

**SAN JOSE/EVERGREEN COMMUNITY
COLLEGE DISTRICT**

**2004 GENERAL OBLIGATION BONDS
FINANCIAL REPORT
JUNE 30, 2010**

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

MEASURE G GENERAL OBLIGATION BOND

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

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

Citizens' Oversight Committee
And Board of Trustees
San Jose/Evergreen Community College District
San Jose, California

We have audited the accompanying financial statements of the Measure G General Obligation Bond Fund (the Bond Fund) of the San Jose/Evergreen Community College District (the District) as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the financial statements present only the Bond fund and do not purport to, and do not, present fairly the financial position and results of operations of the San Jose / Evergreen Community College District in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bond fund of the San Jose / Evergreen Community College District at June 30, 2010, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 3, 2010

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

**MEASURE G GENERAL OBLIGATION BOND FUND
BALANCE SHEET
JUNE 30, 2010**

ASSETS

Cash and investments	\$ 49,265,629
Accounts receivable	114,093
Total Assets	<u>\$ 49,379,722</u>

LIABILITIES AND FUND EQUITY

FUND EQUITY

Fund balances	
Reserved	\$ 49,379,722
Total Fund Equity	<u>49,379,722</u>
Total Liabilities and Fund Equity	<u>\$ 49,379,722</u>

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

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

**MEASURE G GENERAL OBLIGATION BOND FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2010**

REVENUES

Interest income	\$ 648,874
Other local income	<u>108,464</u>
Total Revenues	<u>757,338</u>

EXPENDITURES

Current Expenditures	
Salaries	210,629
Benefits	82,289
Services and operating expenditures	10,091,975
Capital outlay	<u>7,791,492</u>
Total Expenditures	<u>18,176,385</u>

EXCESS OF REVENUES OVER (UNDER) EXPENDITURES (17,419,047)

FUND BALANCE, Beginning of Year 66,798,769
FUND BALANCE, End of Year \$ 49,379,722

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

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

MEASURE G GENERAL OBLIGATION BOND FUND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

The accounting policies of the San Jose/Evergreen Community College District (the District) Measure G General Obligation Bond Fund (the Bond Fund) conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants. The Bond Fund accounts for financial transactions in accordance with the policies and procedures of the California Community College's Budget and Accounting Manual.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Financial Reporting Entity

The financial statements include only the Bond Fund 2004 General Obligation Bond Resources of the District. This fund was established to account for the expenditures of general obligation bonds issued under the General Obligation Bonds Election of 2004. The authorized issuance amount of the bonds is \$185,000,000. Series A of the bonds was sold on May 12, 2005, for \$55,391,474. Series B of the bonds was sold February 21, 2008 for \$97,999,946. These financial statements are not intended to present fairly the financial position and results of operations of the District in compliance with accounting principles generally accepted in the United States of America.

Fund Accounting

The operations of the Bond Fund 2004 General Obligation Bond Resources are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The financial statements of the San Jose/Evergreen Community College District Bond Fund 2004 General Obligation Bond Resources are accounted for under the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. For the District, available means expected to be received within 60 days of fiscal year-end. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered).

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

MEASURE G GENERAL OBLIGATION BOND FUND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of fund balance not available for appropriation or amounts legally segregated for a specific future use. Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period. The entire fund balance has been reserved for capital projects at June 30, 2010.

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Supplemental taxes for repayment of bond proceeds are collected by the County of Santa Clara from all taxable property within the District and deposited in the Bond Interest and Redemption Fund of the District. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Santa Clara bills and collects the taxes for the District. The District recognizes tax revenues when received.

Use of 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 that 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/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

Investments Authorized Under Debt Agreements

The debt agreement limits investments to the Santa Clara County Investment Pool. The limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedule below:

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
County Pooled Investment Funds	N/A	None	None

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

MEASURE G GENERAL OBLIGATION BOND FUND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

Investment in County Treasury

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer. The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by depositing substantially all of its funds in the County Treasury Pool. The fair value of deposits at the County Treasury at June 30, 2010, was \$49,499,641, and the weighted average maturity of the pool is 0.89 years. The carrying amount was \$49,265,629.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Bond Fund only invests in County Pooled Investment Funds which are not required to be rated.

NOTE 4 - ACCOUNTS RECEIVABLE

Receivables at June 30, 2010, consist of the following:

Interest	\$ 112,923
Architect reimbursement	1,170
	<u>\$ 114,093</u>

NOTE 5 - FUND BALANCES

Fund balances are composed of the following elements:

Reserved	<u>\$ 49,379,722</u>
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SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

**MEASURE G GENERAL OBLIGATION BOND FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 6 - COMMITMENTS AND CONTINGENCIES

As of June 30, 2010, the Bond Fund had the following commitments with respect to unfinished capital projects:

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
San Jose City College		
Facility master plan	\$ 150,000	Jun-12
Humanities/Arts/Math buildings	25,564,650	Jan-13
Multi-use athletic/softball field	1,546,709	Dec-10
Evergreen Valley College		
Facility master plan	150,000	Jun-12
Health/Physical Ed (Fitness Center)	213,750	Sep-12
District-wide		
Legal fees	75,091	Dec-11
Project administration	875,412	Jan-14
Safety/security improvements	399,934	Jun-12
	<u>\$ 28,975,546</u>	