

**SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT
RETIREE BENEFIT PLAN**

**FINANCIAL STATEMENTS
JUNE 30, 2009
WITH
INDEPENDENT AUDITORS' REPORT**

**SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT
RETIREES' OTHER POST EMPLOYMENT BENEFITS PLAN**

JUNE 30, 2009

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

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

The Retirement Board of
San Jose/Evergreen Community College District
Retiree Benefit Plan
San Jose, California

We have audited the accompanying statement of plan net assets of the San Jose/Evergreen Community College District Retiree Benefit Plan (the Plan), a component unit of the San Jose/Evergreen Community College District, (the District) as of June 30, 2009, and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the financial statements referred to above present only the Plan and do not purport to, and do not present the financial position of the San Jose/Evergreen Community College District as of June 30, 2009, and the changes in its financial position for the year then ended, in conformity with principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the San Jose/Evergreen Community College District Retiree Benefit Plan (the Plan) as of June 30, 2009 and the changes in plan net assets for the year 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.

The management's discussion and analysis and the required supplementary information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by 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 on it.

Vavinek, Trine, Day & Co LLP

Pleasanton, California
November 16, 2009

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT RETIREES' OTHER POST EMPLOYMENT BENEFITS PLAN

MANAGEMENT DISCUSSION AND ANALYSIS FOR FISCAL YEAR ENDED JUNE 30, 2009

This section provides an overview and analysis of the financial activities of San Jose/Evergreen Community College District Authority Retirees' Other Post Employment Benefits Plan (Plan) for the fiscal year ended June 30, 2009. The Plan was established in February 2008 by the District's Board of Directors and assets held for Other Post Employment Benefits were transferred to an irrevocable trust in May 2009. Comparative information will be presented next year when the trust has been funded and in existence for more than one year. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our financial statements.

FINANCIAL HIGHLIGHTS

The net assets of San Jose/Evergreen Community College District Other Post Employment Benefits Plan at the close of fiscal year 2009 are \$41,000,279 (net assets held in trust for retiree medical benefits). All of the net assets are available to meet the Plan's ongoing obligations to Plan participants and beneficiaries.

The Plan's funding objective is to meet long-term benefit obligations through contributions and investment income. The Plan was funded by the District by a one-time transfer of \$39,957,416 from its issuance of OPEB taxable bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following discussion and analysis are intended to serve as an introduction to the Plan's financial statements, which comprises these components:

1. Statement of Plan Net Assets
2. Statement of Changes in Plan Net Assets
3. Notes to the Basic Financial Statements

Please note, however, that this report also contains other supplementary information in addition to the basic financial statements themselves.

The Statement of Plan Net Assets is a snapshot of account balances at year-end. It indicates the assets available for future payments to retirees and any current liabilities that are owed at this time.

The Statement of Changes in Plan Net Assets, on the other hand, provides a view of current year additions to and deductions from the Plan. Both statements are in compliance with Governmental Accounting Standard Board Statements (GASB Pronouncements 34, 43 and 45). These pronouncements require certain disclosures and require the state and local governments to report using the full accrual method of accounting. The Plan complies with all material requirements of these pronouncements.

The Statement of Plan Net Assets and the Statement of Changes in Plan Net Assets report information about the Plan's activities. These statements include all assets and liabilities, using the full accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. All investment gains and losses are shown at trade date. In addition, both realized and unrealized gains and losses are shown on investments.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

RETIREE BENEFIT PLAN MANAGEMENT DISCUSSION AND ANALYSIS JUNE 30, 2009

These two statements report the Plan's net assets held in irrevocable trust account for retirees' medical benefits. Net assets, the difference between assets and liabilities, is one way to measure the plan's financial position. Over time, increase and decrease in net assets is one indicator of whether its financial health is improving or deteriorating. Other factors, such as market conditions, should also be considered in measuring the Plan's overall health.

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report presents certain required supplementary information concerning the Plan's progress in funding its obligations to provide retiree medical benefits to members.

FINANCIAL ANALYSIS

As previously noted, net assets may serve over time as a useful indication of the Plan's financial position. The assets of the Plan exceeded its liabilities at the end of fiscal year ended June, 30 2009.

NET ASSETS	2009
Cash and investments	\$ 41,160,832
Accounts payable	(160,553)
Net assets	<u>\$ 41,000,279</u>

The changes to plan net assets during the fiscal year ended June 30, 2009, is as follows:

CHANGES IN NET ASSETS	
Additions	\$ 41,224,767
Deductions	(224,488)
Beginning balance	-
Net assets	<u>\$ 41,000,279</u>

Contacting the Trust's Financial Management

This financial report is designed to provide our citizens, taxpayers, students, investors, and creditors with a general overview of the Plan's finances and to show the Plan'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

RETIREE BENEFIT PLAN STATEMENT OF PLAN NET ASSETS AS OF JUNE 30, 2009

ASSETS

Cash and cash equivalents	\$ 1,553,627
Investments	<u>39,607,205</u>
Total Assets	<u>\$ 41,160,832</u>

LIABILITIES

Accounts payable	\$ 160,553
Total Liabilities	<u>160,553</u>

NET ASSETS

Net assets held in trust for OPEB	<u>41,000,279</u>
Total Net Assets	<u>41,000,279</u>
Total Liabilities and Net Assets	<u>\$ 41,160,832</u>

See the accompanying notes to financial statements.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

**RETIREE BENEFIT PLAN
STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009**

ADDITIONS TO NET ASSETS ATTRIBUTED TO:

Contributions	
Employer	\$ 39,957,416
Investment income, net of investment expenses	<u>1,267,351</u>
Total Additions	<u>41,224,767</u>

DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO:

Retirement benefits	207,071
Administrative expenses	<u>17,417</u>
Total Deductions	<u>224,488</u>

INCREASE IN NET ASSETS 41,000,279

NET ASSETS HELD IN TRUST FOR OPEB, BEGINNING OF YEAR -

NET ASSETS HELD IN TRUST FOR OPEB, END OF YEAR \$ 41,000,279

See the accompanying notes to financial statements.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

RETIREE BENEFIT PLAN NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

NOTE #1 – DESCRIPTION OF PLAN

The following information of the San Jose/Evergreen Community College District Retiree Benefit Plan (the Plan), a component unit of the San Jose/Evergreen Community College District (the District) provides only general information. Readers should refer to the plan agreement for a more complete description of the Plan's provisions.

General

The Other Postemployment Benefit Plan (the "Plan") is a contributory single-employer defined benefit healthcare plan trust 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. The Plan is a governmental plan that is not subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). The Plan is a component unit of the San Jose/Evergreen Community College District.

Contributions

Contributions to the Plan are funded entirely by the employer. The Plan was established and may be amended by the District and the Faculty Association (AFT), the local California Service Employees Association (CSEA), and unrepresented groups. The 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. For fiscal year 2008-09, the District contributed \$39,957,416 to the Plan, in order to prefund the Plan. Premiums were funded from the contribution and interest earnings.

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.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

RETIREE BENEFIT PLAN NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

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 Plan held net assets in the amount of \$41,000,279, which consisted of amounts on deposit with the Trust.

Investment Options

BenefitStreets, the Asset Custodian, maintains the Plan's investments in various mutual funds, and is the record keeper and Wachovia Securities LLC is the investment advisor. Funds allocated to the Asset Custodian are invested as directed by the Retirement Board in a combination of equity and fixed income investments.

Plan Termination

In the event of Plan termination, the net assets of the Plan would be allocated as prescribed in the Plan documents, generally to pay in the order indicated:

- District's remaining retiree medical benefit liabilities
- Reasonable expenses of administering the Plan

Any assets remaining in the Plan after paying off the above liabilities shall revert back to the District.

NOTE #2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying basic financial statements are presented on the accrual basis of accounting. Contributions are recognized as revenue in the period in which employee services are performed, pursuant to formal commitments as well as statutory or contractual commitments. Benefits and refunds of contributions are recognized when due and payable under the provisions of the Plan.

Investment Valuation

Investments are reported at fair market value. Securities traded on a national or international exchange are valued at the last reported sales price on the last business day of the fiscal year at current exchange rates. The fair market value of the investments in mutual funds of \$39,607,205 at June 30, 2009, was valued by the respective mutual fund management firms. Purchases and sales of securities are reflected on the trade date. Investment income is recognized as earned.

Net Appreciation (Depreciation) on Investments

Net appreciation (depreciation) on investments is comprised of unrealized and realized gains and losses. Unrealized appreciation (depreciation) adjusts investment carrying amounts to reflect current market values, based on quoted prices in an active market.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

RETIREE BENEFIT PLAN NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

Cash and Cash Equivalents

The Plan'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.

Administrative Expenses

Certain internal costs of administering the Plan are paid by the Plan. Administrative expenses for the year ended June 30, 2009, were \$17,417.

Benefits

Benefits are recognized when paid.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires the plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

NOTE #3 – TAX STATUS

The Plan submitted a request for a Private Letter Ruling to the Internal Revenue Service in May 2009 to determine that the Plan and related trust are designed in accordance with Section 115 of the Internal Revenue Code (the IRC). The Plan is awaiting the response to the Private Letter Ruling as of the date of this report.

NOTE #4 – INVESTMENTS

The Plan has adopted an internally developed investment policy that is governed by the standards established in the California Constitution. In addition, the Plan has written investment policies regarding the type of investments that may be made specifically for the Plan and the amount, which may be invested in any one financial institution, or amounts that may be invested in long-term instruments. Management believes the Plan has complied with the provisions of statutes pertaining to the types of investments held, institutions in which deposits were made, and security requirements.

The fair value of the Plan's individual investments at June 30, 2009, are as follows:

	2009
Common Stocks	\$ 23,825,453
Fixed Income	15,781,752
Total investments	<u>\$ 39,607,205</u>

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

**RETIREE BENEFIT PLAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

During 2009, the Plan’s investments (including gains and losses on investments bought and sold as well as held during the year) appreciated as follows:

Interest income	\$ 769
Dividend income	85,124
Realized gains	461
Unrealized gains	1,113,956
Other investment income	67,041
Total investment income	<u>\$ 1,267,351</u>

Plan assets that exceeded 5% of the total assets are as follows:

Blackrock Equity Dividend I	\$ 2,103,727
J Hancock Classic Value I	2,117,688
Hartford Capital Appreciation	2,083,502
Delaware Diversified Income	2,108,210
Oppenheimer International Bond	2,093,297
Western Asset Core Plus Bond	2,098,860
	<u>\$ 12,605,284</u>

NOTE #5 – ACCOUNTS PAYABLE

The accounts payable of \$160,553 at June 30, 2009, consisted of benefits costs for the month of June 2009.

NOTE #6 – ANNUAL TRUST COST AND NET TRUST OBLIGATIONS

The District’s Annual Required Contribution (ARC) to the Plan is an amount actuarially determined in accordance with the parameters of GASB Statement 45. The plan 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 liabilities (or funding excess) over a period not to exceed thirty years.

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

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

**RETIREE BENEFIT PLAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

The annual Trust cost, the percentage of annual Trust cost contributed to the Trust, and the net Trust obligation for fiscal year ending 2009, is as follows:

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