

**SAN MATEO COUNTY
COMMUNITY
COLLEGE DISTRICT**

**CAPITAL OUTLAY –
BOND FUND
FINANCIAL REPORT**

JUNE 30, 2006

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

CAPITAL OUTLAY – BOND FUND

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JUNE 30, 2006

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INDEPENDENT AUDITORS' REPORT

Measure C 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 of the San Mateo County Community College District, as of and for the year ended June 30, 2006, 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 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 of the San Mateo County Community College District at June 30, 2006, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Pleasanton, California
October 6, 2006

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

CAPITAL OUTLAY - BOND FUND

BALANCE SHEET

JUNE 30, 2006

ASSETS

Investments	\$ 170,396,335
Accounts receivable	1,541,014
Prepaid Expenses	39,355
Total Assets	<u>\$ 171,976,704</u>

LIABILITIES AND FUND EQUITY

LIABILITIES

Accounts payable	<u>\$ 8,783,793</u>
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FUND EQUITY

Fund balances	
Unreserved	
Undesignated	<u>163,192,911</u>
Total Liabilities and Fund Equity	<u>\$ 171,976,704</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, 2006**

REVENUES

Interest and investment earnings \$ 272,970

EXPENDITURES

Current

Books and supplies 3,481,062

Services and operating expenditures 6,340,291

Capital outlay 53,081,114

Total Expenditures 62,902,467

EXCESS OF REVENUES OVER/

(UNDER) EXPENDITURES (62,629,497)

OTHER FINANCING SOURCES/(USES)

Other sources 177,366,712

Other uses (32,252,507)

Total Other Financing Sources (Uses) 145,114,205

EXCESS OF REVENUES AND OTHER

FINANCING SOURCES OVER/(UNDER)
EXPENDITURES AND OTHER USES 82,484,708

FUND BALANCE, BEGINNING OF YEAR 80,708,203

FUND BALANCE, END OF YEAR \$ 163,192,911

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

CAPITAL OUTLAY – BOND FUND NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the San Mateo County Community College District capital outlay - bond fund 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 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 established to account for the expenditures of the general obligation bonds approved in November 2001 and 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 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 (or retained earnings), revenues, and expenditures (or expenses), 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
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

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.

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. 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 for the District. The District recognizes tax revenues when received.

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 and 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.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**CAPITAL OUTLAY – BOND FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

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, 2006 was \$170,396,335 and the weighted average maturity of the pool is 1.4 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.

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, 2006, consists of the following:

Interest	<u>\$ 1,541,014</u>
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NOTE #4 – INTERFUND TRANSACTIONS

Operating transfers

At June 30, 2006, operating transfers out to the COP Payment Fund was \$31,296,945 to pay off the COP balance and \$955,562 for CSM Regional Public Safety Center as allowed by the bond measure.

NOTE #5 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2006, consists of the following:

Vendor payables	<u>\$ 8,783,792</u>
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SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**CAPITAL OUTLAY – BOND FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE #6 – FUND BALANCES

Fund balances are composed of the following elements:

Unreserved	
Undesignated	<u>\$ 163,192,911</u>

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, 2006, is shown below:

	Balance Beginning of Year	Additions/ Accretion	Deductions	Balance End of Year
General obligation bonds	<u>\$ 165,113,823</u>	<u>\$ 178,990,454</u>	<u>\$ 3,905,000</u>	<u>\$ 340,199,277</u>

General Obligation Bonds

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Beginning of Year	Issued	Accretion	Redeemed	Bonds End of Year
6/4/2002	9/1/2026	5.20-5.74%	\$ 96,875,613	\$ 94,536,763	\$ -	\$ 1,208,175	\$ 3,905,000	\$ 91,839,938
2/9/2005	9/1/2029	3.00-5.00%	69,995,132	70,577,060	-	1,155,122	-	71,732,182
4/11/2006	3/1/2031	3.50-5.00%	40,124,660	-	40,124,660	437,813	-	40,562,473
4/11/2006	9/1/2030	3.75-5.00%	135,429,395	-	135,429,395	635,289	-	136,064,684
				<u>\$ 165,113,823</u>	<u>\$ 175,554,055</u>	<u>\$ 3,436,399</u>	<u>\$ 3,905,000</u>	<u>\$ 340,199,277</u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**CAPITAL OUTLAY – BOND FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

The general obligation bonds mature through 2031 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2007	\$ 2,435,000	\$ 6,180,953	\$ 8,615,953
2008	12,245,000	9,380,222	21,625,222
2009	16,065,000	7,986,410	24,051,410
2010	9,575,000	7,351,103	16,926,103
2011	10,730,000	6,956,476	17,686,476
2012-2016	64,963,855	32,094,154	97,058,009
2017-2021	68,281,779	55,383,360	123,665,139
2022-2026	71,096,508	59,263,695	130,360,203
2027-2031	84,807,135	58,224,096	143,031,231
Total	340,199,277	<u>\$ 242,820,469</u>	<u>\$ 583,019,746</u>
	Accretions to date	<u>(144,277,878)</u>	
		<u>\$195,921,399</u>	

NOTE #8 – COMMITMENTS AND CONTINGENCIES

As of June 30, 2006, the building fund had the following commitments with respect to unfinished capital projects:

Description	Amount
District wide energy efficiency projects	\$ 685,356
District wide other projects	2,878,256
Skyline buildings	7,084,340
Skyline other projects	3,425,568
Canada buildings	4,431,904
Canada other projects	1,154,515
College of San Mateo integrated science center	1,709,408
Collge of San Mateo other projects	1,132,342
	<u>\$ 22,501,689</u>