



SAN JOSE / EVERGREEN
COMMUNITY
COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT
JUNE 30, 2009

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS

JUNE 30, 2009

FINANCIAL SECTION

Independent Auditors' Report	2
Management 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

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Other Postemployment Benefits (OPEB) Funding Progress	45
---	----

SUPPLEMENTARY INFORMATION

District Organization	47
Schedule of Expenditures of Federal Awards	48
Schedule of Expenditures of State Awards	49
Schedule of Workload Measures for State General Apportionment	53
Reconciliation of Annual Financial and Budget Report with Fund Financial Statements	54
Reconciliation of the Governmental Fund Balance Sheets to the Statement of Net Assets	55
Governmental Funds	
Balance Sheets	56
Statements of Revenues, Expenditures, and Changes in Fund Balance	58
Proprietary Funds	
Balance Sheets	60
Statements of Revenues, Expenses, and Changes in Retained Earnings	61
Statements of Cash Flows	62
Fiduciary Funds	
Balance Sheets	63
Statements of Revenues, Expenditures, and Changes in Fund Balance	64
Note to Supplementary Information	65

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>	68
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	70
Report on State Compliance	72

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditors' Results	75
Financial Statement Findings and Recommendations	76
Federal Awards Findings and Questioned Costs	78
State Awards Findings and Questioned Costs	79
Summary Schedule of Prior Audit Findings	81

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 business-type activities of the San Jose/Evergreen Community College District (the District) as of and for the years ended June 30, 2009 and 2008, 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 business-type activities of the San Jose/Evergreen Community College District as of June 30, 2009 and 2008, 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.

As discussed in the Notes to the Financial Statements, the accompanying financial statements reflect certain changes required as a result of the implementation of Governmental Accounting Standards Board (GASB) Statement No. 43 and 45 for the year ended June 30, 2009.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2009, 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 required supplementary information, such as management's discussion and analysis as listed in the table of contents and other postemployment information, 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. We have applied certain limited procedures, which consisted 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards which is required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, the Combining Statements – Governmental, Proprietary, and Fiduciary Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Vavinek, Trine, Day & Co LLP

Pleasanton, California
November 16, 2009

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2009

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 DISCUSSION AND ANALYSIS

JUNE 30, 2009

Statement of Net Assets

	2009	2008	Change	2007	Change
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 10,722,396	\$ 14,273,819	\$ (3,551,423)	\$ 19,411,367	\$ (5,137,548)
Accounts receivable, net	12,946,519	17,542,807	(4,596,288)	8,776,685	8,766,122
Prepaid expenses - current portion	75,795	190,057	(114,262)	-	190,057
Other assets	601,638	512,370	89,268	453,735	58,635
Other current assets - current portion	86,086	63,461	22,625	-	63,461
Total Current Assets	24,432,434	32,582,514	(8,150,080)	28,641,787	3,940,727
NONCURRENT ASSETS					
Restricted cash	83,063,823	113,596,520	(30,532,697)	55,708,477	57,888,043
Investments - noncurrent portion	4,319,736	779,353	3,540,383	769,509	9,844
Other current assets - noncurrent portion	2,056,686	1,396,145	660,541	-	1,396,145
Prepaid OPEB contribution	39,352,909	-	39,352,909	-	-
Capital assets, net of accumulated depreciation	281,283,253	254,480,449	26,802,804	219,641,561	34,838,888
Total Noncurrent Assets	410,076,407	370,252,467	39,823,940	276,119,547	94,132,920
TOTAL ASSETS	434,508,841	402,834,981	31,673,860	304,761,334	98,073,647
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	12,621,419	12,752,760	(131,341)	12,829,431	(76,671)
Deferred revenue	5,179,460	3,959,978	1,219,482	5,258,238	(1,298,260)
Amount held in custody on behalf of others	1,033,377	991,620	41,757	776,779	214,841
Current portion of long-term obligations	4,984,301	5,234,301	(250,000)	6,465,000	(1,230,699)
Total Current Liabilities	23,818,557	22,938,659	879,898	25,329,448	(2,390,789)
NONCURRENT LIABILITIES					
Accrued compensated absences payable	1,613,678	1,791,404	(177,726)	1,551,980	239,424
Long-term obligations	301,866,498	256,413,812	45,452,686	160,129,940	96,283,872
Other long-term liabilities	4,395,326	4,604,627	(209,301)	-	4,604,627
Total Noncurrent Liabilities	307,875,502	262,809,843	45,065,659	161,681,920	101,127,923
TOTAL LIABILITIES	331,694,059	285,748,502	45,945,557	187,011,368	98,737,134
NET ASSETS					
Invested in capital assets, net of related debt	81,012,193	93,766,220	(12,754,027)	93,063,954	702,266
Restricted for:					
Debt service	13,495,120	12,960,356	534,764	10,976,546	1,983,810
Educational programs	1,148,875	1,264,544	(115,669)	420,530	844,014
Capital projects	939,576	936,445	3,131	1,747,932	(811,487)
Unrestricted	6,219,018	8,158,914	(1,939,896)	11,541,004	(3,382,090)
Total Net Assets	\$ 102,814,782	\$117,086,479	\$ (14,271,697)	\$ 117,749,966	\$ (663,487)

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2009

Cash and cash equivalents are invested primarily in the Santa Clara County investment pool. The decrease in the cash balances from prior year is primarily a 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 \$8.1 million.

Other assets primarily represent bookstore merchandise inventory.

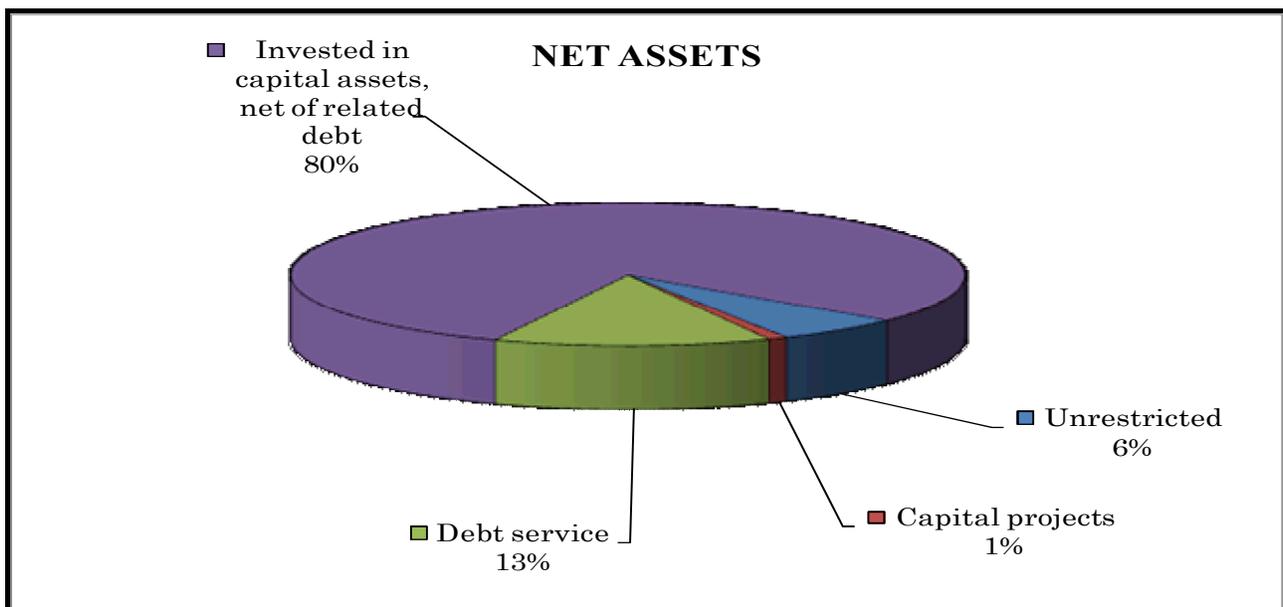
Capital assets represent the District's original investment in land, site improvements, buildings, building improvements, construction in progress, and equipment, less the cost of accumulated depreciation. Capital assets increased by approximately \$61.6 million over the past two years due to the construction 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 2008-2009, for which payment would not be made until 2009-2010. 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 \$2.6 million of this amount represents student tuition and registration fees, received during 2008-2009, for the 2009-2010 summer and fall terms. Approximately \$2.4 million represents funding for grants and contracts whose terms and conditions extend beyond the 2008-2009 fiscal year.

The District's long-term liabilities consist of the accumulated liability for compensated absence of approximately \$1.6 million and \$260 million in voter approved general obligation bonds, \$46.7 million of OPEB taxable bonds, and \$4.6 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 \$81.0 million. These funds are not liquid resources that can be used to fund ongoing operations.



SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2009

Statement of Revenues, Expenses, and Changes in Net Assets

Operating Results

	<u>2009</u>	<u>2008</u>	<u>Change</u>	<u>2007</u>	<u>Change</u>
OPERATING REVENUES					
Tuition and Fees - net	\$ 6,098,111	\$ 6,060,262	\$ 37,849	\$ 5,439,556	\$ 620,706
Grants and Contracts, noncapital:					
Federal	19,853,795	16,968,385	2,885,410	15,912,334	1,056,051
State	13,120,705	13,680,823	(560,118)	14,395,174	(714,351)
Local	1,779,456	950,870	828,586	-	950,870
Auxiliary Enterprise Sales and Charges					
Bookstore	4,910,131	4,707,192	202,939	4,531,945	175,247
TOTAL OPERATING REVENUES	<u>45,762,198</u>	<u>42,367,532</u>	<u>3,394,666</u>	<u>40,279,009</u>	<u>2,088,523</u>
OPERATING EXPENSES					
Salaries	66,931,948	65,055,409	1,876,539	61,308,930	3,746,479
Employee benefits	24,318,514	23,067,866	1,250,648	22,037,089	1,030,777
Supplies, materials, and other operating expenses and services	38,521,956	37,381,387	1,140,569	35,097,265	2,284,122
Depreciation	13,045,370	8,744,903	4,300,467	6,262,997	2,481,906
TOTAL OPERATING EXPENSES	<u>142,817,788</u>	<u>134,249,565</u>	<u>8,568,223</u>	<u>124,706,281</u>	<u>9,543,284</u>
OPERATING LOSS	<u>(97,055,590)</u>	<u>(91,882,033)</u>	<u>(5,173,557)</u>	<u>(84,427,272)</u>	<u>(7,454,761)</u>
NONOPERATING REVENUES (EXPENSES)					
State apportionments, noncapital	2,508,063	2,982,808	(474,745)	4,355,127	(1,372,319)
Local property taxes	83,381,864	77,343,177	6,038,687	74,088,867	3,254,310
State taxes and other revenues	2,963,616	3,874,825	(911,209)	4,264,632	(389,807)
Investment income	213,802	284,176	(70,374)	1,824,215	(1,540,039)
Interest expense on capital related debt	(14,802,086)	(10,090,238)	(4,711,848)	(8,038,256)	(2,051,982)
Loss on disposal of capital assets	56,386	(52,838)	109,224	(126,954)	74,116
Investment income on capital assets-related debt, net	2,619,507	2,928,314	(308,807)	3,120,765	(192,451)
Other nonoperating revenue	5,133,113	3,256,075	1,877,038	3,727,782	(471,707)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>82,074,265</u>	<u>80,526,299</u>	<u>1,547,966</u>	<u>83,216,178</u>	<u>(2,689,879)</u>
INCOME/LOSS) BEFORE OTHER REVENUES AND EXPENSES	<u>(14,981,325)</u>	<u>(11,355,734)</u>	<u>(3,625,591)</u>	<u>(1,211,094)</u>	<u>(10,144,640)</u>
State revenues, capital	709,628	10,692,247	(9,982,619)	2,237,416	8,454,831
Local revenues, capital	-	-	-	378,418	(378,418)
TOTAL REVENUES AND EXPENSES	<u>709,628</u>	<u>10,692,247</u>	<u>(9,982,619)</u>	<u>2,615,834</u>	<u>8,076,413</u>
CHANGE IN NET ASSETS	(14,271,697)	(663,487)	(13,608,210)	1,404,740	(2,068,227)
NET ASSETS, BEGINNING OF YEAR	117,086,479	117,749,966	(663,487)	116,345,226	1,404,740
NET ASSETS, END OF YEAR	<u>\$ 102,814,782</u>	<u>\$ 117,086,479</u>	<u>\$ (14,271,697)</u>	<u>\$ 117,749,966</u>	<u>\$ (663,487)</u>

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2009

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 \$2.5 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 \$13.1 million is funding received from the State for categorical programs, such as DSP&S, EOP&S, Matriculation, etc., while Federal grants of approximately \$19.9 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 \$4.9 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 \$2.8 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.

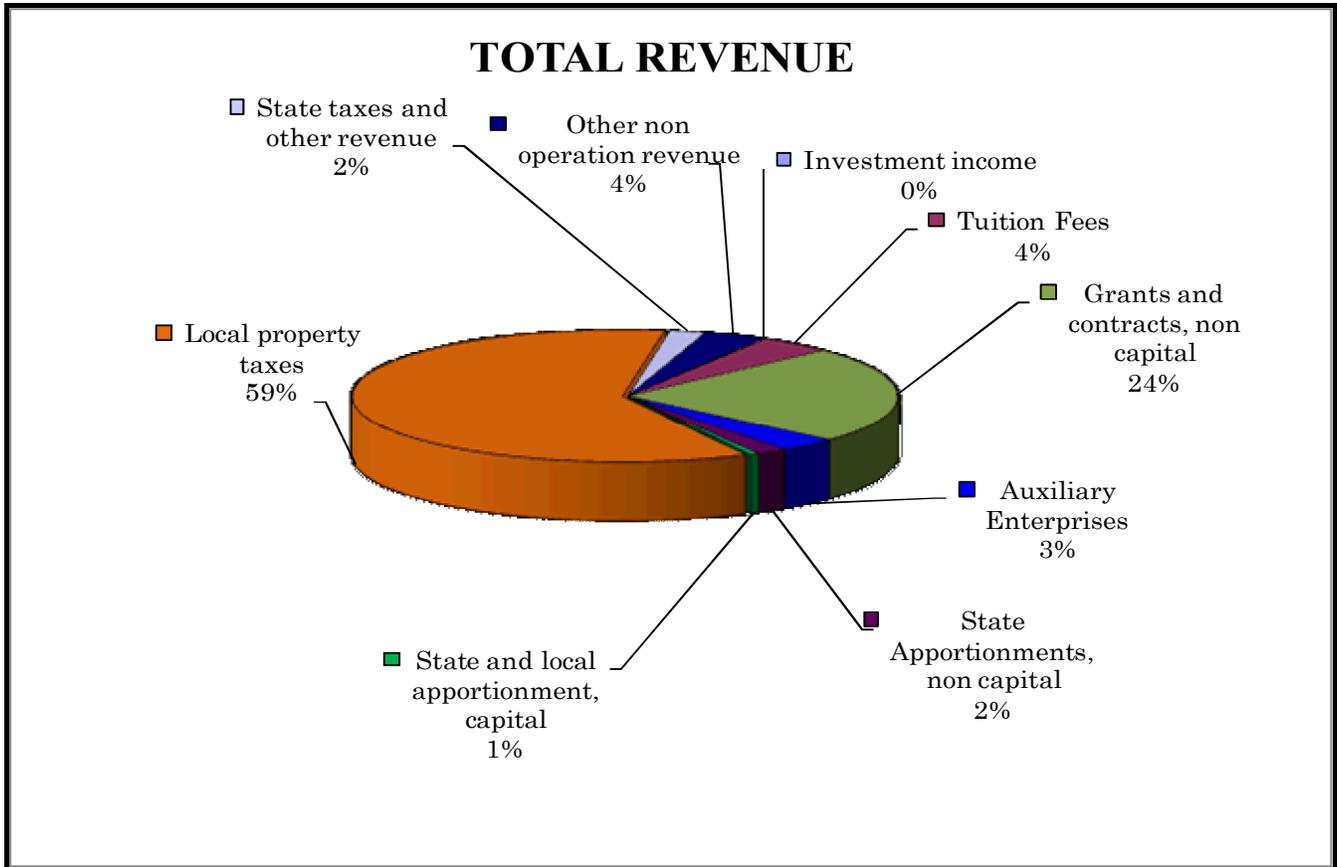
The "State apportionments, capital" revenues principally represent State funding for State approved capital projects and deferred maintenance programs.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2009

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



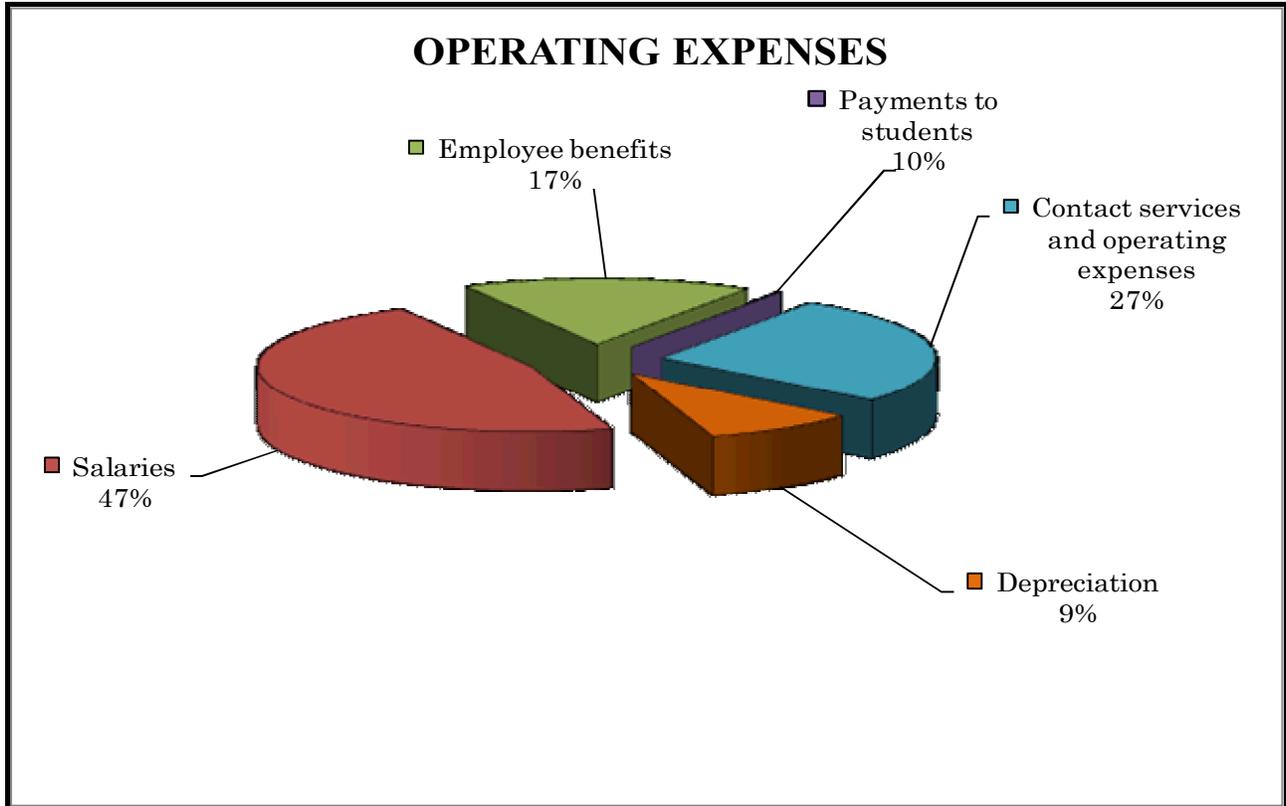
The largest component of the District's operating expense is the cost associated with employee salaries and benefits. Nearly 64 percent of the total expense is spent in this area. "Contract services and other operating expenses" represent ongoing operating costs such as utilities and supplies and account for an additional \$23.5 million. The remainder includes amounts paid to students primarily for financial aid of \$14.9 million and depreciation expense of \$13.0 million.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2009

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



District enrollment in Fiscal Year 2008-09 reached a record level, with 15,487 FTES reported to the State of California for funding. The District's FTES was not fully funded due to severe funding restrictions at the State level.

Measure G will pick up where the previous measure left off and a number of planned projects will move from design to construction during the following year, including the Math and Fine Arts Complex at SJCC as well as renovations of Cedro, PE and Acacia Buildings at EVC.

The OPEB Trust Fund was established last spring after the sale of OPEB Bonds to fund the GASB 43/45 Actuarial Valuation of Postretirement Employee Benefits estimated at \$47.7 million dollars. The closing for the District's OPEB Bond was May 14, 2009, with an expense rate fixed at 4.62% and a swap rate the end of the third year at 4.239%. Separate financial statements for the Retiree Benefit Plan Trust are available by contacting the San Jose/Evergreen Community College District office.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2009

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

	<u>2009</u>	<u>2008</u>	<u>Change</u>	<u>2007</u>	<u>Change</u>
Cash From					
Operating activities	\$ (89,362,699)	\$ (80,695,282)	\$ (8,667,417)	\$ (75,990,309)	\$ (4,704,973)
Noncapital financing activities	82,965,757	77,049,105	5,916,652	75,520,382	1,528,723
Capital and related financing activities	(28,659,881)	54,364,863	(83,024,744)	(19,761,287)	74,126,150
Investing activities	972,703	1,994,985	(1,022,282)	4,635,358	(2,640,373)
Change in Cash	<u>(34,084,120)</u>	<u>52,713,671</u>	<u>(86,797,791)</u>	<u>(15,595,856)</u>	<u>68,309,527</u>
Cash - Beginning of Year	<u>127,870,339</u>	<u>75,156,668</u>	<u>52,713,671</u>	<u>90,752,524</u>	<u>(15,595,856)</u>
Cash - End of Year	<u>\$ 93,786,219</u>	<u>\$ 127,870,339</u>	<u>\$ (34,084,120)</u>	<u>\$ 75,156,668</u>	<u>\$ 52,713,671</u>

Economic Factors That May Affect the Future

The Unrestricted General Fund provides the resources necessary to sustain the day-to-day activities of the district and pays for most administrative and operating expenditures. The State budget continues to exhibit its fragile status as Fiscal Year 2009-10 commences into the second quarter. The 2009-10 General Fund Revenues has been reduced by approximately \$2.2 million and translated by the State Chancellor's office into a 3.39% Workload Reduction. The consequences of this action may be to reduce the number of sections we offer, as well as considering other strategies. Overestimates of property tax growth revenue in Fiscal Year 2008-09 led to year-end reductions in General Apportionment to the District, causing approximately \$682,000 thousand of the spend-down of reserves for the fiscal year. There is potential for the same condition to occur again in Fiscal Year 2009-10 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 2009-10. The State is currently predicting a deficit factor of 1.35% for 2009-2010. This means that the state is already predicting that revenues will come up short. The District is again experiencing unprecedented demand for its programs and services, which can be expected to continue as the unemployment rate continues at record levels. 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 student growth, and the continuing trend in growth for the Fall semester, 2009, there will be sufficient enrollment that can be reported in

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2009

Fiscal Year 2009-10 to permit the District to receive the maximum funded growth permissible within available State resources.

Progress on Capital Projects

The District continues to make progress in implementing its capital projects master plan associated with Measure G (2004). A number of projects will move from design to construction during the following year. The District is currently working on an updated Facilities Master Plan 2011 that will reflect the final phase of implementation on projects in this capital construction program.

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, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 10,722,396	\$ 14,273,819
Accounts receivable, net of allowance	12,946,519	17,542,807
Deferred charges	86,086	63,461
Prepaid expenses	75,795	190,057
Stores inventories	601,638	512,370
Total Current Assets	<u>24,432,434</u>	<u>32,582,514</u>
NONCURRENT ASSETS		
Restricted cash and cash equivalents	83,063,823	113,596,520
Investments	4,319,736	779,353
Deferred charges	2,056,686	1,396,145
Prepaid OPEB contribution	39,352,909	-
Nondepreciable capital assets	64,979,885	61,406,393
Depreciable capital assets, net of accumulated depreciation	216,303,368	193,074,056
Total Noncurrent Assets	<u>410,076,407</u>	<u>370,252,467</u>
TOTAL ASSETS	<u>434,508,841</u>	<u>402,834,981</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	7,907,461	9,192,973
Accrued interest payable	4,713,958	3,559,787
Deferred revenue	5,179,460	3,959,978
Amounts held in trust on behalf of others	1,033,377	991,620
Bonds and notes payable	4,775,000	5,025,000
Other long-term liabilities	209,301	209,301
Total Current Liabilities	<u>23,818,557</u>	<u>22,938,659</u>
NONCURRENT LIABILITIES		
Accrued compensated absences payable	1,613,678	1,791,404
Bonds and notes payable	301,866,498	256,413,812
Other long-term liabilities	4,395,326	4,604,627
Total Noncurrent Liabilities	<u>307,875,502</u>	<u>262,809,843</u>
TOTAL LIABILITIES	<u>331,694,059</u>	<u>285,748,502</u>
NET ASSETS		
Invested in capital assets, net of related debt	81,012,193	93,766,220
Restricted for:		
Debt service	13,495,120	12,960,356
Educational programs	1,148,875	1,264,544
Capital projects	939,576	936,445
Unrestricted	6,219,018	8,158,914
TOTAL NET ASSETS	<u>\$ 102,814,782</u>	<u>\$ 117,086,479</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, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
OPERATING REVENUES		
Student Tuition and Fees	\$ 8,602,272	\$ 9,407,882
Less: Scholarship discount and allowance	(2,504,161)	(3,347,620)
Net tuition and fees	<u>6,098,111</u>	<u>6,060,262</u>
Grants and Contracts, noncapital:		
Federal	19,853,795	16,968,385
State	13,120,705	13,680,823
Local	1,779,456	950,870
Auxiliary Enterprise Sales and Charges		
Bookstore	4,910,131	4,707,192
TOTAL OPERATING REVENUES	<u>45,762,198</u>	<u>42,367,532</u>
OPERATING EXPENSES		
Salaries	66,931,948	65,055,409
Employee benefits	24,318,514	23,067,866
Supplies, materials, and other operating expenses and services	38,521,956	37,381,387
Depreciation	13,045,370	8,744,903
TOTAL OPERATING EXPENSES	<u>142,817,788</u>	<u>134,249,565</u>
OPERATING LOSS	<u>(97,055,590)</u>	<u>(91,882,033)</u>
NONOPERATING REVENUES (EXPENSES)		
State apportionments, noncapital	2,508,063	2,982,808
Local property taxes	83,381,864	77,343,177
State taxes and other revenues	2,963,616	3,874,825
Investment income, net	213,802	284,176
Interest expense on capital related debt	(14,802,086)	(10,090,238)
Investment income on capital asset-related debt, net	2,619,507	2,928,314
Gain (loss) on disposal of capital assets	56,386	(52,838)
Transfer from agency fund	402,945	-
Other nonoperating revenue	4,730,168	3,256,075
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>82,074,265</u>	<u>80,526,299</u>
INCOME (LOSS) BEFORE OTHER REVENUES AND EXPENSES	<u>(14,981,325)</u>	<u>(11,355,734)</u>
OTHER REVENUES (EXPENSES)		
State revenues, capital	709,628	10,692,247
TOTAL OTHER REVENUES AND EXPENSES	<u>709,628</u>	<u>10,692,247</u>
CHANGE IN NET ASSETS	(14,271,697)	(663,487)
NET ASSETS, BEGINNING OF YEAR	<u>117,086,479</u>	<u>117,749,966</u>
NET ASSETS, END OF YEAR	<u>\$ 102,814,782</u>	<u>\$ 117,086,479</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, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 4,513,716	\$ 5,808,918
Grants and contracts	35,369,837	33,072,038
Payments to vendors for supplies and services	(40,112,991)	(36,121,969)
Payments to or on behalf of employees	(93,764,669)	(88,458,726)
Auxiliary enterprise sales and charges	4,642,022	4,789,616
Other operating receipts (payments)	(10,614)	214,841
Net Cash Flows from Operating Activities	<u>(89,362,699)</u>	<u>(80,695,282)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State apportionments	2,431,198	2,444,224
Property taxes	68,547,743	66,575,949
State taxes and other apportionments	2,963,616	3,874,825
Proceeds from OPEB debt	46,775,000	-
Payment to OPEB irrevocable trust	(39,957,516)	-
Other nonoperating	2,205,716	4,154,107
Net Cash Flows from Noncapital Financing Activities	<u>82,965,757</u>	<u>77,049,105</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
State apportionments capital projects	8,032,681	4,017,570
Purchase of capital assets	(39,848,176)	(44,290,301)
Deferred charges	(22,655)	(1,459,606)
Proceeds from capital debt	-	97,999,946
Property taxes for capital debt	14,834,121	10,767,228
Principal paid on capital debt	(5,025,000)	(6,415,000)
Interest paid on capital debt	(9,250,359)	(9,183,288)
Interest received on capital asset-related debt	2,619,507	2,928,314
Net Cash Flows from Capital Financing Activities	<u>(28,659,881)</u>	<u>54,364,863</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received from investments	972,703	1,994,985
Net Cash Flows from Investing Activities	<u>972,703</u>	<u>1,994,985</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(34,084,120)	52,713,671
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>127,870,339</u>	<u>75,156,668</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 93,786,219</u>	<u>\$ 127,870,339</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, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
RECONCILIATION OF NET OPERATING REVENUES TO NET CASH FROM OPERATING ACTUALS		
Operating loss	<u>\$ (97,055,590)</u>	<u>\$ (92,832,903)</u>
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	13,045,370	8,744,903
Changes in assets and liabilities:		
Accounts receivable, net (operating portion)	(5,506,057)	975,765
Stores inventories	(89,268)	(68,372)
Prepaid expenses	114,262	(180,320)
Accounts payable and accrued liabilities (operating portion)	(131,341)	(250,936)
Deferred revenue	211,736	2,701,740
Funds held for others	48,189	214,841
Total Adjustments	<u>7,692,891</u>	<u>12,137,621</u>
Net Cash Flows From Operating Activities	<u><u>\$ (89,362,699)</u></u>	<u><u>\$ (80,695,282)</u></u>
CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING		
Cash in banks	\$ 1,542,739	\$ 1,735,416
Cash in County Treasury	92,243,480	126,134,923
Total Cash and Cash Equivalents	<u><u>\$ 93,786,219</u></u>	<u><u>\$ 127,870,339</u></u>
NONCASH TRANSACTIONS		
On behalf payments for benefits	<u><u>\$ 1,498,187</u></u>	<u><u>\$ 1,475,531</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, 2009 AND 2008

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, 2009 AND 2008

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, 2009 AND 2008

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, 2009 and 2008, 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, 2009 AND 2008

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, 2009 AND 2008

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. Restricted net assets resulting from enabling legislation was \$1,148,875 at June 30, 2009.

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, 2009 AND 2008

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 \$1,498,187 and \$1,475,531 for CalSTRS for the years ended June 30, 2009, and 2008, respectively. There were no on-behalf payments made for CalPERS in the years ended June 30, 2009, and 2008.

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, 2009 and 2008, the District distributed \$1,973,177 and \$1,032,226 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 amounts were passed directly to qualifying students; however, the amounts are included on the Schedule of Expenditures of Federal Awards.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

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, 2009.

In July 2004, GASB issued 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 implemented the provisions of this Statement for the fiscal year ended June 30, 2009.

New Accounting Pronouncements

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Classifications*. The objectives of this Statements is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this Statement are effective for the financial statements for periods beginning after June 15, 2010. The District does not anticipate a significant impact in reporting as a result of this Statement.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

Comparative Financial Information

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

NOTE 2 – DEPOSITS AND INVESTMENTS

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; 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.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

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

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, 2009, consist of the following:

Cash on hand and in banks	\$ 1,517,667
Cash in revolving	25,072
Subtotal Deposits	<u>1,542,739</u>
Investments - cash equivalents, county cash	92,243,480
Investments	4,319,736
Subtotal Investments	<u>96,563,216</u>
Total Deposits and Investments	<u><u>\$ 98,105,955</u></u>

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

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:

Investment Type	Fair Value	Maturity Date in Years
U.S. Treasury Cash Reserve	\$ 4,319,736	0.12
County Pool - Santa Clara	92,243,480	0.82
Total	<u>\$ 96,563,216</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.

Investment Type	Fair Value	Minimum Legal Rating	Rating June 30, 2009
U.S. Treasury Cash Reserve	\$ 4,319,736	Not Required	Aaa
County Pool - Santa Clara	92,243,480	Not Required	Not rated
Total	<u>\$ 96,563,216</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, 2009, the District's bank balance of approximately \$1,070,000 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.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable for the District consisted primarily of intergovernmental grants, entitlements, interest, and other local sources. Included in student receivables are \$2,597,948 and \$1,997,866, as of June 30, 2009 and 2008, respectively, of registration fees for students registering for future terms. These amounts are recorded as accounts receivable and deferred revenue in the accompanying financial statements. Excluding registration fees for future terms and allowance estimates, student receivables were \$1,498,377 and \$513,774 for the years ended June 30, 2009, and 2008.

The District has determined \$847,471 of accounts receivable at June 30, 2009 and \$847,181 at 2008, may be uncollectable and has set up a corresponding allowance for doubtful accounts.

	<u>2009</u>	<u>2008</u>
Federal Government		
Categorical aid	\$ 3,448,770	\$ 3,445,251
State Government		
Apportionment	2,804,485	599,140
Categorical aid	641,533	789,595
Lottery	970,667	1,010,234
Other State sources	321,563	8,032,689
Local Sources		
Interest	389,296	1,148,197
Student receivables, net of allowance	3,248,854	1,664,459
Other local sources	1,121,351	853,242
Total	<u>\$ 12,946,519</u>	<u>\$ 17,542,807</u>

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2009, 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	57,964,410	39,077,109	35,503,618	61,537,901
Total Capital Assets Not Being Depreciated	<u>61,406,393</u>	<u>39,077,109</u>	<u>35,503,618</u>	<u>64,979,884</u>
Capital Assets Being Depreciated				
Land improvements	31,312,041	4,901,041	-	36,213,082
Buildings and improvements	223,984,295	30,632,117	-	254,616,412
Furniture and equipment	10,953,819	741,527	-	11,695,346
Total Capital Assets Being Depreciated	<u>266,250,155</u>	<u>36,274,685</u>	<u>-</u>	<u>302,524,840</u>
Total Capital Assets	<u>327,656,548</u>	<u>75,351,794</u>	<u>35,503,618</u>	<u>367,504,724</u>
Less Accumulated Depreciation				
Land improvements	16,542,187	2,780,160	-	19,322,347
Buildings and improvements	48,404,155	9,341,534	-	57,745,689
Furniture and equipment	8,229,757	923,678	-	9,153,435
Total Accumulated Depreciation	<u>73,176,099</u>	<u>13,045,372</u>	<u>-</u>	<u>86,221,471</u>
Net Capital Assets	<u>\$ 254,480,449</u>	<u>\$ 62,306,422</u>	<u>\$ 35,503,618</u>	<u>\$ 281,283,253</u>

Depreciation expense for the year was \$13,045,372.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

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	86,480,600	43,097,010	71,613,200	57,964,410
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	10,370,137	583,682	-	10,953,819
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	7,396,115	833,642	-	8,229,757
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.

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, 2009 AND 2008**

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>2009</u>	<u>2008</u>
Accrued payroll and benefits	\$ 1,568,143	\$ 1,375,457
Retiree health benefit premiums	-	2,475,000
Construction	3,086,160	2,078,414
Banked overload	318,022	369,763
Compensated absences	259,267	261,693
Apportionment	-	263,805
Other	<u>2,675,869</u>	<u>2,368,841</u>
Total	<u><u>\$ 7,907,461</u></u>	<u><u>\$ 9,192,973</u></u>

NOTE 7 - DEFERRED REVENUE

Deferred revenue for the District consisted of the following:

	<u>2009</u>	<u>2008</u>
Federal financial assistance	\$ 1,534	\$ 4,113
State categorical aid	2,387,485	1,560,020
Enrollment fees	2,597,948	1,997,866
Other local	<u>192,493</u>	<u>397,979</u>
Total	<u><u>\$ 5,179,460</u></u>	<u><u>\$ 3,959,978</u></u>

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 8 - LONG-TERM OBLIGATIONS

Long-Term Obligations Summary

The changes in the District's long-term obligations during the 2008-2009 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	\$ 200,000	\$ -	\$ 200,000	\$ -	\$ -
1998 General Obligation bonds, Series C	3,789,001	205,255	-	3,994,256	-
1998 General Obligation bonds, Series D	9,800,000	-	2,700,000	7,100,000	950,000
2004 General obligation refunding bonds	91,963,609	731,594	2,125,000	90,570,203	3,825,000
2004 General obligation bonds, Series A	57,686,256	1,459,203	-	59,145,459	-
2004 General obligation bonds, Series B	97,999,946	1,056,634	-	99,056,580	-
2009 OPEB taxable bond	-	46,775,000	-	46,775,000	-
Total Bonds and Notes Payable	261,438,812	50,227,686	5,025,000	306,641,498	4,775,000
Other Liabilities					
Bond Premiums	4,813,928	-	209,301	4,604,627	209,301
Compensated absences	1,791,404	-	177,726	1,613,678	-
	6,605,332	-	387,027	6,218,305	209,301
Total Long-Term Obligations	\$268,044,144	\$ 50,227,686	\$ 5,412,027	\$ 312,859,803	\$4,984,301

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

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

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, 2009 and 2008, 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, 2009 and 2008 the amounts outstanding were \$ 0 and \$200,000, respectively. The bonds mature through 2009 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, 2009 and 2008, the amounts outstanding were \$3,994,256 and \$3,789,001, 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, 2009 and 2008, the amounts outstanding were \$7,100,000 and \$9,800,000, 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, 2009 and 2008, the amounts outstanding were \$90,570,203 and \$91,963,609, respectively. The bonds mature through 2023 with interest rates ranging from two to five percent. At June 30, 2009 and 2008, the balance of the escrow account was \$96,093,373, and \$95,025,942, 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, 2009 and 2008, the amounts outstanding were \$59,145,459 and \$57,686,256, 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, 2009 AND 2008

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, 2009 and 2008, the amounts outstanding were \$99,056,580 and \$97,999,946, respectively. The bonds mature through 2032 with interest rates ranging from three to seven percent.

In May 2009, the District issued \$46,775,000 of the OPEB Taxable Bonds. The proceeds from the sale of the bonds will be used by the District to fund an irrevocable trust for payment of other post employment benefits and to pay certain cost of issuance of the bonds. At June 30, 2009 and 2008, the amounts outstanding were \$46,775,000 and \$0, respectively. The bonds mature through 2044 with variable interest rate at 4.62% through 2012, and then at a swap rate of 4.239% plus a spread of 30 basis points, and a letter of credit and remarketing fee of 140 basis points.

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, 2009 and 2008, the balance of the escrow account was \$2,263,640 and \$2,541,102, respectively.

Debt Maturity

General Obligation Bonds

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds		Accreted Interest		Bonds	
				Outstanding July 1, 2008	Issued	Addition	Redeemed	Outstanding June 30, 2009	
7/1/2000	9/1/2010	2.0-5.25%	\$ 32,000,000	\$ 200,000	\$ -	\$ -	\$ 200,000	\$ -	
7/1/2000	9/1/2010	2.0-5.25%	7,999,708	3,789,001	-	205,255	-	3,994,256	
6/1/2002	9/1/2013	2.0-5.25%	80,750,000	9,800,000	-	-	2,700,000	7,100,000	
4/1/2004	9/1/2021	2.0-5.25%	96,790,995	91,963,609	-	731,594	2,125,000	90,570,203	
5/26/2005	9/1/2029	3.0-5.00%	55,391,474	57,686,256	-	1,459,203	-	59,145,459	
2/21/2008	9/1/2032	2.69-7.436%	97,999,946	97,999,946	-	1,056,634	-	99,056,580	
5/1/2009	7/1/2043	4.62%	46,775,000	-	46,775,000	-	-	46,775,000	
				<u>\$261,438,812</u>	<u>\$ 46,775,000</u>	<u>\$ 3,452,686</u>	<u>\$ 5,025,000</u>	<u>\$ 306,641,498</u>	

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

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>
2010	\$ -	1,437,150	\$ 1,437,150
2011	-	718,575	718,575
Total	<u>\$ -</u>	<u>\$ 2,155,725</u>	<u>\$ 2,155,725</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>
2010	\$ 1,849,261	\$ 385,739	\$ 2,235,000
2011	2,144,995	55,005	2,200,000
Total	<u>\$ 3,994,256</u>	<u>\$ 440,744</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>
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>\$ 7,100,000</u>	<u>\$ 886,000</u>	<u>\$ 7,986,000</u>

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

2004 General Obligation Refunding Bonds

The general obligation bonds mature through 2022 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>
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	5,750,000	-	3,252,863	9,002,863
2015-2019	51,575,000	-	9,623,669	61,198,669
2020-2022	15,525,203	18,534,797	221,874	34,281,874
Total	<u>\$ 90,570,203</u>	<u>\$ 18,534,797</u>	<u>\$ 28,551,732</u>	<u>\$ 137,656,732</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>
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	-	-	1,497,250	1,497,250
2015-2019	-	-	7,486,250	7,486,250
2020-2024	12,399,815	12,260,585	7,486,250	32,146,650
2025-2029	41,823,329	17,531,721	4,080,375	63,435,425
2030-2030	4,922,315	9,577,685	-	14,500,000
Total	<u>\$ 59,145,459</u>	<u>\$ 39,369,991</u>	<u>\$ 26,539,125</u>	<u>\$ 125,054,575</u>

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

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
2010	\$ -	\$ -	\$ 3,718,250	\$ 3,718,250
2011	96,071	3,929	3,718,250	3,818,250
2012	1,688,174	131,826	3,718,250	5,538,250
2013	1,369,316	165,684	3,718,250	5,253,250
2014	1,723,242	286,758	3,718,250	5,728,250
2015-2019	11,713,516	2,661,484	18,513,750	32,888,750
2020-2024	40,435,000	-	13,840,375	54,275,375
2025-2029	33,014,086	3,965,914	2,595,250	39,575,250
2030-2033	9,017,175	23,167,825	-	32,185,000
Total	<u>\$ 99,056,580</u>	<u>\$ 30,383,420</u>	<u>\$ 53,540,625</u>	<u>\$ 182,980,625</u>

2009 Taxable OPEB Bonds

The general obligation bonds mature through 2044 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2010	\$ -	\$ 1,362,633	\$ 1,362,633
2011	-	2,161,004	2,161,004
2012	-	3,092,271	3,092,271
2013	-	2,772,870	2,772,870
2014	-	2,777,967	2,777,967
2015-2019	-	13,889,832	13,889,832
2020-2024	295,000	13,873,174	14,168,174
2025-2029	2,885,000	13,379,598	16,264,598
2030-2034	7,185,000	11,824,736	19,009,736
2035-2039	13,570,000	8,642,723	22,212,723
2040-2044	22,840,000	3,087,626	25,927,626
Total	<u>\$ 46,775,000</u>	<u>\$ 76,864,434</u>	<u>\$ 123,639,434</u>

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

NOTE 9 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Postemployment Benefit Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the San Jose / Evergreen Community College District. The Plan provides medical insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 314 retirees and beneficiaries currently receiving benefits, 14 terminated plan members entitled to but not yet receiving benefits, and 50 active plan members. Separate financial statements are prepared for the Plan and may be obtained by contacting the San Jose Evergreen Community College District.

Contribution Information

The contribution requirements of plan members and the District are established and may be amended by the District and the Faculty Association, Chapter 6157, (AFT), the local California Service Employees Association, Chapter 363, (CSEA), and unrepresented groups. The District's required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements between the District, AFT, CSEA and the unrepresented groups. In May 2009, The District issued an OPEB Taxable Bond of \$46,775,000 for the purposes of financing the District's obligation to pay certain healthcare retiree costs. During the fiscal year, 2008-09 the District transferred \$39,957,416 to the Retiree Benefit Fund irrevocable trust, \$2,524,693 to the General Fund to reimburse it for current year pay as you go amounts paid, \$3,523,639 to the required debt service reserve, and \$769,252 to the issuance costs fund. Premiums paid during 2008-09 were funded from the contribution and interest earnings.

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ (3,129,200)
Annual OPEB cost (expense)	2,524,693
Contributions made	39,957,416
Increase in net OPEB obligation	<u>39,352,909</u>
Net OPEB prepaid (obligation), beginning of year	-
Net OPEB prepaid (obligation), end of year	<u><u>\$ 39,352,909</u></u>

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2009 was as follows:

Year Ended June 30,	Annual Required Contribution	Percentage Contributed	Net OPEB Prepayment
2009	\$ 3,129,200	1258%	\$ 39,352,909

Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Since this is the first year of implementation, only the current year information is presented.

Actuarial Methods and Assumptions

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

In the July 1, 2007, actuarial valuation, the entry age normal method was used. The actuarial assumptions included a 7.88 percent investment rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a combined equity and fixed income portfolio. Healthcare cost trend rates ranged from an initial 8 percent to an ultimate rate of 5 percent. The UAAL is being amortized at a level dollar method. The remaining amortization period at July 1, 2009, was 29 years. The actuarial value of assets was not determined in this actuarial valuation. At July 1, 2009, the Trust held net assets in the amount of \$41,000,279, which consisted of amounts on deposit with the Trust.

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, 2009, 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, 2009 AND 2008

Workers' Compensation

For fiscal year 2008-2009, 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 (CalSTRS) 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, California 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 2008-2009 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, 2009, 2008, and 2007, were \$2,744,369, \$2,700,604, and \$2,516,456, respectively, and equal 100 percent of the required contributions for each year.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

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, California 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 2008-2009 was 9.428 percent of annual payroll. The District's contributions to CalPERS for fiscal years ending June 30, 2009, 2008, and 2007, were \$2,260,721, \$2,090,224, and \$1,975,700, 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 on behalf of the District. These payments consist of State General Fund contributions to CalSTRS which amounted to \$1,498,187, \$1,475,531, and \$1,333,016 (4.517 percent) of salaries subject to CalSTRS, respectively for the years ended June 30, 2009, 2008, and 2007. . 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, 2009 AND 2008

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, 2009.

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, 2009.

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 2061, 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
2010	\$ 307,620
2011	307,620
2012	353,784
2013	353,784
2014	353,784
2015-2019	1,981,176
2020-2024	2,278,320
2025-2029	2,620,044
2030-2034	2,690,220
2035-2039	2,690,220
2040-2044	2,690,220
2045-2049	2,690,220
2050-2054	2,690,220
2055-2059	2,690,220
2060-2061	44,837
Total	<u><u>\$ 24,742,289</u></u>

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

Construction Commitments

As of June 30, 2009, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
	<u> </u>	<u> </u>
San Jose City College		
Facility master plan	\$ 181,852	Jun-11
Modernization of existing facilities	1,882,426	Nov-11
Site and parking improvements	574,676	Jun-11
Humanities/Arts/Math buildings	29,205,922	Jan-13
Maintenance and operation gymnasium	12,733	Jun-11
Physical education gymnasium	19,870,883	Jun-13
Utilities infrastructure	342,081	Jun-11
Baseball - Softball field	2,009,869	Jun-10
Minor facilities modifications	300,000	Jun-11
Furniture and equipment	100,000	Jun-10
Evergreen Valley College		
Classroom complex for the Visual/Performing Arts	2,161,682	Dec-09
Facilities master plan	132,114	Jun-11
Modernization of existing facilities	17,289,144	Jun-12
Site and parking improvements	290,000	Jun-10
Health/Physical Ed (Fitness Center)	3,000,121	Sep-12
Utilities infrastructure	360,006	Jun-11
Furniture and equipment	1,402,701	Jun-12
District Office		
District Office relocation	2,532,531	Dec-10
Technology upgrades	1,994,051	Jan-11
North District Multi-Disciplinary Site / Building	10,000,000	Jun-12
Safety/Security improvements	2,004,970	Nov-11
District-wide		
Legal fees	275,100	Jun-11
Project administration	1,367,506	Jun-11
Scheduled maintenance	101,405	Jun-10
Districtwide sustainability	60,095	Jun-10
	<u>\$ 97,451,868</u>	

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

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

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. During the year ended June 30, 2009, the District made payments of \$1,145,192, \$1,871,556, and \$1,666,943 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, 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

NOTE 14 - SUBSEQUENT EVENTS

The District issued \$15,000,000 of Tax and Revenue Anticipation Notes dated July 1, 2009. The notes mature on June 30, 2010, and yield 2.0 percent interest. The notes were sold to supplement cash flow due to the deferral of state apportionment. Repayment requirements are that a percentage of principal and interest be deposited with the Fiscal Agent each month beginning February , 2010, until 100 percent of principal and interest due is on account in June, 2010.

***REQUIRED SUPPLEMENTARY
INFORMATION***

SAN JOSE/EVERGREEN COMMUNITY COLLEGE

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
PROGRESS
FOR THE YEAR ENDED JUNE 30, 2009**

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Method Used (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b - a / c)
June 30, 2007	\$ 41,160,832	\$ 47,719,500	\$ 6,558,668	86%	\$ 63,192,700	10%

SUPPLEMENTARY INFORMATION

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION JUNE 30, 2009

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 2012
Mr. Balbir Dhillon	Vice President	December 2010
Mr. Ron Lind	Member	December 2012
Mr. Richard K. Tanaka	Member	December 2011
Ms. Maria Fuentes	Member	December 2010
Mr. Richard Hobbs	Member	December 2010
Ms. Mayra Cruz	Member	December 2010

ADMINISTRATION

Ms. Rosa Perez	Chancellor
Ms. Jeanine Hawk	Vice Chancellor, Administrative Services
Ms. Sandy Dillon	Interim Vice Chancellor, Human Resources
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, 2009**

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	\$ 759,794
Student Support Services	84.042	281,022
Global Education Opportunities - Undergraduate International Studies	84.016A	17,916
STUDENT FINANCIAL AID CLUSTER		
Federal Pell Grant Programs	84.063	13,089,965
Federal Pell Administrative Allowance	84.063	21,380
Federal Supplemental Educational Opportunity Grant - SEOG	84.007	364,190
Federal College Work Study - FWS	84.033	313,963
Federal Family Education Loans	84.032	1,973,177
Academic Competitiveness Grant	84.375	112,487
VOCATIONAL AND TECHNICAL EDUCATION ACT		
Career and Technical Education - Basic Grants to States	84.048	538,416
Leadership	84.048	230,793
Public Safety Project	84.048	36,105
VTEA II Tech Prep Education	84.243	162,810
VTEA II Tech Prep Education - Peralta College MOU	84.243	24,000
VTEA II Tech Prep Education - WestEd	84.243	38,528
NATIONAL SCIENCE FOUNDATION		
Incorporating 2D Laser Scanning Curriculum - Education and Huma Resource	47.076	69,379
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Medi-Cal Administration Activities (MAA)	93.778	183,839
TANF	93.558	122,656
Child Care and Development Improvement/Yosemite	93.575	10,792
U.S. DEPARTMENT OF LABOR		
WORKFORCE INVESTMENT ACT CLUSTER		
Workforce Investment Act - Dislocated Worker's	17.260	783,547
Workforce Investment Act - Adult	17.258	2,139,822
Workforce Investment Act - Youth	17.259	514,952
Veterans' Administrative Reporting Fee	17.802	2,909
U.S. DEPARTMENT OF AGRICULTURE		
Child and Adult Care Food Program	10.558	34,530
Total Expenditures of Federal Awards		<u><u>\$21,826,972</u></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, 2009**

Program	Program Entitlements		
	Current Year	Prior Year	Total Entitlement
CARE	\$ 241,339	\$ -	\$ 241,339
Extended Opportunity Programs and Services (EOP&S)	1,979,273	13,619	1,992,892
California Student Aid Commission/Cal Grant	895,489	4,100	899,589
Instructional Equipment 08-09	156,849	-	156,849
Instructional Equipment 07-08	132,021	-	132,021
Instructional Equipment 06-07	8,940	-	8,940
Telecomm and Technical Infrastructure Program (TTIP) 08-09	72,072	-	72,072
Telecomm and Technical Infrastructure Program (TTIP) 07-08	27,486	-	27,486
Telecomm and Technical Infrastructure Program (TTIP) 06-07	28,066	-	28,066
Telecomm and Technical Infrastructure Program (TTIP) 05-06	7,695	-	7,695
Transcript Project	5,000	-	5,000
Santa Clara County/CalWorks Program	285,056	116,078	401,134
CalWorks 08-09	1,129,055	79	1,129,134
CDC/TANF 08-09	87,810	52,115	139,925
Financial Aid Administration Allowance (BFAP)	701,484	-	701,484
Econ/Professional Development - IBP 05-06	-	47,998	47,998
Econ/Leadership SJCC 08-09	172,500	-	172,500
Econ/Leadership SJCC 07-08	55,687	-	55,687
Econ/Leadership SJCC 06-07	-	25,999	25,999
Econ/Leadership SJCC 05-06	-	34,400	34,400
Econ/IDRC/LiLA	250,000	-	250,000
Econ/IDRC/Kaiser Grant 06-07	-	127,987	127,987
Econ/Nanotechnology 06-07	-	47,981	47,981
Econ/Job Development Incentive	300,000	-	300,000
Econ/Responsive Training Fund for Incumbent Workers	878,503	-	878,503
Nursing/Faculty and Recruitment 06-07	44,016	-	44,016
Nursing/Career Tech Education 07-08	68,563	-	68,563
Nursing Enrollment Growth Grant 08-09	22,392	-	22,392
Nursing/Capacity 07-08	73,145	-	73,145
Nursing/AND/BSN	150,000	-	150,000
CTE/Strengthening Careers 06-07	-	39,891	39,891
CTE/Construction Industry/Career Pathways	266,355	-	266,355
CTE/State Career Tech Education 07-08	198,962	-	198,962
CTE/Career Development for 7th and 8th Graders 06-07	84,569	25,417	109,986
CTE/Stepping Stone, SJCC MOU - West Valley College	82,920	-	82,920
CTE/Stepping Stone, EVC MOU - West Valley College	22,500	-	22,500
CTE/Construction, SJCC MOU - West Valley College	96,154	-	96,154
Enrollment Fee Administration 2%	66,910	-	66,910
4 C @ O.N.E. 07-08	775,744	24,256	800,000
4 C @ O.N.E. Project: Butte College	-	227	227
Foster Care Education	144,295	144,704	288,999
Staff Diversity	31,487	-	31,487
Staff Development	17,031	-	17,031
Americorps/ALERT 06-07	-	2,148	2,148
DSP	1,358,493	4	1,358,497

See accompanying note to supplementary information.

Program Revenues					
Cash Received	Accounts Receivable	Accounts Payable	Deferred Revenue	Total Revenue	Program Expenditures
\$ 241,337	\$ 2	\$ -	\$ 101	\$ 241,238	\$ 241,238
1,992,862	-	-	58,964	1,920,279	1,920,279
893,237	8,385	3,222	-	894,300	894,300
156,849	-	-	139,035	17,814	17,814
132,021	-	-	29,228	102,793	102,793
8,940	-	-	1	8,939	8,939
72,072	-	-	66	72,006	72,006
27,486	-	-	1,144	26,342	26,342
28,066	-	-	-	28,066	28,066
7,695	-	-	-	7,695	7,695
5,000	-	-	5,000	-	-
373,168	26,132	-	-	283,222	283,222
1,129,035	79	2,125	-	1,126,910	1,126,910
111,169	26,409	-	-	85,463	85,463
701,484	-	-	65,475	636,009	636,009
-	47,998	-	-	-	-
144,900	-	-	16,208	128,692	128,692
28,087	27,600	-	-	55,687	55,687
26,000	-	-	1	-	-
24,000	10,400	-	-	-	-
210,000	-	-	123,745	86,255	86,255
127,987	-	-	-	-	-
-	47,981	-	-	-	-
252,000	38,334	-	-	290,334	290,334
737,943	-	-	737,656	287	287
94,295	-	-	94,295	-	-
68,563	-	-	6,828	61,735	61,735
186,809	20,884	-	-	207,693	207,693
73,145	-	-	-	73,145	73,145
126,000	-	-	112,429	13,571	13,571
-	39,891	-	-	-	-
-	140,165	-	-	140,165	140,165
198,962	-	22,936	-	176,026	176,026
84,569	-	-	31,865	27,287	27,287
34,327	6,053	-	-	40,380	40,380
-	3,063	-	-	3,063	3,063
43,058	40,681	-	-	83,739	83,739
66,910	-	-	-	66,910	66,910
727,000	-	-	50,885	651,859	651,859
-	227	-	-	-	-
199,490	89,509	-	-	144,295	144,295
31,314	-	-	26,623	4,691	4,691
17,031	-	-	-	17,031	17,031
2,148	-	-	-	-	-
1,367,757	4	-	9,262	1,358,495	1,358,495

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF STATE AWARDS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2009**

Program	Program Entitlements		
	Current Year	Prior Year	Total Entitlement
Matriculation	\$ 1,306,894	\$ -	\$ 1,306,894
Equal Opportunity Employment Grant	-	38,261	38,261
Instructional Materials 06-07 one-time	227,145	-	227,145
Basic Skills 08-09	371,550	-	371,550
Basic Skills 07-08	305,101	-	305,101
Basic Skills 06-07, ongoing	366,405	-	366,405
Basic Skills 05-06, ongoing	42,290	-	42,290
Transfer and Articulation	10,855	-	10,855
Child and Adult Care Food Program	2,252	228	2,480
Gen Child Care and Dev Program (CCTR 8414)	386,348	41,981	428,329
Instructional Materials (CIMS 8650)	1,354	-	1,354
Child Care Tax Bailout	70,008	-	70,008
EVC Arts Complex: Building	-	7,931,000	7,931,000
EVC Arts Complex: Equipment	1,848,000	-	1,848,000
Applied Science Building: Equipment	541,319	101,681	643,000
Scheduled Maintenance: ongoing 07-08 50% cc 7101	24,047	-	24,047
Scheduled Maintenance: ongoing 08-09 50% cc 7101	156,863	-	156,863
Total State Programs	\$16,578,292	\$ 8,820,154	\$25,398,446

See accompanying note to supplementary information.

Program Revenues					
Cash Received	Accounts Receivable	Accounts Payable	Deferred Revenue	Total Revenue	Program Expenditures
\$ 1,306,894	\$ -	\$ -	\$ 221,708	\$ 1,085,186	\$ 1,085,186
-	38,261	-	-	-	-
227,145	-	-	29,231	197,914	197,914
371,550	-	-	351,268	20,282	20,282
305,101	-	-	166,808	138,293	138,293
366,405	-	-	-	366,405	366,405
42,290	-	-	-	42,290	42,290
10,855	-	-	8,253	2,602	2,602
2,480	-	-	-	2,252	2,252
394,961	33,368	-	-	386,348	386,348
339	1,015	-	-	1,354	1,354
70,008	-	-	-	70,008	70,008
7,931,000	-	-	-	-	-
-	88,804	-	-	88,804	88,804
410,241	232,759	-	-	541,319	541,319
24,047	-	-	-	24,047	24,047
156,863	-	-	101,405	55,458	55,458
<u>\$22,372,895</u>	<u>\$ 968,004</u>	<u>\$ 28,283</u>	<u>\$ 2,387,484</u>	<u>\$12,104,978</u>	<u>\$ 12,104,978</u>

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL
 APPORTIONMENT- ANNUAL/ACTUAL ATTENDANCE
 FOR THE YEAR ENDED JUNE 30, 2009**

CATEGORIES	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Audited Data</u>
A. Summer Intersession (Summer 2008 only)			
1. Noncredit	1	-	1
2. Credit	679	-	679
B. Summer Intersession (Summer 2009 - prior to July 1, 2009)			
1. Noncredit	-	-	-
2. Credit	-	-	-
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	12,408	-	12,408
(b) Daily Census Contact Hours	959	(9)	950
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	91	-	91
(b) Credit	676	-	676
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	673	-	673
(b) Daily Census Contact Hours	-	-	-
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	<u>15,487</u>	<u>(9)</u>	<u>15,478</u>
Supplemental Information (subset of above information)			
E. In Service Training Courses (FTES)	<u>570</u>	<u>-</u>	<u>570</u>
H. Basis Skills Courses and Immigrant Education			
(a) Noncredit	<u>-</u>	<u>-</u>	<u>-</u>
(b) Credit	<u>963</u>	<u>-</u>	<u>963</u>

See accompanying note to additional 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, 2009**

There following were the adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2009.

	<u>Other Debt Service</u>
FUND BALANCE	
Balance, June 30, 2009, (CCFS-311)	\$ (43,213,713)
Record proceeds from OPEB bond issuance for transfer to trust	42,482,109
Record proceeds from OPEB bond issuance for future debt service	3,523,639
Record proceeds from OPEB bond issuance for issue costs	769,252
Investment earnings and other sources	<u>2,895,895</u>
Balance, June 30, 2009, Fund Financial Statement	<u>\$ 6,457,182</u>

See accompanying note to additional 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, 2009**

**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	\$ 7,610,856	
Special Revenue Funds	84,867	
Capital Project Funds	67,710,827	
Debt Service Funds	19,952,302	
Enterprise Funds	1,296,796	
Fiduciary Funds	1,033,377	
	<u>1,033,377</u>	

\$ 97,689,025
39,352,909

Prepaid OPEB obligation

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	367,505,917	
Accumulated depreciation is	(86,222,664)	
Less fixed assets already recorded in the enterprise funds	<u>(238,823)</u>	281,044,430

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.

(4,554,551)

Long-term liabilities at year end consist of:

General obligation bonds	(306,641,498)	
Compensated absences	(1,613,678)	
Premiums, net of amortization	(4,604,627)	
Issue costs, net of amortization	<u>2,142,772</u>	

(310,717,031)

Total Net Assets

\$ 102,814,782

See accompanying note to additional supplementary information.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEETS
JUNE 30, 2009**

	<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	\$ 7,896,402	\$ 282,602	\$ 84,867	\$ -
Investments	-	-	-	-
Accounts receivable	7,893,615	3,353,401	-	37,251
Due from other funds	837,308	-	-	-
Prepaid expenses	16,016	-	-	-
Total Assets	\$16,643,341	\$ 3,636,003	\$ 84,867	\$ 37,251
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	\$ 7,576,932	\$ 29,453	\$ -	\$ 6,075
Due to other funds	-	-	-	31,176
Deferred revenue	2,604,428	2,457,675	-	-
Total Liabilities	10,181,360	2,487,128	-	37,251
FUND EQUITY				
Fund Balances				
Reserved	67,198	-	-	-
Unreserved				
Designated		1,148,875	84,867	-
Undesignated	6,394,783	-	-	-
Total Fund Equity	6,461,981	1,148,875	84,867	-
Total Liabilities and Fund Equity	\$16,643,341	\$ 3,636,003	\$ 84,867	\$ 37,251

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)
\$ 12,679,774	\$ -	\$ 2,945,454	\$ 719,418	\$ 66,464,021	\$ 91,072,538
-	795,897	3,523,839	-	-	4,319,736
24,099	-	-	321,563	307,230	11,937,159
-	-	-	-	-	837,308
-	-	-	-	-	16,016
<u>\$ 12,703,873</u>	<u>\$ 795,897</u>	<u>\$ 6,469,293</u>	<u>\$ 1,040,981</u>	<u>\$ 66,771,251</u>	<u>\$ 108,182,757</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,612,460
-	4,650	-	-	-	35,826
-	-	12,111	101,405	-	5,175,619
-	4,650	12,111	101,405	-	12,823,905
-	-	-	-	-	67,198
12,703,873	791,247	6,457,182	-	66,771,251	87,957,295
-	-	-	939,576	-	7,334,359
<u>12,703,873</u>	<u>791,247</u>	<u>6,457,182</u>	<u>939,576</u>	<u>66,771,251</u>	<u>95,358,852</u>
<u>\$ 12,703,873</u>	<u>\$ 795,897</u>	<u>\$ 6,469,293</u>	<u>\$ 1,040,981</u>	<u>\$ 66,771,251</u>	<u>\$ 108,182,757</u>

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

**GOVERNMENTAL FUNDS
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2009**

	<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	\$ -	\$ 6,198,405	\$ -	\$ 34,530
State revenues	6,070,382	9,314,686	-	457,710
Local revenues	74,777,306	2,988,092	59,619	78,476
Total Revenues	<u>80,847,688</u>	<u>18,501,183</u>	<u>59,619</u>	<u>570,716</u>
EXPENDITURES				
Current Expenditures				
Academic salaries	37,740,236	3,000,155	-	-
Classified salaries	16,151,506	7,669,749	24,853	616,018
Employee benefits	16,557,255	3,309,547	15,197	370,488
Books and supplies	762,807	552,900	-	47,893
Services and operating expenditures	9,417,254	3,701,211	10,675	34,321
Capital outlay	180,804	726,047	-	1,428
Debt service - principal	-	-	-	-
Debt service - interest and other	179,802	-	-	-
Total Expenditures	<u>80,989,664</u>	<u>18,959,609</u>	<u>50,725</u>	<u>1,070,148</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(141,976)</u>	<u>(458,426)</u>	<u>8,894</u>	<u>(499,432)</u>
OTHER SOURCES (USES)				
Operating transfers in	404,945	306,128	-	499,432
Operating transfers out	(850,193)	(2,000)	-	-
Other sources	17,771	38,615	-	-
Other uses	(113,810)	-	-	-
Total Other Sources (Uses)	<u>(541,287)</u>	<u>342,743</u>	<u>-</u>	<u>499,432</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(683,263)</u>	<u>(115,683)</u>	<u>8,894</u>	<u>-</u>
FUND BALANCE, BEGINNING OF YEAR	<u>7,145,244</u>	<u>1,264,558</u>	<u>75,973</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 6,461,981</u>	<u>\$ 1,148,875</u>	<u>\$ 84,867</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)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,232,935
-	-	-	709,628	-	16,552,406
14,991,052	26,388	2,158,090	458,577	2,409,621	97,947,221
<u>14,991,052</u>	<u>26,388</u>	<u>2,158,090</u>	<u>1,168,205</u>	<u>2,409,621</u>	<u>120,732,562</u>
-	-	-	-	-	40,740,391
-	-	-	195,038	344,484	25,001,648
-	-	1,956,511	105,637	108,256	22,422,891
-	-	-	5,055	-	1,368,655
-	2,000	769,252	197,467	10,185,927	24,318,107
-	-	-	706,510	32,638,635	34,253,424
5,025,000	-	-	-	-	5,025,000
9,455,676	-	-	-	-	9,635,478
<u>14,480,676</u>	<u>2,000</u>	<u>2,725,763</u>	<u>1,209,707</u>	<u>43,277,302</u>	<u>162,765,594</u>
<u>510,376</u>	<u>24,388</u>	<u>(567,673)</u>	<u>(41,502)</u>	<u>(40,867,681)</u>	<u>(42,033,032)</u>
-	-	207,071	44,633	-	1,462,209
-	-	(39,957,416)	-	-	(40,809,609)
-	-	46,775,200	-	-	46,831,586
-	-	-	-	-	(113,810)
-	-	7,024,855	44,633	-	7,370,376
510,376	24,388	6,457,182	3,131	(40,867,681)	(34,662,656)
12,193,497	766,859	-	936,445	107,638,932	130,021,508
<u>\$ 12,703,873</u>	<u>\$ 791,247</u>	<u>\$ 6,457,182</u>	<u>\$ 939,576</u>	<u>\$ 66,771,251</u>	<u>\$ 95,358,852</u>

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

**PROPRIETARY FUNDS
BALANCE SHEETS
JUNE 30, 2009**

	<u>Enterprise Funds</u> <u>Bookstore</u>	<u>Internal</u> <u>Service Fund</u>
ASSETS		
Cash and cash equivalents	\$ 543,093	\$ 3,230
Accounts receivable	173,380	-
Stores inventories	601,638	-
Furniture and equipment (net)	238,823	-
Total Assets	<u>\$ 1,556,934</u>	<u>\$ 3,230</u>
LIABILITIES AND FUND EQUITY		
LIABILITIES		
Accounts payable	\$ 260,138	\$ -
Deferred revenue	-	3,230
Total Liabilities	<u>260,138</u>	<u>3,230</u>
FUND EQUITY		
Retained earnings	<u>1,296,796</u>	<u>-</u>
Total Liabilities and Fund Equity	<u>\$ 1,556,934</u>	<u>\$ 3,230</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
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Enterprise Funds</u> <u>Bookstore</u>	<u>Internal Service Fund</u>
OPERATING REVENUES		
Revenues	\$ 4,938,322	\$ 844,736
OPERATING EXPENSES		
Classified salaries	1,118,184	-
Books and supplies	3,490,698	-
Services and other operating expenditures	469,140	867,279
Depreciation	66,712	-
Total Operating Expenses	<u>5,144,734</u>	<u>867,279</u>
Operating Income (Loss)	<u>(206,412)</u>	<u>(22,543)</u>
NONOPERATING REVENUES/(EXPENSES)		
Interest income	2,760	-
Total Nonoperating Revenues (Expenses)	<u>2,760</u>	<u>-</u>
NET INCOME (LOSS)	(203,652)	(22,543)
RETAINED EARNINGS, BEGINNING OF YEAR	1,500,448	22,543
RETAINED EARNINGS, END OF YEAR	<u>\$ 1,296,796</u>	<u>\$ -</u>

See accompanying note to additional supplementary information.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

**PROPRIETARY FUNDS
STATEMENTS CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Enterprise Funds</u> <u>Bookstore</u>	<u>Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from user charges	\$ 4,811,049	\$ 847,966
Cash payments to employees for services	(1,118,184)	-
Cash payments to suppliers for goods and services	(3,462,590)	-
Cash payments for other operating expenses	(469,140)	(867,279)
Net Cash Flows From Operating Activities	<u>(238,865)</u>	<u>(19,313)</u>
Net change in cash and cash equivalents	(238,865)	(19,313)
Cash and cash equivalents - Beginning	781,958	22,543
Cash and cash equivalents - Ending	<u>\$ 543,093</u>	<u>\$ 3,230</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATION ACTIVITIES		
Operating income (loss)	\$ (206,412)	\$ (22,543)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:		
Depreciation	66,712	-
Changes in assets and liabilities:		
Receivables	(129,933)	-
Inventories	(89,268)	-
Accounts payable	120,036	3,230
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ (238,865)</u>	<u>\$ (19,313)</u>

See accompanying note to additional supplementary information.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

**FIDUCIARY FUNDS
BALANCE SHEETS
JUNE 30, 2009**

	<u>Associated Students</u>		<u>Student Center Fund</u>	<u>Student Financial Aid</u>	<u>Total</u>
	<u>San Jose City College</u>	<u>Evergreen Valley College</u>			
ASSETS					
Cash and cash equivalents	\$ 387,039	\$ 587,535	\$ -	\$ -	\$ 974,574
Accounts receivable	-	-	-	835,980	835,980
Other current assets	-	59,779	-	-	59,779
Total Assets	<u>\$ 387,039</u>	<u>\$ 647,314</u>	<u>\$ -</u>	<u>\$ 835,980</u>	<u>\$ 1,870,333</u>
LIABILITIES AND FUND EQUITY					
LIABILITIES					
Accounts payable	\$ 976	\$ -	\$ -	\$ 33,887	\$ 34,863
Accounts payable	-	-	-	611	611
Due to other funds	-	-	-	801,482	801,482
Due to student groups	386,063	647,314	-	-	1,033,377
Total Liabilities	<u>387,039</u>	<u>647,314</u>	<u>-</u>	<u>835,980</u>	<u>1,870,333</u>
FUND EQUITY					
Fund Balances					
Unreserved					
Undesignated	-	-	-	-	-
Total Fund Equity	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Equity	<u>\$ 387,039</u>	<u>\$ 647,314</u>	<u>\$ -</u>	<u>\$ 835,980</u>	<u>\$ 1,870,333</u>

See accompanying note to additional supplementary information.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

**FIDUCIARY FUNDS
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2009**

	Student Center Fund	Student Financial Aid	Total
REVENUES			
Federal revenues	\$ -	\$ 13,620,860	\$ 13,620,860
State revenues	-	1,251,419	1,251,419
Local revenues	41,075	-	41,075
Total Revenues	41,075	14,872,279	14,913,354
EXPENDITURES			
Current Expenditures			
Classified salaries	-	44,141	44,141
Services and operating expenditures	-	14,828,138	14,828,138
Total Expenditures	-	14,872,279	14,872,279
EXCESS OF REVENUES OVER			
EXPENDITURES	41,075	-	41,075
OTHER USES			
Operating transfers out	(402,945)	-	(402,945)
Other sources	-	-	-
Total Other Uses	(402,945)	-	(402,945)
EXCESS OF REVENUES AND OTHER			
FINANCING SOURCES OVER			
EXPENDITURES AND OTHER USES	(361,870)	-	(361,870)
FUND BALANCE, BEGINNING OF YEAR	361,870	-	361,870
FUND BALANCE, END OF YEAR	\$ -	\$ -	\$ -

See accompanying note to supplementary information.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2009

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

This schedule provides information about the District's governing board members and administration members.

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. The information in this schedule is presented to comply with reporting requirements of the California State System's Office.

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, including restricted categorical funding, are made to community college districts. This schedule provides information regarding the annual attendance measurements of students throughout the District.

Reconciliation of Annual Financial and Budget Report (CCFS-311) 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 District's internal 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 internal fund financial statements, prepared on a modified accrual basis, to the entity-wide full accrual basis financial statements required under GASB Statements No. 34 and No. 35 business-type activities reporting model.

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.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE

NOTE TO SUPPLEMENTARY INFORMATION - CONTINUED
JUNE 30, 2009

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



**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 the business-type activities of San Jose/Evergreen Community College District (the District) for the years ended June 30, 2009 and 2008, and have issued our report thereon dated November 16, 2009. 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 San Jose/Evergreen Community College District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of 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 item 2009-1 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.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of San Jose/Evergreen Community College District in a separate letter dated November 16, 2009.

This report is intended solely for the information and use of the Board of Trustees, Audit Committee, 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.

Vavinek, Trine, Day & Co LLP

Pleasanton, California
November 16, 2009



**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, 2009. 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, 2009.

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 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, Audit Committee, 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 16, 2009



REPORT ON STATE COMPLIANCE

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

We have audited the compliance of San Jose/Evergreen Community College District (the District) with the types of compliance requirements described in Section 400 of the California State System's Office's *California Community College District Audit Manual (CDAM)* that are applicable to community colleges in the State of California. The specific requirements are described below.

We conducted our audit of compliance 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements with State laws and regulations have 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.

General Directive

Section 424: MIS Implementation - State General Apportionment Funding System

Administration

Section 435: Open Enrollment

Section 437: Student Fees - Instructional Materials and Health Fees

Apportionments

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 426: Students Actively Enrolled

Fiscal Operations

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

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

In our opinion, except for finding 2009-2, 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, 2009.

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, Audit Committee, 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.

Vavinek, Trine, Day & Co LLP

Pleasanton, California

November 16, 2009

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2009**

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)	
Identification of major programs:	<u>No</u>

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.063, 84.007, 84.032, 84.083, 84.375	Student Financial Aid Cluster
_____	_____
_____	_____

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 654,809</u>
Auditee qualified as low-risk auditee?	<u>Yes</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, 2009

The following findings represent a significant deficiency, material weakness, and/or instance of noncompliance related to the financial statements that is required to be reported in accordance with *Government Auditing Standards*.

2009-1 Finding – Segregation of Duties – Human Resources and Payroll
Significant Deficiency

Criteria or Specific Requirement

Management is responsible for establishing and maintaining strong internal controls over the fiscal activities of the district, including optimizing the segregation of duties between processes to the maximum extent reasonably possible. This includes the segregation of duties between processes performed by the human resources department and those performed by the payroll department.

Condition

We noted that both the human resources and payroll department personnel have the ability to modify information entered by the other department.

Questioned Costs

Not applicable.

Context

Both of the departments involved have a need to work closely together and do often require access to data from the other department in order to appropriately manage employment procedures and payroll processing. It appears that users were granted editing rights beyond those that may be necessary.

Effect

The opportunity exists for individuals within one department to override the internal control structure and make changes to transactions that are the responsibility of another department. This situation weakens the optimal segregation of duties that were designed and based on a key element of separating the significant processes related to employment into differing departments.

Cause

Software controls prohibiting editing access to those who do not need such access are not operating in an optimal manner.

Recommendation

Review system access to human resources and payroll transaction processes and ensure that the ability to make and/or edit entries is restricted to only those in need of such rights in the appropriate departments. Others, such as those in another department, needing access to information should be provided with read only access rights to such transactions.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2009**

District Response

The District agrees and will review its procedures and internal controls by auditing all staff who have system access to human resources and payroll transaction processes and restrict access to only those in need of such rights in the appropriate departments.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

None noted.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

The following finding represents an instance of noncompliance and/or questioned costs relating to State program laws and regulations.

2009-2 Finding – Students Actively Enrolled – San Jose City College
Instance of Noncompliance - Significant Deficiency

Criteria or Specific Requirement

CCR Title V, Section 58003.1 and 58004 require that any student who has been identified as a no show, officially withdrawn from the course, or been dropped from the course as of the last business day before census day not be considered activity enrolled and not included in FTES reported.

Condition

Census rosters for 3 of 13 courses from Fall 2008 selected for testing were unable to be located. The instructors use these census rosters to indicate which students are no shows and should not be considered actively enrolled. The date a drop is recorded is critical to the correct processing of FTES reported and the calculation of funds received from the State. Without these census rosters a drop would not be recorded until such time as the student went to the admissions and records office and initiated the drop.

Substitute rosters in the form of class rosters as of the end of the course term were later provided, however, the rosters as of the end of the course do not indicate if there were any students that were no shows at the census date and should have been dropped by the process initiated by the instructor before census date, rather than being dropped by the student themselves at a date after census information was processed.

Questioned Costs

The three daily courses for which census rosters were unable to be located were:

- AJ-011-101 reported 2.88 RFTES and .06 NFTES
- ENGL-092-112 reported 3.43 RFTES and 0.12 NFTES
- ENGL-001A-124 reported 2.72 RFTES and .2 NFTES

The FTES of the District are over cap so there should be no financial effect to the District as a result of the FTES reported in these three classes.

Context

We noted that the census rosters that were unable to be located were from a limited group of daily census courses and short term courses at San Jose City College. The questioned costs noted above include all students reported for those courses. It is probable that some students in these courses were currently enrolled and appropriately included in FTES reports, however, it is also likely that an unknown portion of the FTES claimed for these courses were for students who were no shows and should have been dropped prior to the calculation of FTES totals.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

Effect

FTES reported for these courses may or may not have been over reported.

Cause

Census rosters selected for review were not able to be located. Instructors may not be turning in their census rosters to the Admissions and Records, or rosters turned in may not be maintained on file.

Recommendation

Faculty and admissions and records should be reminded of importance of timely census procedures and understand that the lack of a census roster or other method to report no shows before census date FTES are calculated results in the over-reporting of FTES and potentially receiving state funds to which the District is not entitled or disallowance of FTES for which the District was entitled to if an entire class is disallowed.

We were informed that the Colleges have a census report tracking process which includes sending the Department Deans a list of the faculty who have not turned in census rosters. In order to ensure that FTES reported are accurate and the District receives all state funding to which it is entitled and no funding for which it is not entitled, we recommend that the Deans follow up with those responsible for the missing rosters and ensure that census rosters are submitted timely for all census courses.

District Response

The District agrees and has directed the campus management teams that they will conduct internal auditing and will work with its faculty to submit Census Rosters in a timely manner and will ensure that Admission and Records administrators files are maintained and readily available for review.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

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.

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.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

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. 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.

Current Status

Implemented.

State Awards Findings and Questioned Costs

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.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

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.

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.

Current Status

Implemented.

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.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

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.

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.

Current Status

Partially implemented – See 2009-2.