

**SAN MATEO COUNTY  
COMMUNITY COLLEGE DISTRICT**

**ANNUAL FINANCIAL REPORT**

**JUNE 30, 2014 AND 2013**

# 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 AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit, the Education Housing Corporation of San Mateo County Community College District (the District) as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component unit of the District as of June 30, 2014 and 2013, and the changes in net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principles**

As discussed in Note 16 to the financial statements, the District has adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Pleasanton, California  
December 11, 2014

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2014**

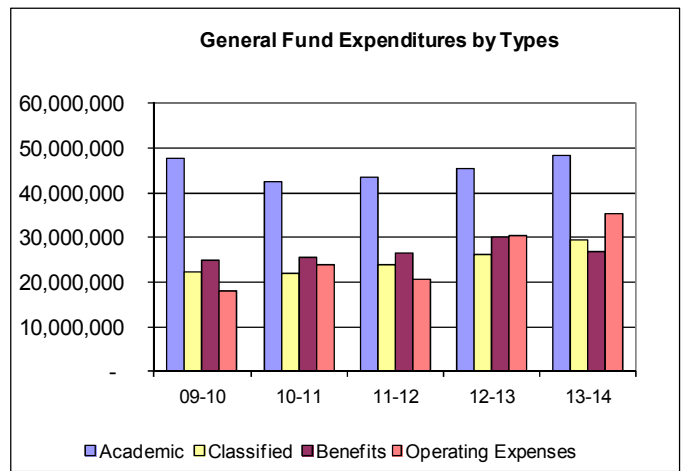
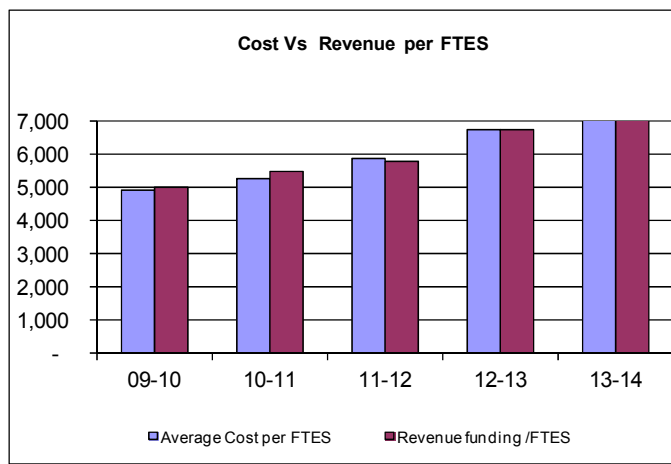
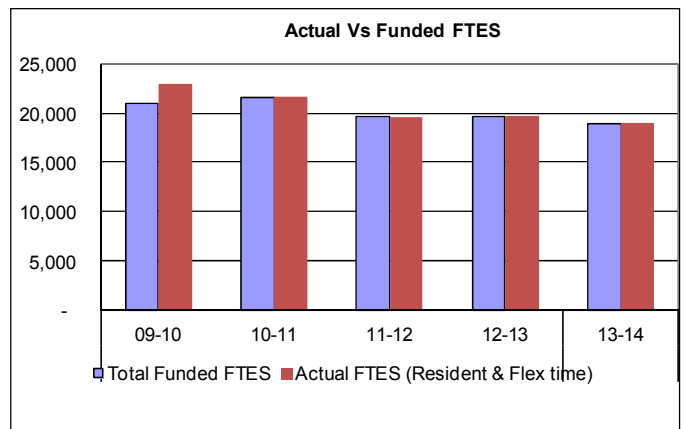
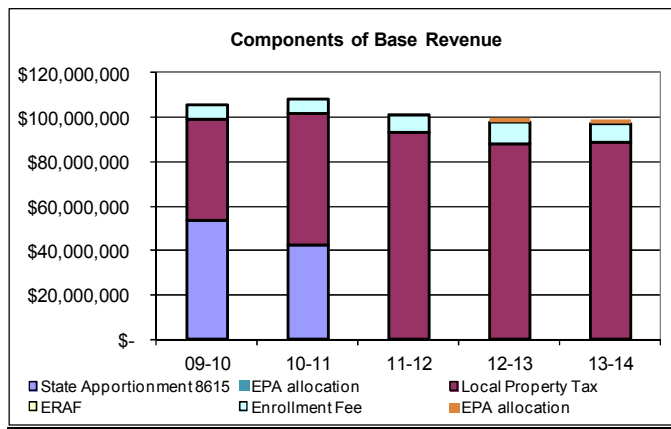
### **Introduction**

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, 2014, June 30, 2013, and June 30, 2012. The discussion has been prepared by management and is best read in conjunction with the financial statements and the notes following this section.

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

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

### **Financial Highlights of 2013-14**



# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

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### **Financial Overview Summary**

Total net position with a decrease of \$ 9 million over the prior fiscal year and ended at \$120 million at June 30, 2014.

- Assets exceeded liabilities by \$120 million, and total asset decreased \$10.7 million over last year mainly due to an decrease in depreciable capital asset.
- Net noncurrent assets decreased by \$13 million.
- Net operating loss was \$191 million, increased by \$3 million from last year.
- Net non-operating revenue increased \$18.6 million primarily due to Lehman Brother reimbursement and increased in property tax.

### **Reporting for the District as a Whole**

- Economic position of the District with the State

Fiscal Year 2013/14 is the third year that the District has been community supported. Community supported means that when the State sets the District's revenue limit (determining how many students we are funded to serve) and deducts from that revenue limit the local property taxes and student fees, there is no need for State apportionment to sum to our revenue limit. This means that the District has somewhat more resources and is no longer subject to the state borrowing funds by delaying apportionment payments. In addition to an increase in property taxes, the District is receiving funds from the dissolution of Redevelopment Agencies (RDAs). As less of the property taxes are being diverted to RDAs, more of them come to SMCCCD. The former RDAs are also slowly beginning the process of selling off their property, which brings some one-time funds to District Office. Fiscal Year 2013/14 is also the last year for receiving funds from the parcel tax (Measure G). This funding, approximately \$7 million per year, has allowed the District to cut significantly fewer sections than would have been cut and also maintain some services to students. The District has not spent all of the Measure G funds, but they will be fully expended in 2014/15. All in all, the District's revenues have increased and, with a steady real estate market, show every sign of continuing increase.

### **Salaries and Benefits**

The expenditure projection for salaries includes annual increases for movement on step and column placements and longevity service increments only. The District has not received a revenue COLA from the State since 2007- 08. Since becoming community supported and benefitting from redevelopment funds, fiscal year 2014-15 reflects a modest salary adjustment (3.69%) for all employee groups. The budget includes January 1, 2015 increases (on average, the rates went up 7.78% across plans) in non-capped health premium rates for employees and retirees. Dental insurance and vision premiums remained unchanged. The PERS rate increased from 11.417% to 11.771% and based on legislative action, the STRS rate increased from 8.25% to 8.88%. The District's Unemployment Insurance Contribution Rate is 0.055%. Due to its favorable insured loss experience and current insurance market conditions, the District expects minimal changes to insurance rates for 2014-15. Workers' compensation costs remained at 1% of salaries. To comply with GASB 45, in 2009-10, the District began charging itself an amount to cover the future medical benefit costs for current employees. These charges appear as part of the benefit expenses in all funds.



# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

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- Bond construction

As of June 30, 2014, \$470 million of the \$501 million Measure A November 2005 general obligation (GO) bond (with interest) have been spent or encumbered by contract. The projects planned under the 2005 GO bond are substantially completed with students and staff occupying the new and renovated buildings at CSM, Skyline and Cañada College.



Cañada College Bookstore



Cañada College outside food court



# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2014**

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Various small and medium size projects were completed throughout the year including: Building 3/17 Access Security Upgrades, Soccer Field Replacement, Building 5/6/8/9 Water Intrusion, Building 3 Theater Carpet Replacement, Building 5/6 Classroom Wireless Access Point Enhancements, and Baseball Field Upgrades.

College of San Mateo

College of San Mateo Health & Wellness



College of San Mateo Building 10 College Center



# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

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Various small projects were completed throughout the year including: Football Field Upgrade, Light Pole Banner and Signage, Exterior Wayfinding Signage, Building 19 Hazardous Materials Abatement, Beethoven Lot and Building 5 Wellness Center Path of Travel, Building 10 Exterior Stair, Diagonal Path Extension, East Perimeter Road Sidewalk Addition, Building 9 Exterior Light Fixture Replacement, and Building 4A Ceramics Upgrades.



Skyline College Building 11



Skyline College Building 1 and 2



Various small and medium size projects were completed throughout the year including: Upper Soccer Field Replacement, Exterior Wayfinding Signage, and Building 14 Child Development Center Security and ECE Improvement.

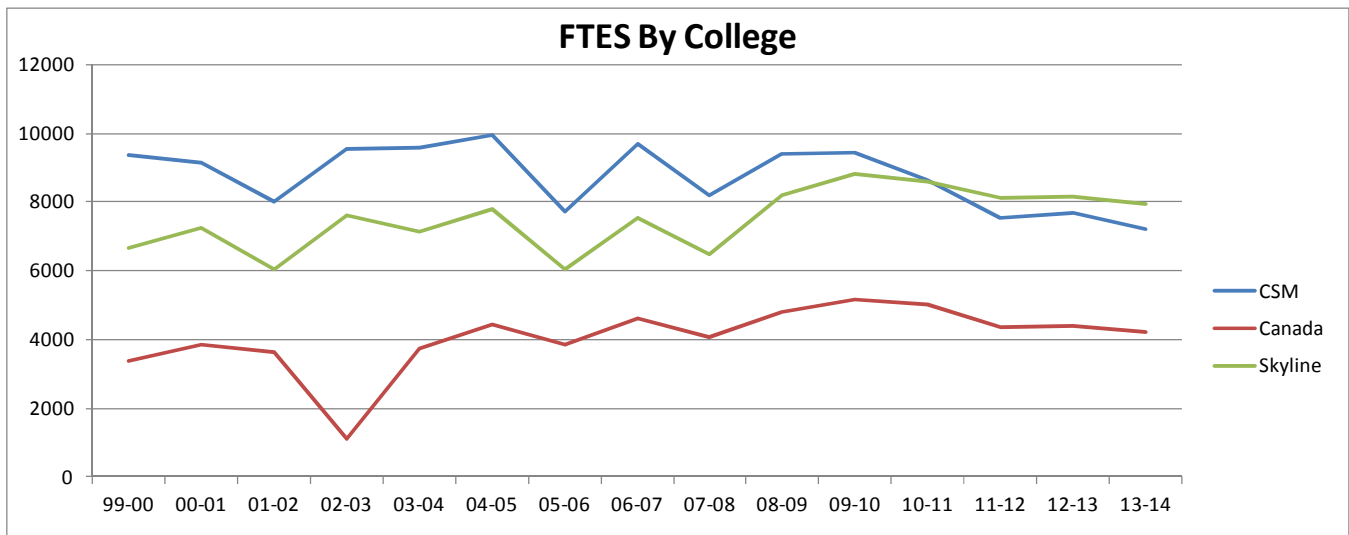
# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

- Enrollment

For SMCCCD, enrollment no longer drives funding, since property taxes and fees primarily determine funding. Historically, the District's enrollment goes up when unemployment goes up and goes down when the economy recovers. The District's enrollment declined with the recession, however, because the state cut the funds provided for enrollment. In 2013/14, the District's enrollment declined as was anticipated. The chart below shows the history of FTES in the District.



# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

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### Net Position

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

- Cash and cash equivalents consist of cash in the Treasury, Local Agency Investment Fund (LAIF) of the State Treasurer's Office, San Mateo County Pool Investment, Special Deposit Bond and with Wells Fargo Bank, proceeds from the District's general obligation construction bond, Institutional Investment Pool and certificates of deposit with various banks.
- Accounts receivable primarily consists of revenues from local, state, and federal sources from which the District had earnings but which were not received as of the fiscal year's closing date.
- Inventories and other assets include prepaid expenses and bookstore inventories.
- Capital assets, net of depreciation, are the net historical value of land, buildings, construction in progress and equipment less accumulated depreciation.
- Accounts payable and accrued liabilities consist of payables to the state, and federal governments for grants, as well as benefits, salaries and amounts owed to local vendors which the District incurred but for which payments were not issued as of the end of the fiscal year.
- Unearned revenues represent cash received during the fiscal year from state, federal grants, state apportionment and student fees; however, the funds were not earned as the end of the fiscal year.
- Long-term liabilities include obligations to be paid over a period longer than 1 year. The current portion represents payments due within the next 12 months. The District has compensated absences payable, and construction bond payable.
- According to GASB Statements, equity is reported as Net Position, rather than Fund Balance. The District's Net Position is classified as follows:
  - Net Investment in capital assets, represents the District's total investment in capital assets, net of outstanding debt obligations related to those capital assets.
  - Restricted Net Position consists of expendable and nonexpendable portions. Restricted expendable Net Position includes resources which the District is contractually obligated to expend in accordance with restrictions imposed by external third parties.
  - Unrestricted Net Position represents resources used for transactions relating to the educational and general operations of the District.

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2014**

**Analysis of Net Position – June 30, 2014**

**Table 1 Statement of Net Position**

	(In Thousand) <b>2014</b>	(In Thousand) <b>2013</b>	(In Thousand) <b>2012</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and investments	\$ 202,972	\$ 203,484	\$ 205,551
Restricted cash and investments	28,873	26,437	23,588
Accounts receivable, net	10,863	10,578	11,375
Prepaid expenses	520	238	121
Deferred charges	-	305	341
Stores inventories	2,722	2,612	2,423
<b>Total Current Assets</b>	<b>245,950</b>	<b>243,654</b>	<b>243,399</b>
<b>Noncurrent Assets</b>			
Deferred charges	-	4,880	5,149
Nondepreciable capital assets	47,819	32,558	93,069
Depreciable capital assets, net of depreciation	602,153	625,598	548,492
<b>Total Noncurrent Assets</b>	<b>649,972</b>	<b>663,036</b>	<b>646,710</b>
<b>TOTAL ASSETS</b>	<b>895,922</b>	<b>906,690</b>	<b>890,109</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable	16,792	17,030	14,098
Interest payable, restricted	3,935	5,866	13,221
Unearned revenue	10,084	11,921	11,493
Bonds and notes payable - current portion	17,290	17,290	14,910
Bond premium - current portion	2,000	2,000	2,000
<b>Total Current Liabilities</b>	<b>50,101</b>	<b>54,107</b>	<b>55,722</b>
<b>Noncurrent Liabilities</b>			
Compensated absences payable - noncurrent portion	4,191	3,848	3,766
Bonds and notes payable - noncurrent portion	693,285	689,807	687,265
Other long-term liabilities - noncurrent portion	28,444	30,444	32,444
<b>Total Noncurrent Liabilities</b>	<b>725,920</b>	<b>724,099</b>	<b>723,475</b>
<b>TOTAL LIABILITIES</b>	<b>776,021</b>	<b>778,206</b>	<b>779,197</b>
<b>NET ASSETS</b>			
Net Investment in capital assets	(64,293)	(49,609)	(59,125)
Restricted for:			
Debt service	28,911	26,472	23,633
Capital projects	79,595	80,805	73,503
Educational programs	14,936	13,899	13,421
Other activities	27,362	22,441	25,406
Unrestricted	33,390	34,476	34,075
<b>TOTAL NET POSITION</b>	<b>\$ 119,901</b>	<b>\$ 128,484</b>	<b>\$ 110,913</b>

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**JUNE 30, 2014**

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

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

**Table 2 – Statement of Operating Revenues**

	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>OPERATING REVENUES</b>			
Student Tuition and Fees	\$ 15,128	\$ 14,786	\$ 13,429
Auxiliary Enterprise Sales and Charges	7,796	7,003	6,139
Internal Service Sales and Charges	957	917	1,764
<b>TOTAL OPERATING REVENUES</b>	<u>23,881</u>	<u>22,706</u>	<u>21,332</u>
<b>OPERATING EXPENSES</b>			
Salaries	98,860	92,004	90,672
Employee benefits	33,756	37,376	32,932
Supplies, materials, and other operating expenses and services	32,456	30,009	29,565
Equipment, maintenance, and repairs	2,050	1,117	1,365
Student financial aid	22,429	23,113	22,969
Depreciation	25,690	27,595	21,408
<b>TOTAL OPERATING EXPENSES</b>	<u>215,241</u>	<u>211,214</u>	<u>198,911</u>
<b>OPERATING LOSS</b>	<u>(191,360)</u>	<u>(188,508)</u>	<u>(177,579)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
State apportionments, noncapital	938	932	849
Local property taxes, levied for general purposes	108,803	103,865	93,120
Local property taxes, levied for special purposes	31,263	28,977	28,859
Parcel tax	7,080	6,986	7,132
Federal grants	25,022	26,669	26,407
State grants	13,400	9,522	10,510
Local grants	2,896	2,425	2,519
State taxes and other revenues	3,028	3,536	3,696
Investment income (loss), net	10,126	2,540	3,832
Interest expense on capital related debt	(25,293)	(22,086)	(31,722)
Interest income on capital asset-related debt, net	416	204	202
Other nonoperating revenues (expenses)	4,802	333	(14,211)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>182,481</u>	<u>163,903</u>	<u>131,193</u>
<b>LOSS BEFORE OTHER REVENUES AND EXPENSES</b>	<u>(8,879)</u>	<u>(24,605)</u>	<u>(46,386)</u>
State revenues, capital	5,020	1,465	4,277
Local revenues, capital	461	2,534	2,094
<b>TOTAL OTHER REVENUES AND EXPENSES</b>	<u>5,481</u>	<u>3,999</u>	<u>6,371</u>
<b>CHANGE IN NET POSITION</b>	<u>(3,398)</u>	<u>(20,606)</u>	<u>(40,015)</u>
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>123,299</u>	<u>149,090</u>	<u>150,928</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 119,901</u>	<u>\$ 128,484</u>	<u>\$ 110,913</u>

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

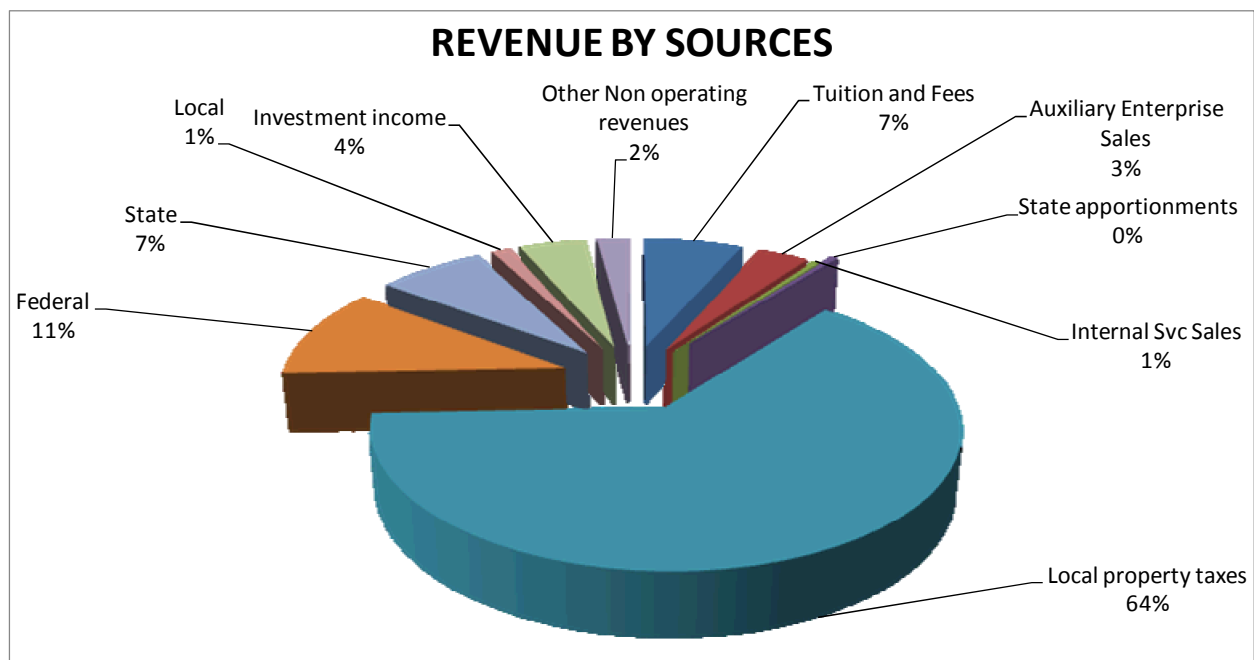
## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

Explanatory information for the statement is as follows:

- Tuition and Fees include enrollment, health, non-resident tuition, other student fees, less scholarship discount and allowance as defined by GASB statement No. 35.
- Auxiliary Enterprise Sales and Charges consist of bookstore and cafeteria sales and fitness center income, less discount allowances.
- Internal Services include self-insurance for General Liability and Workers Compensation.
- State apportionments, non-capital includes state apportionment, apprenticeship, and child development apportionment.
- Local property taxes and other non-operating revenues consist primarily of secured and unsecured taxes which are payable to the District in December and 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 maintenance funding and issuance of the General Bond. These revenues relate mainly to construction activities.

Below is an illustration of District revenues by source:





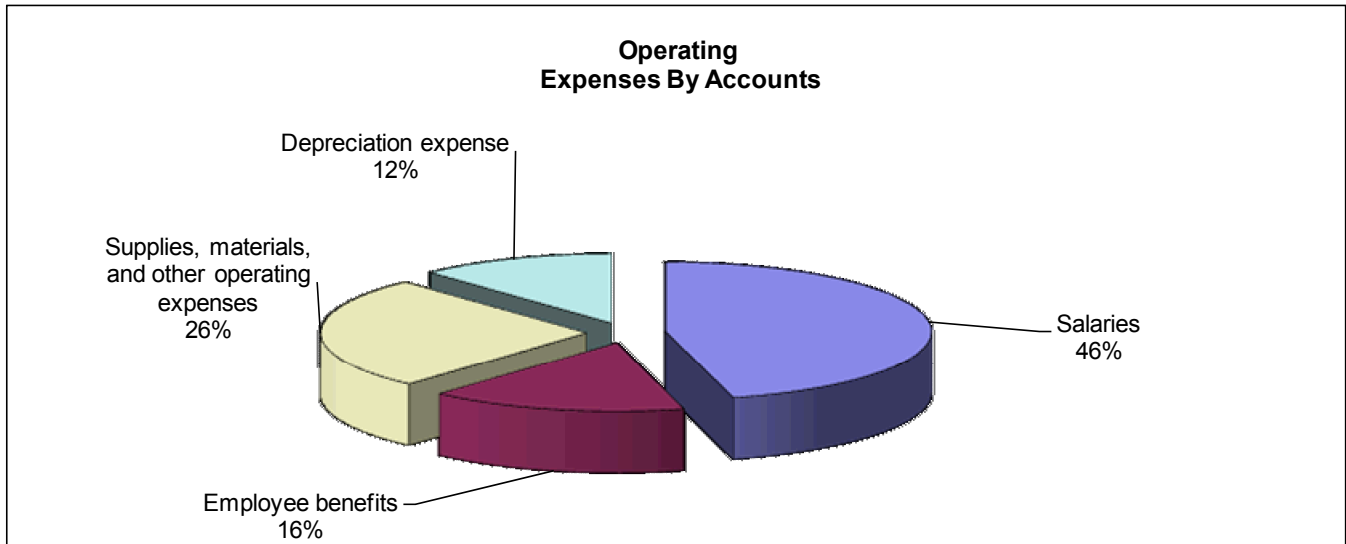
# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

Revenues and expenses changed mainly due to the following:

- Net Operating Revenue experienced an increase due to an increase in tuition and fees.
- Net Non-operating Revenue increased mainly due to an increase in local property tax and Lehman Brother reimbursements.



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

- Salaries and benefits expenses represent the largest percentage of the District 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 using the straight-line method. The District maintains a capitalization threshold of \$5,000 for equipment and \$100,000 for building improvements. Useful lives of the assets are estimated as follows:
  - 5 to 10 years for equipment
  - 25 to 50 years for improvements
  - 25 to 50 years for buildings

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

### Cash Flows

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

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

**Table 3 – Statement of Cash Flows**

	<b>2014</b>	<b>2013</b>	<b>2012</b>
	in thousands	in thousands	in thousands
<b>CASH FLOWS PROVIDED BY (USED IN):</b>			
Operating activities	\$ (165,957)	\$ (157,930)	\$ (152,794)
Noncapital financing activities	195,108	184,237	164,787
Capital financing activities	(37,369)	(28,267)	(36,906)
Investing activities	10,146	2,741	3,981
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>1,925</b>	<b>782</b>	<b>(20,932)</b>
<b>CASH &amp; CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>229,921</b>	<b>229,139</b>	<b>250,071</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 231,846</b>	<b>\$ 229,921</b>	<b>\$ 229,139</b>

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

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### **Economic Factors and the 2014-15 Budget**

Being community supported, the District's revenues primarily consist of property tax revenues and student fees and are relatively predictable. The County Assessor's Office has stated that the property tax base went up 5.82% county-wide in 2013-14, which means our projected revenues in 2014/15 are 5.82% higher. In addition, the District received over \$5 million of one-time and ongoing reallocated redevelopment funds in 2013/14 due to the demise of redevelopment agencies in 2011/12. The ongoing portion of these funds will continue to grow as property taxes grow, and also as the former redevelopment agencies pay off their debt. This puts the District on very solid financial footing. The District continues to build multi-year financial plans and has planned balanced budgets through 2016/17.

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

Staff continues to revise and update the master schedule and the master budget of the Capital Improvement Program to coincide with the funding and programming requirements. However, the District has experienced a decline in State Capital Outlay funds for projects on all three campuses due to the fact that the State failed to approve an educational facilities bond in 2006, 2008, 2010, and 2012.

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

#### **Cañada College:**

- Solar Photovoltaic System Installation
  - Anticipated Completion date: Fall 2014
- Building 3 House Lighting
  - Anticipated Completion date: Fall 2014
- Parking Lot and Roadway Light Upgrade (LED)
  - Anticipated Completion date: Winter 2014
- New Team House for Baseball and Soccer
  - Anticipated Completion date: Winter 2014

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

- North Gateway Project, Phase 2: Demolition of Buildings 21-29, Landscape and Hardscape
  - Anticipated Completion date: Fall 2014
- Baseball Field Upgrades
  - Anticipated Completion date: Fall 2014
- Building 9 Library Carpet replacement
  - Anticipated Completion date: Winter 2014
- Parking Lot and Street Light Upgrade (LED)
  - Anticipated Completion date: Spring 2014
- Building 3 House Lighting
  - Anticipated Completion date: Winter 2014
- Aquatics Center, Existing Pool System Upgrade
  - Anticipated Completion date: Spring 2015
- Building 36 Chemistry Ventilation Upgrades
  - Anticipated Completion date: Fall 2014

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

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### **Skyline College:**

- Baseball Field Upgrade
  - Anticipated Completion date: Fall 2014

### **District Wide**

- Districtwide Utility Consumption Measurement & Verification
  - Anticipated Completion date: Fall 2014
- District Office Parking Lot Soil Investigation and Improvements
  - Anticipated Completion date: Spring 2015
- Districtwide Design Standards Upgrades
  - Anticipated Completion date: Fall 2014

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

### **Staff and Faculty Housing**

In response to the very high cost of housing in San Mateo County, the College District built two apartment projects for faculty and staff, namely College Vista and Cañada Vista. The College District has a total of 104 units—60 at Cañada Vista and 44 at College Vista. Rents for these units are significantly below market, which allows residents to save for a down payment on a home. To date, 26 residents have moved out of the faculty and staff housing and purchased their own home.

### **College Vista:**



# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

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### Cañada Vista:



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

### **Contacting the District's Financial Management Office**

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

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**STATEMENTS OF NET POSITION - PRIMARY GOVERNMENT  
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and investments	\$ 202,972,467	\$ 203,484,355
Restricted cash and investments	28,873,380	26,436,848
Accounts receivable, net	10,863,274	10,577,768
Prepaid expenses	519,644	238,778
Deferred charges	-	305,198
Inventories	2,721,741	2,611,806
<b>Total Current Assets</b>	<u>245,950,506</u>	<u>243,654,753</u>
<b>Noncurrent Assets</b>		
Deferred charges	-	4,880,152
Nondepreciable capital assets	47,818,819	32,557,758
Depreciable capital assets, net of depreciation	602,153,169	625,597,908
<b>Total Noncurrent Assets</b>	<u>649,971,988</u>	<u>663,035,818</u>
<b>TOTAL ASSETS</b>	<u>895,922,494</u>	<u>906,690,571</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	16,791,999	17,030,000
Interest payable	3,935,426	5,866,377
Unearned revenue	10,083,671	11,920,829
Bonds and notes payable - current portion	17,290,000	17,290,000
Bond premium - current portion	2,000,003	2,000,003
<b>Total Current Liabilities</b>	<u>50,101,099</u>	<u>54,107,209</u>
<b>Noncurrent Liabilities</b>		
Compensated absences payable - noncurrent portion	4,191,399	3,848,333
Bonds and notes payable - noncurrent portion	693,284,017	689,805,787
Other long-term liabilities - noncurrent portion	28,444,333	30,444,336
<b>Total Noncurrent Liabilities</b>	<u>725,919,749</u>	<u>724,098,456</u>
<b>TOTAL LIABILITIES</b>	<u>776,020,848</u>	<u>778,205,665</u>
<b>NET POSITION</b>		
Net investment in capital assets	(64,292,833)	(49,608,514)
Restricted for:		
Debt service	28,911,155	26,472,082
Capital projects	79,595,373	80,805,152
Educational programs	14,936,401	13,899,287
Other activities	27,361,985	22,440,761
Unrestricted	33,389,565	34,476,138
<b>TOTAL NET POSITION</b>	<u>\$ 119,901,646</u>	<u>\$ 128,484,906</u>

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

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**STATEMENTS OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION - PRIMARY GOVERNMENT  
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	<b>2014</b>	<b>2013</b>
<b>OPERATING REVENUES</b>		
Student Tuition and Fees	\$ 27,149,929	\$ 26,372,479
Less: Fee waivers and allowance	(11,555,108)	(10,794,843)
Less: Bad debt	(466,483)	(791,217)
Net tuition and fees	<u>15,128,338</u>	<u>14,786,419</u>
Auxiliary Enterprise Sales and Charges		
Bookstore	3,246,113	3,229,619
Cafeteria	314,286	227,745
Fitness Center	4,234,859	3,545,269
Internal Service Sales and Charges	956,991	916,587
<b>TOTAL OPERATING REVENUES</b>	<u>23,880,587</u>	<u>22,705,639</u>
<b>OPERATING EXPENSES</b>		
Salaries	98,860,058	92,003,826
Employee benefits	33,755,593	37,376,039
Supplies, materials, and other operating expenses and services	32,457,261	30,008,587
Equipment, maintenance, and repairs	2,049,761	1,117,105
Student financial aid	22,428,448	23,112,911
Depreciation	25,689,851	27,594,568
<b>TOTAL OPERATING EXPENSES</b>	<u>215,240,972</u>	<u>211,213,036</u>
<b>OPERATING LOSS</b>	<u>(191,360,385)</u>	<u>(188,507,397)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State apportionments, noncapital	938,181	932,292
Local property taxes, levied for general purposes	108,803,544	103,864,700
Local property taxes, levied for special purposes	31,262,943	28,977,091
Parcel tax	7,080,146	6,986,474
Federal grants	25,021,878	26,669,123
State grants	13,399,657	9,521,575
Local grants	2,895,554	2,425,034
State taxes and other revenues	3,027,935	3,536,258
Investment income (loss), net	10,125,576	2,539,589
Interest expense on capital related debt	(25,292,690)	(22,085,926)
Interest income on capital asset-related debt, net	415,740	203,812
Other nonoperating revenues (expenses)	4,802,418	333,118
<b>TOTAL NONOPERATING REVENUES</b>	<u>182,480,882</u>	<u>163,903,140</u>
<b>LOSS BEFORE OTHER REVENUES AND EXPENSES</b>	<u>(8,879,503)</u>	<u>(24,604,257)</u>
State revenues, capital	5,020,579	1,465,128
Local revenues, capital	461,014	2,533,773
<b>TOTAL OTHER REVENUES AND EXPENSES</b>	<u>5,481,593</u>	<u>3,998,901</u>
<b>CHANGE IN NET POSITION</b>	(3,397,910)	(20,605,356)
<b>NET POSITION, BEGINNING OF YEAR, RESTATED</b>	123,299,556	149,090,262
<b>NET POSITION, END OF YEAR</b>	<u>\$ 119,901,646</u>	<u>\$ 128,484,906</u>

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

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**STATEMENTS OF CASH FLOWS – PRIMARY GOVERNMENT  
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees	\$ 15,290,977	\$ 13,980,272
Local grants and contracts	(24,078)	1,777,554
Payments to vendors for supplies and services	(31,575,910)	(31,981,264)
Payments to or on behalf of employees	(135,832,865)	(126,844,868)
Payments to students for scholarships and grants	(22,428,448)	(23,112,911)
Auxiliary sales	8,612,642	8,251,920
<b>Net Cash Flows Used In Operating Activities</b>	<u>(165,957,682)</u>	<u>(157,929,297)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State apportionments	(755,484)	2,600,257
Property taxes, levied for general purposes	108,803,544	103,864,700
Property taxes, levied for special purposes	31,262,943	28,977,091
Grant and contracts	39,887,299	37,696,378
State taxes and other apportionments	3,799,831	3,089,337
Other receipts and disbursements	12,108,920	8,009,978
<b>Net Cash Flows From Noncapital Financing Activities</b>	<u>195,107,053</u>	<u>184,237,741</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Purchase of capital assets	(16,928,759)	(7,444,228)
Loss on disposal of capital assets	1,540	1,188,995
State revenue, capital projects	5,020,579	1,465,128
Local revenue, capital projects	461,014	2,533,773
Principal paid on capital debt	(19,290,003)	(16,910,003)
Interest paid on capital debt	(7,050,443)	(9,304,519)
Interest received on capital asset-related debt	415,740	203,812
<b>Net Cash Flows Used In Capital Financing Activities</b>	<u>(37,370,332)</u>	<u>(28,267,042)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received from investments	10,145,605	2,740,852
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	1,924,644	782,254
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>229,921,203</u>	<u>229,138,949</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 231,845,847</u>	<u>\$ 229,921,203</u>

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



**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**STATEMENTS OF CASH FLOWS, PRIMARY GOVERNMENT, Continued  
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating Loss	\$ (191,360,385)	\$ (188,507,397)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation expense	25,689,851	27,594,568
Changes in Assets and Liabilities:		
Receivables, net	(475,502)	543,399
Inventories	(109,935)	(188,739)
Prepaid and other current assets	(280,866)	(117,961)
Student loans receivable, net	(24,078)	499,586
Accounts payable and accrued liabilities	(105,213)	3,175,120
Unearned revenue	708,446	(320,344)
Total Adjustments	<u>25,402,703</u>	<u>31,185,629</u>
<b>Net Cash Flows Provided For Operating Activities</b>	<u>\$ (165,957,682)</u>	<u>\$ (157,321,768)</u>
 <b>CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:</b>		
Cash and investments	\$ 202,972,467	\$ 203,484,355
Restricted cash and investments	<u>28,873,380</u>	<u>26,436,848</u>
<b>Total Cash and Cash Equivalents</b>	<u>\$ 231,845,847</u>	<u>\$ 229,921,203</u>
 <b>NON CASH TRANSACTIONS</b>		
On behalf payments for benefits	<u>\$ 2,132,102</u>	<u>\$ 1,903,158</u>
BOG Waivers	<u>\$ 11,555,108</u>	<u>\$ 10,794,843</u>

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

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**STATEMENTS OF FIDUCIARY NET POSITION  
JUNE 30, 2014 AND 2013**

	2014		2013	
	Agency Fund		Agency Fund	
	Associated Students Trust	Student Representation Fee	Associated Students Trust	Student Representation Fee
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,865,386	\$ 138,859	\$ 1,865,138	\$ 127,956
Accounts receivable	287,807	-	311,694	-
Fixed assets	4,917	-	6,392	-
<b>Total Assets</b>	<b>\$ 2,158,110</b>	<b>\$ 138,859</b>	<b>\$ 2,183,224</b>	<b>\$ 127,956</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 1,051,485	\$ -	\$ 934,533	\$ -
Due to student groups and other	1,106,625	138,859	1,248,691	127,956
<b>Total Liabilities</b>	<b>\$ 2,158,110</b>	<b>\$ 138,859</b>	<b>\$ 2,183,224</b>	<b>\$ 127,956</b>

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

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**DISCRETELY PRESENTED COMPONENT UNIT  
EDUCATIONAL HOUSING CORPORATION  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and investments	\$ 161,212	\$ 151,324
<b>Total Assets</b>	<u>\$ 161,212</u>	<u>\$ 151,324</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Rent security deposits	\$ 143,985	\$ 135,300
<b>Total Liabilities</b>	<u>143,985</u>	<u>135,300</u>
<b>NET ASSETS</b>		
Unrestricted	17,227	16,024
<b>Total Net Assets</b>	<u>17,227</u>	<u>16,024</u>
<b>Total Liabilities and         Net Assets</b>	<u>\$ 161,212</u>	<u>\$ 151,324</u>

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

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**DISCRETELY PRESENTED COMPONENT UNIT  
EDUCATIONAL HOUSING CORPORATION  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>REVENUES</b>		
Rental income	\$ 1,516,903	\$ 1,461,947
Interest and dividends	1,414	1,131
Water reimbursement	12,511	12,101
Other local income	143,618	3,375
<b>Total Revenues</b>	<u>1,674,446</u>	<u>1,478,554</u>
<b>EXPENSES</b>		
Operating expenses	456,243	316,120
<b>Total Expenses</b>	<u>456,243</u>	<u>316,120</u>
<b>OTHER SOURCES AND USES</b>		
Transfer out to SMCCCD	(1,217,000)	(1,160,757)
<b>Total Other Uses</b>	<u>(1,217,000)</u>	<u>(1,160,757)</u>
<b>CHANGE IN NET ASSETS</b>	1,203	1,677
<b>NET ASSETS, BEGINNING OF YEAR</b>	16,024	14,347
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 17,227</u>	<u>\$ 16,024</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, 2014 AND 2013

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	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 1,203	\$ 1,677
Changes in Assets and Liabilities		
Accounts receivable	-	44
Rent security deposits	8,685	3,282
<b>Net Cash Flows Provided For Operating Activities</b>	<u>9,888</u>	<u>5,003</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	9,888	5,003
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>151,324</u>	<u>146,321</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 161,212</u>	<u>\$ 151,324</u>

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

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Financial Reporting Entity

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

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

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

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

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2014**

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

### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37 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. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office *Budget and Accounting Manual*. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

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

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

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

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

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2014**

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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:

### Management's Discussion and Analysis

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

### Cash and Cash Equivalents

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

### Investments

In accordance with GASB Statement No. 31 *Accounting and Financial Reporting for Certain Investments and External Investment Pools*. Investments held at June 30, 2014 and 2013, are stated at fair value. Fair value is estimated based on quoted market prices at year-end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

### Restricted Assets

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

### Accounts Receivable

Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. This allowance is based upon a five-year average ratio over actual revenues. The allowance was estimated at \$2,799,463 and \$2,846,671 for the years ended June 30, 2014 and 2013, respectively.



# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2014**

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### **Prepaid Expenditures**

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

### **Inventory**

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

### **Capital Assets and Depreciation**

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

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

### **Accrued Liabilities and Long-term Obligations**

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

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

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

### **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.

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2014**

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Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, retirement credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Retirement credit for unused sick leave is applicable to all academic employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full time.

### **Unearned Revenue**

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

### **Noncurrent Liabilities**

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

### **Net Position**

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

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

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

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

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

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

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2014**

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### **State Apportionments**

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

### **Property Taxes**

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

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

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

### **Board of Governors Grants (BOGG) and Fee Waivers**

Student tuition and fee revenue is reported net of allowances and fee waivers approved by the Governors through BOGG fee waivers in the Statement of Revenues, Expenditures, and Changes in Net Position. 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*.

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2014**

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### **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. The California Department of Education has issued a fiscal advisory instructing districts not to record the revenue and expenditures for the on behalf payments within the funds and accounts of a district. The amount of the on behalf payments made for the District of the year ended June 30, 2014, was \$2,132,102 for CalSTRS and \$0 for CalPERS. These amounts are reflected in the District's audited financial statements.

### **Estimates**

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

### **Interfund Activity**

Interfund transfers and interfund receivables and payables are eliminated during the consolidation process in the entity-wide financial statements.

### **Component Unit - Educational Housing Corporation Financial Statement Presentation**

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

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

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

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

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

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

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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### Change in Accounting Principles

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

The District has implemented the provisions of this Statement for the year ended June 30, 2014.

As the result of implementing GASB Statement No. 65, the District has restated the beginning net position in the government-wide Statement of Net Position, effectively decreasing net position as of July 1, 2013, by \$5,185,350. The decrease results from no longer deferring and amortizing bond issuance costs.

### New Accounting Pronouncements

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

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

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

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2014**

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- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

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

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

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).
- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes, but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

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

This Statement is effective for fiscal years beginning after June 15, 2014. Early implementation is encouraged.

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

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2014**

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

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

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

The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68.

### **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.

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2014**

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

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

### General Authorizations

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

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



# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2014**

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### Summary of Deposits and Investments

Deposits and investments of the Primarily Government as of June 30, 2014 and 2013, consist of the following:

	<u>2014</u>	<u>2013</u>
Cash on hand and in banks	\$ 784,522	\$ 1,454,186
Cash in revolving	77,000	77,000
Investments	230,984,325	228,390,017
Total Deposits and Investments	<u>\$ 231,845,847</u>	<u>\$ 229,921,203</u>

Deposits and investments of the Fiduciary Funds as of June 30, 2014 and 2013, consist of the following:

	<u>2014</u>	<u>2013</u>
Cash on hand and in banks	\$ 283,435	\$ 483,108
Investments	1,720,810	1,509,986
Total Deposits and Investments	<u>\$ 2,004,245</u>	<u>\$ 1,993,094</u>

Deposits and investments of the Educational Housing Corporation as of June 30, 2014 and 2013, consist of the following:

	<u>2014</u>	<u>2013</u>
Cash on hand and in banks	\$ 105,325	\$ 96,191
Investments	55,887	55,134
Total Deposits and Investments	<u>\$ 161,212</u>	<u>\$ 151,325</u>

### Interest Rate Risk

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

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**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
Corporate fixed income	\$ 9,015,661	2.35 years *
Government securities	11,376,846	2.49 years *
County Pool	189,304,214	1.71 years
Money Market Mutual Funds	237,764	1.00
State Investment Pool	146,581	232 days
Certificates of deposit	22,679,956	1.00
Total	<u>\$ 232,761,022</u>	

\* = Duration

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the County pool and LAIF are not required to be rated, nor have they been rated as of June 30, 2014.

Investment Type	Fair Value	Not Required To Be Rated	Rating as of Year End		
			AAA*	A*	Unrated
Corporate fixed income	\$ 9,015,661	\$ -	\$ -	\$ 9,015,661	\$ -
Government securities	11,376,846	-	11,376,846	-	-
County Pool	189,304,214	189,304,214	-	-	189,304,214
Money Market Mutual Funds	237,764	-	237,764	-	-
State Investment Pool	146,581	146,581	-	-	146,581
Certificates of deposit	22,679,956	22,679,956	-	-	22,679,956
Total	<u>\$ 232,761,022</u>	<u>\$ 212,130,751</u>	<u>\$ 11,614,610</u>	<u>\$ 9,015,661</u>	<u>\$ 212,130,751</u>

\* Moody's

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014**

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**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, 2014 and 2013, the District's bank balances of approximately \$688,000 and \$1,096,000, respectively, were exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

**Custodial Credit Risk - Investments**

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

**NOTE 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 uncollectible accounts receivable to total revenue ratio. The accounts receivable are as follows:

	Primary Governmnet	
	2014	2013
Federal Government		
Categorical aid	\$ 711,673	\$ 787,292
State Government		
Categorical aid	484,057	443,166
Lottery	489,372	1,819,792
Other State sources	1,443,879	850,627
Local Sources		
Interest	99,275	119,304
Student loans	682,626	658,548
Student receivables	7,147,853	6,649,254
Other local sources	2,604,002	2,096,456
Less allowance for bad debt	(2,799,463)	(2,846,671)
Total Accounts Receivable, net	\$ 10,863,274	\$ 10,577,768

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014**

Other Local Receivables at June 30, 2014 and 2013 include \$947,127 and \$850,747 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 \$50,000 per employee. Repayment terms and interest rates are: no payments due in years 1 through 5, payments of principal and interest in years 6-10, with final payment of any remaining balance in year 10. Selling the property, withdrawing cash from the equity, or leaving the District’s employment accelerates the due date of the loan. Interest is charged at 4 percent per year. As of June 30, 2014, 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	
	2014	2013
Local Sources		
Interest	\$ 2,991	\$ 2,251
Other local sources	284,410	309,443
Total	<u>\$ 287,401</u>	<u>\$ 311,694</u>

**NOTE 5 - CAPITAL ASSETS**

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

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

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

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

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014**

Capital asset activity for the District for the fiscal year ended June 30, 2013, was as follows:

	Balance Beginning of Year (Restated)	Additions	Deductions	Balance End of Year
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 20,628,292	\$ -	\$ -	\$ 20,628,292
Construction in progress	72,440,248	4,731,203	65,241,985	11,929,466
<b>Total Capital Assets Not Being Depreciated</b>	<b>93,068,540</b>	<b>4,731,203</b>	<b>65,241,985</b>	<b>32,557,758</b>
<b>Capital Assets Being Depreciated</b>				
Land improvements	47,992,911	54,710,729	1,097,937	101,605,703
Buildings and improvements	639,659,946	12,368,723	-	652,028,669
Furniture, equipment, and vehicles	28,048,323	632,125	108,400	28,572,048
Vehicles	-	-	-	-
<b>Less Accumulated Depreciation</b>				
Land improvements	12,223,743	3,246,808	-	15,470,551
Buildings and improvements	99,609,328	21,946,198	-	121,555,526
Furniture, equipment, and vehicles	17,198,215	2,401,562	17,342	19,582,435
Vehicles	-	-	-	-
<b>Net Capital Assets Being Depreciated</b>	<b>586,669,894</b>	<b>40,117,009</b>	<b>1,188,995</b>	<b>625,597,908</b>
<b>Net Capital Assets</b>	<b>\$ 679,738,434</b>	<b>\$ 44,848,212</b>	<b>\$ 66,430,980</b>	<b>\$ 658,155,666</b>

Depreciation expense for the year was \$27,594,568.

Interest expense on capital related debt for the year ended June 30, 2013, was \$22,085,926. Of this amount, \$2,550,267 was capitalized.

**NOTE 6 - ACCOUNTS PAYABLE**

Accounts payable for the District consisted of the following:

	Primary Government	
	2014	2013
Payroll related liabilities	\$ 2,548,229	\$ 6,108,509
Mandated cost	729,738	1,090,686
Construction	2,939,432	889,305
Vendor and other	8,489,600	7,039,500
Workers' compensation	2,085,000	1,902,000
Total	<b>\$ 16,791,999</b>	<b>\$ 17,030,000</b>

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014**

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**Fiduciary Funds**

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

**Discretely Presented Component Unit**

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

**NOTE 7 - UNEARNED REVENUE**

Unearned revenue at June 30, 2014 and 2013 consisted of the following:

	Primary Government	
	2014	2013
Federal financial assistance	\$ 26,745	\$ 22,461
State categorical aid	1,163,693	919,191
Enrollment fees	7,398,213	6,689,767
Education Protection Act	-	1,948,221
Other local	1,495,020	2,341,189
Total	<u>\$ 10,083,671</u>	<u>\$ 11,920,829</u>

**NOTE 8 - TAX AND REVENUE ANTICIPATION NOTES**

On July 15, 2013, the District issued \$20,000,000 Tax and Revenue Anticipation Notes bearing interest at 2 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on April 30, 2014. By April 30, 2014, the District had placed 100 percent of principal and interest in an irrevocable trust for the sole purpose of satisfying the notes. The District was not required to make any additional payments on the notes.

	Outstanding Beginning of Year	Additions	Deletions	Outstanding End of Year
2014 2.00% TRANS	\$ -	\$ 20,000,000	\$ 20,000,000	\$ -
Total	<u>\$ -</u>	<u>\$ 20,000,000</u>	<u>\$ 20,000,000</u>	<u>\$ -</u>

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014**

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**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.

**Interfund Operating Transfers**

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

**NOTE 10 - LONG-TERM OBLIGATIONS**

**Summary**

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

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

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014**

The changes in the District's long-term obligations during the 2013 fiscal year consisted of the following:

	Balance Beginning of Year	Additions/ Accretions	Deductions	Balance End of Year	Due in One Year
Bonds and Notes Payable					
General obligation bonds	\$ 702,175,138	\$ 19,830,649	\$ 14,910,000	\$ 707,095,787	\$ 17,290,000
Other Liabilities					
Compensated absences	3,765,476	82,857	-	3,848,333	-
Total Other Liabilities	705,940,614	19,913,506	14,910,000	710,944,120	17,290,000
Bond premiums, net of amortization	34,444,342	-	2,000,003	32,444,339	2,000,003
Total Long-term Liabilities	<u>\$ 740,384,956</u>	<u>\$ 19,913,506</u>	<u>\$ 16,910,003</u>	<u>\$ 743,388,459</u>	<u>\$ 19,290,003</u>

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

**Description of Debt**

General obligation bonds were approved by local elections in 2001 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, 2014, the outstanding balances for the 2001 and 2005 bonds were \$138,922,725 and \$571,651,292, respectively.

**Debt Maturity**

**General Obligation Bonds**

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2013	Additions/ Accretions	Redeemed	Bonds Outstanding June 30, 2014
6/4/2002	9/1/2026	3.00-5.74%	\$ 96,875,613	\$ 33,297,221	\$ 1,872,202	\$ -	\$ 35,169,423
2/9/2005	9/1/2029	3.00-5.00%	69,995,132	55,642,643	1,690,705	1,750,000	55,583,348
4/11/2006	3/1/2031	3.50-5.00%	40,124,660	47,302,781	1,837,173	970,000	48,169,954
4/11/2006	9/1/2030	3.75-5.00%	135,429,395	118,938,310	5,148,393	6,800,000	117,286,703
12/12/2006	9/1/2038	3.50-5.00%	332,570,194	344,319,832	10,219,757	3,620,000	350,919,589
4/26/2012	9/1/2026	0.33-5.00%	107,595,000	107,595,000	-	4,150,000	103,445,000
				<u>\$ 707,095,787</u>	<u>\$ 20,768,230</u>	<u>\$ 17,290,000</u>	<u>\$ 710,574,017</u>



**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014**

The bonds mature through 2039 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2015	\$ 19,475,000	\$ 11,458,220	\$ 30,933,220
2016	19,200,967	13,379,371	32,580,338
2017	18,921,029	15,410,608	34,331,637
2018	20,468,929	15,636,634	36,105,563
2019	108,721,448	102,041,040	210,762,488
2020-2024	110,172,008	146,242,742	256,414,750
2025-2029	135,640,637	188,651,094	324,291,731
2030-2034	107,617,834	172,908,666	280,526,500
2035-2039	22,852,143	41,963,358	64,815,501
Subtotal	<u>563,069,995</u>	<u>\$ 707,691,733</u>	<u>\$ 1,270,761,728</u>
Accreted Interest To Date	<u>147,504,022</u>		
Total	<u>\$ 710,574,017</u>		

**Other Postemployment Benefits (OPEB) Asset**

The District's actuarially determined annual required contribution (ARC) for the year ended June 30, 2014, was \$8,642,396. The District made a contribution of \$6,912,318 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 11 for additional information regarding the OPEB asset and the postemployment benefits plan.

**NOTE 11 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION**

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

**Plan Description**

The Other Postemployment Benefit Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the San Mateo County Community College District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 1008 retirees and beneficiaries currently receiving benefits and 854 active plan members. Separate financial statements are prepared for the Plan and may be obtained by contacting the San Mateo County Community College District.

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014**

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**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 \$6,912,318 for the current retirees' medical premiums. Plan members receiving benefits contributed \$29,000, or approximately .4 percent of the total premiums. Contributions made by retirees, range between \$3 to \$893 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 Asset**

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

Annual required contribution (ARC)	\$ 8,642,396
Less : annual OPEB cost (expense) - District paid premiums	6,912,318
Less: current year contribution to the OPEB Trust	10,000,000
Contributions in excess of ARC	<u>8,269,922</u>
OPEB asset, beginning of year	<u>27,470,277</u>
OPEB asset, end of year	<u><u>\$ 35,740,199</u></u>

**Trend Information**

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

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Assets
2012	\$ 7,702,017	\$ 17,196,992	223%	\$ 19,009,630
2013	8,642,396	17,103,043	198%	27,470,277
2014	8,642,396	16,912,318	196%	35,740,199

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2014**

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### Funding Status and Funding Progress

The funded status of the OPEB Plan as of June 30, 2014, is as follows:

Actuarial Accrued Liability (AAL)	\$ 125,352,953
Actuarial Value of Plan Assets	<u>(34,870,628)</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 90,482,325</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	28%
Covered Payroll	<u>\$ 97,167,462</u>
UAAL as Percentage of Covered Payroll	<u>93%</u>

The above noted actuarial accrued liability was based on the February 1, 2013, actuarial valuation. Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, follow the notes to the financial statements, presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

### Actuarial Methods and Assumptions

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

In the February 1, 2013 actuarial valuation, the Entry Age Normal Actuarial Cost Method was used. The actuarial assumptions included a 7 percent investment rate of return (net of administrative expenses), based on the Plan being funded in an irrevocable employee benefit trust fund invested in a long-term fixed income portfolio. Healthcare cost trend rates assumed 4 percent per year. The UAAL is being amortized at a level percentage of payroll method. The remaining amortization period at February 1, 2013, was 30 years. The actuarial value of assets of \$34,870,628 was determined in this actuarial valuation. At June 30, 2014, the Trust held net assets in the amount of \$55,459,915 in investments with Benefit Trust.

### NOTE 12 - RISK MANAGEMENT

#### Insurance Coverage

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ending June 30, 2014, 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.

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014**

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**Workers' Compensation**

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

**Employee Medical Benefits**

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

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 88 retirees that fall under this categorical and the District's share for the fiscal year was \$512,684.

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

**Claim Liabilities**

The District establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2012 to June 30, 2014:

	<u>Workers'</u> <u>Compensation</u>	<u>Property</u> <u>and Liability</u>
Liability Balance, July 1, 2012	\$ 2,102,691	\$ 150,000
Claims and changes in estimates	-	-
Claims payments	(350,691)	-
Liability Balance, June 30, 2013	<u>1,752,000</u>	<u>150,000</u>
Claims and changes in estimates	2,085,000	-
Claims payments	(1,752,000)	(150,000)
Liability Balance, June 30, 2014	<u>\$ 2,085,000</u>	<u>\$ -</u>
Assets available to pay claims at June 30, 2014	<u>\$ 6,622,977</u>	<u>\$ 150,000</u>

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2014**

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### **NOTE 13 - 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. As a result of the Public Employee Pension Reform Act of 2013 (PEPRA), changes have been made to the defined benefit pension plan effective January 1, 2013. 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, 100 Waterfront Place, West Sacramento, CA 95605.

##### **Funding Policy**

Due to the implementation of the Public Employee Pension Reform Act of 2013 (PEPRA), new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-14, the required contribution rate for new members is 8.0 percent. "Classic" plan members are also required to contribute 8.0 percent of their salary. 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 2013-2014 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, 2014, 2013, and 2012, were \$3,469,338, \$3,292,883, and \$3,185,617, respectively, and equal 100 percent of the required contributions for each year.

#### **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. As a result of the Public Employee Pension Reform Act of 2013 (PEPRA), changes have been made to the defined benefit pension plan effective January 1, 2013. 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.

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2014**

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### **Funding Policy**

As a result of the implementation of the Public Employee Pension Reform Act of 2013 (PEPRA), new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-2014, the normal cost is 11.85 percent, which rounds to a 6.0 percent contribution rate. "Classic" plan members continue to contribute 7.0 percent. 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 2013-2014 was 11.442 percent of covered payroll. The District's contributions to CalPERS for fiscal years ending June 30, 2014, 2013, and 2012, were \$4,296,931, \$4,035,956, and \$3,693,915, 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, 2014, 2013, and 2012 amounted to \$2,132,102, \$1,903,158, and \$1,821,547, respectively, and equaled 5.541 percent of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. These amounts have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

### **Deferred Compensation**

The District offers its employees a 457 and 403 (b) tax deferred compensation plan. Currently, the District has 39 employees participating in the 457 plan and 277 employees in the 403(b) plan. The plan permits participants to defer a portion of their pre-tax salary into investment(s) provided by the plans. The deferred compensation will become available once a qualifying event, as defined by the IRS, has been met. The District oversees the administrative functions of these plans. The District makes employer contributions for six of its employees, otherwise, these plans are strictly for employee contributions only.

## **NOTE 14 - 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, 2014.

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.

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2014**

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### 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, 2014.

### 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, 2014, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
District funded facility improvement projects	\$ 3,569,279	within 1 year
State funded capital outlay projects	7,049	within 1 year
2005 G.O. Bond (Measure A) construction projects	3,697,525	within 1 year
	<u>\$ 7,273,853</u>	

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

### NOTE 15 - 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, 2014, the District made total payment of \$967,614 to MacCorkle Inc. for insurance premiums and the insurance related services. The District also paid \$43,660 and \$240,829 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.

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014**

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**NOTE 16 - RESTATEMENT OF PRIOR YEAR FUND BALANCES**

The District's prior year beginning net position has been restated as of June 30, 2014.

Effective in fiscal year 2013-2014, the District was required to adopt GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The implementation of this standard required a change in accounting principle and restatement of the beginning net position of the District by \$5,185,350.

**Statement of Net Position**

Net Position - Beginning	\$	128,484,906
Restatement/cost of issuance		(5,185,350)
Net Position - Beginning as Restated	\$	<u>123,299,556</u>

**NOTE 17 - SUBSEQUENT EVENTS**

The District issued \$18,655,000 of Tax and Revenue Anticipation Notes dated July 03, 2014. The notes mature on June 30, 2015, and yield 0.200 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, 2015, until 100 percent of principal and interest due is on account on April 30, 2015.

The voters of the District passed the General Obligation Bonds (Measure H) in the amount of \$388 million in November 2014 for the acquisition, construction, and remodeling of certain District property.



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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, 2014**

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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)
February 1, 2009	\$ -	\$ 108,915,006	\$ 108,915,006	0%	\$85,080,018	128%
February 1, 2011	15,643,762	118,923,929	103,280,167	13%	90,671,696	114%
February 1, 2013	34,870,628	125,352,953	90,482,325	28%	97,167,462	93%

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***SUPPLEMENTARY INFORMATION***

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# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## DISTRICT ORGANIZATION

**JUNE 30, 2014**

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

### ADMINISTRATION

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

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014**

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	\$ 447,995
Pell Grant	84.063	none	18,283,889
Supplemental Educational Opportunity Grant (SEOG)	84.007	none	436,699
Direct Student Loans	84.268	none	1,867,363
Postsecondary Education			
TRIO Cluster			
Student Support Services	84.042A	none	660,463
Upward Bound	84.047A	none	248,930
Institutional Service			
Higher Education -Institutional Aid HSI STEM	84.031C	none	1,114,496
Higher Education -Institutional Aid HSI Cooperative	84.031S	none	526,290
Vocational Education			
Passed through California Community Colleges Chancellor's Office:			
CTEA I-C Basic Grants to States	84.048	13-C01-052	511,001
CTEA I-C Basic Grants to States - CTE Transitions	84.048	13-112-370	132,075
Elementary and Secondary Education			
Passed through Sequoia Union High School District:			
Twenty-First Century Community Learning Centers	84.287	Not available	907
Special Education and Rehabilitation Services			
Passed through California Department of Rehabilitation:			
Vocational Rehabilitation-Workability	84.126A	28851	149,214
Total U.S. Department of Education			<u>24,379,322</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	Not available	77,835
Passed through California Department of Education/CDTC:			
		13-14-3939	
		CCTR3264,	
Child Care and Development Block Grant	93.575	CSPP3514,	51,595
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	CCTR3264,	
		CSPP3514	62,396
Passed through Asian Americans for Community Involvement:			
Health Care Innovation Awards (HCIA)	93.610	ICICM5331035-01-00	73,869
Total U.S. Department of Health and Human Services			<u>265,695</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, 2014**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through California Department of Education:			
Child and Adult Care Food Program	10.558	1754-0A	50,967
Total U.S. Department of Agriculture			<u>50,967</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
Passed through The San Francisco Foundation:			
Social Innovation Fund	94.019	Not available	110,139
NATIONAL SCIENCE FOUNDATION			
Education and Human Resources	47.076	none	95,920
Engineering Grants	47.041	none	28,581
Total National Science Foundation			<u>124,501</u>
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			
Minority University Research and Education Program	43.008	none	79,802
US DEPARTMENT OF COMMERCE			
Passed through Foundation for California Community Colleges:			
ARRA - NTIA-Broadband Technology Opportunities Program	11.557	06-43-B10541	3,214
SMALL BUSINESS ADMINISTRATION			
Passed through Humboldt State University Sponsored Programs Foundation:			
Small Business Development Centers	59.037	SBAHQ-13-B-0066	2,009
Total Expenditures of Federal Awards			<u>\$ 25,015,649</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, 2014**

Program	Program Entitlements			Program Revenues				Total Program Expenditures
	Current Year	Prior Year	Total Entitlement	Cash Received <sup>[1]</sup>	Accounts Receivable	Unearned Revenue	Total Revenue	
<b>GENERAL FUND</b>								
Disabled Students Programs & Services	\$ 1,197,010	\$ -	\$ 1,197,010	\$ 1,197,010	\$ -	\$ -	\$ 1,197,010	\$ 1,197,010
Extended Opportunity Programs & Services	1,340,251	-	1,340,251	1,340,251	-	-	1,340,251	1,340,251
CARE/EOPS	82,487	-	82,487	82,487	-	-	82,487	82,487
Matriculation	1,351,610	-	1,351,610	1,351,610	-	165,950	1,185,660	1,185,660
Foster Parent Training	81,505	-	81,505	40,752	40,753	-	81,505	81,505
FA Administrative Allowance	876,031	-	876,031	876,031	-	-	876,031	876,031
Block Grant - Instructional Equipment	-	25,920	25,920	25,922	-	23,456	2,466	2,466
T-Com and Technology (TTIP)	-	41,154	41,154	41,154	-	40,673	481	481
CalWORKs	441,055	-	441,055	439,405	1,650	-	441,055	441,055
Staff Development	-	39,180	39,180	39,180	-	25,259	13,921	13,921
MESA/CCCP Funds for Student Success	101,000	14,220	115,220	68,144	35,525	-	103,669	103,669
RCS D CBET Program	50,000	-	50,000	2,686	47,314	-	50,000	50,000
Lottery-Prop 20-Instructional Materials	689,550	1,624,573	2,314,123	328,078	304,073	-	632,151	419,873
Nursing-Enrollment Growth	209,600	-	209,600	176,064	33,536	-	209,600	209,600
Rancho Santiago CCD-YEP Grant	-	35,969	35,969	35,969	-	-	35,969	35,969
Basic Skills 12-13 appropriation	-	243,038	243,038	243,038	-	31,232	211,806	211,806
Basic Skills 11-12 appropriation	-	49,986	49,986	49,986	-	-	49,986	49,986
Basic Skills 13-14 appropriation	270,995	-	270,995	270,995	-	143,255	127,740	127,740
CCCCO-CTE-CAA Grant	-	85,948	85,948	39,948	46,000	-	85,948	85,948
CTE Pathways Initiative	-	19,924	19,924	19,924	-	-	19,924	19,924
YEP 01/10/12 - 03/31/14	-	7,016	7,016	(7,984)	15,000	-	7,016	7,016
CTE Pathways 11/01/12 - 11/30/14	-	215,161	215,161	128,161	85,341	-	213,502	213,502
CCCCO-CTE-CAA 11/01/12 - 11/30/14	-	460,000	460,000	345,000	16,716	-	361,716	361,716
Instructional Equipment and Library	212,542	-	212,542	212,542	-	183,804	28,738	28,738
Scheduled Maintenance	212,545	-	212,545	212,545	-	-	212,545	38,451
Deputy Navigator - Global	300,000	-	300,000	120,000	23,668	-	143,668	143,668
Deputy Navigator - Retail	300,000	-	300,000	120,000	79,028	-	199,028	199,028
FHDACCD - DSN Energy	19,700	-	19,700	-	7,571	-	7,571	7,571
CCCCO - CEP CAA	1,450,000	-	1,450,000	580,000	-	542,853	37,147	37,147
FCCC-CSM Cares Program	(75,056)	194,587	119,531	89,548	13,718	-	103,266	103,266
UC Regents Puente Program	35,000	-	35,000	35,000	-	-	35,000	35,000
SMUHSD - AB 86 Adult Ed Consortium	17,309	-	17,309	-	2,204	-	2,204	2,204
State Library	-	40	40	40	-	-	40	40
SMC HSA CalFresh	20,000	10,000	30,000	10,000	11,706	-	21,706	21,706
EI Cam - Sect Navigator - Retail	10,000	-	10,000	-	10,000	-	10,000	10,000
CDE Child Development	243,089	-	243,089	216,904	348	7,211	210,041	210,041
Cal Grant	929,217	-	929,217	915,238	13,979	-	929,217	929,217
<b>Total State Programs</b>	<b>\$ 10,365,440</b>	<b>\$ 3,066,716</b>	<b>\$ 13,432,156</b>	<b>\$ 9,645,628</b>	<b>\$ 788,130</b>	<b>\$ 1,163,693</b>	<b>\$ 9,270,065</b>	<b>\$ 8,883,693</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, 2014**

CATEGORIES	<u>*Revised/ Reported Data</u>	<u>Audit Adjustments</u>	<u>Audited Data</u>
<b>A. Summer Intersession (Summer 2013 only)</b>			
1. Noncredit	13	-	13
2. Credit	2,246	-	2,246
<b>B. Summer Intersession (Summer 2014 - Prior to July 1, 2014)</b>			
1. Noncredit	-	-	-
2. Credit	-	-	-
<b>C. Primary Terms (Exclusive of Summer Intersession)</b>			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	13,105	-	13,105
(b) Daily Census Contact Hours	890	-	890
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	63	-	63
(b) Credit	421	-	421
3. Alternative Attendance Accounting Procedure			
(a) Weekly Census Procedure Courses	1,608	-	1,608
(b) Daily Census Procedure Courses	148	-	148
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
<b>D. Total FTES</b>	<u>18,493</u>	<u>-</u>	<u>18,493</u>
<b>SUPPLEMENTAL INFORMATION (Subset of Above Information)</b>			
<b>E. In-Service Training Courses (FTES)</b>	-	-	-
<b>F. Basic Skills courses and Immigrant Education (FTES)</b>			
1. Noncredit	75	-	75
2. Credit	1,689	-	1,689
	<u>1,764</u>	<u>-</u>	<u>1,764</u>

\* Annual report revised as of October 2014.

See accompanying note to supplementary information.



**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW)  
CALCULATION  
FOR THE YEAR ENDED JUNE 30, 2014**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<b>Academic Salaries</b>							
<b>Instructional Salaries</b>							
Contract or Regular	1100	\$ 21,161,103	\$ -	\$ 21,161,103	\$ 21,161,103	\$ -	\$ 21,161,103
Other	1300	17,863,681	-	17,863,681	17,808,898	-	17,808,898
<b>Total Instructional Salaries</b>		<b>39,024,784</b>	<b>-</b>	<b>39,024,784</b>	<b>38,970,001</b>	<b>-</b>	<b>38,970,001</b>
<b>Noninstructional Salaries</b>							
Contract or Regular	1200	-	-	-	7,035,730	-	7,035,730
Other	1400	-	-	-	1,659,281	-	1,659,281
<b>Total Noninstructional Salaries</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>8,695,011</b>	<b>-</b>	<b>8,695,011</b>
<b>Total Academic Salaries</b>		<b>39,024,784</b>	<b>-</b>	<b>39,024,784</b>	<b>47,665,012</b>	<b>-</b>	<b>47,665,012</b>
<b>Classified Salaries</b>							
<b>Noninstructional Salaries</b>							
Regular Status	2100	-	-	-	23,687,346	-	23,687,346
Other	2300	-	-	-	2,661,669	-	2,661,669
<b>Total Noninstructional Salaries</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>26,349,015</b>	<b>-</b>	<b>26,349,015</b>
<b>Instructional Aides</b>							
Regular Status	2200	1,616,852	-	1,616,852	1,398,008	-	1,398,008
Other	2400	191,355	-	191,355	283,855	-	283,855
<b>Total Instructional Aides</b>		<b>1,808,207</b>	<b>-</b>	<b>1,808,207</b>	<b>1,681,863</b>	<b>-</b>	<b>1,681,863</b>
<b>Total Classified Salaries</b>		<b>1,808,207</b>	<b>-</b>	<b>1,808,207</b>	<b>28,030,878</b>	<b>-</b>	<b>28,030,878</b>
Employee Benefits	3000	15,308,633	-	15,308,633	26,575,502	-	26,575,502
Supplies and Material	4000	-	-	-	2,147,294	-	2,147,294
Other Operating Expenses	5000	12,605	-	12,605	11,310,914	-	11,310,914
Equipment Replacement	6420	-	-	-	-	-	-
<b>Total Expenditures Prior to Exclusions</b>		<b>56,154,229</b>	<b>-</b>	<b>56,154,229</b>	<b>115,729,600</b>	<b>-</b>	<b>115,729,600</b>

See accompanying note to supplementary information.

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF EDUCATION CODE SECTION 84362 (50 PERCENT LAW)  
CALCULATION (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<b>Exclusions</b>							
<b>Activities to Exclude</b>							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Student Health Services Above Amount Collected	6441	-	-	-	177,750	-	177,750
Student Transportation	6491	-	-	-	1,024,055	-	1,024,055
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	969,339	-	969,339
<b>Objects to Exclude</b>							
Rents and Leases	5060	-	-	-	550	-	550
Lottery Expenditures							
Academic Salaries	1000	-	-	-	2,417,250	-	2,417,250
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	-	-	-
<b>Total Supplies and Materials</b>		-	-	-	-	-	-

See accompanying note to supplementary information.

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW)  
CALCULATION (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Outlay							
Library Books	6000	-	-	-	-	-	-
Equipment	6300	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
<b>Total Equipment</b>		-	-	-	-	-	-
<b>Total Capital Outlay</b>							
Other Outgo	7000	-	-	-	-	-	-
<b>Total Exclusions</b>		-	-	-	4,588,944	-	4,588,944
<b>Total for ECS 84362, 50 Percent Law</b>		\$ 56,154,229	\$ -	\$ 56,154,229	\$ 111,140,656	\$ -	\$ 111,140,656
<b>Percent of CEE (Instructional Salary Cost/Total CEE)</b>		50.53%		50.53%	100.00%		100.00%
<b>50% of Current Expense of Education</b>					\$ 55,570,328		\$ 55,570,328

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, 2014**

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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, 2014.

See accompanying note to supplementary information.

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**PROPOSITION 30 EDUCATION PROTECTION ACT (EPA)  
EXPENDITURE REPORT  
FOR THE YEAR ENDED JUNE 30, 2014**

Activity Classification	Object Code				Unrestricted
EPA Proceeds:	8630				\$ 3,815,801
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	1000-5900	\$ 3,148,746			\$ 3,148,746
Course and Curriculum Development	6020	30,708			30,708
Media	6130	196,709			196,709
Counseling and Guidance	6310	94,853			94,853
Custodial Services	6530	78,053			78,053
Grounds Maintenance and Repairs	6550	134,707			134,707
Planning, Policy making and Coordination	6600	132,025			132,025
<b>Total Expenditures for EPA</b>		\$ 3,815,801	-	-	\$ 3,815,801
<b>Revenues Less Expenditures</b>					\$ -

See accompanying note to supplementary information.

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**NOTE TO SUPPLEMENTARY INFORMATION  
JUNE 30, 2014**

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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 Position - Primary Government and the related expenditures reported on the Schedule of Expenditures of Federal Awards.

Description	CFDA Number	Amount
Total Federal Revenues per Statement of Revenues, Expenses, and Changes in Net Assets:		\$ 25,015,649
Unrestricted federal - other	none	6,229
Total Expenditures of Federal Awards		<u>\$ 25,021,878</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. The information in this schedule is presented to comply with reporting requirements of the California State Chancellor's Office.

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

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

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

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

# **SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION**

**JUNE 30, 2014**

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

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

### **Proposition 30 Education Protection Act (EPA) Expenditure Report**

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

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***INDEPENDENT AUDITOR'S  
REPORTS***

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the business-type activities of San Mateo County Community College District (the District) and its discretely presented component unit as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 11, 2014.

**Change in Accounting Principles**

As discussed in Note 16 to the financial statements, the District has adopted the provisions of the GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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*.

### **Purpose of This Report**

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

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

Pleasanton, California  
December 11, 2014



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

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

**Report on Compliance for Each Major Federal Program**

We have audited San Mateo County Community College District's (the District) compliance with the types of compliance requirements described in OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2014. The District's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

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

## Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2014.

## Report on Internal Control Over Compliance

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

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

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

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

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

Pleasanton, California  
December 11, 2014



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

VALUE THE DIFFERENCE

## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

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

### Report on State Compliance

We have audited San Mateo County Community College District's (the District) compliance with the types of compliance requirements as identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in December 2013 that could have a direct and material effect on each of the District's programs as noted below for the year ended June 30, 2014.

### Management's Responsibility

Management is responsible for compliance with the requirements identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in December 2013.

### Auditor's Responsibility

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

### Unmodified Opinion for Each of the Programs

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the programs noted below that were audited for the year ended June 30, 2014.

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

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

The District reports no Instructional Service Agreements/Contracts for Apportionment Funding; therefore, the compliance tests within this section were not applicable.

*Vavrinek, Time Day & Co., LLP*

Pleasanton, California  
December 11, 2014

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

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**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**SUMMARY OF AUDITOR'S RESULTS  
FOR THE YEAR ENDED JUNE 30, 2014**

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**FINANCIAL STATEMENTS**

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

**FEDERAL AWARDS**

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

Identification of major Federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.033, 84.063, 84.007, 84.268	<u>Student Financial Aid Cluster</u>
84.031S, 84.031C	<u>Higher Education Act Hispanic Serving Institution</u>
84.048	<u>Career and Technical Education - Basic Grants to States (Perkins IV)</u>

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

**STATE AWARDS**

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



**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 2014**

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None reported.

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014**

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None reported.

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014**

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None reported.

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS JUNE 30, 2014

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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 Findings and Questioned Costs.

### 2013-1 Finding - To Be Arranged Hours (TBA)

#### Criteria or Specific Requirement

Legal Advisory 08-02

To Be Arranged (TBA) Definition: Some courses with regular scheduled hours of instruction have "hours to be arranged" (TBA) as part of the total contact hours for the course. The TBA portion of the course uses an alternate method for regularly scheduling a credit course for purposes of applying either the Weekly or Daily Census Attendance Accounting Procedures. In other words, TBA hours are only an option for credit courses that apply the Weekly or Daily Attendance Accounting Procedures and not to those that apply the Alternative Attendance Accounting Procedure pursuant to CCR, title 5, section 58003.1(f).

Section 58102 Course Description states that the description of each course shall be clear and understandable to the prospective student. All enrolled students must be informed of TBA instructional activities and expectations for completion in the class syllabus or other document.

Legal Advisory 08-02 To Be Arranged (TBA) Hour Compliance Advice indicates that documentation is required to substantial that each student has completed the TBA requirements as appropriate for either the Weekly or Daily census attendance accounting procedures.

#### Condition

During our audit of the compliance requirements for the TBA programs, we noted the following:

- 7 of the 60 courses tested had TBA hours generated from Independent Study courses
- 14 of the 60 courses tested did not have documentation required to substantiate that each student has completed the TBA requirements. In addition, 11 of the 14 courses noted did not have description informing enrolled students about the TBA instructional activities and the expectations for completion in the class syllabus.

#### Questioned Costs

39.68 FTES were overstated. Extrapolated FTES would be 229.

#### Effect

The District is not in compliance with requirements for TBA courses.

#### Cause

Unknown.

#### Recommendation

We recommend the District review the State compliance requirements for TBA courses and provide necessary trainings to the individuals having these responsibilities to ensure that the District is in compliance with the State requirements.

#### Current Status

Implemented.

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS JUNE 30, 2014

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### 2013-2 Finding - General Apportionment Funding System

#### Criteria or Specific Requirement

Title 5, Section 58003.1 requires that the District use the appropriate attendance accounting procedure to calculate the contact hours and FTES for each type of the courses and properly classifying the courses in the attendance reports.

According to Student Attendance Accounting Manual, attendance is based on an actual count of enrolled students present at each class meeting. In other words, the total student contact hours reported for each class should be the sum of the individual attendance hour totals for each student in the class as reported by the instructor.

Title 5, Section 55002 states that the course outline of record shall specify the number of contact hours for the course as a whole. Contact hours claimed for apportionment must be consistent with the number of contact hours specified in the course outline of record. (55002(a)(3), 55002(b)(3), 58050(a)(5).)

#### Condition

During our audit of the State General Apportionment Funding System, we noted the following:

#### Actual Hours of Attendance (Commonly referred to as Positive Attendance)

- 2 out of 60 courses tested, we were not able to determine the accuracy of the classification of these courses in accordance with Title 5, Section 58003.1 because these courses were not listed in the Schedule of Classes.
- Of the 60 courses tested, 20 of them had FTES discrepancies between the Annual 320 report and the supporting course detail.

#### Weekly Contact Hours

- 5 out of 60 courses, the total contact hour per session does not agree with the total contact hour reported on the 320 report.

#### Questioned Costs

17.61 FTES were overstated for Actual Hours of Attendance (extrapolated FTES would be 19.74) and 0.85 FTES were overstated for the Weekly Contact Hours (extrapolated FTES would be 50.66).

#### Effect

FTES reported on the Annual 320 report may be overstated.

#### Cause

Unknown.

#### Recommendation

We recommend the District review the State compliance requirements for General Apportionment funding System and provide necessary trainings to the individuals having these responsibilities to ensure that the District is in compliance with the State requirements.

#### Current Status

Implemented.

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**

**JUNE 30, 2014**

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