

**SAN MATEO COUNTY
COMMUNITY COLLEGE DISTRICT
MEASURE H
2014 ELECTION GENERAL OBLIGATION BONDS**

FINANCIAL STATEMENTS

June 30, 2020 and 2019

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
MEASURE H - 2014 ELECTION GENERAL OBLIGATION BONDS

FINANCIAL STATEMENTS
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INDEPENDENT AUDITOR'S REPORT

To the 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 San Mateo County Community College District (the "District") Measure H General Obligation Bond Activity included in the Measure H Bond Fund of the District (the "Measure H Bond Fund") as of and for the years ended June 30, 2020 and 2019, and the related notes to the 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 misstatement, whether due to fraud or error.

Auditors' 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 audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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 entity'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 entity'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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure H General Obligation Bond Activity of the San Mateo County Community College District as of June 30, 2020 and 2019, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the District's Measure H Bond Fund, and do not purport to, and do not, present fairly the financial position of the San Mateo County Community College District as of June 30, 2020 and 2019, the changes in its financial position, or, where applicable, its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 4, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters for the Measure H Bond Fund. 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 effectiveness of the District's internal control over financial reporting or on compliance for the Measure H Bond Fund. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the San Mateo County Community College District's internal control over financial reporting and compliance for the Measure H Bond Fund.



Crowe LLP

Sacramento, California
December 4, 2020

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
 MEASURE H – 2014 ELECTION GENERAL OBLIGATION BONDS
 BALANCE SHEETS
 June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash	\$ 156,659,932	\$ 234,304,668
Accounts receivable	1,007,332	1,833,341
Due from the District	134,597	-
Prepaid expenditures	<u>375,081</u>	<u>1,564,505</u>
Total assets	<u>\$ 158,176,942</u>	<u>\$ 237,702,514</u>
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 10,751,643	\$ 12,919,842
Due to the District	<u>-</u>	<u>78,713</u>
Total liabilities	<u>10,751,643</u>	<u>12,998,555</u>
Fund balance:		
Nonspendable	375,081	1,564,505
Restricted – capital projects	<u>147,050,218</u>	<u>223,139,454</u>
Total fund balance	<u>147,425,299</u>	<u>224,703,959</u>
Total liabilities and fund balance	<u>\$ 158,176,942</u>	<u>\$ 237,702,514</u>

See accompanying notes to financial statements.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
 MEASURE H – 2014 ELECTION GENERAL OBLIGATION BONDS
 STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
 For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Revenues		
Interest income	\$ 6,272,684	\$ 4,651,611
 Expenditures		
Current:		
Salaries and benefits	3,760,035	4,129,468
Supplies and materials	2,137,882	1,868,624
Capital construction and improvements	<u>77,653,427</u>	<u>88,605,159</u>
Total expenditures	<u>83,551,344</u>	<u>94,603,251</u>
 Deficiencies of revenues under expenditures	 (77,278,660)	 (89,951,640)
 Other financing sources		
Bond proceeds	-	261,000,000
Bond premium	<u>-</u>	<u>3,983,845</u>
Total other financing sources	-	264,983,845
Change in fund balance	(77,278,660)	175,032,205
Restricted & Nonspendable fund balance, beginning of year	<u>224,703,959</u>	<u>49,671,754</u>
Restricted & Nonspendable fund balance, end of year	<u>\$ 147,425,299</u>	<u>\$ 224,703,959</u>

See accompanying notes to financial statements.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
MEASURE H – 2014 ELECTION GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the San Mateo County Community College District's (the "District") Measure H Bond Fund (the "Measure H Bond Fund") conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The Measure H Bond Fund accounts for financial transactions in accordance with the policies and procedures of the California College Budget and Accounting Manual.

Financial Reporting Entity: The financial statements include only the Measure H Bond Fund of the District used to account for Measure H projects. This Measure H Bond Fund was established to account for the expenditures of general obligation bonds issued under the General Obligation Bonds Election of 2014. These financial statements are not intended to present fairly the financial position and results of operations of the San Mateo County Community College District in compliance with accounting principles generally accepted in the United States of America.

Basis of Accounting: Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The financial statements represent the Measure H Bond Fund of the District and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

Due to/from District: At June 30, 2020, the balance due from the District was \$134,597. The balance due to the District at June 30, 2019 was \$78,713.

Fund Balance: Restricted fund balance includes resources which are legally or contractually restricted by external third parties. Fund balance is restricted for capital projects of the Measure H Bond Fund in accordance with the Bond Project List for Measure H General Obligation Bonds.

Accounting Estimates: The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Encumbrances: Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid.

Reclassifications: Certain reclassification have been made to conform to the current year presentation. The reclassifications have no effect on the previously reported fund balance or change in fund balance.

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SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
 MEASURE H – 2014 ELECTION GENERAL OBLIGATION BONDS
 NOTES TO FINANCIAL STATEMENTS
 For the Years Ended June 30, 2020 and 2019

NOTE 2 – CASH

Policies and Practices: The Measure H Bond Fund is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State: U.S. Treasury instrument; registered State warrants or treasury notes: securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreement; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security, and collateralized mortgage obligations.

Investment in County Treasury: The Measure H Bond Fund is considered to be an involuntary participant in an external investment pool as the Measure H Bond Fund is required to deposit all receipts and collections of monies with San Mateo County Treasurer (“County Treasurer”) (Education Code Section 41001). The Measure H Bond Fund’s investment in the pool is reported in the accounting financial statement at amounts based upon the Measure H Bond Fund’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.

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

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
County Pooled Investment Funds	N/A	None	None

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 is to changes in market interest rates. The Measure H Bond Fund manages its exposure to interest rate risk by depositing substantially all of its funds in the County Treasury Pool. The fair value of the Measure H Bond Fund’s deposits at the County Treasury, at June 30, 2020 and 2019, was \$156,659,932 and \$234,304,668, respectively, and the weighted average maturity of the pool was 639 and 306 days, respectively.

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 Measure H Bond Fund only invests in county pooled investments which are not required to be rated.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2020 and 2019 consisted of \$1,007,332 and \$1,833,341, respectively, due from the County for interest income.

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SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
MEASURE H – 2014 ELECTION GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019

NOTE 4 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2020 and 2019 consisted of \$10,751,643 and \$12,919,842, respectively, in vendor payables.

NOTE 5 – FUND BALANCE CLASSIFICATION

Governmental Accounting Standards Board Codification Sections 1300 and 1800, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB Cod. Sec. 1300 and 1800) implements a five-tier fund balance classification hierarchy that depicts the extent to which a government is bound by spending constraints imposed on the use of its resources. The five classifications are nonspendable, restricted, committed, assigned and unassigned. The nonspendable fund balance reflects amounts that are not in a spendable form, such as prepaid expenditures in the Bond Fund. The remaining fund balance of the Measure H General Obligation Bonds is restricted, as described below.

The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

NOTE 6 – PURPOSE OF BOND ISSUANCE

Bond Authorization: The general obligation bonds associated with Measure H Bonds were issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the California Education Code, and other applicable provisions of law. The Bonds are authorized to be issued by a resolution adopted by the Board of Trustees of the District on July 23, 2014 (the “Bond Resolution”).

The District received authorization at an election held on November 4, 2014, to issue bonds of the District in an aggregate principal amount not to exceed \$388,000,000 to provide financing for the specific school facilities projects listed in the Bond Project List approved by the voters. The proposition required approval by at least 55 percent of the votes cast by eligible voters within the District.

Purpose of Bonds: The proceeds of the Bonds may be used to prepare College of San Mateo, Cañada College and Skyline College students for universities and high- demand jobs; modernize math and science classrooms and labs; upgrade computer, biotechnology and job training facilities; upgrade access for disabled students; ensure classrooms meet earthquake, fire and safety requirements; and replace aging infrastructure with energy efficient systems.

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SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
 MEASURE H – 2014 ELECTION GENERAL OBLIGATION BONDS
 NOTES TO FINANCIAL STATEMENTS
 For the Years Ended June 30, 2020 and 2019

NOTE 7 – GENERAL OBLIGATION BOND ISSUANCES

The Bonds are general obligations of the District, and San Mateo County is obligated to levy ad valorem taxes for the payment of and interest on, the principal of the Bonds. The Bond Interest and Redemption Fund is maintained by the County Treasurer and is used to account for both the accumulation of resources from ad valorem tax levies and the payment of interest and redemption of principal of the bonds issued by the District.

In May 2015, the District issued Measure H General Obligation Bonds, Series A, in the amount of \$127,000,000.

In November 2018, the District Issued Measure H General Obligation Bonds, Series B, in the amount of \$261,000,000.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

As of June 30, 2020 and 2019, the Measure H Bond Fund had the following commitments with respect to unfinished capital projects:

	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
<u>2020</u>		
Districtwide projects	\$ 1,003,746	Within 1 year
Skyline projects	2,579,601	Within 2 years
CSM projects	5,316,797	Within 1 year
Cañada projects	<u>32,605,830</u>	Within 2 years
	<u>\$ 41,505,974</u>	
<u>2019</u>		
Districtwide projects	\$ 831,555	Within 2 years
Skyline projects	8,174,655	Within 2 years
CSM projects	2,326,221	Within 1 year
Cañada projects	<u>32,752,213</u>	Within 2 years
	<u>\$ 44,084,654</u>	

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SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
MEASURE H – 2014 ELECTION GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019

NOTE 9 – COVID-19 IMPACT

In December 2019, a novel strain of coronavirus surfaced (COVID-19) and spread around the world, with resulting business and social disruption. In response to the pandemic and in compliance with various state and local ordinances, the District closed physical campuses and transitioned to a distance learning model.

The operations and business results of the District could be materially adversely affected in the future including a reduction in the level of funding and impact to the timing of cash flows. In addition, significant estimates may be materially adversely impacted by national, state and local events designed to contain the coronavirus. Debt ratings for outstanding issuances may further be impacted. For the 2021 school year, the District is offering instruction in formats consistent with local health guidelines. Throughout the pandemic the District has put into practice a number of safety measures to protect students and employees and will continue to revise them as needed.

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*

To the 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 financial statements of San Mateo County Community College District (the "District") Measure H General Obligation Bond Activity included in the Measure H Bond Fund of the District (the "Measure H Bond Fund") as of and for the year ended June 30, 2020, and the related notes to the financial statements and have issued our report thereon dated December 4, 2020. The financial statements present only the District's Measure H Bond Fund and do not purport to and do not, present fairly the financial position of the District as of June 30, 2020, the changes in its financial position, or, where applicable, its cash flows for the year then ended.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over Measure H Bond Fund financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over Measure H Bond Fund financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting for the Measure H Bond Fund.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

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

Purpose of this Report

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



Crowe LLP

Sacramento, California
December 4, 2020