Services (EOPS)

- Section 475 Disabled Student Programs and Services (DSPS)
- Section 477 Cooperative Agencies Resources for Education (CARE)
- Section 478 Preference for Veterans and Qualified Spouses for Federally Funded Qualified Training Programs
- Section 479 to Be Arranged Hours (TBA)

Based on our audit, we found that for the items tested, the San Mateo County Community College District complied with the State laws and regulations referred to above, except as described in the Schedule of State Award Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs. Our audit does not provide a legal determination on San Mateo County Community College District's compliance with the State laws and regulations referred to above.

San Mateo County Community College District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit San Mateo County Community College District's responses and, accordingly, we express no opinion on the responses.

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

*Vavrinek, Time, Day & Co., LLP*

Pleasanton, California  
December 15, 2011

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***SCHEDULE OF FINDINGS  
AND  
QUESTIONED COSTS***

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**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 2011**

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None reported.

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

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The following findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance including questioned costs that are required to be reported by OMB Circular A-133.

### **2011-1 Finding – Student Financial Aid Cluster, Direct Student Loans – CFDA # 84.268**

*Significant Deficiency - Compliance*

#### **Criteria**

34 Code of Federal Regulation (CFR), Section 668.165(a)(2)(ii), if an institution credits a student's account at the institution with Direct Loan, the institution must notify the student, or parent of –

- The date and amount of the disbursement;
- The student's right, or parent's right to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan; and
- The procedures and the time by which the student or parent must notify the institution that he or she wishes to cancel the loan or loan disbursement.

The institution must send the notice described above in writing no earlier than 30 day before, and no later than 30 days after, crediting the student's account at the institution.

34 CFR, Sections 685.102(b), 685.301 and 303 indicates that institutions must report all loan disbursements and submit required records to the Direct Loan Servicing System (DLSS) via the Common Origination and Disbursement (COD) with 30 days of Disbursement. Each month, the COD provides institutions with a School Account Statement (SAS) data file which consist of a Cash Summary, Cash Detail, and (optional at the request of the school) Loan Detail Records. The school is required to reconcile these files to the institution's financial records.

#### **Condition**

- We noted that the Colleges did not notify the students or parents of their right to cancel all or a portion of the loan or loan disbursement.
- No documentation noting that the Colleges performed the monthly loan disbursement reconciliation as required.

#### **Questioned Costs**

None.

#### **Effect**

The Colleges did not comply with the CFR Section 668.165, Notices and Authorizations requirement for student direct loans. In addition, the Colleges did not comply with Borrower Data Transmission and Reconciliation requirements.

#### **Cause**

The Colleges were not aware of those requirements.

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

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### **Recommendation**

The Colleges should develop and implement procedures to notify students or parents of their right to cancel all or a portion of the loan or loan disbursement. The notification should include the procedures and the time by which the student or parent must notify the institution that he or she wishes to cancel the loan or loan disbursement.

In addition, the Student Financial Aid staff at each college should review the *Direct Loans School Guide* and the yearly training documents to familiar with the required reconciliation process. Documentation should be maintained to show that the loan disbursements are reconciled to the institution's financial records monthly.

### **District Response**

The colleges will implement procedures to notify students of their right to cancel any part of their loan disbursement. These procedures will include the timeline for students/parents to notify the colleges of loan cancellations.

The colleges will also review the District Loans School Guide and the yearly training documents to better familiarize themselves with the reconciliation process. Documentation will be maintained to reflect the institution's reconciliation of the monthly financial records.

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

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The following findings represent instances of noncompliance and/or questioned costs relating to State program laws and regulations.

### **2011-2 Finding – To Be Arranged Hours (TBA)**

*Significant Deficiency - Compliance*

#### **Criteria**

Pursuant to Title 5, Sections 58003.1 (b) and (c), the TBA portion of a course uses an alternative method for regularly scheduling a credit course. Legal Advisory 08-02 To Be Arranged (TBA) Hours Compliance Advice indicates that documentation is required to substantiate that each student has completed the TBA requirements as appropriate for either the Weekly or Daily census attendance accounting procedures. In addition, Student Attendance Accounting Manual –Chapter 3, Full-time Equivalent Student Attendance Account – TBA (Hours to be Arranged) indicates that in courses using daily census procedure (DSCH procedure), TBA contact hours shall be scheduled for the same number of hours as for each scheduled day of the course or as a portion of the hours the course is regularly scheduled for each day it meets.

Title 5, Section 55002(a)(3), 55002(b)(2), 58050(5), and 58051(a)(1) require that specific instructional activities, including those conducted during TBA hours, expected of all students enrolled in the course be included in the official course outline. In addition, Title 5 Section 58102 and 58108 require that a clear description of the course, including the number of TBA hours required be published in the official general catalog or addendum thereto and in the official schedule of classes or addendum thereto.

Title 5, Section 58023 states that each 50 minutes exclusive of breaks (formal or informal) is a class/contact hour, except that fractional part of a class hour beyond the last full clock hour may be counted from and including the 51<sup>st</sup> minute of the last full clock hour, providing there is no class break in the last full clock hour or the partial clock hour. The divisor for this fractional part of a class hour shall be 50. The sum of class hours cannot exceed the total number of elapsed clock hours for which the class is scheduled.

#### **Condition**

- We noted that contact hours for students where documentation of participation for at least 50 minutes of the To Be Arranged time was not available were included in the 320 report for apportionment.
- For courses using daily census procedure, we were unable to determine based on syllabus provided that the TBA contact hours were scheduled for the same number of hours as for each scheduled day of the course or a portion of the hours the course is regularly scheduled for each day it meets.
- We noted courses where instructional activities to be conducted during the TBA hours were not indicated in the official course outlines and class syllabus.
- We noted for courses with 1 hour per week by arrangement, 1.2 hour/meeting is used for contact hour calculation; for courses with 2 hours per week by arrangement, 2.5 hours/meeting is used for contact hour calculation, and for courses with 3 hours/week, 3.8 hours/meeting is used for contact hour calculation.

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

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### **Questioned Costs**

None. The District revised and resubmitted the annual 320 report by removing 10,831.20 of contact hours or 361.04 FTES.

### **Effect**

FTES reported on the Form 320 were over stated. In addition, course materials did not concisely and consistently describe the TBA expectations, activities and hours.

### **Cause**

Students who did not attend the minimum required TBA minutes were not excluded from the 320 report. Also TBA course materials were not consistent with each other. In addition, TBA contact hours were not calculated in accordance with Class Hour Unit requirement.

### **Recommendation**

We recommend the District review student attendance records for all TBA courses and remove contact hours for those who did not participate. We also recommend the District review all TBA course outline, catalogs, and course schedule material and verify that TBA courses are appropriately described.

### **District Response**

We amended 2010-2011 annual CCFS-320 report for overstated TBA hours. Colleges are continuing to develop procedures, to improve documentation of participation, to include details of TBA hours in official course outline and class syllabus.

### **2011-3 Finding – Disable Student Program and Services (DSPS)** *Significant Deficiency – Compliance*

#### **Criteria or Specific Requirement**

Title 5 Section 56006 requires a verification of disability form be maintained in each student's file. The verification should identify and describe the student's disability and the educational limitations which inhibit the educational process. The form should be signed by the appropriate professional or representative from an agency participating in interagency agreements with the State Chancellor's Office.

Title 5 Section 56004 states that documentation for services and accommodations directly related to the student's educational limitation should be available in the student's file.

Title 5 Section 56022 states that a Student Educational Contract (SEC) should be reviewed and updated each year to determine the student's progress toward their stated instructional and educational goal(s).

Title 5 Section 56026 states that colleges should maintain records of the services provided to students with disabilities.

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

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### **Condition**

Out of 40 student files reviewed, we noted 2 students had no eligibility verification form on file, 5 students did not have the accommodation form that describe the services and/or accommodation appropriate for the student, 8 students did not an updated Student Educational Contract (SEC), and 5 students did not have the SEC at all.

### **Questioned Costs**

None.

### **Effect**

The District was not in compliance with the Disable Student Program and Services documentation requirement.

### **Cause**

Disable students who did not have all necessary documentation on file or incomplete files were reported for Disable Student served.

### **Recommendation**

We recommend the District review all files for disable students served to make sure all necessary documentation are included on file.

### **District Response**

The colleges will review all files for disable students to make sure that all required documentation is on file. All staff will be reminded that all necessary documentation must be on file. In addition, in order to ensure that all students have a Student Education Plan (SEP) on file, a reminder notice will be sent to students without a current SEP requiring that they make an appointment to meet with a counselor to develop and/or update their SEP.

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

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### **2011-4 Finding – State General Apportionment Funding System** *Significant Deficiency – Compliance*

#### **Criteria or Specific Requirement**

Title 5 Section 58003.1 and the Student Attendance Accounting Manual define the characteristics of various classifications of courses used in the Form 320 reporting and the quantification of contact hours for various types of courses.

#### **Condition**

During our review of the courses claimed for apportionment on the 320 report, we noted two online courses were listed as daily courses that should have been classified as alternative attendance accounting. In addition, we noted 8 online courses were listed as weekly courses that should have been classified as alternative attendance.

#### **Questioned Costs**

Less than 1 FTES (or approximately \$350).

#### **Effect**

The FTES noted above reported on the 320 report were not supported by available documents, or were misclassified between categories.

#### **Cause**

Colleges did not accurately classify online courses.

#### **Recommendation**

We recommend the District review all online courses at each college to verify that they are appropriately classified in the data reports used to complete the 320 report. In addition, we recommend the district review the contact hour data used for the 320 report for the courses where differences were noted and ensure that future contact hour data is adjusted as necessary.

#### **District Response**

After reviewing and reclassifying the recommended changes, the net result was less than 0.5 FTES. Immediate action was implemented by ITS and Colleges to verify appropriately classified in the data reports used for CCFS 320 report.

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

**JUNE 30, 2011**

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

### **2010-1 Concurrent Enrollment of K-12 Students In Community College Credit Courses**

#### **Finding**

We noted at Skyline College that one credit instructor did not have the necessary documentation on file to show that the instruction met the minimum qualification requirements as described above.

#### **Recommendation**

Individuals having hiring responsibilities should be reminded the importance of following the appropriate policy and procedures established by governing board and the requirements indicated in CCR Title 5, section 53410.

#### **Current Status**

Implemented.