

**SAN JOSE/EVERGREEN
COMMUNITY COLLEGE DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2005

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the San Jose/Evergreen Community College District (the District) as of and for the years ended June 30, 2005 and 2004, and its discretely presented component unit, San Jose/Evergreen Community College District Foundation (the Foundation), 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 audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the San Jose/Evergreen Community College District and its discretely presented component unit, San Jose/Evergreen Community College District Foundation, as of June 30, 2005 and 2004, and the respective changes in financial position and cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 4 through 13 is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. This supplementary information is the responsibility of the District's management. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2005, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of or testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

The Additional Supplementary Information on pages 70 through 77 has been presented at the request of District management for purposes of additional analysis. We have applied certain limited procedures consisting primarily of analysis and inquiry regarding presentation; however, we did not audit the information. Accordingly, we express no opinion on them.

Haurinck, Irine, Day & Co. LLP

Rancho Cucamonga, California
October 21, 2005

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

San José City College • Evergreen Valley College

Chancellor: Rosa G. Perez



Director of Fiscal
Services/Controller
Michael J. Calegari

4750 San Felipe Road
San Jose, CA 95135-1599
Phone: 408-274-6700 ext. 6517

In June 1999, the Governmental Accounting Standard's 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 Statement No. 34.

The new reporting model is in some cases an extreme departure from that used in prior years and, in some cases, has limited value or may even be detrimental to casual readers attempting to understand the financial health of a governmental entity. Because of this, the District has asked its auditors to also present (in supplemental schedules) the District's financial statements using the fund statements format, which continues as the format that the District uses in reporting to the State Chancellor's Office.

As required by generally accepted accounting principles, the annual report consists of three basic financial statements that provide information on the District as a whole: the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows. These statements are designed to emulate corporate presentation models, whereby all District activities are consolidated into one total. The focus of the Statement of Net Assets is designed to be similar to "bottom line" results for the District. This statement combines and consolidates current financial resources (short-term spendable resources) with capital assets. The Statements of Revenues, Expenses, and Changes in Net Assets focus on both the gross and the net costs of District activities, which are supported mainly by property taxes, State apportionment, and other State revenues. This approach is intended to summarize and simplify the analysis of cost of various District services to students and the public.

The following discussion and analysis provides an overview of the District's financial activities. The discussion and analysis will include comparisons of current to prior year activity.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2005

Statement of Net Assets

The Statement of Net Assets includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector institutions. Net assets, the difference between assets and liabilities, are one way to measure the financial health of the District.

Statement of Net Assets

	<u>2005</u>	<u>2004</u>	<u>2003</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 1,315,604	\$ 1,259,185	\$ 1,955,671
Investments	113,039,775	80,764,353	123,392,018
Accounts receivable	7,622,439	5,368,073	7,148,933
Prepaid expenses	22,292	36,915	14,623
Stores inventories	300,492	394,687	338,363
Total Current Assets	<u>122,300,602</u>	<u>87,823,213</u>	<u>132,849,608</u>
NONCURRENT ASSETS			
Capital assets, net of accumulated depreciation	<u>178,122,750</u>	<u>167,425,497</u>	<u>120,136,987</u>
Total Noncurrent Assets	<u>178,122,750</u>	<u>167,425,497</u>	<u>120,136,987</u>
TOTAL ASSETS	<u>300,423,352</u>	<u>255,248,710</u>	<u>252,986,595</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	12,882,549	9,379,452	9,630,459
Accrued interest payable	2,390,362	104,433	2,440,142
Deferred revenue	2,763,609	3,278,769	2,745,551
Amounts held in trust on behalf of others	673,027	622,863	-
Accrued compensated absences	50,000	50,000	50,000
Bonds and notes payable	6,325,000	5,985,000	4,830,000
Total Current Liabilities	<u>25,084,547</u>	<u>19,420,517</u>	<u>19,696,152</u>
NONCURRENT LIABILITIES			
Accrued compensated absences payable	1,531,741	1,495,405	1,461,470
Bonds and notes payable	169,559,200	129,878,580	129,459,708
Total Noncurrent Liabilities	<u>171,090,941</u>	<u>131,373,985</u>	<u>130,921,178</u>
TOTAL LIABILITIES	<u>196,175,488</u>	<u>150,794,502</u>	<u>150,617,330</u>
NET ASSETS			
Invested in capital assets, net of related debt	83,226,281	82,385,253	77,379,688
Restricted for:			
Debt service	13,117,010	12,608,008	14,364,530
Capital projects	2,072,778	1,982,093	4,109,060
Unrestricted	5,831,795	7,478,854	6,515,987
Total Net Assets	<u>\$ 104,247,864</u>	<u>\$ 104,454,208</u>	<u>\$ 102,369,265</u>

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2005

The primary components of cash and short-term investments are the General Obligation Bond proceeds of approximately \$85.2 million, required investments for debt service of approximately \$11.8 million, debt funding for the District's retiree health benefits obligation of approximately \$3.8 million, the Board-designated five percent contingency reserve of General Fund expenditures of approximately \$3.5 million and the net cash effect of non-cash assets, receivables, and liabilities.

Accounts receivable primarily represents funding owed to the District by the State for capital and noncapital apportionment and grants. The total owed to the District by the Federal and State sources is approximately \$6.5 million. Interest income from the County represents approximately \$535 thousand. The remaining accounts receivable are made up of miscellaneous items such as book vendor credits.

Inventories and prepaid items primarily represent bookstore merchandise inventory.

Net 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 \$58 million over the past three years due to the projects funded by the general obligation bonds.

Accounts payable and accrued liabilities primarily represent year-end accruals for services and goods received by the District, during fiscal 2004-2005, for which payment would not be made until 2005-2006. The accounts payable amount primarily represents debt on vendor invoices, but does include the following other notable accruals: approximately \$2.5 million for the anticipated retirees fund health benefit premiums for 2005-2006, approximately \$678 thousand for faculty banked overload, and approximately \$975 thousand in payroll and benefits earned in June and paid on the following July 10.

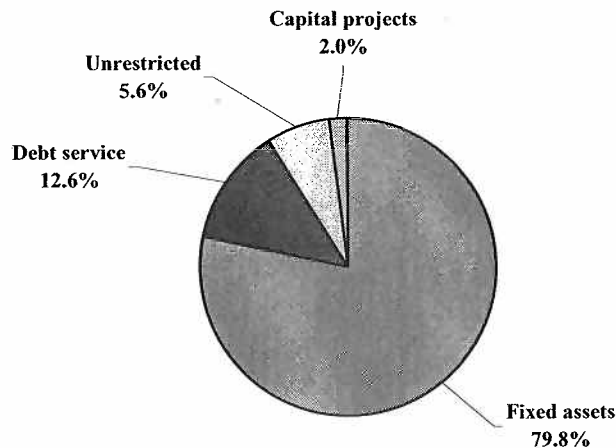
Deferred revenues represent prepayments made to the District for which services have yet to be rendered. Approximately \$1.6 million of this amount represents student tuition and registration fees, received during 2004-2005, for the 2005-2006 summer and fall terms. Approximately \$842 thousand represents funding for grants and contracts whose terms and conditions extend beyond the 2004-2005 fiscal year.

The District's long-term liabilities consist of the accumulated liability for compensated absence of approximately \$1.5 million, approximately \$175.9 million in General Obligation Bonds.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2005

NET ASSETS



The largest component of the District's "Net Assets" is the investment in capital assets (net of related debt) approximately \$83.2 million. This represents the District's initial cost for property, plant, and equipment, less accumulated depreciation and less any remaining debt used for the initial purchase.

Statement of Revenues, Expenses, and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets presents the financial results of the District's "operations", as well as its "nonoperating activities". The distinction between these two activities involves the concepts of "exchange" and "nonexchange". An operating activity is one in which a "direct payment"/exchange is made (by one party to another) for the receipt of specified goods or services, i.e., the payer is the one receiving benefit. As an example, tuition fees, paid by a student, is an "exchange" for instructional services. Likewise, grant and contract funding received (on the condition that the District provides specific/contracted services) is also an "exchange". Both are therefore recorded as "operating revenue". The receipt of State apportionments and property taxes, however, do not include this "exchange" relationship between "payment" and the "receipt of benefit". Such revenues are deemed "nonexchange" transactions and are therefore treated as "nonoperating" activities.

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

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2005

The primary components of "tuition and fees" are the \$26 per unit enrollment fee that is charged to all students registering for classes and the additional \$169 per unit fee that is charged to all nonresident students. The difference between these fees is due to the fact that resident student instruction is largely subsidized by local property taxes and State apportionment; nonresident students must pay the full cost of instruction. Respectively, these two revenue-streams account for approximately \$11.5 million. Approximately \$3.7 million of the "gross total" is due to Board of Governor's (fee) Waivers, which is offset by an equal amount in "scholarship discounts".

The largest component of the District's operating revenues is noncapital grants and contracts. Approximately \$12.6 million, results from funding received from the State for categorical programs, such as DSP&S, EOP&S, Matriculation, etc., while Federal grants, approximately \$13.8 million, include funding for student financial aid and higher education programs.

The revenue, for auxiliary enterprises, consists primarily of revenue from the District's bookstore in the amount of approximately \$4.4 million.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2005

Operating Results

	<u>2005</u>	<u>2004</u>	<u>2003</u>
OPERATING REVENUES			
Tuition and Fees	\$ 11,546,498	\$ 8,804,444	\$ 7,166,122
Less: Scholarship discount and allowance	(3,709,444)	(2,727,765)	(1,405,000)
Net tuition and fees	<u>7,837,054</u>	<u>6,076,679</u>	<u>5,761,122</u>
Grants and Contracts, noncapital:			
Federal	13,810,564	12,343,873	9,263,337
State	12,607,814	11,440,400	11,129,564
Auxiliary Enterprise Sales and Charges			
Bookstore	<u>4,381,122</u>	<u>4,370,512</u>	<u>4,296,346</u>
TOTAL OPERATING REVENUES	<u>38,636,554</u>	<u>34,231,464</u>	<u>30,450,369</u>
OPERATING EXPENSES			
Salaries	53,514,748	55,486,484	54,545,757
Employee benefits	20,312,790	16,517,727	13,838,436
Supplies, materials, and other operating expenses and services	31,246,114	28,638,339	24,845,082
Equipment	-	676,097	643,012
Depreciation	<u>5,242,685</u>	<u>5,738,738</u>	<u>3,966,419</u>
TOTAL OPERATING EXPENSES	<u>110,316,337</u>	<u>107,057,385</u>	<u>97,838,706</u>
OPERATING LOSS	<u>(71,679,783)</u>	<u>(72,825,921)</u>	<u>(67,388,337)</u>
NONOPERATING REVENUES (EXPENSES)			
State apportionments, noncapital	3,229,020	6,540,811	7,318,475
Local property taxes	64,324,737	57,861,331	57,661,404
State taxes and other revenues	3,137,172	2,922,134	4,590,705
Investment income, net	1,542,632	1,368,451	2,820,825
Interest expense on capital related debt	(9,186,586)	(4,206,761)	(6,665,538)
Interest income on capital asset-related debt, net	197,684	486,960	-
Loss on disposal of capital assets	(672,260)	-	-
Other nonoperating revenue	<u>5,987,050</u>	<u>8,104,285</u>	<u>4,344,902</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>68,559,449</u>	<u>73,077,211</u>	<u>70,070,773</u>
INCOME BEFORE OTHER REVENUES AND EXPENSES	<u>(3,120,334)</u>	<u>251,290</u>	<u>2,682,436</u>
State revenues, capital	1,949,922	948,179	8,415,900
Local revenues, capital	<u>964,068</u>	<u>885,474</u>	<u>539,756</u>
TOTAL INCOME BEFORE OTHER REVENUES AND EXPENSES	<u>2,913,990</u>	<u>1,833,653</u>	<u>8,955,656</u>
CHANGE IN NET ASSETS	(206,344)	2,084,943	11,638,092
NET ASSETS, BEGINNING OF YEAR	<u>104,454,208</u>	<u>102,369,265</u>	<u>90,731,173</u>
NET ASSETS, END OF YEAR	<u>\$ 104,247,864</u>	<u>\$ 104,454,208</u>	<u>\$ 102,369,265</u>

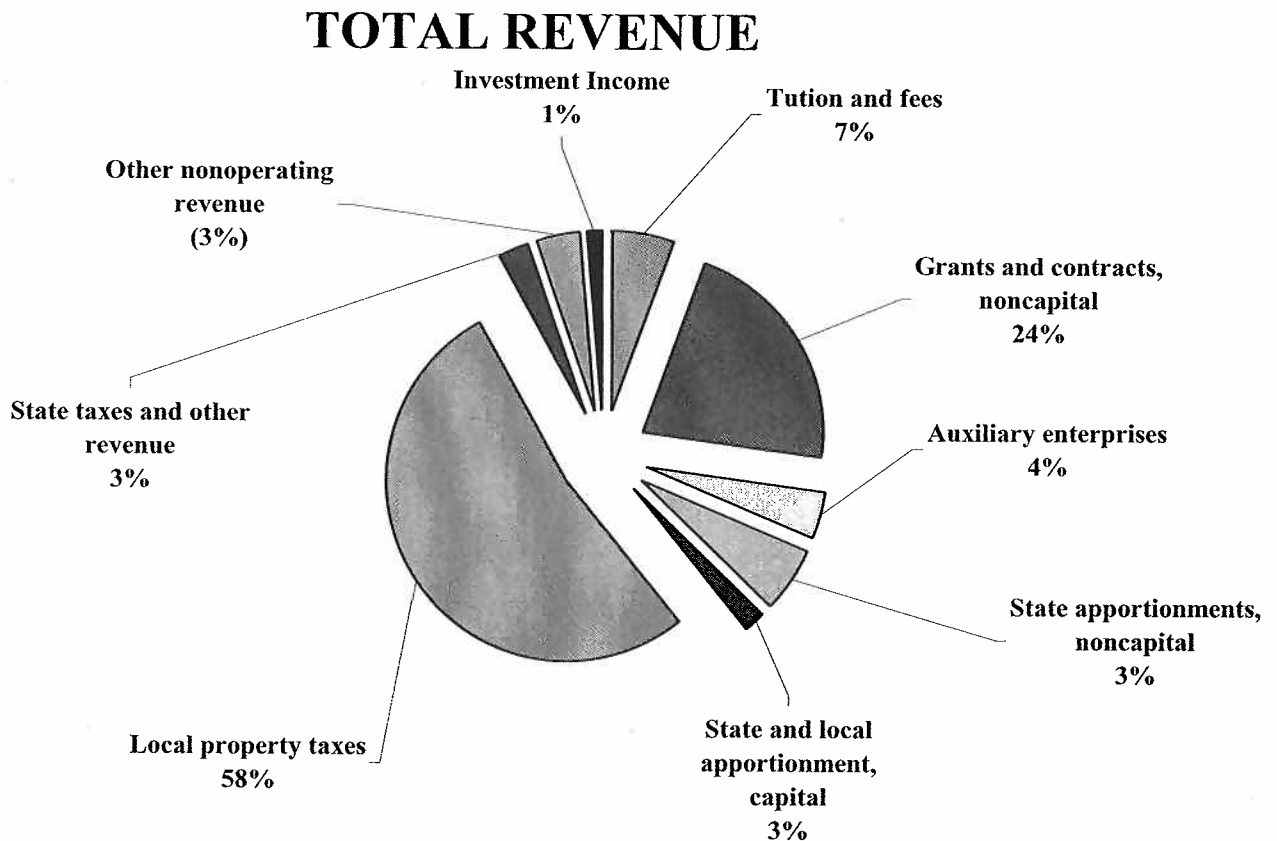
SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2005

The principal components of the District's nonoperating revenue are: noncapital State apportionment, local property taxes, other State funding, and interest income. With the exception of interest income and property tax revenue received for the repayment of our bond, all of this revenue is received to support the District's instructional activities. Approximately \$198 thousand in interest income was primarily earned on the cash in the County Treasury during the fiscal year in the District's General Obligation Bond. Investment income of approximately \$1.5 million was the result of other funds' interest earnings.

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

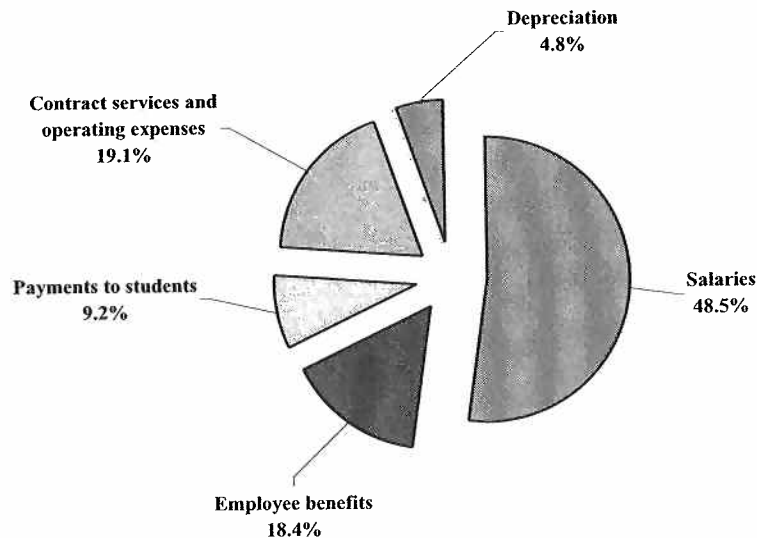


The largest component of the District's operating expense is the cost associated with employee salaries and benefits. Nearly 67 percent of the total expense is spent in this area. "Contract services and other operating expenses" account for an additional 28 percent of the total. The remainder includes depreciation expense.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2005

OPERATING EXPENSES



During 2004-2005, the District went through a very tight year fiscally. Because uncertainty regarding both mid-year and future years' budgets at the State level has a trickle-down effect to community college districts, our District continued a two-pronged strategy to deal with the budget problems. First, the District acted to capture budgetary savings in an effort to improve the fund balance. In the General Fund for 2004-2005, we were able to save \$1.2 million. Second, we continued our budget reduction plan that was initiated in 2003-2004. In 2004-2005, the District made permanent budget reductions of \$1 million and one-time reductions of \$500,000 to help offset increases in expenditures in areas such as unemployment insurance (\$140,000), workers' compensation (\$80,000), utilities (\$275,000), other personnel related items (\$600,000), and one-time expenses (\$385,000). For 2005-2006, additional permanent budget reductions of \$1.75 million were made to help bolster fund balance and to offset anticipated expense increases in areas including health and welfare benefits, utilities, retiree health benefits, and other personnel related items.

Expenses have increased significantly in the areas of employee compensation. In 2004-2005, regular employees received a one percent off-schedule cost of living adjustment ("COLA"). Employee salary and benefits increased by over approximately \$1.6 million for items such as health and welfare benefits increases, \$750,000 for additional hourly sections to try and achieve full student enrollment funding, and an increase in the unemployment insurance rate from 0.345 percent to 0.745 percent.

While expenditure budget reductions have helped to address the District's financial issues and assisted in maintaining a strong fund balance, a decline in student enrollment has placed by approximately \$3.9 million of revenue at risk. Unless the District restores this enrollment decline in 2005-2006, a permanent reduction to base funding in approximately that amount will occur. The District has taken steps to ensure the full restoration of student enrollment to avoid this possibility.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2005

Statement of Cash Flows

The Statement of Cash Flows presents detailed information about the cash activity of the District during the year. The statement is divided into five parts. The first section deals with the operating cash flows and shows the net cash used by the operating activities of the District. The second section reflects cash flows from noncapital financing activities. The third section reflects the cash received from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fourth section deals with the net cash received from financing activities related to the acquisition of capital and related items. The fifth section (not summarized here) reconciles the net cash activity to the net operation expense on the Statement of Revenue, Expenses, and Changes in Net Asset.

Statement of Cash Flows

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Cash From			
Operating activities	\$ (67,873,832)	\$ (67,247,154)	\$ (58,503,088)
Noncapital financing activities	76,633,349	79,398,395	74,610,920
Capital and related financing activities	22,284,691	(57,090,315)	(34,971,539)
Investing activities	1,772,349	(28,687)	2,797,422
Change in Cash	<u>32,816,557</u>	<u>(44,967,761)</u>	<u>(16,066,285)</u>
Cash - Beginning of Year	<u>80,379,928</u>	<u>125,347,689</u>	<u>141,413,974</u>
Cash - End of Year	<u>\$ 113,196,485</u>	<u>\$ 80,379,928</u>	<u>\$ 125,347,689</u>

Economic Factors That Will Affect the Future

The District is dependent on the State of California for a majority of its revenue. State law and regulation further specifies the allowed uses of State revenue. The most important element of the District's funding is in the General Apportionment calculation.

Although the District receives local income from property tax proceeds and student enrollment fees, these local income sources are but a component of the State's Base Apportionment calculation. Local income is deducted from the computed total funding level to determine the amount of State funds necessary to fund the District's Base Apportionment. In this manner, the finances of the District are directly tied to the State's economic climate, its revenue generation capacity, and its legislative process that allocates revenues for all public purposes.

The economic downturn, which began in the 2001-2002 fiscal year, has resulted in a major loss of State personal income tax revenue. The State, in turn, has elected to curtail some categorical programs and to under fund community college general fund programs Statewide compared to the actual costs of inflation.

Community colleges fared reasonably well, relatively speaking, in the 2005-2006 State budget compared to other State agencies. However, the State budget is rather fragile and relies on borrowing to plug budgetary holes. The recent projection for 2006-2007 anticipates a balanced State budget, although current projected expenditures exceed projected revenues by \$4 billion. Whatever revised State budget emerges, it holds an uncertain future for the State's community college system.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2005

The one thing that may prevent the District from further revenue decline is the Proposition 98 guarantee. Based on State revenues greater than originally estimated, the State will not be able to reduce K-14 funding in the current year and will most likely have to increase K-14 funding in subsequent years. The District is closely following the situation at the State level and will develop its plan to assure continued financial health and stability in future fiscal years.

At the local level, the signs of softening enrollments are emerging across the State. Many believe this is tied directly to the State's action of increasing student enrollment fees to \$26 per unit in 2004-2005. This impact on enrollment is directly related to the District's declining numbers in 2004-2005.

This financial report is designed to provide the public, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need any additional financial information, contact the District at: San Jose/Evergreen Community College District, 4750 San Felipe Road, San Jose, California 95135.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

STATEMENTS OF NET ASSETS JUNE 30, 2005 AND 2004

	2005	2004
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,315,604	\$ 1,259,185
Investments	113,039,775	80,764,353
Accounts receivable	7,622,439	5,368,073
Prepaid expenses	22,292	36,915
Stores inventories	300,492	394,687
Total Current Assets	122,300,602	87,823,213
NONCURRENT ASSETS		
Capital assets, net of accumulated depreciation	178,122,750	167,425,497
Total Noncurrent Assets	178,122,750	167,425,497
TOTAL ASSETS	300,423,352	255,248,710
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	12,882,549	9,379,452
Accrued interest payable	2,390,362	104,433
Deferred revenue	2,763,609	3,278,769
Amounts held in trust on behalf of others	673,027	622,863
Accrued compensated absences	50,000	50,000
Bonds and notes payable	6,325,000	5,985,000
Total Current Liabilities	25,084,547	19,420,517
NONCURRENT LIABILITIES		
Accrued compensated absences payable	1,531,741	1,495,405
Bonds and notes payable	169,559,200	129,878,580
Total Noncurrent Liabilities	171,090,941	131,373,985
TOTAL LIABILITIES	196,175,488	150,794,502
NET ASSETS		
Invested in capital assets, net of related debt	83,226,281	82,385,253
Restricted for:		
Debt service	13,117,010	12,608,008
Capital projects	2,072,778	1,982,093
Unrestricted	5,831,795	7,478,854
TOTAL NET ASSETS	\$ 104,247,864	\$ 104,454,208

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

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	2005	2004
OPERATING REVENUES		
Student Tuition and Fees	\$ 11,546,498	\$ 8,804,444
Less: Scholarship discount and allowance	(3,709,444)	(2,727,765)
Net tuition and fees	7,837,054	6,076,679
Grants and Contracts, noncapital:		
Federal	13,810,564	12,343,873
State	12,607,814	11,440,400
Auxiliary Enterprise Sales and Charges		
Bookstore	4,381,122	4,370,512
TOTAL OPERATING REVENUES	38,636,554	34,231,464
OPERATING EXPENSES		
Salaries	53,514,748	55,486,484
Employee benefits	20,312,790	16,517,727
Supplies, materials, and other operating expenses and services	31,246,114	28,638,339
Equipment	-	676,097
Depreciation	5,242,685	5,738,738
TOTAL OPERATING EXPENSES	110,316,337	107,057,385
OPERATING LOSS	(71,679,783)	(72,825,921)
NONOPERATING REVENUES (EXPENSES)		
State apportionments, noncapital	3,229,020	6,540,811
Local property taxes	64,324,737	57,861,331
State taxes and other revenues	3,137,172	2,922,134
Investment income, net	1,542,632	1,368,451
Interest expense on capital related debt	(9,186,586)	(4,206,761)
Interest income on capital asset-related debt, net	197,684	486,960
Loss on disposal of capital assets	(672,260)	-
Other nonoperating revenue	5,987,050	8,104,285
TOTAL NONOPERATING REVENUES (EXPENSES)	68,559,449	73,077,211
INCOME BEFORE OTHER REVENUES AND EXPENSES	(3,120,334)	251,290
State revenues, capital	1,949,922	948,179
Local revenues, capital	964,068	885,474
TOTAL INCOME BEFORE OTHER REVENUES AND EXPENSES	2,913,990	1,833,653
CHANGE IN NET ASSETS	(206,344)	2,084,943
NET ASSETS, BEGINNING OF YEAR	104,454,208	102,369,265
NET ASSETS, END OF YEAR	\$ 104,247,864	\$ 104,454,208

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

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 8,067,501	\$ 6,428,536
Grants and contracts	25,307,849	22,323,895
Payments to vendors for supplies and services	(21,378,090)	(20,149,504)
Payments to or on behalf of employees	(74,238,507)	(71,149,183)
Payments to students for scholarships and grants	(10,152,178)	(9,065,012)
Auxiliary enterprise sales and charges	4,519,593	4,364,114
Net Cash Flows from Operating Activities	(67,873,832)	(67,247,154)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State apportionments	4,357,790	7,683,544
Property taxes	64,324,737	57,861,331
State taxes and other apportionments	1,842,609	3,934,555
Other nonoperating	6,108,213	9,918,965
Net Cash Flows from Noncapital Financing Activities	76,633,349	79,398,395
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
State apportionments capital projects	1,949,922	948,179
Local revenue, capital projects	898,109	917,818
Purchase of capital assets	(13,880,987)	(54,474,674)
Proceeds from capital debt	55,955,620	96,926,228
Principal paid on capital debt	(15,935,000)	(95,352,356)
Interest paid on capital debt	(6,900,657)	(6,542,470)
Interest received on capital asset-related debt	197,684	486,960
Net Cash Flows from Capital Financing Activities	22,284,691	(57,090,315)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	484,716	(1,643,610)
Interest received from investments	1,287,633	1,614,923
Net Cash Flows from Investing Activities	1,772,349	(28,687)
CHANGE IN CASH AND CASH EQUIVALENTS	32,816,557	(44,967,761)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	80,379,928	125,347,689
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 113,196,485	\$ 80,379,928

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

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

STATEMENTS OF CASH FLOWS, CONTINUED FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
RECONCILIATION OF NET OPERATING REVENUES TO NET CASH USED BY OPERATING ACTUALS		
Operating loss	<u>\$ (71,679,783)</u>	<u>\$ (72,825,921)</u>
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	5,242,685	5,738,738
Changes in assets and liabilities:		
Receivables, net (operating portion)	(775,803)	(225,017)
Inventories	94,195	(56,324)
Prepaid items	14,623	(22,292)
Accounts payable and accrued liabilities	(1,099,780)	(251,007)
Deferred revenue	279,867	(228,194)
Funds held for others	50,164	622,863
Total Adjustments	<u>3,805,951</u>	<u>5,578,767</u>
Net Cash Used By Operating Activities	<u><u>\$ (67,873,832)</u></u>	<u><u>\$ (67,247,154)</u></u>
 CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:		
Cash in banks	\$ 1,315,604	\$ 1,259,185
Cash in county treasury	<u>111,880,881</u>	<u>79,120,743</u>
Total Cash and Cash Equivalents	<u><u>\$ 113,196,485</u></u>	<u><u>\$ 80,379,928</u></u>

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

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

**DISCRETELY PRESENTED COMPONENT UNIT – SAN JOSE/EVERGREEN
COMMUNITY COLLEGE DISTRICT FOUNDATION
STATEMENT OF FINANCIAL POSITION
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents		
Unrestricted	\$ 847,106	\$ 876,027
Restricted	667,826	675,096
Accounts receivable	10,236	6,065
TOTAL ASSETS	<u>\$ 1,525,168</u>	<u>\$ 1,557,188</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 32,716	\$ 42,779
Funds held for others	64,913	80,389
TOTAL LIABILITIES	<u>97,629</u>	<u>123,168</u>
NET ASSETS		
Unrestricted	759,713	758,924
Temporarily restricted	482,826	490,096
Permanently restricted	185,000	185,000
Total Net Assets	<u>1,427,539</u>	<u>1,434,020</u>
Total Liabilities and Net Assets	<u>\$ 1,525,168</u>	<u>\$ 1,557,188</u>

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

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

DISCRETELY PRESENTED COMPONENT UNIT – SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT FOUNDATION STATEMENT OF ACTIVITIES FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	2005			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUES AND OTHER SUPPORT				
Contributions	\$ 287	\$ 297,480	\$ -	\$ 297,767
Special events and fundraising	7,500	-	-	7,500
Interest and dividends	22,211	11,567	4,393	38,171
Administrative fee and other	8,465	-	-	8,465
Net assets released from restrictions	320,710	(316,317)	(4,393)	-
Total Revenues and Other Support	<u>359,173</u>	<u>(7,270)</u>	<u>-</u>	<u>351,903</u>
EXPENSES				
Program	331,558	-	-	331,558
Operating	24,840	-	-	24,840
Fundraising	1,986	-	-	1,986
Total Expenses	<u>358,384</u>	<u>-</u>	<u>-</u>	<u>358,384</u>
CHANGE IN NET ASSETS	789	(7,270)	-	(6,481)
NET ASSETS, BEGINNING OF YEAR	758,924	490,096	185,000	1,434,020
NET ASSETS, END OF YEAR	<u>\$ 759,713</u>	<u>\$ 482,826</u>	<u>\$ 185,000</u>	<u>\$ 1,427,539</u>

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

2004			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 1,073	\$ 352,834	\$ -	\$ 353,907
-	7,502	-	7,502
13,938	9,075	3,029	26,042
7,760	-	-	7,760
401,820	(398,791)	(3,029)	-
424,591	(29,380)	-	395,211
401,820	-	-	401,820
33,087	-	-	33,087
1,864	-	-	1,864
436,771	-	-	436,771
(12,180)	(29,380)	-	(41,560)
771,104	519,476	185,000	1,475,580
<u>\$ 758,924</u>	<u>\$ 490,096</u>	<u>\$ 185,000</u>	<u>\$ 1,434,020</u>

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

**DISCRETELY PRESENTED COMPONENT UNIT – SAN JOSE/EVERGREEN
COMMUNITY COLLEGE DISTRICT FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (6,481)	\$ (41,560)
Changes in Assets and Liabilities		
Increase in allowance for doubtful accounts	-	4,459
(Increase) Decrease accounts receivable	(4,170)	2,883
Decrease contributions receivable	-	52,250
Decrease accounts payable	(10,064)	(29,797)
Decrease funds held for others	(15,476)	(132,831)
Net Cash Flows from Operating Activities	<u>(36,191)</u>	<u>(144,596)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(36,191)	(144,596)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,551,123</u>	<u>1,695,719</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 1,514,932</u></u>	<u><u>\$ 1,551,123</u></u>

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

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005 AND 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The San Jose/Evergreen Community College District (the District) was established on July 1, 1964 as a political subdivision of the State of California and provides post secondary educational services to residents of Santa Clara County. The District operates under a locally elected seven-member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund, special revenue funds, and capital project funds, but these budgets are managed at the department level. Currently, the District operates two colleges, San Jose City College and Evergreen Valley College, located within Santa Clara County.

Financial Reporting Entity

During the year ended June 30, 2004, the District adopted Governmental Accounting Standard Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units*. This statement amends GASB Statement No. 14, *The Financial Reporting Entity*, to provide additional guidance to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District.

- **San Jose/Evergreen Community College District Foundation**

The San Jose/Evergreen Community College District Foundation (the Foundation) is a legally separate, tax-exempt component unit of the District. The Foundation acts primarily as a fundraising organization to provide grants and scholarships to students and support to employees, programs, and departments of the District. The ten-member Board of the Foundation consists of community members, alumni, and other supporters of the Foundation. Although the District does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the District by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the District, the Foundation is considered a component unit of the District. The Foundation is reported in separate financial statements because of the difference in its reporting model, as further described below.

The Foundation is a not-for-profit organization that reports its financial results under Financial Accounting Standards Board (FASB) Statements. Most significant to the Foundation's operations and reporting model are FASB Statement No. 116, *Accounting for Contributions Received and Contributions Made*, and FASB Statement No. 117, *Financial Reporting for Not-For-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the District's financial reporting entity for these differences.

Financial statements for the Foundation can be obtained by calling the Foundation at (408) 274-6683.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005 AND 2004

- **Joint Powers Agencies and Public Entity Risk Pools**

The District is associated with three joint powers agencies (JPAs). These organizations do not meet the criteria for inclusion as component units of the District. The JPAs are the Northern California Community College Pool, the Bay Area Community College Districts Joint Power Agency, and the South Bay Regional Public Safety Training Consortium.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency and intra-fund transactions have been eliminated.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 90 days of fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, certain grants, entitlements, and donations. Revenue from State apportionments is generally recognized in the fiscal year in which it is apportioned from the State. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements.

The accounting policies of the District conform to accounting principles generally accepted in the United State of America as applicable to colleges and universities, as well as those prescribed by the California Community College's Chancellor's Office. The District reports are based on all applicable Governmental Accounting Standards Board (GASB) pronouncements, as well as applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. When applicable, certain prior year amounts have been reclassified to conform to current year presentation.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005 AND 2004

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussions and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussions and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37 and 38. The Business type activities model followed by the District requires the following components of the District's financial statements:

- Management's Discussion and Analysis
- Basic Financial Statements for the District as a whole including:
 - Statement of Net Assets
 - Statement of Revenues, Expenses, and Changes in Net Assets
 - Statement of Cash Flows
- Notes to the Financial Statements

The following is a summary of the more significant policies:

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand and demand deposits. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

Investments

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and for External Investment Pools*, investments are stated at fair value. Fair value is estimated based on published market prices at year-end. Investments for which there are no quoted market prices are not material.

Accounts Receivable

Accounts receivable include amounts due from the Federal, State, and/or local governments or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. Management has analyzed these accounts and believes all amounts are fully collectable.

Prepaid Expenditures

Prepaid expenditures or expenses represent payments made to vendors for services that will benefit periods beyond June 30.

Inventory

Inventory consists primarily of bookstore merchandise and supplies held for resale to the students and faculty of the colleges. Inventories are stated at the lower of cost or market using first-in, first-out (FIFO) method. The cost is recorded as an expense as the inventory is consumed.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005 AND 2004

Capital Assets and Depreciation

Capital assets are long-lived assets of the District as a whole and include land, construction-in-progress, buildings, leasehold improvements, and equipment. The District maintains an initial unit cost capitalization threshold of \$150,000 for buildings and a unit cost of \$5,000 or more for equipment, except land and building improvements, and estimated useful life of greater than one year. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. The District does not possess any infrastructure. Donated capital assets are recorded at estimated fair market value at the date of donation. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Major outlays for capital improvements are capitalized as construction-in-progress as the projects are constructed.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 50 years; portable buildings, 15 years; improvements, 10 years; equipment, 3 to 8 years.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the entity-wide financial statements.

Compensated Absences

Accumulated unpaid vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements.

Deferred Revenue

Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Deferred revenues include (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year and (2) amounts received from Federal and State grants received before the eligibility requirements are met are recorded as deferred revenue.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005 AND 2004

Net Assets

GASB Statements No. 34 and No. 35 report equity as "Net Assets". Net assets are classified according to external donor restrictions or availability of assets for satisfaction of District obligations according to the following net asset categories:

Invested in Capital Assets, Net of Related Debt - Capital Assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Restricted - Expendable - Net assets whose use by the District is subject to externally imposed constraints that can be fulfilled by actions of the District pursuant to those constraints or by the passage of time.

Unrestricted - Net assets that are not subject to externally imposed constraints. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed.

Operating Revenues and Expenses

Classification of Revenues - The District has classified its revenues as either operating or nonoperating according to the following criteria:

Operating revenues - Operating revenues include activities that have the characteristics of exchange transactions, such as, (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most Federal, State and local grants and contracts and Federal appropriations, and (4) interest on institutional student loans.

Nonoperating revenues - Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as State appropriations, property taxes, investment income, gifts and contributions, and other revenue sources described in GASB Statement No. 34.

Classification of Expenses - Nearly all the District's expenses are from exchange transactions and are classified as either operating or nonoperating according to the following criteria:

Operating expenses - Operating expenses are necessary costs to provide the services of the District and include employee salaries and benefits, supplies, operating expenses, and student financial aid.

Nonoperating expenses - Nonoperating expenses include interest expense and other expenses not directly related to the services of the District.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005 AND 2004

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. The County Assessor is responsible for assessment of all taxable real property. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Santa Clara bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, Federal Work-Study, and Stafford Loan programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to students in the form of reduced tuition. These programs are audited in accordance with the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget's revised Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the related *Compliance Supplement*. During the year ended June 30, 2005 and 2004, the District distributed \$557,058 and \$394,208 in direct lending through the U.S. Department of Education. These amounts have not been included as revenues or expenses within the accompanying financial statements as the amounts were passed directly to qualifying students however the amounts are included on the Schedule of Federal Financial Assistance.

Component Unit

The San Jose/Evergreen Community College District Foundation maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors. Accordingly, net assets and the changes in net assets are classified as follows:

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that will be met by actions of the Foundation and/or the passage of time.

Unrestricted Net Assets - Net assets not subject to donor-imposed restrictions.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005 AND 2004

Revenues are reported as increases in the unrestricted net assets classification unless use of the related assets is limited by donor-imposed restrictions. Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met. Contributions for in-kind gifts from outside sources are recorded at their fair market value on the date of the donation.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Investments are reported at fair value based upon quoted market prices.

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and related California Franchise Tax Codes.

Newly Issued Accounting Pronouncements

- **GASB Statement No. 40:** In March 2003, GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures*, which amends Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, and addresses additional risks to which governments are exposed. Under Statement No. 40, State and local governments are required to disclose information covering four principal areas:
 - Investment credit risk disclosures, including credit quality information issued by rating agencies;
 - Interest rate disclosures that include investment maturity information, such as weighted average maturities or specification identification of securities;
 - Interest rate sensitivity for investments that are highly sensitive to changes in interest rates (ex: inverse floaters, enhanced variable-rate investments, and certain asset-backed securities); and
 - Foreign exchange exposures that would indicate the foreign investment's denomination.

The GASB Statement No. 40 provisions are effective for financial statements for periods beginning after June 30, 2004, and are included in *NOTE 2 - CASH AND INVESTMENTS*.

- **GASB Statement No 42:** In November 2003, GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This statement establishes accounting and financial reporting standards for impairment of capital assets. The provisions of this statement are effective for periods beginning after December 2004 and will be implemented by the District in fiscal year 2005-2006.
- **GASB Statement No. 43:** In April 2004, GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefits Other than Pension Plans*. The standards in this statement apply for trust funds included in the financial reports of plan sponsors or employers, as well as for the stand-alone financial reports of OPEB plans or the public employee retirements systems, or other third parties that administer them. The provisions of this statement are effective for periods beginning after December 15, 2005. The District is not a plan sponsor of an OPEB Plan.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005 AND 2004

- **GASB Statement No. 45:** In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. This statement establishes standards for the measurement, recognition and display of OPEB expense, expenditures and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports of State and local governmental employers. This statement generally provides for prospective implementation - that is, that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. The District is in the process of determining the impact the implementation of this statement will have on the government-wide statements of net assets and activities. This statement is effective for periods beginning after December 15, 2006, depending upon the size of the governmental entities' financial activity. The District will be implementing the requirements of this standard in the 2007-2008 fiscal year.
- **GASB Statement No. 46:** In December 2004, GASB issued Statement No. 46, *Net Assets Restricted by Enabling Legislation*, an amendment of GASB No. 34. This statement clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government can compel a government to honor. Accordingly, it clarifies the determination of restricted net assets within the statement of net assets. This statement is not effective until June 30, 2006. The District has not determined its effect on the financial statements.
- **GASB Statement No. 47:** In June 2005, GASB issued Statement No. 47, *Accounting for Termination Benefits*. This statement establishes accounting standards for termination benefits. This statement is not effective until June 30, 2006. The District has not determined its effect on the financial statements.

Comparative Financial Information

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

NOTE 2 - CASH AND INVESTMENTS

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005 AND 2004

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Authorized Under Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005 AND 2004

Summary of Deposits and Investments

Deposits and investments as of June 30, 2005, consist of the following:

Cash on hand and in banks	\$ 1,290,587
Cash in revolving	25,017
Investments	<u>113,039,775</u>
Total Deposits and Investments	<u><u>\$ 114,355,379</u></u>

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Specific Identification

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

Investment Type	Fair Value	Maturity Date
U.S. Treasury Cash Reserve	\$ 559,393	32 days *
First American Treasury Obligations		
Money Market Mutual Funds	73,729	8 days *
MBIA, Inc.	525,772	October 1, 2023
County Pool - Santa Clara	<u>111,548,356</u>	289 days *
Total	<u><u>\$ 112,707,250</u></u>	

* Weighted average days to maturity.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005 AND 2004

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

Investment Type	Fair Value	Minimum Legal Rating	Rating June 30, 2005
U.S. Treasury Cash Reserve	\$ 559,393	Not required	AAA
First American Treasury Obligations			
Money Market Mutual Funds	73,729	Not required	AAA
MBIA, Inc.	525,772	Not required	Not rated
County Pool - Santa Clara	111,548,356	Not required	Not rated
Total	<u>\$ 112,707,250</u>		

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk. As of June 30, 2005, the District's bank balance of \$1,031,514 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable for the District consisted primarily of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	2005	2004
Federal Government		
Categorical aid	\$ 2,588,574	\$ 1,664,888
State Government		
Categorical aid	2,855,323	1,049,656
Lottery	993,581	907,463
Other State sources	41,362	638,584
Local Government		
Interest	535,061	280,062
Other local sources	608,538	827,420
Total	<u>\$ 7,622,439</u>	<u>\$ 5,368,073</u>

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005 AND 2004

Discretely Presented Component Unit

The Foundation's accounts receivable consist primarily of short-term donations. In the opinion of management, all amounts have been deemed to be fully collectable.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2005, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	\$ 3,441,983	\$ -	\$ -	\$ 3,441,983
Construction in progress	76,948,130	14,431,546	49,276,718	42,102,958
Total Capital Assets Not Being Depreciated	80,390,113	14,431,546	49,276,718	45,544,941
Capital Assets Being Depreciated				
Land improvements	18,399,744	1,980,708	-	20,380,452
Buildings and improvements	111,896,652	47,296,010	2,805,686	156,386,976
Furniture and equipment	7,638,535	2,180,652	163,423	9,655,764
Total Capital Assets Being Depreciated	137,934,931	51,457,370	2,969,109	186,423,192
Total Capital Assets	218,325,044	65,888,916	52,245,827	231,968,133
Less Accumulated Depreciation				
Land improvements	11,136,132	636,608	-	11,772,740
Buildings and improvements	34,562,630	3,737,012	2,133,426	36,166,216
Furniture and equipment	5,200,785	869,065	163,423	5,906,427
Total Accumulated Depreciation	50,899,547	5,242,685	2,296,849	53,845,383
Net Capital Assets	\$ 167,425,497	\$ 60,646,231	\$ 49,948,978	\$178,122,750

Depreciation expense for the year was \$5,242,685.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005 AND 2004

Capital asset activity for the District for the fiscal year ended June 30, 2004, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	\$ 3,441,983	\$ -	\$ -	\$ 3,441,983
Construction in progress	35,437,597	52,449,265	10,938,732	76,948,130
Total Capital Assets Not Being Depreciated	38,879,580	52,449,265	10,938,732	80,390,113
Capital Assets Being Depreciated				
Land improvements	13,645,980	4,753,764	-	18,399,744
Buildings and improvements	105,513,392	6,383,260	-	111,896,652
Furniture and equipment	7,258,844	379,691	-	7,638,535
Total Capital Assets Being Depreciated	126,418,216	11,516,715	-	137,934,931
Total Capital Assets	165,297,796	63,965,980	10,938,732	218,325,044
Less Accumulated Depreciation				
Land improvements	9,296,157	1,839,975	-	11,136,132
Buildings and improvements	31,774,423	2,788,207	-	34,562,630
Furniture and equipment	4,090,229	1,110,556	-	5,200,785
Total Accumulated Depreciation	45,160,809	5,738,738	-	50,899,547
Net Capital Assets	\$ 120,136,987	\$ 58,227,242	\$ 10,938,732	\$167,425,497

Depreciation expense for the year was \$5,738,738.

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances consist of amounts owed between funds as a result of the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions recorded in the accounting system and (3) payments between funds occur. These interfund transactions have been eliminated through consolidation within the entity-wide financial statements.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005 AND 2004

Operating Transfers

Operating transfers between District governmental funds are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. These operating transfers have been eliminated through consolidation within the entity-wide financial statements.

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	2005	2004
Accrued payroll and benefits	\$ 974,755	\$ 1,319,367
Retiree health benefit premiums	2,475,000	2,475,000
Construction	4,933,658	2,202,447
Banked overload	678,475	781,168
Apportionment	1,857,838	-
Other	1,962,823	2,601,470
Total	<u>\$ 12,882,549</u>	<u>\$ 9,379,452</u>

Discretely Presented Component Unit

The accounts payable of the Foundation consist primarily of amounts owed to vendors for supplies and services.

NOTE 7 - DEFERRED REVENUE

Deferred revenue for the District consisted of the following:

	2005	2004
Federal financial assistance	\$ 1,343	\$ 2,760
State categorical aid	840,617	1,092,002
Apportionment	-	729,068
Enrollment fees	1,644,088	1,413,641
Other local	277,561	41,298
Total	<u>\$ 2,763,609</u>	<u>\$ 3,278,769</u>

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005 AND 2004

NOTE 8 - LONG-TERM DEBT

Long-Term Debt Summary

The changes in the District's long-term obligations during the 2005 fiscal year consisted of the following:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
Bonds and Notes Payable					
1998 General obligation bonds					
Series A	\$ 670,000	\$ -	\$ 210,000	\$ 460,000	\$ 225,000
Series B	1,000,000	-	200,000	800,000	200,000
Series C	2,517,352	-	-	2,517,352	-
Series D	24,350,000	-	4,600,000	19,750,000	5,300,000
2004 General obligation refunding bonds	96,926,228	236,165	525,000	96,637,393	600,000
2004 General obligation bonds, Series A	-	55,719,455	-	55,719,455	-
Lease revenue bonds					
Series 1999 A	6,945,000	-	6,945,000	-	-
Series 2000 C	3,455,000	-	3,455,000	-	-
Total Bonds and Notes Payable	135,863,580	55,955,620	15,935,000	175,884,200	6,325,000
Other Liabilities					
Compensated absences	1,545,405	36,336	-	1,581,741	50,000
Total Long-Term Debt	<u>\$137,408,985</u>	<u>\$55,991,956</u>	<u>\$15,935,000</u>	<u>\$177,465,941</u>	<u>\$6,375,000</u>

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005 AND 2004

The changes in the District's long-term obligations during the 2004 fiscal year consisted of the following:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
Bonds and Notes Payable					
1998 General obligation bonds					
Series A	\$ 7,410,000	\$ -	\$ 6,740,000	\$ 670,000	\$ 210,000
Series B	27,300,000	-	26,300,000	1,000,000	200,000
Series C	7,999,708	-	5,482,356	2,517,352	-
Series D	80,750,000	-	56,400,000	24,350,000	4,600,000
2004 General obligation bonds	-	96,926,228	-	96,926,228	525,000
Lease revenue bonds					
Series 1999 A	7,160,000	-	215,000	6,945,000	225,000
Series 2000 C	3,670,000	-	215,000	3,455,000	225,000
Total Bonds and Notes Payable	134,289,708	96,926,228	95,352,356	135,863,580	5,985,000
Other Liabilities					
Compensated absences	1,511,470	33,935	-	1,545,405	50,000
Total Long-Term Debt	\$135,801,178	\$96,960,163	\$95,352,356	\$137,408,985	\$6,035,000

Description of Debt

Payments of the general obligation bonds are to be made by the Bond Interest and Redemption Fund with local tax collections. The compensated absences will be paid by the fund for which the employee worked.

On March 1, 1999, the District issued \$15,000,000 of the General Obligation Bonds as Series A under the \$135,750,000 bond measure approved by voters on November 3, 1998. In April 2004, the District issued \$96,790,995 of the General Obligation Refunding Bonds and the proceeds were used to refund a portion of the outstanding principal amount of the District's election of the 1998 General Obligation Bonds, Series A. At June 30, 2005, \$460,000 was outstanding. Interest rates on the Refunding Bonds range from 2.00 percent to 5.25 percent.

In July 2000, the District issued \$32,000,000 of the General Obligation Bonds as Series B under the \$135,750,000 bond measure approved by voters on November 3, 1998. In April 2004, the District issued \$96,790,995 of the General Obligation Refunding Bonds and the proceeds were used to refund a portion of the outstanding principal amount of the District's election of the 1998 General Obligation Bonds, Series B. At June 30, 2005, \$800,000 was outstanding. Interest rates on the Refunding Bonds range from 2.00 percent to 5.25 percent.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005 AND 2004

In July 2000, the District issued \$7,999,708 of the General Obligation Bonds as Series C under the \$135,750,000 bond measure approved by voters on November 3, 1998. In April 2004, the District issued \$96,790,995 of the General Obligation Refunding Bonds and the proceeds were used to refund a portion of the outstanding principal amount of the District's election of the 1998 General Obligation Bonds, Series C. At June 30, 2005, \$2,517,352 was outstanding. Interest rates on the Refunding Bonds range from 2.00 percent to 5.25 percent.

In June 2002, the District issued \$80,750,000 of the General Obligation Bonds as Series D under the \$135,750,000 bond measure approved by voters on November 3, 1998. In April 2004, the District issued \$96,790,995 of the General Obligation Refunding Bonds and the proceeds were used to refund a portion of the outstanding principal amount of the District's election of the 1998 General Obligation Bonds, Series D. At June 30, 2005, \$19,750,000 was outstanding. Interest rates on the Refunding Bonds range from 2.00 percent to 5.25 percent.

The 2004 General Obligation Refunding Bonds were issued in April 2004 in three series and the proceeds were used to refund a portion of the outstanding principal amount of the District's election of the 1998 General Obligation Bonds, Series A, B, C, and D (collectively, the "Refunded Bonds") and to pay the cost of issuance associated with the Refunding Bonds. At June 30, 2005, \$96,637,393 was outstanding. Interest rates on the Refunding Bonds range from 2.00 percent to 5.25 percent.

In May 2005, the District issued \$55,391,474 of the General Obligation Bonds as Series A under the \$185,000,000 bond measure approved by voters on November 2, 2004. The proceeds from the sale of the bonds will be used by the District to finance the acquisition, construction, and modernization of certain District property and facilities, to advance refund the 1999 A and 2000 C lease revenue bonds, and to pay certain cost of issuance of the bonds. At June 30, 2005, \$55,719,455 was outstanding. The bonds mature through 2030 with interest rates ranging from three percent to five percent.

Lease revenue bonds were issued during the 1999-2000 fiscal year in the amount of \$7,570,000 to finance the parking facility at San Jose City College. In May 2005, the District issued \$55,391,474 of the General Obligation Bonds as Series A under the \$185,000,000 bond measure approved by voters on November 2, 2004. The proceeds from the sale of the bonds were used to fund an escrow account in an amount sufficient to pay the redemption prices of the 1999 A lease revenue bonds and the debt service due on the 1999 A lease revenue bonds. As a result of the deposit and the application of funds as described in the escrow agreement, the 1999 A lease revenue bonds were defeased. At June 30, 2005, the balance of the escrow account was \$6,992,727.

Lease revenue bonds were issued during the 2000-2001 fiscal year in the amount of \$4,065,000 to finance site improvements for both San Jose City College and Evergreen Valley Community College. In May 2005, the District issued \$55,391,474 of the General Obligation Bonds as Series A under the \$185,000,000 bond measure approved by voters on November 2, 2004. The proceeds from the sale of the bonds were used to fund an escrow account in an amount sufficient to pay the redemption prices of the 2000 C lease revenue bonds and the debt service due on the 2000 C lease revenue bonds. As a result of the deposit and the application of funds as described in the escrow agreement, the 2000 C lease revenue bonds were defeased. At June 30, 2005, the balance of the escrow account was \$3,393,322.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005 AND 2004

Debt Maturity

General Obligation Bonds

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2004	Issued	Accreted Interest Addition	Redeemed	Bonds Outstanding June 30, 2005
2004	2007	2.0-5.25%	\$15,000,000	\$ 670,000	\$ -	\$ -	\$ 210,000	\$ 460,000
2004	2011	2.0-5.25%	32,000,000	1,000,000	-	-	200,000	800,000
2004	2011	2.0-5.25%	7,999,708	2,517,352	-	-	-	2,517,352
2004	2014	2.0-5.25%	80,750,000	24,350,000	-	-	4,600,000	19,750,000
2004	2022	2.0-5.25%	96,790,995	96,926,228	-	236,165	525,000	96,637,393
2005	2030	3.0-5.00%	55,391,474	-	55,391,474	327,981	-	55,719,455
				<u>\$125,463,580</u>	<u>\$55,391,474</u>	<u>\$ 564,146</u>	<u>\$ 5,535,000</u>	<u>\$175,884,200</u>

Outstanding Election of 1998 General Obligation Bonds, Series A

The general obligation bonds mature through 2007 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2006	\$ 225,000	\$ 311,124	\$ 536,124
2007	235,000	153,312	388,312
Total	<u>\$ 460,000</u>	<u>\$ 464,436</u>	<u>\$ 924,436</u>

Outstanding Election of 1998 General Obligation Bonds, Series B

The general obligation bonds mature through 2011 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2006	\$ 200,000	\$ 1,473,550	\$ 1,673,550
2007	200,000	1,463,150	1,663,150
2008	200,000	1,452,750	1,652,750
2009	200,000	1,442,350	1,642,350
2010	-	1,437,150	1,437,150
2011	-	718,575	718,575
Total	<u>\$ 800,000</u>	<u>\$ 7,987,525</u>	<u>\$ 8,787,525</u>

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005 AND 2004

Outstanding Election of 1998 General Obligation Bonds, Series C

The general obligation bonds mature through 2011 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2010	\$ 1,197,066	\$ 1,037,934	\$ 2,235,000
2011	1,320,286	879,714	2,200,000
Total	<u>\$ 2,517,352</u>	<u>\$ 1,917,648</u>	<u>\$ 4,435,000</u>

Outstanding Election of 1998 General Obligation Bonds, Series D

The general obligation bonds mature through 2014 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2006	\$ 5,300,000	\$ 701,600	\$ 6,001,600
2007	2,200,000	551,600	2,751,600
2008	2,450,000	458,600	2,908,600
2009	2,700,000	355,600	3,055,600
2010	950,000	282,600	1,232,600
2011-2014	6,150,000	603,400	6,753,400
Total	<u>\$ 19,750,000</u>	<u>\$ 2,953,400</u>	<u>\$ 22,703,400</u>

2004 General Obligation Refunding Bonds

The general obligation bonds mature through 2022 as follows:

<u>Fiscal Year</u>	<u>Principal Including Accreted Interest to Date</u>	<u>Accreted Interest</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2006	\$ 600,000	\$ -	\$ 4,562,362	\$ 5,162,362
2007	2,755,000	-	4,514,288	7,269,288
2008	3,065,000	-	4,411,662	7,476,662
2009	2,125,000	-	4,307,863	6,432,863
2010	3,825,000	-	4,169,737	7,994,737
2011-2015	27,685,000	-	17,444,564	45,129,564
2016-2020	53,425,025	4,484,975	6,937,431	64,847,431
2021-2022	3,157,368	16,527,632	-	19,685,000
Total	<u>\$ 96,637,393</u>	<u>\$ 21,012,607</u>	<u>\$ 46,347,907</u>	<u>\$ 163,997,907</u>

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005 AND 2004

2004 General Obligation Bonds, Series A

The general obligation bonds mature through 2030 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest to Maturity	Total
2006	\$ -	\$ -	\$ 1,176,465	\$ 1,176,465
2007	670,000	-	1,530,050	2,200,050
2008	700,000	-	1,508,625	2,208,625
2009	-	-	1,497,250	1,497,250
2010	-	-	1,497,250	1,497,250
2011-2015	-	-	7,486,250	7,486,250
2016-2020	-	-	7,486,250	7,486,250
2021-2025	14,348,490	20,721,510	7,486,250	42,556,250
2026-2030	40,000,965	23,444,035	2,583,125	66,028,125
Total	<u>\$ 55,719,455</u>	<u>\$ 44,165,545</u>	<u>\$ 32,251,515</u>	<u>\$ 132,136,515</u>

NOTE 9 - POSTEMPLOYMENT BENEFITS

The District provides medical, dental, and vision insurance coverage, as prescribed in the various employee union contracts, to retirees meeting plan eligibility requirements. Eligible employees retiring from the District may become eligible for these benefits when the requirements are met. The eligibility requirement for employees participating in Public Employees' Retirement System (PERS) is a minimum age of 55 and a minimum ten years of continuous service with the District. Additional age and service criteria may be required. The eligibility requirement for employees participating in State Teachers' Retirement System (STRS) is a minimum age of 60 with five years of service, or age 50 with 30 years of service. The District recognizes expenditures for these post employment health benefits on a pay-as-you-go-basis. During the 2005 fiscal year, the District provided insurance premium benefits to 139 retired employees with total expenditures of approximately \$2,483,000.

NOTE 10 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year ending June 30, 2005, the District contracted with the Bay Area Community College Districts Joint Powers Authority for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005 AND 2004

Workers' Compensation

For fiscal year 2004-2005, the District participated in the Northern California Community College Pool (Pool) Joint Powers Authority (JPA), an insurance purchasing pool. For workers' compensation claims incurred prior to January 1, 1996, the District was self-insured through the Pool up to \$250,000 per occurrence. Claims over \$250,000 were covered by reinsurance within limits of the policy. Effective January 1, 1996, the Pool obtained commercial workers' compensation insurance which provides coverage up to \$1,000,000 for each accident and each employee with no deductible. Claims in excess of these limits are covered through reinsurance by the Pool. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity-pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to community college districts that can meet the JPA's selection criteria.

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

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). Since January 1, 1999, both of these plans have been part of the State Teachers' Retirement Plan (STRS), a cost-sharing, multiple-employer contributory public employee retirement system. 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, 7667 Folsom Boulevard, Sacramento, California 95851.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005 AND 2004

The STRS, a defined benefit pension plan, provides retirement, disability, and death benefits, and depending on which component of the STRS the employee is in, post-retirement 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. While early retirement can reduce the two percent age factor used at age 60, service of 30 or more years will increase the percentage age factor to be applied. Disability benefits are generally the maximum of 50 percent of final compensation for most applicants. Eligible dependent children can increase this benefit up to a maximum of 90 percent of final compensation. 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 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 Program is optional; however, if the employee selects the CB Benefit Program 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 eight percent of their salary while the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2004-2005 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. 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 District contribution rate for the CB Benefit Program is always a minimum of four percent with the sum of the District and employee contribution always being equal or greater than eight percent.

Annual Pension Cost

The District's total contributions to STRS for the fiscal years ended June 30, 2005, 2004, and 2003, were \$2,432,428, \$2,315,971, and \$2,554,650, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

All full-time classified employees participate in the CalPERS, an agent multiple-employer contributory public employee retirement system that act as a common investment and administrative agent for participating public entities within the State of California. The San Jose/Evergreen Community College District is part of a "cost-sharing" pool with CalPERS. Employees are eligible for retirement as early as age 50 with five years of service. At age 55, the employee is entitled to a monthly benefit of 2.0 percent of final compensation for each year of service credit. Retirement compensation is reduced if the plan is coordinated with Social Security. Retirement after age 55 will increase the percentage rate to a maximum of 2.5 percent at age 63 with an increased rate. The plan also provides death and disability benefits. Retirement benefits fully vest after five years of credited service. Upon separation from the Fund, members' accumulated contributions are refundable with interest credited through the date of separation.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005 AND 2004

The Public Employees' Retirement Law (Part 3 of the *California Government Code*, Section 20000 et seq.) establishes benefit provisions for CalPERS. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

Active plan members are required to contribute seven percent of their salary (seven percent of monthly salary over \$133.33 if the member participates in Social Security), and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The District's contribution rate to CalPERS for fiscal year 2004-2005 was 9.952 percent of annual payroll.

Annual Pension Cost

The District's contributions to CalPERS for fiscal years ending June 30, 2005, 2004, and 2003, were \$1,973,595, \$2,040,798, and \$523,416, respectively, and equaled 100 percent of the required contributions for each year.

On Behalf Payments

The State of California makes contributions to STRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to STRS which amounted to \$1,348,576 (4.517 percent) of salaries subject to STRS. A contribution to CalPERS was not required for the year ended June 30, 2005. These amounts have been reflected in the financial statements as a component of nonoperating revenue and employee benefit expense.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2005.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2005.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005 AND 2004

Operating Leases

The District has entered into various operating leases for buildings with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration date. Future minimum lease payments under these agreements are as follows:

Year Ending June 30,	Lease Payment
2006	\$ 267,504
2007	307,632
2008	307,632
2009	307,632
2010	307,632
2011-2015	1,722,768
Total	<u>\$ 3,220,800</u>

Construction Commitments

As of June 30, 2005, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
Student Services Remodel	\$ 7,500,000	08/01/06
Science Complex	28,000,000	08/01/06
	<u>\$ 35,500,000</u>	

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

NOTE 13 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of the Northern California Community College Pool, the Bay Area Community College Districts Joint Power Agency, and the South Bay Regional Public Safety Training Consortium Joint Powers Authority (JPAs). The District pays annual premiums for its property liability, health, and workers' compensation coverage. The relationship between the District and the JPA is such that it is not a component unit of the District for financial reporting purposes.

The JPAs have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, transactions between the JPAs and the District are included in these statements. Audited financial statements are available from the respective entities.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005 AND 2004

During the year ended June 30, 2005, the District made payments of \$789,562, \$446,074, and \$1,620,121 to the Northern California Community College Pool, the Bay Area Community College Districts Joint Power Agency, and the South Bay Regional Public Safety Training Consortium Joint Powers Authority (JPAs), respectively.

NOTE 14 – TAX AND REVENUE ANTICIPATION NOTES

On July 1, 2004, the District issued \$4,300,000 Tax and Revenue Anticipation Notes bearing interest at 3.50 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on June 30, 2005. By April 30, 2005, the District had placed 100 percent of principal and interest in an irrevocable trust for the sole purpose of satisfying the notes. The District was not required to make any additional payments on the notes. As the District has in substance defeased the debt, the tax anticipation notes of \$4,300,000 and related accrued interest and cash held in trust are not included in these financial statements.

Changes in the outstanding liabilities for the Tax and Anticipation Notes are as follows:

<u>Issue Date</u>	<u>Rate</u>	<u>Maturity Date</u>	<u>Outstanding July 1, 2004</u>	<u>Additions</u>	<u>Payments</u>	<u>Outstanding June 30, 2005</u>
7/1/2004	3.50%	6/30/2005	<u>\$ 4,300,000</u>	<u>\$ -</u>	<u>\$ 4,300,000</u>	<u>\$ -</u>

NOTE 15 - SUBSEQUENT EVENTS

The District issued \$5,400,000 of Tax and Revenue Anticipation Notes dated July 1, 2005. The notes mature on July 30, 2006, and yield 2.62 percent interest. The notes were sold to supplement cash flow. Repayment requirements are that 50 percent of principal and interest be deposited with the Fiscal Agent on January 31, 2006, and the remaining 50 percent of principal and interest be deposited with the Fiscal Agent on April 30, 2006.

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SUPPLEMENTARY INFORMATION

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SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION JUNE 30, 2005

The San Jose/Evergreen Community College District was established on July 1, 1964, and is comprised of an area of approximately 303 square miles located in Santa Clara County. There were no changes in the boundaries of the District during the current year.

BOARD OF TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Mr. Ron Lind	President	November 2008
Ms. Maria Fuentes	Vice President	November 2006
Ms. Autumn Gutierrez	Member	November 2008
Mr. Richard Hobbs	Member	November 2006
Mr. Randy Okamura	Member	November 2008
Mr. Richard Tanaka	Member	November 2008
Mr. Fred Tovar	Member	November 2006

ADMINISTRATION

Vacant	Chancellor, Secretary to Governing Board
Mr. Michael Hill	Acting Chancellor, Vice Chancellor, Administrative Services
Dr. Chui Tsang	President, San Jose City College
Dr. Jon Kangas	Interim President, Evergreen Valley College

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SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2005

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Total Expenditures
U.S. DEPARTMENT OF EDUCATION		
Title V, Higher Education - Institutional Aid [1]	84.031S	\$ 456,327
Student Support Services	84.042	280,783
STUDENT FINANCIAL AID CLUSTER [1]		
Federal Pell Grant Programs	84.063	8,544,598
Federal Supplemental Educational Opportunity Grant - SEOG	84.007	332,310
Federal College Work Study - FWS	84.033	313,255
Federal Family Education Loans	84.032	557,058
VOCATIONAL AND TECHNICAL EDUCATION ACT [1]		
Title II - C	84.048	426,895
Leadership	84.048	300,000
Public Safety Project	84.048	38,000
Technical Prep Education (Title III - E)	84.243	137,600
NATIONAL SCIENCE FOUNDATION		
CUNY - Peer Led Team Learning 02-03 Chemistry	47.076	31,195
Science and Technology Centers EVC 03-04	47.073	131,452
Science and Technology Centers 03-04 OPTEC	47.073	31,645
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Child Care and Development Improvement/Yosemite Child Care Consortium	93.575	10,704
TANF	93.558	110,119
U.S. DEPARTMENT OF LABOR		
Workforce Investment Act - IBP	17.260	2,292,867
Workforce Investment Act - EVC	17.258	282,327
Veterans' Education Act - Nursing	17.802	13,665
Veterans' Administrative Reporting Fee	17.802	2,586
U.S. DEPARTMENT OF COMMERCE		
Public Telecommunications and Facilities	11.550	44,988
U.S. DEPARTMENT OF AGRICULTURE		
Child and Adult Care Food Program	10.588	29,248
Total Expenditures of Federal Awards		<u>\$ 14,367,622</u>

[1] Tested as a Major Program.

See accompanying note to supplementary information.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2005

Program	Program Entitlements		
	Current Year	Prior Year	Total Entitlement
CARE	\$ 132,353	\$ 33,784	\$ 166,137
Extended Opportunity Programs and Services (EOP&S)	1,575,910	-	1,575,910
California Student Aid Commission/Cal Grant	302,000	-	302,000
Disabled Student Programs and Services (DSP&S)	815,789	-	815,789
California Articulation Number System (CAN)	10,000	-	10,000
Teacher and Reading Development Partnership 02-03	317,000	52,435	369,435
Teacher and Reading Development Partnership 03-04	42,000	-	42,000
Instructional Equipment 04-05	316,888	-	316,888
Instructional Equipment 03-04	283,837	-	283,837
Instructional Equipment 02-03	219,578	-	219,578
Instructional Equipment 00-01	1,332,742	-	1,332,742
Telecomm and Technical Infrastructure Program (TTIP) 04-05	122,612	-	122,612
Telecomm and Technical Infrastructure Program (TTIP) 03-04	156,338	-	156,338
Telecomm and Technical Infrastructure Program (TTIP) 02-03	160,589	-	160,589
Telecomm and Technical Infrastructure Program (TTIP) 01-02	613,214	-	613,214
Telecomm and Technical Infrastructure Program (TTIP) 00-01	577,905	-	577,905
TTIP Video Conference Upgrade Grant	75,000	-	75,000
Santa Clara County/CalWorks Program	64,890	10,796	75,686
CalWorks 04-05	730,943	-	730,943
CDC/TANF 04-05	60,535	-	60,535
Financial Aid Administration Allowance (BFAP) 03-04	336,767	-	336,767
Financial Aid Administration Allowance (BFAP) 04-05	644,991	-	644,991
Econ/Professional Development - IBP 04-05	335,000	-	335,000
Econ/Professional Development - IBP 03-04	340,000	-	340,000
Econ/Institutional Development - IBP 04-05	252,500	-	252,500
Econ/Institutional Development - IBP 03-04	152,500	-	152,500
Econ/Nursing Enrollment Growth Grant 04-05	58,823	-	58,823
Econ/Nursing Enrollment Growth Grant 03-04	49,882	-	49,882
Econ/Nursing Enrollment Growth Grant 02-03	58,652	9,075	67,727
Enrollment Fee Administration	89,284	-	89,284
4 C @ O.N.E. 03-04	620,000	-	620,000
4 C @ O.N.E. 02-03	500,000	479,314	979,314
School to Career Grant	149,209	95,385	244,594
Foster Care Education	150,862	68,111	218,973
Staff Diversity 04-05	17,848	-	17,848
Staff Diversity 03-04	17,314	-	17,314
Americorps/ALERT	101,673	-	101,673
Americorps Grant/Jumpstart	52,114	-	52,114
DSP	162,200	-	162,200

See accompanying note to supplementary information.

Program Revenues					
Cash Received	Accounts Receivable	Accounts Payable	Deferred Revenue	Total Revenue	Program Expenditures
\$ 166,137	\$ -	\$ -	\$ -	\$ 166,137	\$ 132,353
1,575,910	-	-	-	1,575,910	1,575,910
754,536	10,305	-	-	764,841	764,841
815,789	-	-	-	815,789	815,789
10,000	-	-	54	9,946	9,946
-	-	-	-	-	-
19,402	1,911	-	-	21,313	21,313
316,888	-	-	187,978	128,910	128,910
254,652	-	-	33,290	221,362	221,362
100,176	-	-	1	100,175	100,175
3,515	-	-	1	3,514	3,514
122,612	-	-	48,181	74,431	74,431
99,841	-	-	67,328	32,513	32,512
32,200	-	-	22,718	9,482	9,482
120,262	-	-	109,360	10,902	10,902
53,859	-	-	5,915	47,944	47,944
1,321	-	-	1,321	-	-
118,956	21,620	-	-	140,576	129,780
728,976	1,598	-	-	730,574	730,574
-	-	-	-	-	-
81,257	16	-	-	81,273	81,273
644,991	17,713	-	-	662,704	662,704
281,400	-	-	158,473	122,927	122,927
68,705	54,400	-	-	123,105	123,105
212,100	-	-	131,444	80,656	80,656
90,611	24,400	-	-	115,011	115,011
49,411	-	-	49,411	-	-
41,901	7,981	-	-	49,882	49,882
9,075	-	-	-	9,075	-
89,284	-	-	-	89,284	89,284
-	594,626	-	-	594,626	594,626
500,000	-	-	-	500,000	20,686
95,385	-	-	-	95,385	-
143,542	75,431	-	-	218,973	150,862
17,848	-	-	1,096	16,752	16,752
946	-	-	1	945	945
-	96,825	-	-	96,825	96,825
24,662	15,059	-	-	39,721	39,721
162,200	-	-	-	162,200	162,200

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF STATE AWARDS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2005**

Program	Program Entitlements		
	Current Year	Prior Year	Total Entitlement
Matriculation 04-05	\$ 844,674	\$ -	\$ 844,674
Matriculation 03-04	803,353	-	803,353
Equal Opportunity Employment Grant	63,235	-	63,235
Child and Adult Care Food Program	1,813	202	2,015
Child Development Instructional Materials	7,418	-	7,418
Child Development Program	283,823	2,146	285,969
Child Care Tax Bailout	60,658	-	60,658
Nursing Biology Building	16,958	-	16,958
Library/Learning Resource Center	39,844	2,483	42,327
Science/Math Complex	12,172,000	203,720	12,375,720
Hazardous Substances 01-02	103,000	32,612	135,612
Instructional Equipment 03-04	32,345	-	32,345
Schedule Maintenance 02-03	291,638	15,234	306,872
Schedule Maintenance 01-02	149,688	44,356	194,044
Total State Programs	<u>\$26,870,189</u>	<u>\$ 1,049,653</u>	<u>\$27,919,842</u>

See accompanying note to supplementary information.

Program Revenues					
Cash Received	Accounts Receivable	Accounts Payable	Deferred Revenue	Total Revenue	Program Expenditures
\$ 844,674	\$ -	\$ -	\$ -	\$ 844,674	\$ 844,674
52,473	-	-	-	52,473	52,472
14,302	25,734	-	-	40,036	40,036
1,797	218	-	-	2,015	1,813
7,418	-	-	-	7,418	7,418
294,781	-	8,812	-	285,969	283,823
60,658	-	-	-	60,658	60,658
-	16,922	-	-	16,922	16,922
2,483	-	-	-	2,483	-
203,720	1,449,837	-	-	1,653,557	1,449,837
-	67,670	-	-	67,670	67,670
32,344	-	-	24,045	8,299	8,299
33,754	239,077	-	-	272,831	257,597
59,973	133,980	-	-	193,953	149,597
<u>\$ 9,416,727</u>	<u>\$ 2,855,323</u>	<u>\$ 8,812</u>	<u>\$ 840,617</u>	<u>\$11,422,621</u>	<u>\$ 10,458,013</u>

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE APPORTIONMENT ANNUALIZED ATTENDANCE AND ANNUAL APPRENTICESHIP HOURS OF INSTRUCTION FOR THE YEAR ENDED JUNE 30, 2005

CATEGORIES	Revised Reported Data	Audit Adjustments	Audited Data
A. <u>Credit Full-Time Equivalent Student (FTES)</u>			
1. Summer	196	-	196
2. Weekly census	10,537	-	10,537
3. Daily census	912	-	912
4. Actual hours of attendance	1,044	-	1,044
5. Independent study/work experience	471	-	471
Subtotal	13,160	-	13,160
B. <u>Noncredit FTES</u>			
1. Summer	5	-	5
2. Actual hours of attendance	138	-	138
Subtotal	143	-	143
Total FTES	13,303	-	13,303
C. <u>Basic Skills Courses</u>			
Credit			3
D. <u>FTES Generated in Leased Space</u>			167
E. <u>Gross Square Footage</u>			
Existing facilities			1,164,972

Schedule of Annual Apprenticeship Hours of Instruction

	Revised Reported Data	Audit Adjustments	Audited Data
July 1 - December 31, 2004	2,642	-	2,642
January 1 - April 15, 2005	1,846	-	1,846
Total	4,488	-	4,488

See accompanying note to supplementary information.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH FUND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2005

Summarized below are the fund balance reconciliations between the Annual Financial and Budget Report (CCFS-311) and the fund financial statements.

	<u>General Obligation Bond</u>
FUND BALANCE	
Balance, June 30, 2005, (CCFS-311)	\$ 81,639,194
Increase in:	
Accounts Payable	<u>(651,463)</u>
Balance, June 30, 2005, Fund Financial Statement	<u><u>\$ 80,987,731</u></u>

See accompanying note to supplementary information.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEETS TO
THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2005**

**Amounts Reported for Governmental Activities in the Statement of
Net Assets are Different Because:**

**Total Fund Balance, Retained Earnings,
and Due to Student Groups:**

General Funds	\$ 7,221,668	
Special Revenue Funds	91,442	
Capital Project Funds	83,060,509	
Debt Service Funds	13,117,010	
Enterprise Funds	1,280,052	
Internal Service Funds	105,296	
Fiduciary Funds	424,842	
	<hr/>	\$ 105,300,819

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

The cost of capital assets is	231,968,133	
Accumulated depreciation is	(53,845,383)	
Less fixed assets already recorded in the enterprise funds	<hr/> (476,301)	177,646,449

Amounts held in trust on behalf of others (Trust and Agency Funds) (424,842)

In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term debt is recognized when it is incurred. (2,390,362)

Long-term liabilities at year end consist of:

General obligation bond payable	<hr/> (175,884,200)
Total Net Assets	<hr/> <hr/> \$ 104,247,864

See accompanying note to supplementary information.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2005

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Schedule of Expenditures of State Awards

The accompanying schedule of expenditures of State awards includes the State grant activity of the District and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Schedule of Workload Measures for State Apportionment Annualized Attendance and Annual Apprenticeship Hours of Instruction

Full-Time Equivalent Students (FTES) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to community college districts. This schedule provides information regarding the attendance of students throughout the District.

Reconciliation of Annual Financial and Budget Report with Fund Financial Statements

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

Reconciliation of the Governmental Fund Balance Sheets to the Statement of Net Assets

This schedule provides a reconciliation of the adjustments necessary to bring the District's fund financial statements, prepared on a modified accrual basis, to the accrual basis required under GASB Statement No. 35.

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INDEPENDENT AUDITORS' REPORTS

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

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

We have audited the financial statements of San Jose/Evergreen Community College District (the District) as of and for the years ended June 30, 2005 and 2004, and have issued our report thereon dated October 21, 2005. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered San Jose/Evergreen Community College District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain matters involving the internal control over financial reporting that we have reported to the management of San Jose/Evergreen Community College District in a separate letter dated October 21, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether San Jose/Evergreen Community College District's basic 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*.

This report is intended solely for the information of the Board of Trustees, District Management, the California State Chancellor's Office, and the District's Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vaurink, June, Day & Co. LLP

Rancho Cucamonga, California
October 21, 2005



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of San Jose/Evergreen Community College District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2005. The District's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America, 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 the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, except for finding 2005-1 as described in the accompanying Schedule of Federal Awards Findings and Questioned Costs, San Jose/Evergreen Community College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of San Jose/Evergreen Community College District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered San Jose/Evergreen Community College District's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Trustees, District Management, the California State Chancellor's Office, and the District's Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vannick, Irine, Day & Co. LLP

Rancho Cucamonga, California
October 21, 2005



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

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

We have audited the financial statements of the San Jose/Evergreen Community College District (the District) for the years ended June 30, 2005 and 2004, and have issued our report thereon dated October 21, 2005.

Our audit was made in accordance with auditing standards generally accepted in the United States of America and the standards for financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the following State laws and regulations in accordance with Section 400 of the Chancellor's Office's *California Community Colleges Contracted Audit Manual (CDAM)*.

General Directives

- MIS Implementation - Required Data Elements

Administrative

- Fiscal Operations - Salaries of Classroom Instructors (50 Percent Law)
- Fiscal Operation - Gann Limit Calculation
- Apportionments - Apportionment for Instructional Service Agreements/Contracts
- Apportionments - Residency Determination for Credit Courses
- Apportionment - Concurrent Enrolment of K-12 Students in Community College Credit Courses
- Apportionment - Enrollment Fee
- Open Enrollment
- Minimum Conditions - "Standard of Scholarship"
- Student Fees - Instructional Materials and Health Fees

Student Services

- Matriculation - Uses of Matriculation Funds

Special Programs

- Extended Opportunity Programs and Services (EOP&S) - Allocation of Costs
- Extended Opportunity Programs and Services (EOP&S) - Administrator/Director Requirements

Facilities Program

- Scheduled Maintenance Program

Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, except for finding 2005-2 as described in the accompanying Schedule of State Awards Findings and Questioned Costs, the San Jose/Evergreen Community College District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2005.

This report is intended solely for the information of the Board of Trustees, District Management, and the California State Chancellor's Office, and is not intended to be and should not be used by anyone other than these specified parties.

Vaurinek, Irine, Day & Co. LLP

Rancho Cucamonga, California
October 21, 2005

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

SUMMARY OF AUDITORS' RESULTS FOR THE YEAR ENDED JUNE 30, 2005

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>Yes</u>
Type of auditors' report issued on compliance for major programs:	<u>Qualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	
Identification of major programs:	<u>Yes</u>

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.063, 84.007, 84.033, 84.032</u>	<u>Student Financial Aid Cluster</u>
<u>84.048, 84.243</u>	<u>Vocational and Technical Education Cluster</u>
<u>84.031S</u>	<u>Title V, Higher Education - Institutional Aid</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 431,029</u>
Auditee qualified as low-risk auditee?	<u>No</u>

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>Yes</u>
Type of auditors' report issued on compliance for State programs:	<u>Qualified</u>

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2005**

None reported.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2005

The following finding represents reportable conditions and/or instances of noncompliance including questioned costs that are required to be reported by OMB Circular A-133.

2005-1 Finding

The Evergreen Valley College student financial aid office does not appear to have adequate procedures in place to identify students who could owe a "Return to Title IV" balance as is required by Federal regulations.

Recommendation

The student financial aid office should comply with the requirements of the Federal regulations noted above. The office must monitor student withdrawals and proper academic progress to determine whether or not financial aid funds paid out should be returned to the District and the Federal granting agency.

District Response

The executive management at Evergreen Valley College considers the audit finding a serious matter and has overseen the work performed by the staff of the Financial Aid Office to bring the College into full compliance. Specifically, the changes that have been implemented include the following:

- Worked with our District's Information Technology Department to customize the Drop Reports to improve accuracy and utility.
- Developed a yearly calendar for the publication of the Drop Reports.
- Acquired training from our administrative software vendor on the proper method used to enter information to the system so the "Return to Title IV" calculation would be handled correctly.
- Updated office procedures as they pertain to the transmittal of funds in order to alleviate the complexity of the student receivables screens for staff.
- Designated and trained key personnel to ensure compliance. The new Financial Aid Coordinator is now overseeing the timeliness and accuracy of the calculations and subsequent reporting.
- Established updated written procedures for processing "Return to Title IV" transactions.
- Collaborated with San Jose City College in the development of similar procedures for Evergreen Valley College in order to ensure compliance and consistency within the District.

We realize this second finding indicates full compliance was not achieved following the initial finding in 2003-2004. We do feel, however, that some improvements were made to our processes following the 2003-2004 audit. Based upon that finding, the Evergreen Valley College Financial Aid Office:

- Began collaborating with the San Jose City College Financial Aid Office in order to implement their procedures, as recommended by the auditor.
- Completed a thorough review of all students who may have been subject to the "Return to Title IV" provisions.
- Performed the "Return to Title IV" calculations, reviewed them for accuracy, and notified students of all funds that needed to be returned.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2005

Although the Financial Aid Office had made progress with both the procedures and processes involved, the progress was not sufficient. We do feel, however, that some improvement was achieved and that this finding does not accurately convey the positive progress achieved during 2004-2005. To ensure full compliance has been achieved, the District intends to conduct a mid-year independent audit of the "Return to Title IV" provisions at Evergreen Valley College. We expect this audit to occur during the spring of 2006 and that we will be found to be in full compliance at that time.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2005

The following findings represent instances of noncompliance and/or questioned costs relating to State program laws and regulations.

2005-2 Finding

During our testing of admissions and records, it was noted that the District was not in full compliance with California Code of Regulation title 5, section 58161. This code imposes limitations on the number of times a student may repeat a course and be claimed for state apportionment. The code recognizes three basic situations:

1. A student may be claimed for apportionment of one repetition if the student has previously received a substandard grade (D, F, or NC), if the district determines that the student needs to repeat the course due to lapse of time, or if the student can demonstrate that his or her previous grade was, at least in part, due to the rest of extenuating circumstances.
2. A student may repeat a course and be claimed for apportionment any number of times to meet a legally mandated training requirement.
3. A student may repeat a course and be claimed for apportionment for three semesters or five quarters where the course content changes each time the course is taken and the student is gaining an expanded educational experience either because skills or proficiencies are enhanced by supervised repetition or because active participation in individual or group assignments is the basic means of learning

In our testing we noted that some students who repeated a course more than allowed above were claimed for apportionment on the District 320 Attendance Report.

Recommendation

While there are procedures in place to prevent excessive repeating of courses, the ability to manually override the procedures exists. The District should consider adjusting its procedures to prevent such occurrences.

District Response

Agree. The District will modify its procedures to identify students who repeat courses that should not be claimed for apportionment revenue.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2005

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of audit findings and questioned costs.

Federal Compliance

2004-1 Finding

The Evergreen Valley College student financial aid office does not appear to have adequate procedures in place to identify students who could owe a "Return to Title IV" balance as is required by Federal regulations.

Recommendation

The student financial aid office should comply with the requirements of the Federal regulations noted above. The office must monitor student withdrawals and proper academic progress to determine whether or not financial aid funds paid out should be returned to the District and the Federal granting agency. The San Jose City College financial aid office has implemented proper procedures and these should be shared with and implemented by the Evergreen Valley College student financial aid.

Current Status

Not implemented. See current year Federal Awards Findings and Questioned Costs 2005-1.

ADDITIONAL SUPPLEMENTARY INFORMATION

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

GOVERNMENTAL FUNDS

BALANCE SHEETS - (UNAUDITED)

JUNE 30, 2005

	General Funds		Special Revenue Funds	
	General Unrestricted	General Restricted	Cafeteria	Child Development
ASSETS				
Cash and cash equivalents	\$ 25,017	\$ -	\$ -	\$ -
Investments	13,596,185	-	90,484	13,787
Accounts receivable	1,104,906	3,693,727	1,258	3,773
Student loans receivable	-	-	-	-
Due from other funds	-	-	-	-
Prepaid expenses	22,292	-	-	-
Stores inventories	-	-	-	-
Other current assets	-	-	-	-
Total Assets	<u>\$14,748,400</u>	<u>\$ 3,693,727</u>	<u>\$ 91,742</u>	<u>\$ 17,560</u>
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	\$ 5,943,554	\$ 720,687	\$ 300	\$ 17,560
Overdraft	-	1,850,269	-	-
Deferred revenue	1,647,777	1,058,172	-	-
Total Liabilities	<u>7,591,331</u>	<u>3,629,128</u>	<u>300</u>	<u>17,560</u>
FUND EQUITY				
Fund Balances				
Reserved	-	-	-	-
Unreserved				
Designated	-	-	-	-
Undesignated	7,157,069	64,599	91,442	-
Total Fund Equity	<u>7,157,069</u>	<u>64,599</u>	<u>91,442</u>	<u>-</u>
Total Liabilities and Fund Equity	<u>\$14,748,400</u>	<u>\$ 3,693,727</u>	<u>\$ 91,742</u>	<u>\$ 17,560</u>

See accompanying note to additional supplementary information.

Debt Service Funds			Capital Project Funds		Total Governmental Fund (Memorandum Only)
Bond Interest and Redemption	Revenue Bond Interest and Redemption	Other Debt Service	Capital Outlay Projects	General Obligation Bond	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,017
11,068,333	769,509	3,764,969	433,035	85,235,016	114,971,318
-	-	22,814	1,950,767	399,394	7,176,639
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	22,292
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 11,068,333</u>	<u>\$ 769,509</u>	<u>\$ 3,787,783</u>	<u>\$ 2,383,802</u>	<u>\$ 85,634,410</u>	<u>\$ 122,195,266</u>
\$ -	\$ -	\$ 2,475,000	\$ 286,979	\$ 4,646,679	\$ 14,090,759
-	-	-	-	-	1,850,269
-	-	33,615	24,045	-	2,763,609
-	-	2,508,615	311,024	4,646,679	18,704,637
-	-	-	-	-	-
-	-	-	-	-	-
11,068,333	769,509	1,279,168	2,072,778	80,987,731	103,490,629
11,068,333	769,509	1,279,168	2,072,778	80,987,731	103,490,629
<u>\$ 11,068,333</u>	<u>\$ 769,509</u>	<u>\$ 3,787,783</u>	<u>\$ 2,383,802</u>	<u>\$ 85,634,410</u>	<u>\$ 122,195,266</u>

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

GOVERNMENTAL FUNDS

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - (UNAUDITED)

FOR THE YEAR ENDED JUNE 30, 2005

	General Funds		Special Revenue Funds	
	General Unrestricted	General Restricted	Cafeteria	Child Development
REVENUES				
Federal revenues	\$ -	\$ 4,856,330	\$ -	\$ 29,250
State revenues	10,180,046	7,053,396	-	353,712
Local revenues	57,866,075	4,497,561	38,753	57,267
Total Revenues	68,046,121	16,407,287	38,753	440,229
EXPENDITURES				
Current Expenditures				
Academic salaries	28,172,843	2,706,604	-	-
Classified salaries	15,687,651	5,421,185	20,824	520,697
Employee benefits	13,792,705	2,200,291	10,267	248,941
Books and supplies	787,068	549,017	-	67,219
Services and operating expenditures	6,850,420	4,356,579	7,964	36,231
Capital outlay	584,963	1,063,085	610	-
Debt service - principal	-	-	-	-
Debt service - interest and other	-	-	-	-
Total Expenditures	65,875,650	16,296,761	39,665	873,088
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,170,471	110,526	(912)	(432,859)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	187,992	-	432,859
Operating transfers out	(1,375,851)	-	-	-
Other sources	7,431	-	-	-
Other uses	(105,878)	(299,359)	-	-
Total Other Financing Sources (Uses)	(1,474,298)	(111,367)	-	432,859
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	696,173	(841)	(912)	-
FUND BALANCE, BEGINNING OF YEAR	6,460,896	65,440	92,354	-
FUND BALANCE, END OF YEAR	\$ 7,157,069	\$ 64,599	\$ 91,442	\$ -

See accompanying note to additional supplementary information.

Debt Service Funds			Capital Project Funds		Total Governmental Fund (Memorandum Only)
Bond Interest and Redemption	Revenue Bond Interest and Redemption	Other Debt Service	Capital Outlay Projects	General Obligation Bond	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,885,580
129,477	-	-	1,949,922	-	19,666,553
12,496,480	39,312	67,788	995,867	1,093,217	77,152,320
12,625,957	39,312	67,788	2,945,789	1,093,217	101,704,453
-	-	-	-	-	30,879,447
-	-	-	67,876	188,911	21,907,144
-	-	2,482,569	28,688	60,801	18,824,262
-	-	-	44,753	-	1,448,057
-	-	-	716,474	3,292,242	15,259,910
-	-	-	1,997,313	11,979,286	15,625,257
5,535,000	450,000	-	-	9,950,000	15,935,000
5,873,098	463,413	-	-	-	6,336,511
11,408,098	913,413	2,482,569	2,855,104	25,471,240	126,215,588
1,217,859	(874,101)	(2,414,781)	90,685	(24,378,023)	(24,511,135)
-	-	755,000	-	-	1,375,851
-	-	-	-	-	(1,375,851)
1,825,025	-	-	-	54,950,000	56,782,456
-	-	-	-	(407,582)	(812,819)
1,825,025	-	755,000	-	54,542,418	55,969,637
3,042,884	(874,101)	(1,659,781)	90,685	30,164,395	31,458,502
8,025,449	1,643,610	2,938,949	1,982,093	50,823,336	72,032,127
\$ 11,068,333	\$ 769,509	\$ 1,279,168	\$ 2,072,778	\$ 80,987,731	\$ 103,490,629

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

PROPRIETARY FUNDS BALANCE SHEETS - (UNAUDITED) JUNE 30, 2005

	<u>Enterprise Funds</u>	
	<u>Bookstore</u>	<u>Internal Service Fund</u>
ASSETS		
Cash and cash equivalents	\$ 633,379	\$ -
Investments	-	207,517
Accounts receivable	107,223	1,209
Stores inventories	300,492	-
Furniture and equipment (net)	476,301	-
Total Assets	<u>\$ 1,517,395</u>	<u>\$ 208,726</u>
LIABILITIES AND FUND EQUITY		
LIABILITIES		
Accounts payable	\$ 237,343	\$ 103,430
Total Liabilities	<u>237,343</u>	<u>103,430</u>
FUND EQUITY		
Retained earnings	<u>1,280,052</u>	<u>105,296</u>
Total Liabilities and Fund Equity	<u>\$ 1,517,395</u>	<u>\$ 208,726</u>

See accompanying note to additional supplementary information.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

PROPRIETARY FUNDS

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN
RETAINED EARNINGS - (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2005**

	Enterprise Funds	Internal Service Fund
	Bookstore	
OPERATING REVENUES		
Revenues	\$ 4,381,122	\$ 957,920
OPERATING EXPENSES		
Classified salaries	728,157	-
Employee benefits	139,952	-
Books and supplies	17,435	-
Services and other operating expenditures	3,508,712	928,882
Capital outlay	7,072	-
Total Operating Expenses	4,401,328	928,882
Operating Income (Loss)	(20,206)	29,038
NONOPERATING REVENUES		
Interest income	-	3,427
Total Nonoperating Revenues	-	3,427
NET INCOME (LOSS)	(20,206)	32,465
RETAINED EARNINGS, BEGINNING OF YEAR	1,300,258	72,831
RETAINED EARNINGS, END OF YEAR	\$ 1,280,052	\$ 105,296

See accompanying note to additional supplementary information.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

**PROPRIETARY FUNDS
STATEMENTS CASH FLOWS - (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Enterprise Funds</u>	<u>Internal Service Fund</u>
	<u>Bookstore</u>	<u>Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from user charges	\$ 4,381,122	\$ 957,920
Cash payments to employees for services	(868,109)	-
Cash payments to suppliers for goods and services	(17,435)	-
Cash payments for other operating expenses	(3,072,003)	(828,492)
Net Cash Flows From Operating Activities	<u>423,575</u>	<u>129,428</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(149,153)	-
Net Cash Flows From Capital and Related Financing Activities	<u>(149,153)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	-	2,636
Net Cash Flows From Investing Activities	<u>-</u>	<u>2,636</u>
Net increase in cash and cash equivalents	274,422	132,064
Cash and cash equivalents - Beginning	358,957	75,453
Cash and cash equivalents - Ending	<u>\$ 633,379</u>	<u>\$ 207,517</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income (loss)	\$ (20,206)	\$ 29,038
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:		
Depreciation	81,344	-
Changes in assets and liabilities:		
Receivables	138,471	-
Inventories	94,195	-
Accounts payable	129,771	100,390
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 423,575</u>	<u>\$ 129,428</u>

See accompanying note to additional supplementary information.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

FIDUCIARY FUNDS

BALANCE SHEETS - (UNAUDITED)

JUNE 30, 2005

	<u>Associated Students</u>		<u>Student Financial Aid</u>	<u>Total</u>
	<u>San Jose City College</u>	<u>Evergreen Valley College</u>		
ASSETS				
Cash and cash equivalents	\$ 390,995	\$ 266,213	\$ -	\$ 657,208
Accounts receivable	4,919	17,958	314,491	337,368
Total Assets	<u>\$ 395,914</u>	<u>\$ 284,171</u>	<u>\$ 314,491</u>	<u>\$ 994,576</u>
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	\$ 7,058	\$ -	\$ 25,700	\$ 32,758
Overdraft	-	-	288,791	288,791
Due to student groups	163,822	84,363	-	248,185
Total Liabilities	<u>170,880</u>	<u>84,363</u>	<u>314,491</u>	<u>569,734</u>
FUND EQUITY				
Fund Balances				
Undesignated	225,034	199,808	-	424,842
Total Fund Equity	<u>225,034</u>	<u>199,808</u>	<u>-</u>	<u>424,842</u>
Total Liabilities and Fund Equity	<u>\$ 395,914</u>	<u>\$ 284,171</u>	<u>\$ 314,491</u>	<u>\$ 994,576</u>

See accompanying note to additional supplementary information.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

FIDUCIARY FUNDS

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - (UNAUDITED) FOR THE YEAR ENDED JUNE 30, 2005

	Associated Students		Student	
	San Jose	Evergreen	Financial	
	City	Valley	Aid	Total
	College	College		
REVENUES				
Federal revenues	\$ -	\$ -	\$ 8,924,984	\$ 8,924,984
State revenues	-	-	1,257,375	1,257,375
Local revenues	118,092	114,783	-	232,875
Total Revenues	<u>118,092</u>	<u>114,783</u>	<u>10,182,359</u>	<u>10,415,234</u>
EXPENDITURES				
Current Expenditures				
Services and operating expenditures	122,844	62,615	20,769	206,228
Total Expenditures	<u>122,844</u>	<u>62,615</u>	<u>20,769</u>	<u>206,228</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(4,752)</u>	<u>52,168</u>	<u>10,161,590</u>	<u>10,209,006</u>
OTHER FINANCING USES				
Other uses	-	-	(10,161,590)	(10,161,590)
Total Other Financing Uses	<u>-</u>	<u>-</u>	<u>(10,161,590)</u>	<u>(10,161,590)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(4,752)</u>	<u>52,168</u>	<u>-</u>	<u>47,416</u>
FUND BALANCE, BEGINNING OF YEAR	<u>229,786</u>	<u>147,640</u>	<u>-</u>	<u>377,426</u>
FUND BALANCE, END OF YEAR	<u>\$ 225,034</u>	<u>\$ 199,808</u>	<u>\$ -</u>	<u>\$ 424,842</u>

See accompanying note to additional supplementary information.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

NOTE TO ADDITIONAL SUPPLEMENTARY INFORMATION JUNE 30, 2005

NOTE 1 - PURPOSE OF SCHEDULES

Fund Financial Statements

The accompanying financial statements report the governmental, proprietary, and fiduciary fund activities of San Jose/Evergreen Community College District and are presented on the modified accrual basis of accounting. Therefore, some amounts presented in these financial statements may differ from amounts presented in, or used in, the preparation of the financial statements. The information is presented at the request of the District management.

