

**SAN JOSÉ/EVERGREEN
COMMUNITY COLLEGE DISTRICT**
San Jose, California

**RETIREMENT FUTURIS PUBLIC ENTITY
INVESTMENT TRUST FINANCIAL STATEMENTS**
June 30, 2013

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
RETIREMENT FUTURIS PUBLIC ENTITY INVESTMENT TRUST
San Jose, California

FINANCIAL STATEMENTS
June 30, 2013

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
San José/Evergreen Community College District and
Retirement Board of Authority
Retirement Futuris Public Entity Investment Trust
San Jose, California

Report on the Financial Statements

We have audited the accompanying statement of trust net position of San José/Evergreen Community College District Retirement Futuris Public Entity Investment Trust, a fiduciary fund of San José/Evergreen Community College District (the "Trust") as of and for the year ended June 30, 2013, and the related statement of changes in trust net position and notes to the financial statements, which collectively comprise the Trust financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these basic financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of San José/Evergreen Community College District Retirement Futuris Public Entity Investment Trust, as of June 30, 2013, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Trust and do not purport to, and do not, present fairly the financial position and results of operations of the San José/Evergreen Community College District in conformity with accounting principles generally accepted in the United States of America. Our report is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) on pages 3 to 5 and the Required Supplementary Information, such as the Schedule of Funding Progress and Schedule of Employer Contributions on pages __, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2013 on our consideration of the Trust's internal control over financial reporting and on our test 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 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 should be considered in assessing the results on our audit.


Crowe Horwath LLP

Sacramento, California
December 16, 2013

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
RETIREMENT FUTURIS PUBLIC ENTITY INVESTMENT TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013

This section provides an overview and analysis of the financial activities of San José/Evergreen Community College District Retirement Futuris Public Entity Investment Trust (the "Trust") for the fiscal year ended June 30, 2013. The Trust was established in February 2008 by the District's Board of Trustees and assets held for Other Post Employment Benefits were transferred to an irrevocable trust in May 2009. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in San José/Evergreen Community College District's (the "District") financial statements.

FINANCIAL HIGHLIGHTS

The net position of San José/Evergreen Community College District Retirement Futuris Public Entity Investment Trust at the close of fiscal year 2013 is \$46,853,657 (net assets held in trust for retiree medical benefits). The net position is available to meet the Trust's ongoing obligations to participants and beneficiaries.

The Trust's funding objective is to meet long-term benefit obligations through contributions and investment income. The Trust was initially funded by the District by a one-time transfer in 2009 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 Trust's financial statements, which comprises these components:

1. Statement of Trust Net Position
2. Statement of Changes in Trust Net Position
3. Notes to the Basic Financial Statement

The Statement of Trust Net Position 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 Trust Net Position, on the other hand, provides a view of current year additions to and deductions from the Trust. Both statements are in compliance with Governmental Accounting Standards. These Standards require certain disclosures and require the state and local governments to report using the full accrual method of accounting. The Trust complies with all material requirements of these pronouncements.

The Statement of Trust Net Position and the Statement of Changes in Trust Net Position report information about the Trust'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.

These two statements report the Trust's net position held in an irrevocable trust account for retirees' medical benefits. Net position, the difference between assets and liabilities, is one way to measure the plan's financial position. Over time, increase and decrease in net position 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 Trust's overall health.

(Continued)

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
RETIREMENT FUTURIS PUBLIC ENTITY INVESTMENT TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013

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 Trust's progress in funding its obligations to provide retiree medical benefits to members.

FINANCIAL ANALYSIS

As previously noted, net position may serve over time as a useful indication of the Trust's financial position. The assets of the Trust exceeded its liabilities at the end of fiscal year ended June 30, 2013 and 2012.

	<u>2013</u>	<u>2012</u>
Investments in mutual funds	\$ 47,450,296	\$ 45,523,546
Accounts payable	<u>(596,639)</u>	<u>(607,950)</u>
Net position	<u>\$ 46,853,657</u>	<u>\$ 44,915,596</u>

The \$1.9 million increase in investments mainly reflects market fluctuations and investment income that positively impacted the fair value of investments (\$5.1 million), net of payments for retiree benefits (\$3.2 million).

The changes to Trust net position during the fiscal year ended June 30, 2013 are as follows:

	<u>2013</u>	<u>2012</u>
Additions	\$ 1,938,061	-
Deductions	-	\$ (4,788,129)
Beginning balance	<u>44,915,596</u>	<u>49,703,725</u>
Net position	<u>\$ 46,853,657</u>	<u>\$ 44,915,596</u>

Deductions in the prior fiscal year were the result of market fluctuations that negatively impacted the Trust's investments. For the year ended June 30, 2013, there were no deductions and net investment gains of \$5.1 million were recorded. Payments for retiree benefits decreased approximately \$197 thousand (6%) due to decreasing benefit rates.

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 Trust's finances and to show the Trust'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 José/Evergreen Community College District, 4750 San Felipe Road, San Jose, California 95135.

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
RETIREMENT FUTURIS PUBLIC ENTITY INVESTMENT TRUST
STATEMENT OF TRUST NET POSITION
June 30, 2013

ASSETS

Investments in mutual funds (Note 3) \$ 47,450,296

LIABILITIES

Accounts payable (Note 4) \$ 596,639

NET POSITION - RESTRICTED

Net position held in trust for other postemployment benefits 46,853,657

Total liabilities and net position \$ 47,450,296

See accompanying notes to financial statements.

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
RETIREMENT FUTURIS PUBLIC ENTITY INVESTMENT TRUST
STATEMENT OF CHANGES IN TRUST NET POSITION
For the Year Ended June 30, 2013

Investment income:	
Net investment gain (Note 3):	
Net realized and unrealized gains	\$ 4,013,873
Dividends and other income	1,348,739
Investment fees	<u>(214,234)</u>
Net investment gain	<u>5,148,378</u>
Deductions:	
Retiree benefits (Note 5)	3,156,614
Administrative expenses	<u>53,703</u>
Total deductions	<u>3,210,317</u>
Change in net position	1,938,061
Net position held in trust for other postemployment benefits:	
Restricted net position, July 1, 2012	<u>44,915,596</u>
Restricted net position, June 30, 2013	<u>\$ 46,853,657</u>

See accompanying notes to financial statements.

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
RETIREMENT FUTURIS PUBLIC ENTITY INVESTMENT TRUST
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 – DESCRIPTION OF PLAN

The following information of the San José/Evergreen Community College District Retirement Futuris Public Entity Investment Trust (the "Trust"), a fiduciary fund of the San José/Evergreen Community College District (the "District"), provides only general information of the Trust's provisions. Readers should refer to the Trust agreement for a more complete description. These financial statements include only the reserves of the Trust and are not intended to present fairly the financial position and results of operations of the District in compliance with accounting principles generally accepted in the United States of America.

General: The District administers the Trust, a contributory single-employer defined benefit healthcare plan through a third-party. The Trust provides postemployment medical, prescription drug and employee assistance program benefits to eligible retirees and their spouses by paying member premiums. Membership consists of 297 retirees and 142 beneficiaries currently eligible to receive benefits, and 29 active plan members.

Contributions: Contributions to the Trust are funded entirely by the employer. The Trust was established and may be amended by the District and the Faculty Association (AFT), the local California Service Employees Association (CSEA) and unrepresented groups. In 2009, the District issued an OPEB Taxable Bond of \$46,775,000 for the purpose of financing the District's obligation to pay certain healthcare retiree costs related to the defined benefit plan (the "Plan"). The District transferred \$39,957,416 to the Trust to fund the Plan. There were no contributions to the Plan during the fiscal year ended June 30, 2013. Retiree benefits and administrative expenses are funded from the prior contribution and investment 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 Trust and the annual required contributions of the District 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 basic financial statements, presents multi-year trend information about whether the actuarial value of trust assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and 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 June 30, 2013 actuarial valuation, the entry age normal method was used. The actuarial assumptions included a 7.9 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 4.0 to 7.5 percent. The unfunded actuarial accrued liability (or funding excess) (UAAL) is being amortized at a level dollar method on a closed basis. The remaining amortization period at June 30, 2013 was 30 years.

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SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
RETIREMENT FUTURIS PUBLIC ENTITY INVESTMENT TRUST
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 – DESCRIPTION OF PLAN (Continued)

Investment Options: As appointed by the Retirement Board of Authority, Benefit Trust Company, the Asset Custodian, maintains the Trust's investments in various mutual funds, and is the record keeper and Morgan Stanley is the investment advisor. Funds allocated to the Asset Custodian are invested as directed by the Retirement Board of Authority in a combination of equity and fixed income investments.

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The accompanying basic financial statements are presented on the accrual basis of accounting. Contributions are recognized in the period in which the contributions are due, pursuant to formal commitments as well as statutory or contractual commitments. Retiree benefits are recognized when due and payable.

The financial statements of the Trust have been prepared in accordance with accounting principles generally accepted (GAAP) in the United States of America. In the U.S. the Governmental Accounting Standards Board (GASB) is the established and recognized standard-setting body for governmental accounting and financial reporting. The financial statements have been prepared consistent with GASB Codification Po50, *Postemployment Benefit Plans Other than Pension Plans*.

Investment Valuation: Investments are reported at fair value based upon market prices, when available, or estimates of fair value, and unrealized and realized gains and losses are included in the Statement of Changes in Trust Net Position.

Administrative Expenses: Certain internal costs of administering the Trust are paid by the Trust. Administrative expenses for the year ended June 30, 2013 were \$53,703.

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

New Accounting Pronouncements: In November 2010, the GASB issued Statement No. 61, The Financial Reporting Entity: Omnibus. The Statement improves financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, The Financial Reporting Entity, and the related financial reporting requirements of Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, were amended to better meet user needs and to address reporting entity issues. This statement was adopted for the Trust's fiscal year ended June 30, 2013 with no material impact on the Trust.

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SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
RETIREMENT FUTURIS PUBLIC ENTITY INVESTMENT TRUST
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements: (Continued)

In December 2010, the GASB issued Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The Statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: (1) Financial Accounting Standards Board Statements and Interpretations; (2) Accounting Principles Board Opinions; and (3) Accounting Research Bulletins of the American Institute of Certified Public Accountants' Committee on Accounting Procedure. This statement was adopted for the Trust's fiscal year ended June 30, 2013 with no material impact on the Trust.

In June 2011, the GASB issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This Statement provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements). This Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. This Statement also amends certain provisions of GASB Statement No. 34, Basic Financial Statement – and Management's Discussion and Analysis – for State and Local Governments, and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets. This statement was adopted for the Trust's fiscal year ended June 30, 2013 with no material impact on the Trust.

In March, 2012, the GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. The provisions of this Statement are effective for the Trust's fiscal year ended June 30, 2014, with earlier application being encouraged. This statement was adopted for the Trust's fiscal year ended June 30, 2013 with no material impact on the Trust.

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SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
RETIREMENT FUTURIS PUBLIC ENTITY INVESTMENT TRUST
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements: (Continued)

In March 2012, the GASB issued Statement No. 66, Technical Corrections – 2013, an amendment of GASB Statements No. 10 and No. 61. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 64, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre- November 30, 1989 FASB and AICPA Pronouncements. This Statement amends Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, Trusts should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement No. 54 and Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments. This Statement also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, Accounting for Operating Leases with Scheduled Rent Increases, and result in guidance that is consistent with the requirements in Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, respectively. The provisions of this Statement are effective for the Trust's fiscal year ended June 30, 2014, with earlier application encouraged. Management has not determined what impact, if any, this GASB statement will have on the Trust's financial statements.

In June 2012, the GASB issued Statement No. 67, Financial Reporting for Pension Plans. This Statement replaces the requirements of Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans and Statement No. 50 as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. The Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. Statement No. 67 enhances note disclosures and RSI for both defined benefit and defined contribution pension plans. Statement No. 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. This Statement is effective for the Trust's financial period beginning June 30, 2014. Management has not determined what impact, if any, this GASB statement might have on its financial statements.

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers and Statement No. 50, Pension Disclosures, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). This Statement is effective for the Trust's financial period beginning June 30, 2015. Management has not determined what impact, if any, this GASB statement might have on its financial statements.

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SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
RETIREMENT FUTURIS PUBLIC ENTITY INVESTMENT TRUST
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 3 – INVESTMENTS

The Trust has adopted an internally developed investment policy that authorizes the use of a broad range of investment choices that have distinctly different risks and return characteristics. In general, investments held in the Trust Fund are for the primary purpose of meeting present and future OPEB liability obligations and may be invested in accordance with California Government Code Sections 53600 through 53622 that, subject to applicable legal requirements, may provide greater latitude to increase purchasing power and capital growth potential if deemed prudent to do so.

The Trust Fund's policy is to maintain two separate investment portfolios. The first portfolio is for the purpose of providing for the projected short-term liquidity needs of the Trust and is invested with the objective of achieving a target net annual rate of return of 5%. The second portfolio holds the remaining balance of the Trust and is invested with the objective of achieving a target net annual rate of return of 8%. Both portfolios are invested with the objective of achieving an additional 0.5% return above targets for the purpose of covering the costs of trust administration. At June 30, 2013, 6% of the Trust's investment value is held in the short-term portfolio.

As stated in the Investment Policy, the Trust will invest predominantly in open-end mutual funds. The fair value of the Trust's individual investments is established at net asset value (NAV) and at June 30, 2013 are as follows:

	<u>2013</u>
Mutual funds:	
Common stocks	\$ 31,803,995
Fixed income	<u>15,646,301</u>
Total investments	<u>\$ 47,450,296</u>

During the fiscal year ended June 30, 2013, the Trust's investments (including gains and losses on investments bought and sold as well as held during the year) appreciated as follows:

	<u>2013</u>
Unrealized gains, net	\$ 2,874,265
Realized gains, net	1,139,608
Dividends and other income	1,348,739
Investment fees	<u>(214,234)</u>
Total investment expense	<u>\$ 5,148,378</u>

(Continued)

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
RETIREMENT FUTURIS PUBLIC ENTITY INVESTMENT TRUST
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 3 – INVESTMENTS (Continued)

Custodial Credit Risk

The California Government Code requires California banks and savings and loan associations to secure the Trust's deposits by pledging government securities as collateral. The market value of pledged securities must equal 110 percent of an agency's deposits. California law also allows financial institutions to secure an agency's deposits by pledging first trust deed mortgage notes having a value of 150 percent of an agency's total deposits and collateral is considered to be held in the name of the Trust. All cash held by financial institutions is entirely insured or collateralized.

Credit Risk

Trust's investment policy requires all fixed income investments to be of investment grade quality or higher at purchase; that is, at the time of purchases, rated no lower than "BBB" by Standard and Poor's. The Trust Board, at their discretion, may impose a higher standard on an individual investment manager basis as circumstances or investment objectives dictate. At June 30, 2013, the Trust investments consisted of open-end mutual funds, therefore there are no credit ratings to disclose.

Interest Rate Risk

The Trust does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2013, the Trust had no significant interest rate risk related to investments held.

NOTE 4 – ACCOUNTS PAYABLE

The accounts payable at June 30, 2013 consisted of \$596,639 in retiree benefit costs for the months of May and June 2013.

NOTE 5 – RELATED PARTY TRANSACTIONS

Retiree benefit costs of the Trust are paid by San José/Evergreen Community College District. The District transferred \$3,156,614 from the Trust fund to the District to pay retiree benefits.

REQUIRED SUPPLEMENTARY INFORMATION

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
 RETIREMENT FUTURIS PUBLIC ENTITY INVESTMENT TRUST
 REQUIRED SUPPLEMENTARY INFORMATION
 For the Year Ended June 30, 2013

I. – SCHEDULE OF FUNDING PROGRESS

<u>Fiscal Year Ended</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b – a)</u>	<u>Funded Ratio (a / b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b - a) / c)</u>
June 30, 2010	July 1, 2009	\$ 41,000,300	\$ 38,044,800	\$ (2,955,500)	108%	\$ 64,732,200	(5)%
June 30, 2011	July 1, 2009	\$ 41,000,300	\$ 38,044,800	\$ (2,955,500)	108%	\$ 31,962,400	(9)%
June 30, 2012	June 30, 2011	\$ 49,703,700	\$ 40,376,400	\$ (9,327,300)	123%	\$ 31,493,949	(30)%
June 30, 2013	June 30, 2013	\$ 47,450,296	\$ 40,148,891	\$ (7,301,405)	118%	\$ 25,921,000	(28)%

II. – SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Fiscal Year Ended</u>	<u>Actuarial Valuation Date</u>	<u>Annual Required Contribution</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Asset</u>
June 30, 2009	June 30, 2007	\$ 2,092,400	\$ 2,524,693	1583%	\$ 39,352,900
June 30, 2010	June 30, 2009	-	\$ 81,400	0%	\$ 39,271,500
June 30, 2011	June 30, 2009	-	\$ 87,797	0%	\$ 39,183,703
June 30, 2012	June 30, 2011	-	\$ (413,985)	0%	\$ 39,597,688
June 30, 2013	June 30, 2013	-	\$ (292,802)	0%	\$ 39,304,886

III. – NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

- Annual other postemployment benefit (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 Cod. Sec. P50. 108-109. 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.
- Actuarial value of assets for the year ended June 30, 2010 reflects a special, one-time contribution to the Trust through the issuance of OPEB bonds. There have been no additional contributions to the Trust as of June 30, 2013.

INDEPENDENT AUDITOR'S 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

To the Board of Trustees
San José/Evergreen Community College District and
Retirement Board of Authority
Retirement Futuris Public Entity Investment Trust
San Jose, California

We have audited, in accordance with the 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, the accompanying statement of trust net position of San José/Evergreen Community College District Retirement Futuris Public Entity Investment Trust, a fiduciary fund of San José/Evergreen Community College District (the "Trust") as of and for the year ended June 30, 2013, and the related statement of changes in trust net position and notes to the financial statements, which collectively comprise the Trust financial statements, and have issued our report thereon dated December 16, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Trust's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control over financial reporting.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Trust financial statements are free of material misstatement, we performed tests of the Trust's 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 audit, 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*.

Purpose of this Report

The purpose of this report is solely 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 effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Crowe Horwath LLP

Sacramento, California
December 16, 2013