

**SAN MATEO COUNTY COMMUNITY
COLLEGE DISTRICT**

**CAPITAL OUTLAY – BOND FUND
PERFORMANCE REPORT**

JUNE 30, 2002

INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES

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

We have performed the agreed-upon procedures listed below, which were agreed to by the management of the San Mateo County Community College District and the Measure C Citizen's Oversight Committee, solely to review 10% of the expenditures of the 2001 General Obligation Bond funds for the period of July 1, 2001 through June 30, 2002 for the purpose of verifying if the use of the funds is within the scope of the published materials specifying the intended use of bond funds. We used election documents, District resolutions, the master plan and the revised master plan as guidance for the intended use of the funds. For any expenditures in question, we recommended that the District obtain the opinion of legal counsel and we informed this committee as to the issues. Management is responsible for San Mateo County Community College District's compliance with those requirements. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below for either the purpose for which this report has been requested or for any other purpose.

Financial Summary

1. The general obligation bond funds were authorized at an election of the registered voters of the District held on November 6, 2001. The bonds were authorized at an issuance of \$207,000,000 principal amount for the purpose of financing the addition and modernization of school facilities. The first series of the bonds were issued in 2001 and sold in the amount of \$96,875,613.
2. Total expenditures and encumbrances through June 30, 2002, were \$2,443,000.
3. An analysis of expenditures is as follows:

Expenditures

Transfer to capital outlay fund for project expenditures on project worksheet	<u>\$ 1,318,256</u>
Capital Outlay	
Harris Corporation - KCSM-TV DTV transmitter	377,023
Retentions on construction completed through June 30, 2002	<u>96,316</u>
Total capital outlay	<u>473,339</u>
Total expenditures	1,791,595
Contract commitments, June 30, 2002	<u>2,272,905</u>
Total expenditures and commitments	<u><u>\$ 4,064,500</u></u>

4. Available unspent funds from the first series of bonds as of June 30, 2002 are:

Series A 2001 general obligation bonds	\$ 96,875,613
Interest earned in building fund	117,877
Total expenditures and commitments	<u>(4,064,500)</u>
Amount available	<u><u>\$ 92,928,990</u></u>

Agreed Upon Procedures Performed

1. Verify that the expenditure of funds were accounted for separately in the accounting records to allow for accountability.
2. Verify that the net funds from the sale of the General Obligation Bonds were deposited in total into the District's accounts by obtaining settlement statement for the new bond issue and verifying amounts deposited into the building and bond interest and redemption funds.
3. Select 10% of the expenditures at each location and verify that the funds expended complied with the purpose that was specified to the registered voters of the District through election materials, district resolutions, and master plan. See supplemental information for list of expenditures reviewed.
4. Verify that the State and District policies were followed in the awarding of bids and expenditure of the funds.

Results of Procedures

1. The general obligations bond fund expenditures were accounted for separately in the capital outlay – bond fund of the District.
2. The net proceeds from the sale of the general obligation bonds were deposited into the appropriate accounts with the capital outlay – bond fund. The \$37,856 required to open the bond interest and redemption fund was temporarily deposited into the capital outlay – bond fund and will be transferred to its own fund after June 30, 2002.
3. Our review of the expenditures for the period July 1, 2001, through June 30, 2002, did not reveal any items that were paid from the general obligation bond funds that did not comply with the purpose of the Bonds as approved by the registered voters of the District on November 6, 2001. We did request that management of the District consult with legal counsel on the expenditures for the election costs. The results of that consultation were that the District was advised that election costs are an allowable expenditure of the bond funds as authorized by Education Code Section 15145.
4. Our review of the policies over awarding of contracts revealed no exceptions to the policies of the District or the requirements of the State as they relate to awarding of contracts. Our review of the District policies over disbursement of funds revealed no exceptions to the disbursement policies of the District. However, we suggest that in the future the District improve the documentation retained to support the allocation of project expenditures between other funding sources, such as State funding, and bond funding sources.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the San Mateo County Community College District and the Measure C Citizen's Fiscal Oversight Committee and is not intended to be and should not be used by anyone other than those specified parties.

Vavinek, Trine, Day & Co LLP

Pleasanton, California
December 29, 2002

San Mateo County Community College District
 Bond Expenditures
 6/30/2002

Objective: To verify bond expenditures were spent for allowable purposes.

- Procedure: 1 Using financial activity report, randomly select at least 10% of expenditures at each site, note date paid, vendor name, amount, coding and obtain invoices.
 2 Using invoices review description of service performed and consider whether the service performed is included Exhibit A of the election document (see Oa) and meets the criteria of Section 1(b) of Article XIII A of the constitution
 3 Using invoices trace recording in bond funded project worksheet (O1)

Results:

Invoice Date	Description	Item Number in Exhibit A of Election Doc	Item Number in Facilities Project List	Amount	Location Coding	District wide 490xx	1			Traced to Bond Project Worksheet
							Canada 49300	CSM 494xx	Skyline 492xx	
County of San Mateo										
6/28/2002	Election services	n/a	n/a	\$ 149,000	10000-1046-5718-662002	\$ 149,000				✓
Viron Energy Services										
11/30/2001	Phase 2 Lighting Project - 11/30/01	4 to 9	I.T.1 to I.T.6	45,867.24	49001-1149-5690-715000	45,867				✓
12/31/2001	Phase 2 Lighting Project - 12/31/01	4 to 9	I.T.1 to I.T.6	206,002.26	49001-1149-5690-715000	206,002				✓
2/28/2002	Phase 2 Lighting Project - 2/28/02	4 to 9	I.T.1 to I.T.6	43,382.70	49001-1149-5690-715000	43,383				✓
				295,252.20						
DES Architects										
3/31/2002	Canada college library revised plans	38	III.A.1	25,104.37	49303-1149-6211-715000		\$ 25,104			✓
Carlin Company										
5/3/2002	Exterior Walkway Lighting	5	I.T.2	72,619.81	43221-1149-5690-711000			\$ 72,620		✓
5/3/2002	Exterior Walkway Lighting	5	I.T.2	14,583.11	43458-1149-5690-711000			14,583		✓
				87,202.92						
Gonsalves & Stronck										
1/16/2002	Skyline College Swing Space	51	III.D.2	186,184.25	44234-1149-6215-711000			\$ 186,184		✓
1/16/2002	Skyline College Swing Space	51	III.D.2	7,229.55	44234-1149-6215-711000			7,230		✓
				193,413.80						
	Invoices Tested			724,868.92		444,252	25,104	87,203	193,414	
	Total Expenditures			1,318,256.20		805,468	71,595	131,896	309,297	
	Percent Tested			55.0%		55.2%	35.1%	66.1%	62.5%	

Conclusion: Based on the procedures performed above, we did not note any expenditures that were not for allowable purposes as described by the election documents.

**SAN MATEO COUNTY
COMMUNITY
COLLEGE DISTRICT**

**CAPITAL OUTLAY –
BOND FUND
FINANCIAL REPORT**

JUNE 30, 2002

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**CAPITAL OUTLAY – BOND FUND
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JUNE 30, 2002**

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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, 2002, 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 general-purpose 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, 2002, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Varrinek, Trine, Day & Co LLP

Pleasanton, California
December 29, 2002

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**CAPITAL OUTLAY - BOND FUND
BALANCE SHEET
JUNE 30, 2002**

ASSETS

Investments	\$ 96,536,446
Accounts receivable	117,877
Total Assets	<u>\$ 96,654,323</u>

LIABILITIES AND FUND EQUITY

LIABILITIES

Accounts payable	96,316
Due to capital outlay fund	1,318,256
Total Liabilities	<u>1,414,572</u>

FUND EQUITY

Fund balances	
Undesignated	95,239,751
Total Fund Equity	<u>95,239,751</u>
Total Liabilities and Fund Equity	<u>\$ 96,654,323</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, 2002**

REVENUES	
Other local revenues	\$ 117,877
Total Revenues	<u>117,877</u>
EXPENDITURES	
Capital outlay	<u>473,339</u>
Total Expenditures	<u>473,339</u>
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	<u>(355,462)</u>
OTHER FINANCING SOURCES/(USES)	
Operating transfers out	(1,318,256)
Other sources	98,075,219
Other uses	<u>(1,161,750)</u>
Total Other Financing Sources/(Uses)	<u>95,595,213</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	95,239,751
FUND BALANCE, BEGINNING OF YEAR	-
FUND BALANCE, END OF YEAR	<u><u>\$95,239,751</u></u>

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2002

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the San Mateo County Community College District 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.

A. 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 issued November 2001. 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.

B. 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.

C. 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.

D. 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

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2002

E. 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.

F. 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.

G. 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 at June 30, 2002, held on behalf of the capital outlay - bond fund of the San Mateo County Community College District consist of deposits in the County of San Mateo Treasury:

	<u>Reported Amount</u>	<u>Fair Value</u>
Deposits with county treasurer	<u>\$96,536,446</u>	<u>\$98,052,290</u>

Deposits with County Treasurer is an external investment pool sponsored by the County of San Mateo. College districts are required to deposit substantially all receipts and collections of monies with their county treasurer (Education Code Section 41001).

Therefore, the District is considered to be an involuntary participant in an external investments pool. County deposits are not required to be categorized. The pool sponsor provided the fair value for these deposits.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

NOTE #3 – ACCOUNTS RECEIVABLE

Receivables at June 30, 2002, consist of the following:

Interest	<u>\$ 117,877</u>
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NOTE #4 – INTERFUND TRANSACTIONS

Interfund Payables (Due To)

The amount of interfund payable balance due at June 30, 2002, is \$1,318,256. This amount is due from the capital outlay – bond fund to the capital outlay fund.

NOTE #5 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2002, consists of the following:

Vendor payables	<u>\$ 96,316</u>
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NOTE #6 – FUND BALANCES

Fund balances are composed of the following elements:

Unreserved Undesignated	<u>\$95,239,751</u>
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SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

NOTE #7 – GENERAL LONG-TERM DEBT

A. Long-Term Debt Summary

Under the modified accrual basis of accounting, liabilities for long-term debt are reported in the general long term debt account group rather than the building or other funds. A schedule of changes in long-term debt for the year ended June 30, 2002, is shown below:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
General obligation bonds	\$ -	\$96,875,613	\$ -	\$96,875,613
Amount to be provided for retirement of general long-term debt				<u>\$96,875,613</u>

B. General Obligation Bonds

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Beginning of Year	Issued	Redeemed	Bonds End of Year
6/2002	2026	5.20-5.74	\$96,875,613	\$ -	\$96,875,613		\$96,875,613

The general obligation bonds mature through 2026 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2003	\$ -	\$ -	\$ -
2004	2,335,000	4,310,013	6,645,013
2005	3,455,000	3,521,628	6,976,628
2006	3,905,000	3,417,977	7,322,977
2007	1,395,000	3,300,828	4,695,828
Thereafter	85,785,613	40,474,823	126,260,436
Total	<u>\$ 96,875,613</u>	<u>\$ 55,025,269</u>	<u>\$ 151,900,882</u>

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002**

NOTE #8 – COMMITMENTS AND CONTINGENCIES

As of June 30, 2002, the building fund had the following commitments with respect to unfinished capital projects:

<u>Description</u>	<u>Amount</u>
Bond construction	\$ 1,621,500
District wide energy efficiency projects	53,969
District wide existing blueprint conversion	52,810
District wide legal services	87,969
Skyline space programming	18,054
Skyline exterior walkway lighting	35,301
Skyline building 1 roof	206,651
Skyline building 2 modernization	15,317
Canada building 9 learning resources center	930
Canada space programming	58,828
Canada exterior walkway lighting	55,243
CSM space programming	14,732
CSM exterior walkway lighting	50,411
CSM buildings 26-29 demolition	1,190
	<u>\$ 2,272,905</u>

NOTE #9– NEW ACCOUNTING PRONOUNCEMENTS

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement of Financial Accounting Standard No. 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" and Statement No. 35, "Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities" as amended by GASB Statement No. 37 and No. 38. These Statements establishes financial reporting standards for state and local governments, including states, cities, towns, villages and special-purpose governments such as community colleges, school districts and public utilities. Specifically the basic financial statements and required supplementary information (RSI) for general-purpose governments should consist of:

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2002

A. Management's Discussion and Analysis (MD&A)

B. Basic Financial Statements which include:

- Government-wide financial statements prepared using the economic measurement focus and the accrual basis of accountings.
- Fund financial statements prepared using the current financial resources measurement focus and the modified accrual basis of accounting.
- Required supplementary information.

C. The requirements of this statement are effective in three phases based on a government's total annual revenues for the year ended June 30, 1999, with earlier application encouraged. These phases are as follows:

Phase I: Districts with total revenue of \$100 million or more are required to implement for the year ending June 30, 2002.

Phase II: Districts with total revenue of at least \$10 million but less than \$100 million are required to implement for the year ending June 30, 2003.

Phase III: Districts with total revenue of less than \$10 million are required to implement for the year ending June 30, 2004.

Based on the above criteria, the District expects to adopt the provisions of this statement for the fiscal year ending June 30, 2003. The adoption of this statement will have a significant impact on how the financial position and results of operations are presented in both the annual District financial statements and the capital outlay – bond fund financial statements. The District is in the process of determining the effects of these changes.