

**SAN MATEO COUNTY COMMUNITY
COLLEGE DISTRICT**

**MEASURE A
2005 GENERAL OBLIGATION BONDS
AUDIT REPORT**

JUNE 30, 2013

**SAN MATEO COUNTY COMMUNITY
COLLEGE DISTRICT**

**MEASURE A
2005 GENERAL OBLIGATION BONDS
FINANCIAL AUDIT**

JUNE 30, 2013

**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
CAPITAL OUTLAY – BOND FUND 2005 ELECTION (MEASURE A)**

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JUNE 30, 2013**

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INDEPENDENT AUDITORS' REPORT

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VAVRINEK, TRINE, DAY
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Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the San Mateo Community College District's (the District), Capital Outlay - Bond Fund 2005 Election (Measure A), and the related notes to the financial statements as of and for the year ended June 30, 2013, 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 statement 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's judgment, including the assessment of the risks of material misstatement of financial statements, whether due to error or fraud. 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 principles used and the reasonableness of significant accounting 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.

Opinion

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 (Measure A) of the San Mateo Community College District at June 30, 2013, and changes in financial position for the period then ended in conformity 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 Capital Outlay Fund specific to General Obligation Bonds, Election 2005 (Measure A), and are not intended to present fairly the financial position and changes in financial position of San Mateo County Community College District conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2013, on our consideration of the District Capital Outlay Bond Fund 2005 Election (Measure A) internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's Capital Outlay Fund's (General Obligation Bonds, Measure A) internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavrinek, Time, Day & Co., LLP

Pleasanton, California
December 18, 2013

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

CAPITAL OUTLAY – BOND FUND 2005 ELECTION (MEASURE A)

BALANCE SHEET

JUNE 30, 2013

ASSETS

Deposits and investments	\$ 33,119,836
Accounts receivable	53,350
Due from other funds	4,760
Prepaid expenses	104,697
Total Assets	\$ 33,282,643

LIABILITIES AND FUND BALANCES

LIABILITIES

Overdrafts	
Accounts payable	\$ 803,025
Due to other funds	29,037
Total Liabilities	832,062

FUND BALANCES

Restricted	32,450,581
Total Fund Balances	32,450,581
Total Liabilities and Fund Balances	\$ 33,282,643

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**CAPITAL OUTLAY – BOND FUND 2005 ELECTION (MEASURE A)
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2013**

REVENUES	
Interest income	\$ (22,808)
Total Revenues	<u>(22,808)</u>
EXPENDITURES	
Current	
Salaries and benefits	784,832
Supplies	1,644,733
Services and operating expenditures	2,522,049
Capital outlay	<u>2,843,285</u>
Total Expenditures	<u>7,794,899</u>
NET CHANGE IN FUND BALANCES	(7,817,707)
FUND BALANCE - BEGINNING	<u>40,268,288</u>
FUND BALANCE - ENDING	<u><u>\$ 32,450,581</u></u>

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

CAPITAL OUTLAY – BOND FUND 2005 ELECTION (MEASURE A)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the San Mateo County Community College District's Capital Outlay – Bond Fund Measure A conform 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's Capital Outlay – 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 Capital Outlay – Bond Fund of the San Mateo County Community College District used to account for Measure A projects. This Fund was established to account for the expenditures of general obligation bonds issued under the General Obligation Bonds Election of 2005. 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.

Fund Accounting

The operations of the Capital Outlay – Bond Fund Measure A are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Basis of Accounting

The Capital Outlay – Bond Fund Measure A is accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. The District's governing board adopts an operating budget no later than July 1 in accordance with State law. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements. The Board revises this budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

CAPITAL OUTLAY – BOND FUND 2005 ELECTION (MEASURE A)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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.

Fund Balance

Fund balance for the Measure A fund is classified as follows:

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Spending Order

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

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

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 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.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

CAPITAL OUTLAY – BOND FUND 2005 ELECTION (MEASURE A)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Investment in County Treasury

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statement at amounts based upon the District's pro-rata share of the fairly 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.

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
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 District manages its 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, 2013, was \$33,119,836 and the weighted average maturity of the pool is 1.92 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 measured by the assignment of a rating by a nationally recognized statistical rating organization. The Capital Outlay Bond Fund only invests in county pooled investments which are not required to be rated.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2013, consisted of the following:

Interest	\$ 53,350
	<u>\$ 53,350</u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**CAPITAL OUTLAY – BOND FUND 2005 ELECTION (MEASURE A)
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2013**

NOTE 4 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2013 all consisted of vendor payables.

NOTE 5 - INTERFUND TRANSACTIONS

Interfund receivable balance at June 30, 2013, was as follows:

Due from other funds - Capital Outlay Fund	\$ 4,760
	<u> </u>

Interfund payable balance at June 30, 2013, was as follows:

Due to other funds - Capital Outlay Fund	\$ 29,037
	<u> </u>

NOTE 6 - COMMITMENTS AND CONTINGENCIES

As of June 30, 2013, the Capital Outlay Bond Fund (Measure A) had the following commitments with respect to unfinished capital projects:

	Remaining Construction Commitment	Expected Date of Completion
District wide projects	\$ 418,666	Within 1 year
Skyline projects	233,915	Within 1 year
CSM projects	3,720,241	Within 1 year
Canada projects	125,622	Within 1 year
	\$ 4,498,444	

INDEPENDENT AUDITORS' REPORT



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& COMPANY, LLP
Certified Public Accountants

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

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

We have audited, in accordance with the 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 accompanying financial statements of the San Mateo Community College District Capital Outlay -Bond Fund 2005 Election (Measure A) and the related notes of the financial statements as of and for the year ended June 30, 2013, and have issued our report thereon dated December 18, 2013.

As discussed in Note 1, the financial statements present only the Capital Outlay -Bond Fund 2005 Election (Measure A), and are not intended to present fairly the financial position and changes in financial position of San Mateo Community College District in conformity with accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether San Mateo Community College District's Capital Outlay - Bond Fund 2005 Election (Measure A) 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 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 non compliance. 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. Accordingly, this communication is not suitable for any other purpose.

Vavrinek, Time, Day & Co., LLP

Pleasanton, California
December 18, 2013

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**CAPITAL OUTLAY – BOND FUND 2005 ELECTION (MEASURE A)
FINANCIAL STATEMENT FINDINGS
JUNE 30, 2013**

None reported.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**CAPITAL OUTLAY – BOND FUND 2005 ELECTION (MEASURE A)
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2013**

None reported.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**MEASURE A
2005 GENERAL OBLIGATION BONDS
PERFORMANCE AUDIT**

JUNE 30, 2013

**SAN MATEO COMMUNITY COLLEGE DISTRICT
MEASURE A
2005 GENERAL OBLIGATION BONDS**

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INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

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

We were engaged to conduct a performance audit of the San Mateo County Community College District (the District), Measure A General Obligation Bond funds for the year ended June 30, 2013.

We conducted this performance audit in accordance with the standards applicable to performance 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 sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

Our audit was limited to the objectives listed within the report which includes determining the District's compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Management is responsible for the District's compliance with those requirements.

In planning and performing our performance audit, we obtained an understanding of the District's internal control in order to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39 and outlined in Article XIII A, Section 1 (b)(3)(C) of the California Constitution. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

The results of our tests indicated that the District expended Measure A General Obligation Bond funds only for the specific projects approved by the voters, in accordance with Proposition 39 and outlined in Article XIII A, Section 1 (b)(3)(C) of the California Constitution.

Vavrinek, Trine, Day & Co., LLP

Pleasanton, California
December 18, 2013

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

CAPITAL OUTLAY – BOND FUND 2005 ELECTION (MEASURE A) JUNE 30, 2013

AUTHORITY FOR ISSUANCE

The Measure A Bonds are 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 November 8, 2006 (the "Bond Resolution").

The District received authorization at an election held on November 8, 2005, to issue bonds of the District in an aggregate principal amount not to exceed \$468,000,000 to finance specific acquisition, construction and modernization projects approved by the voters. The proposition required approval by at least 55 percent of the votes cast by eligible voters within the District (the 2005 Authorization). The Bonds represent the first and second series of the authorized bonds to be issued under the 2005 Authorization.

PURPOSE OF ISSUANCE

The net proceeds of the Bonds and any other series of general obligation bonds issued under the Authorization will be used for the purposes specified in the District bond proposition submitted at the Election, which include: to upgrade nursing, health career, science, computer, and biotechnology labs; improve accessibility for disabled students; make earthquake safety improvements; repair/modernized libraries, classrooms, and aging facilities, and other projects.

AUTHORITY FOR THE AUDIT

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools and Financial Accountability Act. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by school districts, community college districts, or county offices of education, "for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of rental property for school facilities", upon approval by 55 percent of the electorate. In addition to reducing the approval threshold from two-thirds to 55 percent, Proposition 39 and the enacting legislation (AB 1908 and AB 2659) requires the following accountability measures as codified in Education Code sections 15278-15282:

1. Requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIII A, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other school operating expenses.
2. The district must list the specific school facilities projects to be funded in the ballot measure, and must certify that the governing board has evaluated safety, class size reduction and information technology needs in developing the project list.
3. Requires the district to appoint a citizen's oversight committee.
4. Requires the district to conduct an annual independent financial audit and performance audit in accordance with the Government Auditing Standards issued by the Comptroller General of the United States of the bond proceeds until all of the proceeds have been expended.
5. Requires the district to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

CAPITAL OUTLAY – BOND FUND 2005 ELECTION (MEASURE A) JUNE 30, 2013

OBJECTIVES OF THE AUDIT

1. Determine whether expenditures charged to the Capital Outlay – Bond Fund have been made in accordance with the bond project list approved by the voters through the approval of Measure A.
2. Determine whether salary transactions, charged to the Bond Fund were in support of Measure A and not for District general administration or operations.

SCOPE OF THE AUDIT

The scope of our performance audit covered the period of July 1, 2012 to June 30, 2013. The population of expenditures tested included all object and project codes associated with the Measure A projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than proceeds of the bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2013 were not reviewed or included within the scope of our audit or in this report.

PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2013 for the Capital Outlay – Bond Fund Measure A. Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution and Measure A as to the approved bond projects list. We performed the following procedures:

1. We selected a sample of expenditures for the period starting July 1, 2012 and ending June 30, 2013, and reviewed supporting documentation to ensure that such funds were properly expended on the specific projects listed in the ballot text.
2. Our sample included transactions totaling \$2,012,636. This represents 26 percent of the total expenditures of \$7,794,899.
3. We verified that funds from the Capital Outlay – Bond Fund Measure A were generally expended for the authorized bond projects. In addition, we verified that funds held in the Capital Outlay – Bond Fund Measure A were used for salaries of administrators only to the extent they perform administrative oversight work on construction projects as allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General.

CONCLUSION

The results of our tests indicated that, in all significant respects, the San Mateo County Community College District has properly accounted for the expenditures held in the Capital Outlay – Bond Fund Measure A and that such expenditures were made for authorized Bond projects. Further, it was noted that funds held in the Capital Outlay – Bond Fund Measure A, and expended by the District, were used for salaries of administrators only to the extent they perform administrative oversight work on construction projects as allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**CAPITAL OUTLAY – BOND FUND 2005 ELECTION (MEASURE A)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2013**

None reported.