

**SAN MATEO COUNTY  
COMMUNITY  
COLLEGE DISTRICT**

**CAPITAL OUTLAY –  
BOND FUND 2005 ELECTION  
FINANCIAL REPORT**

**JUNE 30, 2008**

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## CAPITAL OUTLAY – BOND FUND 2005 ELECTION TABLE OF CONTENTS JUNE 30, 2008

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

VALUE THE DIFFERENCE

## INDEPENDENT AUDITORS' REPORT

Measure A Citizens' Oversight Committee  
San Mateo County Community College District  
San Mateo, California

We have audited the accompanying financial statements of the capital outlay - bond fund 2005 election of the San Mateo County Community College District, as of and for the year ended June 30, 2008 as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the capital outlay - bond fund 2005 election and are not intended to present fairly the financial position and results of operations of the San Mateo County Community College District in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the capital outlay - bond fund 2005 election of the San Mateo County Community College District at June 30, 2008, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Vavrinek, Trine, Day & Co LLP*

Pleasanton, California  
December 18, 2008

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**CAPITAL OUTLAY - BOND FUND 2005 ELECTION  
BALANCE SHEET  
JUNE 30, 2008**

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ASSETS

Investment	\$ 399,382,033
Accounts receivable	3,343,483
Due from other funds	3,917,173
Prepaid expenses	<u>10,715,819</u>
Total Assets	<u>\$ 417,358,508</u>

LIABILITIES AND FUND EQUITY

LIABILITIES

Accounts payable	<u>\$ 8,107,518</u>
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FUND EQUITY

Fund balances	
Unreserved	
Undesignated	<u>409,250,990</u>
Total Liabilities and Fund Equity	<u>\$ 417,358,508</u>

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

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**CAPITAL OUTLAY – BOND FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2008**

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REVENUES	
Interest and investment earnings	<u>\$ 19,439,941</u>
EXPENDITURES	
Current	
Payroll and benefits	3,494,432
Books and supplies	1,344,286
Services and operating expenditures	5,230,560
Capital outlay	<u>32,387,853</u>
Total Expenditures	<u>42,457,131</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>(23,017,190)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	(23,017,190)
FUND BALANCE, BEGINNING OF YEAR	<u>432,268,180</u>
FUND BALANCE, END OF YEAR	<u>\$ 409,250,990</u>

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

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## CAPITAL OUTLAY – BOND FUND 2005 ELECTION NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

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### *NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

The accounting policies of the San Mateo County Community College District Capital Outlay - Bond Fund 2005 Election conforms to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants. The San Mateo County Community College District capital outlay - bond fund 2005 election accounts for financial transactions in accordance with the policies and procedures of the California College Budget and Accounting Manual.

#### **Financial Reporting Entity**

These financial statements were prepared to comply with the requirements of proposition 39 related to the 55% voter approval requirements for bond issues and include only the Capital Outlay - Bond Fund 2005 election established to account for the expenditures of the general obligation bonds approved in August 2005. These financial statements are not intended to present fairly the complete financial position and results of operations of the San Mateo County Community College District in conformity with generally accepted accounting principles.

#### **Fund Accounting**

The District accounts for the capital outlay – bond fund 2005 election in a fund, which is considered to be a separate accounting entity from all other funds of the District. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures, as appropriate. District resources are allocated to and accounted for in individual governmental funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

#### **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.

Governmental funds are generally accounted for using the modified accrual basis of accounting. Their revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered), except for unmatured interest on general long-term debt, which is recognized when due.

#### **Encumbrances**

The District utilizes an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances are liquidated at June 30 since they do not constitute expenditures or liabilities.

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**CAPITAL OUTLAY – BOND FUND 2005 ELECTION  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2008**

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**Fund Balance Reserves and Designations**

Reservations of the ending fund balance indicate the portions of fund balance not available for appropriation or amounts legally segregated for a specific future use. Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the 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/expenses during the reporting period. Actual results could differ from those estimates.

*NOTE #2 – INVESTMENTS*

**Investments Authorized Under Debt Agreements** - The debt agreement limits investments to the San Mateo County Investment Pool. The 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

**Investment in County Treasury** - The Capital Outlay Bond Fund of the District are considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting 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.

**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 Capital Outlay Bond Fund and the District manages exposure to interest rate risk by depositing substantially all of its funds in the County Treasury Pool. The fair value of deposits at the County Treasury at June 30, 2008 was \$399,382,033 and the weighted average maturity of the pool is 1.2 years.

**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 measure by the assignment of a rating by a nationally recognized statistical rating organization. The Capital Outlay Bond Fund only invests in County Pooled Investment Funds which are not required to be rated.

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**CAPITAL OUTLAY – BOND FUND 2005 ELECTION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

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**Custodial Credit Risk – Deposits** - This is the risk that in the event of a bank failure, the Capital Outlay Bond Fund or District's deposits may not be returned to it. The Capital Outlay Bond Fund does not have any deposits subject to custodial credit risk.

*NOTE #3 – ACCOUNTS RECEIVABLE*

Accounts receivable at June 30, 2008, consists of the following:

Interest	<u>\$ 3,343,483</u>
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*NOTE #4 – INTERFUND TRANSACTIONS*

*Interfund receivables/payables (Due To/Due From)*

At June 30, 2008, Bond Fund 2005 Election has \$3,917,173 due from Capital Outlay Fund for bond projects.

*NOTE #5 – ACCOUNTS PAYABLE*

Accounts payable at June 30, 2008, consists of the following:

Vendor payables	<u>\$ 8,107,518</u>
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*NOTE #6 – FUND BALANCES*

Fund balance is composed of the following elements:

Unreserved Undesignated	<u>\$ 409,250,990</u>
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**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT**

**CAPITAL OUTLAY – BOND FUND 2005 ELECTION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

*NOTE #7 – LONG-TERM DEBT*

**A. Long-Term Debt Summary**

Under the modified accrual basis of accounting, liabilities for long-term debt are not reported in the individual funds of the District. However, they are reported as liabilities on the Statement of Net Assets in the Entity Wide financial statements of the District. A schedule of changes in long-term debt for the year ended June 30, 2008, is shown below:

	Balance Beginning of Year	Accretion	Deductions	Balance End of Year
General obligation bonds	\$ 478,106,425	\$ 11,671,429	\$ 9,845,000	\$ 479,932,854

**General Obligation Bonds**

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Beginning of Year	Accretion	Redeemed	Bonds End of Year
4/11/2006	9/1/2030	3.75-5.00%	\$ 135,429,395	\$ 140,327,945	\$ 3,878,533	\$ 9,845,000	\$ 134,361,478
12/12/2006	9/1/2038	3.50-5.00%	\$ 332,570,194	337,778,480	7,792,896		345,571,376
				\$ 478,106,425	\$ 11,671,429	\$ 9,845,000	\$ 479,932,854

The general obligation bonds mature through 2039 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2009	\$ 12,860,000	\$ 10,519,438	23,379,438
2010	5,815,000	10,005,038	15,820,038
2011	6,835,000	9,772,438	16,607,438
2012	7,935,000	9,501,388	17,436,388
2013	9,150,000	9,154,113	18,304,113
2014-2018	42,935,000	39,674,800	82,609,800
2019-2023	45,127,533	30,093,500	75,221,033
2024-2028	50,961,074	24,637,500	75,598,574
2029-2033	75,262,600	19,106,500	94,369,100
2034-2038	109,580,673	9,493,000	119,073,673
2039	23,266,600	491,000	23,757,600
Total	389,728,480	\$ 172,448,715	\$ 562,177,195
	Accretions to date		
	90,204,374		
	\$479,932,854		

*NOTE #8 – COMMITMENTS AND CONTINGENCIES*

# SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

## CAPITAL OUTLAY – BOND FUND 2005 ELECTION NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

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As of June 30, 2008, the building fund had the following commitments with respect to unfinished capital projects:

<u>Description</u>	<u>Amount</u>
District wide projects	\$ 403,364
Skyline building	2,052,324
Skyline other projects	57,703,843
Canada building	2,936,547
Canada other projects	7,021,490
College of San Mateo building	6,073,765
CSM CIP2 Design Build Project	120,650,510
College of San Mateo Other Projects	1,014,511
	<u>\$ 197,856,355</u>

### *NOTE #9 – SUBSEQUENT EVENTS*

Subsequent to June 30, 2008, San Mateo County Pool investment declined in value. The decrease in value of the District's investments was estimated by the County Treasurer to be approximately 5%, or \$19,969,102, as of October 2008. The District will record this decrease in October 2008.