

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

FINANCIAL STATEMENTS
June 30, 2014

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2014

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SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2014

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the fiduciary activities of San José/Evergreen Community College District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise San José/Evergreen Community College District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the fiduciary activities of San José/Evergreen Community College District, as of June 30, 2014, and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 to 13 and the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise San José/Evergreen Community College District's basic financial statements. The accompanying schedule of expenditure of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditure of federal awards and other supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The schedule of expenditure of federal awards and other supplementary information as listed in the table of contents, except for the Organization, Combining Statement of Net Position by Fund and Combining Statement of Revenues, Expenses, and Change in Net Position by Fund have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards and other supplementary information as listed in the table of contents, except for the Organization, Combining Statement of Net Position by Fund and Combining Statement of Revenues, Expenses, and Change in Net Position by Fund, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Organization, Combining Statement of Net Position by Fund and Combining Statement of Revenues, Expenses, and Change in Net Position by Fund have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2014 on our consideration of San José/Evergreen Community College 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering San José/Evergreen Community College District's internal control over financial reporting and compliance.


Crowe Horwath LLP

San Jose Evergreen Community College District

Management Discussion and Analysis

June 30, 2014

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 the District's unaudited financial statements using the funds 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 Position; the Statement of Revenues, Expenses, and Change in Net Position; 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 Position is designed to be similar to "bottom line" results of the District. This statement combines and consolidates current financial resources (short-term spendable resources) with capital assets. The Statements of Revenues, Expenses, and Change in Net Position focus on both the gross and the net cost of District activities, which are supported mainly by local property taxes and student fees. This approach is intended to summarize and simplify the analysis of the cost of various District services to students and the public.

The following analysis provides an overview of the District's financial activities. The analysis includes a comparison of current to prior year activity.

Statement of Net Position

The Statement of Net Position 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 position, the difference between assets and liabilities, are one way to measure the financial health of the District.

Statement of Net Position

	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>2012</u>	<u>Change</u>
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 21,742,672	\$ 16,642,896	\$ 5,099,776	\$ 12,991,421	\$ 3,651,475
Accounts receivable, net	8,775,663	9,806,230	(1,030,567)	10,881,999	(1,075,769)
Inventory	380,476	421,354	(40,878)	333,253	88,101
Prepaid expenditures	175,513	180,865	(5,352)	3,263,520	(3,082,655)
Total Current Assets	<u>31,074,324</u>	<u>27,051,345</u>	<u>4,022,979</u>	<u>27,470,193</u>	<u>(418,848)</u>
NONCURRENT ASSETS					
Restricted cash and cash equivalents	215,367,027	95,217,909	120,149,118	130,169,932	(34,952,023)
Prepaid OPEB asset	38,951,508	39,304,886	(353,378)	39,597,688	(292,802)
Capital assets, net	351,556,142	313,243,006	38,313,136	294,233,658	19,009,348
Total Noncurrent Assets	<u>605,874,677</u>	<u>447,765,801</u>	<u>158,108,876</u>	<u>464,001,278</u>	<u>(16,235,477)</u>
TOTAL ASSETS	<u>636,949,001</u>	<u>474,817,146</u>	<u>162,131,855</u>	<u>491,471,471</u>	<u>(16,654,325)</u>
Deferred loss on refunding	5,260,989	-	5,260,989	-	-
TOTAL ASSETS & DEFERRED LOSS ON REFUNDING	<u>\$ 642,209,990</u>	<u>\$ 474,817,146</u>	<u>\$ 167,392,844</u>	<u>\$ 491,471,471</u>	<u>\$ (16,654,325)</u>
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable & accruals	\$ 20,794,168	\$ 14,944,005	\$ 5,850,163	\$ 17,281,251	\$ (2,337,246)
Unearned revenue	5,138,074	4,851,658	286,416	5,103,940	(252,282)
Long-term debt, current portion	22,236,302	18,822,195	3,414,107	17,416,215	1,405,980
Total Current Liabilities	<u>48,168,544</u>	<u>38,617,858</u>	<u>9,550,686</u>	<u>39,801,406</u>	<u>(1,183,548)</u>
NONCURRENT LIABILITIES					
Compensated absences	1,840,230	1,743,168	97,062	1,893,377	(150,209)
Long-term debt, non-current portion	514,711,659	366,460,516	148,251,143	381,373,437	(14,912,921)
Total Noncurrent Liabilities	<u>516,551,889</u>	<u>368,203,684</u>	<u>148,348,205</u>	<u>383,266,814</u>	<u>(15,063,130)</u>
TOTAL LIABILITIES	<u>564,720,433</u>	<u>406,821,542</u>	<u>157,898,891</u>	<u>423,068,220</u>	<u>(16,246,678)</u>
NET POSITION					
Invested in capital assets, net of related debt	42,242,589	35,033,274	7,209,315	31,504,963	3,528,311
Restricted for:					
Debt service	33,641,398	27,377,392	6,264,006	30,145,833	(2,768,441)
Capital projects	1,808,501	2,158,623	(350,122)	2,004,403	154,220
Educational programs	1,234,903	1,986,636	(751,733)	2,059,214	(72,578)
Unrestricted	(1,437,834)	1,439,679	(2,877,513)	2,688,838	(1,249,159)
Total Net Position	<u>77,489,557</u>	<u>67,995,604</u>	<u>9,493,953</u>	<u>68,403,251</u>	<u>(407,647)</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 642,209,990</u>	<u>\$ 474,817,146</u>	<u>\$ 167,392,844</u>	<u>\$ 491,471,471</u>	<u>\$ (16,654,325)</u>

June 30, 2014 Compared to June 30, 2013

Cash and cash equivalents, inclusive of current and non-current assets, are invested primarily in the Santa Clara County investment pool. The increase in the cash balances from prior year is primarily a result of the issuance of Measure G 2004 Series C bonds and the issuance of Measure G 2010 Series C bonds to support the continued construction and renovation of our college campuses.

Receivables primarily represent funding owed to the District by students and by the Federal Government, the State Government, and Local Governments for non-capital apportionment and grants. The total owed to the District by Federal and State sources is approximately \$2.3 million.

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 a net value of \$38.3 million from the previous fiscal year. (Capital acquisitions valued at \$53.9 million less \$15.6 million in dispositions and depreciation.)

Accounts payable and other liabilities represent amounts owed for services and goods received by the District, during Fiscal Year 2013-2014, for which payment would not be made until Fiscal Year 2014-2015. The accounts payable amount primarily represents amounts due to vendors and amounts owed to employees for services rendered. The District's accounts payable and other liabilities at June 30, 2014 was \$5.8 million more than at June 30, 2013.

Unearned revenues represent prepayments made to the District for which services have yet to be rendered. Approximately \$4.0 million of this amount represents student tuition and registration fees, received during Fiscal Year 2013-2014, for the summer and fall terms of Fiscal Year 2014-2015.

The District's long-term liabilities consist of the accumulated liability for compensated absence of approximately \$1.8 million and \$444.9 million in voter-approved general obligation bonds, \$47.5 million of OPEB taxable bonds, and \$22.3 million in bond premiums and accreted interest being amortized 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 Position" is the net investment in capital assets of approximately \$42.2 million. These funds are not liquid resources that can be used to fund ongoing operations.

June 30, 2013 Compared to June 30, 2012

Cash and cash equivalents, inclusive of current and non-current assets, are invested primarily in the Santa Clara County investment pool. The decrease in the cash balances from prior year is primarily a result of expenditures associated with projects funded by Measure G 2010 Series A bonds to support the continued construction and renovation of our college campuses.

Receivables primarily represent funding owed to the District by students and by the Federal Government, State Government and Local Governments for non-capital apportionment and grants. The total owed to the District by Federal and State sources is approximately \$1.6 million.

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 a net value of \$19.0 million from the previous fiscal year. (Capital acquisitions valued at \$32.7 million less \$13.7 million in dispositions and depreciation.)

Accounts payable and other liabilities represent amounts owed for services and goods received by the District, during Fiscal Year 2012-2013, for which payment would not be made until Fiscal Year 2013-2014. The accounts payable amount primarily represents amounts due to vendors and amounts owed to employees for services rendered. The District's accounts payable and other liabilities at June 30, 2013 was \$2.3 million less than at June 30, 2012.

Unearned revenues represent prepayments made to the District for which services have yet to be rendered. Approximately \$4.0 million of this amount represents student tuition and registration fees, received during Fiscal Year 2012-2013, for the summer and fall terms of Fiscal Year 2013-2014.

The District's long-term liabilities consist of the accumulated liability for compensated absence of approximately \$1.7 million and \$301.9 million in voter-approved general obligation bonds, \$47.5 million of OPEB taxable bonds, and \$35.9 million in bond premiums and accreted interest being amortized 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 Position" is the net investment in capital assets of approximately \$35.0 million. These funds are not liquid resources that can be used to fund ongoing operations.

Statement of Revenues, Expenses, and Changes in Net Position

Operating Results

	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>2012</u>	<u>Change</u>
OPERATING REVENUES					
Tuition and Fees - net	\$ 7,975,021	\$ 7,904,097	\$ 70,924	\$ 6,944,167	\$ 959,930
Grants and Contracts, noncapital:					
Federal	5,331,017	6,805,147	(1,474,130)	10,401,640	(3,596,493)
State	7,545,766	7,150,317	395,449	7,232,579	(82,262)
Local	10,935	568,202	(557,267)	1,181,823	(613,621)
Auxiliary Enterprise Sales and Charges					
Bookstore	2,101,737	2,553,690	(451,953)	3,327,740	(774,050)
TOTAL OPERATING REVENUES	<u>22,964,476</u>	<u>24,981,453</u>	<u>(2,016,977)</u>	<u>29,087,949</u>	<u>(4,106,496)</u>
OPERATING EXPENSES					
Salaries	62,767,134	58,938,907	3,828,227	58,109,239	829,668
Employee benefits	22,287,926	22,814,559	(526,633)	23,055,586	(241,027)
Supplies, materials, and other operating expenses and services	36,261,037	44,748,642	(8,487,605)	48,186,505	(3,437,863)
Depreciation	15,602,370	13,709,435	1,892,935	14,327,965	(618,530)
TOTAL OPERATING EXPENSES	<u>136,918,467</u>	<u>140,211,543</u>	<u>(3,293,076)</u>	<u>143,679,295</u>	<u>(3,467,752)</u>
OPERATING LOSS	<u>(113,953,991)</u>	<u>(115,230,090)</u>	<u>1,276,099</u>	<u>(114,591,346)</u>	<u>(638,744)</u>
NONOPERATING REVENUES (EXPENSES)					
State apportionments, noncapital	3,083,018	3,396,435	(313,417)	619,016	2,777,419
Local property taxes	71,820,808	63,793,025	8,027,783	63,435,227	357,798
State taxes and other revenues	3,584,565	3,228,389	356,176	3,159,119	69,270
Pell Grants	20,428,522	20,703,718	(275,196)	23,835,463	(3,131,745)
Investment income	614,343	763,296	(148,953)	731,082	32,214
Interest expense on capital related debt	(11,970,940)	(11,757,701)	(213,239)	(18,738,825)	6,981,124
Loss on disposal of capital assets	-	-	-	(1,818,723)	1,818,723
Transfer from trust fund	3,255,618	3,156,614	99,004	3,353,227	(196,613)
Gain (Loss) on Disposal of Asset	(323,115)	-	(323,115)	-	-
Other nonoperating revenue	4,246,369	6,071,876	(1,825,507)	4,293,320	1,778,556
TOTAL NON OPERATING REVENUES (EXPENSES)	<u>94,739,188</u>	<u>89,355,652</u>	<u>5,383,536</u>	<u>78,868,906</u>	<u>10,486,746</u>
INCOME (LOSS) BEFORE OTHER REVENUES AND EXPENSES	<u>(19,214,803)</u>	<u>(25,874,438)</u>	<u>6,659,635</u>	<u>(35,722,440)</u>	<u>9,848,002</u>
State apportionments, capital	-	667,897	-	201,736	-
Local property taxes and revenues, capital	28,708,756	27,845,662	863,094	26,140,770	1,704,892
CHANGE IN NET POSITION	9,493,953	2,639,121	7,522,729	(9,379,934)	11,552,894
NET POSITION, BEGINNING OF YEAR*	67,995,604	65,356,483	2,639,121	77,783,185	(12,426,702)
NET POSITION, END OF YEAR	<u>\$ 77,489,557</u>	<u>\$ 67,995,604</u>	<u>\$ 10,161,850</u>	<u>\$ 68,403,251</u>	<u>\$ (873,808)</u>

The Statement of Revenues, Expenses, and Change in Net Position present the financial results of the District's operations, as well as its non-operating activities. The distinction between these two activities involves the concepts of "exchange" and "non-exchange." 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. The receipt of property taxes; however, do not include this "exchange" relationship between "payment" and the "receipt of benefit." Such revenues are deemed "non-exchange" transactions and are, therefore, treated as "non-operating" activities.

June 30, 2014 Compared to June 30, 2013

The primary components of "tuition and fees" are the \$46 per unit enrollment fee that is charged to all students registering for classes and the \$199 per unit fee that is charged to all non-resident students. The difference between these fees is due to the fact that resident student instruction is largely subsidized by local property taxes; non-resident students must pay the full cost of instruction. Approximately \$4.7 million of the gross revenue has been funded by the Board of Governor's (fee) Waivers, which is offset by an equal amount in "scholarship discounts."

The revenue for auxiliary enterprises consists primarily of revenue from the District's bookstores on the San Jose City College and Evergreen Valley College campuses in the amount of approximately \$2.1 million.

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

The principal components of the District's non-operating revenue include 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 the District's general obligation bonds, all of this revenue is used to support the District's instructional activities. Approximately \$.6 million of interest income was earned primarily on cash resources held in the County Treasury during the fiscal year.

A large component of the District's operating revenues is from noncapital grants and contracts. Approximately \$5.8 million is funding received from the State for categorical programs, such as DSP&S, EOP&S, Student Success & Support Program, etc., while Federal grants of approximately \$5.3 million provided funding for student financial aid programs and other services excluding Pell grants totaling \$20.4 million, which are classified as non-operating revenues.

June 30, 2013 Compared to June 30, 2012

The primary components of "tuition and fees" are the \$46 per unit enrollment fee that is charged to all students registering for classes and the \$199 per unit fee that is charged to all non-resident students. The difference between these fees is due to the fact that resident student instruction is largely subsidized by local property taxes; non-resident students must pay the full cost of instruction. Approximately \$10 million of the gross revenue has been funded by the Board of Governor's (fee) Waivers, which is offset by an equal amount in "scholarship discounts."

The revenue for auxiliary enterprises consists primarily of revenue from the District's bookstores on the San Jose City College and Evergreen Valley College campuses in the amount of approximately \$2.5 million.

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

The principal components of the District's non-operating revenue include 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 the District's general obligation bonds, all of this revenue is used to support the District's instructional activities. Approximately \$.76 million of interest income was earned primarily on cash resources from the District's general obligation bonds invested in the County Treasury during the fiscal year.

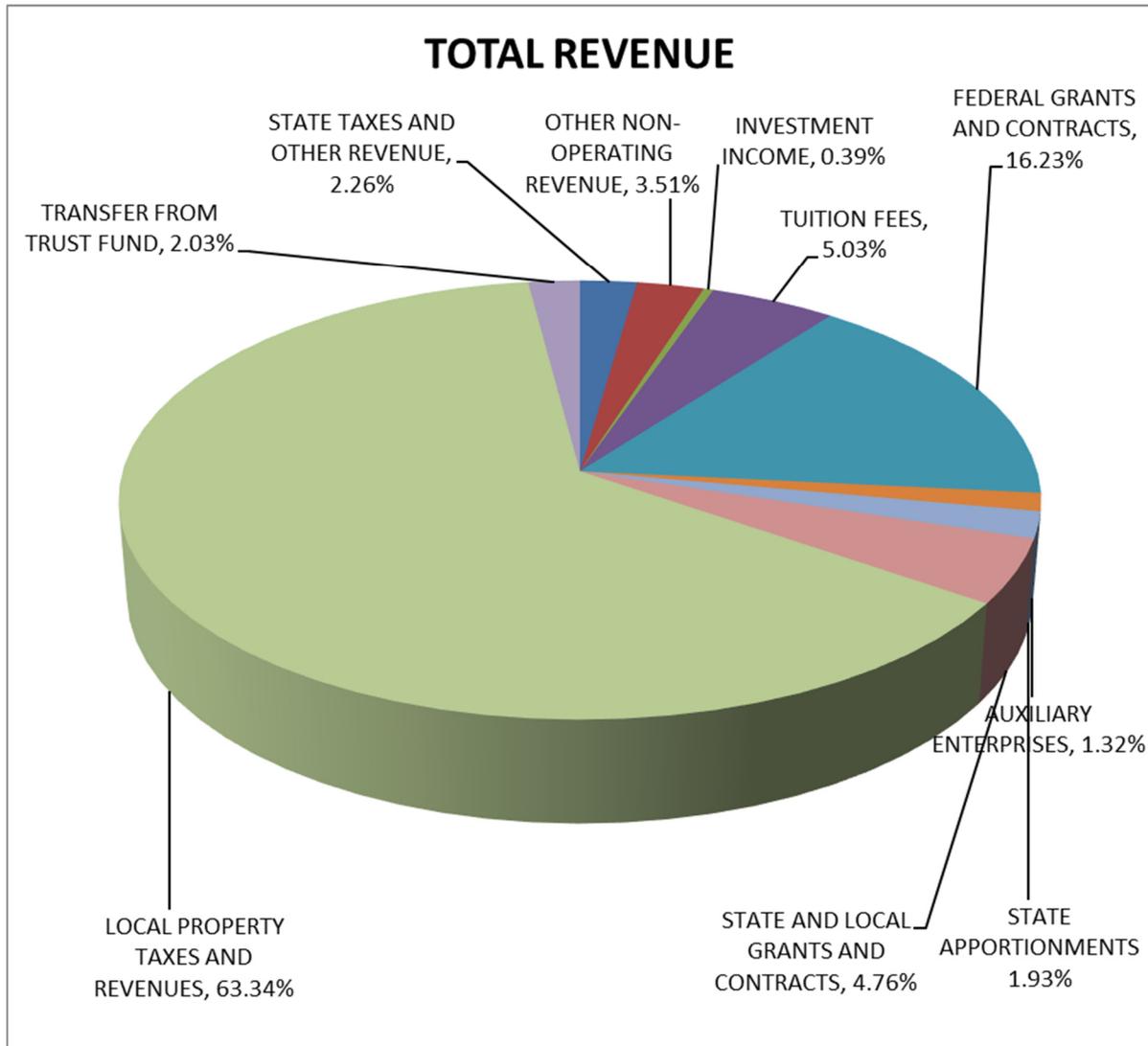
A large component of the District's operating revenues is from noncapital grants and contracts. Approximately \$4.8 million is funding received from the State for categorical programs, such as DSP&S, EOP&S, Matriculation, etc., while Federal grants of approximately \$3.0 million provided funding for student financial aid programs excluding Pell grants totaling \$20.7 million, which are classified as non-operating revenues.

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

Lastly, it should be noted that based upon the District's adoption of GASB Statement No. 65, which established 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, the District's beginning net position for Fiscal Year 2012-2013 was restated by \$3,046,768 because debt issuance costs are no longer capitalized.

Total Revenue for the Year Ended June 30, 2014

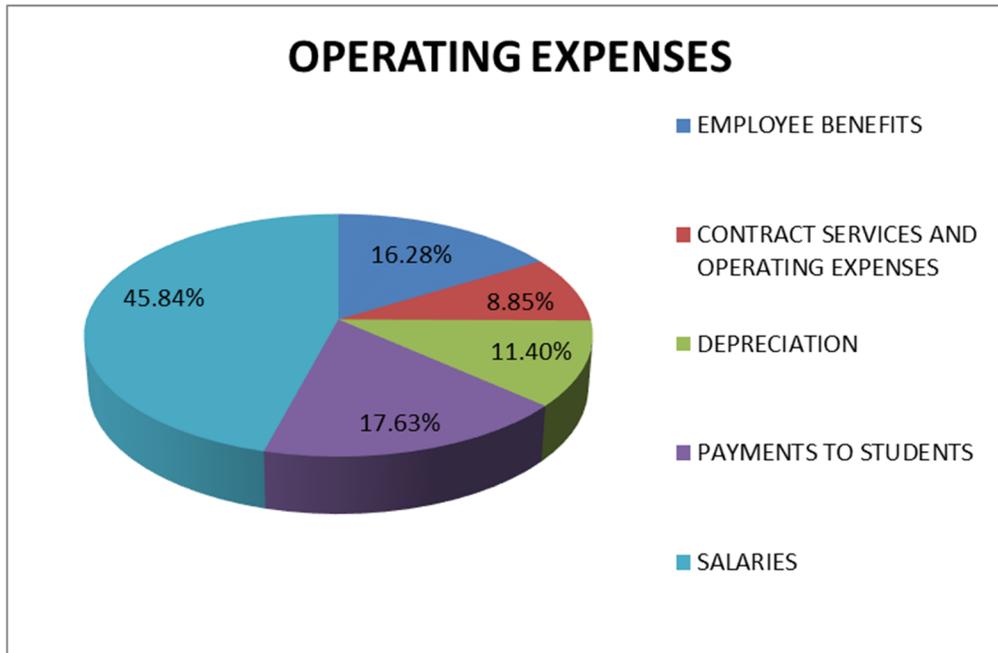
The following chart graphically shows the various components of revenue for the District as a whole:



The largest component of the District's total revenue is the receipt of local property taxes, with 63.34% of total revenue coming from this source. This is followed by Federal grants and contracts, which comprise 16.23% of total revenue, and represents primarily student aid. Tuition fees represent 5.03% of total revenue and State apportionment was nominal given that the District transitioned into basic aid status in Fiscal Year 2012-2013.

Total Operating Expenses for the Year Ended June 30, 2014

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



The largest component of the District’s operating expense is the cost associated with employee salaries and benefits. Slightly over 62% of the total expense is spent for this purpose. “Contract Services and Operating Expenses” represent ongoing operating costs such as utilities and supplies. Payments to students represent amounts paid to students primarily for financial aid.

District enrollment in Fiscal Year 2013-2014 was 13,047 FTES; however, general apportionment funding from the State (excluding the \$100 per FTES from the Education Protection Account pursuant to Proposition 30) was \$0 for Fiscal Year 2013-2014 because of the District’s basic aid status.

The OPEB Trust Fund was established with proceeds from the sale of OPEB Bonds which were used to fund the GASB 43/45 Actuarial Valuation of Post Retirement Employee Benefits originally estimated at \$47.4 million and projected to be \$40.1 million dollars as of June 30, 2013. As of June 30, 2013, the liability is estimated to be over-funded by \$7.3 million. The closing for the District’s OPEB Bond was May 14, 2009, with an interest rate fixed at 4.62% and a rate of 4.239% effective in May 2012. In May 2012, the District refunded the OPEB bonds locking in an “all-in interest” rate of 5.239% for 15 years. Separate financial statements for the Retiree Benefit Plan Trust are available by contacting the San Jose Evergreen Community College District Office.

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 deals with the net cash received from financing activities related to the acquisition of capital and related items. The fourth section reflects the cash received from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section (not summarized here) reconciles the net cash activity to the net operation expense on the Statement of Revenue, Expenses, and Change in Net Position. The primary driver for the increase in cash at June 30, 2014, was the issuance of Measure G 2004 Series C bonds and the issuance of Measure G 2010 Series C bonds.

Statement of Cash Flows

	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>2012</u>	<u>Change</u>
Cash From					
Operating activities	\$ (100,085,055)	\$ (104,054,765)	\$ 3,969,710	\$ (97,321,739)	\$ (6,733,026)
Noncapital financing activities	106,866,068	101,186,670	5,679,398	99,912,588	1,274,082
Capital and related financing activities	117,853,538	(29,195,749)	147,049,287	70,654,102	(99,849,851)
Investing activities	<u>614,343</u>	<u>763,296</u>	<u>(148,953)</u>	<u>731,082</u>	<u>32,214</u>
Change in Cash	125,248,894	(31,300,548)	156,549,442	73,976,033	(105,276,581)
Cash - Beginning of Year	<u>111,860,805</u>	<u>143,161,353</u>	<u>(31,300,548)</u>	<u>69,185,320</u>	<u>73,976,033</u>
Cash - End of Year	<u>\$ 237,109,699</u>	<u>\$ 111,860,805</u>	<u>\$ 125,248,894</u>	<u>\$ 143,161,353</u>	<u>\$ (31,300,548)</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 faculty, staff, administrative and other operating expenditures. Two key fiscal performance indicators are fund balance and infrastructural balance; that is current year revenues in relation to current year expenditures. In Fiscal Year 2006-2007, the District's ending fund balance peaked at 14.80%. The ending fund balance declined over the next three years to a low of 6.22% in Fiscal Year 2009-2010. In February 2011, the Board of Trustees adopted a 7% reserve principle and the District has experienced an increase in its ending fund balance each subsequent year with an ending fund balance of 16.14% in Fiscal Year 2013-2014. The District anticipates a planned reduction in its ending fund balance in Fiscal Year 2014-2015 to accommodate costs associated with collective bargaining negotiations, which have yet to be settled. As the District moves forward in budget planning for Fiscal Year 2015-2016 and beyond, the District will access fund balance resources as a budget stabilization tool to re-establish a balanced long-term infrastructure while maintaining the integrity of the reserves in compliance with Board policies and principles.

The District is hopeful that with the passage of Proposition 30 in November 2012, the fragility that the State budget has exhibited over the past several years will ease. The District is mindful that the Proposition 30 is temporary; in that, the sales tax increase sunsets in 2016 and the income tax increase sunsets in 2018. Although State funding has not been provided for the increased costs associated with CalSTRS, the Governor's FY2014-2015 State budget proposed a funding increase of 3.6% to California

Community Colleges with significant increases to several categorical programs such as Student Equity, Student Success & Support Program, Physical Plant & Instructional Support, and DSPS. Lastly, the California State Controller's Office reported that year-to-date State revenues through October 2014 are up \$1.2 billion. This coupled with the passage of Proposition 2 (Rainy Day Fund) portrays a favorable State economic outlook in the short-term.

At the local level, it appears that the housing market in the Silicon Valley continues to rebound. After three years of decline, the District's assessed valuation increased .99% in Fiscal Year 2012-2013, 8.28% in Fiscal Year 2013-2014, and 7.83% in Fiscal Year 2014-2015. The District realized a 12.72% increase in local property taxes in Fiscal Year 2013-2014. As a result, the District continues to be in basic aid status, whereby the District's local revenues exceed the State's computational revenue entitlement. The Santa Clara Tax Collector's Office is projecting that the District will realize a 6.77% increase in its local property taxes in Fiscal Year 2014-2015. Furthermore, property tax receipts are projected to grow significantly over the next decade as the San Jose Redevelopment Agency and the Milpitas Redevelopment Agency winds down; thereby, redirecting property tax receipts to the District. The District is conservatively projecting a 3% increase in the subsequent Fiscal Year 2015-2016 for its budget planning and will closely monitor local property tax receipts as these revenues represent approximately 85% of the unrestricted general fund revenues.

Progress on Capital Projects

The District continues to make progress in implementing its capital projects master plan associated with Measure G – 2004 and Measure G – 2010, including the Physical Education Gymnasium and the Career Technical Education and Media Arts Project at San Jose City College; the Automotive Technology Building and the South Campus Development Project at Evergreen Valley College; and the Joint Use 21st Century Post-Secondary Education Center in Milpitas.

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, please contact the District at: San Jose Evergreen Community College District, 40 South Market Street, San Jose, CA 95113.

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION

June 30, 2014

ASSETS

Current assets:	
Cash and investments	\$ 21,742,672
Receivables, net	8,775,663
Inventory	380,476
Prepaid expenses	<u>175,513</u>
Total current assets	<u>31,074,324</u>
Noncurrent assets:	
Restricted cash	215,367,027
OPEB asset	38,951,508
Depreciable capital assets, net	207,916,648
Nondepreciable capital assets	<u>143,639,494</u>
Total noncurrent assets	<u>605,874,677</u>
Total assets	<u>636,949,001</u>

DEFERRED OUTFLOW OF RESOURCES

Deferred loss on refunding	<u>5,260,989</u>
Total assets and deferred outflow of resources	<u>\$ 642,209,990</u>

LIABILITIES

Current liabilities:	
Accounts payable	\$ 15,897,347
Accrued interest payable	4,896,821
Unearned revenue	5,138,074
Long-term liabilities - current portion	<u>22,236,302</u>
Total current liabilities	<u>48,168,544</u>
Noncurrent liabilities:	
Compensated absences payable	1,840,230
Long-term liabilities - noncurrent portion	<u>514,711,659</u>
Total liabilities	<u>564,720,433</u>

NET POSITION

Net investment in capital assets	42,242,589
Restricted for:	
Educational programs	1,234,903
Capital projects	1,808,501
Debt service	33,641,398
Unrestricted	<u>(1,437,834)</u>
Total net position	<u>77,489,557</u>
Total liabilities and net position	<u>\$ 642,209,990</u>

See accompanying notes
to financial statements.

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION

For the Year Ended June 30, 2014

Operating revenues:	
Tuition and fees	\$ 12,716,360
Less: scholarship discounts and allowances	<u>(4,741,339)</u>
Net tuition and fees	<u>7,975,021</u>
Grants and contracts, non-capital:	
Federal	5,331,017
State	7,545,766
Local	10,935
Auxiliary sales and charges	<u>2,101,737</u>
Total operating revenues	<u>22,964,476</u>
Operating expenses:	
Salaries	62,767,134
Employee benefits	22,287,926
Supplies, materials, and other operating expenses and services	12,121,636
Student aid	24,139,401
Depreciation	<u>15,602,370</u>
Total operating expenses	<u>136,918,467</u>
Loss from operations	<u>(113,953,991)</u>
Non-operating revenues (expenses):	
State apportionment, non-capital	3,083,018
Local property taxes	71,820,808
State taxes and other revenues	3,584,565
Pell grants	20,428,522
Investment income	614,343
Transfer from trust fund	3,255,618
Other non-operating revenues	4,246,369
Interest expense	(11,970,940)
Loss on disposal of capital assets	<u>(323,115)</u>
Total non-operating revenues (expenses)	<u>94,739,188</u>
Loss before capital revenues	<u>(19,214,803)</u>
Capital revenues:	
Local property taxes and revenues	<u>28,708,756</u>
Change in net position	9,493,953
Net position, July 1, 2013	<u>67,995,604</u>
Net position, June 30, 2014	<u><u>\$ 77,489,557</u></u>

See accompanying notes
to financial statements.

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2014

Cash flows from operating activities:	
Tuition and fees	\$ 7,926,015
Federal grants and contracts	5,835,557
State grants and contracts	8,559,865
Local grants and contracts	(127,692)
Payments to suppliers	(15,636,516)
Payment to employees	(84,604,620)
Payment to students	(24,139,401)
Auxiliary enterprises sales and charges	<u>2,101,737</u>
Net cash used in operating activities	<u>(100,085,055)</u>
Cash flows from noncapital financing activities:	
State appropriations	3,083,018
Local property taxes	71,820,808
State taxes and other revenues	3,584,565
Pell grants	20,428,522
Transfer from trust fund	3,255,618
Proceeds from issuance of TRANS	7,000,000
Repayment of TRANS	(7,000,000)
Other non-operating payments	<u>4,693,537</u>
Net cash provided by noncapital financing activities	<u>106,866,068</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	(36,523,702)
Local revenue for capital purposes	28,708,756
Proceeds from issuance of debt	160,559,869
Principal paid on capital debt	(18,822,195)
Interest paid on capital debt, net	<u>(16,069,190)</u>
Net cash provided by capital and related financing activities	<u>117,853,538</u>
Cash flows provided by investing activities:	
Interest on investments	<u>614,343</u>
Net change in cash and investments	125,248,894
Cash and investments, beginning of year	<u>111,860,805</u>
Cash and investments, end of year	<u>\$ 237,109,699</u>

(Continued)

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
(Continued)
For the Year Ended June 30, 2014

Reconciliation of loss from operations to net cash used in operating activities:	
Loss from operations	\$ (113,953,991)
Adjustments to reconcile loss from operations to net cash used in operating activities:	
Depreciation expense	15,602,370
Changes in assets and liabilities:	
Receivables, net	1,044,590
Inventory and prepaid expenses	46,230
OPEB asset	353,378
Accounts payable	(3,561,110)
Unearned revenue	286,416
Compensated absences	<u>97,062</u>
Net cash used in operating activities	<u>\$ (100,085,055)</u>
Supplemental disclosure of non-cash transactions:	
Accretion of interest	\$ 2,091,079
Amortization of premiums on debt	\$ 155,243
Unpaid purchases of capital assets	\$ 9,926,128

The District issued general obligation refunding bonds to refund existing debt outstanding. The proceeds from the refunding issuance totaled \$113,022,494 for the future defeasance of \$96,410,057 of previously issued outstanding general obligation bonds.

See accompanying notes
to financial statements.

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2014

	OPEB Irrevocable Trust Fund	Agency Fund
ASSETS		
Cash and cash equivalents	\$ -	\$ 684,775
Investments:		
Mutual funds - equity	34,070,021	-
Mutual funds - fixed income	<u>17,417,606</u>	<u>-</u>
Total assets	<u>\$ 51,487,627</u>	<u>\$ 684,775</u>
LIABILITIES AND NET POSITION		
Accounts payable	\$ 665,156	\$ 1,235
Amounts held for others	<u>-</u>	<u>683,540</u>
Total liabilities	<u>665,156</u>	<u>684,775</u>
Net position held in trust for OPEB	<u>50,822,471</u>	<u>-</u>
Total liabilities and net position held in trust for OPEB	<u>\$ 51,487,627</u>	<u>\$ 684,775</u>

See accompanying notes
to financial statements.

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT

STATEMENT OF CHANGE IN FIDUCIARY NET POSITION

For the Year Ended June 30, 2014

	OPEB Irrevocable Trust Fund
Additions:	
Net investment income:	
Realized and unrealized gains, net	\$ 6,450,425
Dividends and other income	1,061,897
Investment fees	<u>(244,820)</u>
Total additions	<u>7,267,502</u>
Deductions:	
Retiree benefits	3,255,618
Administrative expenses	<u>43,070</u>
Total deductions	<u>3,298,688</u>
Excess of additions over deductions	3,968,814
Net position held in trust for OPEB, July 1, 2013	<u>46,853,657</u>
Net position held in trust for OPEB, June 30, 2014	<u><u>\$ 50,822,471</u></u>

See accompanying notes
to financial statements.

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

San José/Evergreen Community College District (the "District") is a political subdivision of the State of California and provides educational services to the local residents of the surrounding area. While the District is a political subdivision of the State, it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Codification Section (Cod. Sec.) 2100.101. The District is classified as a state instrumentality under Internal Revenue Code Section 115.

The decision to include potential component units in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America and GASB Cod. Sec. 2100. The three criteria for requiring a legally separate, tax-exempt organization to be presented as a component unit are the "direct benefit" criterion, the "entitlement/ability to access" criterion, and the "significance" criterion. The District has no component units.

Basis of Presentation and Accounting

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB. Under this model, the District's financial statements provide a comprehensive entity-wide perspective at the District's financial position and activities. 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 with the obligation has been incurred. All significant intra-agency transactions have been eliminated.

Fiduciary funds for which the District acts only as an agent or trust are not included in the business-type activities of the District. These funds are reported in the Statement of Fiduciary Net Position and Statement of Change in Fiduciary Net Position at the fund financial statement level.

The District records revenues when earned and expenses when a liability is incurred regardless of the timing of the related cash flow. The budgetary and financial accounts of the District are recorded and maintained in accordance with the Chancellor's Office's *Budget and Accounting Manual*.

Cash and Cash Equivalents

For the purposes of the financial statements, cash equivalents are defined as financial instruments with an original maturity of three months or less. Funds invested in the Santa Clara County Treasury are considered cash equivalents and are stated at fair value.

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Cash

Cash that is externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets, is classified as non current assets in the Statement of Net Position.

Investments

Investments held by the OPEB Irrevocable Trust Fund are reported at fair value using quoted market prices and unrealized and realized gains and losses are included in the Statement of Change in Fiduciary Net Position.

Receivables

Receivables 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. Receivables also include amounts due from the federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. The District provides for an allowance for uncollectible accounts as an estimation of amounts they may not receive. The allowance is based upon management's estimates and analysis. The allowance was estimated at \$2,115,960 for the year ended June 30, 2014.

Inventory

Inventory consists of stores supplies, textbooks and educational supplies at the bookstore. Inventory is valued using the cost method.

Capital Assets

Capital assets are recorded at the date of acquisition, or fair market value at the date of donation in the case of gifts. The District's capitalization policy included all items with an estimated useful life of greater than one year and a cost of \$5,000 or more. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 50 years for buildings, 15 years for portable buildings, 10 years for land improvements, 8 years for most equipment and vehicles, and 3 years for technology equipment such as computers. Land and construction in progress are considered nondepreciable capital assets; therefore, no depreciation is computed.

The District capitalizes interest paid on obligations related to the acquisition, construction or rehabilitation of District capital assets. Interest expense and interest capitalized totaled \$11,967,704 and \$7,788,791, respectively, during the year ended June 30, 2014.

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Compensated absences costs are accrued when earned by employees. Accumulated unpaid employee vacation benefits are recognized at year end as liabilities of the District.

Accumulated Sick Leave

Sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expenditure or expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits for certain STRS and PERS employees, when the employee retires.

Banked Faculty Load

A regular teaching load is considered by a schedule which yields one Full Time Equivalent (FTE). An overload is defined as a schedule which yields more than one FTE. The excess load is recorded as a liability in the Statement of Net Position.

Unearned Revenue

Revenue from Federal, State and local special projects and programs is recognized when qualified expenditures have been incurred. Tuition, fees and other support received but not earned are recorded as unearned revenue until earned.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District only has one item that qualifies for reporting in this category, which is the deferred loss on refunding reported in the statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shortened life of the refunded or refunding debt. Due to the refunding of general obligation bonds during the year ended June 30 2014, a \$5,260,989 deferred loss on refunding was recognized.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The District does not have any item of this type.

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

The District's net position are classified as follows:

Net investment in capital assets: This represents the District's total investment in capital assets, net of associated outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

Restricted net position: Restricted expendable net position include resources in which the District is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties. Nonexpendable restricted net position consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. At June 30, 2014, there is no balance of nonexpendable restricted net position

Unrestricted net position: Unrestricted net position represent resources derived from student tuition and fees, State apportionments, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the District, and may be used at the discretion of the governing board to meet current expenses for any purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to first apply the expense toward restricted resources, and then towards unrestricted resources.

State Apportionments

Certain current year apportionments from the State are based on various financial and statistical information of the previous year. Any prior year corrections due to a recalculation will be recorded in the year computed by the State.

On-Behalf Payments

GASB Cod. Sec. N50 requires that direct on-behalf payments for benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers on behalf of all Community Colleges in California. However, a fiscal advisory issued by the California Department of Education instructed districts not to record revenue and expenditures for these on-behalf payments. These payments consist of state general fund contributions to CalSTRS in the amount of approximately \$1,269,000 (3.041% of salaries subject to CalSTRS).

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of Revenue and Expenses

The District has classified its revenues as either operating or nonoperating revenues. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues, as defined by GASB Cod. Sec. Co5.101 including State appropriations, local property taxes, and investment income. Nearly all the District's expenses are from exchange transactions. Revenues and expenses are classified according to the following criteria:

Operating revenues and expenses: 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, (3) most Federal, State and local grants and contracts and Federal appropriations. All expenses are considered operating expenses except for interest expense on capital related debt.

Nonoperating revenues and expenses: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as Pell grants, gifts and contributions, and other revenue sources described in GASB Cod. Sec. Co5.101, such as State appropriations and investment income. Interest expense on capital related debt is the only non-operating expense.

Scholarship Discounts and Allowances

Student tuition and fee revenues are reported net of the Board of Governors fee waivers and allowances in the statement of revenues, expenses and change in net position. Certain governmental grants, and other federal, state and nongovernmental programs are recorded as operating revenues, while Federal Pell Grants are classified as non-operating revenues in the District's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the District has recorded a scholarship discount and allowance.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results may differ from those estimates.

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements

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 Statement 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, Districts 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 District's fiscal year ended June 30, 2014, with earlier application encouraged. This statement was adopted for the District's fiscal year ended June 30, 2014, with no material impact on the District.

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 District's financial period beginning June 30, 2014. This statement was adopted for the District's fiscal year ended June 30, 2014, with no material impact on the District.

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

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 District's fiscal year ending June 30, 2015. Management expects this GASB statement to have a material impact on its financial statements.

In April 2013, the GASB issued Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This liability should be reported until legally released as an obligor. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units by specifying the information required to be disclosed by governments that extend nonexchange financial guarantee as well as new information to be disclosed by governments that receive nonexchange financial guarantees. This statement was adopted for the District's fiscal year ended June 30, 2014 with no material impact on the District.

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

In November 2013 GASB issued Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68 and are effective for the District's fiscal year ending June 30, 2015. Management expects that this GASB statement along with GASB statement No. 68 will have a material impact on its financial statements.

2. CASH AND INVESTMENTS

District cash and investments at June 30, 2014, consisted of the following:

	<u>District</u>	<u>Fiduciary</u>
Pooled Funds:		
Cash in County Treasury	\$ 21,389,035	\$ -
Deposits:		
Cash on hand and in banks	337,050	680,860
Cash in revolving fund	16,587	3,915
Investments	-	51,487,626
Cash held by Fiscal Agents	<u>215,367,027</u>	<u>-</u>
Total cash and investments	<u>237,109,699</u>	<u>52,172,401</u>
Less restricted cash:		
Cash held by Fiscal Agents	<u>215,367,027</u>	<u>-</u>
Net cash and investments	<u>\$ 21,742,672</u>	<u>\$ 52,172,401</u>

Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Santa Clara County Treasury for the purpose of increasing interest earning through County investment activities. The County pools and invests the cash. Those pooled funds are carried at fair value which approximates cost.

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

2. CASH AND INVESTMENTS (Continued)

Cash in County Treasury (Continued)

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial risk classifications is required.

The District's deposits in the fund are considered to be highly liquid. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool. The Santa Clara County Treasurer has indicated that there are no derivatives in the pool as of June 30, 2014.

Custodial Credit Risk

The California Government Code requires California banks and savings and loan associations to secure the District'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 District. All cash held by financial institutions that is not insured is collateralized.

In accordance with Sections 53601 and 53602 of the California Government code, the District may invest in the following types of investments:

- Securities of the U.S. Government, or its agencies
- Small Business Administration Loans
- Negotiable Certificates of Deposit
- Bankers' Acceptances
- Commercial Paper
- Local Agency Investment Fund (State Pool) Deposits
- Passbook Savings Account Demand Deposits
- Repurchase Agreements

The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2014, the carrying amount of the District and Fiduciary cash accounts held in banks was \$948,357 and the bank balance was \$926,318 of which \$750,000 was insured.

Cash with Fiscal Agent

Cash with Fiscal Agent of \$215,367,027 represents amounts held in the District's name in the County Treasury for future construction projects and repayment of long-term liabilities.

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

2. CASH AND INVESTMENTS (Continued)

Interest Rate Risk

The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2014, the District had no significant interest rate risk related to cash held.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the maturity date of each investment:

<u>Investment Type</u>	<u>Weighted Average Maturity (in Years)</u>
Santa Clara County Investment Pool	1.02

The District's OPEB Trust (the "Trust") investments consisted of open-end mutual funds, therefore, there are no significant interest rate risks related to the investments held, as there are no maturities related to the mutual funds held.

Credit Risk

The District does not have a formal investment policy that limits its investment choices other than the limitations of State law.

The Trust has adopted an internally developed investment policy that 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, 2014, the Trust investments consisted of open-end mutual funds, therefore there are no credit ratings to disclose.

Concentration of Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2014, the District had no concentration of credit risk.

Trust Investments

The Trust agreement 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.

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

2. CASH AND INVESTMENTS (Continued)

Trust Investments (Continued)

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, 2014, 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 at June 30, 2014 are as follows:

Mutual Funds:	
Equity	\$ 34,070,021
Fixed income	<u>17,417,605</u>
Total investments	<u>\$ 51,487,626</u>

During the fiscal year ended June 30, 2014, the Trust's investments (including gains and losses on investments bought and sold as well as held during the year) appreciated as follows:

Unrealized gains, net	\$ 2,886,712
Realized gains, net	3,563,713
Dividend and other income	1,061,897
Investment fees	<u>(244,820)</u>
Total investment income	<u>\$ 7,267,502</u>

3. RECEIVABLES

Receivables at June 30, 2014 are summarized as follows:

Federal	\$ 491,663
State	1,314,176
Local and other	<u>9,085,784</u>
	10,891,623
Less allowance for doubtful accounts	<u>(2,115,960)</u>
	<u>\$ 8,775,663</u>

The allowance for doubtful accounts is maintained at an amount which management considers sufficient to reserve and provide for the possible uncollectibility of other receivable balances.

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

4. CAPITAL ASSETS

Capital asset activity consists of the following:

	Balance July 1, <u>2013</u>	Additions and <u>Transfers</u>	Deletions and <u>Transfers</u>	Balance June 30, <u>2014</u>
Non-depreciable:				
Land	\$ 3,441,983	\$ -	\$ -	\$ 3,441,983
Construction in progress	89,527,675	50,992,951	(323,115)	140,197,511
Depreciable:				
Land improvements	43,085,289	-	-	43,085,289
Building and building improvements	298,958,493	-	-	298,958,493
Furniture and equipment	<u>18,905,895</u>	<u>3,245,670</u>	<u>-</u>	<u>22,151,565</u>
Total	<u>453,919,335</u>	<u>54,238,621</u>	<u>(323,115)</u>	<u>507,834,841</u>
Less accumulated depreciation:				
Land improvements	(31,712,359)	(3,331,105)	-	(35,043,464)
Building and building improvements	(96,008,583)	(9,872,986)	-	(105,881,569)
Furniture and equipment	<u>(12,955,387)</u>	<u>(2,398,279)</u>	<u>-</u>	<u>(15,353,666)</u>
Total	<u>(140,676,329)</u>	<u>(15,602,370)</u>	<u>-</u>	<u>(156,278,699)</u>
Capital assets, net	<u>\$ 313,243,006</u>	<u>\$ 38,636,251</u>	<u>\$ (323,115)</u>	<u>\$ 351,556,142</u>

5. UNEARNED REVENUE

Unearned revenue for the District consisted of the following:

Federal financial assistance	\$ 5,752
State categorical aid	1,165,947
Enrollment fees	3,812,647
Other local revenue	<u>153,728</u>
Total unearned revenue	<u>\$ 5,138,074</u>

6. TAX AND REVENUE ANTICIPATION NOTES (TRANS)

Tax and Revenue Anticipation Notes (TRANS) are short-term debt instruments, which are general obligations of the District and are payable solely from revenues and cash receipts generated by the District. They are issued to eliminate cash flow deficiencies that result from fluctuations in revenue receipts and expenditure disbursements. A summary of the District's TRANS activity for the year ended June 30, 2014 is as follows:

	Outstanding July 1, <u>2013</u>	Additions	Deletions	Outstanding June 30, <u>2014</u>
Series 2013/14 - 2.00% Tax Revenue Anticipation Note	<u>\$ -</u>	<u>\$ 7,000,000</u>	<u>\$ (7,000,000)</u>	<u>\$ -</u>

On July 2, 2014, the District entered into a new TRANS agreement for \$3,000,000 at 2.00% payable on June 30, 2015.

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

7. LONG TERM LIABILITIES

General Obligation Bonds

In April 2004, the 2004 General Obligation Refunding Bonds were issued 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 and to pay the costs of issuance associated with the Refunding Bonds. A portion of the bonds were refunded in 2014. Current interest bonds remaining of \$8,040,000 mature September 1, 2014. The remaining capital appreciation bonds of \$3,800,995 mature through September 1, 2021 with interest rates ranging from two to five percent. Interest on the capital appreciation bonds is compounded semiannually and due only at maturity.

The general long-term liabilities maturity schedule for the 2004 General Obligation Refunding Bonds is as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 8,040,000	\$ 201,000	\$ 8,241,000
2016	-	-	-
2017	-	-	-
2018	-	-	-
2019	-	-	-
2020-2022	<u>3,800,995</u>	<u>21,384,005</u>	<u>25,185,000</u>
	<u>\$ 11,840,995</u>	<u>\$ 21,585,005</u>	<u>\$ 33,426,000</u>

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 for the acquisition, construction and modernization of certain District properties and facilities. A portion of the bonds were refunded in 2014. Current interest bonds of \$5,555,000 and capital appreciation bonds of \$4,466,418 remain. The bonds mature through September 1, 2029 with interest rates ranging from three to five percent. Interest on the capital appreciation bonds is compounded semiannually and due only at maturity.

In February 2008, the District issued \$97,999,946 of the 2004 General Obligation Bonds as Series B through \$74,365,000 of current interest bonds and \$23,634,946 of capital appreciation bonds. The Bonds mature through September 1, 2032 with interest rates ranging from three to seven percent. Interest on the capital appreciation bonds is compounded semiannually and due only at maturity.

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

7. LONG TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

In April 2014, the District issued \$31,605,000 of the 2004 General Obligation Bonds as Series C. The current interest bonds mature through September 1, 2032 with interest rates ranging from two to five percent.

The general long-term liabilities maturity schedules for the 2004 General Obligation Bonds Series A, B, and C are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ -	\$ 138,875	\$ 138,875
2016	-	277,750	277,750
2017	-	277,750	277,750
2018	-	277,750	277,750
2019	-	277,750	277,750
2020-2024	1,904,326	4,059,425	5,963,751
2025-2029	7,368,196	4,537,554	11,905,750
2030	<u>748,896</u>	<u>1,941,104</u>	<u>2,690,000</u>
	<u>\$ 10,021,418</u>	<u>\$ 11,787,958</u>	<u>\$ 21,809,376</u>

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 2,139,466	\$ 4,283,784	\$ 6,423,250
2016	2,267,913	4,465,337	6,733,250
2017	2,395,168	4,678,082	7,073,250
2018	1,495,384	4,422,866	5,918,250
2019	3,100,000	3,640,750	6,740,750
2020-2024	40,435,000	13,840,375	54,275,375
2025-2029	32,904,825	6,670,425	39,575,250
2030-2033	<u>8,534,779</u>	<u>23,650,221</u>	<u>32,185,000</u>
	<u>\$ 93,272,535</u>	<u>\$ 65,651,840</u>	<u>\$ 158,924,375</u>

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

7. LONG TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ -	\$ 1,247,111	\$ 1,247,111
2016	500,000	1,452,663	1,952,663
2017	2,800,000	1,383,888	4,183,888
2018	2,050,000	1,275,613	3,325,613
2019	765,000	1,219,638	1,984,638
2020-2024	4,530,000	5,641,588	10,171,588
2025-2029	9,395,000	4,060,938	13,455,938
2030-2033	<u>11,565,000</u>	<u>1,212,831</u>	<u>12,777,831</u>
	<u>\$ 31,605,000</u>	<u>\$ 17,494,270</u>	<u>\$ 49,099,270</u>

In May 2012, The District issued \$47,450,000 of OPEB Taxable Bonds, Series B. These bonds were issued to advance refund a portion of the District's outstanding 2009 OPEB Taxable Bonds, Series A, and to pay the costs of issuance associated with the Series B bonds. The bonds mature through June 1, 2044 and bear a variable interest rate with an initial LIBOR Index Rate Period ending on April 30, 2027, subsequent to which the District can elect various rate methods with a maximum rate of 12%.

The general long-term liabilities maturity schedules for the OPEB Taxable Bonds are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ -	\$ 2,477,542	\$ 2,477,542
2016	-	2,482,086	2,482,086
2017	-	2,472,998	2,472,998
2018	-	2,477,542	2,477,542
2019	-	2,477,542	2,477,542
2020-2024	475,000	12,362,643	12,837,643
2025-2029	3,260,000	11,855,224	15,115,224
2030-2034	7,305,000	10,435,811	17,740,811
2035-2039	13,570,000	7,624,037	21,194,037
2040-2044	<u>22,840,000</u>	<u>2,723,700</u>	<u>25,563,700</u>
	<u>\$ 47,450,000</u>	<u>\$ 57,389,125</u>	<u>\$ 104,839,125</u>

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

7. LONG TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

In February 2012, the District issued \$70,000,000 and \$20,000,000 of General Obligation Bonds as Series A and Series B under the \$268,000,000 bond measure approved by voters on November 2, 2010 to finance the acquisition, construction, and modernization of certain District property and facilities. The Series A and Series B Bonds mature through August 1, 2041 and August 1, 2032, respectively, with interest rates ranging from two to four percent.

In April 2014, the District issued \$120,000,000 of 2010 General Obligation Bonds as Series C. The Series C Bonds mature through September 1, 2043 with interest rates ranging from two to five percent.

The general long-term liabilities maturity schedules for the 2010 General Obligation Bonds Series A, B, and C are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 7,290,000	\$ 2,262,524	\$ 9,552,524
2016	-	2,221,944	2,221,944
2017	-	2,221,944	2,221,944
2018	-	2,221,944	2,221,944
2019	-	2,221,944	2,221,944
2020-2024	-	11,109,720	11,109,720
2025-2029	685,000	11,082,828	11,767,828
2030-2034	5,655,000	10,552,875	16,207,875
2035-2039	21,495,000	7,097,850	28,592,850
2040-2042	<u>18,490,000</u>	<u>1,342,775</u>	<u>19,832,775</u>
	<u>\$ 53,615,000</u>	<u>\$ 52,336,348</u>	<u>\$ 105,951,348</u>

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

7. LONG TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,075,000	\$ 713,550	\$ 1,788,550
2016	-	702,800	702,800
2017	-	702,800	702,800
2018	25,000	702,425	727,425
2019	140,000	699,950	839,950
2020-2024	2,715,000	3,276,350	5,991,350
2025-2029	6,415,000	2,349,275	8,764,275
2030-2033	<u>7,550,000</u>	<u>690,000</u>	<u>8,240,000</u>
	<u>\$ 17,920,000</u>	<u>\$ 9,837,150</u>	<u>\$ 27,757,150</u>

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ -	\$ 4,421,356	\$ 4,421,356
2016	5,050,000	5,117,319	10,167,319
2017	2,925,000	4,993,694	7,918,694
2018	190,000	4,917,719	5,107,719
2019	355,000	4,909,544	5,264,544
2020-2024	4,440,000	24,270,444	28,710,444
2025-2029	10,560,000	22,551,094	33,111,094
2030-2034	19,345,000	18,870,469	38,215,469
2035-2039	31,135,000	13,043,169	44,178,169
2040-2044	<u>46,000,000</u>	<u>5,039,434</u>	<u>51,039,434</u>
	<u>\$ 120,000,000</u>	<u>\$ 108,134,242</u>	<u>\$ 228,134,242</u>

In April 2014, the District issued \$50,850,000 and \$48,275,000 of 2014 General Obligation Refunding Bonds as Series A and Series B. The proceeds from the sale of the bonds were used to advance refund a portion of the District's outstanding 2004 General Obligation Refunding Bonds, 2004 General Obligation Bonds, Series A and to pay the costs of issuing the Series A Refunding Bonds. The Series A and Series B Bonds mature through August 1, 2029 and August 1, 2019, respectively, with interest rates ranging from one to five percent.

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

7. LONG TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The calculation of the difference in cash flow requirements and economic gain of the 2014 General Obligation Refunding Bonds is as follows:

Cash Flow Difference

Old debt service cash flows	\$ 157,813,044
New debt service cash flows	<u>137,986,968</u>
	<u>\$ 19,826,076</u>

Economic Gain

The economic gain or difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at the effective interest rate is \$13,013,028.

There was no accrued interest or sinking fund resources related to the new debt proceeds.

The general long-term liabilities maturity schedules for the 2014 General Obligation Refunding Bonds Series A and B are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ -	\$ 2,165,240	\$ 2,165,240
2016	-	2,530,800	2,530,800
2017	-	2,530,800	2,530,800
2018	-	2,530,800	2,530,800
2019	-	2,530,800	2,530,800
2020-2024	9,155,000	12,209,375	21,364,375
2025-2029	32,740,000	6,691,250	39,431,250
2030	<u>8,955,000</u>	<u>223,875</u>	<u>9,178,875</u>
	<u>\$ 50,850,000</u>	<u>\$ 31,412,940</u>	<u>\$ 82,262,940</u>

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,350,000	\$ 1,622,653	\$ 2,972,653
2016	8,550,000	2,047,000	10,597,000
2017	8,615,000	1,703,375	10,318,375
2018	10,575,000	1,223,625	11,798,625
2019	11,730,000	666,000	12,396,000
2020	<u>7,455,000</u>	<u>186,375</u>	<u>7,641,375</u>
	<u>\$ 48,275,000</u>	<u>\$ 7,449,028</u>	<u>\$ 55,724,028</u>

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

7. LONG TERM LIABILITIES (Continued)

Change in Long-Term Liabilities:

A schedule of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	Balance July 1, <u>2013</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2014</u>	Amounts Due Within <u>One Year</u>
General obligation bonds	\$ 349,352,200	\$ 250,730,000	\$ 115,232,252	\$ 484,849,948	\$ 19,894,466
Unamortized bond premiums	6,435,031	23,468,797	155,243	29,748,585	1,594,749
Accreted interest	29,495,480	2,091,079	9,237,131	22,349,428	747,087
Compensated absences	<u>1,743,168</u>	<u>97,062</u>	<u>-</u>	<u>1,840,230</u>	<u>-</u>
	<u>\$ 387,025,879</u>	<u>\$ 276,386,938</u>	<u>\$ 124,624,626</u>	<u>\$ 538,788,191</u>	<u>\$ 22,236,302</u>

8. PROPERTY TAXES

All property taxes are levied and collected by the Tax Assessor of the County of Santa Clara and paid upon collection to the various taxing entities including the District. Secured taxes are levied on July 1 and are due in two installments on November 1 and February 1, and become delinquent on December 10 and April 10, respectively. The lien date for secured and unsecured property taxes is March 1 of the preceding fiscal year.

9. EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System, and classified employees are members of the Public Employees' Retirement System.

State Teachers' Retirement System (STRS)

Plan Description

All certificated employees and those employees meeting minimum standards adopted by the Board of Governors of the California Community Colleges and employed 50 percent or more of a full-time equivalent position participate in the Defined Benefit Plan (DB Plan). Part-time educators hired under a contract of less than 50 percent or on an hourly or daily basis without contract may elect membership in the Cash Balance Benefit Program (CB Benefit Program). The State Teachers' Retirement Law (Part 13 of the *California Education Code*, Section 22000 et seq.) established benefit provisions for STRS. Copies of the STRS annual financial report may be obtained from the STRS Executive Office, 100 Waterfront Place, West Sacramento, California 95605.

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

State Teachers' Retirement System (STRS) (Continued)

Plan Description (Continued)

The State Teachers' Retirement Plan (STRP), a multiple-employer cost sharing defined benefit pension plan, provides retirement, disability, and death benefits, and depending on which component of the STRP the employee is in, postemployment cost-of-living adjustments may also be offered. Employees in the DB Plan attaining the age of 60 with five years of credited California service (service) are eligible for "normal" retirement and are entitled to a monthly benefit of two percent of their final compensation for each year of service. Final compensation is generally defined as the average salary earnable for the highest three consecutive years of service. The plan permits early retirement options at age 55 or as early as age 50 with at least 30 years of service. Disability benefits of up to 90 percent of final compensation to members with five years of service. After five years of credited service, members become 100 percent vested in retirement benefits earned to date. If a member's employment is terminated, the accumulated member contributions are refundable. The CB Benefit Program is an alternative STRS contribution plan for instructors. Instructors who choose not to sign up for the DB Plan or FICA may participate in the CB Benefit Program. The features of the CB Benefit Program include immediate vesting, variable contribution rates that can be bargained, guaranteed interest rates, and flexible retirement options. Participation in the CB benefit plan is optional; however, if the employee selects the CB benefit plan and their basis of employment changes to half time or more, the member will automatically become a member of the DB Plan.

Funding Policy

Active members of the DB Plan are required to contribute 8% 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 STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2013-2014 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The District contribution rate for the CB Benefit Program is always a minimum of 4% with the sum of the District and employee contribution always being equal or greater than 8%.

Annual Pension Cost

The District's total contributions to STRS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$2,648,022, \$2,491,614 and \$2,543,979, respectively, and equals 100% of the required contributions for each year. On June 24, 2014, the Governor of California signed Assembly Bill 1469 which will increase the member contribution to 19.1% over the next seven years.

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

California Public Employees' Retirement System (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 Law. 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 Q Street, Sacramento, California 95811.

Funding Policy

Active plan members are required to contribute 7% of their salary and new members joining January 1, 2013 or later, contribute 6% of their salary but receive a more restricted benefit. 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 required employer contribution rate for fiscal year June 30, 2014 was 11.442% of annual payroll. The contribution requirements of plan members are established by state statute.

Annual Pension Cost

The District's contributions to CalPERS for the fiscal years ending June 30, 2014, 2013 and 2012 were \$2,342,444, \$2,115,718 and \$2,095,900, respectively, and equaled 100 percent of the required contributions for each year.

10. OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 9, the District provides postemployment health care benefits to eligible employees who retire from the District and their spouses. The Postemployment Benefit Plan (the "Plan") is a single-employer defined benefit healthcare plan. The Plan is administered by the District. In May 2009, the District issued OPEB Taxable Bonds for the purpose of financing the Plan. There are no required funding rates to the Plan. The OPEB Trust fund is separately presented as a fiduciary fund of the District. Separate financial statements are prepared for the Plan and may be obtained by contacting the District.

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

The District's 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. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed, and changes in the District's net OPEB asset:

Annual required contribution	\$ -
Interest on net OPEB asset	3,105,086
Adjustment to annual required contribution	<u>(3,458,464)</u>
Annual OPEB cost	(353,378)
Contributions made	<u>-</u>
Decrease in net OPEB asset	(353,378)
Net OPEB asset - beginning of year	<u>39,304,886</u>
Net OPEB asset - end of year	<u><u>\$ 38,951,508</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset for the year ended June 30, 2014 and preceding two years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Asset</u>
June 30, 2012	\$ (413,985)	0%	\$ 39,597,688
June 30, 2013	\$ (292,802)	0%	\$ 39,304,886
June 30, 2014	\$ (353,378)	0%	\$ 38,951,508

As of June 30, 2013, the most recent actuarial valuation date, the plan was 118 percent funded. The actuarial accrued liability for benefits was \$40,148,891, the actuarial value of assets was \$47,450,296, resulting in a funding excess of \$7,301,405. As of the last actuarial, the covered payroll (annual payroll of active employees covered by the Plan) was \$25,921,000, and the ratio of the funding excess to the covered payroll was 28 percent.

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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, 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, included as Required Supplementary Information following this section, 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.

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 actuarial cost method was used. The actuarial assumptions included a 7.90 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate ranging from 4.5 to 8.5 percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a fifteen-year period. The UAAL is being amortized utilizing the level dollar method on an open basis. The remaining amortization period at June 30, 2014, was 29 years.

11. COMMITMENTS AND CONTINGENCIES

Contingent Liabilities

The District is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

The District has received Federal and State funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in expenditure disallowances under terms of the grants, it is management's opinion that any required reimbursements or future revenue offsets subsequently determined will not have a material effect on the District's financial statements.

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

11. COMMITMENTS AND CONTINGENCIES (Continued)

Operating Leases

The District has entered into a long-term operating lease for land on which the San Jose City Technology Center is located. Terms of the lease are for a period of 60 years, expiring in 2062, and containing provisions for extension, if desired. This agreement does not contain a purchase option. The agreement does contain a clause providing for cancellation by the landlord after a specified number of days written notice. Rent expenses were \$323,011 for the year ended June 30, 2014. Future minimum rental payments under this agreement as of June 30, 2014, are as follows:

Years Ending <u>June 30,</u>	
2015	\$ 353,774
2016	353,774
2017	353,774
2018	353,774
2019	235,849
2020-2024	1,898,588
2025-2029	2,183,376
2030-2034	2,510,882
2035-2039	3,093,765
2040-2044	3,093,765
2045-2049	3,093,765
2050-2054	3,093,765
2055-2059	3,093,765
2060-2062	<u>1,340,632</u>
	<u>\$ 25,053,248</u>

Construction Commitments

As of June 30, 2014, the District has approximately \$10.4 million in outstanding commitments on construction contracts.

12. JOINT POWERS AGREEMENTS

The District is a participant in public entity risk pool joint powers agreements (JPAs). The District is a member of Bay Area Community Colleges Districts JPA (BACCDJPA) and Northern California Community College Pool (NCCCP). The District pays annual premiums for property and liability, health and workers' compensation coverage commensurate with the level of coverage requested. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

The JPAs are governed by boards consisting of representatives from member districts. The boards control the operations of the JPAs, including the selection of management and approval of operating budgets, independent of any influence by the member district beyond their representation on the governing board.

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

12. JOINT POWERS AGREEMENTS (Continued)

Member districts share surpluses and deficits proportionate to their participation in the JPAs. The JPAs are independently accountable for their fiscal matters and maintain their own accounting records. Budgets are not subject to any approval other than that of the governing board.

The relationship between San José/Evergreen Community College District and the joint powers authorities is such that the JPAs are not component units of the District for financial reporting purposes.

Condensed financial information of the JPAs for the most recent year available is as follows:

	<u>BACCDJPA</u> <u>June 30, 2013</u>	<u>NCCCP</u> <u>June 30, 2013</u>
Total assets	\$ 6,554,828	\$ 1,777,791
Total liabilities	\$ 3,782,581	\$ 885,536
Net position	\$ 2,772,247	\$ 892,255
Total revenues	\$ 4,185,783	\$ 3,328,468
Total expenses	\$ 4,729,930	\$ 3,419,175
Change in net position	\$ (544,147)	\$ (90,707)

REQUIRED SUPPLEMENTARY INFORMATION

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
FUNDING PROGRESS

For the Year Ended June 30, 2014

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2009	\$ 41,000,300	\$ 38,044,800	\$ (2,955,500)	108%	\$64,732,200	(5)%
6/30/2011	\$ 49,703,700	\$ 40,376,400	\$ (9,327,300)	123%	\$31,493,949	(30)%
6/30/2013	\$ 47,450,296	\$ 40,148,891	\$ (7,301,405)	118%	\$25,921,000	(28)%

See independent auditor's report on
required supplementary information.

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULE

Schedule of Other Postemployment Benefits Funding Progress

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarially accrued liability for benefits with the actuarial value of accumulated plan assets.

SUPPLEMENTARY INFORMATION

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT

ORGANIZATION

June 30, 2014

San Jose Evergreen Community College District was established on July 1, 1964, and is comprised of an area of approximately 303 square miles in Santa Clara County, California. 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 Colleges.

The Board of Trustees and Administration for the fiscal year ended June 30, 2014 were composed of the following members:

BOARD OF TRUSTEES

<u>Members</u>	<u>Office</u>	<u>Term Expires</u>
Dr. Jeffrey Lease	President	December 2014
Ms. Wendy Ho	Vice President	December 2016
Ms. Mayra Cruz	Member	December 2016
Ms. Maria Fuentes	Member	December 2014
Mr. Balbir Dhillon	Member	December 2014
Mr. Craig Mann	Member	December 2016
Mr. Rudy Nasol	Member	December 2016

ADMINISTRATION

Dr. Rita Cepeda
Chancellor

Mr. Douglas R. Smith
Vice Chancellor, Administrative Services

Ms. Kim Garcia
Vice Chancellor, Human Resources

Ms. Carol Coen
Vice Chancellor, Workforce Economic & Resource Development

Dr. Byron Breland
President, San Jose City College

Mr. Henry Yong
President, Evergreen Valley College

Mr. Peter Fitzsimmons
Director, Fiscal Services

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT

COMBINING STATEMENT OF NET POSITION BY FUND

June 30, 2014

(UNAUDITED)

			<u>Special Revenue Funds</u>		<u>Debt Service Funds</u>	
	<u>General - Unrestricted (Fund 10)</u>	<u>General - Restricted (Fund 11)</u>	<u>Cafeteria (Fund 70)</u>	<u>Child Develop- ment (Fund 72)</u>	<u>Bond Interest and Redemption (Fund 83, 84, 86)</u>	<u>Other Debt Service</u>
Assets						
Current assets:						
Cash and investments	\$183,273,328	\$ -	\$ -	\$ -	\$ 33,621,989	\$ -
Receivables, net	7,048,079	1,090,877	-	22,922	19,409	-
Due from other funds	-	1,709,504	63,917	-	-	-
Inventory	-	-	-	-	-	-
Prepaid expenses	<u>172,489</u>	<u>3,024</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total current assets	<u>190,493,896</u>	<u>2,803,405</u>	<u>63,917</u>	<u>22,922</u>	<u>33,641,398</u>	<u>-</u>
Noncurrent assets:						
Restricted cash	-	-	-	-	-	-
OPEB asset	-	-	-	-	-	-
Depreciable capital assets, net	-	-	-	-	-	-
Nondepreciable capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>190,493,896</u>	<u>2,803,405</u>	<u>63,917</u>	<u>22,922</u>	<u>33,641,398</u>	<u>-</u>
Deferred Outflow of Resources						
Deferred loss on refunding	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflow of resources	<u>\$190,493,896</u>	<u>\$ 2,803,405</u>	<u>\$ 63,917</u>	<u>\$ 22,922</u>	<u>\$ 33,641,398</u>	<u>\$ -</u>
Liabilities						
Current liabilities:						
Accounts payable	\$ 14,879,988	\$ 60,459	\$ -	\$ 20,431	\$ -	\$ -
Accrued interest payable	-	-	-	-	-	-
Unearned revenue	3,618,771	1,508,007	-	-	-	-
Due to other funds	158,214,825	-	-	2,491	-	-
Long-term liabilities - current portion	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>176,713,584</u>	<u>1,568,466</u>	<u>-</u>	<u>22,922</u>	<u>-</u>	<u>-</u>
Noncurrent liabilities:						
Compensated absences payable	-	-	-	-	-	-
Long-term liabilities - noncurrent portion	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>176,713,584</u>	<u>1,568,466</u>	<u>-</u>	<u>22,922</u>	<u>-</u>	<u>-</u>
Net Position						
Net investment in capital assets	-	-	-	-	-	-
Restricted for:						
Educational programs	-	1,234,939	-	-	-	-
Capital projects	-	-	-	-	-	-
Debt service	-	-	-	-	33,641,398	-
Unrestricted	<u>13,780,312</u>	<u>-</u>	<u>63,917</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total net position	<u>13,780,312</u>	<u>1,234,939</u>	<u>63,917</u>	<u>-</u>	<u>33,641,398</u>	<u>-</u>
Total liabilities and net position	<u>\$190,493,896</u>	<u>\$ 2,803,405</u>	<u>\$ 63,917</u>	<u>\$ 22,922</u>	<u>\$ 33,641,398</u>	<u>\$ -</u>

(Continued)

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT

COMBINING STATEMENT OF NET POSITION BY FUND

(Continued)
June 30, 2014

(UNAUDITED)

	<u>Capital Project Funds</u>			<u>Proprietary Funds</u>	
	<u>Capital Outlay Projects (Fund 36, 39)</u>	<u>2004 General Obligation Bond (Fund 31, 32)</u>	<u>2010 General Obligation Bond (Fund 41, 42, 43)</u>	<u>Enterprise Fund Bookstore (Fund 97)</u>	<u>Internal Service Fund</u>
Assets					
Current assets:					
Cash and investments	\$ -	\$ -	\$ 20,029,485	\$ 184,897	\$ -
Receivables, net	5	31,864	282,971	45,108	-
Due from other funds	2,469,756	39,188,385	114,730,844	277,876	-
Inventory	-	-	-	380,476	-
Prepaid expenses	-	-	-	-	-
Total current assets	<u>2,469,761</u>	<u>39,220,249</u>	<u>135,043,300</u>	<u>888,357</u>	<u>-</u>
Noncurrent assets:					
Restricted cash	-	-	-	-	-
OPEB Asset	-	-	-	-	-
Depreciable capital assets, net	-	-	-	46,520	-
Nondepreciable capital assets	-	-	-	-	-
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,520</u>	<u>-</u>
Total assets	<u>2,469,761</u>	<u>39,220,249</u>	<u>135,043,300</u>	<u>934,877</u>	<u>-</u>
Deferred Outflow of Resources					
Deferred loss on refunding	-	-	-	-	-
Total assets and deferred outflow of resources	<u>\$ 2,469,761</u>	<u>\$ 39,220,249</u>	<u>\$ 135,043,300</u>	<u>\$ 934,877</u>	<u>\$ -</u>
Liabilities					
Current liabilities:					
Accounts payable	\$ -	\$ -	\$ 1,390	\$ 934,877	\$ -
Accrued interest payable	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Due to other funds	-	-	-	-	-
Long-term liabilities - current portion	-	-	-	-	-
Total current liabilities	<u>-</u>	<u>-</u>	<u>1,390</u>	<u>934,877</u>	<u>-</u>
Noncurrent liabilities:					
Compensated absences payable	-	-	-	-	-
Long-term liabilities - noncurrent portion	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>1,390</u>	<u>934,877</u>	<u>-</u>
Net Position					
Net investment in capital assets	-	-	-	-	-
Restricted for:					
Educational programs	-	-	-	-	-
Capital projects	2,469,761	39,220,249	135,041,910	-	-
Debt service	-	-	-	-	-
Unrestricted	-	-	-	-	-
Total net position	<u>2,469,761</u>	<u>39,220,249</u>	<u>135,041,910</u>	<u>-</u>	<u>-</u>
Total liabilities and net position	<u>\$ 2,469,761</u>	<u>\$ 39,220,249</u>	<u>\$ 135,043,300</u>	<u>\$ 934,877</u>	<u>\$ -</u>

(Continued)

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT

COMBINING STATEMENT OF NET POSITION BY FUND

(Continued)
June 30, 2014

(UNAUDITED)

	Fiduciary Funds			Totals	Reconciling Adjustments/ Eliminations	Statement of Net Position
	Student Financial Aid (Fund 48)	Student Center Fees (Fund 96)	Scholarship and Loan Fund			
Assets						
Current assets:						
Cash and investments	\$ -	\$ -	\$ -	\$ 237,109,699	\$ (215,367,027)	\$ 21,742,672
Receivables, net	49,621	-	49,553	8,640,409	135,254	8,775,663
Due from other funds	-	-	-	158,440,282	(158,440,282)	-
Inventory	-	-	-	380,476	-	380,476
Prepaid expenses	-	-	-	175,513	-	175,513
	<u>49,621</u>	<u>-</u>	<u>49,553</u>	<u>404,746,379</u>	<u>(373,672,055)</u>	<u>31,074,324</u>
Total current assets						
Noncurrent assets:						
Restricted cash	-	-	-	-	215,367,027	215,367,027
OPEB asset	-	-	-	-	38,951,508	38,951,508
Depreciable capital assets, net	-	-	-	46,520	207,870,128	207,916,648
Nondepreciable capital assets	-	-	-	-	143,639,494	143,639,494
	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,520</u>	<u>605,828,157</u>	<u>605,874,677</u>
Total noncurrent assets						
Total assets	<u>49,621</u>	<u>-</u>	<u>49,553</u>	<u>404,792,899</u>	<u>232,156,102</u>	<u>636,949,001</u>
Deferred Outflow of Resources						
Deferred loss on refunding	-	-	-	-	5,260,989	5,260,989
Total assets and deferred loss on refunding	<u>\$ 49,621</u>	<u>\$ -</u>	<u>\$ 49,553</u>	<u>\$ 404,792,899</u>	<u>\$ 237,417,091</u>	<u>\$ 642,209,990</u>
Liabilities						
Current liabilities:						
Accounts payable	\$ 202	\$ -	\$ -	\$ 15,897,347	\$ -	\$ 15,897,347
Accrued interest payable	-	-	-	-	4,896,821	4,896,821
Unearned revenue	70	-	11,226	5,138,074	-	5,138,074
Due to other funds	49,349	36	38,327	158,305,028	(158,305,028)	-
Long-term liabilities - current portion	-	-	-	-	22,236,302	22,236,302
	<u>49,621</u>	<u>36</u>	<u>49,553</u>	<u>179,340,449</u>	<u>(131,171,905)</u>	<u>48,168,544</u>
Total current liabilities						
Noncurrent liabilities:						
Compensated absences payable	-	-	-	-	1,840,230	1,840,230
Long-term liabilities - noncurrent portion	-	-	-	-	514,711,659	514,711,659
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>514,711,659</u>	<u>514,711,659</u>
Total liabilities	<u>49,621</u>	<u>36</u>	<u>49,553</u>	<u>179,340,449</u>	<u>385,379,984</u>	<u>564,720,433</u>
Net Position						
Net investment in capital assets	-	-	-	-	42,242,589	42,242,589
Restricted for:						
Educational programs	-	(36)	-	1,234,903	-	1,234,903
Capital projects	-	-	-	176,731,920	(174,923,419)	1,808,501
Debt service	-	-	-	33,641,398	-	33,641,398
Unrestricted	-	-	-	13,844,229	(15,282,063)	(1,437,834)
	<u>-</u>	<u>(36)</u>	<u>-</u>	<u>225,452,450</u>	<u>(147,962,893)</u>	<u>77,489,557</u>
Total net position						
Total liabilities and net position	<u>\$ 49,621</u>	<u>\$ -</u>	<u>\$ 49,553</u>	<u>\$ 404,792,899</u>	<u>\$ 237,417,091</u>	<u>\$ 642,209,990</u>

See accompanying notes to
supplementary information.

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION BY FUND

For The Year Ended June 30, 2014

(UNAUDITED)

	General - Unrestricted (Fund 10)	General - Restricted (Fund 11)	Special Revenue Funds		Debt Service Funds	
			Cafeteria (Fund 70)	Child Develop- ment (Fund 72)	Bond Interest and Redemption (Fund 83, 84, 86)	Other Debt Service
Operating revenues:						
Tuition and fees	\$ 6,720,548	\$ 1,254,473	\$ -	\$ -	\$ -	\$ -
Less: scholarship discounts and allowances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net tuition and fees	<u>6,720,548</u>	<u>1,254,473</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Grants and contracts, non-capital:						
Federal	-	3,005,929	-	-	-	-
State	-	6,210,026	-	304,255	-	-
Local	-	10,935	-	-	-	-
Auxiliary sales and charges	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating revenues	<u>6,720,548</u>	<u>10,481,363</u>	<u>-</u>	<u>304,255</u>	<u>-</u>	<u>-</u>
Operating expenses:						
Salaries	54,429,456	7,474,744	28,031	-	-	-
Employee benefits	16,086,259	2,475,794	15,545	-	-	3,255,618
Supplies, materials and other operating expenses and services	10,139,968	1,798,725	21,222	259,150	-	-
Student aid	-	-	-	-	-	-
Equipment, maintenance and repairs	322,790	272,103	4,831	-	-	-
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>80,978,473</u>	<u>12,021,366</u>	<u>69,629</u>	<u>259,150</u>	<u>-</u>	<u>3,255,618</u>
(Loss) income from operations	<u>(74,257,925)</u>	<u>(1,540,003)</u>	<u>(69,629)</u>	<u>45,105</u>	<u>-</u>	<u>(3,255,618)</u>
Non-operating revenues (expenses):						
State apportionment, non-capital	3,083,018	-	-	-	-	-
Local property taxes	71,820,808	-	-	-	-	-
State taxes and other revenues	3,063,850	35,127	-	-	-	-
Pell grants	-	-	-	-	-	-
Investment income	77,159	-	-	-	55,748	-
Transfer from trust fund	-	-	-	-	-	-
Other non-operating revenues (expenses)	1,317,234	521,793	65,385	-	122,593,797	524,392
Debt reduction and interest expense	(1,943,985)	-	-	1	145,094,295)	(524,392)
Loss on disposal of capital asset	-	-	-	-	-	-
Interfund transfers out	(1,077,534)	(232,248)	-	(45,106)	-	-
Interfund transfers in	<u>497,277</u>	<u>463,634</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,255,618</u>
Total non-operating revenues (expenses)	<u>76,837,827</u>	<u>788,306</u>	<u>65,385</u>	<u>(45,105)</u>	<u>(22,444,750)</u>	<u>3,255,618</u>
Income (loss) before capital revenues	2,579,902	(751,697)	(4,244)	-	(22,444,750)	-
Capital revenues:						
Local property taxes, capital	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,708,756</u>	<u>-</u>
Change in net position	2,579,902	(751,697)	(4,244)	-	6,264,006	-
Net position, July 1, 2013	<u>11,200,410</u>	<u>1,986,636</u>	<u>68,161</u>	<u>-</u>	<u>27,377,392</u>	<u>-</u>
Net position, June 30, 2014	<u>\$ 13,780,312</u>	<u>\$ 1,234,939</u>	<u>\$ 63,917</u>	<u>\$ -</u>	<u>\$ 33,641,398</u>	<u>\$ -</u>

(Continued)

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION BY FUND

(Continued)

For The Year Ended June 30, 2014

(UNAUDITED)

	Capital Project Funds			Proprietary Funds	
	Capital Outlay Projects (Fund 36, 39)	2004 General Obligation Bond (Fund 31, 32)	2010 General Obligation Bond (Fund 41, 42, 43)	Enterprise Fund Bookstore (Fund 97)	Internal Service Fund
Operating revenues:					
Tuition and fees	\$ -	\$ -	\$ -	\$ -	\$ -
Less: scholarship discounts and allowances	-	-	-	-	-
Net tuition and fees	-	-	-	-	-
Grants and contracts, non-capital:					
Federal	-	-	-	-	-
State	-	-	-	-	-
Local	-	-	-	-	-
Auxiliary sales and charges	-	-	-	2,101,737	-
Total operating revenues	-	-	-	2,101,737	-
Operating expenses:					
Salaries	20,762	26,094	190,402	448,067	-
Employee benefits	11,184	10,703	79,445	-	-
Supplies, materials and other operating expenses and services	124,148	254,132	5,860,845	2,148,910	741,219
Student aid	-	-	-	-	-
Equipment, maintenance and repairs	541,111	2,209,278	33,873,034	-	-
Depreciation	-	-	-	61,359	-
Total operating expenses	697,205	2,500,207	40,003,726	2,658,336	741,219
(Loss) income from operations	(697,205)	(2,500,207)	(40,003,726)	(556,599)	(741,219)
Non-operating revenues (expenses):					
State apportionment, non-capital	-	-	-	-	-
Local property taxes	-	-	-	-	-
State taxes and other revenues	485,588	-	-	-	-
Pell grants	-	-	-	-	-
Investment income	3,322	63,659	414,455	-	-
Transfer from trust fund	-	-	-	-	-
Other non-operating revenues (expenses)	518,965	31,605,000	120,000,000	111,453	741,219
Debt reduction and interest expense	-	(78,532)	(272,676)	-	-
Loss on disposal of capital asset	-	-	-	-	-
Interfund transfers out	-	-	-	-	-
Interfund transfers in	-	-	-	277,876	-
Total non-operating revenues (expenses)	1,007,875	31,590,127	120,141,779	389,329	741,219
Income (loss) before capital revenues	310,670	29,089,920	80,138,053	(167,270)	-
Capital revenues:					
Local property taxes, capital	-	-	-	-	-
Change in net position	310,670	29,089,920	80,138,053	(167,270)	-
Net position, July 1, 2013	2,159,091	10,130,329	54,903,857	167,270	-
Net position, June 30, 2014	\$ 2,469,761	\$ 39,220,249	\$ 135,041,910	\$ -	\$ -

(Continued)

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION BY FUND

(Continued)

For The Year Ended June 30, 2014

(UNAUDITED)

	Fiduciary Funds			Totals	Reconciling Adjustments/ Eliminations	Statement of Revenues Expenses and Change in Net Position
	Student Financial Aid (Fund 48)	Student Center Fees (Fund 96)	Scholarship and Loan Fund			
Operating revenues:						
Tuition and fees	\$ -	\$ -	\$ -	\$ 7,975,021	\$ 4,741,339	\$ 12,716,360
Less: scholarship discounts and allowances	-	-	-	-	(4,741,339)	(4,741,339)
Net tuition and fees	-	-	-	7,975,021	-	7,975,021
Grants and contracts, non-capital:						
Federal	2,325,088	-	-	5,331,017	-	5,331,017
State	1,031,485	-	-	7,545,766	-	7,545,766
Local	-	-	-	10,935	-	10,935
Auxiliary sales and charges	-	-	-	2,101,737	-	2,101,737
Total operating revenues	3,356,573	-	-	22,964,476	-	22,964,476
Operating expenses:						
Salaries	52,516	-	-	62,670,072	97,062	62,767,134
Employee benefits	-	-	-	21,934,548	353,378	22,287,926
Supplies, materials and other operating expenses and services	-	-	-	21,348,319	(9,226,683)	12,121,636
Student aid	23,848,680	-	290,721	24,139,401	-	24,139,401
Equipment, maintenance and repairs	-	-	-	37,223,147	(37,223,147)	-
Depreciation	-	-	-	61,359	15,541,011	15,602,370
Total operating expenses	23,901,196	-	290,721	167,376,846	(30,458,379)	136,918,467
(Loss) income from operations	(20,544,623)	-	(290,721)	(144,412,370)	30,458,379	(113,953,991)
Non-operating revenues (expenses):						
State apportionment, non-capital	-	-	-	3,083,018	-	3,083,018
Local property taxes	-	-	-	71,820,808	-	71,820,808
State taxes and other revenues	-	-	-	3,584,565	-	3,584,565
Pell grants	20,428,522	-	-	20,428,522	-	20,428,522
Investment income	-	-	-	614,343	-	614,343
Transfer from trust fund	-	-	-	-	3,255,618	3,255,618
Other non-operating revenues (expenses)	-	(36)	290,721	278,289,923	(274,043,554)	4,246,369
Debt reduction and interest expense	-	-	-	(147,913,879)	135,942,939	(11,970,940)
Loss on disposal of capital asset	-	-	-	-	(323,115)	(323,115)
Interfund transfers out	-	-	-	(1,354,888)	1,354,888	-
Interfund transfers in	116,101	-	-	4,610,506	(4,610,506)	-
Total non-operating revenues (expenses)	20,544,623	(36)	290,721	233,162,918	(138,423,730)	94,739,188
(Loss) income before capital revenues	-	(36)	-	88,750,548	(107,965,351)	(19,214,803)
Capital revenues:						
Local property taxes, capital	-	-	-	28,708,756	-	28,708,756
Change in net position	-	(36)	-	117,459,304	(107,965,351)	9,493,953
Net position, July 1, 2013	-	-	-	107,993,146	(39,997,542)	67,995,604
Net position, June 30, 2014	\$ -	\$ (36)	\$ -	\$ 225,452,450	\$ (147,962,893)	\$ 77,489,557

See accompanying notes to supplementary information.

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

For the Year Ended June 30, 2014

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Federal Expenditures
<u>U.S. Department of Education</u>		
<i>Direct Programs:</i>		
Student Financial Aid Cluster:		
Federal Pell Grant Programs (PELL)	84.063	\$ 20,428,522
Federal Pell Grant Program - Administrative Allowance	84.063	25,960
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	371,520
Federal College Work Study Program (FWS)	84.033	356,397
Direct Loans	84.268	<u>1,927,608</u>
Subtotal Student Financial Aid Cluster		<u>23,110,007</u>
Title V, Higher Education - Institutional Aid	84.031	1,017,540
TRIO - Student Support Services	84.042	258,527
<i>Passed through California Community Colleges Chancellor's Office:</i>		
VTEA Title II C	84.048	357,595
Technical Prep Education (Title III-E)	84.243	71,698
<i>Passed through San Jose State University Foundation:</i>		
Consortium for Middle Eastern Studies	84.016A	<u>4,995</u>
Total U.S. Department of Education		<u>24,820,362</u>
<u>U.S. Department of Health and Human Services</u>		
<i>Passed through Foundation for California Community Colleges:</i>		
YESS - Independent Living Program	93.674	23,489
<i>Passed through Yosemite Community College:</i>		
Child Care and Development Improvement/Yosemite	93.575	5,409
<i>Passed through California Community Colleges Chancellor's Office:</i>		
Temporary Assistance for Needy Families (TANF)	93.558	<u>151,047</u>
Total U.S. Department of Health and Human Services		<u>179,945</u>

(Continued)

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

(Continued)

For the Year Ended June 30, 2014

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Labor</u>		
<i>Direct Program:</i>		
Veterans' Administrative Reporting Fee	17.802	\$ 1,578
<i>Passed through City of San Jose:</i>		
Workforce Investment Act Cluster:		
WIA Youth Activities	17.259	506,263
WIA Dislocated Workers - Workshops	17.278	<u>223,645</u>
Subtotal Workforce Investment Act Cluster		<u>729,908</u>
Total U.S. Department of Labor		<u>731,486</u>
<u>National Science Foundation</u>		
IPA Agreement	47.UNK	<u>26,338</u>
Total Federal Programs		<u>\$ 25,758,131</u>

See accompanying notes to
supplementary information.

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL AWARDS

For the Year Ended June 30, 2014

	<u>Program Entitlements</u>			<u>Program Revenues</u>				<u>Program Expenditures</u>
	<u>Prior Year Carry-forward</u>	<u>Current Entitlement</u>	<u>Total Entitlement</u>	<u>Cash Received</u>	<u>Accounts Receivable</u>	<u>Unearned Revenue/Accounts Payable</u>	<u>Total</u>	
CARE	\$ -	\$ 138,960	\$ 138,960	\$ 138,960	\$ -	\$ 3,872	\$ 135,088	\$ 135,088
Extended Opportunity Programs and Services (EOP&S)	-	1,424,125	1,424,125	1,424,125	-	-	1,424,125	1,424,125
California Student Aid Commission / Cal Grant	-	903,732	903,732	1,006,754	24,731	-	1,031,485	1,031,485
Instructional Equipment	6,479	172,084	178,563	178,563	-	52,816	125,747	125,747
Scheduled Maintenance	-	172,087	172,087	172,087	-	172,087	-	-
CalWorks Program / Santa Clara County	-	267,101	267,101	237,884	28,634	-	266,518	266,518
CalWorks Program / State	-	424,689	424,689	418,990	-	1,459	417,531	417,531
Financial Aid Administration Allowance (BFAP)	-	706,649	706,649	706,649	-	-	706,649	706,649
Adult Education Planning	-	657,493	657,493	328,747	-	327,510	1,237	1,237
Electronic Transcript	-	15,000	15,000	15,000	-	6,330	8,670	8,670
Nursing Enrollment Growth Grant	-	221,000	221,000	185,640	35,360	-	221,000	221,000
Career Technical Education/Stepping Stone, EVC MOU	-	19,576	19,576	9,564	1,358	-	10,922	10,922
Foster Care Education	-	110,230	110,230	55,116	55,114	-	110,230	110,230
Staff Diversity	41,506	7,195	48,701	48,701	-	40,007	8,694	8,694
Disabled Students Program	-	955,539	955,539	955,539	-	-	955,539	955,539
Student Success and Support	-	1,095,507	1,095,507	1,095,507	-	263,796	831,711	831,711
Basic Skills 11-12	90,553	-	90,553	90,553	-	-	90,553	90,553
Basic Skills 12-13	235,040	-	235,040	241,090	-	49,544	191,546	191,546
Basic Skills 13-14	-	244,589	244,589	244,589	-	219,263	25,326	25,326
Transfer and Articulation	1,286	-	1,286	1,286	-	203	1,083	1,083
Cal State Preschool (CSPP 2566)	-	134,644	134,644	134,644	-	6,483	128,161	128,161
Childcare Tax Bailout Apportionment	-	34,308	34,308	34,308	-	-	34,308	34,308
General Child Care & Dev. Program	-	151,765	151,765	114,553	27,233	-	141,786	141,786
Total State categorical awards and allowances	\$ 374,864	\$ 7,856,273	\$ 8,231,137	\$ 7,838,849	\$ 172,430	\$ 1,143,370	\$ 6,867,909	\$ 6,867,909

See accompanying notes to supplementary information.

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR
STATE GENERAL APPORTIONMENT**

Annual Attendance as of June 30, 2014

<u>Categories</u>	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Revised Data</u>
A. Summer Intersession (Summer 2013 only)			
1. Noncredit	4	-	4
2. Credit	978	4	982
B. Summer Intersession (Summer 2014 - Prior to June 30, 2014)			
1. Noncredit	-	-	-
2. Credit	-	175	175
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
a. Weekly Census Contact Hours	10,161	-	10,161
b. Daily Census Contact Hours	823	(175)	648
2. Actual Hours of Attendance Procedure Courses			
a. Noncredit	103	-	103
b. Credit	310	-	310
3. Independent Study/Work Experience			
a. Weekly Census Contact Hours	668	(4)	664
b. Daily Census Contact Hours	-	-	-
c. Noncredit Independent Study/ Distance Education Courses	-	-	-
	<hr/>	<hr/>	<hr/>
D. Total FTES	<u>13,047</u>	<u>-</u>	<u>13,047</u>
Supplemental Information:			
E. In-Service Training Courses (FTES)	60	-	60
H. Basic Skills Courses and Immigrant Education			
a. Noncredit	106	-	106
b. Credit	1,761	-	1,761
<u>CCFS 320 Addendum</u>			
CDCP	-	-	-
Centers FTES			
a. Noncredit	-	-	-
b. Credit	-	-	-

See accompanying notes to
supplementary information.

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
(CCFS-311) WITH AUDITED FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

There were no adjustments proposed to any funds of the District.

See accompanying notes to
supplementary information.

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION

For the Year Ended June 30, 2014

	Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional salaries:							
Contract or regular	1100	\$ 15,689,091	\$ -	\$ 15,689,091	\$ 15,713,173	\$ -	\$ 15,713,173
Other 1300	15,376,453	-	15,376,453	15,376,453	-	15,376,453	
Total instructional salaries		31,065,544	-	31,065,544	31,089,626	-	31,089,626
Non-instructional salaries:							
Contract or regular	1200	-	-	-	6,849,235	-	6,849,235
Other 1400	-	-	-	726,734	-	726,734	
Total non-instructional salaries		-	-	-	7,575,969	-	7,575,969
Total academic salaries		31,065,544	-	31,065,544	38,665,595	-	38,665,595
<u>Classified Salaries</u>							
Non-instructional salaries:							
Regular status	2100	-	-	-	12,151,000	-	12,151,000
Other 2300	-	-	-	977,092	-	977,092	
Total non-instructional salaries		-	-	-	13,128,092	-	13,128,092
Instructional aides:							
Regular status	2200	1,837,907	(16,930)	1,820,977	1,849,935	-	1,849,935
Other 2400	391,290	-	391,290	398,472	-	398,472	
Total instructional aides		2,229,197	(16,930)	2,212,267	2,248,407	-	2,248,407
Total classified salaries		2,229,197	-	2,212,267	15,376,499	-	15,376,499
Employee benefits	3000	7,754,971	(1,837)	7,753,134	16,449,391	-	16,449,391
Supplies and materials	4000	-	-	-	929,965	-	929,965
Other operating expenses	5000	505,323	-	505,323	8,241,118	-	8,241,118
Equipment replacement	6420	-	-	-	-	-	-
Total expenditures prior to exclusions		\$ 41,555,035	\$ (18,767)	\$ 41,536,268	\$ 79,662,568	\$ -	\$ 79,662,568

(Continued)

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION

(Continued)

For the Year Ended June 30, 2014

	Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Exclusions</u>							
Activities to exclude:							
Instructional staff-retirees' benefits and retirement incentives	5900	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Student health services above amount collected	6441	-	-	-	123,518	-	123,518
Student transportation	6491	-	-	-	-	-	-
Noninstructional staff-retirees' benefits and retirement incentives	6740	-	-	-	181,700	-	181,700
Objects to exclude:							
Rents and leases	5060	-	-	-	401,924	-	401,924
Lottery expenditures		-	-	-	-	-	-
Academic salaries	1000	1,720,500	-	1,720,500	-	-	-
Classified salaries	2000	-	-	-	-	-	-
Employee benefits	3000	-	-	-	-	-	-
Supplies and materials:	4000						
Software	4100	-	-	-	44,378	-	44,378
Books, magazines and periodicals	4200	-	-	-	-	-	-
Instructional supplies and materials	4300	-	-	-	104,505	-	104,505
Noninstructional supplies and materials	4400	-	-	-	613,324	-	613,324
Total supplies and materials		<u>1,720,500</u>	<u>-</u>	<u>1,720,500</u>	<u>762,207</u>	<u>-</u>	<u>762,207</u>
Other operating expenses and services	5000	-	-	-	-	-	-
Capital outlay	6000	-	-	-	-	-	-
Library books	6300	-	-	-	38,722	-	38,722
Equipment:							
Equipment - additional	6410	-	-	-	284,067	-	284,067
Equipment - replacement		-	-	-	-	-	-
Total equipment		<u>-</u>	<u>-</u>	<u>-</u>	<u>284,067</u>	<u>-</u>	<u>284,067</u>
Total capital outlay		<u>-</u>	<u>-</u>	<u>-</u>	<u>322,789</u>	<u>-</u>	<u>322,789</u>
Other outgo	7000	-	-	-	-	-	-
Total exclusions		<u>1,720,500</u>	<u>-</u>	<u>1,720,500</u>	<u>1,792,138</u>	<u>-</u>	<u>1,792,138</u>
Total for ECS 84362, 50% Law		<u>\$ 39,834,535</u>	<u>\$ (18,767)</u>	<u>\$ 39,815,768</u>	<u>\$ 77,870,430</u>	<u>\$ -</u>	<u>\$ 77,870,430</u>
Percent of CEE (instructional salary cost /Total CEE)		51.15%	-	51.13%	100%	-	
50% of current expense of education		-	-	-	<u>\$ 38,935,215</u>	<u>\$ -</u>	<u>\$ 38,935,215</u>

See accompanying notes to supplementary information.

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT

**PROP 30 EPA EXPENDITURE REPORT
For the Year Ended June 30, 2014**

EPA Proceeds: \$ 1,252,611

<u>Activity Classification</u>	<u>Activity Code (0100-5900)</u>	<u>Salaries and Benefits (1000-3000)</u>	<u>Operating Expenses (4000-5000)</u>	<u>Capital Outlay (6000)</u>	<u>Total</u>
Instructional Activities	-	\$ 1,252,611	\$ -	\$ -	\$ 1,252,611

See accompanying notes to
supplementary information.

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULES

- A - Combining Statement of Net Position by Fund and Statement of Revenues, Expenses and Change in Net Position by Fund

These statements report the financial position and operational results of the individual funds of the District and the reconciling adjusting entries under GASB Cod. Sec. C05.101. The information is presented at the request of District management and has been derived from audited information.

- B - Schedule of Expenditure of Federal Awards

The accompanying Schedule of Expenditure of Federal Awards includes the Federal grant activity of the District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Change in Net Position and the related expenditures reported on the Schedule of Expenditure of Federal Awards.

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Operating revenues		\$ 5,334,352
Non-operating revenues		<u>20,425,187</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Net Position		25,759,539
Add: Veteran's Administrative Reporting fee spent in the current year but recognized in the prior year	17.802	<u>(1,408)</u>
Total Federal Expenditures, Schedule of Expenditure of Federal Awards		<u>\$ 25,758,131</u>

(Continued)

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

(Continued)

1. PURPOSE OF SCHEDULES (Continued)

C - Schedule of State Financial Awards

The accompanying Schedule of State Financial Awards includes State grant activity of the District and is presented on the accrual basis of accounting. The information in this schedule is presented to comply with reporting requirements of the California Community Colleges Chancellor's Office.

D - Schedule of Workload Measures for State General Apportionment

Full-time equivalent students is a measurement of the number of students attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to community college districts. This schedule provides information regarding the attendance of students based on various methods of accumulating attendance data.

E - Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Financial Statements

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

F - Reconciliation of ECS 84362 (50 Percent Law) Calculation

This schedule provides the information necessary to reconcile the 50 Percent Law Calculation reported on the CCFS-311 to the audited data.

G - Prop 30 EPA Expenditure Report

This schedule provides information about the District's EPA proceeds and summarizes how the EPA proceeds were spent.

INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

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

Report on Compliance with State Laws and Regulations

We have audited the compliance of San José/Evergreen Community College District with the types of compliance requirements described in Section 400 of the California State Chancellor's Office's *California Community College District Audit Manual (CDAM)* that are applicable to community colleges in the State of California for the year ended June 30, 2014:

- Salaries of Classroom Instructors (50 Percent Law)
- Apportionment for Instructional Service Agreements/Contracts
- State General Apportionment Funding System
- Residency Determination for Credit Courses
- Students Actively Enrolled
- Concurrent Enrollment of K-12 Students in Community College Credit Courses
- Scheduled Maintenance Program
- Gann Limit Calculation
- Open Enrollment
- Student Fees - Health Fees and Use of Health Fee Funds
- Proposition 39 Clean Energy
- Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
- Disabled Student Programs and Services (DSPS)
- To Be Arranged Hours (TBA)
- Proposition 1D State Bond Funded Projects
- Proposition 30 Education Protection Account Funds

Management's Responsibility

Management is responsible for compliance with the requirements of state laws and regulations.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance with state laws and regulations as listed above of San José/Evergreen Community College District. 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 the California State Chancellor's Office's *California Community College District Audit Manual*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state laws and regulations listed above occurred. An audit includes examining, on a test basis, evidence about San José/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 in compliance with state laws and regulations. However, our audit does not provide legal determination of San José/Evergreen Community College District's compliance with those requirements.

Opinion with State Laws and Regulations

In our opinion, San José/Evergreen Community College District complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2014. Further, based on our examination, for items not tested, nothing came to our attention to indicate San José/Evergreen Community College District had not complied with the state laws and regulations.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Contracted District Audit Manual and which are described in the accompanying Schedule of Audit Findings and Questioned Costs as items 2014-002 and 2014-003. Our opinion on State Laws and Regulations is not modified with respect to these matters.

San José/Evergreen Community College District's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Audit Findings and Questioned Costs. San José/Evergreen Community College District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Purpose of this Report

This report is intended solely to describe the scope of our testing of compliance and the results of that testing based on requirements of the *Contracted District Audit Manual*. Accordingly, this report is not suitable for any other purpose.

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
December 4, 2014

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

Board of Trustees
San José/Evergreen Community College District
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 financial statements of the business-type activities and the fiduciary activities of San José/Evergreen Community College District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise San José/Evergreen Community College District's basic financial statements, and have issued our report thereon dated December 4, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered San José/Evergreen Community College District'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of San José/Evergreen Community College District's internal control. Accordingly, we do not express an opinion on the effectiveness of San José/Evergreen Community College District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Audit Findings and Questioned Costs as item 2004-001, we identified certain deficiencies in internal control that we consider to be a material weakness.

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. We consider the deficiencies described in the accompanying Schedule of Audit Findings and Questioned Costs as item 2004-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether San José/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 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*.

San José/Evergreen Community College District's Response to Finding

San José/Evergreen Community College District's response to the finding identified in our audit are described in the accompanying Schedule of Audit Findings and Questioned Costs. San José/Evergreen Community College District's response was not subjected to the auditing procedures applied in the audit of the financial statements, accordingly, we express no opinion on it.

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
Crowe Horwath LLP

Sacramento, California
December 4, 2014

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance for Each Major Federal Program

We have audited San José/Evergreen Community College District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of San José/Evergreen Community College District's major federal programs for the year ended June 30, 2014. San José/Evergreen Community College District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of San José/Evergreen Community College District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 José/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 on compliance for each major federal program. However, our audit does not provide a legal determination of San José/Evergreen Community College District's compliance.

Opinion on Each Major Federal Program

In our opinion, San José/Evergreen Community College District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of San José/Evergreen Community College District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered San José/Evergreen Community College District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 José/Evergreen Community College District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Crowe Horwath LLP

Sacramento, California
December 4, 2014

FINDINGS AND RECOMMENDATIONS

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? X Yes No

Significant deficiency(ies) identified not considered
to be material weakness(es)? Yes X None reported

Noncompliance material to financial statements
noted? Yes X No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified not considered
to be material weakness(es)? Yes X None reported

Type of auditor's report issued on compliance for
major programs: Unmodified

Any audit findings disclosed that are required to be
reported in accordance with Circular A-133,
Section .510(a)? Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.063, 84.007, 84.033, 84.268 84.031 84.048	Student Financial Aid Cluster Title V, Higher Education - Institutional Aid VTEA Title II C

Dollar threshold used to distinguish between Type A
and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X Yes No

STATE AWARDS

Type of auditor's report issued on compliance for
state programs: Unmodified

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2014

SECTION II - FINANCIAL STATEMENT FINDINGS

2014-001 MATERIAL WEAKNESS - CAPITALIZED CONSTRUCTION COSTS

Criteria

Accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board, require entities to establish and maintain effective internal control over financial reporting.

Condition

Costs incurred for the management of construction projects were expensed in prior years and not capitalized to the respective projects. Additionally, \$1,275,257 of current year costs were not capitalized.

Effect

Costs of \$4,756,216 that were expensed in prior years were capitalized to construction in progress during the year ended June 30, 2014. An additional \$1,275,257 was identified to be capitalized in the 2014 fiscal year.

Cause

The District did not establish the requisite internal control procedures that all costs subject to capitalization under generally accepted accounting principles were identified in the year expended and subjected to capitalization.

Fiscal Impact

Net position as of July 1, 2013 was understated by \$4,756,216.

Recommendation

We recommend the District implement controls to ensure all capitalizable costs are allocated to construction projects.

Corrective Action Plan

The District received guidance from Bond Counsel that the overhead expenditures of the type incurred are capitalizable. Thus, the District commenced upon an allocation exercise to attribute those expenses to the applicable construction projects. This exercise, in turn, revealed a gap in the District's Construction-in-Process (CIP) schedule. Moving forward, the District's CIP schedule will be enhanced to comprehensively include General Obligation Bond Project balances, to ensure that all capitalizable costs are attributed to the relevant construction projects in the year in which they are incurred.

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2014

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

(Continued)

Year Ended June 30, 2014

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

**2014-002 STATE COMPLIANCE - STATE GENERAL APPORTIONMENT FUNDING SYSTEM
(424)**

Criteria

2013-14 Contracted District Audit Manual, Item No. 424, State General Apportionment Funding System.

Student Attendance Accounting Manual, Full-Time Equivalent Student (FTES) Attendance Accounting

Condition

Independent study and work experience courses offered during the Summer 2013 term were classified as Alternative Attendance – Weekly. In accordance with the Student Attendance Accounting Manual, weekly courses must be scheduled conterminously with the primary term. Independent study and work experience courses offered during the summer terms should be classified as Alternative Attendance – Daily.

Credit courses offered during the Summer 2014 term were incorrectly classified on the District's CCFS-320 Annual report as Primary Term.

Effect

FTES were incorrectly reported on the District's CCFS-320 Annual. Independent Study/ Work Experience - Weekly Census Contact Hours were overstated by four FTES and Summer Intersession (Summer 2013) was understated by four FTES. Additionally, Primary Terms - Daily Census Contact Hours were overstated by 175 and Summer Intersession (Summer 2014) were understated by 175. Total FTES were not impacted by these classification errors.

Cause

Effective internal controls over the scheduling and reporting of courses are not in place.

Fiscal Impact

No impact.

Recommendation

We recommend the District review future scheduling of courses and the preparation of the CCFS-320 to ensure the proper classification and reporting of FTES.

Corrective Action Plan

Training will be provided regarding the classification of courses and the entry of data into the State's reporting portal. Additionally, the District will work with its ERP Provider, Ellucian, in an effort to prevent the District's ERP from accepting the improper classification of courses.

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

(Continued)

Year Ended June 30, 2014

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

**2014-003 STATE COMPLIANCE - SALARIES OF CLASSROOM INSTRUCTORS
(50 PERCENT LAW)**

Criteria

Education Code Section 84362, commonly known as the 50 Percent Law, requires that a minimum of 50 percent of the District's Current Expense of Education (CEE) be expended during each fiscal year for "Salaries of Classroom Instructors".

Condition

The District improperly included 13 individuals as instructional aides in the 50 Percent Law calculation.

Effect

The District did not comply with State requirements. Payroll charges included in the instructional aide classification were \$18,767. After removing the improperly classified transactions the District was still in compliance with expending Instructional Salary Costs in excess of 50 percent.

Cause

The District incorrectly included salary and benefits for positions which were not instructional aides in the 50 Percent Law calculation.

Fiscal Impact

No impact.

Recommendation

The District should review procedures used in determining the proper classification of salary costs to ensure job descriptions for instructional costs charged as instructional aides are properly classified for the 50 Percent Law calculation.

Corrective Action Plan

The District will ensure job descriptions of instructional aides charged to Instructional Salary Costs are in compliance with State requirements.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**

Year Ended June 30, 2014

Finding/Recommendation	Current Status	District Explanation If Not Fully Implemented
<hr/>		
No matters were reported.		