NEW ISSUE - FULL BOOK-ENTRY

RATINGS:
Standard & Poor's: "AAA"
Moody's: "Aaa"
See "RATINGS" herein.

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described in this Official Statement, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes, and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, the interest on the Bonds is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, the interest on the Bonds is exempt from California personal income taxes. See "TAX MATTERS."

$127,000,000
SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
(County of San Mateo, California)
2015 General Obligation Bonds (Election of 2014), Series A

Dated: Date of Delivery **Due: September 1, as shown on inside front cover**

Issuance. The above-captioned general obligation bonds (the "Bonds") were authorized at an election of the registered voters of the San Mateo County Community College District (the "District") held on November 4, 2014, which authorized the District to issue a total of $388,000,000 principal amount of general obligation bonds (the "2014 Authorization"). The Bonds are the first series of bonds to be issued pursuant to the 2014 Authorization.

The Bonds are being issued as current interest bonds and will be dated their date of original issuance and delivery. They will be issued as fully registered bonds in the denominations of $5,000, or any integral multiple of $5,000.

Security. The Bonds are general obligations of the District, payable solely from *ad valorem* property taxes levied by the District and collected by San Mateo County (the "County"). The Board of Supervisors of the County is empowered and obligated to annually levy *ad valorem* taxes for the payment of interest on, and principal of, the Bonds on all property subject to taxation within the District, without limitation of rate or amount (except certain personal property that is taxable at limited rates). The District has previously issued other series of general obligation bonds under prior authorizations. All general obligation bonds of the District are issued are payable from *ad valorem* taxes on a parity with the Bonds. See "SECURITY FOR THE BONDS."

Book-Entry Only. The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchasers will not receive physical certificates representing their interests in the Bonds. See "THE BONDS" and "APPENDIX E - DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Payments. Interest on the Bonds accrues from the date of delivery and is payable semiannually on March 1 and September 1 of each year, commencing March 1, 2016[*], by check mailed to the person in whose name the Bond is registered. Payments of principal of and interest on the Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., as the designated paying agent, to DTC for subsequent disbursement to DTC's participants, which will remit such payments to the Beneficial Owners of the Bonds. See "THE BONDS - Description of the Bonds."

Redemption. The Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described in this Official Statement. See "THE BONDS - Redemption."

Maturity Schedule
(See inside front cover)

Cover Page. This cover page contains certain information for general reference only. It is not a summary of all the provisions of the Bonds. Prospective investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Bonds will be offered when, as and if issued and accepted by the Underwriter, subject to the approval as to legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel to the District, and subject to certain other conditions. Jones Hall is also serving as Disclosure Counsel to the District. Nixon Peabody LLP is serving as counsel to the Underwriter. It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of DTC in New York, New York, on or about June 18, 2015.

Morgan Stanley

The date of this Official Statement is May 27, 2015.

MATURITY SCHEDULE

$127,000,000
SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
(County of San Mateo, California)
2015 General Obligation Bonds (Election of 2014), Series A

Base CUSIP:† 799038

Serial Bonds

Maturity (September 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP†
2016	$12,880,000	3.00%	0.38%	103.140	LK8
2017	14,135,000	4.00	0.72	107.154	LL6
2018	10,385,000	5.00	1.07	112.339	LM4
2022	205,000	5.00	1.91	120.698	MD3
2023	385,000	5.00	2.06	122.081	LN2
2024	580,000	5.00	2.22	123.021	LP7
2025	790,000	5.00	2.34	124.015	LQ5
2026	765,000	5.00	2.49	122.488*	LR3
2027	1,000,000	5.00	2.62	121.183*	LS1
2028	1,255,000	5.00	2.74	119.993*	LT9
2029	1,530,000	5.00	2.81	119.305*	LU6
2030	1,830,000	5.00	2.89	118.525*	LV4
2031	2,085,000	5.00	2.96	117.847*	LW2
2032	2,430,000	5.00	3.04	117.078*	LX0
2033	2,800,000	4.00	3.48	104.429*	LY8
2034	3,170,000	5.00	3.12	116.315*	LZ5
2035	3,595,000	5.00	3.16	115.936*	MA9

Term Bonds

Maturity (September 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP†
2040	$25,325,000	See below	See below	100.000	MB7
2045	41,855,000	5.00%	3.40%	113.691*	MC5

The Term Bonds maturing on September 1, 2040 (the "Step Coupon Bonds") will bear interest at 2.50% per annum through and including August 31, 2019; 3.75% per annum from September 1, 2019 through and including August 31, 2025; 4.75% per annum from September 1, 2025 through and including August 31, 2030; 5.00% per annum from September 1, 2030 through and including August 31, 2035; and 5.25% per annum from September 1, 2035 to maturity. The Step Coupon Bonds are priced at par.

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* Priced to the call date of September 1, 2025.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the sale of the Bonds referred to in this Official Statement and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract between any Bond owner and the District or the Underwriter. This Official Statement and the information contained in this Official Statement are subject to completion or amendment without notice.

No Offering Except by This Official Statement. Neither the District nor the Underwriter has authorized any dealer, broker, salesperson or other person to give any information or to make any representations relating to the Bonds other than the information contained and the representations made in this Official Statement. If given or made, such other information or representations should not be relied upon as having been authorized by the District or the Underwriter.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor may there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Estimates and Projections. When used in this Official Statement or in any continuing disclosure by the District, or in any press release or oral statement made with the approval of an authorized officer of the District, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project,” “forecast,” “expect,” “intend” and similar expressions identify “forward looking statements.” Forward-looking statements are subject to risks and uncertainties, and so actual results could differ materially from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop the forecasts will not be realized, and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

Information in Official Statement. The District and other sources that are believed to be reliable have furnished the information set forth in this Official Statement. However, the District does not guarantee its accuracy or completeness.

Document Summaries. All summaries of the Bond Resolution or other documents referred to in this Official Statement are provided subject to the provisions of the documents summarized and are qualified in their entirety by reference to such documents. The summaries do not purport to be complete statements of any or all the documents summarized.

No Securities Laws Registration. The Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exemptions therein for the issuance and sale of municipal securities. The Bonds have not been registered or qualified under the securities laws of any state.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds will, under any circumstances, give rise to any implication that there has been no change in the affairs of the District, the other parties described in this Official Statement, or the condition of the property within the District since the date of this Official Statement.

District Website Not Incorporated. The District maintains an Internet website, but the information on that website is not incorporated by reference in this Official Statement.

The Underwriter has provided the following sentence for inclusion in this Official Statement:

“The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or the completeness of such information.”

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SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
COUNTY OF SAN MATEO

District Board of Trustees

District Administration

Ron Galatolo, *Chancellor*
Kathy Blackwood, *Executive Vice Chancellor*
Raymond Chow, *Chief Financial Officer*

Bond and Disclosure Counsel

Jones Hall,
A Professional Law Corporation
San Francisco, California

Underwriter's Counsel

Nixon Peabody, LLP
Los Angeles, California

Paying Agent

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

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OFFICIAL STATEMENT

$127,000,000
SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
(County of San Mateo, California)
2015 General Obligation Bonds (Election of 2014), Series A

The purpose of this Official Statement, which includes the cover page, inside front cover page and attached appendices, is to set forth certain information concerning the sale and delivery of the bonds captioned above (the "**Bonds**") by the San Mateo County Community College District (the "**District**").

INTRODUCTION

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement and the documents summarized or described in this Official Statement. A full review should be made of the entire Official Statement. The offering of Bonds to potential investors is made only by means of the entire Official Statement.

The District. The District was formed in 1922 and operates 3 colleges in the County of San Mateo (the "**County**"). The District serves more than 40,000 students annually. See "APPENDIX A – FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE DISTRICT AND SAN MATEO COUNTY" and "APPENDIX B - FISCAL YEAR 2013-14 AUDITED FINANCIAL STATEMENTS," for demographic and financial information regarding the District.

Authority for the Bonds. The Bonds were authorized at an election held on November 4, 2014 (the "**Bond Election**"), by a vote of more than 55% of the votes cast by eligible voters within the District, which authorized the issuance of an aggregate principal amount of bonds not to exceed $388,000,000 ("**2014 Authorization**"). The Bonds are issued pursuant to certain provisions of the Government Code, commencing with Section 53506 thereof (the "**Bond Law**") and pursuant to a resolution of the Board of Trustees of the District adopted on March 25, 2015 (the "**Bond Resolution**").

See "THE BONDS – Authority for Issuance." See also "APPENDIX A – FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE DISTRICT AND SAN MATEO COUNTY –DISTRICT FINANCIAL INFORMATION – Long-Term Borrowing" for more information about the District's outstanding general obligation bonds.

Purpose. The net proceeds of the Bonds will be used to finance projects approved at the Bond Election. See "THE BONDS – Authority for Issuance," "– Financing Plan" and "– Sources and Uses of Funds."

Security and Sources of Payment for the Bonds. The Bonds are general obligation bonds of the District payable solely from *ad valorem* property taxes levied and collected by the County. The County is empowered and is obligated to annually levy *ad valorem* taxes for the payment of interest on, and principal of, the Bonds on all property subject to taxation within the District, without limitation of rate or amount (except with respect to certain personal property that is taxable at limited rates). The District has previously issued other series of general obligation bonds under two authorizations received by the District. These series of bonds are all payable from *ad valorem* taxes on a parity with the Bonds. See "SECURITY FOR THE BONDS."

For a schedule of debt service on the general obligation bonds issued by the District, see "DEBT SERVICE SCHEDULES – Aggregate General Obligation Bond Debt Service."

Payment and Registration of the Bonds. The Bonds are being issued as current interest bonds and will be dated their date of original issuance and delivery. They will be issued as fully registered bonds in the denominations of $5,000, or any integral multiple of $5,000, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("**DTC**").

The Bonds will be available under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC's participants. Purchasers of the Bonds will not be entitled to receive physical delivery of the Bonds. See "THE BONDS" and "APPENDIX E - DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Interest on the Bonds accrues from their delivery date and is payable semiannually on March 1 and September 1 of each year, commencing March 1, 2016. See "THE BONDS - Description of the Bonds."

Early Redemption**.** The Bonds are subject to optional and mandatory sinking fund redemption prior to their maturity, as described in "THE BONDS - Redemption."

Legal Matters. Issuance of the Bonds is subject to the approving opinion of Jones Hall, A Professional Law Corporation, San Francisco, California ("**Bond Counsel**"), to be delivered in substantially the form attached to this Official Statement as APPENDIX C. Jones Hall, A Professional Law Corporation, will also serve as Disclosure Counsel to the District. Certain legal matters will be passed upon for the Underwriter by Nixon Peabody LLP ("**Underwriter's Counsel**"). *Payment of the fees of Bond Counsel, Disclosure Counsel, Underwriter's Counsel and the Underwriter is contingent upon issuance of the Bonds.*

Other Information. This Official Statement speaks only as of its date, and the information contained in this Official Statement is subject to change. Copies of documents referred to in this Official Statement and information concerning the Bonds are available from the District. The District may impose a charge for copying, mailing and handling.

END OF INTRODUCTION

THE FINANCING PLAN

The proceeds of the Bonds will be used to finance projects approved by the voters at the Bond Election, which was approved by over 55% of voters of the District. The abbreviated form of the ballot measure is as follows:

> "*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, shall San Mateo County Community College District issue $388,000,000 in bonds within legal limits, with annual independent audits, Citizen's Oversight and all proceeds benefiting your local community colleges?*"

The Bonds will be the first series of bonds to be issued under the 2014 Authorization.

SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the Bonds are as follows:

Sources	
Principal Amount of Bonds	$127,000,000.00
Original Issue Premium	12,148,457.55
Total Sources	$139,148,457.55
Uses	
Deposit to the Building Fund	$127,000,000.00
Deposit to the Interest and Sinking Fund	11,299,298.44
Costs of Issuance*	849,159.11
Total Uses	$139,148,457.55

* All estimated costs of issuance including, but not limited to, Underwriter's discount (see "UNDERWRITING"); printing costs; and fees of Bond Counsel, Disclosure Counsel, Paying Agent and rating agencies.

THE BONDS

Authority for Issuance

The Bonds will be issued under the Bond Law and the Bond Resolution. The District received authorization at the Bond Election to issue general obligation bonds in a principal amount of $388,000,000. The Bonds are the first series of bonds to be issued pursuant to the 2014 Authorization.

The District has other issues of general obligation bonds and refunding general obligation bonds outstanding as of this date, which are also payable from *ad valorem* taxes levied on property in the District. See "DEBT SERVICE SCHEDULES" below, and Appendix B under the heading "DISTRICT FINANCIAL INFORMATION – Long-Term Debt" for additional information.

Purpose of the Bonds

Net proceeds of the Bonds will be used to finance specific acquisition, construction and modernization projects approved by the voters, summarized as follows: 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.

Description of the Bonds

Book-Entry Form. The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of DTC. Purchasers of the Bonds (the "**Beneficial Owners**") will not receive physical certificates representing their interests in the Bonds. Payments of principal of and interest on the Bonds will be paid by the Paying Agent to DTC for subsequent disbursement to DTC Participants which will remit such payments to the Beneficial Owners of the Bonds. See "APPENDIX E - DTC AND THE BOOK-ENTRY ONLY SYSTEM."

As long as DTC's book-entry method is used for the Bonds, the Paying Agent will send any notice of prepayment or other notices to owners only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the prepayment of the Bonds called for prepayment or of any other action premised on such notice.

The Paying Agent, the District, and the Underwriter of the Bonds have no responsibility or liability for any aspects of the records relating to or payments made on account of beneficial ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership, of interests in the Bonds.

Date of Bonds; Payment Provisions. The Bonds will be dated their delivery date and will bear interest payable semiannually each March 1 and September 1 (each an "**Interest Payment Date**"), commencing March 1, 2016, at the interest rates shown on the inside cover page of this Official Statement. The Bonds will mature on September 1 in each of the years and in the principal amounts shown on the inside cover page of this Official Statement. Interest on the Bonds will be computed on the basis of a 360-day year of twelve 30-day months. Each Bond authenticated on or before February 15, 2016, will bear interest from the date of the Bonds. Each Bond authenticated during the period between the 15th day of the month preceding any Interest Payment Date (the "**Record Date**") and that Interest Payment Date will bear interest from that Interest Payment Date. Any other Bond will bear interest from the Interest Payment Date immediately preceding the date of its authentication. If a Payment Date does not fall on a business day, the interest, principal or redemption payment due on such Payment Date will be paid on the next business day. The Bonds will be issued in the denomination of $5,000 principal amount each or any integral multiple thereof.

See the maturity schedules on the inside cover page of this Official Statement and "DEBT SERVICE SCHEDULES" below.

Paying Agent

Payments of the principal of and interest on the Bonds will be made by The Bank of New York Mellon Trust Company, N.A., as the designated paying agent, registrar and transfer agent (the "**Paying Agent**"), to DTC for subsequent disbursement through DTC Participants (defined herein) to the beneficial owners of the Bonds. See APPENDIX E – "DTC and the Book-Entry Only System."

The Tax Collector-Treasurer of the County (the "**County Treasurer**") may remove the Paying Agent initially appointed, and any successor thereto, and may appoint a successor or successors thereto, but any such successor must be a bank or trust company doing business and having an office in the State of California (the "**State**"), having a combined capital (exclusive of borrowed capital) and surplus of at least $50,000,000, and subject to supervision or examination by federal or state authority.

The Paying Agent may at any time resign by giving written notice to the County Treasurer, the District and the owners of the Bonds (the "**Owners**") of such resignation. Upon receiving notice of such resignation, the County Treasurer will promptly appoint a successor Paying Agent by an instrument in writing. Any resignation or removal of the Paying Agent and appointment of a successor Paying Agent will become effective upon acceptance of appointment by the successor Paying Agent.

Redemption

Optional Redemption. The Bonds maturing on or before September 1, 2025 are not subject to redemption prior to their respective maturity dates. The Bonds maturing on or after September 1, 2026, with the exception of the Bonds maturing on September 1, 2040, are subject to redemption prior to their stated maturity dates, at the option of the District, from any source of available funds, in whole or in part on any date on or after September 1, 2025, at a redemption price equal to the principal amount of the Bonds called for redemption, without premium, together with interest accrued thereon to the date of redemption.

The Bonds maturing on September 1, 2040, are subject to redemption prior to their stated maturity dates, at the option of the District, from any source of available funds, in whole or part on any date on or after September 1, 2019, at a redemption price equal to the principal amount of the Bonds called for redemption, without premium, together with interest accrued thereon to the date of redemption.

Mandatory Sinking Fund Redemption. Bonds maturing on September 1, 2040 and September 1, 2045 (the **"Term Bonds"**) are subject to mandatory sinking fund redemption in part by lot in accordance with the schedules set forth below. The Bonds so called for mandatory sinking fund redemption shall be redeemed at the principal amount of such Term Bonds to be redeemed, plus accrued but unpaid interest, without premium.

Term Bonds Maturing September 1, 2040

Mandatory Sinking Fund Redemption Date	Principal Amount to be Redeemed
2036	$3,990,000
2037	4,490,000
2038	5,025,000
2039	5,600,000
2040 (final maturity)	6,220,000

Term Bonds Maturing September 1, 2045

Mandatory Sinking Fund Redemption Date	Principal Amount to be Redeemed
2041	$6,885,000
2042	7,575,000
2043	8,320,000
2044	9,115,000
2045 (final maturity)	9,960,000

If any such Term Bonds are redeemed pursuant to optional redemption, the total amount of all future sinking fund payments with respect to such Term Bonds shall be reduced by the aggregate principal amount of such Term Bonds so redeemed, to be allocated among such payments on a pro rata basis in integral multiples of $5,000 principal amount (or on such other basis as the District may determine) as set forth in written notice given by the District to the Paying Agent.

Notice of Redemption. The Paying Agent will cause notice of any redemption to be mailed, by first class mail, postage prepaid, at least 30 days but not more than 60 days prior to the date fixed for redemption, to the Electronic Municipal Market Access system ("**EMMA**") of the Municipal Securities Rulemaking Board, and to the respective Owners of any Bonds designated for redemption, at their addresses appearing on the Registration Books; but such mailing is not a condition precedent to redemption and failure to mail or to receive any such notice will not affect the validity of the proceedings for the redemption of Bonds.

The redemption notice will state the redemption date and the redemption price and, if less than all of the then-Outstanding Bonds are to be called for redemption, will designate the Bonds to be redeemed, and will require that any redeemed Bonds be surrendered at the Principal Office of the Paying Agent for redemption, giving notice that further interest on such Bonds will not accrue from and after the redemption date.

Partial Redemption*.* Upon surrender of Bonds redeemed in part only, the District will execute and the Paying Agent will authenticate and deliver to the owner, at the expense of the District, a new Bond or Bonds, of the same maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond or Bonds.

Effect of Redemption. From and after the date fixed for redemption, if notice of such redemption has been duly given and funds available for the payment of the principal of and interest (and premium, if any) on the Bonds so called for redemption have been duly provided, such Bonds so called will cease to be entitled to any benefit under the Bond Resolution, other than the right to receive payment of the redemption price, and no interest will accrue thereon on or after the redemption date specified in such notice.

Conditional Redemption Notice; Right to Rescind Notice of Optional Redemption. The District may send a conditional redemption notice that provides that redemption is subject to the availability of sufficient funds on the proposed redemption date. The District has the right to rescind any notice of the optional redemption of Bonds by written notice to the Paying Agent on or before the dated fixed for redemption. Any notice of optional redemption will be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation will not constitute a default under the Bond Resolution.

Registration, Transfer and Exchange of Bonds

If the book-entry system as described above and in APPENDIX E is no longer used with respect to the Bonds, the following provisions will govern the registration, transfer, and exchange of the Bonds.

Registration Books. The Paying Agent will keep or cause to be kept sufficient books for the registration and transfer of the Bonds (the "**Registration Books**"), which will at all times be open to inspection by the District upon reasonable notice; and, upon presentation for such purpose, the Paying Agent will, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, the Bonds.

Transfer. Any Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the principal office of the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed.

Whenever any Bond or Bonds are surrendered for transfer, the District will execute and the Paying Agent will authenticate and deliver a new Bond or Bonds, for like aggregate principal amount. No transfers will be required to be made (a) 15 days prior to a date established for selection of Bonds for redemption and (b) with respect to a Bond that has been selected for redemption.

Exchange. Bonds may be exchanged at the principal office of the Paying Agent for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity. The District may charge a reasonable sum for each new Bond issued upon any exchange. No exchanges will be required to be made (a) 15 days prior to a date established for selection of Bonds for redemption and (b) with respect to a Bond that has been selected for redemption.

Defeasance

The District has the option to pay and discharge the entire indebtedness on all or any portion of the outstanding Bonds by (i) paying the Bonds when due and payable, (ii) depositing with the Paying Agent money in an amount sufficient to pay debt service on the Bonds when due, including all principal, interest and redemption premiums and (iii) by depositing with the Paying Agent, in trust, cash and certain Federal Securities in an amount determined to be sufficient, together with interest earnings, to be sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

"**Federal Securities**" is defined in the Bond Resolution as (a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), for which the full faith and credit of the United States of America are pledged; or (b) obligations of any agency, department or instrumentality of the United States of America, the timely payment of principal and interest on which are directly or indirectly secured or guaranteed by the full faith and credit of the United States of America.

DEBT SERVICE SCHEDULES

The Bonds. The following table shows the semi-annual and annual debt service schedules with respect to the Bonds (assuming no optional redemptions).

Table 1
SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
DEBT SERVICE SCHEDULE

Payment Date	Bonds Principal	Bonds Interest	Total Bonds Debt Service	Annual Debt Service
3/1/2016	--	$3,717,641.74	$3,717,641.74	
9/1/2016	$12,880,000.00	2,644,962.50	15,524,962.50	$19,242,604.24
3/1/2017	--	2,451,762.50	2,451,762.50	
9/1/2017	14,135,000.00	2,451,762.50	16,586,762.50	19,038,525.00
3/1/2018	--	2,169,062.50	2,169,062.50	
9/1/2018	10,385,000.00	2,169,062.50	12,554,062.50	14,723,125.00
3/1/2019	--	1,909,437.50	1,909,437.50	
9/1/2019	--	1,909,437.50	1,909,437.50	3,818,875.00
3/1/2020	--	2,067,718.75	2,067,718.75	
9/1/2020	--	2,067,718.75	2,067,718.75	4,135,437.50
3/1/2021	--	2,067,718.75	2,067,718.75	
9/1/2021	--	2,067,718.75	2,067,718.75	4,135,437.50
3/1/2022	--	2,067,718.75	2,067,718.75	
9/1/2022	205,000.00	2,067,718.75	2,272,718.75	4,340,437.50
3/1/2023	--	2,062,593.75	2,062,593.75	
9/1/2023	385,000.00	2,062,593.75	2,447,593.75	4,510,187.50
3/1/2024	--	2,052,968.75	2,052,968.75	
9/1/2024	580,000.00	2,052,968.75	2,632,968.75	4,685,937.50
3/1/2025	--	2,038,468.75	2,038,468.75	
9/1/2025	790,000.00	2,038,468.75	2,828,468.75	4,866,937.50
3/1/2026	--	2,145,343.75	2,145,343.75	
9/1/2026	765,000.00	2,145,343.75	2,910,343.75	5,055,687.50
3/1/2027	--	2,126,218.75	2,126,218.75	
9/1/2027	1,000,000.00	2,126,218.75	3,126,218.75	5,252,437.50
3/1/2028	--	2,101,218.75	2,101,218.75	
9/1/2028	1,255,000.00	2,101,218.75	3,356,218.75	5,457,437.50
3/1/2029	--	2,069,843.75	2,069,843.75	
9/1/2029	1,530,000.00	2,069,843.75	3,599,843.75	5,669,687.50
3/1/2030	--	2,031,593.75	2,031,593.75	
9/1/2030	1,830,000.00	2,031,593.75	3,861,593.75	5,893,187.50
3/1/2031	--	2,017,500.00	2,017,500.00	
9/1/2031	2,085,000.00	2,017,500.00	4,102,500.00	6,120,000.00
3/1/2032	--	1,965,375.00	1,965,375.00	
9/1/2032	2,430,000.00	1,965,375.00	4,395,375.00	6,360,750.00
3/1/2033	--	1,904,625.00	1,904,625.00	
9/1/2033	2,800,000.00	1,904,625.00	4,704,625.00	6,609,250.00
3/1/2034	--	1,848,625.00	1,848,625.00	
9/1/2034	3,170,000.00	1,848,625.00	5,018,625.00	6,867,250.00
3/1/2035	--	1,769,375.00	1,769,375.00	
9/1/2035	3,595,000.00	1,769,375.00	5,364,375.00	7,133,750.00
3/1/2036	--	1,711,156.25	1,711,156.25	
9/1/2036	3,990,000.00	1,711,156.25	5,701,156.25	7,412,312.50
3/1/2037	--	1,606,418.75	1,606,418.75	

9/1/2037	4,490,000.00	1,606,418.75	6,096,418.75	7,702,837.50
3/1/2038	--	1,488,556.25	1,488,556.25	
9/1/2038	5,025,000.00	1,488,556.25	6,513,556.25	8,002,112.50
3/1/2039	--	1,356,650.00	1,356,650.00	
9/1/2039	5,600,000.00	1,356,650.00	6,956,650.00	8,313,300.00
3/1/2040	--	1,209,650.00	1,209,650.00	
9/1/2040	6,220,000.00	1,209,650.00	7,429,650.00	8,639,300.00
3/1/2041	--	1,046,375.00	1,046,375.00	
9/1/2041	6,885,000.00	1,046,375.00	7,931,375.00	8,977,750.00
3/1/2042	--	874,250.00	874,250.00	
9/1/2042	7,575,000.00	874,250.00	8,449,250.00	9,323,500.00
3/1/2043	--	684,875.00	684,875.00	
9/1/2043	8,320,000.00	684,875.00	9,004,875.00	9,689,750.00
3/1/2044	--	476,875.00	476,875.00	
9/1/2044	9,115,000.00	476,875.00	9,591,875.00	10,068,750.00
3/1/2045	--	249,000.00	249,000.00	
9/1/2045	9,960,000.00	249,000.00	10,209,000.00	10,458,000.00
Total	$127,000,000.00	$105,504,554.24	$232,504,554.24	$232,504,554.24

Aggregate General Obligation Bond Debt Service Schedule. The following table presents the combined debt service schedules for the Bonds and all other outstanding general obligation bonds of the District.

Table 2
SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
COMBINED DEBT SERVICE SCHEDULES
As of the Delivery Date

Period Ending September 1	Election of 2001 Authorization	Election of 2005 Authorization	2012 Refunding Bonds	2014 Refunding Bonds	The Bonds	Total
2015	$1,275,750.00	$13,997,250.00	$11,376,925.00	$5,762,248.89	--	32,412,173.89
2016	4,710,000.00	15,055,750.00	8,579,525.00	5,761,300.00	$19,242,604.24	53,349,179.24
2017	5,100,000.00	8,195,000.00	16,827,525.00	5,760,900.00	19,038,525.00	54,921,950.00
2018	5,510,000.00	8,550,000.00	17,683,125.00	6,010,200.00	14,723,125.00	52,476,450.00
2019	5,945,000.00	8,925,000.00	19,108,525.00	5,750,500.00	3,818,875.00	43,547,900.00
2020	6,405,000.00	18,030,000.00	11,598,725.00	5,751,100.00	4,135,437.50	45,920,262.50
2021	11,375,000.00	19,365,000.00	7,462,925.00	5,751,300.00	4,135,437.50	48,089,662.50
2022	12,135,000.00	20,830,000.00	7,505,125.00	5,750,700.00	4,340,437.50	50,561,262.50
2023	11,985,000.00	22,325,000.00	8,548,875.00	5,748,375.00	4,510,187.50	53,117,437.50
2024	12,785,000.00	23,905,000.00	4,838,000.00	8,988,175.00	4,685,937.50	55,202,112.50
2025	13,630,000.00	25,575,000.00	4,985,000.00	8,962,925.00	4,866,937.50	58,019,862.50
2026	14,520,000.00	27,345,000.00	5,129,250.00	8,925,175.00	5,055,687.50	60,975,112.50
2027	21,785,000.00	29,205,000.00	--	8,879,700.00	5,252,437.50	65,122,137.50
2028	22,930,000.00	31,165,000.00	--	8,816,700.00	5,457,437.50	68,369,137.50
2029	6,895,000.00	33,245,000.00	--	25,967,950.00	5,669,687.50	71,777,637.50
2030	26,125,000.00	35,425,000.00	--	7,917,450.00	5,893,187.50	75,360,637.50
2031	5,815,000.00	34,995,000.00	--	17,837,200.00	6,120,000.00	64,767,200.00
2032	--	36,680,000.00	--	10,806,950.00	6,360,750.00	53,847,700.00
2033	--	39,325,000.00	--	10,586,200.00	6,609,250.00	56,520,450.00
2034	--	42,110,000.00	--	10,351,950.00	6,867,250.00	59,329,200.00
2035	--	45,035,000.00	--	10,094,450.00	7,133,750.00	62,263,200.00
2036	--	48,110,000.00	--	9,828,700.00	7,412,312.50	65,351,012.50
2037	--	51,350,000.00	--	9,544,025.00	7,702,837.50	68,596,862.50
2038	--	54,750,000.00	--	9,240,950.00	8,002,112.50	71,993,062.50
2039	--	--	--	--	8,313,300.00	8,313,300.00
2040	--	--	--	--	8,639,300.00	8,639,300.00
2041	--	--	--	--	8,977,750.00	8,977,750.00
2042	--	--	--	--	9,323,500.00	9,323,500.00
2043	--	--	--	--	9,689,750.00	9,689,750.00
2044	--	--	--	--	10,068,750.00	10,068,750.00
2045	--	--	--	--	10,458,000.00	10,458,000.00
Total:	$188,925,750.00	$693,493,000.00	$123,643,525.00	$218,795,123.89	$232,504,554.24	$1,457,361,953.13

SECURITY FOR THE BONDS

Ad Valorem Taxes

***Bonds Payable from* Ad Valorem *Property Taxes*.** The Bonds are general obligation bonds of the District, payable solely from *ad valorem* property taxes levied and collected by the County. The County is empowered and is obligated to annually levy *ad valorem* taxes for the payment of the Bonds and the interest thereon upon all property within the District subject to taxation within the District, without limitation of rate or amount (except certain personal property which is taxable at limited rates).

***Other Bonds Payable from* Ad Valorem *Property Taxes*.** In addition to the Prior Bonds, the District has previously issued other series of general obligation bonds under two authorizations received by the District. These series of bonds are all payable from *ad valorem* taxes on a parity with the Bonds. See “THE FINANCING PLAN – Debt Service Schedules – Aggregate General Obligation Bond Debt Service” for a schedule of the general obligation bonds issued under authorizations of the District.

In addition to the general obligation bonds issued by the District, there is other debt issued by entities with jurisdictions in the District, which is payable from *ad valorem* taxes levied on property in the District. See “PROPERTY TAXATION – Tax Rates” and “- Direct and Overlapping Debt” below.

***Levy and Collection*.** The County will levy and collect such *ad valorem* taxes in such amounts and at such times as is necessary to ensure the timely payment of debt service. Such taxes, when collected, will be deposited into an interest and sinking fund for the Bonds, which is maintained by the County and which is irrevocably pledged for the payment of principal of and interest on the Bonds when due.

District property taxes are assessed and collected by the County in the same manner and at the same time, and in the same installments as other *ad valorem* taxes on real property, and will have the same priority, become delinquent at the same times and in the same proportionate amounts, and bear the same proportionate penalties and interest after delinquency, as do the other *ad valorem* taxes on real property.

***Annual Tax Rates*.** The amount of the annual *ad valorem* tax levied by the County to repay the Bonds will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Bonds. Fluctuations in the annual debt service on the Bonds and the assessed value of taxable property in the District may cause the annual tax rate to fluctuate.

Economic and other factors beyond the District’s control, such as economic recession, deflation of land values, a relocation out of the District or financial difficulty or bankruptcy by one or more major property taxpayers, or the complete or partial destruction of taxable property caused by earthquake, flood, fire or other natural disaster, could cause a reduction in the assessed value within the District and necessitate a corresponding increase in the annual tax rate.

Interest and Sinking Fund

Pursuant to the Bond Resolution, the County will create, while the Bonds are Outstanding, an interest and sinking fund for the Bonds (the "**Interest and Sinking Fund**"), which will be maintained by the County Treasurer as a separate account, distinct from all other funds of the District, into which will be paid on receipt thereof the proceeds of any *ad valorem* taxes levied upon the property within the District for the payment of the Bonds and the interest thereon.

The moneys in the Interest and Sinking Fund, to the extent necessary to pay the principal of and interest on the Bonds as the same become due and payable, will be transferred by the County Treasurer to the Paying Agent in immediately available funds on each payment date, which, in turn, will pay such moneys to the Owners of the Bonds in accordance with the Bond Resolution. Interest earnings on funds in the Interest and Sinking Fund will remain therein.

Moneys held in the Interest and Sinking Fund will be invested at the discretion of the County Treasurer pursuant to applicable law and the investment policy of the County, as such policy shall exist at the time of investment.

Any moneys remaining in the Interest and Sinking Fund after the Bonds and the interest thereon have been paid, or provision for such payment has been made, will be transferred to the general fund of the District.

Limited Obligation

The Bonds are payable solely from the proceeds of an *ad valorem* tax levied and collected by the County, for the payment of principal of and interest on the Bonds. Although the County is obligated to collect the *ad valorem* tax for the payment of the Bonds, the Bonds are not a debt of the County.

PROPERTY TAXATION

Property Tax Collection Procedures

In California, property that is subject to *ad valorem* taxes is classified as either "secured" or "unsecured." The "secured roll" is that part of the assessment roll containing state-assessed public utilities' property, as well as property, the taxes on which are secured by a lien that is sufficient, in the opinion of the county assessor, to secure payment of those taxes. A tax levied on unsecured property does not become a lien against such unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax that becomes a lien on secured property has priority over all other liens arising pursuant to State law on such secured property, regardless of the time of the creation of the other liens. Secured property and unsecured property are entered separately on the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property.

Secured Roll. Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll for which taxes are delinquent is declared tax-defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1-1/2% per month to the time of redemption. If property taxes remain unpaid for a period of five years or more, the property is subject to sale by the County for the amount of taxes that are delinquent. This is the exclusive means of enforcing the payment of delinquent taxes for property on the secured roll.

Property taxes on the secured roll are levied for each fiscal year on taxable real and personal property situated in the taxing jurisdiction as of the preceding January 1. However, a bill enacted in 1983, SB813 (Statutes of 1983, Chapter 498), provided for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. This legislation eliminated delays in the realization of increased property taxes from new assessments. As amended, SB813 provides increased revenue to taxing jurisdictions to the extent that supplemental assessments of new construction or changes of ownership occur subsequent to the January 1 lien date and result in increased assessed value.

Unsecured Roll. Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent, if unpaid on the following August 31. A 10% penalty is also attached to delinquent taxes in respect of property on the unsecured roll, and further, an additional penalty of 1-1/2% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the county recorder's office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

Unitary Taxation of Utility Property

Historically, property of regulated public utilities was assessed for local tax purposes by the State Board of Equalization on a geographical basis in basically the same manner as other taxable property in any taxing jurisdiction.

In 1987, the State Legislature enacted Chapter 921 amending Section 98.9 and various other sections of the Revenue and Taxation Code. The legislation established in each county one county-wide tax rate area with the assessed value of all unitary and operating non-unitary utility property being assigned to this tax rate area.

The result was a single assessed valuation figure for all utility property owned by each utility within the county without any breakdown for individual taxing jurisdictions. All utility property is subject to a tax at a rate equal to the sum of the following two rates:

- A rate determined by dividing the county's total *ad valorem* tax levies for the secured roll for the prior year, exclusive of levies for debt service, by the county's total *ad valorem* secured roll assessed value for the prior year, and

- A rate determined by dividing the county's total *ad valorem* tax levies for the secured roll for the prior year for debt service only, by the county's total *ad valorem* secured roll assessed value for the prior year.

The foregoing process results in the creation of two pools of money, with the first pool being available for general tax purposes and the second pool being available for debt service purposes, each pool being then allocated to the various taxing jurisdictions in the county by a statutory formula for the county as a whole.

The Teeter Plan

The Board of Supervisors of the County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "**Teeter Plan**"), as provided for in Section 4701 et seq. of the California Revenue and Taxation Code. Under the Teeter Plan, each entity levying property taxes in the County may draw on the amount of uncollected secured taxes credited to its fund, in the same manner as if the amount credited had been collected. The District participates in the Teeter Plan, and thus receives 100% of secured property taxes levied in exchange for foregoing any interest and penalties collected on delinquent taxes. However, under the statute creating the Teeter Plan, the Board of Supervisors could under certain circumstances terminate the Teeter Plan in its entirety and, in addition, the Board of Supervisors could terminate the Teeter Plan if the delinquency rate for all *ad valorem* property taxes levied within the District in any year exceeds 3%. In the event that the Teeter Plan were terminated, the amount of the property taxes received by the District would depend upon the collections of the *ad valorem* property taxes and delinquency rates experienced with respect to the parcels within the District.

The following table displays secured tax charges and delinquencies in the District for the overall tax levy and for the levy of bond debt service only, beginning in fiscal year 2005-06.

Table 3
SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
SECURED TAX LEVIES AND DELINQUENCIES
Fiscal Years 2005-06 through 2013-14

Fiscal Year	Secured Tax Charge (1)	Amount Delinquent June 30	% Delinquent June 30
2005-06	$1,251,753,128.84	$17,103,424.45	1.37%
2006-07	1,376,409,253.08	26,197,807.48	1.90
2007-08	1,457,093,830.58	46,697,485.14	3.20
2008-09	1,584,588,941.64	43,515,351.54	2.75
2009-10	information not available for this fiscal year(2)		
2010-11	1,626,551,714.26	22,740,076.57	1.40
2011-12	1,669,998,720.98	19,012,123.17	1.14
2012-13	1,734,173,278.16	14,429,057.46	0.83
2013-14	1,844,431,216.26	12,687,967.03	0.69

Fiscal Year	Secured Tax Charge (3)	Amount Delinquent June 30	% Delinquent June 30
2005-06	$ 6,779,290.33	$ 82,367.34	1.21%
2006-07	21,038,451.18	367,051.33	1.74
2007-08	21,149,574.25	624,882.12	2.95
2008-09	21,803,689.20	545,067.34	2.50
2009-10	24,282,574.60	473,870.06	1.95
2010-11	25,677,077.00	328,273.42	1.28
2011-12	26,726,745.73	270,005.11	1.01
2012-13	26,929,818.87	197,495.96	0.73
2013-14	28,654,484.65	170,813.97	0.60

(1) All taxes collected by the County. Includes special charges.
(2) County did not provide information for fiscal year 2009-10.
(3) Bond debt service levy only.
Source: California Municipal Statistics, Inc.

Assessed Valuation

The following table identifies the assessed valuation historical trends for the District for fiscal year 2007-08 through fiscal year 2014-15.

Table 4
SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
HISTORIC ASSESSED VALUATIONS
Fiscal Years 2007-08 through 2014-15

	Local Secured	Utility	Unsecured	Total Assessed Value
2007-08	$123,997,805,609	$33,808,711	$8,159,763,532	$132,191,377,852
2008-09	133,289,757,862	32,748,799	9,552,716,788	142,875,223,449
2009-10	134,780,021,980	33,022,897	9,063,837,421	143,876,882,298
2010-11	134,084,580,204	32,588,160	7,780,768,626	141,897,936,990
2011-12	135,460,795,391	21,446,780	7,961,006,485	143,443,248,656
2012-13	139,764,977,848	24,892,286	8,395,280,383	148,185,150,517
2013-14	148,394,975,444	25,616,795	8,595,801,332	157,016,393,571
2014-15	156,966,133,122	24,716,356	8,766,556,992	165,757,406,470

Source: California Municipal Statistics, Inc.

The following table shows a breakdown of local secured property assessed value and parcels within the District by land use for fiscal year 2014-15.

Table 5
SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
LOCAL SECURED PROPERTY ASSESSED VALUATION AND PARCELS BY LAND USE
Fiscal Year 2014-15

Non-Residential:	2014-15 Assessed Valuation (1)	% of Total	No. of Parcels	% of Total
Agricultural/Rural	$ 388,120,593	0.25%	11	0.01%
Commercial/Office Building	18,507,275,004	11.79	5,969	2.72
Industrial	8,932,196,482	5.69	2,947	1.34
Recreational	491,261,615	0.31	506	0.23
Government/Social/Institutional	728,419,308	0.46	1,281	0.58
Water Companies/Transportation	410,183,878	0.26	1,969	0.90
Subtotal Non-Residential	$29,457,456,880	18.77%	12,683	5.78%
Residential:				
Single Family Residence	$103,125,255,304	65.70%	60,822	73.24%
Rural Residential	541,570,003	0.35	650	0.30
Condominium/Townhouse	9,543,234,669	6.08	24,501	11.16
Mobile Home	31,085,875	0.02	1,124	0.51
Mobile Home Park	97,325,113	0.06	51	0.02
Hotel/Motel	1,665,811,680	1.06	229	0.10
2-4 Residential Units	3,002,379,008	1.91	5,994	2.73
5+ Residential Units/Apartments	7,546,813,558	4.81	3,199	1.46
Miscellaneous Residential	41,312,693	0.03	112	0.05
Subtotal Residential	$125,594,787,903	80.01%	196,682	89.57%
Vacant Parcels	$1,913,888,339	1.22%	10,221	4.65%
Total	$156,966,133,122	100.00%	219,586	100.00%

(1) Local Secured Assessed Valuation; excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

The following table shows the per parcel assessed valuation of single family homes in the District, according to the County records for fiscal year 2014-15.

Table 6
SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
PER PARCEL ASSESSED VALUATION OF SINGLE FAMILY HOMES
Fiscal Year 2014-15

	No. of Parcels	2014-15 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	160,822	$103,125,255,304	$641,238	$462,935

2014-15 Assessed Valuation	No. of Parcels (1)	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $99,999	16,601	10.323%	10.323%	$1,262,745,792	1.224%	1.224%
$100,000 - $199,999	21,379	13.294	23.616	3,042,320,804	2.950	4.175
$200,000 - $299,999	16,049	9.979	33.596	4,026,813,404	3.905	8.079
$300,000 - $399,999	16,759	10.421	44.016	5,842,134,584	5.665	13.744
$400,000 - $499,999	15,003	9.329	53.345	6,741,874,918	6.538	20.282
$500,000 - $599,999	14,983	9.317	62.662	8,226,287,511	7.977	28.259
$600,000 - $699,999	13,500	8.394	71.056	8,718,984,550	8.455	36.714
$700,000 - $799,999	9,562	5.946	77.002	7,137,708,941	6.921	43.635
$800,000 - $899,999	7,325	4.555	81.557	6,205,180,236	6.017	49.652
$900,000 - $999,999	5,646	3.511	85.067	5,341,231,119	5.179	54.832
$1,000,000 - $1,099,999	4,054	2.521	87.588	4,235,784,598	4.107	58.939
$1,100,000 - $1,199,999	3,124	1.943	89.531	3,571,981,100	3.464	62.403
$1,200,000 - $1,299,999	2,636	1.639	91.170	3,283,657,709	3.184	65.587
$1,300,000 - $1,399,999	2,037	1.267	92.436	2,740,317,002	2.657	68.244
$1,400,000 - $1,499,999	1,617	1.005	93.442	2,334,174,082	2.263	70.508
$1,500,000 - $1,599,999	1,189	0.739	94.181	1,838,039,469	1.782	72.290
$1,600,000 - $1,699,999	979	0.609	94.790	1,613,147,054	1.564	73.854
$1,700,000 - $1,799,999	861	0.535	95.325	1,503,446,511	1.458	75.312
$1,800,000 - $1,899,999	774	0.481	95.807	1,426,939,860	1.384	76.696
$1,900,000 - $1,999,999	552	0.343	96.150	1,074,790,386	1.042	77.738
$2,000,000 and greater	6,192	3.850	100.000	22,957,695,674	22.262	100.000
Total	160,822	100.000%		$103,125,255,304	100.000%	

Source: California Municipal Statistics, Inc.

Appeals of Assessed Value

General. There are two types of appeals of assessed values that could adversely impact property tax revenues within the District.

Appeals may be based on Proposition 8 of November 1978, which requires that for each January 1 lien date, the taxable value of real property must be the lesser of its base year value, annually adjusted by the inflation factor pursuant to Article XIIIA of the State Constitution, or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value.

Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in the form prescribed by the State Board of Equalization, with the County board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. Proposition 8 reductions may also be unilaterally applied by the County Assessor.

Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. These reductions are subject to yearly reappraisals and are adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIIIA. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS” in APPENDIX A.

A second type of assessment appeal involves a challenge to the base year value of an assessed property. Appeals for reduction in the base year value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

No assurance can be given that property tax appeals in the future will not significantly reduce the assessed valuation of property within the District.

Largest Taxpayers

The largest assessed property taxpayers in the District for fiscal year 2014-15 are shown in the following table.

Table 7
SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
LARGEST LOCAL SECURED TAXPAYERS
Fiscal Year 2014-15

	Property Owner	Primary Land Use	2014-15 Assessed Valuation	% of Total (1)
1.	Genentech Inc.	Office Building	$1,594,606,507	1.02%
2.	Gilead Sciences Inc.	Office Building	821,448,182	0.52
3.	Oracle Corporation	Office Building	628,740,370	0.40
4.	Spieker Properties	Office Building	613,766,679	0.39
5.	Slough BTC LLC	Industrial	573,834,288	0.37
6.	ARE San Francisco	Industrial	527,602,389	0.34
7.	Slough SSF LLC DE	Industrial	488,847,984	0.31
8.	Britannia Pointe Grand LP	Industrial	423,138,258	0.27
9.	VII Pac Shores Investors LLC	Office Building	410,057,593	0.26
10.	Wells REIT II-University Circle LP	Office Building	326,635,338	0.21
11.	Westport Office Park LLC	Office Building	267,216,689	0.17
12.	Franklin Templeton Corporate Services Inc.	Office Building	264,280,126	0.17
13.	Slough Redwood City LLC	Industrial	243,081,566	0.15
14.	Quadrus Sand Hill LLC	Office Building	228,980,894	0.15
15.	Electronic Arts Inc.	Office Building	214,400,772	0.14
16.	Visa USA Inc.	Office Building	210,015,462	0.13
17.	Bohannon Development Co.	Shopping Center	206,768,696	0.13
18.	SRI Eight Pacific Shores LLC	Office Building	202,193,461	0.13
19.	ASN Bay Meadows I LLC & Bay Meadows II LLC	Apartments	196,730,033	0.13
20.	Kilroy Realty LP	Office Building	194,300,608	0.12
			$8,636,645,895	5.50%

(1) 2014-15 Local Secured Assessed Valuation: $156,966,133,122.
Source: California Municipal Statistics, Inc.

Tax Rates

Contained within the District's boundaries are numerous overlapping local agencies. The following table sets forth a five-year history of the total tax rates in Tax Rate Area 12-001 and Tax Rate Area 9-001. Tax Rate Area 12-001 has a total assessed value of $15,363,984,694, which is approximately 9.8% of the assessed valuation in the District. Tax Rate Area 9-001 has a total assessed value of $7,440,799,747, which is approximately 4.7% of the assessed valuation in the District.

Table 8
SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
REPRESENTATIVE TAX RATE
FIVE-YEAR HISTORY(1)
(Tax Rate Area 12-001 and Tax Rate Area 9-001)
Fiscal Years 2010-11 through 2014-15

	2010-11	2011-12	2012-13	2013-14	2014-15
Tax Rate Area 12-001 – 2014-15 Assessed Valuation: $15,363,984,694					
General	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
City of San Mateo Bond	0.0129	0.0129	0.0129	0.0105	0.0105
San Mateo-Foster City School District Bond	0.0341	0.0347	0.0338	0.0421	0.0388
San Mateo High School District Bond	0.0322	0.0383	0.0381	0.0355	0.0475
San Mateo Community College District Bond	0.0193	0.0199	0.0194	0.0194	0.0190
Total	1.0985%	1.1058%	1.1042%	1.1075%	1.1158%
Tax Rate Area 9-001 – 2014-15 Assessed Valuation: $7,440,799,747					
General	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
Redwood City School District	0.0249	0.0255	0.0256	0.0240	0.0230
Sequoia Union High School District	0.0311	0.0358	0.0356	0.0313	0.0433
San Mateo Community College District Bond	0.0193	0.0199	0.0194	0.0194	0.0190
Total	1.0753%	1.0812%	1.0806%	1.0747%	1.0853%

(1) Tax Rate Areas 12-001 and 9-001 are the two largest within the District in terms of assessed valuation.
Source: California Municipal Statistics, Inc.

Overlapping Debt

Contained within the District's boundaries are numerous overlapping local agencies providing public services. These local agencies have outstanding bonds issued in the form of general obligation, lease revenue and special assessment. The direct and overlapping debt of the District is shown in the following table. Self-supporting revenue bonds, tax allocation bonds and non-bonded capital lease obligations are excluded from the debt statement.

Table 9
SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
STATEMENT OF DIRECT AND OVERLAPPING DEBT
AS OF APRIL 1, 2015

2014-15 Assessed Valuation: $165,757,406,470

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 4/1/15	
San Mateo Community College District	**100. %**	**$ 537,859,994**	(1)
Cabrillo Unified School District	100	45,269,905	
South San Francisco Unified School District	100.	186,096,214	
Jefferson Union High School District	100.	154,461,645	
San Mateo Union High School District	100.	501,523,058	
Sequoia Union High School District	100.	433,505000	
Belmont Redwood Shores School District and School Facilities Improvement Districts	100.	89,380,021	
Burlingame School District	100.	82,462,486	
Hillsborough School District	100.	55,001,434	
Jefferson School District	100.	76,150,000	
Menlo Park City School District	100.	114,682,624	
San Carlos School District	100.	88,519,321	
San Mateo-Foster City School District	100.	180,566,095	
Other School Districts	100.	200,800,839	
Cities	100.	64,680,000	
Montara Sanitary District	100.	12,035,000	
Community Facilities Districts	100.	110,760,000	
1915 Act Special Assessment Bonds	100.	15,121,290	
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$2,948,874,926	
OVERLAPPING GENERAL FUND DEBT:			
SAN MATEO COUNTY GENERAL FUND OBLIGATIONS	100. %	$460,064,816	
San Mateo County Board of Education Certificates of Participation	100.	10,950,000	
San Mateo County Flood Control District Certificates of Participation	100.	21,435,000	
Other Unified School District General Fund Obligations	100.	8,188,352	
City of Burlingame General Fund and Pension Obligation Bonds	100.	37,660,000	
City of Daly City Pension Obligation Bonds	100.	28,380,000	
City of Pacifica General Fund and Pension Obligation Bonds	100.	32,520,000	
City of San Mateo General Fund Obligations	100.	35,030,000	
Other City General Fund Obligations	100.	71,218,310	
Midpeninsula Regional Open Space Park General Fund Obligations	30.629	38,925,432	
Granada Sanitary District Certificates of Participation	100.	185,000	
Menlo Park Fire Protection District Certificates of Participation	100.	11,270,000	
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		$755,826,910	
Less: City of Burlingame supported obligations		8,593,750	
TOTAL NET OVERLAPPING GENERAL FUND DEBT		$747,233,160	
OVERLAPPING TAX INCREMENT DEBT:		$290,814,055	
GROSS COMBINED TOTAL DEBT		$3,995,515,891	(2)
NET COMBINED TOTAL DEBT		$3,986,922,141	

(1) Excludes Bonds to be sold.
(2) Excludes TRANs, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2014-15 Assessed Valuation:
Direct Debt ($537,859,994) 0.32%
Total Direct and Overlapping Tax and Assessment Debt 1.78%
Gross Combined Total Debt 2.41%
Net Combined Total Debt 2.41%

Ratio to Redevelopment Incremental Valuation ($13,907,532,993):
Total Overlapping Tax Increment Debt 2.09%

Source: California Municipal Statistics, Inc.

TAX MATTERS

Federal Tax Status

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes, and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), the interest on the Bonds is taken into account in determining certain income and earnings.

The opinion set forth in the preceding paragraph is subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

Tax Treatment of Original Issue Discount and Premium

If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which each Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. De minimis original issue discount and original issue premium is disregarded.

Under the Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Bond. The Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Bonds who purchase the Bonds after the initial offering of a substantial amount of such maturity. Owners of such Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Bonds under federal individual and corporate alternative minimum taxes.

Under the Code, original issue premium is amortized on an annual basis over the term of the Bond (said term being the shorter of the Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the

Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Bond is amortized each year over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Bond premium is not deductible for federal income tax purposes. Owners of premium Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Bonds.

As a consequence of the modification of the interest rate of the Bonds maturing on September 1, 2040 (the "**Step Coupon Bonds**"), the Step Coupon Bonds are treated as being sold with an original issue discount.

California Tax Status

In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

Other Tax Considerations

Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Bonds other than as expressly described above.

Form of Opinion

A copy of the proposed form of opinion of Bond Counsel with respect to the Bonds is attached to this Official Statement as APPENDIX C.

CONTINUING DISCLOSURE

The District will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the District by not later than March 31 after the end of each fiscal year (currently June 30), commencing with the report for the 2014-15 fiscal year (the "**Annual Report**"), and to provide notices of the occurrence of certain enumerated events. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is provided in "APPENDIX D - FORM OF CONTINUING DISCLOSURE CERTIFICATE". These covenants have been made in order to assist the Underwriter (as defined below) in complying with Rule 15c2-12(b)(5) under the Securities Exchange Act of 1934, as amended.

Within the past five years, the District failed to file the annual reports for fiscal years 2008-09 and 2009-10 in a timely manner as required by several of its prior continuing disclosure undertakings. In both cases, the annual reports were filed just a few days late. The annual report for fiscal year 2012-13 was not properly linked on EMMA to the District's 2012 General Obligation Refunding Bonds. In every instance, the District did not include information regarding assessed valuation of taxable properties in the District or total secured tax charges and delinquencies on taxable properties in the District in its annual reports, as such information was not provided by the County. Additionally, the District failed to file notices of rating changes related to downgrades of bond insurers as well as notices of upgrades by Moody's and S&P in the District's underlying ratings in 2010 and 2012, respectively.

Subsequently, in connection with the issuance of its District's 2014 General Obligation Refunding Bonds, the District represented in the Official Statement that all of such missing information and rating changes had been filed on EMMA and that the District was then currently in compliance with its continuing disclosure undertakings. However, in connection with the preparation of this Official Statement, the District determined that the missing information and rating changes had not in fact been filed on EMMA.

Since the publication of the Official Statement for the 2014 General Obligation Refunding Bonds, the District filed on EMMA its Annual Report for fiscal year 2013-14 on February 1, 2015, but failed to link it to the District's 2012 General Obligation Refunding Bonds and its 2014 General Obligation Refunding Bonds, the District failed to timely file a notice of a rating upgrade by S&P of the District's underlying rating in August 2014 and failed to link the notice on EMMA to the 2012 General Obligation Refunding Bonds.

Prior to the posting of this Official Statement, the District made all required remedial posting filings with the assistance of an outside consultant, BLX Group, and the District is currently in compliance with its continuing disclosure undertakings. The District has also engaged BLX Group to train District staff about the District's ongoing continuing disclosure obligations and expects to comply in all material respects with its continuing disclosure undertakings in the future.

ABSENCE OF MATERIAL LITIGATION

No litigation is pending or threatened concerning the validity of the Bonds, and a certificate to that effect will be furnished to the purchasers at the time of the original delivery of the Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the District's ability to receive *ad valorem* taxes or collect other revenues or contesting the District's ability to issue and repay the Bonds.

RATINGS

Upon issuance of the Bonds, Moody's Investors Service, Inc. ("**Moody's**"), and Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("**S&P**"), will assign the Bonds the ratings of "Aaa" and "AAA," respectively.

The District has furnished to the rating agencies information and material that have not been included in this Official Statement. Generally, rating agencies base their ratings on information and material so furnished and on investigations, studies and assumptions made by the rating agencies. The ratings reflect only the view of the rating agencies, and an explanation of the significance of the ratings may be obtained from the rating agencies at the following addresses: S&P, 55 Water Street, New York, New York 10041 and Moody's Investors Service, 250 Greenwich Street, New York, New York 10007.

There is no assurance that any rating will continue for a given period of time or that it will not be revised downward or withdrawn entirely if, in the judgment of the assigning rating agency, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

UNDERWRITING

Morgan Stanley & Co. LLC (the "**Underwriter**") has agreed in a bond purchase contract to purchase the Bonds at an aggregate purchase price of $138,518,723.44 (consisting of the par amount of $127,000,000.00, plus original issue premium of $12,148,457.55, less an underwriter's discount of $629,734.11).

The Underwriter intends to offer the Bonds to the public at the offering prices set forth on the inside cover page of this Official Statement. The Underwriter may offer and sell Bonds to certain dealers and others at a price lower than the offering prices stated on the inside cover page of this Official Statement. The offering price may be changed from time to time by the Underwriter.

Morgan Stanley, parent company of the Underwriter of the Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, the Underwriter may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, the Underwriter may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

EXECUTION

The execution and delivery of this Official Statement has been approved by the Board of Trustees of the District.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

By: /s/ Ron Galatolo
Chancellor

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APPENDIX A

FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT AND SAN MATEO COUNTY

GENERAL DISTRICT INFORMATION

The information in this Appendix concerning the operations of the District and the District's general fund finances is provided as supplementary information only, and it should not be inferred from the inclusion of this information that the principal of and interest on the Bonds is payable from the general fund of the District. The Bonds are payable from the proceeds of an ad valorem tax required to be levied by the County in an amount sufficient for the payment of the interest on and principal of the Bonds. See "SECURITY FOR THE BONDS" above.

General Information

The District provides community college educational services primarily to residents of the County of San Mateo, California, located between San Francisco and Silicon Valley. The District was established in 1922 and operates three colleges: the College of San Mateo, Cañada College, and Skyline College. Combined, the three colleges of the District serve over 40,000 students annually and offer the first two years of college-level instruction in a wide variety of transfer programs as well as more than 90 vocational-technical programs. Students can earn either Associate in Arts or Science degrees or receive Certificates of Proficiency in their chosen fields. In addition, the District hosts a University Center at Canãda College where students can obtain baccalaureate degrees in selected program areas through California State University partners. The District also operates a public television station, KCSM-TV Channel 60. Noncredit, short courses are offered for a fee through the Community Education Program. Each college is fully accredited by the Western Association of Schools and Colleges, the recognized local accrediting agency for the western United States that is affiliated with the Federation of Regional Accrediting Commissions of Higher Education.

Governance

The District is governed by a six-member board of trustees (“**Board of Trustees**”), with five voting members elected at large by County voters for four-year terms and one nonvoting student member elected by students for a one-year term. The day-to-day operations are managed by the board-appointed Chancellor. Ron Galatolo has served in this position since May 2001.

Current members of the Board of Trustees, together with their respective offices and the date their respective terms expire, are listed below:

Name	Position	Term Expires
Patricia Miljanich	President	December 2015
Dave Mandelkern	Vice President	December 2015
Karen Schwarz	Trustee	December 2015
Richard Holober	Trustee	December 2017
Thomas Mohr	Trustee	December 2017
Rupinder Bajwa	Student Trustee	December 2015

Employee Relations

The District is a party to three collective bargaining agreements, one with each of its units: American Federation of Teachers ("**AFT**"); American Federation of State, County and Municipal Employees ("**AFSCME**"); and California School Employees Association ("**CSEA**"). The District also has 125 employees who are not represented by any bargaining units.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
BARGAINING ORGANIZATIONS AND CONTRACT DATES

Employee Organization/ Bargaining Unit	Number of Budgeted Positions	Contract Termination Date
AFT	326 full-time 714 part-time	June 30, 2016
AFSCME	85	June 30, 2016
CSEA	324	June 30, 2016

Source: San Mateo County Community College District.

DISTRICT FINANCIAL INFORMATION

Funding of Community College Districts in California

Major Revenues. California community college districts (other than Basic Aid, or community-supported districts, as described below) receive, on average, approximately 52% of their funds from the State, approximately 44% from local sources, and approximately 4% from federal sources. State funds include general apportionment, categorical funds, capital construction, the lottery, and other minor sources. Local sources include property taxes, student fees, and miscellaneous sources.

Senate Bill 361 ("**SB 361**"), which was signed by the Governor on September 29, 2006, established the present funding for community college districts. The system includes allocation of state general apportionment revenues to community college districts based on criteria developed by the Board of Governors of the California Community Colleges (the "**Board of Governors**") in accordance with prescribed statewide minimum requirements. In establishing these minimum requirements, the Board of Governors is required to acknowledge community college districts' need to receive an annual allocation based on the number of colleges and comprehensive centers in each district, plus funding received based on the number of credit and noncredit full time equivalent students ("**FTES**") in each district.

SB 361 also specified that the minimum funding per FTES will be: (a) not less than $4,367 per credit FTES (subject to cost of living adjustments funded through the budget act in subsequent fiscal years); (b) at a uniform rate of $2,626 per noncredit FTES (adjusted for the change in cost of living provided in the budget act in subsequent fiscal years); and (c) set at $3,092 per FTES (adjusted for the change in cost of living provided in the budget act in subsequent fiscal years) for a new instructional category of "career development and college preparation."

Local revenues are first used to satisfy a community college district's expenditures. The major local revenue source is local property taxes that are collected from within district boundaries. Student enrollment fees from the local community college district generally account for the remainder of local revenues of the district. Property taxes and student enrollment fees are applied towards fulfilling the district's financial need. Once these sources are exhausted, State funds are used. State aid is subject to the appropriation of funds in the State's annual budget. Decreases in State revenues may affect appropriations made by the legislature to a community college district. The sum of the property taxes, student enrollment fees, and State aid generally comprises the district's revenue limit.

The District has obtained the status of being community-supported. Formerly known as "Basic Aid," a community-supported community college district is one whose local property tax and student enrollment fee collections exceed the revenue allocation determined by the program-based model. As a community-supported district, the District does not receive any funds from the State appropriation, however, it does receive funds from the State for categorical and grant programs restricted to a special population or for certain purposes such as disabled students or instructional equipment, as well as unrestricted State aid for financial aid administration and part-time faculty costs. The current law in California allows these districts to keep the excess funds without penalty. The implication for community-supported districts is that the legislatively determined annual cost of living adjustment and other politically determined factors are less significant in determining such districts' primary funding sources. Rather, property tax growth and the local economy become the determinant factors. The District has been a community-supported district since fiscal year 2011-12. Due to projected increases in assessed valuation, the District anticipates that it will remain a community-supported district for fiscal year 2015-16 and the foreseeable future.

A small part of a community college district's budget is from local sources other than property taxes and student enrollment fees, such as interest income, donations and sales of property. Every community college district receives the same amount of lottery funds per pupil from the State; however, these are not categorical funds as they are not for particular programs or students. The initiative authorizing the lottery does require the funds to be used for instructional purposes, and prohibits their use for capital purposes.

Set forth below is a table showing historical revenue sources.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
REVENUE SOURCES

Percentage of Total
General Fund Revenues

Revenue Source	2010-11	2011-12	2012-13	2013-14
Federal Revenue	3.82%	3.28%	3.26%	2.78%
State Revenue[(1)]	39.10	9.56	8.37	9.95
Local Revenue	54.40	77.83	83.73	85.95
Other	2.68	9.32	4.65	1.32
Total	100.00%	100.00%	100.00%	100.00%

(1) The District has been a community-supported district since 2011-12. State Revenue in 2011-12, 2012-13 and 2013-14 primarily reflects receipt of State categorical and grant program funds. See "Funding of Community College Districts in California – Major Revenues" above.
Source: San Mateo County Community College District.

Accounting Practices

The accounting policies of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California Community Colleges Budget and Accounting Manual. Revenues are recognized in the period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the period in which the liability is incurred.

The financial resources of the District are divided into separate funds for which separate accounts are maintained for recording cash, other resources and all related liabilities, obligations and equities. The major fund classification is the general fund, which accounts for all financial resources not required to be accounted for in another fund. The District's fiscal year begins on July 1 and ends on June 30. All governmental funds and fiduciary funds are maintained on the modified accrual basis of accounting, and so revenues are recognized when they become susceptible to accrual (that is, both measurable and available to finance expenditures for the current period). For more information on the District's accounting method, see Note 2, Section B of "APPENDIX B – FISCAL YEAR 2013-14 AUDITED FINANCIAL STATEMENTS" attached hereto.

The Governmental Accounting Standards Board ("**GASB**") published its Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" on June 30, 1999. GASB No. 34 provides guidelines to auditors, state and local governments and special purpose governments such as school districts and public utilities, on new requirements for financial reporting for all governmental agencies in the United States. Generally, the basic financial statements and required supplementary information should include (i) Management's Discussion and Analysis; (ii) financial statements prepared using the economic measurement focus and the accrual basis of accounting; (iii) fund financial statements prepared using the current financial resources measurement focus and the modified accrual method of accounting; and (iv) required supplementary information.

The District's Audited Financial Statements for fiscal year 2013-14 were prepared by Vavrinek, Trine, Day & Company, LLP, Pleasanton, California and are attached as APPENDIX

B. Audited financial statements for the District for prior fiscal years are on file with the District and available for public inspection at the Chancellor's Office.

The District considers its audited financial statements to be public information, and accordingly, no consent has been sought or obtained from the auditor in connection with the inclusion of such statements in this Official Statement. The auditor has made no representation in connection with inclusion of the audit in this Official Statement.

District Budget

The District is required by provisions of the State Education Code to maintain a balanced budget each year, where the sum of expenditures plus the ending fund balance cannot exceed revenues plus the carry-over fund balance from the previous year. The Board of Governors of the California Community Colleges imposes a uniform budgeting format for all California community college districts.

Under current law, the District Board of Trustees approves a tentative budget by July 1 and an adopted budget by September 15 of each fiscal year. The following table shows the District's combined restricted and unrestricted general fund revenues, expenditures and changes in fund balance for fiscal year 2013-14 (budgeted and audited figures).

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
COMBINED UNRESTRICTED & RESTRICTED GENERAL FUND
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FISCAL YEARS 2013-14 (BUDGETED AND AUDITED FIGURES)
AND FISCAL YEAR 2014-15 (BUDGETED AND ACTUALS TO 12/31/14)

	2013-14 Adopted Budget	**2013-14 Audited**	**2014-15 Adopted Budget**	**2014-15 Actuals to 12/31/14 (Mid-Year Report)**
Beginning Balance	$33,603,054	$33,603,054	$35,060,530	$35,060,530
Revenues				
Federal Revenue	6,202,967	4,284,623	6,236,909	2,327,811
State Revenue	17,331,336	16,050,670	16,950,315	5,574,831
Local Revenue	130,048,273	135,427,803	136,043,847	80,789,834
Total Revenue	153,582,576	155,763,096	159,231,071	88,789,834
Expenditures				
Certificated Salaries	55,671,420	52,684,283	58,670,471	29,543,957
Classified Salaries	37,572,415	37,574,301	41,164,615	19,554,086
Employee Benefits	34,245,812	30,074,351	39,239,642	18,277,488
Supplies & Materials	11,781,998	3,523,569	11,124,386	1,975,721
Operating Expenses	25,617,931	14,827,596	19,317,669	8,391,066
Capital Outlay	8,092,486	552,850	7,932,251	138,148
Total Expenditures	172,982,061	139,236,952	177,449,034	77,879,468
Transfers & Other				
Transfers in	1,743,579	6,312,890	2,105,944	1,932,112
Transfers out	(1,696,917)	(20,850,907)	(2,515,561)	(830,716)
Contingency	(1,045,717)	(7,388)	0	0
Other outgo	(784,663)	(523,263)	(723,257)	(195,598)
Total Transfers & Other	(1,783,718)	(15,068,667)	(1,092,874)	905,800
Net Change in Fund Balance	(21,183,204)	1,457,476	(19,310,838)	11,816,164
Ending Balance	$12,419,850	$35,060,530	$15,749,692	$46,876,694

Fiscal Year 2014-15 Budget. The Board of Trustees adopted the 2014-15 budget on September 10, 2014. The 2014-15 budget assumes that the District will continue to be a community-supported district. Additionally, the District expects to receive State categorical funds totaling approximately $1.8 million for the Student Support and Success Program and $2.5 million for Scheduled Maintenance and Instructional Equipment.

Mid-Year Report. The District's revenue received as of December 31, 2014 was $88,789,834, or 55.8% of the total revenue budget. Non-resident tuition fees far exceeded the projected budget and more than half of property taxes, interest income and miscellaneous income were posted at mid-year. District expenditures as of December 31, 2014 were $77,879,468, or 43.7% of the total expenditure budget.

Parcel Tax. The District's voters approved a parcel tax (Measure G) for the District for four years, starting with fiscal year 2010-11. The parcel tax levy of $34 per parcel contributed approximately $7 million annually and allowed the District to cut significantly fewer sections than would have been cut without it and maintain some services to students during the recession. The parcel tax expired in fiscal year 2013-14. The District expects that the loss of these parcel tax revenues in fiscal year 2014-15 and in the coming years will be offset by increased property tax revenues realized from gains in assessed valuation of property within the District.

General Fund Reserves. The District is in the process of revising its reserve policy to increase the budgeted unrestricted general fund reserve for 5% to a range of 15% to 30% of expenditures. Approval of the new policy by the Board is expected by the end of fiscal year 2014-15.

District Debt

Payment History. The District has never defaulted on the payment of principal of or interest on any of its indebtedness.

Short-Term Borrowing. The District normally issues tax and revenue anticipation notes each year in order to provide working capital during periods of the year when local taxes have yet to be collected. Local tax revenues are generally distributed to the District in December and April, while expenditures tend to occur more evenly throughout the year. The District issued its fiscal year 2014-15 Tax and Revenue Anticipation Notes in the amount of $18,655,000 (the "**2014-15 TRAN**"). The 2014-15 TRAN matures on June 30, 2015. In fiscal year 2015-16, the District expects to issue approximately $18-20 million in Tax and Revenue Anticipation Notes.

Long-Term Borrowing. As described below the District has seven series of general obligation bonds outstanding, aside from the Bonds. These bonds are payable solely from the proceeds of *ad valorem* taxes levied for the purpose of paying the bonds and are not payable from the general fund of the District.

In June 2002, the District issued its 2002 General Obligation Bonds (Election of 2001), Series A, in the amount of $96,875,612.95. These bonds include both current interest bonds and capital appreciation bonds. As of March 1, 2015, the outstanding principal amount (not including accreted interest) was $18,045,612.95.

In February 2005, the District issued its 2005 General Obligation Bonds (Election of 2001), Series B, in the amount of $69,995,612.40. These bonds include both current interest bonds and capital appreciation bonds. As of the Closing Date, the outstanding principal amount (not including accreted interest) is $23,095,132.

In April 2006, the District issued its 2006 General Obligation Bonds (Election of 2001), Series C, in the amount of $40,124,660.45. These bonds include both current interest bonds and capital appreciation bonds. As of March 1, 2015, the outstanding principal amount (not including accreted interest) is $26,684,661.

In April 2006, the District issued its 2006 General Obligation Bonds (Election of 2005), Series A, in the amount of $135,429,394.60. These bonds include both current interest bonds and capital appreciation bonds. As of March 1, 2015, the outstanding principal amount (not including accreted interest) was $73,634,394.60.

In December 2006, the District issued its 2006 General Obligation Bonds (Election of 2005), Series B, in the amount of $332,570,193.75. These bonds include both current interest bonds and capital appreciation bonds. As of March 1, 2015, the outstanding principal amount (not including accreted interest) is $175,715,194.

In June 2012, the District refunded a portion of its outstanding general obligation bonds from proceeds of its 2012 General Obligation Refunding Bonds in the amount of $107,595,000. As of March 1, 2015, the outstanding principal amount was $98,880,000.

In October 2014, the District refunded a portion of its outstanding general obligation bonds from proceeds of its 2014 General Obligation Refunding Bonds in the amount of $121,805,000. As of March 1, 2015, the outstanding principal amount was $121,805,000.

Pension Plans

California State Teacher's Retirement System. For the benefit of faculty and some administrators, the District participates in the California State Teacher's Retirement System ("**STRS**"), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. As a result of the Public Employee Pension Reform Act of 2013 ("**PEPRA**") (see "Pension Reform Act of 2013 (Assembly Bill 340") below), changes were made to the defined benefit pension plan beginning January 1, 2013.

Due to the implementation of PEPRA, new members of the plan must pay at least 50% of the normal cost of the plan, which can fluctuate from year to year. For 2013-14 the required rate was 8% of their salary. Existing plan members are also required to contribute 8.0% of their salary. The District is required to contribute a legislatively determined rate. The required employer contribution rate for fiscal year 2013-14 was 8.25% of annual payroll. The District's contributions to STRS for the past three and current projected fiscal years are set forth in the following table.

STRS Contributions
San Mateo County Community College District

Fiscal Year	Amount
2011-12	$3,185,617
2012-13	3,292,883
2013-14	3,469,338
2014-15*	4,352,638

**Budgeted.*
Source: San Mateo County Community College District.

New Legislation Regarding STRS Contributions Implemented in FY 2014-15. In connection with the State's adoption of its fiscal year 2014-15 Budget, the Governor signed into law Assembly Bill 1469 (**"AB 1469"**), which represents a legislative effort to address the unfunded liabilities of the STRS pension plan (see below section entitled "State Pension Trusts"). AB 1469 addresses the funding gap by increasing contributions of plan members, employers (including the District) and the State commencing in fiscal year 2014-15. Pursuant to AB 1469, employer contribution rates to the STRS plan will increase over the next seven years, from the contribution rate of 8.25% in Fiscal Year 2013-14 to 19.1% in Fiscal Year 2020-21.

Thereafter, employer contribution rates will be determined by the STRS board to reflect the contribution required to eliminate unfunded liabilities by June 30, 2046. STRS employer contribution rates under AB 1469 for Fiscal Years 2014-15 through 2020-21 are summarized in the following table.

AB 1469 STRS Employer Contribution Rates

Fiscal Year	**% Increase From FY 2013-14 Rate* Under AB 1469**	**Total Contribution Rate**
2014-15	0.63%	8.88%
2015-16	2.48	10.73
2016-17	4.33	12.58
2017-18	6.18	14.43
2018-19	8.03	16.28
2019-20	9.88	18.13
2020-21	10.85	19.10

**Fiscal year 2013-14 rate was 8.25% of annual payroll.*

California Public Employees' Retirement System. For all other employees, the District participates in the State of California Public Employees' Retirement System ("**PERS**"), an agent multiple-employer contributory public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Changes have also been made to the PERS plan pursuant to PEPRA. New plan members must pay at least 50% of the normal cost of the plan, which can fluctuate from year to year. For fiscal year 2015-16 the normal cost is 11.847%, which rounds to a 6.0% contribution rate. Existing plan members are required to contribute 7.0% of their salary. The District is required to contribute an actuarially determined rate (11.771% for fiscal year 2014-15 and 11.847% for fiscal year 2015-16). One actuarial valuation is performed for those employers participating in the pool, and the same contribution rate applies to each. The District's contributions to PERS for the past three and current projected fiscal years are set forth in the following table.

PERS Contributions
San Mateo County Community College District

Fiscal Year	Amount
2011-12	$3,693,915
2012-13	4,035,956
2013-14	4,296,931
2014-15*	4,385,384

**Budgeted.*
Source: San Mateo County Community College District.

<u>PERS Board Adopts New Employer Contribution Rates.</u> On April 16, 2014, the Board of Administration of PERS approved new contribution rates beginning on July 1, 2014. Employer contribution rates will reflect new demographic assumptions and other changes in actuarial assumptions which were adopted by the Board of Administration of PERS in February 2014. The new assumptions, which are aimed at eliminating the unfunded liability of PERS in approximately 30 years, will be implemented for school districts and college districts beginning

in fiscal year 2016-17, with the costs spread over twenty years and the increases phased in over the first five years. These new employer contribution rates continue to recognize asset losses from prior years. Projected employer contribution rates for school districts and college districts are as follows:

Projected PERS Contribution Rates

2016-17	2017-18	2018-19	2019-20	2020-21
15.0%	16.6%	18.2%	19.9%	20.4%

Source: California Public Employees' Retirement System

State Pensions Trusts. Both the PERS and STRS systems are operated on a statewide basis. District contribution rates to PERS can vary annually depending on changes in actuarial assumptions and other factors, such as liability. Contributions to STRS can only be changed legislatively. Both PERS and STRS have substantial State unfunded actuarial liabilities, being $57 billion for PERS as of June 30, 2012 (the date of the last actuarial valuation for PERS) and $73.7 billion for STRS as of June 30, 2013 (the date of the last actuarial valuation for STRS). As described above, AB 1469 was enacted in connection with the State's 2014-15 Budget in an attempt to reduce and eliminate the unfunded liability of the STRS pension plan, and the PERS Board has recently taken actions to increase contribution rates in order to address unfunded liabilities.

Both STRS and PERS issue separate comprehensive financial reports that include financial statements and required supplemental information. Copies of such reports may be obtained from STRS and PERS, respectively, as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; (ii) PERS, P.O. Box 942703, Sacramento, California 94229-2703. More information regarding STRS and PERS can also be obtained at their websites, www.calstrs.com and www.calpers.ca.gov, respectively. However, information in the financial reports and on the websites is not incorporated in this Official Statement by reference. See also the following paragraph on recent pension reform legislation.

Pension Reform Act of 2013 (Assembly Bill 340). On September 12, 2012, Governor Brown signed AB 340, enacting the California Public Employees' Pension Reform Act of 2013 ("**PEPRA**") and amending various sections of the California Education and Government Codes. AB 340 (i) increased the retirement age for new State, school, and city and local agency employees depending on job function, (ii) capped the annual PERS and STRS pension benefit payouts, (iii) addressed numerous abuses of the system, and (iv) required State, school, and certain city and local agency employees to pay at least half of the costs of their PERS pension benefits. PEPRA applies to all public employers *except* the University of California, charter cities and charter counties (except to the extent they contract with PERS.)

The provisions of AB 340 went into effect on January 1, 2013 with respect to new State, school, and city and local agency employees hired on that date and after; existing employees who are members of employee associations, including employee associations of the Districts, have a five-year window to negotiate compliance with AB 340 through collective bargaining. If no deal is reached by January 1, 2018, a city, public agency or school district could force employees to pay their half of the costs of PERS pension benefits, up to 8% of pay for civil workers and 11% or 12% for public safety workers.

PERS has predicted that the impact of AB 340 on employees and employers, including the District and other employers in the STRS system, will vary, based on each employer's current level of benefits. To the extent that the new formulas lower retirement benefits, employer contribution rates could decrease over time as current employees retire and employees subject to the new formulas make up a larger percentage of the workforce. This change would, in some circumstances, result in a lower retirement benefit for employees than they currently earn. Additionally, PERS has noted that changes arising from AB 340 could ultimately have an adverse impact on public sector recruitment in areas that have historically experienced recruitment challenges due to higher pay for similar jobs in the private sector.

With respect to STRS, the provisions of AB 1469 effective as of July 1, 2014 effectively addressed the contribution requirements of STRS members, employers and the State.

More information about AB 340 can be accessed through the PERS's web site at www.calpers.ca.gov/index.jsp?bc=/member/retirement/pension-reform-impacts.xml&pst=ACT&pca=ST and through the STRS web site at http://www.calstrs.com/Newsroom/whats_new/AB340_detailed_impact_analysis.pdf. *The references to these internet websites are shown for reference and convenience only; the information contained within the websites may not be current and has not been reviewed by the District and is not incorporated herein by reference.*

Post-Employment Benefits Other than Pension Benefits

The District provides post-employment healthcare benefits to retirees meeting plan eligibility requirements. Employees participating in the STRS plan are eligible at a minimum age of 60 with five years of service or at age 50 with 30 years' service. Employees participating in the PERS plan are eligible at a minimum age of 55 and a minimum of ten years' service. The District also has minimum continuous service requirements for retirement that range from three years to ten years. Beginning in 1992, the District capped post-employment benefits offered by the District in order to reduce its future liability. As of June 30, 2014, there were 1,008 retirees and beneficiaries currently receiving benefits and 854 active plan members.

The District completed an actuarial analysis of its retiree health benefit liability dated February 1, 2013, in accordance with GASB 45. As of March 31, 2015 the District's unfunded actuarial accrued liability for its retiree health care plan was approximately $125,000,000; the estimate was based on certain assumptions, including the rate of increase of medical costs, which, if incorrect, could result in an under- or over-estimation of the District's liability. During the 2013-14 fiscal year, the District contributed $16,912,318 to the plan, which totaled 196% of the District's required annual contribution of $8,642,396. See Note 11 of the District's audited financial statements for the fiscal year ended June 30, 2014, at "APPENDIX B – Fiscal Year 2013-14 Audited Financial Statements."

The District has created two trust funds for post-employment benefits: an Investment Trust (irrevocable trust) and a Reserve Fund (which is not irrevocable for this purpose). As of March 31, 2015, the balance in the Investment Trust was $65,396,059 and the balance in the Reserve Fund was $9,022,010.

Joint Powers Arrangements for Insurance

The District maintains insurance of various types, including employee vision, health and dental benefits, a workers' compensation plan and property casualty and liability insurance.

Workers' Compensation. The District maintains a self-insured retention up to $350,000, as well as excess coverage above $350,000.

Dental and Vision Insurance. The District obtains dental and vision insurance from the San Mateo County Schools Insurance Group.

Health Insurance. The District obtains health insurance from PERS.

Property casualty and liability insurance. The District maintains property and liability risk coverage up to $25 million per occurrence with a self-insured retention of $150,000.

These joint powers arrangements are described further in "APPENDIX B – Fiscal Year 2013-14 Audited Financial Statements – Note 15."

State of California Finances

The State Budget. The State requires that from all State revenues there will first be set apart the moneys to be applied for support of the public school system and public institutions of higher education. Community college districts receive a significant portion of their funding from State appropriations. As a result, decreases in State revenues may significantly affect apportionments made by the legislature to school districts and community college districts. The District is community-supported, meaning that local property taxes and student enrollment fee collections exceed the revenue allocation determined by the State and therefore the District does not receive any funds from the State appropriation. The District does, however, receive State funds for categorical and grant programs restricted to a special population or for certain purposes, as well as unrestricted State aid for financial aid administration and part-time faculty costs.

The Budget Process. The State's fiscal year begins on July 1 and ends on June 30. The annual budget is proposed by the Governor by January 10 of each year for the next fiscal year (the "**Governor's Budget**"). Under State law, the annual proposed Governor's Budget cannot provide for projected expenditures in excess of projected revenues and balances available from prior fiscal years. Following the submission of the Governor's Budget, the Legislature takes up the proposal.

Under the State Constitution, money may be drawn from the State Treasury only through an appropriation made by law. The primary source of the annual expenditure authorizations is the Budget Act, as approved by the Legislature and signed by the Governor. The Budget Act must be approved by a majority vote of each House of the Legislature. The Governor may reduce or eliminate specific line items in the Budget Act or any other appropriations bill without vetoing the entire bill. Such individual line-item vetoes are subject to override by a two-thirds majority vote of each House of the Legislature.

Appropriations may also be included in legislation other than the Budget Act. Bills containing appropriations (except for K-14 education) must be approved by a majority vote in each House of the Legislature and be signed by the Governor. Continuing appropriations, available without regard to fiscal year, may also be provided by statute or the State Constitution.

Funds necessary to meet an appropriation need not be in the State Treasury at the time such appropriation is enacted; revenues may be appropriated in anticipation of their receipt.

Recent State Budgets. Certain information about the State budgeting process and the State Budget is available through several State sources. A convenient source of information is the State's website, where recent official statements for State bonds are posted. The Internet websites shown below are shown for reference and convenience only. The information contained within these websites may not be current, has not been reviewed by the District and is not incorporated in this Official Statement by reference.

- The California State Treasurer Internet home page at www.treasurer.ca.gov, under the heading "Bond Information," posts various State of California Official Statements, many of which contain a summary of the current State Budget, past State Budgets, and the impact of those budgets on school districts in the State.

- The California State Treasurer's Office Internet home page at www.treasurer.ca.gov, under the heading "Financial Information," posts the State's audited financial statements. In addition, the Financial Information section includes the State's Rule 15c2-12 filings for State bond issues. The Financial Information section also includes the Overview of the State Economy and Government, State Finances, State Indebtedness and Litigation from the State's most current Official Statement, which discusses the State budget and its impact on school districts.

- The California Department of Finance's Internet home page at www.dof.ca.gov, under the heading "California Budget," includes the text of proposed and adopted State Budgets.

- The State Legislative Analyst's Office (the "**LAO**") prepares analyses of the proposed and adopted State budgets. Those analyses are accessible on the Legislative Analyst's Internet home page at www.lao.ca.gov under the heading "Subject Area – Budget (State)."

2014-15 Adopted State Budget

2014-15 State Budget. On June 20, 2014, Governor Brown approved the 2014-15 Budget Act (the **"2014-15 Budget"**), projecting $108 billion in general fund revenues, which is $7.3 million more in general fund revenues than in fiscal year 2013-14. The 2014-15 Budget is balanced and projects paying down more than $10 billion in unprecedented amounts of budgetary debt from past years, including paying down deferral of payments to schools by $5 billion, paying off Economic Recovery Bonds, repaying various special fund loans, and funding $100 million in mandate claims that have been owed to local governments since 2004. The budgetary deficit is projected to be reduced to below $5 billion by the end of 2016-17. The fiscal year begins with a 2014-15 State Budget reserve of $2 billion dollars, including $1.6 billion in the State's Budget Stabilization Account, also known as the State's rainy day fund. Temporary revenues provided by the passage of Proposition 30 (Sales and Income Tax Revenue Increase approved by State voters at an election held on November 8, 2011) and spending cuts have allowed for continued economic growth in the State. The 2014-15 State Budget also contains triggers allowing for additional spending, if various revenue benchmarks are exceeded. If revenues surpass certain estimates, then the Budget calls for more funds to be applied to higher education and to pay down debt. Certain highlights of the 2014-15 Budget are described below.

Plan for Reducing STRS Unfunded Liability. The California State Teachers' Retirement System ("**STRS**") has a significant unfunded liability. Without changes to how the system is funded, STRS is expected to run out of money in about 33 years. AB 1469, approved with the 2014-15 Budget, implemented a new funding strategy for STRS, which shares responsibility among school districts, the State, and teachers to better fund STRS. Contributions for the first year from all three of these sources will total $275 million. Contributions will increase in subsequent years, reaching more than $5 billion annually. This plan is projected to eliminate the unfunded liability by 2046.

Constitutional Amendment on November, 2014 Ballot: "Rainy Day Fund." The 2014-15 State Budget included a proposed constitutional amendment (Proposition 2), which was approved by State voters on November 4, 2014. Proposition 2 alters the State's existing requirements for the Budget Stabilization Account, the State's existing rainy day account, as follows:

- Requires deposits into the Rainy Day Fund whenever capital gains revenues rise to more than 8 percent of General Fund tax revenues, and would set the maximum size of the Rainy Day Fund at 10 percent of the General Fund revenues.

- Requires half of each year's deposit for the next 15 years be used for supplemental payments of debt or other long-term liabilities.

- Allows for withdrawal of funds only for a disaster or if spending remains at or below the highest level of spending from the past three years. The maximum amount that could be withdrawn in the first year of a recession would be limited to half of the Rainy Day Fund's balance.

- Requires that the state provide a multiyear budget forecast to better manage the state's long-term finances.

- Creates a Proposition 98 reserve, known as the Public School System Stabilization Account, where spikes in funding would be saved for future years. This is intended to smooth school spending and minimize future cuts to education funding.

Community College District Features. 2014-15 Budget provisions affecting community college districts include:

- Proposition 98 funding for education in the amount of $60.9 billion, reflecting an increase of $5.6 billion compared to funding provided in the 2013-14 State Budget.

- $170 million within the Proposition 98 General Fund is allocated to improve and expand student success programs and to strengthen efforts to assist underrepresented students. The proposed allocation includes approximately $100 million to increase the orientation, assessment, placement, counseling and other education planning services for all matriculated students, and approximately $70 million to reduce gaps in access and achievement to underrepresented student groups.

- An increase of $140.4 million within the Proposition 98 General Fund budgeted amount to fund 2.75% enrollment growth across community colleges in the State. Additionally, the California Community College Chancellor's Office is directed to implement a new enrollment growth formula for fiscal year 2015-16.

- Approximately $50 million within the Proposition 98 General Fund budgeted amount to support the economic and workforce development program at the Chancellor's Office, which funds will be allocated to community colleges to develop, enhance and expand career technical education programs.

- Approximately $6 million within the Proposition 98 General Fund budgeted amount for upgrades to technology at each community college.

- Approximately $30 million within the Proposition 98 General Fund budgeted amount for programs to support services and accommodations for students with disabilities.

- Approximately $498 million within the Proposition 98 General Fund budgeted amount to reduce outstanding amount of deferred payments from the State to community college districts during fiscal year 2014-15.

- Approximately $49.5 million within the Proposition 98 General Fund budgeted amount to reimburse community colleges for the costs of State-mandated programs.

- Approximately $37.8 million increase in fiscal year 2014-15 within the Proposition 98 General Fund budgeted amount by shifting a portion of the revenues from former redevelopment agencies scheduled to be received in the final months of the fiscal year to the following fiscal year.

- Approximately $148 million within the Proposition 98 General Fund budgeted amount for community colleges to use for deferred maintenance or instructional equipment purchases.

- Approximately $250 million within the Proposition 98 General Fund budgeted amount for grants related to Career Technical Education Pathways Program.

Governor's Proposed 2015-16 State Budget. On January 9, 2015, Governor Brown presented his proposed budget for the 2015-16 Fiscal Year (the "**2015-16 Proposed State Budget**"). The 2015-16 Proposed State Budget proposes a multiyear plan that is balanced, maintains a $3.4 billion reserve, and pays down budgetary debt from past years. Under the 2015-16 Proposed State Budget, funding levels for the K-12 LCFF will increase by $4 billion and funding levels for workforce education and training will increased by $876 million. Funding is also increased for the University of California and California State University higher education systems. The 2015-16 Proposed State Budget includes a $115 million allocation from the State's General Fund to address the drought, and addresses deferred maintenance issues with $500 million from the State's General Fund.

The complete 2015-16 Proposed State Budget is available from the California Department of Finance website at www.dof.ca.gov. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated in this Official Statement by such reference. The information referred to above should not be relied upon in making an investment decision with respect to the Bonds.

The execution of 2015-16 Proposed State Budget may be affected by numerous factors, including but not limited to: (i) shifts of costs from the federal government to the State, (ii) national, State and international economic conditions, (ii) litigation risk associated with proposed spending reductions, (iii) rising health care costs and (iv) other factors, all or any of which could cause the revenue and spending projections made in the 2015-16 Proposed State Budget to be unattainable. The District cannot predict the impact that the 2015-16 Proposed State Budget, or subsequent budgets, will have on its own finances and operations. Additionally, the District cannot predict the accuracy of any projections made in the 2015-16 Proposed State Budget.

May Revision. The Governor's May Revision dated May 14, 2015 (the "**May Revision**") raises funding for K-12 schools by more than $3,000 per student in 2015-16, raising spending by $6 billion. Funding for the LCFF stands at 53.1 billion and fully repays past-year school deferrals and ads $150 million on top of the $250 million proposed in January to expand career-technical education. The May Revision maintains flat tuition at University of California and California State universities. For community colleges, the May Revision provides more than $600 million above the Governor's January proposal, including an increase of $75 million to increase the number of full-time faculty and an increase of $148 million for community colleges to address deferred maintenance and invest in new instructional equipment. The May Revision sets aside $3.8 billion for the voter-approved Proposition 2 Rainy Day Fund and repays $765 million owned to local governments. Like the 2015-16 Proposed State Budget, the May Revision is a proposal from the Governor. The Budget Act is not enacted until it is approved by a majority vote of each House of the Legislature, and signed by the Governor.

Uncertainty Regarding Future State Budgets. The District cannot predict what actions will be taken in future years by the State Legislature and the Governor with respect to any future budget deficits. Future State budgets will be affected by national and state economic conditions and other factors over which the District has no control. The District cannot predict what impact any future budget proposals will have on the financial condition of the District.

County Investment Pool

The following information has been furnished by the County for use in this Official Statement. The District and the Underwriter have not verified the accuracy or adequacy of the information provided by the County.

The County Investment Pool (the "**Investment Pool**" or the "**Pool**") consists of monies deposited with the County Treasurer by County departments and agencies, school districts and community college districts, certain non-County governmental agencies and special assessment districts. Most of the Pool's depositors, including the District, are required by State law to invest their moneys in the Pool, although surplus proceeds are not required to be invested in the Pool. Approximately 28.9% of the Pool's moneys is allocable to voluntary depositors.

Each depositor is assigned a distinct fund number within the Investment Pool. Cash represented by the fund balances is commingled in a Pooled Cash Portfolio for investment purposes; no funds are segregated for separate investment. Investments are selected from those authorized by California Government Code Section 53635 ("**Code**"). Authorized investments include obligations of the United States Treasury, agencies of the United States government, federally sponsored enterprises, local and State bond issues, bankers acceptances, commercial paper of prime quality, collateralized and negotiable certificates of deposit, repurchase and reverse repurchase agreements, medium term corporate notes, shares of beneficial interest in diversified management companies (mutual funds) and asset backed (including mortgage related) securities.

Each calendar year the County Treasurer prepares an Annual Statement of Investment Policy (the "**Investment Policy**") that sets the framework for the investment practices relating to the County treasury. Legislation enacted in 1996 and effective January 1, 1997 requires that the Investment Policy be filed and approved by the Board of Supervisors in open session. The Board of Supervisors approved the current Investment Policy, which became effective January 27, 2015. Having been so approved, the Investment Policy may not be changed without Board approval. The current Statement of Investment Policy can be accessed through the County Treasurer's web site at www.sanmateocountytreasurer.org.

The approved Investment Policy provides that the County's investment objectives are to "preserve principal while earning a reasonable rate of return while awaiting application for governmental purposes." The Investment Policy provides that the percentage of the Fund's market value in any one issuer's securities shall be regularly monitored and the TOC (defined below) will be notified within 10 days of any instances where the percentage of the Fund's market value in any one issuer's securities exceeds the percentage limitations set forth in the Investment Policy. Also, investments in repurchase agreements are authorized investments and can equal up to 100% of the total Pool. As of the date of the most recent investment report, repurchase agreements equaled approximately 9.3% of the total par value of the investments in the Pool.

In accordance with California law, the County of San Mateo Board of Supervisors created an eight-member Treasury Oversight Committee (the "**TOC**") on April 2, 1996. The statutory role of the TOC is to review the Investment Policy as prepared by the Treasurer, to monitor policy compliance as well as investment performance and to cause an annual independent audit to be performed. The TOC meets at least three times each year to accomplish its tasks.

According to the Investment Report for the month ending January 31, 2015, the total cost of the securities in the Treasury Pool was approximately $4,053,179,860.96, and the corresponding market value (excluding accrued interest) was approximately $4,066,514,731.63. As of January 31, 2015, approximately 49.6% of the securities in the Treasury Pool mature within less than one year.

The following table identifies the types of securities held by the Pool as of January 31, 2015:

Type of Investment	Cost	Market Value (1)	% of Pool
Certificate of Deposit	$ 25,000,000.00	$ 25,000,000.00	0.62%
Commercial Paper	164,877,504.16	164,924,176.00	4.06
Local Agency Investment Fund	50,000,000.00	50,000,000.00	1.23
Repurchase Agreements	376,750,000.00	376,750,000.00	9.28
United States Treasury - Bills	49,996,756.95	49,999,117.50	1.23
United States Treasury - Notes	373,385,315.95	375,732,359.37	9.25
US Treasury - Floating Rates	19,995,958.00	19,997,220.00	0.49
Federal Agency – Floating Rate Securities	20,000,000.00	20,025,300.00	0.49
Federal Agency Securities	2,010,233,112.57	2,012,655,827.25	49.56
Floating Rate Securities	452,722,084.00	453,114,914.75	11.16
Corporate Bonds	510,219,129.33	512,907,090.75	12.63
Total	$4,053,179,860.96	$4,061,106,005.62	100.00%

(1) Excluding accrued interest.
Source: Tax Collector-Treasurer, County of San Mateo.

The District (along with other participants in the Investment Pool) has experienced some losses of its invested capital in the Investment Pool, including approximately $20 million of bond project funds as a result of the Lehman Brothers bankruptcy in 2008. The District has since recovered approximately $10.2 million of that loss, and anticipates the recovery of an additional $500,000.

For further information concerning County investments, access the County's website: http://www.sanmateocountytreasurer.org/investmentReports.html. *The reference to this Internet website is made for reference and convenience only. The information contained within the website may not be current, has not been reviewed by the District and is not incorporated herein by reference.*

Investment of Bond Proceeds

The proceeds from the sale of the Bonds, to the extent of the principal amount thereof, will be paid to the Treasurer to the credit of the fund to be known as the "Election of 2014, Series A San Mateo County Community College District Bond Construction Fund" of the District (the "**Bond Construction Fund**"), which shall be accounted for separate and distinct from all other District and County funds, and those proceeds shall be used solely for the purpose for which the Bonds are being issued.

Funds on hand in the Bond Construction Fund shall be invested as follows:

All moneys held in any of the funds or accounts established with the Treasurer as described herein will be invested at the sole discretion of the Treasurer pursuant to applicable law, including specifically Government Code 53601, and the County Investment Policy.

The Board of Trustees may determine, from time to time, that all or a portion of the Bond proceeds on deposit in the Bond Construction Fund are not required for the immediate needs of the District (the "**Surplus Funds**"). The District may invest Surplus Funds in Permitted Investments (as such term is defined in the Bond Resolution) outside the County Investment Pool. In the event of such a determination, the District shall immediately notify the Treasurer of its determination and request a withdrawal of the Surplus Funds from the Bond Construction

Fund; the District acknowledges that any such withdrawal request will be subject to the terms, limitations and restrictions set forth in the County Investment Policy that is in effect at the time of the withdrawal.

The District shall only use Surplus Funds for the purposes for which the Bonds were issued, and the District shall manage and invest the Surplus Funds in a manner that will ensure that the Surplus Funds will be available for the purposes for which the Bonds were issued when they are needed by the District.

Surplus Funds shall be the sole responsibility of the District, and the Treasurer shall have no responsibility for such monies, including, but not limited to, the safekeeping or investment of the Surplus Funds. The District shall indemnify and hold harmless the Treasurer and the County and its officers, agents, employees and servants from all claims, suits or actions of every name, kind and description arising out of or related to the District's determination that Bond proceeds in the Bond Construction Fund are not needed for the immediate needs of the District and the withdrawal, expenditure, investment, safekeeping or any other use of the Surplus Funds. The duty to indemnify and save harmless as set forth above shall include the duty to defend as set forth in Section 2778 of the California Civil Code.

In order to facilitate the investment of Surplus Funds in Permitted Investments, the Board of Trustees has authorized a District Representative to execute and deliver on behalf of the District an agreement with a bank identified therein to serve as a custodian of the Surplus Funds and any Permitted Investments.

Investments purchased as an investment of moneys in any fund or account shall be deemed to be part of such fund or account, and all interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder shall be deposited in the fund or account from which such investment was made, and shall be expended for the purposes thereof.

The District covenants that all investments of amounts deposited in any fund or account created by or under the Bond Resolution, or otherwise containing proceeds of the Bonds, shall be acquired and disposed of at the Fair Market Value thereof. "Fair Market Value" means, with respect to any investment, the price at which a willing buyer would purchase such investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Tax Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as described above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Tax Code, or (iii) the investment is a United States Treasury Security - State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt.

Interest earned on the monies deposited in the Bond Construction Fund will be deposited in the Bond Construction Fund and used for the purposes for which the Bonds have been authorized. Any excess proceeds of the Bonds not needed for the authorized purposes set forth herein for which the Bonds are being issued will be transferred to the Interest and

Sinking Fund and applied to the payment of principal and interest on the Bonds, at the written direction of the District. If, after payment in full of the Bonds there remain excess proceeds, any such excess amounts shall be transferred to the general fund of the District, pursuant to Section 15234 of the Bond Law.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Principal of and interest on the Bonds are payable from the proceeds of an ad valorem tax levied by the County for the payment thereof. Articles XIIIA, XIIIB, XIIIC, and XIIID of the State Constitution, Propositions 62, 98, and 111, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the District to levy taxes and spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the District to levy taxes for payment of the Bonds. The tax levied by the County for payment of the Bonds was approved by the District's voters in compliance with Article XIIIA and all applicable laws.

Article XIIIA of the California Constitution

Basic Property Tax Levy. On June 6, 1978, California voters approved Proposition 13 ("**Proposition 13**"), which added Article XIIIA to the State Constitution ("**Article XIIIA**"). Article XIIIA limits the amount of any *ad valorem* tax on real property to one percent of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) (as a result of an amendment to Article XIIIA approved by State voters on June 3, 1986) on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness, and (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. As described under "THE BONDS – Authority for Issuance," the District received authorization by a requisite 55% of voters to issue the Bonds. Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

Article XIIIA has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster and in other minor or technical ways.

Both the United States Supreme Court and the California State Supreme Court have upheld the general validity of Article XIIIA.

Legislation Implementing Article XIIIA. Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the annual adjustment not to exceed 2% are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

Inflationary Adjustment of Assessed Valuation. As described above, the assessed value of a property may be increased at a rate not to exceed 2% per year to account for inflation. On December 27, 2001, the Orange County Superior Court, in *County of Orange v. Orange County Assessment Appeals Board No. 3*, held that where a home's taxable value did not increase for two years, due to a flat real estate market, the Orange County assessor violated the two percent inflation adjustment provision of Article XIIIA, when the assessor tried to "recapture" the tax value of the property by increasing its assessed value by 4% in a single year. The assessors in most California counties, including the County, use a similar methodology in raising the taxable values of property beyond 2% in a single year. The State Board of Equalization has approved this methodology for increasing assessed values. On appeal, the Appellate Court held that the trial court erred in ruling that assessments are always limited to no more than 2% of the previous year's assessment. On May 10, 2004 a petition for review was filed with the California Supreme Court. The petition has been denied by the California Supreme Court. As a result of this litigation, the "recapture" provision described above may continue to employed in determining the full cash value of property for property tax purposes.

Unitary Property

Some amount of property tax revenue of the District is derived from utility property that is considered part of a utility system with components located in many taxing jurisdictions ("**unitary property**"). Under the State Constitution, such property is assessed by the SBE as part of a "going concern" rather than as individual pieces of real or personal property. State-assessed unitary and certain other property is allocated to the counties by SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year.

Constitutional Appropriations Limitation

Article XIIIB ("**Article XIIIB**") of the State Constitution, as subsequently amended by Propositions 98 and 111, respectively, limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population and for transfers in the financial responsibility for providing services and for certain declared emergencies. For fiscal years beginning on or after July 1, 1990, the appropriations limit of each entity of government will be the appropriations limit for the 1986-87 fiscal year adjusted for the changes made from that fiscal year under the provisions of Article XIIIB, as amended.

The appropriations of an entity of local government subject to Article XIIIB limitations include the proceeds of taxes levied by or for that entity and the proceeds of certain state subventions to that entity. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to the entity from (a) regulatory licenses, user charges and user fees (but only to the extent that these proceeds exceed the reasonable costs in providing the regulation, product or service), and (b) the investment of tax revenues.

Appropriations subject to limitation do not include (a) refunds of taxes, (b) appropriations for debt service such as the Lease Payments, (c) appropriations required to comply with certain mandates of the courts or the federal government, (d) appropriations of certain special districts, (e) appropriations for all qualified capital outlay projects as defined by the legislature, (f) appropriations derived from certain fuel and vehicle taxes and (g) appropriations derived from certain taxes on tobacco products.

Article XIIIB includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years.

Article XIIIB also includes a requirement that fifty percent of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred and allocated to the State School Fund under Section 8.5 of Article XVI of the State Constitution. See "Proposition 98" and "Proposition 111" below.

Article XIIIC and Article XIIID of the California Constitution

On November 5, 1996, the voters of the State of California approved Proposition 218, popularly known as the "Right to Vote on Taxes Act." Proposition 218 added to the California Constitution Articles XIIIC and XIIID (respectively, "**Article XIIIC**" and "**Article XIIID**"), which contain a number of provisions affecting the ability of local agencies, including school districts, to levy and collect both existing and future taxes, assessments, fees and charges.

According to the "Title and Summary" of Proposition 218 prepared by the California Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article XIIIC establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), prohibits special purpose government agencies such as school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds percent vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the California Constitution and special taxes approved by a two-thirds percent vote under Article XIIIA, Section 4. Article XIIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIIC or XIIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

Proposition 218 does not affect the *ad valorem* property taxes to be levied by the County to pay debt service on the Bonds.

Proposition 62

A statutory initiative ("**Proposition 62**") was adopted by the voters at the November 4, 1986, general election which (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities such as the District be approved by a two-thirds vote of the governmental entity's legislative body and by a majority vote of the voters of the governmental entity voting in an election on the tax, (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters of the governmental entity voting in an election on the tax, (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (d) prohibits the imposition of *ad valorem* taxes on real property by local governmental entities except as permitted by Article XIIIA, (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities, and (f) requires that any tax imposed by a local governmental entity on or after August 1, 1985, be ratified by a majority vote of the voters voting in an election on the tax within two years of the adoption of the initiative or be terminated by November 15, 1988.

California appellate court cases have overturned the provisions of Proposition 62 pertaining to the imposition of taxes for general government purposes. However, the California Supreme Court upheld Proposition 62 in its decision on August 28, 1995, in *Fresno County Transportation Authority v. Guardino*. This decision reaffirmed the constitutionality of Proposition 62. Certain matters regarding Proposition 62 were not addressed in the Supreme Court's decision, such as what remedies exist for taxpayers subject to a tax not in compliance with Proposition 62, and whether the decision applies to charter cities. The District has not experienced any substantive adverse financial impact as a result of the passage of this initiative.

Proposition 98

On November 8, 1988, California voters approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "**Accountability Act**"). Certain provisions of the Accountability Act have, however, been modified by Proposition 111 (discussed below), the provisions of which became effective on July 1, 1990. The Accountability Act changed State funding of public education below the university level and the operation of the State's appropriations limit. The Accountability Act guarantees State funding for K-12 school districts and community college districts (hereinafter referred to collectively as "**K-14 school districts**") at a level equal to the greater of (a) the same percentage of State general fund revenues as the percentage appropriated to such districts in 1986-87, and (b) the amount actually appropriated to such districts from the State general fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the Legislature to suspend this formula for a one-year period.

The Accountability Act also changes how tax revenues in excess of the State appropriations limit are distributed. Any excess State tax revenues up to a specified amount would, instead of being returned to taxpayers, be transferred to K-14 school districts. Any such transfer to K-14 school districts would be excluded from the appropriations limit for K-14 school districts and the K-14 school district appropriations limit for the next year would automatically be increased by the amount of such transfer. These additional moneys would enter the base funding calculation for K-14 school districts for subsequent years, creating further pressure on other portions of the State budget, particularly if revenues decline in a year following an Article

XIIIB surplus. The maximum amount of excess tax revenues which could be transferred to K-14 school districts is 4% of the minimum State spending for education mandated by the Accountability Act.

Proposition 111

On June 5, 1990, the voters approved Proposition 111 (Senate Constitutional Amendment No. 1) called the "Traffic Congestion Relief and Spending Limit Act of 1990" ("**Proposition 111**"), which further modified Article XIIIB and Sections 8 and 8.5 of Article XVI of the State Constitution with respect to appropriations limitations and school funding priority and allocation.

The most significant provisions of Proposition 111 are summarized as follows:

Annual Adjustments to Spending Limit. The annual adjustments to the Article XIIIB spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in California per capita personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in school attendance.

Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIIIB are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the schools' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.

Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIIIB spending limit. First, there are excluded all appropriations for "qualified capital outlay projects" as defined by the Legislature. Second, there are excluded any increases in gasoline taxes above the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the Legislature and the Governor, which expected to raise over $15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

Recalculation of Appropriations Limit. The Article XIIIB appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.

School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of

State general fund revenues (the "**first test**") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIIIB by reference to per capita personal income) and enrollment (the "**second test**"). Under Proposition 111, schools will receive the greater of (1) the first test, (2) the second test, or (3) a third test, which will replace the second test in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in California per capita personal income. Under the third test, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If the third test is used in any year, the difference between the third test and the second test will become a "credit" to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 1A

On November 2, 2004, California voters approved Proposition 1A, which amended the State constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State cannot (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-thirds approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Under Proposition 1A, beginning, in 2008-09, the State may shift to schools and community colleges a limited amount of local government property tax revenue if certain conditions are met, including: (i) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State, and (ii) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amended the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

Proposition 22, a constitutional initiative entitled the "Local Taxpayer, Public Safety, and Transportation Protection Act of 2010," approved on November 2, 2010, superseded many of the provisions of Proposition 1A. This initiative amends the State constitution to prohibit the legislature from diverting or shifting revenues that are dedicated to funding services provided by local government or funds dedicated to transportation improvement projects and services. Under this proposition, the State is not allowed to take revenue derived from locally imposed taxes, such as hotel taxes, parcel taxes, utility taxes and sales taxes, and local public transit and transportation funds. Further, in the event that a local governmental agency sues the State alleging a violation of these provisions and wins, then the State must automatically appropriate the funds needed to pay that local government. This Proposition was intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes.

Because Proposition 22 reduces the State's authority to use or reallocate certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget, such as reducing State spending or increasing State taxes, and school and college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State's general fund.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID of the California Constitution and Propositions 22, 62, 98 and 111 were each adopted as measures that qualified for the ballot under the State's initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

SAN MATEO COUNTY DEMOGRAPHIC INFORMATION

The District's boundaries are coterminous with those of San Mateo County. This section provides certain information about the economy and demographic trends in the County. However, no revenues of the County or taxes on economic activity in the County are pledged to payment of the Bonds. The Bonds are payable from an ad valorem property tax required to be levied on all taxable property within the District's boundaries in an amount sufficient to pay debt service on the Bonds as it comes due.

General

The County. The County of San Mateo (the "**County**") is located on the California coast approximately 15 miles south of the City of San Francisco. The County is a major employment base, and is also accessible to the San Jose and Silicon Valley areas approximately 30 miles south via Interstate 280 or U.S. Highway 101. The county has an approximate total area of 741 square miles, of which 448 square miles is land and 293 square miles is water. It is the third-smallest county in California by land area.

Population

The County has experienced moderate but consistent population growth since 1970. The United States Census Bureau reports that between 1980 and 1990 the County grew by approximately 62,000 residents, or 10.6%, and between 1990 and 2000 the County grew by approximately 57,540 residents, or approximately 8.9%. Over the 40 years since 1970, the County's average annual growth rate has been approximately 1%. The following table shows population data for the County and cities in the County during the past five years.

SAN MATEO COUNTY
Population Estimates

	2010	2011	2012	2013	2014
Atherton	6,921	6,917	6,890	6,871	6,900
Belmont	25,821	26,031	25,923	26,058	26,344
Brisbane	4,268	4,328	4,310	4,336	4,384
Burlingame	28,784	29,009	28,888	29,034	29,458
Colma	1,786	1,805	1,458	1,443	1,459
Daly City	101,235	101,920	101,442	102,286	103,458
East Palo Alto	28,281	28,366	28,247	28,395	28,706
Foster City	30,542	30,790	30,660	30,816	31,154
Half Moon Bay	11,360	11,415	11,373	11,449	11,593
Hillsborough	10,821	10,927	10,880	10,978	11,127
Menlo Park	31,986	32,319	32,201	32,433	32,715
Millbrae	21,521	21,714	21,625	22,191	22,432
Pacifica	37,267	37,526	37,367	37,562	37,988
Portola Valley	4,358	4,391	4,373	4,400	4,453
Redwood City	76,766	77,712	77,299	78,049	79,159
San Bruno	41,157	41,842	41,663	42,345	42,874
San Carlos	28,393	28,615	28,494	28,646	28,962
San Mateo	97,106	97,966	97,557	98,052	99,167
South San Francisco	63,623	64,067	63,827	64,145	65,198
Woodside	5,288	5,336	5,313	5,372	5,446
Balance Of County	61,330	61,706	62,582	62,932	63,670
County Total	718,614	724,702	727,793	736,647	745,193

Source: California State Department of Finance, Demographic Research Unit.

Employment and Industry

The unemployment rate in the San Francisco-Redwood City-South San Francisco Metropolitan Division (which includes San Francisco, and San Mateo Counties) was 3.5% in March 2015, down from a revised 3.7% in February 2015, and below the year-ago estimate of 4.8%. This compares with an unadjusted unemployment rate of 6.5% for California and 5.6% for the nation during the same period. The unemployment rate was 3.6% in San Francisco County and 3.4% in San Mateo County.

The following table summarizes the civilian labor force, employment and unemployment in the County for the calendar years 2009 through 2013. Annual figures for year 2014 are not yet available.

SAN MATEO COUNTY
Civilian Labor Force, Employment and Unemployment
(Annual Averages)
2009 through 2013

	2009	2010	2011	2012	2013
Civilian Labor Force (1)	374,300	377,800	385,300	397,500	403,600
Employment	342,900	344,900	355,000	371,000	381,800
Unemployment	31,400	32,900	30,300	26,500	21,800
Unemployment Rate	8.4%	8.7%	7.9%	6.7%	5.4%
Wage and Salary Employment: (2)					
Agriculture	1,700	1,700	1,600	1,600	1,600
Manufacturing	26,700	26,300	25,500	24,400	25,700
Wholesale Trade	11,300	11,200	11,100	11,500	11,200
Retail Trade	33,300	32,800	33,200	33,200	34,100
Trans., Warehousing, Utilities	25,300	24,400	24,100	25,500	27,100
Information	18,100	17,500	17,900	20,900	23,600
Financial and Insurance	13,500	13,200	13,500	13,800	13,900
Real Estate, Rental & Leasing	5,600	5,400	5,900	6,200	6,300
Professional and Business Services	60,900	60,000	64,000	69,500	71,000
Educational and Health Services	36,700	35,300	36,400	37,400	39,700
Leisure and Hospitality	33,500	33,800	35,400	36,800	39,500
Other Services	11,500	11,200	12,200	12,900	13,300
Federal Government	3,500	4,000	3,800	3,700	3,600
State Government	600	600	600	600	600
Local Government	27,300	26,700	26,200	26,000	26,200
Total All Industries (3)	323,000	317,000	325,500	339,100	354,100

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(3) Totals may not add due to rounding.
Source: State of California Employment Development Department.

The following table lists the twenty-five largest employers within the County as of February 1, 2015, listed alphabetically.

SAN MATEO COUNTY
Major Employers
(As of February 1, 2015)

Employer Name	Location	Industry
Ab Sciex Llc	Redwood City	Scientific Apparatus & Instruments-Mfrs
Caltrain	San Carlos	Transit Lines
Electronic Arts Inc	Redwood City	Game Designers (Mfrs)
Facebook Inc	Menlo Park	Internet Service
Forced Dump Debris Box Svc	Burlingame	Garbage Collection
Franklin Templeton Investments	San Mateo	Investments
Gate Gourmet	San Francisco	Caterers
Gilead Sciences Inc	Foster City	Biological Products (Mfrs)
Guckenheimer Inc	Redwood City	Marketing Programs & Services
Hyatt Regency – San Francisco	Burlingame	Hotels & Motels
Kaiser Permanente Medical Ctr	Redwood City	Hospitals
Kaiser Permanente Medical Ctr	South San Francisco	Hospitals
Oracle Corp	Redwood City	Computer Software-Manufacturers
Peninsula Medical Ctr	Burlingame	Hospitals
San Francisco Intl Airport-SFO	San Francisco	Airline Companies
San Mateo County Behavior	San Mateo	Government Offices-County
San Mateo County Human Svc	Belmont	County Government-Social/Human Resources
San Mateo Medical Ctr	San Mateo	Hospitals
Seton Medical Ctr Health Sci	Daly City	Services NEC
SRI International Inc	Menlo Park	Research Service
Stanford Linear Accelerator	Menlo Park	Research Service
US Interior Dept	Menlo Park	Federal Government-Conservation Depts
Visa Inc	Foster City	Credit Card & Other Credit Plans
Visa International Svc Assn	Foster City	Credit Card & Other Credit Plans
Visa USA Inc	Foster City	Credit Card & Other Credit Plans

Source: State of California Employment Development Department, America's Labor Market Information System (ALMIS) Employer Database, 2015 1st Edition.

Commercial Activity

In 2009, the State Board of Equalization converted the business codes of sales and use tax permit holders to North American Industry Classification System codes. As a result of the coding change, retail stores data for 2009 through 2012 is not comparable to that of prior years. A summary of historic taxable sales within the County during the past six years in which data is available is shown in the following table.

SAN MATEO COUNTY
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)
2008 through 2012

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2008	9,098	$8,421,727	19,853	$13,137,913
2009 (1)	11,143	7,455,767	18,840	11,327,022
2010 (1)	11,323	7,846,274	18,854	11,966,337
2011 (1)	11,470	8,536,043	18,995	13,020,643
2012 (1)	11,748	9,277,144	19,189	13,906,978
2013 (1)	12,438	9,935,641	19,808	14,611,618

(1) Not comparable to prior years. "Retail" category now includes "Food Services."
Source: State Board of Equalization.

Total taxable sales during calendar year 2013 in the County were reported to be $14.61 billion, a 5.1% increase from the total taxable sales of $13.91 billion reported during calendar year 2012. Figures for calendar year 2014 are not yet available.

Median Effective Buying Income

Effective buying income ("**EBI**") is designated by Sales and Marketing Management Magazine as personal income less personal tax and non-tax payments. Personal income is the aggregate of wages and salaries, other labor income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, personal interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local, non-tax payments such as fines, fees, penalties), and personal contributions for social insurance. Effective buying income is a bulk measure of market potential. It indicates the general ability to buy and is essential in comparing, selecting and grouping markets on that basis.

The following table demonstrates the growth in annual estimated EBI for the County, the State and the United States for the period 2008 through 2013.

COUNTY OF SAN MATEO, STATE OF CALIFORNIA AND UNITED STATES
Effective Buying Income
2008 through 2013

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2008	County of San Mateo	$23,925,603	$67,466
	California	832,531,445	48,952
	United States	6,443,994,426	42,303
2009	County of San Mateo	$23,835,480	$69,276
	California	844,823,319	49,736
	United States	6,571,536,768	43,252
2010	County of San Mateo	$23,489,013	$66,508
	California	801,393,028	47,177
	United States	6,365,020,076	41,368
2011	San Mateo County	$23,717,578	$66,434
	California	814,578,458	47,063
	United States	6,438,704,554	41,253
2012	San Mateo County	$26,570,648	$68,429
	California	864,088,828	47,307
	United States	6,737,867,730	41,358
2013	San Mateo County	$26,846,688	$70,427
	California	858,676,636	48,340
	United States	6,982,757,379	43,715

Source: The Nielsen Company (US), Inc.

Construction Activity

Building activity for the calendar years 2009 through 2013 in the County is shown in the following table.

SAN MATEO COUNTY
Building Permit Valuation
(Valuation in Thousands of Dollars)

	2009	2010	2011	2012	2013
Permit Valuation					
New Single-family	$147,515.5	$189,296.6	$194,950.1	$245,163.9	$292,893.4
New Multi-family	74,329.6	21,309.0	107,040.0	171,390.4	151,019.5
Res. Alterations/Additions	204,482.0	262,592.1	289,619.5	201,543.1	299,830.5
Total Residential	$426,327.0	$473,197.6	$591,609.6	$618,097.4	$743,743.4
New Commercial	$17,942.0	$62,510.5	$28,247.6	$83,374.0	$165,578.7
New Industrial	5,000.0	0.0	3,359.4	2,021.6	15,724.2
New Other	70,410.1	66,274.8	26,029.4	1,975.6	58,726.5
Com. Alterations/Additions	235,373.3	283,752.5	244,089.0	167,438.8	263,460.8
Total Nonresidential	$328,725.5	$412,537.8	$301,725.4	$254,810.0	$503,490.1
New Dwelling Units					
Single Family	236	216	213	264	350
Multiple Family	393	111	545	671	840
TOTAL	629	327	758	935	1,190

Source: Construction Industry Research Board, Building Permit Summary.

Transportation

San Francisco International Airport ("**SFO**"), the "gateway to the Pacific," is a world-class airport serving tens of millions of domestic and international passengers annually. One of the world's 30 busiest airports, SFO is committed to setting the standard for our industry. This includes being a leader in safety and security, customer service and satisfaction, community relations, environmental commitment, quality of facilities, and financial and economic vitality. SFO was the first major U.S. airport to achieve 100 percent fully automated and integrated baggage screening. Today, efficient operations ensure that passenger screening wait times are among the shortest in the nation.

The Port of Redwood City is also located in the County. The Port has a deep-water channel and handles bulk cargo, including lumber and scrap metal.

The County is connected to downtown San Francisco, SFO, and the East Bay by the San Francisco Bay Area Rapid Transit ("**BART**") District.

The County is also served by Caltrain, a commuter rail service between San Jose and San Francisco, running along the Southern Pacific right-of-way.

APPENDIX B

FISCAL YEAR 2013-14 AUDITED FINANCIAL STATEMENTS

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San Mateo County Community College District

Annual Financial Report

June 30, 2014 and 2013

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS
JUNE 30, 2014

FINANCIAL SECTION

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

VALUE THE DIFFERENCE

INDEPENDENT AUDITOR'S REPORT

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 the business-type activities and the discretely presented component unit, the Education Housing Corporation of San Mateo County Community College District (the District) as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the District's basic 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 misstatements, whether due to fraud or error.

Auditor's 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 audits to obtain reasonable assurance about whether the financial statements are free from 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 the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District'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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

5000 Hopyard Road, Suite 335 Pleasanton, CA 94588 Tel: 925.734.6600 Fax: 925.734.6611 www.vtdcpa.com

FRESNO •LAGUNA HILLS •PALO ALTO •PLEASANTON •RANCHO CUCAMONGA •RIVERSIDE •
SACRAMENTO

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component unit of the District as of June 30, 2014 and 2013, and the changes in net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

As discussed in Note 16 to the financial statements, the District has adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis and the Schedule of Other Postemployment Benefits (OPEB) Funding Progress as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary information, including the Schedule of Expenditures of Federal Awards, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2014, 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, 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 internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co., LLP

Pleasanton, California
December 11, 2014

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

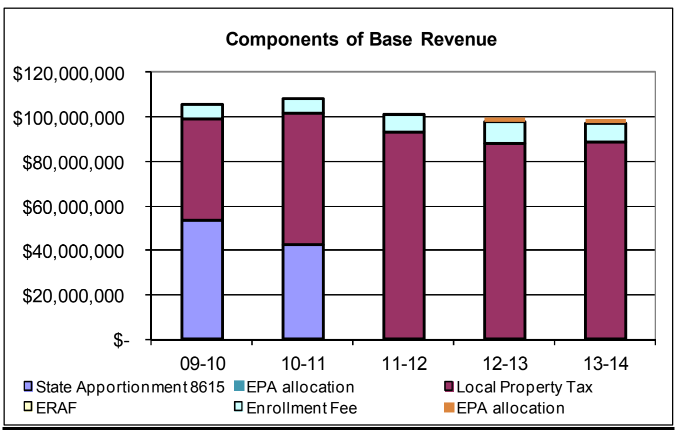
Introduction

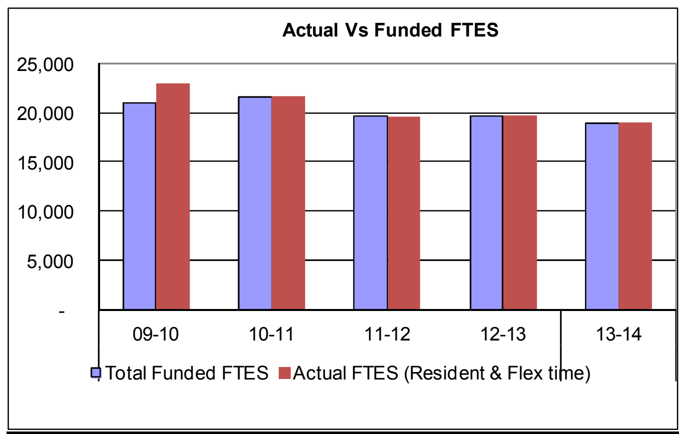
The San Mateo County Community College District's (the District) Annual Financial Report presents management's discussion and analysis of the District's financial activities during the fiscal years ended June 30, 2014, June 30, 2013, and June 30, 2012. The discussion has been prepared by management and is best read in conjunction with the financial statements and the notes following this section.

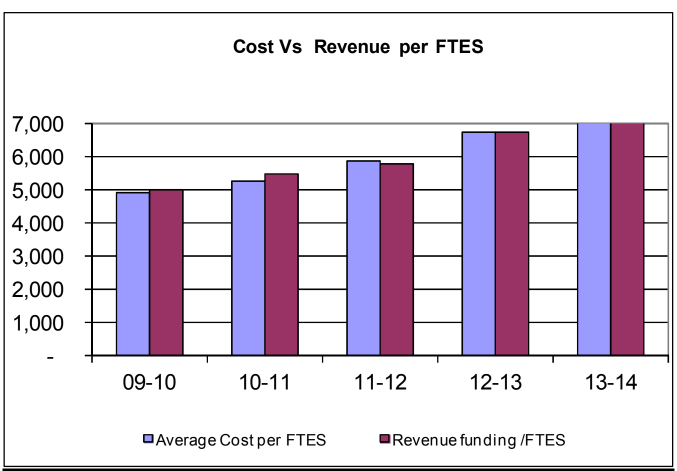
There are three basic financial statements that provide information on the District's financial activities as a whole. These statements are:

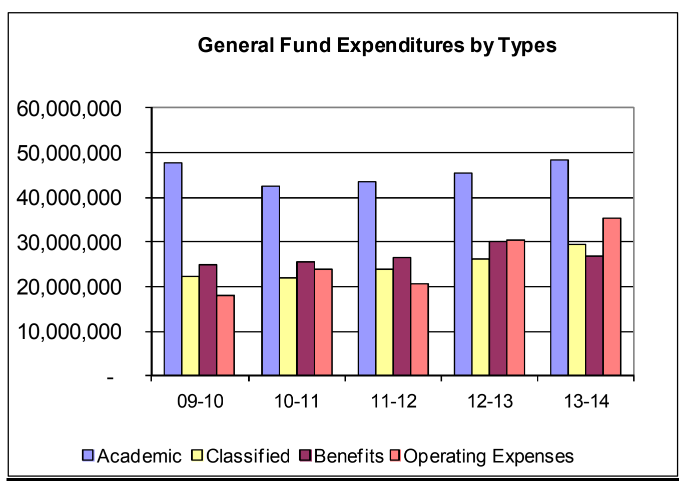
- Statement of Net Position
- Statement of Revenues, Expenses and Changes in Net Position
- Statement of Cash Flows

Financial Highlights of 2013-14









Financial Overview Summary

Total net position with a decrease of $ 9 million over the prior fiscal year and ended at $120 million at June 30, 2014.

- Assets exceeded liabilities by $120 million, and total asset decreased $10.7 million over last year mainly due to an decrease in depreciable capital asset.
- Net noncurrent assets decreased by $13 million.
- Net operating loss was $191 million, increased by $3 million from last year.
- Net non-operating revenue increased $18.6 million primarily due to Lehman Brother reimbursement and increased in property tax.

Reporting for the District as a Whole

- Economic position of the District with the State

  Fiscal Year 2013/14 is the third year that the District has been community supported. Community supported means that when the State sets the District's revenue limit (determining how many students we are funded to serve) and deducts from that revenue limit the local property taxes and student fees, there is no need for State apportionment to sum to our revenue limit. This means that the District has somewhat more resources and is no longer subject to the state borrowing funds by delaying apportionment payments. In addition to an increase in property taxes, the District is receiving funds from the dissolution of Redevelopment Agencies (RDAs). As less of the property taxes are being diverted to RDAs, more of them come to SMCCCD. The former RDAs are also slowly beginning the process of selling off their property, which brings some one-time funs to District Office. Fiscal Year 2013/14 is also the last year for receiving funds from the parcel tax (Measure G). This funding, approximately $7 million per year, has allowed the District to cut significantly fewer sections than would have been cut and also maintain some services to students. The District has not spent all of the Measure G funds, but they will be fully expended in 2014/15. All in all, the District's revenues have increased and, with a steady real estate market, show every sign of continuing increase.

Salaries and Benefits

The expenditure projection for salaries includes annual increases for movement on step and column placements and longevity service increments only. The District has not received a revenue COLA from the State since 2007- 08. Since becoming community supported and benefitting from redevelopment funds, fiscal year 2014-15 reflects a modest salary adjustment (3.69%) for all employee groups. The budget includes January 1, 2015 increases (on average, the rates went up 7.78% across plans) in non-capped health premium rates for employees and retirees. Dental insurance and vision premiums remained unchanged. The PERS rate increased from 11.417% to 11.771% and based on legislative action, the STRS rate increased from 8.25% to 8.88%. The District's Unemployment Insurance Contribution Rate is 0.055%. Due to its favorable insured loss experience and current insurance market conditions, the District expects minimal changes to insurance rates for 2014-15. Workers' compensation costs remained at 1% of salaries. To comply with GASB 45, in 2009-10, the District began charging itself an amount to cover the future medical benefit costs for current employees. These charges appear as part of the benefit expenses in all funds.

- Bond construction

  As of June 30, 2014, $470 million of the $501 million Measure A November 2005 general obligation (GO) bond (with interest) have been spent or encumbered by contract. The projects planned under the 2005 GO bond are substantially completed with students and staff occupying the new and renovated buildings at CSM, Skyline and Cañada College.

Cañada College Bookstore

Cañada College outside food court

Various small and medium size projects were completed throughout the year including: Building 3/17 Access Security Upgrades, Soccer Field Replacement, Building 5/6/8/9 Water Intrusion, Building 3 Theater Carpet Replacement, Building 5/6 Classroom Wireless Access Point Enhancements, and Baseball Field Upgrades.

College of San Mateo

College of San Mateo Health & Wellness

College of San Mateo Building 10 College Center

Various small projects were completed throughout the year including: Football Field Upgrade, Light Pole Banner and Signage, Exterior Wayfinding Signage, Building 19 Hazardous Materials Abatement, Beethoven Lot and Building 5 Wellness Center Path of Travel, Building 10 Exterior Stair, Diagonal Path Extension, East Perimeter Road Sidewalk Addition, Building 9 Exterior Light Fixture Replacement, and Building 4A Ceramics Upgrades.

Skyline COLLEGE

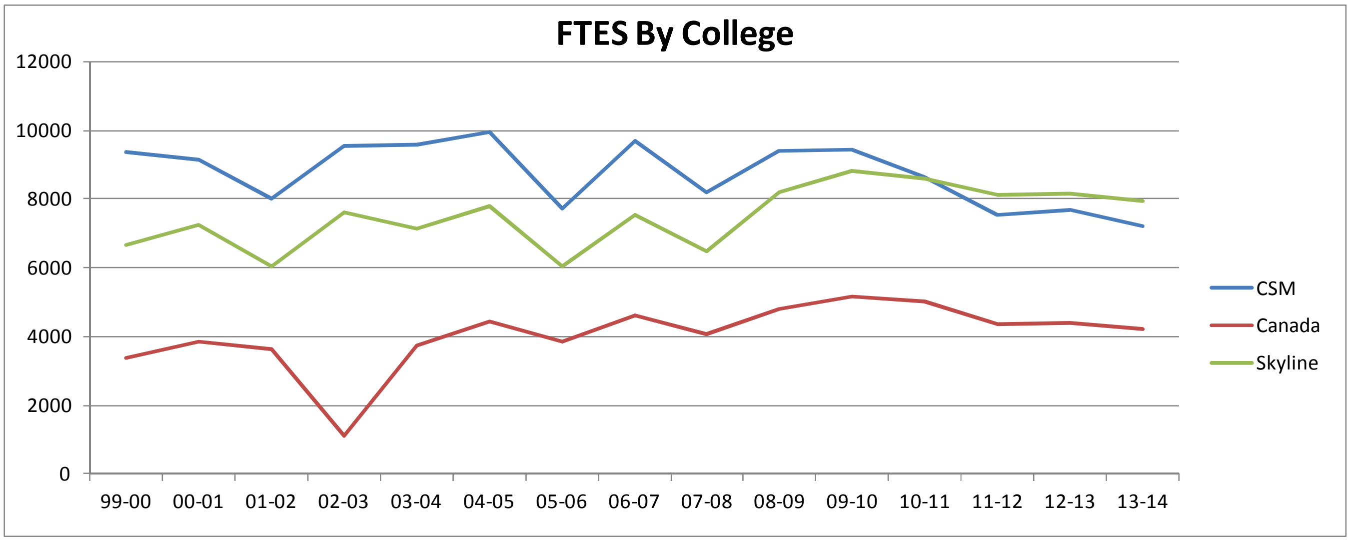
Skyline College Building 11

Skyline College Building 1 and 2

Various small and medium size projects were completed throughout the year including: Upper Soccer Field Replacement, Exterior Wayfinding Signage, and Building 14 Child Development Center Security and ECE Improvement.

- Enrollment

For SMCCCD, enrollment no longer drives funding, since property taxes and fees primarily determine funding. Historically, the District's enrollment goes up when unemployment goes up and goes down when the economy recovers. The District's enrollment declined with the recession, however, because the state cut the funds provided for enrollment. In 2013/14, the District's enrollment declined as was anticipated. The chart below shows the history of FTES in the District.



Net Position

The Statement of Net Position below includes all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting basis used by private companies. Net Position, the difference between total assets and total liabilities, is one way to measure the financial condition of the District. Following are explanatory remarks for the statement:

- Cash and cash equivalents consist of cash in the Treasury, Local Agency Investment Fund (LAIF) of the State Treasurer's Office, San Mateo County Pool Investment, Special Deposit Bond and with Wells Fargo Bank, proceeds from the District's general obligation construction bond, Institutional Investment Pool and certificates of deposit with various banks.
- Accounts receivable primarily consists of revenues from local, state, and federal sources from which the District had earnings but which were not received as of the fiscal year's closing date.
- Inventories and other assets include prepaid expenses and bookstore inventories.
- Capital assets, net of depreciation, are the net historical value of land, buildings, construction in progress and equipment less accumulated depreciation.
- Accounts payable and accrued liabilities consist of payables to the state, and federal governments for grants, as well as benefits, salaries and amounts owed to local vendors which the District incurred but for which payments were not issued as of the end of the fiscal year.
- Unearned revenues represent cash received during the fiscal year from state, federal grants, state apportionment and student fees; however, the funds were not earned as the end of the fiscal year.
- Long-term liabilities include obligations to be paid over a period longer than 1 year. The current portion represents payments due within the next 12 months. The District has compensated absences payable, and construction bond payable.
- According to GASB Statements, equity is reported as Net Position, rather than Fund Balance. The District's Net Position is classified as follows:
    - Net Investment in capital assets, represents the District's total investment in capital assets, net of outstanding debt obligations related to those capital assets.
    - Restricted Net Position consists of expendable and nonexpendable portions. Restricted expendable Net Position includes resources which the District is contractually obligated to expend in accordance with restrictions imposed by external third parties.
    - Unrestricted Net Position represents resources used for transactions relating to the educational and general operations of the District.

Analysis of Net Position – June 30, 2014

Table 1 Statement of Net Position

	(In Thousand) 2014	(In Thousand) 2013	(In Thousand) 2012
ASSETS			
Current Assets			
Cash and investments	$ 202,972	$ 203,484	$ 205,551
Restricted cash and investments	28,873	26,437	23,588
Accounts receivable, net	10,863	10,578	11,375
Prepaid expenses	520	238	121
Deferred charges	-	305	341
Stores inventories	2,722	2,612	2,423
Total Current Assets	245,950	243,654	243,399
Noncurrent Assets			
Deferred charges	-	4,880	5,149
Nondepreciable capital assets	47,819	32,558	93,069
Depreciable capital assets, net of depreciation	602,153	625,598	548,492
Total Noncurrent Assets	649,972	663,036	646,710
TOTAL ASSETS	895,922	906,690	890,109
LIABILITIES			
Current Liabilities			
Accounts payable	16,792	17,030	14,098
Interest payable, restricted	3,935	5,866	13,221
Unearned revenue	10,084	11,921	11,493
Bonds and notes payable - current portion	17,290	17,290	14,910
Bond premium - current portion	2,000	2,000	2,000
Total Current Liabilities	50,101	54,107	55,722
Noncurrent Liabilities			
Compensated absences payable - noncurrent portion	4,191	3,848	3,766
Bonds and notes payable - noncurrent portion	693,285	689,807	687,265
Other long-term liabilities - noncurrent portion	28,444	30,444	32,444
Total Noncurrent Liabilities	725,920	724,099	723,475
TOTAL LIABILITIES	776,021	778,206	779,197
NET ASSETS			
Net Investment in capital assets	(64,293)	(49,609)	(59,125)
Restricted for:			
Debt service	28,911	26,472	23,633
Capital projects	79,595	80,805	73,503
Educational programs	14,936	13,899	13,421
Other activities	27,362	22,441	25,406
Unrestricted	33,390	34,476	34,075
TOTAL NET POSITION	$ 119,901	$ 128,484	$ 110,913

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position shown below consists of operating and non-operating results for the District. Operating revenues represent all revenues from exchange transactions, in which each party gives and receives essentially equal value. Non-operating revenues include State apportionments, property tax revenues, investment earnings, certain Federal and State grants, entitlements, and donations.

Table 2 – Statement of Operating Revenues

	2014	2013	2012
OPERATING REVENUES			
Student Tuition and Fees	$ 15,128	$ 14,786	$ 13,429
Auxiliary Enterprise Sales and Charges	7,796	7,003	6,139
Internal Service Sales and Charges	957	917	1,764
TOTAL OPERATING REVENUES	23,881	22,706	21,332
OPERATING EXPENSES			
Salaries	98,860	92,004	90,672
Employee benefits	33,756	37,376	32,932
Supplies, materials, and other operating expenses and services	32,456	30,009	29,565
Equipment, maintenance, and repairs	2,050	1,117	1,365
Student financial aid	22,429	23,113	22,969
Depreciation	25,690	27,595	21,408
TOTAL OPERATING EXPENSES	215,241	211,214	198,911
OPERATING LOSS	(191,360)	(188,508)	(177,579)
NONOPERATING REVENUES (EXPENSES)			
State apportionments, noncapital	938	932	849
Local property taxes, levied for general purposes	108,803	103,865	93,120
Local property taxes, levied for special purposes	31,263	28,977	28,859
Parcel tax	7,080	6,986	7,132
Federal grants	25,022	26,669	26,407
State grants	13,400	9,522	10,510
Local grants	2,896	2,425	2,519
State taxes and other revenues	3,028	3,536	3,696
Investment income (loss), net	10,126	2,540	3,832
Interest expense on capital related debt	(25,293)	(22,086)	(31,722)
Interest income on capital asset-related debt, net	416	204	202
Other nonoperating revenues (expenses)	4,802	333	(14,211)
TOTAL NONOPERATING REVENUES (EXPENSES)	182,481	163,903	131,193
LOSS BEFORE OTHER REVENUES AND EXPENSES	(8,879)	(24,605)	(46,386)
State revenues, capital	5,020	1,465	4,277
Local revenues, capital	461	2,534	2,094
TOTAL OTHER REVENUES AND EXPENSES	5,481	3,999	6,371
CHANGE IN NET POSITION	(3,398)	(20,606)	(40,015)
NET POSITION, BEGINNING OF YEAR	123,299	149,090	150,928
NET POSITION, END OF YEAR	$ 119,901	$ 128,484	$ 110,913

Explanatory information for the statement is as follows:

- Tuition and Fees include enrollment, health, non-resident tuition, other student fees, less scholarship discount and allowance as defined by GASB statement No. 35.

- Auxiliary Enterprise Sales and Charges consist of bookstore and cafeteria sales and fitness center income, less discount allowances.

- Internal Services include self-insurance for General Liability and Workers Compensation.

- State apportionments, non-capital includes state apportionment, apprenticeship, and child development apportionment.

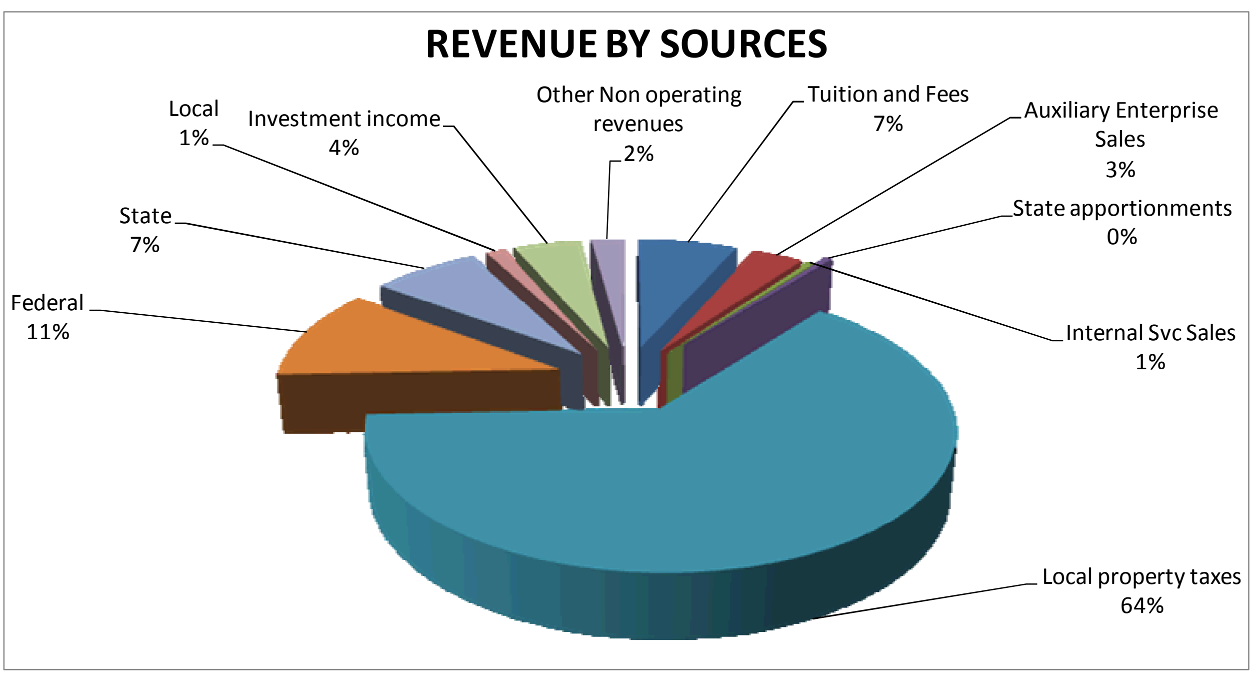
- Local property taxes and other non-operating revenues consist primarily of secured and unsecured taxes which are payable to the District in December and March of each year. The County of San Mateo collects the taxes on behalf of the District. Other non-operating revenues are State Lottery revenue and miscellaneous local income.

- Federal, and state grants and contract services are exchange transactions for which the District files applications, complies with individual spending restrictions, files expenditure reports, and/or signs contracts.

- Net investment income includes interest from the San Mateo County Investment Pool managed by the County Treasurer, certificates of deposit, bond proceeds, and Local Agency Investment Fund (LAIF), less interest expense on capital related debt.

- State and Local Revenues - Capital includes State scheduled maintenance funding and issuance of the General Bond. These revenues relate mainly to construction activities.

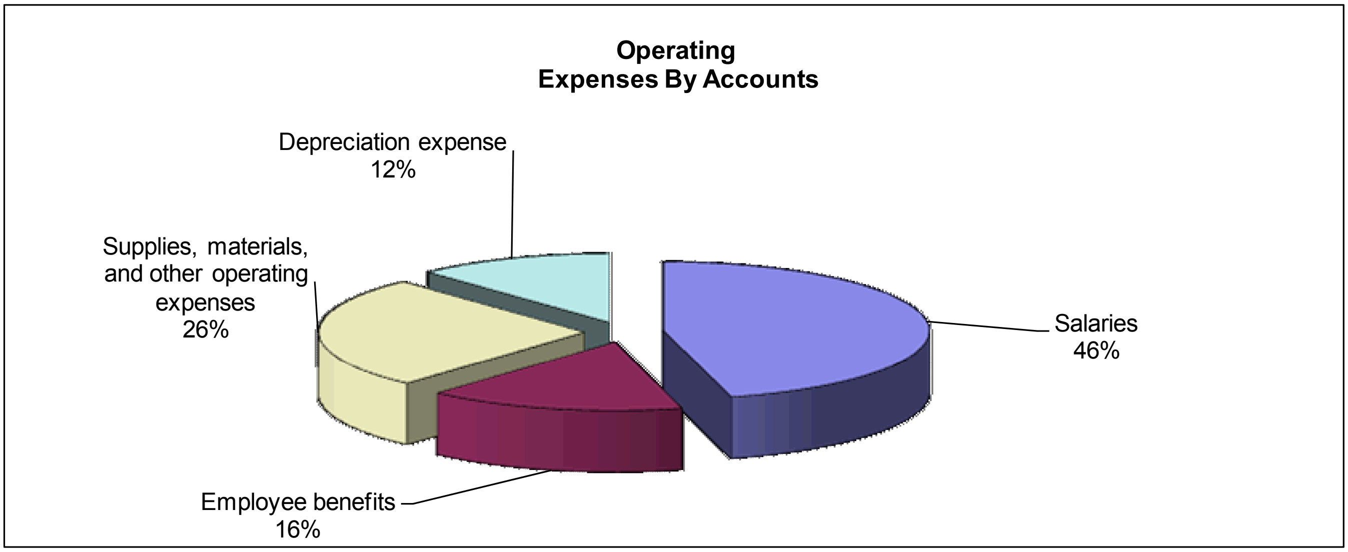
Below is an illustration of District revenues by source:



Revenues and expenses changed mainly due to the following:

- Net Operating Revenue experienced an increase due to an increase in tuition and fees.

- Net Non-operating Revenue increased mainly due to an increase in local property tax and Lehman Brother reimbursements.



The District's operating expenses are shown above (with explanatory remarks) by account. Following are explanatory comments for the Statement of Operating Expenses by Account:

- Salaries and benefits expenses represent the largest percentage of the District operating expense.

- Supplies, materials, other operating expenses, services and utilities are the normal cost of operating expenses for exchange transactions.

- Depreciation of capital assets is computed and recorded using the straight-line method. The District maintains a capitalization threshold of \$5,000 for equipment and \$100,000 for building improvements. Useful lives of the assets are estimated as follows:
  - 5 to 10 years for equipment
  - 25 to 50 years for improvements
  - 25 to 50 years for buildings

Cash Flows

The Statement of Cash Flows shown below provides information about cash receipts and cash payments during the fiscal year. The statement also assists readers in understanding the District's ability to generate net cash flows, and its ability to meet obligations as they come due and the District's need for assistance via external financing. The District has adopted the direct method, and under this method, data for cash flow present operating activities by major categories of gross receipts and gross payments as well as the resulting net amount. Additional explanatory information for the statement is as follows:

- The main cash receipts from operating activities consist of tuition, student fees, and auxiliary enterprise sales. Cash outlays include payment of salaries, benefits, supplies and operating expenses.
- State apportionments and property taxes are the primary source of non-capital financing.
- For capital financing activities, the main sources are from special State Apportionments and General Obligation Bond and C.O.P. proceeds.
- Cash from investing activities consists of Interest from County Investment Pool, Institutional Investment Pool, Certificates of Deposits, Bond and Local Agency Investment Fund (LAIF).

Table 3 – Statement of Cash Flows

	2014	2013	2012
CASH FLOWS PROVIDED BY (USED IN):	in thousands	in thousands	in thousands
Operating activities	$ (165,957)	$ (157,930)	$ (152,794)
Noncapital financing activities	195,108	184,237	164,787
Capital financing activities	(37,369)	(28,267)	(36,906)
Investing activities	10,146	2,741	3,981
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,925	782	(20,932)
CASH & CASH EQUIVALENTS, BEGINNING OF YEAR	229,921	229,139	250,071
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 231,846	$ 229,921	$ 229,139

Economic Factors and the 2014-15 Budget

Being community supported, the District's revenues primarily consist of property tax revenues and student fees and are relatively predictable. The County Assessor's Office has stated that the property tax base went up 5.82% county-wide in 2013-14, which means our projected revenues in 2014/15 are 5.82% higher. In addition, the District received over $5 million of one-time and ongoing reallocated redevelopment funds in 2013/14 due to the demise of redevelopment agencies in 2011/12. The ongoing portion of these funds will continue to grow as property taxes grow, and also as the former redevelopment agencies pay off their debt. This puts the District on very solid financial footing. The District continues to build multi-year financial plans and has planned balanced budgets through 2016/17.

C.I.P. Planning 2014-15 and Beyond

Staff continues to revise and update the master schedule and the master budget of the Capital Improvement Program to coincide with the funding and programming requirements. However, the District has experienced a decline in State Capital Outlay funds for projects on all three campuses due to the fact that the State failed to approve an educational facilities bond in 2006, 2008, 2010, and 2012.

Compilations of site-specific activities, which are currently in design or construction phase, are listed below:

Cañada College:

- Solar Photovoltaic System Installation
  - Anticipated Completion date: Fall 2014
- Building 3 House Lighting
  - Anticipated Completion date: Fall 2014
- Parking Lot and Roadway Light Upgrade (LED)
  - Anticipated Completion date: Winter 2014
- New Team House for Baseball and Soccer
  - Anticipated Completion date: Winter 2014

College of San Mateo:

- North Gateway Project, Phase 2: Demolition of Buildings 21-29, Landscape and Hardscape
  - Anticipated Completion date: Fall 2014
- Baseball Field Upgrades
  - Anticipated Completion date: Fall 2014
- Building 9 Library Carpet replacement
  - Anticipated Completion date: Winter 2014
- Parking Lot and Street Light Upgrade (LED)
  - Anticipated Completion date: Spring 2014
- Building 3 House Lighting
  - Anticipated Completion date: Winter 2014
- Aquatics Center, Existing Pool System Upgrade
  - Anticipated Completion date: Spring 2015
- Building 36 Chemistry Ventilation Upgrades
  - Anticipated Completion date: Fall 2014

Skyline College:

- Baseball Field Upgrade
    - Anticipated Completion date: Fall 2014

District Wide

- Districtwide Utility Consumption Measurement & Verification
    - Anticipated Completion date: Fall 2014
- District Office Parking Lot Soil Investigation and Improvements
    - Anticipated Completion date: Spring 2015
- Districtwide Design Standards Upgrades
    - Anticipated Completion date: Fall 2014

San Mateo County Community College District is fortunate in having legislative authority to use a variety of construction delivery methods to best suit each project's character and bring best value to the Colleges and our taxpayers, including design-build, multiple-prime contracting, as well as the traditional design-bid-build delivery method.

Staff and Faculty Housing

In response to the very high cost of housing in San Mateo County, the College District built two apartment projects for faculty and staff, namely College Vista and Cañada Vista. The College District has a total of 104 units—60 at Cañada Vista and 44 at College Vista. Rents for these units are significantly below market, which allows residents to save for a down payment on a home. To date, 26 residents have moved out of the faculty and staff housing and purchased their own home.

College Vista:

Cañada Vista:

Opened in August, 2010 and College Vista has been open for more than 8 ½ years. Interior amenities at both projects include 9 foot ceilings, wood entryways, individual patios or decks; individual garages, large windows and sliding glass doors. The College District believes that provision of this housing has helped the District increase its retention of employees.

Contacting the District's Financial Management Office

This financial report is designed to provide our citizens, taxpayers, students, investors and creditors with a general overview of the District's finances and to show the District's accountability for funding received. Questions or concerns about this report or requests for additional financial information should be addressed to Kathy Blackwood, Executive Vice Chancellor, by phone at 650-358-6869 or by e-mail at blackwoodk@smccd.edu.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

STATEMENTS OF NET POSITION - PRIMARY GOVERNMENT
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
ASSETS		
Current Assets		
Cash and investments	$ 202,972,467	$ 203,484,355
Restricted cash and investments	28,873,380	26,436,848
Accounts receivable, net	10,863,274	10,577,768
Prepaid expenses	519,644	238,778
Deferred charges	-	305,198
Inventories	2,721,741	2,611,806
Total Current Assets	245,950,506	243,654,753
Noncurrent Assets		
Deferred charges	-	4,880,152
Nondepreciable capital assets	47,818,819	32,557,758
Depreciable capital assets, net of depreciation	602,153,169	625,597,908
Total Noncurrent Assets	649,971,988	663,035,818
TOTAL ASSETS	895,922,494	906,690,571
LIABILITIES		
Current Liabilities		
Accounts payable	16,791,999	17,030,000
Interest payable	3,935,426	5,866,377
Unearned revenue	10,083,671	11,920,829
Bonds and notes payable - current portion	17,290,000	17,290,000
Bond premium - current portion	2,000,003	2,000,003
Total Current Liabilities	50,101,099	54,107,209
Noncurrent Liabilities		
Compensated absences payable - noncurrent portion	4,191,399	3,848,333
Bonds and notes payable - noncurrent portion	693,284,017	689,805,787
Other long-term liabilities - noncurrent portion	28,444,333	30,444,336
Total Noncurrent Liabilities	725,919,749	724,098,456
TOTAL LIABILITIES	776,020,848	778,205,665
NET POSITION		
Net investment in capital assets	(64,292,833)	(49,608,514)
Restricted for:		
Debt service	28,911,155	26,472,082
Capital projects	79,595,373	80,805,152
Educational programs	14,936,401	13,899,287
Other activities	27,361,985	22,440,761
Unrestricted	33,389,565	34,476,138
TOTAL NET POSITION	$ 119,901,646	$ 128,484,906

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PRIMARY GOVERNMENT FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
OPERATING REVENUES		
Student Tuition and Fees	$ 27,149,929	$ 26,372,479
Less: Fee waivers and allowance	(11,555,108)	(10,794,843)
Less: Bad debt	(466,483)	(791,217)
Net tuition and fees	15,128,338	14,786,419
Auxiliary Enterprise Sales and Charges		
Bookstore	3,246,113	3,229,619
Cafeteria	314,286	227,745
Fitness Center	4,234,859	3,545,269
Internal Service Sales and Charges	956,991	916,587
TOTAL OPERATING REVENUES	23,880,587	22,705,639
OPERATING EXPENSES		
Salaries	98,860,058	92,003,826
Employee benefits	33,755,593	37,376,039
Supplies, materials, and other operating expenses and services	32,457,261	30,008,587
Equipment, maintenance, and repairs	2,049,761	1,117,105
Student financial aid	22,428,448	23,112,911
Depreciation	25,689,851	27,594,568
TOTAL OPERATING EXPENSES	215,240,972	211,213,036
OPERATING LOSS	(191,360,385)	(188,507,397)
NONOPERATING REVENUES (EXPENSES)		
State apportionments, noncapital	938,181	932,292
Local property taxes, levied for general purposes	108,803,544	103,864,700
Local property taxes, levied for special purposes	31,262,943	28,977,091
Parcel tax	7,080,146	6,986,474
Federal grants	25,021,878	26,669,123
State grants	13,399,657	9,521,575
Local grants	2,895,554	2,425,034
State taxes and other revenues	3,027,935	3,536,258
Investment income (loss), net	10,125,576	2,539,589
Interest expense on capital related debt	(25,292,690)	(22,085,926)
Interest income on capital asset-related debt, net	415,740	203,812
Other nonoperating revenues (expenses)	4,802,418	333,118
TOTAL NONOPERATING REVENUES	182,480,882	163,903,140
LOSS BEFORE OTHER REVENUES AND EXPENSES	(8,879,503)	(24,604,257)
State revenues, capital	5,020,579	1,465,128
Local revenues, capital	461,014	2,533,773
TOTAL OTHER REVENUES AND EXPENSES	5,481,593	3,998,901
CHANGE IN NET POSITION	(3,397,910)	(20,605,356)
NET POSITION, BEGINNING OF YEAR, RESTATED	123,299,556	149,090,262
NET POSITION, END OF YEAR	$ 119,901,646	$ 128,484,906

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

STATEMENTS OF CASH FLOWS – PRIMARY GOVERNMENT
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 15,290,977	$ 13,980,272
Local grants and contracts	(24,078)	1,777,554
Payments to vendors for supplies and services	(31,575,910)	(31,981,264)
Payments to or on behalf of employees	(135,832,865)	(126,844,868)
Payments to students for scholarships and grants	(22,428,448)	(23,112,911)
Auxiliary sales	8,612,642	8,251,920
Net Cash Flows Used In Operating Activities	(165,957,682)	(157,929,297)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State apportionments	(755,484)	2,600,257
Property taxes, levied for general purposes	108,803,544	103,864,700
Property taxes, levied for special purposes	31,262,943	28,977,091
Grant and contracts	39,887,299	37,696,378
State taxes and other apportionments	3,799,831	3,089,337
Other receipts and disbursements	12,108,920	8,009,978
Net Cash Flows From Noncapital Financing Activities	195,107,053	184,237,741
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of capital assets	(16,928,759)	(7,444,228)
Loss on disposal of capital assets	1,540	1,188,995
State revenue, capital projects	5,020,579	1,465,128
Local revenue, capital projects	461,014	2,533,773
Principal paid on capital debt	(19,290,003)	(16,910,003)
Interest paid on capital debt	(7,050,443)	(9,304,519)
Interest received on capital asset-related debt	415,740	203,812
Net Cash Flows Used In Capital Financing Activities	(37,370,332)	(28,267,042)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received from investments	10,145,605	2,740,852
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,924,644	782,254
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	229,921,203	229,138,949
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 231,845,847	$ 229,921,203

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

STATEMENTS OF CASH FLOWS, PRIMARY GOVERNMENT, Continued
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Loss	$ (191,360,385)	$ (188,507,397)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation expense	25,689,851	27,594,568
Changes in Assets and Liabilities:		
Receivables, net	(475,502)	543,399
Inventories	(109,935)	(188,739)
Prepaid and other current assets	(280,866)	(117,961)
Student loans receivable, net	(24,078)	499,586
Accounts payable and accrued liabilities	(105,213)	3,175,120
Unearned revenue	708,446	(320,344)
Total Adjustments	25,402,703	31,185,629
Net Cash Flows Provided For Operating Activities	$ (165,957,682)	$ (157,321,768)
CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:		
Cash and investments	$ 202,972,467	$ 203,484,355
Restricted cash and investments	28,873,380	26,436,848
Total Cash and Cash Equivalents	$ 231,845,847	$ 229,921,203
NON CASH TRANSACTIONS		
On behalf payments for benefits	$ 2,132,102	$ 1,903,158
BOG Waivers	$ 11,555,108	$ 10,794,843

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

STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2014 AND 2013

	2014		2013	
	Agency Fund		Agency Fund	
	Associated Students Trust	Student Representation Fee	Associated Students Trust	Student Representation Fee
ASSETS				
Cash and cash equivalents	$ 1,865,386	$ 138,859	$ 1,865,138	$ 127,956
Accounts receivable	287,807	-	311,694	-
Fixed assets	4,917	-	6,392	-
Total Assets	$ 2,158,110	$ 138,859	$ 2,183,224	$ 127,956
LIABILITIES				
Accounts payable	$ 1,051,485	$ -	$ 934,533	$ -
Due to student groups and other	1,106,625	138,859	1,248,691	127,956
Total Liabilities	$ 2,158,110	$ 138,859	$ 2,183,224	$ 127,956

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

DISCRETELY PRESENTED COMPONENT UNIT
EDUCATIONAL HOUSING CORPORATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2014 AND 2013

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash and investments	$ 161,212	$ 151,324
Total Assets	$ 161,212	$ 151,324
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Rent security deposits	$ 143,985	$ 135,300
Total Liabilities	143,985	135,300
NET ASSETS		
Unrestricted	17,227	16,024
Total Net Assets	17,227	16,024
Total Liabilities and Net Assets	$ 161,212	$ 151,324

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

DISCRETELY PRESENTED COMPONENT UNIT
EDUCATIONAL HOUSING CORPORATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
REVENUES		
Rental income	$ 1,516,903	$ 1,461,947
Interest and dividends	1,414	1,131
Water reimbursement	12,511	12,101
Other local income	143,618	3,375
Total Revenues	1,674,446	1,478,554
EXPENSES		
Operating expenses	456,243	316,120
Total Expenses	456,243	316,120
OTHER SOURCES AND USES		
Transfer out to SMCCCD	(1,217,000)	(1,160,757)
Total Other Uses	(1,217,000)	(1,160,757)
CHANGE IN NET ASSETS	1,203	1,677
NET ASSETS, BEGINNING OF YEAR	16,024	14,347
NET ASSETS, END OF YEAR	$ 17,227	$ 16,024

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

DISCRETELY PRESENTED COMPONENT UNIT
EDUCATIONAL HOUSING CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 1,203	$ 1,677
Changes in Assets and Liabilities		
Accounts receivable	-	44
Rent security deposits	8,685	3,282
Net Cash Flows Provided For Operating Activities	9,888	5,003
NET CHANGE IN CASH AND CASH EQUIVALENTS	9,888	5,003
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	151,324	146,321
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 161,212	$ 151,324

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

NOTE 1 – ORGANIZATION

Organization

The San Mateo County Community College District (the District) was established in 1922 as a political subdivision of the State of California and is a comprehensive, public, two-year institution offering post secondary educational services to residents of San Mateo County and surrounding areas. The District operates under a locally elected five-member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund, special revenue funds, and capital project funds, but these budgets are managed at the department level. Currently, the District operates three college campuses located in the cities of San Mateo, San Bruno, and Redwood City, California. While the District is a political subdivision of the State of California, it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The District has adopted GASB Statement No. 61, *Determining Whether Certain Organizations are Component Units.* This statement amends GASB Statement No. 14, *The Financial Reporting Entity,* to provide additional guidance to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District. The three components used to determine the presentation are: providing a "direct benefit", the "environment and ability to access/influence reporting", and the "significance" criterion. As defined by accounting principles generally accepted in the United States of America and established by the Governmental Accounting Standards Board, the financial reporting entity consists of the primary government, the District, and the following component units:

San Mateo County Community College District Financing Corporation
San Mateo County Community Colleges Educational Housing Corporation
San Mateo County Community Colleges Foundation

The *San Mateo County Community College District Financing Corporation* (the Corporation) is a legally separate organization component unit of the District. The Corporation was formed to issue debt specifically for the acquisition and construction of capital assets for the District. The Board of Trustees of the Corporation is the same as the Board of Trustees of the District. The financial activity has been "blended" or consolidated within the financial statements as of the District as if the activity was the District's. This activity is accounted for in the District's COP Payment Fund and COP Construction Fund. Individually-prepared financial statements are not prepared for the Corporation.

The *San Mateo County Community Colleges Educational Housing Corporation* (the Housing Corp.) is a non-profit organization under IRS Code Section 510(c)(3). The Board of the Housing Corp. is the same as the District's. The Housing Corp. meets the criteria of the governing authority's ability to significantly influence operations and accountability for fiscal matters and the criteria for inclusion in the District's reporting entity. Its purpose is to operate staff and faculty housing. The financial activity of the Housing Corp. is reported as a separate discretely presented component unit. Individually-prepared financial statements are not prepared for the Housing Corp.

The *San Mateo County Community Colleges Foundation* (the Foundation) is a non-profit organization under IRS Code Section 501(c)(3). The District has determined that the Foundation does not meet the criteria of the governing authority's ability to significantly influence operations and accountability for fiscal matters and the criteria for inclusion in the District's report entity. It is dedicated to providing assistance to the students, teachers, and programs of the Colleges. The financial activity of the Foundation is not included in this report. Individually-prepared financial statements can be obtained from the District Business Office.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37 and No. 38. This presentation provides a comprehensive entity-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office *Budget and Accounting Manual*. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are classified as operating revenues. These transactions are recorded on the accrual basis when the exchange takes place. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, operating revenues consist primarily of student fees and auxiliary activities through the bookstore, cafeteria, and fitness center.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, certain Federal and State grants, entitlements, and donations. Property tax revenue is recognized in the fiscal year received. State apportionment revenue is earned based upon criteria set forth from the Community Colleges Chancellor's Office and includes reporting of full-time equivalent student (FTES) attendance. The corresponding apportionment revenue is recognized in the period the FTES are generated. Revenue from Federal and State grants and entitlements are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements may include time and/or purpose requirements.

Operating expenses are costs incurred to provide instructional services including support costs, auxiliary services, and depreciation of capital assets. All other expenses not meeting this definition are reported as nonoperating. Expenses are recorded on the accrual basis as they are incurred, when goods are received, or services are rendered.

The District reports are based on all applicable GASB pronouncements, as well as applicable Financial Accounting Standards Board (FASB) pronouncements. The District has elected not to apply FASB pronouncements issued after November 30, 1989.

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments,* and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities,* as amended by GASB Statements No. 37 and No. 38. The business-type activities model followed by the District requires the following components of the District's financial statements:

Management's Discussion and Analysis

- Basic Financial Statements for the District as a whole including:
  - Statement of Net Position – Primary Government
  - Statement of Revenues, Expenses, and Changes in Net Position – Primary Government
  - Statement of Cash Flows – Primary Government
  - Financial Statements for the Fiduciary Funds including:
    - Statements of Fiduciary Net Position
- Notes to the Financial Statements

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be unrestricted cash on hand, demand deposits, and short-term unrestricted investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include unrestricted cash with county treasury balances for purposes of the Statement of Cash Flows. Restricted cash and cash equivalents represent balances restricted by external sources such as grants and contracts or specifically restricted for the repayment of capital debt.

Investments

In accordance with GASB Statement No. 31 *Accounting and Financial Reporting for Certain Investments and External Investment Pools.* Investments held at June 30, 2014 and 2013, are stated at fair value. Fair value is estimated based on quoted market prices at year-end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets represent investments required by debt covenants to be set aside by the District for the purpose of satisfying certain requirements of the bonded debt issuance.

Accounts Receivable

Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. This allowance is based upon a five-year average ratio over actual revenues. The allowance was estimated at $2,799,463 and $2,846,671 for the years ended June 30, 2014 and 2013, respectively.

Prepaid Expenditures

Prepaid expenses represent payments made to vendors and others for services that will benefit periods beyond June 30.

Inventory

Inventory consists primarily of bookstore merchandise and supplies held for resale to the students and faculty of the colleges. Inventories are stated at lower of cost or market, utilizing the first in, first out method. The cost is recorded as an expense as the inventory is consumed.

Capital Assets and Depreciation

Capital assets are long-lived assets of the District as a whole and include land, construction-in-progress, buildings, leasehold improvements, and equipment. The District maintains an initial unit cost capitalization threshold of $5,000 for equipment and $100,000 for land, buildings and improvements. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. The District does not possess any infrastructure. Donated capital assets are recorded at estimated fair market value at the date of donation. Improvements to buildings and land that significantly increase the value or extend the useful life of the asset are capitalized; the costs of routine maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged as an operating expense in the year in which the expense was incurred. Major outlays for capital improvements are capitalized as construction-in-progress as the projects are constructed.

Depreciation of capital assets is computed and recorded utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 25 to 50 years; improvements, 25 to 50 years; equipment, 5 to 10 years.

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the entity-wide financial statements.

Debt Issuance Costs, Premiums, and Discounts

Bond premiums and discounts, as well as issuance costs related to prepaid insurance cost, are amortized over the life of the bonds using the straight-line method.

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the entity-wide financial statements. The amounts have been recorded in the fund from which the employees, who have accumulated the leave, are paid. The District also participates in “load-banking” with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period.

Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, retirement credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Retirement credit for unused sick leave is applicable to all academic employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full time.

Unearned Revenue

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized. Unearned revenue include (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year and (2) amounts received from Federal and State grants received before the eligibility requirements are met.

Noncurrent Liabilities

Noncurrent liabilities include bonds payable and compensated absences with maturities greater than one year.

Net Position

GASB Statements No. 34 and No. 35 report equity as "Net Position." and represent the difference between assets and liabilities. The net position are classified according to imposed restrictions or availability of assets for satisfaction of District obligations according to the following net position categories:

> **Net Investments in Capital Assets**: consist of capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. To the extent debt has been incurred, but not yet expended for capital assets, such are not included as a component invested in capital assets – net of related debt.
>
> **Restricted**: Net position is reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the District, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.
>
> None of the District's restricted net position has resulted from enabling legislation adopted by the District.
>
> **Unrestricted**: Net position that is not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net position is designated for educational and general operations of the District.

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed.

State Apportionments

Certain current year apportionments from the State are based on financial and statistical information of the previous year. Any corrections due to the recalculation of the apportionment are made in February of the subsequent year. When known and measurable, these calculations and corrections are accrued in the year in which the FTES are generated.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. The County Assessor is responsible for assessment of all taxable real property. 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 on behalf of the District. Local property tax revenues are recorded when received.

The voters of the District passed General Obligation Bonds in 2001 and 2005 for the acquisition, construction, and remodeling of certain District property. As a result of the passage of the Bond, property taxes are assessed on the property within the District specifically for the repayment of the debt incurred. The taxes are billed and collected as noted above and remitted to the District when collected.

The voters of the District passed a 4-year Parcel Tax in 2010 for the general revenue of the District. The parcel tax levy $34 per parcel for four years to provide for core academic programs, training, and education of students attending the District and transferring to universities. The taxes are assessed, billed, and collected as noted above and remitted to the District when collected.

Board of Governors Grants (BOGG) and Fee Waivers

Student tuition and fee revenue is reported net of allowances and fee waivers approved by the Governors through BOGG fee waivers in the Statement of Revenues, Expenditures, and Changes in Net Position. Scholarship discounts and allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payments on the students' behalf. To the extent that fee waivers and discounts have been used to satisfy tuition and fee charges, the District has recorded a scholarship discount and allowance.

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, Federal Work-Study, and Stafford Loan programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. These programs are audited in accordance with the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget's revised Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations,* and the related *Compliance Supplement.*

On-Behalf Payments

GASB Statement No. 24 requires direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees for another legally separate entity be recognized as revenues and expenditures by the employer entity. The State of California makes direct on-behalf payments to the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) on behalf of all community colleges in California. The California Department of Education has issued a fiscal advisory instructing districts not to record the revenue and expenditures for the on behalf payments within the funds and accounts of a district. The amount of the on behalf payments made for the District of the year ended June 30, 2014, was $2,132,102 for CalSTRS and $0 for CalPERS. These amounts are reflected in the District's audited financial statements.

Estimates

The preparation of the financial statement in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Interfund Activity

Interfund transfers and interfund receivables and payables are eliminated during the consolidation process in the entity-wide financial statements.

Component Unit - Educational Housing Corporation Financial Statement Presentation

The Educational Housing Corporation (the Housing Corp.) presents its financial statements in accordance with Statement of Financial Accounting Codifications. Under these reporting requirements, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by the codification, the Housing Corp. does not use fund accounting.

The assets, liabilities, and fund balance of the Housing Corp. are reported as unrestricted funds, which represent the portion of resources that are available for general purpose of the Housing Corp.'s operations.

Revenues and expenses are recorded when incurred in accordance with the accrual basis of accounting. Revenues are reported as increases in the unrestricted net assets classification unless use of the related assets is limited by donor-imposed restrictions.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Investments are reported at fair value in accordance with FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*.

The Corporation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and related California Franchise Tax Codes.

Change in Accounting Principles

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities.* This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Concepts Statement No. 4, *Elements of Financial Statements,* introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

The District has implemented the provisions of this Statement for the year ended June 30, 2014.

As the result of implementing GASB Statement No. 65, the District has restated the beginning net position in the government-wide Statement of Net Position, effectively decreasing net position as of July 1, 2013, by $5,185,350. The decrease results from no longer deferring and amortizing bond issuance costs.

New Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68*, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.

- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.

- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).

- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes, but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.

- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

This Statement is effective for fiscal years beginning after June 15, 2014. Early implementation is encouraged.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a State or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement No. 68 requires a State or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a State or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a State or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68.

Comparative Financial Information

Comparative financial information for the prior year has been presented for additional analysis; certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE 3 – DEPOSITS AND 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 instruments; 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; 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 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 (ECS) 41001). The fair value of the District's investment in the pool is reported in the accompanying 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.

Investment in the State Investment Pool - The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in the pool is reported in the accompanying financial statement at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, 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
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Summary of Deposits and Investments

Deposits and investments of the Primarily Government as of June 30, 2014 and 2013, consist of the following:

	2014	2013
Cash on hand and in banks	$ 784,522	$ 1,454,186
Cash in revolving	77,000	77,000
Investments	230,984,325	228,390,017
Total Deposits and Investments	$ 231,845,847	$ 229,921,203

Deposits and investments of the Fiduciary Funds as of June 30, 2014 and 2013, consist of the following:

	2014	2013
Cash on hand and in banks	$ 283,435	$ 483,108
Investments	1,720,810	1,509,986
Total Deposits and Investments	$ 2,004,245	$ 1,993,094

Deposits and investments of the Educational Housing Corporation as of June 30, 2014 and 2013, consist of the following:

	2014	2013
Cash on hand and in banks	$ 105,325	$ 96,191
Investments	55,887	55,134
Total Deposits and Investments	$ 161,212	$ 151,325

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 District manages its exposure to interest rate risk by investing in the County pool and local agency investment fund (LAIF) and/or having a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Weighted Average Maturity

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is presented in the following schedule

Investment Type	Fair Value	Weighted Average Maturity
Corporate fixed income	$ 9,015,661	2.35 years *
Government securities	11,376,846	2.49 years *
County Pool	189,304,214	1.71 years
Money Market Mutual Funds	237,764	1.00
State Investment Pool	146,581	232 days
Certificates of deposit	22,679,956	1.00
Total	$ 232,761,022	

* = Duration

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 District's investments in the County pool and LAIF are not required to be rated, nor have they been rated as of June 30, 2014.

			Rating as of Year End		
Investment Type	Fair Value	Not Required To Be Rated	AAA*	A*	Unrated
Corporate fixed income	$ 9,015,661	$ -	$ -	$ 9,015,661	$ -
Government securities	11,376,846	-	11,376,846	-	-
County Pool	189,304,214	189,304,214	-	-	189,304,214
Money Market Mutual Funds	237,764	-	237,764	-	-
State Investment Pool	146,581	146,581	-	-	146,581
Certificates of deposit	22,679,956	22,679,956	-	-	22,679,956
Total	$ 232,761,022	$ 212,130,751	$ 11,614,610	$ 9,015,661	$ 212,130,751

* Moody's

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit.) The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2014 and 2013, the District's bank balances of approximately $688,000 and $1,096,000, respectively, were exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The California government Code and the District’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments.

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivables for the District consisted primarily of intergovernmental grants, entitlements, interest, and other local sources. The District computes the allowance for bad debt accounts based on a five-year weighted average on uncollectible accounts receivable to total revenue ratio. The accounts receivable are as follows:

	Primary Governmnet	
	2014	2013
Federal Government		
Categorical aid	$ 711,673	$ 787,292
State Government		
Categorical aid	484,057	443,166
Lottery	489,372	1,819,792
Other State sources	1,443,879	850,627
Local Sources		
Interest	99,275	119,304
Student loans	682,626	658,548
Student receivables	7,147,853	6,649,254
Other local sources	2,604,002	2,096,456
Less allowance for bad debt	(2,799,463)	(2,846,671)
Total Accounts Receivable, net	$ 10,863,274	$ 10,577,768

Other Local Receivables at June 30, 2014 and 2013 include $947,127 and $850,747 for loans made to District employees to purchase houses. All full time employees who purchase a home and contribute at least 20 percent of the purchase price are eligible to receive loans of up to $50,000 per employee. Repayment terms and interest rates are: no payments due in years 1 through 5, payments of principal and interest in years 6-10, with final payment of any remaining balance in year 10. Selling the property, withdrawing cash from the equity, or leaving the District's employment accelerates the due date of the loan. Interest is charged at 4 percent per year. As of June 30, 2014, all of the funds have been loaned out. No loans will be granted to additional employees until existing loans are paid back or the Board authorizes additional amounts to be loaned out.

	Fiduciary Funds	
	2014	2013
Local Sources		
Interest	$ 2,991	$ 2,251
Other local sources	284,410	309,443
Total	$ 287,401	$ 311,694

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2014, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	$ 20,628,292	$ -	$ -	$ 20,628,292
Construction in progress	11,929,466	19,589,807	4,328,746	27,190,527
Total Capital Assets Not Being Depreciated	32,557,758	19,589,807	4,328,746	47,818,819
Capital Assets Being Depreciated				
Land improvements	101,605,703	612,117	517,845	101,699,975
Buildings and improvements	652,028,669	3,539,456	2,994,349	652,573,776
Furniture, equipment, and vehicles	28,572,048	1,606,502	155,300	30,023,250
Total Capital Assets Being Depreciated	782,206,420	5,758,075	3,667,494	784,297,001
Land improvements	15,470,551	4,699,209	-	20,169,760
Buildings and improvements	121,555,526	18,952,123	-	140,507,649
Furniture, equipment, and vehicles	19,582,435	2,038,519	154,531	21,466,423
Total Accumulated Depreciation	156,608,512	25,689,851	154,531	182,143,832
Net Capital Assets	$ 658,155,666	$ (341,969)	$ 7,841,709	$ 649,971,988

Depreciation expense for the year was $25,689,851.

Interest expense on capital related debt for the year ended June 30, 2014, was $25,292,690. Of this amount, $2,040,250 was capitalized.

Capital asset activity for the District for the fiscal year ended June 30, 2013, was as follows:

	Balance Beginning of Year (Restated)	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	$ 20,628,292	$ -	$ -	$ 20,628,292
Construction in progress	72,440,248	4,731,203	65,241,985	11,929,466
Total Capital Assets Not Being Depreciated	93,068,540	4,731,203	65,241,985	32,557,758
Capital Assets Being Depreciated				
Land improvements	47,992,911	54,710,729	1,097,937	101,605,703
Buildings and improvements	639,659,946	12,368,723	-	652,028,669
Furniture, equipment, and vehicles	28,048,323	632,125	108,400	28,572,048
Vehicles	-	-	-	-
Less Accumulated Depreciation				
Land improvements	12,223,743	3,246,808	-	15,470,551
Buildings and improvements	99,609,328	21,946,198	-	121,555,526
Furniture, equipment, and vehicles	17,198,215	2,401,562	17,342	19,582,435
Vehicles	-	-	-	-
Net Capital Assets Being Depreciated	586,669,894	40,117,009	1,188,995	625,597,908
Net Capital Assets	$ 679,738,434	$ 44,848,212	$ 66,430,980	$ 658,155,666

Depreciation expense for the year was $27,594,568.

Interest expense on capital related debt for the year ended June 30, 2013, was $22,085,926. Of this amount, $2,550,267 was capitalized.

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	Primary Government	
	2014	2013
Payroll related liabilities	$ 2,548,229	$ 6,108,509
Mandated cost	729,738	1,090,686
Construction	2,939,432	889,305
Vendor and other	8,489,600	7,039,500
Workers' compensation	2,085,000	1,902,000
Total	$ 16,791,999	$ 17,030,000

Fiduciary Funds

The accounts payable of the Fiduciary Fund consists primarily of funds held for student clubs.

Discretely Presented Component Unit

The accounts payable of the Educational Housing Corporation consists of only the rent security deposits.

NOTE 7 - UNEARNED REVENUE

Unearned revenue at June 30, 2014 and 2013 consisted of the following:

	Primary Government	
	2014	2013
Federal financial assistance	$ 26,745	$ 22,461
State categorical aid	1,163,693	919,191
Enrollment fees	7,398,213	6,689,767
Education Protection Act	-	1,948,221
Other local	1,495,020	2,341,189
Total	$ 10,083,671	$ 11,920,829

NOTE 8 - TAX AND REVENUE ANTICIPATION NOTES

On July 15, 2013, the District issued $20,000,000 Tax and Revenue Anticipation Notes bearing interest at 2 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on April 30, 2014. By April 30, 2014, the District had placed 100 percent of principal and interest in an irrevocable trust for the sole purpose of satisfying the notes. The District was not required to make any additional payments on the notes.

	Outstanding Beginning of Year	Additions	Deletions	Outstanding End of Year
2014 2.00% TRANS	$ -	$ 20,000,000	$ 20,000,000	$ -
Total	$ -	$ 20,000,000	$ 20,000,000	$ -

NOTE 9 – INTERFUND TRANSACTIONS

Interfund Receivables and Payable (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the governmental funds and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements.

Interfund Operating Transfers

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the funds of the District have been eliminated in the consolidated process.

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2014 fiscal year consisted of the following:

	Beginning of Year	Additions/ Accretions	Deductions	End of Year	Due in One Year
Bonds and Notes Payable					
General obligation bonds	$ 707,095,787	$ 20,768,230	$ 17,290,000	$ 710,574,017	$ 17,290,000
Other Liabilities					
Compensated absences	3,848,333	343,066	-	4,191,399	-
Bond premiums, net of amortization	32,444,339	-	2,000,003	30,444,336	2,000,003
Total Long-term Liabilities	$ 743,388,459	$ 21,111,296	$ 19,290,003	$ 745,209,752	$ 19,290,003

The changes in the District's long-term obligations during the 2013 fiscal year consisted of the following:

	Balance Beginning of Year	Additions/ Accretions	Deductions	Balance End of Year	Due in One Year
Bonds and Notes Payable					
General obligation bonds	$ 702,175,138	$ 19,830,649	$ 14,910,000	$ 707,095,787	$ 17,290,000
Other Liabilities					
Compensated absences	3,765,476	82,857	-	3,848,333	-
Total Other Liabilities	705,940,614	19,913,506	14,910,000	710,944,120	17,290,000
Bond premiums, net of amortization	34,444,342	-	2,000,003	32,444,339	2,000,003
Total Long-term Liabilities	$ 740,384,956	$ 19,913,506	$ 16,910,003	$ 743,388,459	$ 19,290,003

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local property revenues. The compensated absences are paid by the fund in which the related employee costs are accounted for.

Description of Debt

General obligation bonds were approved by local elections in 2001 and 2005. The total amount approved by the voters in 2001 and 2005 were $207,000,000 and $468,000,000, respectively. All of the authorized 2001 and 2005 bonds have been issued. Interest rates on the 2001 bonds are range from 3.00 percent to 5.74 percent and the interest rates on the 2005 bonds are range from 3.50 percent to 5.00 percent. At June 30, 2014, the outstanding balances for the 2001 and 2005 bonds were $138,922,725 and $571,651,292, respectively.

Debt Maturity

General Obligation Bonds

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2013	Additions/ Accretions	Redeemed	Bonds Outstanding June 30, 2014
6/4/2002	9/1/2026	3.00-5.74%	$ 96,875,613	$ 33,297,221	$ 1,872,202	$ -	$ 35,169,423
2/9/2005	9/1/2029	3.00-5.00%	69,995,132	55,642,643	1,690,705	1,750,000	55,583,348
4/11/2006	3/1/2031	3.50-5.00%	40,124,660	47,302,781	1,837,173	970,000	48,169,954
4/11/2006	9/1/2030	3.75-5.00%	135,429,395	118,938,310	5,148,393	6,800,000	117,286,703
12/12/2006	9/1/2038	3.50-5.00%	332,570,194	344,319,832	10,219,757	3,620,000	350,919,589
4/26/2012	9/1/2026	0.33-5.00%	107,595,000	107,595,000	-	4,150,000	103,445,000
				$ 707,095,787	$ 20,768,230	$ 17,290,000	$ 710,574,017

The bonds mature through 2039 as follows:

Fiscal Year		Principal	Interest to Maturity	Total
2015		$ 19,475,000	$ 11,458,220	$ 30,933,220
2016		19,200,967	13,379,371	32,580,338
2017		18,921,029	15,410,608	34,331,637
2018		20,468,929	15,636,634	36,105,563
2019		108,721,448	102,041,040	210,762,488
2020-2024		110,172,008	146,242,742	256,414,750
2025-2029		135,640,637	188,651,094	324,291,731
2030-2034		107,617,834	172,908,666	280,526,500
2035-2039		22,852,143	41,963,358	64,815,501
	Subtotal	563,069,995	$ 707,691,733	$ 1,270,761,728
	Accreted Interest To Date	147,504,022		
	Total	$ 710,574,017		

Other Postemployment Benefits (OPEB) Asset

The District's actuarially determined annual required contribution (ARC) for the year ended June 30, 2014, was $8,642,396. The District made a contribution of $6,912,318 for premiums for current retirees. In addition, the District contributed $10,000,000 to the San Mateo County Community College District Public Entity Investment Trust during the year. See Note 11 for additional information regarding the OPEB asset and the postemployment benefits plan.

NOTE 11 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

The District provides postemployment health care benefits for retired employees in accordance with negotiated contracts with the various bargaining units of the District.

Plan Description

The Other Postemployment Benefit Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the San Mateo County Community College District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 1008 retirees and beneficiaries currently receiving benefits and 854 active plan members. Separate financial statements are prepared for the Plan and may be obtained by contacting the San Mateo County Community College District.

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits. During the year, the District contributed $6,912,318 for the current retirees' medical premiums. Plan members receiving benefits contributed $29,000, or approximately .4 percent of the total premiums. Contributions made by retirees, range between $3 to $893 per month. In addition to the current year premium, the District contributed $10,000,000 to the San Mateo County Community College District Public Entity Investment Trust.

Annual OPEB Cost and Net OPEB Asset

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities or funding costs (UAAL) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB asset to the Plan:

Annual required contribution (ARC)	$ 8,642,396
Less : annual OPEB cost (expense) - District paid premiums	6,912,318
Less: current year contribution to the OPEB Trust	10,000,000
Contributions in excess of ARC	8,269,922
OPEB asset, beginning of year	27,470,277
OPEB asset, end of year	$ 35,740,199

Trend Information

Trend information for the annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB asset for the past three years is as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Assets
2012	$ 7,702,017	$ 17,196,992	223%	$ 19,009,630
2013	8,642,396	17,103,043	198%	27,470,277
2014	8,642,396	16,912,318	196%	35,740,199

Funding Status and Funding Progress

The funded status of the OPEB Plan as of June 30, 2014, is as follows:

Actuarial Accrued Liability (AAL)	$ 125,352,953
Actuarial Value of Plan Assets	(34,870,628)
Unfunded Actuarial Accrued Liability (UAAL)	$ 90,482,325
Funded Ratio (Actuarial Value of Plan Assets/AAL)	28%
Covered Payroll	$ 97,167,462
UAAL as Percentage of Covered Payroll	93%

The above noted actuarial accrued liability was based on the February 1, 2013, actuarial valuation. Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, follow the notes to the financial statements, presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial values of assets, consistent with the long-term perspective of the calculations.

In the February 1, 2013 actuarial valuation, the Entry Age Normal Actuarial Cost Method was used. The actuarial assumptions included a 7 percent investment rate of return (net of administrative expenses), based on the Plan being funded in an irrevocable employee benefit trust fund invested in a long-term fixed income portfolio. Healthcare cost trend rates assumed 4 percent per year. The UAAL is being amortized at a level percentage of payroll method. The remaining amortization period at February 1, 2013, was 30 years. The actuarial value of assets of $34,870,628 was determined in this actuarial valuation. At June 30, 2014, the Trust held net assets in the amount of $55,459,915 in investments with Benefit Trust.

NOTE 12 - RISK MANAGEMENT

Insurance Coverage

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ending June 30, 2014, the District contracted with MacCorkle Inc., an insurance broker to manage the District's insurance claims. The District is self-insured for the first $150,000. Settled claims have not exceeded this commercial coverage.

Workers' Compensation

For the fiscal year, the District contracted with Andreini and Company for placement of excess workers' compensation insurance program. The District is self-insured for the first $350,000.

Employee Medical Benefits

The District has contracted with the CalPERS to provide employee medical and surgical benefits. CalPERS is a shared risk pool comprised of nearly 2,500 employers and covers five regions (Bay Area, Other Northern California, Southern California, Other Southern California, and Out of State). Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating Districts. Claims are paid for all participants regardless of claims flow. The CalPERS Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool. CalPERS requires the District to have a post retirement medical benefit plan for CalPERS members.

The District also contributed towards the medical plan premiums of CalPERS and CalSTRS retirees who did not meet the District eligibility requirements for retiree benefits when they retired. This contribution is required by CalPERS and is called the “Employer Share” and was established in order to provide retirees, regardless of District eligibility, with continuation of group medical insurance coverage at a reduced monthly premium. There are currently 88 retirees that fall under this categorical and the District’s share for the fiscal year was $512,684.

The District records an estimated liability for indemnity torts and other claims against the District. Claims liabilities are based on estimates of the ultimate costs of reported claims (including future claim adjustment expenses) and an estimate for claims incurred, but not reported based on historical experience.

Claim Liabilities

The District establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2012 to June 30, 2014:

	Workers' Compensation	Property and Liability
Liability Balance, July 1, 2012	$ 2,102,691	$ 150,000
Claims and changes in estimates	-	-
Claims payments	(350,691)	-
Liability Balance, June 30, 2013	1,752,000	150,000
Claims and changes in estimates	2,085,000	-
Claims payments	(1,752,000)	(150,000)
Liability Balance, June 30, 2014	$ 2,085,000	$ -
Assets available to pay claims at June 30, 2014	$ 6,622,977	$ 150,000

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

CalSTRS

Plan Description

The District contributes to CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. As a result of the Public Employee Pension Reform Act of 2013 (PEPRA), changes have been made to the defined benefit pension plan effective January 1, 2013. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 100 Waterfront Place, West Sacramento, CA 95605.

Funding Policy

Due to the implementation of the Public Employee Pension Reform Act of 2013 (PEPRA), new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-14, the required contribution rate for new members is 8.0 percent. "Classic" plan members are also required to contribute 8.0 percent of their salary. The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2013-2014 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's total contributions to CalSTRS for the fiscal years ended June 30, 2014, 2013, and 2012, were $3,469,338, $3,292,883, and $3,185,617, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. As a result of the Public Employee Pension Reform Act of 2013 (PEPRA), changes have been made to the defined benefit pension plan effective January 1, 2013. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95811.

Funding Policy

As a result of the implementation of the Public Employee Pension Reform Act of 2013 (PEPRA), new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-2014, the normal cost is 11.85 percent, which rounds to a 6.0 percent contribution rate. "Classic" plan members continue to contribute 7.0 percent. The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The District's contribution rate to CalPERS for fiscal year 2013-2014 was 11.442 percent of covered payroll. The District's contributions to CalPERS for fiscal years ending June 30, 2014, 2013, and 2012, were $4,296,931, $4,035,956, and $3,693,915, respectively, and equaled 100 percent of the required contributions for each year.

On-Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS. The State of California made contributions to CalSTRS on behalf of the District for fiscal year ending June 30, 2014, 2013, and 2012 amounted to $2,132,102, $1,903,158, and $1,821,547, respectively, and equaled 5.541 percent of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution reate for CalPERS. These amounts have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

Deferred Compensation

The District offers its employees a 457 and 403 (b) tax deferred compensation plan. Currently, the District has 39 employees participating in the 457 plan and 277 employees in the 403(b) plan. The plan permits participants to defer a portion of their pre-tax salary into investment(s) provided by the plans. The deferred compensation will become available once a qualifying event, as defined by the IRS, has been met. The District oversees the administrative functions of these plans. The District makes employer contributions for six of its employees, otherwise, these plans are strictly for employee contributions only.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2014.

The California State Controller’s Office audited the District’s mandated costs claims in 2003-2004. As the result of the audit, the District has set aside a reserve for the liability. However, the District is in the process of disputing this liability with the State.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2014.

Operating leases

The District has entered into various operating leases for equipment with no lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration date.

Construction Commitments

As of June 30, 2014, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
District funded facility improvement projects	$ 3,569,279	within 1 year
State funded capital outlay projects	7,049	within 1 year
2005 G.O. Bond (Measure A) construction projects	3,697,525	within 1 year
	$ 7,273,853	

The projects are funded through a combination of general obligation bonds and capital project apportionments from the State Chancellor's Office.

NOTE 15 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is self-insured for the workers' compensation and property and liability up to $150,000. The District contracts with MacCorkle Inc., an insurance broker to manage the District's insurance claims. The District pays an annual premium to MacCorkle for their services. The relationships between the District and the risk management company are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are generally available from the respective entities.

During the year ended June 30, 2014, the District made total payment of $967,614 to MacCorkle Inc. for insurance premiums and the insurance related services. The District also paid $43,660 and $240,829 to School Excess Liability Fund and Princeton Excess and Surplus for excess liability program.

The District is a member of South Bay Regional Public Safety Training Consortium JPA. No payments were made to South Bay Regional Public Safety Training Consortium JPA during the year.

NOTE 16 - RESTATEMENT OF PRIOR YEAR FUND BALANCES

The District's prior year beginning net position has been restated as of June 30, 2014.

Effective in fiscal year 2013-2014, the District was required to adopt GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The implementation of this standard required a change in accounting principle and restatement of the beginning net position of the District by $5,185,350.

Statement of Net Position		
Net Position - Beginning	$	128,484,906
Restatement/cost of issuance		(5,185,350)
Net Position - Beginning as Restated	$	123,299,556

NOTE 17 - SUBSEQUENT EVENTS

The District issued $18,655,000 of Tax and Revenue Anticipation Notes dated July 03, 2014. The notes mature on June 30, 2015, and yield 0.200 percent interest. The notes were sold to supplement cash flow. Repayment requirements are that a percentage of principal and interest be deposited with the Fiscal Agent each month beginning January 1, 2015, until 100 percent of principal and interest due is on account on April 30, 2015.

The voters of the District passed the General Obligation Bonds (Measure H) in the amount of $388 million in November 2014 for the acquisition, construction, and remodeling of certain District property.

REQUIRED SUPPLEMENTARY INFORMATION

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a] / c)
February 1, 2009	$ -	$ 108,915,006	$ 108,915,006	0%	$85,080,018	128%
February 1, 2011	15,643,762	118,923,929	103,280,167	13%	90,671,696	114%
February 1, 2013	34,870,628	125,352,953	90,482,325	28%	97,167,462	93%

APPENDIX C
PROPOSED FORM OF OPINION OF BOND COUNSEL

[LETTERHEAD OF JONES HALL]

June 18, 2015

Board of Trustees
San Mateo County Community College District
3401 CSM Drive
San Mateo, California 94402

OPINION: $127,000,000 San Mateo County Community College District (County of San Mateo, California) 2015 General Obligation Bonds (2014 Election), Series A

Members of the Board of Trustees:

We have acted as bond counsel to the San Mateo County Community College District (the "District") in connection with the issuance by the District of its San Mateo County Community College District (County of San Mateo, California) 2015 General Obligation Bonds (2014 Election), Series A in the aggregate principal amount of $127,000,000 (the "Bonds"), pursuant to Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53506 of said Code (the "Bond Law") and a resolution of the Board of Trustees of the District (the "Board") adopted on March 25, 2015 (the "Resolution"). We have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Board contained in the Resolution and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The District is duly established and validly existing as a community college district with the power to adopt the Resolution, to issue the Bonds and to perform its obligations under the Resolution.

2. The Resolution has been duly adopted by the Board and constitutes a valid and binding obligation of the District enforceable against the District in accordance with its terms.

3. The Bonds have been duly authorized, executed and delivered by the District and are valid and binding general obligations of the District, and the Board of Supervisors of San

Mateo County is obligated under the laws of the State of California to cause to be levied a tax without limit as to rate or amount upon the taxable property in the District for the payment when due of the principal of and interest on the Bonds.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that for the purpose of computing the alternative minimum tax imposed on such corporations (as defined for federal income tax purposes), such interest is required to be taken into account in determining certain income and earnings. The opinions set forth in the preceding sentence are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986 which must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted in the Resolution and in other instruments relating to the Bonds to comply with each of such requirements; and the District has full legal authority to make and comply with such covenants. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

5. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

A Professional Law Corporation

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the San Mateo County Community College District (the "District") in connection with the issuance of $127,000,000 aggregate principal amount of San Mateo County Community College District (County of San Mateo, California) 2015 General Obligation Bonds (2014 Election), Series A (the "Bonds"). The Bonds are being issued under a resolution adopted by the Board of Trustees of the District on March 25, 2015 (the "Bond Resolution"). The District covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Bond Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"*Annual Report*" means any Annual Report provided by the District under and as described in Sections 3 and 4.

"*Annual Report Date*" means the date not later than nine months after the end of each fiscal year of the District.

"*Dissemination Agent*" means the District or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

"*Listed Events*" means any of the events listed in Section 5(a).

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule.

"Official Statement" means the final Official Statement relating to the Bonds.

"*Participating Underwriter*" means Morgan Stanley & Co. LLC.

"*Rule*" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2016 with the report for fiscal year 2014-15, provide to the Participating Underwriter and the MSRB in an electronic format as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this

Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) If the District is unable to provide to the MSRB an Annual Report by the Annual Report Date, the District shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A, with a copy to the Paying Agent.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the District, file a report with the District, with a copy to the Paying Agent, certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) Audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not contained in the audited financial statements filed pursuant to the preceding clause (a), the Annual Report shall contain information showing:

(i) Current fiscal year assessed valuation of taxable properties in the District, including assessed valuation of the top ten properties, in the forms provided in the Official Statement.

(ii) Amount of all general obligation debt of the District outstanding, and total scheduled debt service on such general obligation debt.

(iii) Any changes in the operation of the County's Teeter Plan since the previous Annual Report affecting the District's receipt of *ad valorem* property tax revenues used to pay debt service on the Bonds.

(iv) Prior fiscal year total secured property tax levy and collections, showing current collections as a percent of the total levy, in any fiscal year in which the District does not participate in the Teeter Plan, if any.

(v) The District's approved annual budget or a summary thereof for the then-current fiscal year.

(c) In addition to any of the information expressly required to be provided under paragraphs (a) and (b) of this Section, the District shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB's internet web site or filed with the Securities and Exchange Commission. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The District shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults, if material.

(3) Unscheduled draws on debt service reserves reflecting financial difficulties.

(4) Unscheduled draws on credit enhancements reflecting financial difficulties.

(5) Substitution of credit or liquidity providers, or their failure to perform.

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

(7) Modifications to rights of security holders, if material.

(8) Bond calls, if material, and tender offers.

(9) Defeasances.

(10) Release, substitution, or sale of property securing repayment of the securities, if material.

(11) Rating changes.

(12) Bankruptcy, insolvency, receivership or similar event of the District or other obligated person.

(13) The consummation of a merger, consolidation, or acquisition involving the District or an obligated person, or the sale of all or substantially all of the assets of the District or an obligated person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

(c) The District acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), and (a)(14) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The District shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Whenever the District obtains knowledge of the occurrence of any of these Listed Events, the District will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the District will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

Section 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the

District shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

Section 7. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings in this Official Statement, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Bond Resolution for amendments to the Bond Resolution with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the District fails to comply with any provision of this Disclosure Certificate, any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Bond Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: June 18, 2015

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

By ______________________________________
Chancellor

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	San Mateo County Community College District
Name of Issue:	$127,000,000 aggregate principal amount of 2015 General Obligation Bonds (2014 Election), Series A
Date of Issuance:	June 18, 2015

NOTICE IS HEREBY GIVEN that the San Mateo County Community College District (the "District") has not provided an Annual Report with respect to the above-named bonds as required by its Continuing Disclosure Certificate dated June 18, 2015. The District anticipates that the Annual Report will be filed by _____________.

Dated:_____________

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

By ____
Name:
Title:

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APPENDIX E

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the District nor the Paying Agent take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (in this Appendix, the "Bonds"). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any maturity exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is

a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Bonds representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

4. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

6. Redemption notices will be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to District as soon as

possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from District or Paying Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent, or District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of District or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to District or Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered.

10. The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

11. The information in this Appendix concerning DTC and DTC's book-entry system has been obtained from sources that District believes to be reliable, but District takes no responsibility for the accuracy thereof.

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