



SAN JOSE EVERGREEN
COMMUNITY
COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT
JUNE 30, 2008

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS

JUNE 30, 2008

FINANCIAL SECTION

Independent Auditors' Report	2
Management's Discussions and Analysis	4
Statements of Net Assets	13
Statements of Revenues, Expenses, and Changes in Net Assets	14
Statements of Cash Flows	15
Notes to Financial Statements	17

SUPPLEMENTARY INFORMATION

District Organization	43
Schedule of Expenditures of Federal Awards	44
Schedule of Expenditures of State Awards	45
Schedule of Workload Measures for State General Apportionment	49
Reconciliation of Annual Financial and Budget Report with Fund Financial Statements	50
Reconciliation of the Governmental Fund Balance Sheets to the Statement of Net Assets	51
Note to Supplementary Information	52

INDEPENDENT AUDITORS' REPORTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	54
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	56
Report on State Compliance	58

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditors' Results	61
Financial Statement Findings and Recommendations	62
Federal Awards Findings and Questioned Costs	64
State Awards Findings and Questioned Costs	66
Summary Schedule of Prior Audit Findings	68

ADDITIONAL SUPPLEMENTARY INFORMATION

Governmental Funds	
Balance Sheets - (Unaudited)	77
Statements of Revenues, Expenditures, and Changes in Fund Balance - (Unaudited)	79
Proprietary Funds	
Balance Sheets - (Unaudited)	81
Statements of Revenues, Expenses, and Changes in Retained Earnings - (Unaudited)	82
Statements of Cash Flows - (Unaudited)	83
Fiduciary Funds	
Balance Sheets - (Unaudited)	84
Statements of Revenues, Expenditures, and Changes in Fund Balance - (Unaudited)	85
Note to Additional Supplementary Information	86

FINANCIAL SECTION



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

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

Board of Trustees
San Jose/Evergreen Community College District
San Jose, California

We have audited the accompanying basic financial statements of the San Jose/Evergreen Community College District (the District) as of and for the years ended June 30, 2008 and 2007, as listed in the Table of Contents. These basic financial statements are the responsibility of the District's management. 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the San Jose/Evergreen Community College District as of June 30, 2008 and 2007, and the respective changes in financial position and cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis, as listed in the Table of Contents, is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. This supplementary information is the responsibility of the District's management. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2008, 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important for assessing the results of our audit.

The Additional Supplementary Information on pages 81 through 90 has been presented at the request of District management for purposes of additional analysis. We have applied certain limited procedures consisting primarily of analysis and inquiry regarding presentation; however, we did not audit the information. Accordingly, we express no opinion on them.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
November 21, 2008

SAN JOSE/EVERGREEN COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

In June 1999, the Governmental Accounting Standards Board (GASB) released Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, which established new reporting formats for annual statements. In November 1999, GASB released Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, which applied the new reporting models to public colleges and universities. In its "Accounting Advisory No. 2001-01", the State Chancellor's Office opined that the California Community Colleges would best benefit from, and would "therefore implement", the business-type activities (BTA) reporting model, as outlined in GASB Statements No. 34 and No. 35.

Responsibility for the completeness and accuracy of this information rests with the District management.

The reporting model is in some cases an extreme departure from that used prior to GASB Statements No. 34 and No. 35 implementation and, in some cases, has limited value or may even be detrimental to casual readers attempting to understand the financial health of a governmental entity. Because of this, the District has asked its auditors to also present (in supplemental unaudited schedules) the District's financial statements using the fund statements format, which continues as the format that the District uses in reporting to the State Chancellor's Office.

As required by generally accepted accounting principles, the annual report consists of three basic financial statements that provide information on the District as a whole: the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows. These statements are designed to emulate corporate presentation models, whereby all District activities are consolidated into one total. The focus of the Statement of Net Assets is designed to be similar to "bottom line" results for the District. This statement combines and consolidates current financial resources (short-term spendable resources) with capital assets. The Statements of Revenues, Expenses, and Changes in Net Assets focus on both the gross and the net costs of District activities, which are supported mainly by property taxes, State apportionment, and other State revenues. This approach is intended to summarize and simplify the analysis of cost of various District services to students and the public.

The following analysis provides an overview of the District's financial activities. The analysis will include comparisons of current to prior year activity.

Statement of Net Assets

The Statement of Net Assets includes all assets and liabilities using the full accrual basis of accounting, which is similar to the accounting method used by most private-sector institutions. Net assets, the difference between assets and liabilities, are one way to measure the financial health of the District.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

Statement of Net Assets

(Amounts in thousands)

	<u>2008</u>	<u>2007</u>	<u>Change</u>	<u>2006</u>	<u>Change</u>
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 15,053	\$ 62,171	\$ (47,118)	\$ 77,245	\$ (15,074)
Accounts receivable, net	17,543	8,777	8,766	8,629	148
Prepaid expenses - current portion	190	-	190	-	-
Other assets	513	453	60	514	(61)
Other current assets - current portion	63	-	63	-	-
Total Current Assets	<u>33,362</u>	<u>71,401</u>	<u>(38,039)</u>	<u>86,388</u>	<u>(14,987)</u>
NONCURRENT ASSETS					
Restricted cash	122,025	13,718	108,307	13,532	186
Other current assets - noncurrent portion	1,396	-	1,396	-	-
Capital assets, net of accumulated depreciation	254,481	219,642	34,839	205,615	14,027
Total Noncurrent Assets	<u>377,902</u>	<u>233,360</u>	<u>144,542</u>	<u>219,147</u>	<u>14,213</u>
TOTAL ASSETS	<u>411,264</u>	<u>304,761</u>	<u>106,503</u>	<u>305,535</u>	<u>(774)</u>
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	21,183	12,829	8,354	12,835	(6)
Deferred revenue	3,960	5,258	(1,298)	3,228	2,030
Amounts held in custody on behalf of others on behalf of others	991	777	214	817	(40)
Current portion of long-term obligations	5,234	6,465	(1,231)	6,110	355
Total Current Liabilities	<u>31,368</u>	<u>25,329</u>	<u>6,039</u>	<u>22,990</u>	<u>2,339</u>
NONCURRENT LIABILITIES					
Accrued compensated absences payable	1,791	-	1,791	-	-
Long-term obligations	256,414	161,682	94,732	166,200	(4,518)
Other long-term liabilities	4,604	-	-	-	-
Total Noncurrent Liabilities	<u>262,809</u>	<u>161,682</u>	<u>96,523</u>	<u>166,200</u>	<u>(4,518)</u>
TOTAL LIABILITIES	<u>294,177</u>	<u>187,011</u>	<u>102,562</u>	<u>189,190</u>	<u>(2,179)</u>
NET ASSETS					
Invested in capital assets, net of related debt	93,766	93,064	702	99,676	(6,612)
Restricted for:					
Debt service	12,960	10,977	1,983	9,351	1,626
Educational programs	1,265	420	845	428	(8)
Capital projects	936	1,748	(812)	1,571	177
Unrestricted	8,159	11,541	(3,382)	5,319	6,222
Total Net Assets	<u>\$ 117,086</u>	<u>\$ 117,750</u>	<u>\$ (664)</u>	<u>\$ 116,345</u>	<u>\$ 1,405</u>

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

Cash and cash equivalents are invested primarily in the Santa Clara County investment pool. The decrease in the cash balances from prior year is the result of continued construction and renovation of our college campuses.

Accounts receivable primarily represents funding owed to the District by the State for capital and non-capital apportionment and grants. The total owed to the District by the Federal and State sources is approximately \$13.9 million.

Other assets primarily represent bookstore merchandise inventory.

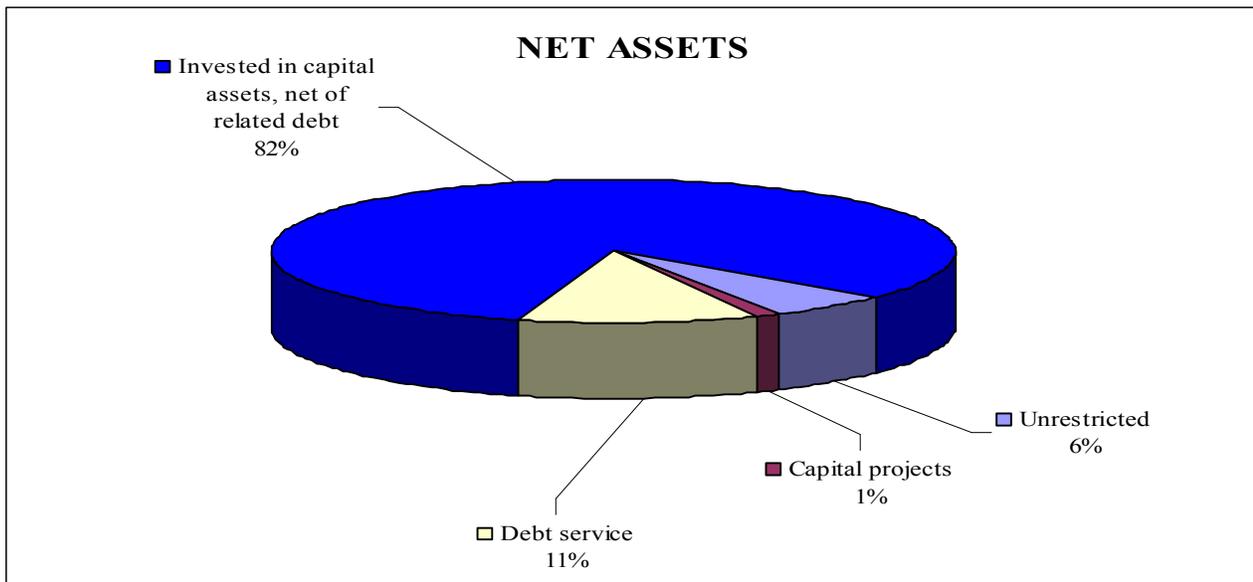
Capital assets represent the District's original investment in land, site improvements, buildings, building improvements, construction in progress, and equipment, less the cost of accumulated depreciation. Capital assets increased by approximately \$34.8 million over the past two years due to the construction and renovation projects funded by our general obligation bonds and State construction apportionments.

Accounts payable and accrued liabilities represent amounts owed for services and goods received by the District, during fiscal 2007-2008, for which payment would not be made until 2008-2009. The accounts payable amount primarily represents debt on vendor invoices and amounts owed to employees for services rendered.

Deferred revenues represent prepayments made to the District for which services have yet to be rendered. Approximately \$2.0 million of this amount represents student tuition and registration fees, received during 2007-2008, for the 2008-2009 summer and fall terms. Approximately \$1.6 million represents funding for grants and contracts whose terms and conditions extend beyond the 2007-2008 fiscal year.

The District's long-term liabilities consist of the accumulated liability for compensated absence of approximately \$1.8 million and \$261.4 million in voter approved general obligation bonds, and \$4.8 million in bond premiums being allocated over the life of the bonds. The general obligation bonds are being repaid through tax assessments on property located within the District boundaries and are not a direct obligation of the District's general fund.

The largest component of the District's "Net Assets" is the investment in capital assets (net of related debt) of approximately \$93.8 million. These funds are not liquid resources that can be used to fund ongoing operations.



SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

Statement of Revenues, Expenses, and Changes in Net Assets

Operating Results

(Amounts in thousands)

	<u>2008</u>	<u>2007</u>	<u>Change</u>	<u>2006</u>	<u>Change</u>
OPERATING REVENUES					
Tuition and Fees - net	\$ 6,060	\$ 5,440	\$ 620	\$ 7,176	\$ (1,736)
Grants and Contracts, noncapital:					
Federal	16,969	15,912	1,057	15,231	681
State	13,681	14,395	(714)	11,810	2,585
Auxiliary Enterprise Sales and Charges					
Bookstore	4,707	4,532	175	4,360	172
TOTAL OPERATING REVENUES	<u>41,417</u>	<u>40,279</u>	<u>1,138</u>	<u>38,577</u>	<u>3,438</u>
OPERATING EXPENSES					
Salaries	65,055	61,309	3,746	56,337	4,972
Employee benefits	23,068	22,038	1,030	20,961	1,077
Supplies, materials, and other operating expenses and services	37,382	35,096	2,286	30,965	4,131
Depreciation	8,745	6,263	2,482	6,320	(57)
TOTAL OPERATING EXPENSES	<u>134,250</u>	<u>124,706</u>	<u>9,544</u>	<u>114,583</u>	<u>10,123</u>
OPERATING LOSS	<u>(92,833)</u>	<u>(84,427)</u>	<u>(8,406)</u>	<u>(76,006)</u>	<u>(6,685)</u>
NONOPERATING REVENUES (EXPENSES)					
State apportionments, noncapital	2,983	4,355	(1,372)	5,417	(1,062)
Local property taxes	77,343	74,089	3,254	68,022	6,067
State taxes and other revenues	3,874	4,265	(391)	3,148	1,117
Investment income	2,959	4,635	(1,676)	2,854	1,781
Interest expense on capital related debt	(10,090)	(8,038)	(2,052)	(7,989)	(49)
Loss on disposal of capital assets	(53)	(127)	74	-	(127)
Investment income on capital assets-related debt, net	254	309	(55)	-	309
Other nonoperating revenue	4,207	3,728	479	5,199	(1,471)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>81,477</u>	<u>83,217</u>	<u>(1,739)</u>	<u>76,651</u>	<u>6,565</u>
INCOME/LOSS) BEFORE OTHER REVENUES AND EXPENSES	<u>(11,356)</u>	<u>(1,210)</u>	<u>(10,146)</u>	<u>645</u>	<u>(1,855)</u>
State revenues, capital	10,692	2,237	8,455	10,984	(8,747)
Local revenues, capital	-	378	(378)	468	(90)
TOTAL REVENUES AND EXPENSES	<u>10,692</u>	<u>2,615</u>	<u>8,077</u>	<u>11,452</u>	<u>(8,837)</u>
CHANGE IN NET ASSETS	(664)	1,405	(2,069)	12,097	(10,692)
NET ASSETS, BEGINNING OF YEAR	117,750	116,345	1,405	104,248	12,097
NET ASSETS, END OF YEAR	<u>\$ 117,086</u>	<u>\$ 117,750</u>	<u>\$ (664)</u>	<u>\$ 116,345</u>	<u>\$ 1,405</u>

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

The Statement of Revenues, Expenses, and Changes in Net Assets presents the financial results of the District's operations, as well as its nonoperating activities. The distinction between these two activities involves the concepts of "exchange" and "nonexchange". An operating activity is one in which a "direct payment"/exchange is made (by one party to another) for the receipt of specified goods or services, i.e., the payer is the one receiving benefit. As an example, tuition fees, paid by a student, is an "exchange" for instructional services. Likewise, grant and contract funding received (on the condition that the District provides specific/contracted services) is also an "exchange". Both are, therefore, recorded as "operating revenue". The receipt of State apportionments and property taxes, however, do not include this "exchange" relationship between "payment" and the "receipt of benefit". Such revenues are deemed "nonexchange" transactions and are, therefore, treated as "nonoperating" activities.

Because the primary sources of funding that support the District's instructional activities comes from State apportionment and local property taxes, which are considered nonoperating, the financial results of the District's "operations" will result in a net operating loss.

The primary components of "tuition and fees" are the \$20 per unit enrollment fee that is charged to all students registering for classes and the additional \$191 per unit fee that is charged to all nonresident students. The difference between these fees is due to the fact that resident student instruction is largely subsidized by local property taxes and State apportionment; nonresident students must pay the full cost of instruction. Approximately \$3.3 million of the gross enrollment revenue has been funded by the Board of Governor's (fee) Waivers, which is offset by an equal amount in "scholarship discounts".

The largest component of the District's operating revenues is noncapital grants and contracts. Approximately \$13.7 million is funding received from the State for categorical programs, such as DSP&S, EOP&S, Matriculation, etc., while Federal grants of approximately \$17.0 million provide funding for student financial aid programs.

The revenue, for auxiliary enterprises, consists primarily of the net revenue from the District's bookstores on the San Jose City College and Evergreen Valley College campuses in the amount of approximately \$4.7 million.

The principal components of the District's nonoperating revenue are: noncapital State apportionment, local property taxes, other State funding, and interest income. With the exception of interest income and property tax revenue received for the repayment of our bond, all of this revenue is received to support the District's instructional activities. Approximately \$3.0 million in interest income was primarily earned on the cash in the County Treasury during the fiscal year in the District's general obligation bond.

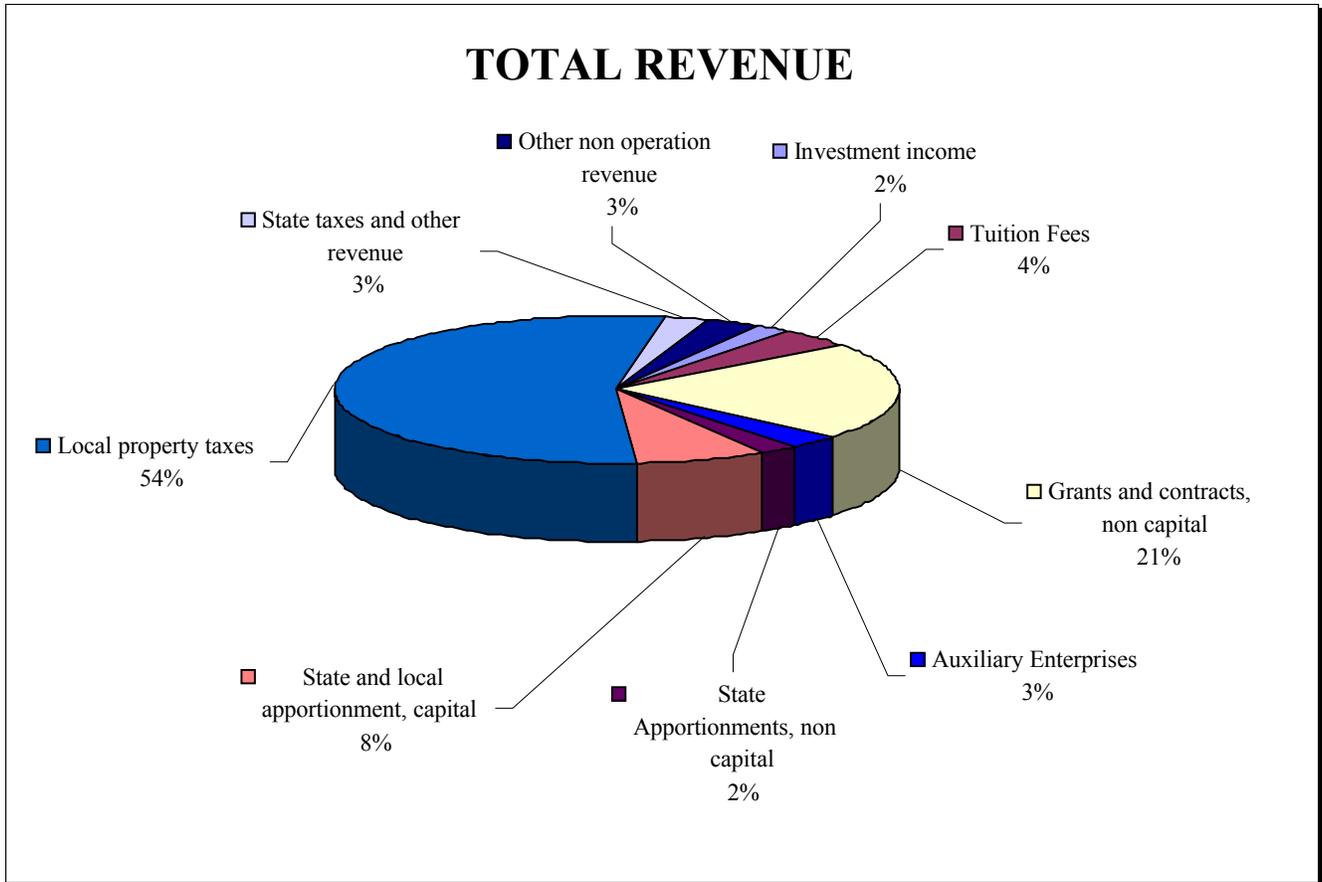
The "State apportionments, capital" revenues principally represent State funding for State approved capital projects and deferred maintenance programs.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

The following chart graphically shows the various components of our revenue for the District as a whole.



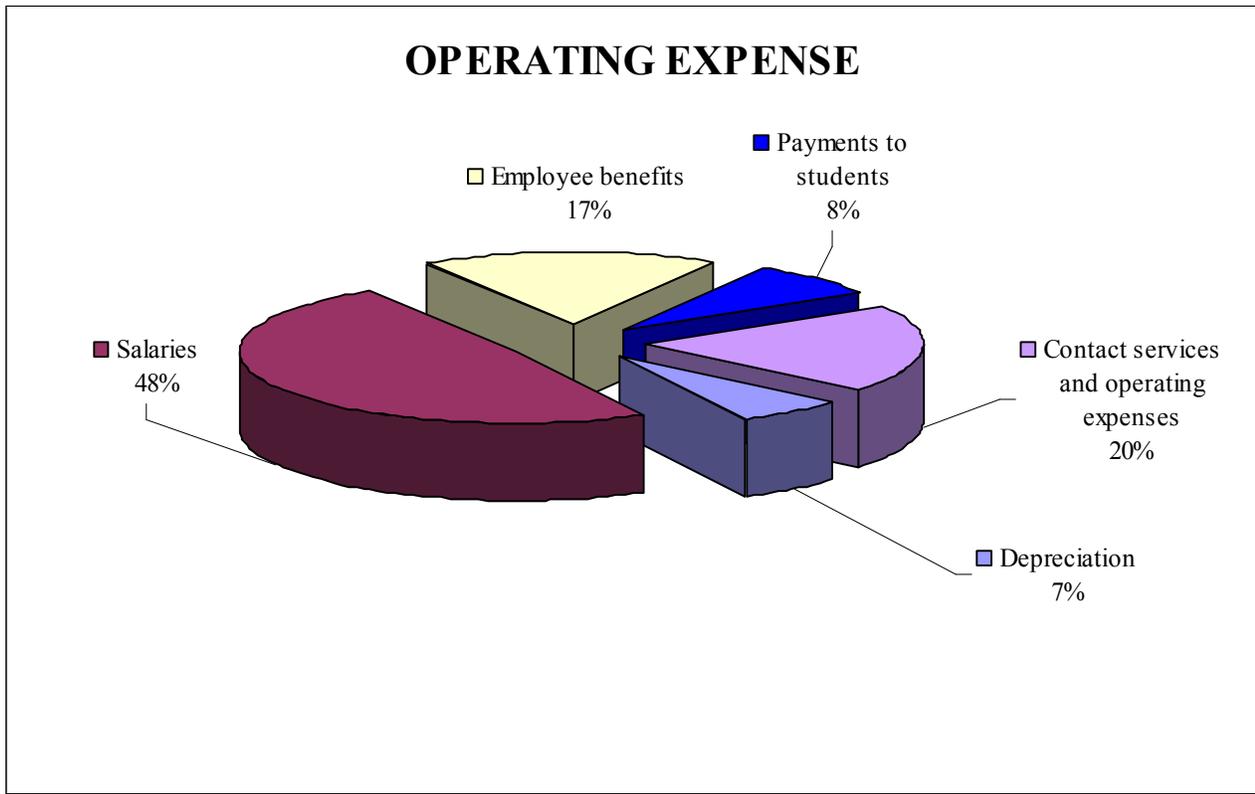
The largest component of the District's operating expense is the cost associated with employee salaries and benefits. Nearly 66 percent of the total expense is spent in this area. "Contract services and other operating expenses" represent ongoing operating costs such as utilities and supplies and account for an additional \$26.7 million. The remainder includes amounts paid to students primarily for financial aid of \$10.7 million and depreciation expense of \$8.7 million.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

The following chart graphically shows the various components of our operating expenses for the District as a whole.



District enrollment in Fiscal Year 2007-08 reached a record level, with 14,818 FTES reported to the State of California for funding. The District's growth rate year-to-year measured 6.3%, but only a 1.77% growth rate was reported for funding due to severe funding restrictions at the State level. The cost for the District of serving unreimbursed enrollment exceeded \$1 million during the fiscal year and contributed to the spend-down of District reserves for the year. However, much of this unfunded growth has been "banked" and can be used as a buffer against any potential downswings in enrollment during Fiscal Year 2008-09 and beyond.

The District also spent down reserves in Fiscal Year 2007-08 to implement a major revision in its management information system, and to cover major increases in utility costs and health insurance for employees. The bargained compensation package for employees exceeded the State's COLA allocation to the District, also contributing to the spend-down of reserves.

Measure I projects were completed and the fund was closed at year-end. Measure G will pick up where the previous measure left off and a number of planned projects will be completed in the next several years, including the Arts Complex at Evergreen Valley College.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

Statement of Cash Flows

The Statement of Cash Flows presents detailed information about the cash activity of the District during the year. The statement is divided into five parts. The first section deals with the operating cash flows and shows the net cash used by the operating activities of the District. The second section reflects cash flows from noncapital financing activities. The third section reflects the cash received from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fourth section deals with the net cash received from financing activities related to the acquisition of capital and related items. The fifth section (not summarized here) reconciles the net cash activity to the net operation expense on the Statement of Revenue, Expenses, and Changes in Net Asset.

Statement of Cash Flows

(Amounts in thousands)

	<u>2008</u>	<u>2007</u>	<u>Change</u>	<u>2006</u>	<u>Change</u>
Cash From					
Operating activities	\$ (84,695)	\$ (75,990)	\$ (8,705)	\$ (68,670)	\$ (7,320)
Noncapital financing activities	77,049	87,533	(10,484)	79,983	7,550
Capital and related financing activities	58,365	(31,774)	90,139	(35,859)	4,085
Investing activities	2,774	4,635	(1,861)	2,103	2,532
Change in Cash	<u>53,493</u>	<u>(15,596)</u>	<u>69,089</u>	<u>(22,443)</u>	<u>6,847</u>
Cash - Beginning of Year	<u>75,157</u>	<u>90,753</u>	<u>(15,596)</u>	<u>113,196</u>	<u>(22,443)</u>
Cash - End of Year	<u>\$ 128,650</u>	<u>\$ 75,157</u>	<u>\$ 53,493</u>	<u>\$ 90,753</u>	<u>\$ (15,596)</u>

Economic Factors That May Affect the Future

The State budget continues to exhibit its fragile status as Fiscal Year 2008-09 commences into the second quarter. Overestimates of property tax growth revenue in Fiscal Year 2007-08 led to year-end reductions in General Apportionment to the District, causing approximately \$0.7 million of the spend-down of reserves for the fiscal year. There is potential for the same condition to occur again in Fiscal Year 2008-09 because of the continuing deflation in the market value of personal residences. Much of the State's General Apportionment funding for local schools and community colleges is tied to the value of personal property, and a leveling of this revenue source will seriously impact upon the State's ability to provide cost-of-living adjustments in the next several years without other revenue enhancements.

As the District monitors events surrounding the State's fiscal condition, planning is moving ahead to control and reduce expenditures in the event that the State adopts a mid-year spending cut on education budgets in Fiscal Year 2008-09. The District is again experiencing unprecedented demand for its programs and services, which can be expected to continue as the unemployment rate increases. However, the services that the District offers to the community will be driven by the availability of resources, and if the State reduces its funding to community colleges, this District will take the appropriate action to maintain its service level within the budget allocations provided by the State. Because of the success last year in student growth, and the continuing trend in growth for the Fall semester, 2008, there will be sufficient enrollment that can be reported in Fiscal Year 2008-09 to permit the District to receive the maximum funded growth permissible within available State resources.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

Progress on Capital Projects

The District continues to make progress in implementing its capital projects master plan associated with Measure I (1998) and Measure G (2004).

Contacting the District's Financial Management

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 the money it receives. If you have any questions about this report or need any additional financial information, contact the District at: San Jose/Evergreen Community College District, 4750 San Felipe Road, San Jose, California 95135.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF NET ASSETS
JUNE 30, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,735,416	\$ 1,527,322
Investments	13,317,756	18,653,554
Accounts receivable, net of allowance	17,542,807	8,776,685
Deferred charges	63,461	-
Prepaid expenses	190,057	9,737
Stores inventories	512,370	443,998
Total Current Assets	<u>33,361,867</u>	<u>29,411,296</u>
NONCURRENT ASSETS		
Restricted cash and cash equivalents	122,025,464	55,708,477
Deferred charges	1,396,145	-
Nondepreciable capital assets	61,406,393	89,922,583
Depreciable capital assets, net of accumulated depreciation	193,074,056	129,718,978
Total Noncurrent Assets	<u>377,902,058</u>	<u>275,350,038</u>
TOTAL ASSETS	<u>411,263,925</u>	<u>304,761,334</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	9,192,973	9,443,909
Overdraft	8,428,944	732,685
Accrued interest payable	3,559,787	2,652,837
Deferred revenue	3,959,978	5,258,238
Amounts held in trust on behalf of others	991,620	776,779
Accrued compensated absences	-	50,000
Bonds and notes payable	5,025,000	6,415,000
Other long-term liabilities	209,301	-
Total Current Liabilities	<u>31,367,603</u>	<u>25,329,448</u>
NONCURRENT LIABILITIES		
Accrued compensated absences payable	1,791,404	1,551,980
Bonds and notes payable	256,413,812	160,129,940
Other long-term liabilities	4,604,627	-
Total Noncurrent Liabilities	<u>262,809,843</u>	<u>161,681,920</u>
TOTAL LIABILITIES	<u>294,177,446</u>	<u>187,011,368</u>
NET ASSETS		
Invested in capital assets, net of related debt	93,766,220	93,063,954
Restricted for:		
Debt service	12,960,356	10,976,546
Educational programs	1,264,544	420,530
Capital projects	936,445	1,747,932
Unrestricted	8,158,914	11,541,004
TOTAL NET ASSETS	<u>\$ 117,086,479</u>	<u>\$ 117,749,966</u>

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

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
OPERATING REVENUES		
Student Tuition and Fees	\$ 9,407,882	\$ 9,216,982
Less: Scholarship discount and allowance	(3,347,620)	(3,777,426)
Net tuition and fees	<u>6,060,262</u>	<u>5,439,556</u>
Grants and Contracts, noncapital:		
Federal	16,968,385	15,912,334
State	13,680,823	14,395,174
Auxiliary Enterprise Sales and Charges		
Bookstore	4,707,192	4,531,945
TOTAL OPERATING REVENUES	<u>41,416,662</u>	<u>40,279,009</u>
OPERATING EXPENSES		
Salaries	65,055,409	61,308,930
Employee benefits	23,067,866	22,037,089
Supplies, materials, and other operating expenses and services	37,381,387	35,097,265
Depreciation	8,744,903	6,262,997
TOTAL OPERATING EXPENSES	<u>134,249,565</u>	<u>124,706,281</u>
OPERATING LOSS	<u>(92,832,903)</u>	<u>(84,427,272)</u>
NONOPERATING REVENUES (EXPENSES)		
State apportionments, noncapital	2,982,808	4,355,127
Local property taxes	77,343,177	74,088,867
State taxes and other revenues	3,874,825	4,264,632
Investment income, net	2,958,853	4,635,358
Interest expense on capital related debt	(10,090,238)	(8,038,256)
Investment income on capital asset-related debt, net	253,637	309,622
Loss on disposal of capital assets	(52,838)	(126,954)
Other nonoperating revenue	4,206,945	3,727,782
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>81,477,169</u>	<u>83,216,178</u>
INCOME (LOSS) BEFORE OTHER REVENUES AND EXPENSES	<u>(11,355,734)</u>	<u>(1,211,094)</u>
OTHER REVENUES (EXPENSES)		
State revenues, capital	10,692,247	2,237,416
Local revenues, capital	-	378,418
TOTAL OTHER REVENUES AND EXPENSES	<u>10,692,247</u>	<u>2,615,834</u>
CHANGE IN NET ASSETS	(663,487)	1,404,740
NET ASSETS, BEGINNING OF YEAR	<u>117,749,966</u>	<u>116,345,226</u>
NET ASSETS, END OF YEAR	<u>\$ 117,086,479</u>	<u>\$ 117,749,966</u>

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

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 5,808,918	\$ 5,025,246
Grants and contracts	29,072,038	32,605,038
Payments to vendors for supplies and services	(24,551,165)	(24,510,508)
Payments to or on behalf of employees	(88,458,726)	(83,346,019)
Payments to students for scholarships and grants	(11,570,804)	(10,255,363)
Auxiliary enterprise sales and charges	4,789,616	4,531,945
Other operating receipts (payments)	214,841	(40,648)
Net Cash Flows from Operating Activities	<u>(84,695,282)</u>	<u>(75,990,309)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State apportionments	2,444,224	5,451,365
Property taxes	66,575,949	62,076,603
State taxes and other apportionments	3,874,825	4,264,632
Other nonoperating	4,154,107	3,727,782
Net Cash Flows from Noncapital Financing Activities	<u>77,049,105</u>	<u>75,520,382</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
State apportionments capital projects	10,692,247	2,237,416
Local revenue, capital projects	-	378,418
Purchase of capital assets	(44,290,301)	(20,416,597)
Deferred charges	(1,459,606)	-
Proceeds from capital debt	97,999,946	-
Property taxes for capital debt	10,767,228	12,012,264
Principal paid on capital debt	(6,415,000)	(6,060,000)
Interest paid on capital debt	(9,183,288)	(8,207,514)
Interest received on capital asset-related debt	253,637	294,726
Net Cash Flows from Capital Financing Activities	<u>58,364,863</u>	<u>(19,761,287)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received from investments	2,774,338	4,635,358
Net Cash Flows from Investing Activities	<u>2,774,338</u>	<u>4,635,358</u>
CHANGE IN CASH AND CASH EQUIVALENTS	53,493,024	(15,595,856)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>75,156,668</u>	<u>90,752,524</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 128,649,692</u>	<u>\$ 75,156,668</u>

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

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF CASH FLOWS, CONTINUED
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
RECONCILIATION OF NET OPERATING REVENUES TO NET CASH FROM OPERATING ACTUALS		
Operating loss	<u>\$ (92,832,903)</u>	<u>\$ (84,427,272)</u>
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	8,744,903	6,262,997
Changes in assets and liabilities:		
Accounts receivable, net (operating portion)	975,765	(129,158)
Stores inventories	(68,372)	33,719
Prepaid expenses	(180,320)	26,039
Accounts payable and accrued liabilities	(250,936)	602,454
Deferred revenue	(1,298,260)	1,681,560
Funds held for others	214,841	(40,648)
Total Adjustments	<u>8,137,621</u>	<u>8,436,963</u>
Net Cash Flows From Operating Activities	<u><u>\$ (84,695,282)</u></u>	<u><u>\$ (75,990,309)</u></u>
CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING		
Cash in banks	1,735,416	1,527,322
Cash in County Treasury	126,914,276	73,629,346
Total Cash and Cash Equivalents	<u><u>\$ 128,649,692</u></u>	<u><u>\$ 75,156,668</u></u>
NONCASH TRANSACTIONS		
On behalf payments for benefits	<u><u>\$ 1,475,531</u></u>	<u><u>\$ 1,333,016</u></u>

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

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008 AND 2007

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The San Jose/Evergreen Community College District (the District) was established on July 1, 1964 as a political subdivision of the State of California and provides post secondary educational services to residents of Santa Clara County. The District operates under a locally elected seven-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 two colleges, San Jose City College and Evergreen Valley College, located within Santa Clara County. 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. 39.

Financial Reporting Entity

The District has adopted GASB Statement No. 39, *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 following entities do not meet the above criteria for inclusion as component units of the District. Additional information is included in Note 13 to the financial statements.

- **Joint Powers Agencies and Public Entity Risk Pools**

The District is associated with three joint powers agencies (JPAs). These organizations do not meet the criteria for inclusion as component units of the District. The JPAs are the Northern California Community College Pool, the Bay Area Community College Districts Joint Power Agency, and the South Bay Regional Public Safety Training Consortium.

- **San Jose Evergreen Community College District Foundation**

The San Jose Evergreen Community College District Foundation does not meet the criteria under GASB 39 for inclusion as a component unit of the District. Separate financial statements are typically available from the Foundation.

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 34 and 35, as amended by GASB Statement 37. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All intra-agency and intra-fund transactions have been eliminated. The bookstore operates on an April 30 year end.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008 AND 2007

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is 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, available means expected to be received within 60 days of fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, certain grants, entitlements, and donations. Revenue from State apportionments is generally recognized in the fiscal year in which it is apportioned from the State. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements.

The accounting policies of the District conform to accounting principles generally accepted in the United State of America (US GAAP) as applicable to colleges and universities, as well as those prescribed by the California Community Colleges Chancellor's Office. The District reports are based on all applicable GASB pronouncements, as well as applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. The District has not elected to apply FASB pronouncements after that date. When applicable, certain prior year amounts have been reclassified to conform to current year presentation. The budgetary and financial accounts of the District are maintained in accordance with the State System's Office *Budget and Accounting Manual*.

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussions and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussions and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37 and 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 Assets
 - Statement of Revenues, Expenses, and Changes in Net Assets
 - Statement of Cash Flows
- Notes to the Financial Statements

The following is a summary of the more significant policies:

Cash and Cash Equivalents

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

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008 AND 2007

Investments

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and for External Investment Pools*, investments are stated at fair value. Fair value is estimated based on published market prices at year-end. Investments for which there are no quoted market prices are not material.

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 management's estimates and analysis. The allowance was estimated at \$947,061 for the years ended June 30, 2008 and 2007, respectively.

Prepaid Expenses

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

Stores Inventories

Stores inventories consist primarily of bookstore merchandise and supplies held for resale to the students and faculty of the colleges. Stores inventories are stated at the lower of cost or market using first-in, first-out (FIFO) 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 \$150,000 for buildings and a unit cost of \$5,000 or more for equipment, except land and building improvements, and estimated useful life of greater than one year. 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 normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Major outlays for capital improvements are capitalized as construction-in-progress as the projects are constructed.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 50 years; portable buildings, 15 years; improvements, 10 years; equipment, 3 to 8 years.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008 AND 2007

Accrued Liabilities and Long-Term Obligations

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

Deferred Issuance Costs, Premiums, and Discounts

In the government-wide financial statements and in the proprietary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and 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, 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.

Deferred Revenue

Deferred 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 deferred revenue is removed from the combined balance sheet and revenue is recognized. Deferred revenue includes (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.

Net Assets

GASB Statements No. 34 and No. 35 report equity as "Net Assets". Net assets are classified according to external donor restrictions or availability of assets for satisfaction of District obligations according to the following net asset categories:

Invested in Capital Assets, Net of Related Debt - Capital Assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

Restricted - Nonexpendable: Net assets whose use by the District has been externally restricted in perpetuity such as Endowment funds where future investment earnings may be used for the donor stipulated purpose. The District has no nonexpendable net assets.

Restricted - Expendable: Net assets whose use by the District is subject to externally imposed constraints that can be fulfilled by actions of the District pursuant to those constraints or by the passage of time. Net assets may be restricted for capital projects, debt repayment, and/or educational programs.

None of the District's restricted net assets have resulted from enabling legislation adopted by the District.

Unrestricted: Net assets that are not subject to externally imposed constraints. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

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.

Operating Revenues and Expenses

Classification of Revenues - The District has classified its revenues as either operating or nonoperating. Certain significant revenue streams relied upon for operation are classified as nonoperating as defined by GASB Statement No. 35. Classifications are as follows:

Operating revenues - Operating revenues include activities that have the characteristics of exchange transactions, such as, (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most Federal, State, and local grants and contracts, and (4) interest on institutional student loans.

Nonoperating revenues - Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as State apportionments, property taxes, investment income, gifts and contributions, and other revenue sources described in GASB Statement No. 34.

Classification of Expenses - Nearly all the District's expenses are from exchange transactions and are classified as either operating or nonoperating according to the following criteria:

Operating expenses - Operating expenses are necessary costs to provide the services of the District and include employee salaries and benefits, supplies, operating expenses, and student financial aid.

Nonoperating expenses - Nonoperating expenses include interest expense and other expenses not directly related to the services of the District.

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 and are recorded in the District's financial records when received.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

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 amounts of on-behalf payments were \$1,475,531 and \$1,333,016 for CalSTRS for the years ended June 30, 2008, and 2007, respectively. There were no on-behalf payments made for CalPERS in the years ended June 30, 2008, and 2007.

Estimates

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

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 Santa Clara 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 1998 and 2004 for the acquisition, construction, and remodeling of District capital assets. As a result of the passage of the Bonds, 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.

Scholarship Discounts and Allowances

Student tuition and fee revenue is reported net of scholarship discounts and allowances in the Statement of Revenues, Expenditures, and Changes in Net Assets. 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*. During the years ended June 30, 2008 and 2007, the District distributed \$1,032,226 and \$705,999 in direct lending through the U.S. Department of Education. These amounts have not been included as revenues or expenses within the accompanying financial statements as the

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008 AND 2007

amounts were passed directly to qualifying students; however, the amounts are included on the Schedule of Expenditures of Federal Awards.

Interfund Activity

Exchange transactions between funds of the District are reported as revenues and expenses within the Statement of Revenues, Expenses, and Changes in Net Assets. Flows of cash or goods from one fund to another without a requirement for repayment are recognized as interfund transfers within the District's fund financial statements. Amounts owing between funds for both exchange and non-exchange transactions are recorded as interfund receivables and payables within the District's fund financial statements. Interfund transfers and interfund receivables and payables are eliminated during the consolidation process in the entity-wide financial statements.

Changes in Accounting Principles

In July 2004, GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. The standards in the Statement apply for OPEB trust funds included in the financial reports of plan sponsors or employers, as well as the stand-alone financial reports of OPEB plans or the public employee retirement systems, or other third parties, that administer them. This Statement also provides requirements for reporting of OPEB funds by administrators of multiple-employer OPEB plans when the fund used to accumulate assets and pay benefits or premiums when due is not a trust fund. The District has implemented the provisions of this Statement for the fiscal year ended June 30, 2008. However, as of June 30, 2008, no amounts had been placed in the trust fund, therefore this statement had no effect on the District's financial statements.

New Accounting Pronouncements

In July 2004, GASB issued GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. This Statement will require local governmental employers who provide other postemployment benefits (OPEB) as part of the total compensation offered to employees to recognize the expense and related liabilities (assets) in the government-wide financial statements of net assets and activities. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of State and local governmental employers.

Current financial reporting practices for OPEB generally are based on pay-as-you-go financing approaches. They fail to measure or recognize the cost of OPEB during the periods when employees render the services or to provide relevant information about OPEB obligations and the extent to which progress is being made in funding those obligations.

This Statement generally provides for prospective implementation - that is, that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. The District will be required to implement the provisions of this Statement for the fiscal year ended June 30, 2009. The District is in the process of determining the impact the implementation of this Statement will have on the entity-wide statement of net assets and activities.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008 AND 2007

In May 2007, GASB issued Statement No. 50, *Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27*. This Statement more closely aligns the financial reporting requirements for pensions with those for OPEB and, in doing so, enhances information disclosed in notes to financial statements or presented as RSI by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 27, *Accounting for Pensions by State and Local Governmental Employers*, to conform with requirements of Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. This Statement is effective for periods beginning after June 15, 2007, except for requirements related to the use of the entry age actuarial cost method for the purpose of reporting a surrogate funded status and funding progress of plans that use the aggregate actuarial cost method, which are effective for periods for which the financial statements and RSI contain information resulting from actuarial valuations as of June 15, 2007, or later. Early implementation is encouraged.

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to those intangible assets, as applicable. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. The requirements of this Statement are effective for financial statements beginning after June 15, 2009. The provisions of this Statement generally are required to be applied retroactively. For governments that were classified as Phase 1 or Phase 2 governments for the purpose of implementing Statement No 34, retroactive reporting is required for intangible assets acquired in fiscal years ending after June 30, 1980, except for those considered to have indefinite useful lives as of the effective date of this Statement and those that would be considered internally generated.

In November 2007, GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. This Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value and other information that they currently present for other investments reported at fair value. The guidance in this Statement is effective for financial statements for reporting periods beginning after June 15, 2008, with earlier application encouraged.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement is intended to improve how State and local governments report information about derivative instruments, financial arrangements used by governments to manage specific risks or make investments, in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements and is effective for financial statements for reporting periods beginning after June 15, 2009, with earlier application encouraged.

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.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

NOTE 2 - CASH 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; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury

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

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

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

Authorized Under Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years.

Summary of Deposits and Investments

Deposits and investments as of June 30, 2008, consist of the following:

Cash on hand and in banks	\$ 1,710,344
Cash in revolving	25,072
Investments	<u>126,914,276</u>
Total Deposits and Investments	<u><u>\$ 128,649,692</u></u>

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 purchasing 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.

Specific Identification

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity Date in Years</u>
U.S. Treasury Cash Reserve	\$ 26,309	19 days*
County Pool - Santa Clara	<u>126,887,967</u>	1.14
Total	<u><u>\$ 126,914,276</u></u>	

* Weighted average days to maturity.

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. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Rating June 30, 2008</u>
U.S. Treasury Cash Reserve	\$ 26,309	Not Required	Aaa
County Pool - Santa Clara	126,887,967	Not Required	Not rated
Total	<u>\$ 126,914,276</u>		

Custodial Credit Risk - Deposits

Custodial credit risk - deposits 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. As of June 30, 2008, the District's bank balance of approximately \$1,700,000 was 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.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable for the District consisted primarily of intergovernmental grants, entitlements, interest, and other local sources. The District has determined \$947,061 of accounts receivable at June 30, 2008 and 2007, may be uncollectable and has set up a corresponding allowance for doubtful accounts.

	<u>2008</u>	<u>2007</u>
Federal Government		
Categorical aid	\$ 3,445,251	\$ 3,684,680
State Government		
Apportionment	599,140	269,542
Categorical aid	789,595	423,851
Lottery	1,010,234	823,835
Other State sources	8,032,689	504,171
Local Sources		
Interest	1,148,197	963,682
Student receivables, net of allowance	1,664,459	1,171,258
Other local sources	853,242	935,666
Total	<u>\$ 17,542,807</u>	<u>\$ 8,776,685</u>

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2008, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	\$ 3,441,983	\$ -	\$ -	\$ 3,441,983
Construction in progress	<u>86,480,600</u>	<u>43,097,010</u>	<u>71,613,200</u>	<u>57,964,410</u>
Total Capital Assets Not Being Depreciated	<u>89,922,583</u>	<u>43,097,010</u>	<u>71,613,200</u>	<u>61,406,393</u>
Capital Assets Being Depreciated				
Land improvements	20,808,431	10,503,610	-	31,312,041
Buildings and improvements	163,682,596	61,109,590	807,891	223,984,295
Furniture and equipment	<u>10,370,137</u>	<u>583,682</u>	<u>-</u>	<u>10,953,819</u>
Total Capital Assets Being Depreciated	<u>194,861,164</u>	<u>72,196,882</u>	<u>807,891</u>	<u>266,250,155</u>
Total Capital Assets	<u>284,783,747</u>	<u>115,293,892</u>	<u>72,421,091</u>	<u>327,656,548</u>
Less Accumulated Depreciation				
Land improvements	14,252,130	2,290,057	-	16,542,187
Buildings and improvements	43,493,941	5,621,204	710,990	48,404,155
Furniture and equipment	<u>7,396,115</u>	<u>833,642</u>	<u>-</u>	<u>8,229,757</u>
Total Accumulated Depreciation	<u>65,142,186</u>	<u>8,744,903</u>	<u>710,990</u>	<u>73,176,099</u>
Net Capital Assets	<u>\$ 219,641,561</u>	<u>\$ 106,548,989</u>	<u>\$ 71,710,101</u>	<u>\$ 254,480,449</u>

Depreciation expense for the year was \$8,744,903.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

Capital asset activity for the District for the fiscal year ended June 30, 2007, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	\$ 3,441,983	\$ -	\$ -	\$ 3,441,983
Construction in progress	73,293,583	19,780,021	6,593,004	86,480,600
Total Capital Assets Not Being Depreciated	<u>76,735,566</u>	<u>19,780,021</u>	<u>6,593,004</u>	<u>89,922,583</u>
Capital Assets Being Depreciated				
Land improvements	20,808,431	-	-	20,808,431
Buildings and improvements	157,996,405	6,593,004	906,813	163,682,596
Furniture and equipment	9,733,561	636,576	-	10,370,137
Total Capital Assets Being Depreciated	<u>188,538,397</u>	<u>7,229,580</u>	<u>906,813</u>	<u>194,861,164</u>
Total Capital Assets	<u>265,273,963</u>	<u>27,009,601</u>	<u>7,499,817</u>	<u>284,783,747</u>
Less Accumulated Depreciation				
Land improvements	13,012,435	1,239,695	-	14,252,130
Buildings and improvements	40,078,701	4,195,100	779,860	43,493,941
Furniture and equipment	6,567,913	828,202	-	7,396,115
Total Accumulated Depreciation	<u>59,659,049</u>	<u>6,262,997</u>	<u>779,860</u>	<u>65,142,186</u>
Net Capital Assets	<u>\$ 205,614,914</u>	<u>\$ 20,746,604</u>	<u>\$ 6,719,957</u>	<u>\$219,641,561</u>

Depreciation expense for the year was \$6,262,997.

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances consist of amounts owed between funds as a result of the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds occur. These interfund transactions have been eliminated through consolidation within the entity-wide financial statements.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

Operating Transfers

Operating transfers between District governmental funds 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 unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. These operating transfers have been eliminated through consolidation within the entity-wide financial statements.

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	<u>2008</u>	<u>2007</u>
Accrued payroll and benefits	\$ 1,375,457	\$ 1,984,018
Retiree health benefit premiums	2,475,000	2,475,000
Construction	2,078,414	2,688,023
Banked overload	369,763	361,892
Compensated absences	261,693	185,878
Apportionment	263,805	472,791
Other	<u>2,368,841</u>	<u>1,276,307</u>
Total	<u>\$ 9,192,973</u>	<u>\$ 9,443,909</u>

NOTE 7 - DEFERRED REVENUE

Deferred revenue for the District consisted of the following:

	<u>2008</u>	<u>2007</u>
Federal financial assistance	\$ 4,113	\$ 466,767
State categorical aid	1,560,020	2,913,965
Enrollment fees	1,997,866	1,756,009
Other local	<u>397,979</u>	<u>121,497</u>
Total	<u>\$ 3,959,978</u>	<u>\$ 5,258,238</u>

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

NOTE 8 - LONG-TERM OBLIGATIONS

Long-Term Obligations Summary

The changes in the District's long-term obligations during the 2007-2008 fiscal year consisted of the following:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
Bonds and Notes Payable					
1998 General Obligation bonds, Series B	\$ 400,000	\$ -	\$ 200,000	\$ 200,000	\$ 200,000
1998 General Obligation bonds, Series C	2,517,352	1,271,649	-	3,789,001	-
1998 General Obligation bonds, Series D	12,250,000	-	2,450,000	9,800,000	2,700,000
2004 General obligation refunding bonds	94,377,526	651,083	3,065,000	91,963,609	2,125,000
2004 General obligation bonds, Series A	57,000,062	1,386,194	700,000	57,686,256	-
2004 General obligation bonds, Series B	-	97,999,946	-	97,999,946	-
Total Bonds and Notes Payable	<u>166,544,940</u>	<u>101,308,872</u>	<u>6,415,000</u>	<u>261,438,812</u>	<u>5,025,000</u>
Other Liabilities					
Bond Premiums	-	5,023,229	209,301	4,813,928	209,301
Compensated absences	1,601,980	189,424	-	1,791,404	-
	<u>1,601,980</u>	<u>5,212,653</u>	<u>209,301</u>	<u>6,605,332</u>	<u>209,301</u>
Total Long-Term Obligations	<u>\$ 168,146,920</u>	<u>\$ 106,521,525</u>	<u>\$ 6,624,301</u>	<u>\$ 268,044,144</u>	<u>\$ 5,234,301</u>

The changes in the District's long-term obligations during the 2006-2007 fiscal year consisted of the following:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
Bonds and Notes Payable					
1998 General Obligation bonds, Series A	\$ 235,000	\$ -	\$ 235,000	\$ -	\$ -
1998 General Obligation bonds, Series B	600,000	-	200,000	400,000	200,000
1998 General Obligation bonds, Series C	2,517,352	-	-	2,517,352	-
1998 General Obligation bonds, Series D	14,450,000	-	2,200,000	12,250,000	2,450,000
2004 General obligation refunding bonds	96,553,088	579,438	2,755,000	94,377,526	3,065,000
2004 General obligation bonds, Series A	56,352,943	1,317,119	670,000	57,000,062	700,000
Total Bonds and Notes Payable	<u>170,708,383</u>	<u>1,896,557</u>	<u>6,060,000</u>	<u>166,544,940</u>	<u>6,415,000</u>
Other Liabilities					
Compensated absences	1,601,980	-	-	1,601,980	50,000
	<u>1,601,980</u>	<u>-</u>	<u>-</u>	<u>1,601,980</u>	<u>50,000</u>
Total Long-Term Obligations	<u>\$ 172,310,363</u>	<u>\$ 1,896,557</u>	<u>\$ 6,060,000</u>	<u>\$ 168,146,920</u>	<u>\$ 6,465,000</u>

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

Description of Debt

Payments of the general obligation bonds are to be made by the Bond Interest and Redemption Fund with local tax collections. The compensated absences will be paid by the fund for which the employee worked.

On March 1, 1999, the District issued \$15,000,000 of the General Obligation Bonds as Series A under the \$135,750,000 bond measure approved by voters on November 3, 1998. In April 2004, the District issued \$96,790,995 of the General Obligation Refunding Bonds and the proceeds were used to refund a portion of the outstanding principal amount of the District's election of the 1998 General Obligation Bonds, Series A. At June 30, 2008 and 2007, there were no amounts outstanding. Interest rates on the Refunding Bonds ranged from 2.00 percent to 5.25 percent.

In July 2000, the District issued \$32,000,000 of the General Obligation Bonds as Series B under the \$135,750,000 bond measure approved by voters on November 3, 1998. In April 2004, the District issued \$96,790,995 of the General Obligation Refunding Bonds and the proceeds were used to refund a portion of the outstanding principal amount of the District's election of the 1998 General Obligation Bonds, Series B. At June 30, 2008 and 2007, the amounts outstanding were \$200,000 and \$400,000, respectively. The bonds mature through 2011 with interest rates ranging from two to five percent.

In July 2000, the District issued \$7,999,708 of the General Obligation Bonds as Series C under the \$135,750,000 bond measure approved by voters on November 3, 1998. In April 2004, the District issued \$96,790,995 of the General Obligation Refunding Bonds and the proceeds were used to refund a portion of the outstanding principal amount of the District's election of the 1998 General Obligation Bonds, Series C. At June 30, 2008 and 2007, the amounts outstanding were \$3,789,001 and \$2,517,352, respectively. The bonds mature through 2011 with interest rates ranging from two to five percent.

In June 2002, the District issued \$80,750,000 of the General Obligation Bonds as Series D under the \$135,750,000 bond measure approved by voters on November 3, 1998. In April 2004, the District issued \$96,790,995 of the General Obligation Refunding Bonds and the proceeds were used to refund a portion of the outstanding principal amount of the District's election of the 1998 General Obligation Bonds, Series D. At June 30, 2008 and 2007, the amounts outstanding were \$9,800,000 and \$12,250,000, respectively. The bonds mature through 2014 with interest rates ranging from three to five percent.

The 2004 General Obligation Refunding Bonds were issued in April 2004 in three series and the proceeds were used to refund a portion of the outstanding principal amount of the District's election of the 1998 General Obligation Bonds, Series A, B, C, and D (collectively, the "Refunded Bonds") and to pay the cost of issuance associated with the Refunding Bonds. At June 30, 2008 and 2007, the amounts outstanding were \$91,963,609 and \$94,377,526, respectively. The bonds mature through 2023 with interest rates ranging from two to five percent. At June 30, 2008 and 2007, the balance of the escrow account was \$95,025,942, and \$96,727,987, respectively.

In May 2005, the District issued \$55,391,474 of the General Obligation Bonds as Series A under the \$185,000,000 bond measure approved by voters on November 2, 2004. The proceeds from the sale of the bonds will be used by the District to finance the acquisition, construction, and modernization of certain District property and facilities, to advance refund the 1999 A and 2000 C lease revenue bonds, and to pay certain cost of issuance of the bonds. At June 30, 2008 and 2007, the amounts outstanding were \$57,686,256 and \$57,000,062, respectively. The bonds mature through 2030 with interest rates ranging from three to five percent.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008 AND 2007

In February 2008, the District issued \$97,999,946 of the General Obligation Bonds as Series B under the \$185,000,000 bond measure approved by voters on November 2, 2004. The proceeds from the sale of the bonds will be used by the District to finance the acquisition, construction, and modernization of certain District property and facilities, to advance refund the 1999 A and 2000 C lease revenue bonds, and to pay certain cost of issuance of the bonds. At June 30, 2008, \$97,999,946 was outstanding. The bonds mature through 2032 with interest rates ranging from three to seven percent.

Lease revenue bonds were issued during the 1999-2000 fiscal year in the amount of \$7,570,000 to finance the parking facility at San Jose City College. In May 2005, the District issued \$55,391,474 of the General Obligation Bonds as Series A under the \$185,000,000 bond measure approved by voters on November 2, 2004. The proceeds from the sale of the bonds were used to fund an escrow account in an amount sufficient to pay the redemption prices of the 1999 A lease revenue bonds and the debt service due on the 1999 A lease revenue bonds. As a result of the deposit and the application of funds as described in the escrow agreement, the 1999 A lease revenue bonds were defeased. At June 30, 2007, the balance of the escrow account was \$6,442,177. At June 30, 2008, the amounts in escrow were disbursed to redeem the lease revenue bonds and there were no amounts remaining in escrow.

Lease revenue bonds were issued during the 2000-2001 fiscal year in the amount of \$4,065,000 to finance site improvements for both San Jose City College and Evergreen Valley Community College. In May 2005, the District issued \$55,391,474 of the General Obligation Bonds as Series A under the \$185,000,000 bond measure approved by voters on November 2, 2004. The proceeds from the sale of the bonds were used to fund an escrow account in an amount sufficient to pay the redemption prices of the 2000 C lease revenue bonds and the debt service due on the 2000 C lease revenue bonds. As a result of the deposit and the application of funds as described in the escrow agreement, the 2000 C lease revenue bonds were defeased. At June 30, 2008 and 2007, the balance of the escrow account was \$2,541,102 and \$2,809,523, respectively.

Debt Maturity

General Obligation Bonds

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds		Accreted		Bonds
				Outstanding July 1, 2007	Issued	Interest Addition	Redeemed	Outstanding June 30, 2008
7/1/2000	9/1/2010	2.0-5.25%	\$ 32,000,000	\$ 400,000	\$ -	\$ -	\$ 200,000	\$ 200,000
7/1/2000	9/1/2010	2.0-5.25%	7,999,708	2,517,352	-	1,271,649	-	3,789,001
6/1/2002	9/1/2013	2.0-5.25%	80,750,000	12,250,000	-	-	2,450,000	9,800,000
4/1/2004	9/1/2021	2.0-5.25%	96,790,995	94,377,526	-	651,083	3,065,000	91,963,609
5/26/2005	9/1/2029	3.0-5.00%	55,391,474	57,000,062	-	1,386,194	700,000	57,686,256
2/21/2008	9/1/2032	2.69-7.436%	97,999,946	-	97,999,946	-	-	97,999,946
				<u>\$ 166,544,940</u>	<u>\$ 97,999,946</u>	<u>\$ 3,308,926</u>	<u>\$ 6,415,000</u>	<u>\$ 261,438,812</u>

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

Outstanding Election of 1998 General Obligation Bonds, Series B

The general obligation bonds mature through 2011 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2009	\$ 200,000	\$ 1,442,350	\$ 1,642,350
2010	-	1,437,150	1,437,150
2011	-	718,575	718,575
Total	<u>\$ 200,000</u>	<u>\$ 3,598,075</u>	<u>\$ 3,798,075</u>

Outstanding Election of 1998 General Obligation Bonds, Series C

The general obligation bonds mature through 2011 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2009	\$ -	\$ -	\$ -
2010	1,849,261	385,739	2,235,000
2011	1,939,740	260,260	2,200,000
Total	<u>\$ 3,789,001</u>	<u>\$ 645,999</u>	<u>\$ 4,435,000</u>

Outstanding Election of 1998 General Obligation Bonds, Series D

The general obligation bonds mature through 2014 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2009	\$ 2,700,000	\$ 355,600	\$ 3,055,600
2010	950,000	282,600	1,232,600
2011	1,200,000	239,600	1,439,600
2012	1,400,000	188,300	1,588,300
2013	1,650,000	128,000	1,778,000
2014	1,900,000	47,500	1,947,500
Total	<u>\$ 9,800,000</u>	<u>\$ 1,241,600</u>	<u>\$ 11,041,600</u>

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

2004 General Obligation Refunding Bonds

The general obligation bonds mature through 2023 as follows:

<u>Fiscal Year</u>	<u>Principal Including Accreted Interest to Date</u>	<u>Accreted Interest</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2009	\$ 2,125,000	\$ -	\$ 4,307,863	\$ 6,432,863
2010	3,825,000	-	4,169,737	7,994,737
2011	3,780,000	-	3,979,613	7,759,613
2012	4,785,000	-	3,774,113	8,559,113
2013	5,330,000	-	3,529,863	8,859,863
2014-2018	44,275,000	-	12,090,219	56,365,219
2019-2023	27,843,609	19,266,392	1,008,187	48,118,188
Total	<u>\$ 91,963,609</u>	<u>\$ 19,266,392</u>	<u>\$ 32,859,595</u>	<u>\$ 144,089,596</u>

2004 General Obligation Bonds, Series A

The general obligation bonds mature through 2030 as follows:

<u>Fiscal Year</u>	<u>Principal Including Accreted Interest to Date</u>	<u>Accreted Interest</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2009	\$ -	\$ -	\$ 1,497,250	\$ 1,497,250
2010	-	-	1,497,250	1,497,250
2011	-	-	1,497,250	1,497,250
2012	-	-	1,497,250	1,497,250
2013	-	-	1,497,250	1,497,250
2014-2018	-	-	7,486,250	7,486,250
2019-2023	7,222,888	7,432,512	7,486,250	22,141,650
2024-2028	41,031,543	14,328,507	5,577,625	60,937,675
2029-2030	9,431,825	19,068,175	-	28,500,000
Total	<u>\$ 57,686,256</u>	<u>\$ 40,829,194</u>	<u>\$ 28,036,375</u>	<u>\$ 126,551,825</u>

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

2004 General Obligation Bonds, Series B

The general obligation bonds mature through 2033 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest to Maturity	Total
2009	\$ -	\$ -	\$ 3,594,308	\$ 3,594,308
2010	-	-	3,718,250	3,718,250
2011	93,621	6,379	3,718,250	3,818,250
2012	1,639,802	180,198	3,718,250	5,538,250
2013	1,326,793	208,207	3,718,250	5,253,250
2014-2018	9,965,126	3,319,874	18,591,250	31,876,250
2019-2023	32,580,000	-	15,665,750	48,245,750
2024-2028	41,785,000	-	4,410,625	46,195,625
2029-2033	10,609,604	27,725,396	-	38,335,000
Total	<u>\$ 97,999,946</u>	<u>\$ 31,440,054</u>	<u>\$ 57,134,933</u>	<u>\$ 186,574,933</u>

NOTE 9- POSTEMPLOYMENT BENEFITS

The District provides medical, dental, and vision insurance coverage, as prescribed in the various employee union contracts, to retirees meeting plan eligibility requirements. Eligible employees retiring from the District may become eligible for these benefits when the requirements are met. The eligibility requirement for employees participating in California Public Employees' Retirement System (CalPERS) is a minimum age of 55 and a minimum ten years of continuous service with the District. Additional age and service criteria may be required. The eligibility requirement for employees participating in California State Teachers' Retirement System (CalSTRS) is a minimum age of 60 with five years of service, or age 50 with 30 years of service. The District recognizes expenditures for these post employment health benefits on a pay-as-you-go-basis. During the 2008 fiscal year, the District provided insurance premium benefits to 309 retired employees with total expenditures of \$2,813,538. The District will be implementing provisions of GASB Statement No. 45 during the 2008-09 fiscal year.

NOTE 10 - RISK MANAGEMENT

Property and Liability

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 fiscal year ending June 30, 2008, the District contracted with the Bay Area Community College Districts Joint Powers Authority for property and liability insurance coverage. Coverage limits for property and liability claims are \$250,000,000, and \$24,000,000, respectively. Bay Area Community College Districts Joint Powers Authority reinsured amounts exceeding \$250,000 and \$1,000,000, respectively with SAFER. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008 AND 2007

Workers' Compensation

For fiscal year 2007-2008, the District participated in the Northern California Community College Pool (Pool) Joint Powers Authority (JPA), an insurance purchasing pool. For workers' compensation claims incurred prior to January 1, 1996, the District was self-insured through the Pool up to \$250,000 per occurrence. Claims over \$250,000 were covered by reinsurance within limits of the policy. Effective January 1, 1996, the Pool obtained commercial workers' compensation insurance which provides coverage up to \$1,000,000 for each accident and each employee with no deductible. Claims in excess of these limits are covered through reinsurance by the Pool. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity-pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to community college districts that can meet the JPA's selection criteria.

NOTE 11 - 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 State Teachers' Retirement System (STRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

STRS

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. 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, 7919 Folsom Blvd., Sacramento, CA 95826.

Funding Policy

Active members are required to contribute eight percent of their salary while 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 2007-2008 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, 2008, 2007, and 2006, were \$2,700,604, \$2,516,456, and \$2,315,480, respectively, and equal 100 percent of the required contributions for each year.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008 AND 2007

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. 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, CA 95811.

Funding Policy

Active plan members are required to contribute seven percent of their salary (seven percent of monthly salary over \$133.33 if the member participates in Social Security), and 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 2007-2008 was 9.428 percent of annual payroll. The District's contributions to CalPERS for fiscal years ending June 30, 2008, 2007, and 2006, were \$2,090,224, \$1,975,700, and \$1,872,782, respectively, and equaled 100 percent of the required contributions for each year.

Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use social security as its alternative plan. Contributions made by the District and an employee vest immediately. The District contributes 6.25 percent of an employee's gross earnings. An employee is required to contribute 6.25 percent of his or her gross earnings to the social security plan.

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS which amounted to \$1,475,531, \$1,333,016, and \$1,269,380 (4.517 percent) of salaries subject to CalSTRS, respectively for the years ended June 30, 2008, 2007, and 2006. Contributions to CalPERS were not required for the years ended June 30, 2008, 2007, or 2006. These amounts have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

NOTE 12 - 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, 2008.

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, 2008.

Operating Leases

The District has entered into a long term operating leases for land on which a college site is constructed with a 60 year lease expiring in 2060, and contains provisions for exercising two options for an additional 19 and 20 years, if desired. This agreement does not contain a purchase option. The agreement contains a termination clause providing for cancellation by the landlord after a specified number of days written notice. Future minimum lease payments under these agreements are as follows:

Year Ending June 30,	Lease Payment
2009	\$ 307,620
2010	307,620
2011	307,620
2012	353,784
2013	353,784
2014-2018	1,997,088
2019-2023	2,549,868
2024-2028	2,690,220
2029-2033	2,690,220
2034-2038	2,690,220
2039-2043	2,690,220
2044-2048	2,690,220
2049-2053	2,690,220
2054-2058	2,690,220
2059-2060	1,076,088
Total	<u>\$ 26,085,012</u>

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

Construction Commitments

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

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
San Jose City College		
Baseball/Softball Field	\$ 3,500,000	02/01/09
Multi-Disciplinary Classroom/Visual and Performing Arts Building	20,000,000	01/09/10
Physical Education Complex	20,000,000	01/09/11
Maintenance and Operations Facility	3,000,000	01/12/09
Vocational/Tech Ed Facility	10,000,000	01/09/12
Campus Signage	100,000	06/01/09
Site Improvements General	250,000	06/01/09
Evergreen Valley College		
Arts Complex	16,000,000	05/01/09
Campus Modernization	25,000,000	01/12/11
Fitness Center	2,500,000	01/12/09
Facility Master Plan	75,000	06/01/09
Exterior Lighting Modernization	750,000	02/01/09
Campus Signage	50,000	06/01/09
Site Improvements	2,500,000	01/12/11
District Office		
District Office Renovation	3,000,000	11/01/09
Energy Efficiency Program	250,000	09/01/09
Technology Upgrades - VoIP	500,000	06/01/09
Technology Upgrades - District Wide	1,500,000	06/01/09
	<u>\$ 108,975,000</u>	

The projects are funded through the general obligation bonds and State bond funds.

NOTE 13 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of the Northern California Community College Pool, the Bay Area Community College Districts Joint Power Agency, and the South Bay Regional Public Safety Training Consortium Joint Powers Authority (JPAs). The District pays annual premiums for its property liability, health, and workers' compensation coverage. The relationship between the District and the JPA is such that it is not a component unit of the District for financial reporting purposes.

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

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

During the year ended June 30, 2008, the District made payments of \$1,462,773, \$540,465, and \$1,921,205 to the Northern California Community College Pool, the Bay Area Community College Districts Joint Power Agency, and the South Bay Regional Public Safety Training Consortium Joint Powers Authority (JPAs), respectively. During the year ended June 30, 2007, the District made payments of \$1,074,518, \$1,067,467, and \$428,362 to the Northern California Community College Pool, the Bay Area Community College Districts Joint Power Agency, and the South Bay Regional Public Safety Training Consortium Joint Powers Authority (JPAs), respectively.

NOTE 14 - SUBSEQUENT EVENTS

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). Subsequent to June 30, 2008, the fair value of the District's investment in the pool may have declined.

SUPPLEMENTARY INFORMATION

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION JUNE 30, 2008

The San Jose/Evergreen Community College District was established on July 1, 1964, and is comprised of an area of approximately 303 square miles located in Santa Clara County. There were no changes in the boundaries of the District during the current year. The District's two colleges are each accredited by the Western Association of Schools and Junior Colleges.

BOARD OF TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Mr. Randy Okamura	President	December 2008
Ms. Autumn Gutierrez	Vice President	December 2008
Mr. Richard K. Tanaka	Member	December 2008
Mr. Ron Lind	Member	December 2008
Mr. Balbir Dhillon	Member	November 2010
Mr. Richard Hobbs	Member	November 2010
Ms. Maria Fuentes	Member	November 2010

ADMINISTRATION

Ms. Rosa Perez	Chancellor
Mr. Ron Root	Vice Chancellor, Administrative Services
Mr. Michael Burke	President, San Jose City College
Mr. David Wain Coon	President, Evergreen Valley College

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Total Expenditures
U.S. DEPARTMENT OF EDUCATION		
Title V, Higher Education - Institutional Aid	84.031	\$ 837,145
Student Support Services	84.042	285,946
Global Education Opportunities	84.016A	17,532
Child Care & Development Improvement/Yosemite	93.575	11,989
STUDENT FINANCIAL AID CLUSTER		
Federal Pell Grant Programs	84.063	9,691,633
Federal Pell Administrative Allowance	84.063	18,520
Federal Supplemental Educational Opportunity Grant - SEOG	84.007	343,964
Federal College Work Study - FWS	84.033	293,686
Federal Family Education Loans	84.032	1,010,726
Academic Competitiveness Grant	84.375	75,987
VOCATIONAL AND TECHNICAL EDUCATION ACT		
Vocational Education - Basic Grants to States	84.048	453,564
Leadership	84.048	300,000
Public Safety Project	84.048	38,000
VTEA II Tech Prep Education	84.243	153,296
VTEA II Tech Prep Education - Peralta College MOU	84.243	45,000
NATIONAL SCIENCE FOUNDATION		
Incorporating 2D Laser Scanning Curriculum	47.076	136,546
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Medi-Cal Administration Activities (MAA)	93.778	188,072
TANF	93.558	120,182
U.S. DEPARTMENT OF LABOR		
WORKFORCE INVESTMENT ACT CLUSTER		
Workforce Investment Act - Dislocated Worker's	17.260	1,441,600
Workforce Investment Act - Adult	17.258	1,400,170
Workforce Investment Act - Youth	17.259	471,816
Veterans' Administrative Reporting Fee	17.802	477
U.S. DEPARTMENT OF AGRICULTURE		
Child and Adult Care Food Program	10.558	31,258
Total Expenditures of Federal Awards		<u>\$17,367,109</u>

See accompanying note to supplementary information.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2008**

Program	Program Entitlements		
	Current Year	Prior Year	Total Entitlement
CARE	\$ 257,697	\$ -	\$ 257,697
Extended Opportunity Programs and Services (EOP&S)	1,975,410	-	1,975,410
California Student Aid Commission/Cal Grant	864,877	3,390	868,267
Instructional Equipment 07-08	159,105	-	159,105
Instructional Equipment 06-07	137,128	-	137,128
Instructional Equipment 05-06	84,040	-	84,040
Instructional Equipment 04-05	57,702	-	57,702
Telecomm and Technical Infrastructure Program (TTIP) 07-08	99,186	-	99,186
Telecomm and Technical Infrastructure Program (TTIP) 06-07	31,963	-	31,963
Telecomm and Technical Infrastructure Program (TTIP) 05-06	32,394	-	32,394
Telecomm and Technical Infrastructure Program (TTIP) 04-05	31,006	-	31,006
Telecomm and Technical Infrastructure Program (TTIP) 03-04	27,324	-	27,324
Telecomm and Technical Infrastructure Program (TTIP) 02-03	3,464	-	3,464
Transcript Project	5,000	-	5,000
Santa Clara County/CalWorks Program	336,467	28,987	365,454
CalWorks 07-08	845,820	-	845,820
CDC/TANF 05-06	6,007	-	6,007
CDC/TANF 06-07	-	20,469	20,469
CDC/TANF 07-08	107,600	-	107,600
Financial Aid Administration Allowance (BFAP)	670,531	-	670,531
Econ/Professional Development - IBP 05-06	59,374	-	59,374
Econ/Leadership SJCC 07-08	172,500	-	172,500
Econ/Leadership SJCC 06-07	105,478	24,400	129,878
Econ/Leadership SJCC 05-06	-	10,000	10,000
Econ/Leadership SJCC 03-04	-	24,400	24,400
Econ/IDRC/LiLA 06-07	68,548	-	68,548
Econ/IDRC/Kaiser Grant 06-07	799,922	-	799,922
Econ/Nanotechnology 06-07	294,946	-	294,946
Nursing/Faculty and Recruitment 06-07	110,242	-	110,242
Nursing/Career Tech Education 07-08	68,563	-	68,563
Nursing/Enrollment Growth 07-08	84,917	-	84,917
Nursing/Enrollment Growth 06-07	55,550	-	55,550
Nursing Capacity 07-08	151,770	-	151,770
Nursing Capacity 06-07	49,795	-	49,795
CTE/Strengthening Careers 06-07	205,473	-	205,473
CTE/State Career Tech Education 07-08	125,000	-	125,000
CTE/Career Development for 7th and 8th Graders 06-07	84,569	11,431	96,000
Enrollment Fee Administration 2%	69,134	-	69,134
4 C @ O.N.E. 07-08	700,000	143,661	843,661
4 C @ O.N.E. Project: Butte College	-	227	227
Foster Care Education	146,638	40,295	186,933
Staff Diversity 07-08	17,255	-	17,255
Staff Diversity 06-07	7,184	-	7,184
Staff Development	28,588	-	28,588
Americorps/ALERT 06-07	2,676	78,329	81,005
DSP	1,347,671	-	1,347,671

See accompanying note to supplementary information.

Program Revenues					
Cash	Accounts	Accounts	Deferred	Total	Program
Received	Receivable	Payable	Revenue	Revenue	Expenditures
\$ 257,697	\$ -	\$ 145	\$ -	\$ 257,552	\$ 257,552
1,961,392	13,619	-	-	1,975,011	1,975,011
883,145	4,100	-	-	883,855	883,855
159,105	-	-	132,021	27,084	27,084
137,129	-	-	8,942	128,187	128,187
85,040	-	-	-	85,040	85,040
57,703	-	-	-	57,703	57,703
99,186	-	-	27,487	71,699	71,699
31,963	-	-	28,066	3,897	3,897
32,394	-	-	7,697	24,697	24,697
31,006	-	-	-	31,006	31,006
27,324	-	-	-	27,324	27,324
3,466	-	-	-	3,466	3,466
5,000	-	-	5,000	-	-
249,369	116,078	-	-	336,460	336,460
845,820	79	-	-	845,899	845,899
6,008	-	-	-	6,008	6,008
31,503	-	11,034	-	-	-
24,353	52,115	-	-	76,468	76,468
670,531	-	-	38,266	632,265	632,265
11,375	47,998	-	-	59,373	59,373
144,900	-	-	28,087	116,813	116,813
103,879	25,999	-	-	105,478	105,478
-	10,000	-	-	-	-
-	24,400	-	-	-	-
68,548	-	-	-	68,548	68,548
671,935	127,987	-	-	799,922	799,922
246,946	47,981	-	-	294,927	294,927
160,521	-	-	94,295	66,226	66,226
68,563	-	-	68,563	-	-
84,917	-	-	-	84,917	84,917
55,550	-	-	-	55,550	55,550
151,770	-	-	73,145	78,625	78,625
49,795	-	-	-	49,795	49,795
165,581	39,892	-	-	205,473	205,473
125,000	-	-	73,962	51,038	51,038
11,430	25,417	-	-	25,416	25,416
69,134	-	-	-	69,134	69,134
773,661	24,256	-	-	654,256	654,256
-	227	-	-	-	-
40,295	144,704	-	-	144,704	144,704
17,255	-	-	6,996	10,259	10,259
7,185	-	-	7,185	-	-
28,588	-	-	17,032	11,556	11,556
78,857	2,148	-	-	2,676	2,676
1,347,672	4	-	-	1,347,676	1,347,676

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF STATE AWARDS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2008**

Program	Program Entitlements		
	Current Year	Prior Year	Total Entitlement
Matriculation	\$ 1,308,898	\$ -	\$ 1,308,898
Equal Opportunity Employment Grant	-	38,261	38,261
Instructional Materials 06-07	401,492	-	401,492
Basic Skills 07-08	374,581	-	374,581
Basic Skills 06-07, ongoing	424,639	-	424,639
Basic Skills 05-06, ongoing	187,893	-	187,893
Transfer and Articulation 06-07	10,000	-	10,000
Child and Adult Care Food Program	-	-	-
Gen Child Care and Dev Program (CCTR 7424)	369,605	2,868	372,473
Infant Toddler Resource (CCAP 7438)	2,828	-	2,828
Instructional Materials (CIMS 6647)	1,338	-	1,338
Child Care Tax Bailout	70,008	-	70,008
Total State Programs	<u>\$ 13,639,796</u>	<u>\$ 426,718</u>	<u>\$ 14,066,514</u>

See accompanying note to supplementary information.

Program Revenues					
Cash Received	Accounts Receivable	Accounts Payable	Deferred Revenue	Total Revenue	Program Expenditures
\$ 1,308,898	\$ -	\$ -	\$ -	\$ 1,308,898	\$ 1,308,898
-	38,261	-	-	-	-
401,492	-	-	227,145	174,347	174,347
374,581	-	-	304,581	70,000	70,000
424,639	-	-	366,405	58,234	58,234
187,893	-	-	42,290	145,603	145,603
10,000	-	-	2,855	7,145	7,145
1,910	228	-	-	2,138	2,138
331,635	41,981	-	-	370,748	370,748
707	2,121	-	-	2,828	2,828
1,338	-	-	-	1,338	1,338
70,008	-	-	-	70,008	70,008
<u>\$ 13,195,592</u>	<u>\$ 789,595</u>	<u>\$ 11,179</u>	<u>\$ 1,560,020</u>	<u>\$11,987,270</u>	<u>\$ 11,987,270</u>

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL
 APPORTIONMENT- ANNUAL/ACTUAL ATTENDANCE
 FOR THE YEAR ENDED JUNE 30, 2008**

CATEGORIES	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Audited Data</u>
A. Summer Intersession (Summer 2007 only)			
1. Noncredit	3	-	3
2. Credit	381	-	381
B. Summer Intersession (Summer 2008 - prior to July 1, 2008)			
1. Noncredit	-	-	-
2. Credit	1,085	-	1,085
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	10,945	(1)	10,944
(b) Daily Census Contact Hours	994	-	994
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	68	-	68
(b) Credit	789	-	789
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	536	-	536
(b) Daily Census Contact Hours	-	-	-
(c) Noncredit Independent Study/Distance Education Courses	17	-	17
D. Total FTES	<u>14,818</u>	<u>(1)</u>	<u>14,817</u>
Supplemental Information (subset of above information)			
E. In Service Training Courses (FTES)	<u>697</u>	<u>-</u>	<u>697</u>
H. Basis Skills Courses and Immigrant Education			
(a) Noncredit	<u>49</u>	<u>-</u>	<u>49</u>
(b) Credit	<u>1,642</u>	<u>-</u>	<u>1,642</u>
<u>CCFS 320 Addendum</u>			
CDCP Noncredit FTES	<u>-</u>	<u>-</u>	<u>-</u>
Centers FTES			
(a) Noncredit	<u>-</u>	<u>-</u>	<u>-</u>
(b) Credit	<u>-</u>	<u>-</u>	<u>-</u>

See accompanying note to supplementary information.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH FUND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2008.

See accompanying note to supplementary information.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEETS TO
THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008**

**Amounts Reported for Governmental Activities in the Statement of
Net Assets are Different Because:**

**Total Fund Balance, Retained Earnings,
and Due to Student Groups:**

General Funds	\$ 8,409,788	
Special Revenue Funds	75,973	
Capital Project Funds	108,575,137	
Debt Service Funds	12,960,356	
Enterprise Funds	1,500,548	
Internal Service Funds	22,543	
Fiduciary Funds	<u>1,310,382</u>	
		\$ 132,854,727

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

The cost of capital assets is	327,656,548	
Accumulated depreciation is	(73,176,099)	
Less fixed assets already recorded in the enterprise funds	<u>(305,535)</u>	254,174,914

Amounts held in trust on behalf of others (Trust and Agency Funds) 361,869

In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term obligations is recognized when it is incurred. (3,720,493)

Long-term liabilities at year end consist of:

General obligation bonds	(261,438,812)	
Compensated absences	(1,791,404)	
Premiums, net of amortization	(4,813,928)	
Issue costs, net of amortization	<u>1,459,606</u>	
		<u>(266,584,538)</u>

Total Net Assets **\$ 117,086,479**

See accompanying note to supplementary information.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2008

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Schedule of Expenditures of State Awards

The accompanying schedule of expenditures of State awards includes the State grant activity of the District and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Schedule of Workload Measures for State General Apportionment - Annual/Actual Attendance

Full-Time Equivalent Students (FTES) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to community college districts. This schedule provides information regarding the attendance of students throughout the District.

Reconciliation of Annual Financial and Budget Report with Fund Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Form CCFS-311 to the fund financial statements.

Reconciliation of the Governmental Fund Balance Sheets to the Statement of Net Assets

This schedule provides a reconciliation of the adjustments necessary to bring the District's fund financial statements, prepared on a modified accrual basis, to the accrual basis required under GASB Statement No. 35.

NOTE 2 - RECONCILIATION OF EXPENDITURES OF GRANT ACTIVITY WITH THE DISTRICT'S ACCOUNTING SYSTEM

Federal Family Education Loans are included in the Schedule of Federal Expenditures but are not included in the District's financial statements.

INDEPENDENT AUDITORS' REPORTS



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

Board of Trustees
San Jose/Evergreen Community College District
San Jose, California

We have audited the financial statements of San Jose/Evergreen Community College District (the District) for the years ended June 30, 2008 and 2007, and have issued our report thereon dated November 21, 2008. 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.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 2008-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

We noted certain matters involving the internal control over financial reporting that we have reported to the management of San Jose/Evergreen Community College District in a separate letter dated October 27, 2008.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether San Jose/Evergreen Community College District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2008-2 and 2008-3.

We noted certain matters that we reported to management of San Jose/Evergreen Community College District in a separate letter dated October 27, 2008.

San Jose/Evergreen Community College District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit San Jose/Evergreen Community College District's response and, accordingly, express no opinion on it/them.

This report is intended solely for the information and use of the Board of Trustees, District Management, the California Community Colleges System's Office, and the District's Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
November 21, 2008



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees
San Jose/Evergreen Community College District
San Jose, California

Compliance

We have audited the compliance of San Jose/Evergreen Community College District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2008. San Jose/Evergreen Community College District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of San Jose/Evergreen Community College District's management. Our responsibility is to express an opinion on San Jose/Evergreen Community College District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about San Jose/Evergreen Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of San Jose/Evergreen Community College District's compliance with those requirements.

In our opinion, San Jose/Evergreen Community College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of San Jose/Evergreen Community College District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered San Jose/Evergreen Community College District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the San Jose/Evergreen Community College District's internal control over compliance.

A *control deficiency* in a District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a Federal program on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Trustees, District Management, the California Community Colleges System's Office, and the District's Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
November 21, 2008



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
San Jose/Evergreen Community College District
San Jose, California

We have audited the financial statements of the San Jose/Evergreen Community College District (the District) for the years ended June 30, 2008 and 2007, and have issued our report thereon dated November 21, 2008.

Our audit was made in accordance with auditing standards generally accepted in the United States of America and the standards for financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the following State laws and regulations in accordance with Section 400 of the Chancellor's Office's *California Community Colleges Contracted District Audit Manual (CDAM)*.

General Directive

Section 424: MIS Implementation - State General Apportionment Funding System

Administration

Section 435: Open Enrollment

Section 437: Student Fee - Instructional Materials and Health Fees

Section 423: Apportionment of Instructional Service Agreements/Contracts

Section 425: Residency Determination for Credit Courses

Section 427: Concurrent Enrollment of K-12 Students in Community College Credit Courses

Section 432: Enrollment Fee

Section 421: Salaries of Classroom Instructors (50% Law)

Section 426: Students Actively Enrolled

Section 431: Gann Limit Calculation

Student Services

Section 428: Use of Matriculation Funds

Section 433: CalWORKs - Use of State and Federal TANF Funding

Facilities

Section 434: Scheduled Maintenance Program

Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, except for findings 2008-2 through 2008-3 as described in the accompanying Schedule of State Award Findings and Questioned Costs, the San Jose/Evergreen Community College District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2008.

San Jose/Evergreen Community College District's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit San Jose/Evergreen Community College District's response and, accordingly, we express no opinion on them.

This report is intended solely for the information of the Board of Trustees, District Management, the California Community Colleges System's Office, the California Department of Finance, and the California Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
November 21, 2008

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2008**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>Yes</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>No</u>
Identification of major programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.063, 84.007, 84.033, 84.032, 84.375	Student Financial Aid Cluster
<u>17.258, 17.259, 17.260</u>	<u>Workforce Investment Act Cluster</u>
<u>84.048</u>	<u>Vocational & Technical Education Act</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 521,013</u>
Auditee qualified as low-risk auditee?	<u>No</u>

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>Yes</u>
Type of auditors' report issued on compliance for State programs:	<u>Qualified</u>

SAN JOSE/EVERGREEN COMMUNITY COLLEGE

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2008

The following findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

2008-1 Bookstore

Criteria or Specific Requirement

Under accounting principals generally accepted in the United States financial statements of enterprise funds, such as the bookstore, should be prepared in accordance with the accrual basis of accounting and reflect clear accurate records.

Condition

We noted instances in which the year end closing process and accounting records were not maintained in a manner that clearly and accurately presented the transactions. The following instances were noted:

- 1) The amount of cash issued to remain on hand in the vault for textbook buybacks is \$12,000. However, the amount on hand in the vault was \$6,009 and upon inquiry as to the cause of the \$5,991 difference, we were informed it was a pending receipt due from the book publisher for the books returned.
- 2) Funds received that are restricted for scholarships to be used as loans to students for books were recorded as negative amounts in restricted cash rather than restricted revenue. In addition, no documentation from the donor nor policy was able to be provided to support this program.
- 3) Restricted cash included \$800 received from a publisher that was also part of the checking account cash.

Questioned Costs

None.

Context

The bookstore accounting system does not appear to be designed to address transactions that are unusual and require special handling.

Effect

Restricted cash balances reported do not clearly represent the true nature of the transactions that are included in these accounts.

Cause

Year end closing procedures to analyze accounts and determine if any closing entries were needed to present accounts in a clear, accurate manner do not appear to have been performed effectively.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2008

Underlying transactions were not preparing year end closing entries to record amounts due for textbook buybacks as an accounts receivable, not recording restricted fund carryover amounts as revenue, and not accounting for \$800 deposit from publisher appropriately.

Recommendation

We recommend that the Bookstore review its year end closing process to determine if it includes analyzing ending balances for unusual items and consulting with others, such as District business staff, to determine the appropriate treatment for any unusual transactions. We recommend that all cash funds be replenished at least at year end so that the amount on the trial balance reflects the amount on hand, in this case that would necessitate recording of an accounts receivable from the text buyback company, that funds received and held for scholarships be recorded as restricted revenue, and that bank deposits be accurately reflected.

District Response

The District agrees and will review the bookstores month and year end closing procedures as well as assist them with determining the appropriate treatment of any unusual transactions.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

None noted.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2008

The following findings represent instances of noncompliance and/or questioned costs relating to State program laws and regulations.

2008-2 Concurrent Enrollment of K-12 Students in Community College Credit Courses

Criteria or Specific Requirement

Education Code Section 76001(d), specifies that special part-time students may enroll in up to 11 units per semester and if the student enrolls in the more than 11 units, the District must then charge the student enrollment fees as if the student was a regular student.

In addition, the District is limited to the number of hours they can claim for concurrent students enrolled in physical education courses. The limit based on each course is 10% of total apportionment claimed for that course. Also applications of concurrent students should include recommendations and approvals as evidenced by signatures of the student, parent, guardian, and principal.

Condition

It was noted that two concurrent enrollment students in the Fall 2007 semester exceeded 11 units, and were claimed for apportionment without being charged enrollment fees.

One of ten courses reviewed had more apportionment being claimed for concurrent students than allowed by state requirements. PED-009-202 had 12.12% of the total apportionment being claimed for concurrent students, which is 2.12% above the maximum allowed. It was also noted that one of twelve student applications selected for testing was not signed by the student's parent or guardian.

Questioned Costs

0.11 FTES. Total FTES in the class in question was 6.35, of this amount 0.77 was earned by concurrently enrolled students. The 10% limit would allow only 0.66 to be earned by concurrently enrolled students.

Context

We reviewed the records of seven concurrently enrolled Evergreen College students and five concurrently enrolled San Jose College students, along with the records of one of the courses each of the selected concurrently students was enrolled in.

Effect

Concurrent students taking more than 11 units are not being assessed enrollment fees and the sites are losing income from these students.

Students are not eligible to attend courses without a completed application with the required approvals included. Site may be claiming apportionment for concurrent students in PE courses above the required maximum allowed.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2008

Cause

Not performing review of limitations on concurrent enrollment students class load and population limits of Physical Education courses.

Recommendation

Consideration should be given to the possibility of designing a system report that will identify concurrently enrolled students who exceed 11 units and then following up to ensure enrollment fees are collected from those students.

Each College Site should monitor their compliance with the requirement that Physical Education courses contain no more than 10% of students who are concurrently enrolled students. Each college site should have an effective process for reviewing concurrent applications to verify that they are accurately complete and include all required signatures.

District Response

The District agrees and will have its campuses management team review its procedures and internal controls to identify students enrolled in excess of the maximum allowed.

2008-3 Students Actively Enrolled

Criteria or Specific Requirement

Each district shall claim for apportionment purposes only those students actively enrolled in a course section as of the census date.

Condition

During our review of students who were identified as dropping courses, we noted seven Evergreen College students and three San Jose City College students were claimed for FTES credit for courses despite the fact they were appropriately identified as having dropped the course prior to the census dates.

Questioned Costs

1.04 FTES.

Context

We reviewed the records of 15 Evergreen College students and 14 San Jose City College students indicated as having dropped courses.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2008

Effect

Students FTES claimed for apportionment is overstated.

Cause

We noted that some students were misclassified due to faculty not submitting the census reports in a timely manner. Admissions and Records staff is also dating the student drop as of the date the teacher turns in the census, rather than dating the drop as the effective date of the drop, or the day before census day if the drop date is not indicated on the census form.

Recommendation

Students identified as a no show on the census roster should not be claimed for apportionment. Students dropped by the instructor with no drop date indicated should be dropped on census to indicate that they were not in class as of census date. Faculty should sign off on census rosters and return them in a timely manner in order for accurate apportionment reporting to occur.

District Response

The District agrees and has been informed by the campuses management team that they will conduct internal auditing and will work with faculty to submit Census Rosters in a timely manner.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2008

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of audit findings and questioned costs.

2007-1 Criteria or Specific Requirement

General best practices suggest recording transactions in a clear concise manner to provide for the transparency of the items being recorded.

Condition

Significant deficiency - Salary allocation information maintained in employee files is not consistent with allocations of salaries as listed in the District database system.

Questioned Costs

None.

Context

The district employee database used to post the allocations of salaries to various functions provides a report known as the HR Snap Shot. This information has not been updated to ensure consistency with the salary allocation information maintained in employee files, known as the Employee Action Form.

Effect

In order to correct inappropriate allocations of salaries recorded by original entry transactions frequent journal entries are required. This results in a transaction trail of evidence that is not as clear as it would otherwise be and increases the likelihood that material errors may occur and not be prevented or detected in a timely manner.

Cause

Database records are not updated to be consistent with employee file information.

Recommendations

We recommend that employee database records be updated to reflect current personnel assignments and appropriate allocations of salaries expenditures.

Current Status

Implemented

2007-2 **Program:** Workforce Investment Act Adult Program and Workforce Investment Act Dislocated Workers
CFDA No: CFDA#17.258 & 17.260
Federal Agency: Department of Labor
Award Year: Fiscal Year 2007
Compliance Requirement: Allowable Costs and Activities

Criteria or Specific Requirement

OMB Circular A-21 paragraph J(10)(b), requires that salaries charged to a federal program or programs use a method of allocation that includes after the fact confirmation or determination so that costs charged to the programs reasonably represent actual costs of time spent on the programs. When using after the fact substantiation method of documenting salaries charged, reports of time spent on the programs are required to be prepared and signed by the appropriate individual no less frequently than every six months.

Condition

Significant Deficiency, Instance of Non Compliance – Program administration salaries and benefits have been charged 50% to the Adult Program and 50% to the Dislocated Workers programs. While performing test work over the WIA Adult and Dislocated Workers programs, we noted the allocation of salaries charged to the WIA programs was done based on a case load basis. However, this allocation factor was not adjusted for the fact that the caseloads require differing amounts of average time to support different programs services.

No semi-annual personnel certifications have been obtained for individuals whose time is charged 100% to a single program.

We also noted salaries and benefits of others working within the program were journaled out of the Salary and Benefit expense accounts and reported as Other Operating Expenses of the program.

Questioned Costs

None noted.

Context

The District reported total Salaries and Benefits to the oversight agency of \$2,160,854 and has allocated those salaries and benefits on a caseload basis.

Effect

The allocation of salaries and Benefits of employees charged to the Workforce Investment Act Programs (Adult Program & Dislocated Worker Program) has not been refined to account for the fact that caseloads do not all require the same amount of time. In addition, the programs are not in compliance with applicable federal requirements requiring semi-annual certifications.

Cause

Written guidance provided by cost allocation OMB Circulars over appropriate methodologies for allocation of time spent within a specific federal program was not followed. Lack of effective

oversight and monitoring of the Workforce Investment Act program requirements resulted in salary and benefit allocations not adjusted for time factors and semi-annual personnel certification forms not being obtained.

Recommendations

The District should advise the Institute for Business Performance (IBP) on the use of a more specific salary allocation plan and the maintenance of semi-annual personnel certifications and other appropriate documentation for the salaries and benefits charged to federal programs.

Additionally, the charge for salaries and benefits should remain within the proper account classification and not be moved to an operating expense category in order to ensure all District salaries and benefits are properly reported to the appropriate agency.

Current Status

Implemented

2007-3 **Program:** Workforce Investment Act Adult Program and Workforce Investment Act Dislocated Workers
CFDA No: CFDA#17.258 & 17.260
Federal Agency: Department of Labor
Award Year: Fiscal Year 2007
Compliance Requirement: Allowable Costs and Activities

Criteria or Specific Requirement

The March 2006 OMB Circular A-133 Compliance Supplement requirements for Allowable Costs and Activities states to be allowable under Federal awards, costs must meet specified criteria including being reasonable and necessary for the performance and administration of the Federal Grant and be supported by appropriate documentation.

Condition

Significant Deficiency, Instance of Non Compliance - We noted one vendor providing assessment services to eligible participants submitted invoices during the year totaling \$26,500 through June 30, 2007. The District's cumulative total invoiced to the program under the grants noted above was \$42,167. Although staff represented that the pass through agency had approved this expenditure as a fee for service rather than a cost reimbursement type of item, there was no information in writing to support this treatment. Additionally, this amount was split 50% to the Adult Program and 50% to the Dislocated Workers Program with no additional supporting documentation.

Questioned Costs

Workforce Investment Act Adult Program expenditures of \$7,883.50, and Workforce Investment Act Dislocated Workers expenditures of \$7,883.50 between July 1, 2006 and June 30, 2007.

Context

The District contracts with and receives services from outside vendors as part of the Workforce Investment Act Program and submits these invoices for reimbursement with the monthly financial

report form. The total amount submitted during the year was \$42,167.

Effect

The District has received reimbursement of expenses in excess of amounts actually paid.

Cause

The District has included a surcharge on the invoices received from this vendor as a form of indirect cost to the program and submitted the expenditure as a fee for service type of reimbursement rather than a cost reimbursement.

Recommendations

Invoices received for services performed should be included in the Monthly Financial Report Form at actual amounts paid unless previously approved by passthrough agency as a fee for a specified service.

Current Status

Implemented.

2007-4 Program: Workforce Investment Act Youth Activities, Workforce Investment Act Adult Program and Workforce Investment Act Dislocated Workers
CFDA No: CFDA#17.259, 17.258 & 17.260
Federal Agency: Department of Labor
Award Year: Fiscal Year 2007
Compliance Requirement: Program Income

Criteria or Specific Requirement

The March 2006 OMB Circular A-133 Compliance Supplement for the Workforce Investment Act Section III J requires program income earned that is in addition to the grant amount be reported as program income and specifically includes receipts from goods and services including conferences, and any excess of revenues over costs.

Condition

Control Deficiency – Activities related to the Workforce Investment Act Programs noted above have been accounted for within three separate funds of the District depending upon the source of funds. In accordance with the criteria noted above, program income includes fees for services performed.

Questioned Costs

NONE

Context

The District maintains accounts and funds for activity related to programs that may be classified as Restricted or Unrestricted. By segregating the activity between funds it is difficult to determine whether the program income has been correctly determined, recorded and used in accordance with

program requirements

Effect

By not accounting for the program revenues in accordance with the criteria of OMB Circular A-133, the District may be co-mingling activities and is at risk for being out of compliance with Federal guidelines.

Cause

Lack of effective fiscal oversight over the Workforce Investment Act program requirements and lack of knowledge of federal requirements for the proper accounting and reporting of Program Income.

Recommendation

All income associated with the WIA Programs should be accounted for within one fund. If additional analysis by the District is necessary, sub program account codes, or location codes may be added to provide the desired information.

Current Status

Implemented through alternative method.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2008

The following findings represent instances of noncompliance and/or questioned costs relating to State program laws and regulations.

2007-5 STANDARDS OF SCHOLARSHIP-COURSE REPETITION

Criteria or Specific Requirement

Certain classes allow students to repeat the course several times, however, there is a maximum number of times for which the course repeat may be claimed for apportionment.

Condition

Significant Deficiency – Instance of Noncompliance – During our audit of the State Compliance requirements, we noted that the District is not reducing apportionment for the FTES associated with repeated classes exceeding the maximum of repeats that are allowable for apportionment purposes. In addition, we noted that both sites do not consistently obtain and retain forms requesting a repeat of a course.

Questioned Costs

Unknown.

Context

State apportionment may be claimed for repetitions in some cases but not all cases. The reason a student is repeating a course often determines whether FTES can be claimed by the District. District policy indicates that students wishing to repeat a course more than once must obtain approval. The approval is to be documented on a Request for Repeat form. We reviewed 23 students and noted 7 instances of students where FTES were claimed for repeatable courses in which FTES should not be claimed.

Effect

Failure to track and exclude apportionment for those instances of repeatable courses that are not allowed to be claimed results in the District receiving state funding in excess of what it entitled to receive. In addition, the sites are not consistently following District policy over documentation of the approval of course repeats.

Cause

No reports are generated listing all students who repeated a course and whether they fall into repeats allowable for apportionment or not. In addition, site personnel are not identifying those students whose attendance has not been updated in the system and adjusting their records at a later time, preferably prior to the census date to ensure that accurate data on repeating courses is tracked.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2008

Recommendation

Maintaining a system to track and evaluate FTES generated from repeatable course work is important in ensuring the correct reporting for the number of FTES and therefore the calculation of state apportionment revenues. In order to comply with the State regulations, the District should implement a method of identifying and deducting repeats unallowable for apportionment purposes. In addition, consideration should be given to performing a periodic internal review of this process by selecting some repeat students and obtaining forms and comparing to students inclusion or exclusion from the FTES reporting.

Current Status

Not tested as rotated out of state compliance testing requirements.

2007-6 CONCURRENT ENROLLMENT

Criteria or Specific Requirement

Education Code Section 76001(d) allows special part-time students may enroll in up to 11 units per semester.

Condition

Significant Deficiency – Instance of Noncompliance – It was noted that one student had enrolled and completed 11.5 units in the Fall, 2006 semester.

Questioned Costs

Unknown.

Context

One concurrently enrolled student out of eleven reviewed enrolled in units in excess of the maximum allowed.

Effect

Failure to limit enrollment to maximum allowed for concurrently enrolled students may result in inappropriate state funding to either the District or another local education agency that the student may also attend.

Cause

Concurrently enrolled student not limited to the maximum allowable units of courses.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2008

Recommendation

When enrolling these types of students, the admission clerks should verify in the system the number of units each class is worth and before finalizing these students enrollment, recalculate the number of units enrolled.

Current Status

Not implemented, see current year comments.

ADDITIONAL SUPPLEMENTARY INFORMATION

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEETS - (UNAUDITED)
JUNE 30, 2008**

	<u>General Funds</u>		<u>Special Revenue Funds</u>	
	<u>General Unrestricted</u>	<u>General Restricted</u>	<u>Cafeteria</u>	<u>Child Development</u>
ASSETS				
Cash and cash equivalents	\$ 25,072	\$ -	\$ -	\$ -
Investments	11,668,486	-	75,184	-
Accounts receivable	3,922,327	3,095,191	789	50,595
Prepaid expenses	190,057	-	-	-
Total Assets	<u>\$15,805,942</u>	<u>\$ 3,095,191</u>	<u>\$ 75,973</u>	<u>\$ 50,595</u>
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	\$ 6,553,143	\$ (7,543)	\$ -	\$ -
Overdraft	-	9,844	-	50,595
Deferred revenue	2,107,555	1,828,346	-	-
Total Liabilities	<u>8,660,698</u>	<u>1,830,647</u>	<u>-</u>	<u>50,595</u>
FUND EQUITY				
Fund Balances				
Reserved	70,056	-	-	-
Unreserved				
Designated	7,075,188	1,264,544	75,973	-
Total Fund Equity	<u>7,145,244</u>	<u>1,264,544</u>	<u>75,973</u>	<u>-</u>
Total Liabilities and Fund Equity	<u>\$15,805,942</u>	<u>\$ 3,095,191</u>	<u>\$ 75,973</u>	<u>\$ 50,595</u>

See accompanying note to additional supplementary information.

Debt Service Funds			Capital Project Funds		Total
Bond Interest and Redemption	Revenue Bond Interest and Redemption	Other Debt Service	Capital Outlay Projects	General Obligation Bond	Fund (Memorandum Only)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,072
12,128,580	766,859	2,469,198	-	106,660,827	133,769,134
64,917	-	5,802	8,032,681	1,005,383	16,177,685
-	-	-	-	-	190,057
<u>\$ 12,193,497</u>	<u>\$ 766,859</u>	<u>\$ 2,475,000</u>	<u>\$ 8,032,681</u>	<u>\$ 107,666,210</u>	<u>\$ 150,161,948</u>
\$ -	\$ -	\$ 2,475,000	\$ -	\$ 27,518	\$ 9,048,118
-	-	-	7,072,189	-	7,132,628
-	-	-	24,047	-	3,959,948
<u>-</u>	<u>-</u>	<u>2,475,000</u>	<u>7,096,236</u>	<u>27,518</u>	<u>20,140,694</u>
-	-	-	-	-	70,056
12,193,497	766,859	-	936,445	107,638,692	129,951,198
<u>12,193,497</u>	<u>766,859</u>	<u>-</u>	<u>936,445</u>	<u>107,638,692</u>	<u>130,021,254</u>
<u>\$ 12,193,497</u>	<u>\$ 766,859</u>	<u>\$ 2,475,000</u>	<u>\$ 8,032,681</u>	<u>\$ 107,666,210</u>	<u>\$ 150,161,948</u>

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

**GOVERNMENTAL FUNDS
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>General Funds</u>		<u>Special Revenue Funds</u>	
	<u>General Unrestricted</u>	<u>General Restricted</u>	<u>Cafeteria</u>	<u>Child Development</u>
REVENUES				
Federal revenues	\$ 40,263	\$ 6,736,794	\$ -	\$ 31,258
State revenues	6,857,633	10,328,978	-	447,060
Local revenues	72,989,927	1,773,367	41,458	69,415
Total Revenues	<u>79,887,823</u>	<u>18,839,139</u>	<u>41,458</u>	<u>547,733</u>
EXPENDITURES				
Current Expenditures				
Academic salaries	37,270,009	3,518,301	-	-
Classified salaries	16,839,248	6,681,554	25,624	604,008
Employee benefits	15,330,535	2,970,227	14,501	347,315
Books and supplies	949,678	500,803	-	71,243
Services and operating expenditures	10,277,391	3,800,247	13,881	35,464
Capital outlay	375,380	1,224,340	5,843	-
Debt service - principal	-	-	-	-
Debt service - interest and other	-	-	-	-
Total Expenditures	<u>81,042,241</u>	<u>18,695,472</u>	<u>59,849</u>	<u>1,058,030</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,154,418)</u>	<u>143,667</u>	<u>(18,391)</u>	<u>(510,297)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	671,757	-	510,297
Operating transfers out	(3,197,165)	-	-	-
Other sources	23,804	20,259	-	-
Other uses	(107,574)	-	-	-
Total Other Financing Sources (Uses)	<u>(3,280,935)</u>	<u>692,016</u>	<u>-</u>	<u>510,297</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(4,435,353)</u>	<u>835,683</u>	<u>(18,391)</u>	<u>-</u>
FUND BALANCE, BEGINNING OF YEAR	<u>11,580,597</u>	<u>428,861</u>	<u>94,364</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 7,145,244</u>	<u>\$ 1,264,544</u>	<u>\$ 75,973</u>	<u>\$ -</u>

See accompanying note to additional supplementary information.

Debt Service Funds			Capital Project Funds		Total
Bond Interest and Redemption	Revenue Bond Interest and Redemption	Other Debt Service	Capital Outlay Projects	General Obligation Bond	Governmental Fund (Memorandum Only)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,808,315
-	-	-	10,692,247	-	28,325,918
10,991,241	-	433,002	224,641	3,247,251	89,770,302
<u>10,991,241</u>	<u>-</u>	<u>433,002</u>	<u>10,916,888</u>	<u>3,247,251</u>	<u>124,904,535</u>
-	-	-	-	-	40,788,310
-	-	-	183,899	269,650	24,603,983
-	-	2,751,584	80,400	97,773	21,592,335
-	-	-	15,690	-	1,537,414
-	2,650	-	951,318	10,819,358	25,900,309
-	-	-	10,178,306	25,041,894	36,825,763
6,415,000	-	-	-	-	6,415,000
7,613,010	-	-	-	-	7,613,010
<u>14,028,010</u>	<u>2,650</u>	<u>2,751,584</u>	<u>11,409,613</u>	<u>36,228,675</u>	<u>165,276,124</u>
<u>(3,036,769)</u>	<u>(2,650)</u>	<u>(2,318,582)</u>	<u>(492,725)</u>	<u>(32,981,424)</u>	<u>(40,371,589)</u>
-	-	2,015,111	-	-	3,197,165
-	-	-	-	-	(3,197,165)
5,023,229	-	-	-	97,999,946	103,067,238
-	-	-	-	-	(107,574)
<u>5,023,229</u>	<u>-</u>	<u>2,015,111</u>	<u>-</u>	<u>97,999,946</u>	<u>102,959,664</u>
1,986,460	(2,650)	(303,471)	(492,725)	65,018,522	62,588,075
10,207,037	769,509	303,471	1,429,170	42,620,170	67,433,179
<u>\$ 12,193,497</u>	<u>\$ 766,859</u>	<u>\$ -</u>	<u>\$ 936,445</u>	<u>\$107,638,692</u>	<u>\$ 130,021,254</u>

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

**PROPRIETARY FUNDS
BALANCE SHEETS - (UNAUDITED)
JUNE 30, 2008**

	<u>Enterprise Funds</u> <u>Bookstore</u>	<u>Internal</u> <u>Service Fund</u>
ASSETS		
Cash and cash equivalents	\$ 781,958	\$ -
Investments	-	22,543
Accounts receivable	43,447	-
Stores inventories	512,370	-
Furniture and equipment (net)	305,535	-
Total Assets	<u>\$ 1,643,310</u>	<u>\$ 22,543</u>
LIABILITIES AND FUND EQUITY		
LIABILITIES		
Accounts payable	\$ 142,762	\$ -
Total Liabilities	<u>142,762</u>	<u>-</u>
FUND EQUITY		
Retained earnings	1,500,548	22,543
Total Liabilities and Fund Equity	<u>\$ 1,643,310</u>	<u>\$ 22,543</u>

See accompanying note to additional supplementary information.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

**PROPRIETARY FUNDS
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN
RETAINED EARNINGS - (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Enterprise Funds</u> <u>Bookstore</u>	<u>Internal</u> <u>Service</u> <u>Fund</u>
OPERATING REVENUES		
Revenues	\$ 4,747,118	993,738
OPERATING EXPENSES		
Classified salaries	647,956	-
Books and supplies	3,963,515	-
Services and other operating expenditures	19,180	1,026,328
Depreciation	73,633	-
Total Operating Expenses	<u>4,704,284</u>	<u>1,026,328</u>
Operating Income (Loss)	<u>42,834</u>	<u>(32,590)</u>
NONOPERATING REVENUES/(EXPENSES)		
Interest income	9,365	-
Total Nonoperating Revenues (Expenses)	<u>9,365</u>	<u>-</u>
NET INCOME (LOSS)	52,199	(32,590)
RETAINED EARNINGS, BEGINNING OF YEAR	1,448,349	55,133
RETAINED EARNINGS, END OF YEAR	<u>\$ 1,500,548</u>	<u>\$ 22,543</u>

See accompanying note to additional supplementary information.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

**PROPRIETARY FUNDS
STATEMENTS CASH FLOWS - (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Enterprise Funds</u> <u>Bookstore</u>	<u>Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from user charges	\$ 4,854,756	\$ 993,738
Cash payments to employees for services	(647,956)	-
Cash payments to suppliers for goods and services	(4,097,131)	-
Cash payments for other operating expenses	(19,180)	(1,026,328)
Net Cash Flows From Operating Activities	<u>90,489</u>	<u>(32,590)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of capital assets	(31,907)	-
Net Cash Flows From Investing Activities	<u>(31,907)</u>	<u>-</u>
Net change in cash and cash equivalents	58,582	(32,590)
Cash and cash equivalents - Beginning	723,376	55,133
Cash and cash equivalents - Ending	<u>\$ 781,958</u>	<u>\$ 22,543</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATION ACTIVITIES		
Operating income (loss)	\$ 42,834	\$ (32,590)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:		
Depreciation	73,633	-
Changes in assets and liabilities:		
Receivables	98,273	-
Inventories	(68,372)	-
Accounts payable	(55,879)	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 90,489</u>	<u>\$ (32,590)</u>

See accompanying note to additional supplementary information.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

**FIDUCIARY FUNDS
BALANCE SHEETS - (UNAUDITED)
JUNE 30, 2008**

	<u>Associated Students</u>		<u>Student Financial Aid</u>	<u>Scholarship and Loan</u>	<u>Total</u>
	<u>San Jose City College</u>	<u>Evergreen Valley College</u>			
ASSETS					
Cash and cash equivalents	\$ 408,790	\$ 519,596	\$ -	\$ -	\$ 928,386
Investments	-	-	-	358,759	358,759
Accounts receivable	25,227	-	1,293,338	3,110	1,321,675
Total Assets	\$ 434,017	\$ 519,596	\$ 1,293,338	\$ 361,869	\$ 2,608,820
LIABILITIES AND FUND EQUITY					
LIABILITIES					
Accounts payable	\$ 5,100	\$ -	\$ (3,008)	\$ -	\$ 2,092
Overdraft	-	-	1,296,316	-	1,296,316
Due to student groups	428,917	519,596	-	-	948,513
Total Liabilities	434,017	519,596	1,293,338	-	2,246,951
FUND EQUITY					
Fund Balances					
Reserved	-	-	-	-	-
Unreserved					
Designated	-	-	-	-	-
Undesignated	-	-	-	361,869	361,869
Total Fund Equity	-	-	-	361,869	361,869
Total Liabilities and Fund Equity	\$ 434,017	\$ 519,596	\$ 1,293,338	\$ 361,869	\$ 2,608,820

See accompanying note to additional supplementary information.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

**FIDUCIARY FUNDS
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2008**

	Student Financial Aid	Scholarship and Loan	Total
REVENUES			
Federal revenues	\$10,160,070	\$ -	\$10,160,070
State revenues	1,429,254	-	1,429,254
Local revenues	-	43,107	43,107
Total Revenues	<u>11,589,324</u>	<u>43,107</u>	<u>11,632,431</u>
EXPENDITURES			
Current Expenditures			
Classified salaries	18,520	-	18,520
Total Expenditures	<u>18,520</u>	<u>-</u>	<u>18,520</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>11,570,804</u>	<u>43,107</u>	<u>11,613,911</u>
OTHER USES			
Operating transfers in	-	-	-
Other uses	(11,570,804)	-	(11,570,804)
Total Other Uses	<u>(11,570,804)</u>	<u>-</u>	<u>(11,570,804)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	-	43,107	43,107
FUND BALANCE, BEGINNING OF YEAR	-	318,762	318,762
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ 361,869</u>	<u>\$ 361,869</u>

See accompanying note to additional supplementary information.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE

**NOTE TO ADDITIONAL SUPPLEMENTARY INFORMATION
JUNE 30, 2008**

NOTE 1 - PURPOSE OF SCHEDULES

Fund Financial Statements

The accompanying financial statements report the governmental, proprietary, and fiduciary fund activities of San Jose/Evergreen Community College District and are presented on the modified accrual basis of accounting. Therefore, some amounts presented in these financial statements may differ from amounts presented in, or used in, the preparation of the financial statements. The information is unaudited and is presented at the request of the District management.