AUDIT SERVICE PROPOSAL Foothill - De Anza Community College District RFP 1307

January 3, 2011

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants and Consultants
5000 Hopyard Road, Suite 335
Pleasanton, California 94588

Partner Contact – Terri A. Montgomery 734-6600 Ext. 2209
Fax (925) 734-6611 Email: tmontgomery@vtdcpa.com

Section I

Audit Service Proposal Form

Table of Contents

Transmittal Letter

April 8, 2010

Foothill - De Anza Community College District
Attn: Kevin McElroy, Vice Chancellor of Business Services
12345 El Monte Road
Los Altos Hills, CA 94022

We are pleased to respond to the Request for Proposal to provide auditing services for Foothill - De Anza Community College District as listed in the request for proposal for independent audit services dated November 15, 2010. This proposal demonstrates our capability and commitment to provide excellent services. Foothill - De Anza Community College District can be assured of experienced staff assigned to the engagement and on-the-job presence of the partner-in-charge.

Vavrinek, Trine, Day & Co., LLP has extensive experience providing audit services to a variety of local educational agencies throughout the State of California. Vavrinek, Trine, Day & Co., LLP has been serving the local educational community for over 60 years.

Vavrinek, Trine, Day & Co., LLP has devoted a substantial amount of time and resources developing our community college and school district audit practice. Our clients are provided with efficient and timely audit services and our expertise has positioned us to be one of the leading Firms in community college and school district audit services throughout California.

Vavrinek, Trine, Day & Co., LLP places within the top four California based CPA Firms. We employ over 200 individuals, including well over 100 professionals. We currently have six offices located throughout California. The offices are located in Rancho Cucamonga (company headquarters), Pleasanton, Palo Alto, Fresno, Laguna Hills, and Sacramento.

Our staff, who will be assigned to the audit, are experienced professionals that have performed audits of numerous community college and other local educational agencies. Each of our staff brings experience that allows for an outlook to the audit with innovative suggestions to improve quality and efficiency. We believe that the choice of an audit firm should be primarily based upon staff. Foothill - De Anza Community College District can be assured of having consistent knowledgeable staff assigned to the audit.

Partner involvement is also key to the audit's success and your partner in charge of the engagement will spend time onsite to ensure communication lines remain open, an ongoing consistency of staff and ultimately, ensuring that the needs of the District are met and the reports are completed in a timely manner. In addition, we plan to meet with management on a regular basis, to discuss relevant matters.

We have been associated with the District in the past on an as needed consulting basis and have enjoyed our past association with the District. We recognize California education budgets are presenting significant financial challenges to Districts within the state and have rolled back our pricing by approximately 10% as our way of contributing to a small part of the solution.

Transmittal Letter

We hope that as you read through this proposal, you recognize the philosophy of our Firm, which is to provide each of our clients with exceptional service, experienced staff, and an audit approach that will fit your needs. Our dedication to quality, professional standards and service and provided on time services are what we are about. This is a firm and irrevocable offer for 90 days. We thank you for providing us the opportunity to present our proposal. Should you have any questions, please feel free to call Terri A. Montgomery, Partner of our Pleasanton office, at (925) 734-6600.

Very truly yours,

Terri A Montgomery

Terri A. Montgomery
of VAVRINEK, TRINE, DAY & CO., LLP
Partner, Pleasanton Office
5000 Hopyard Road, Suite 335
Pleasanton, CA 94588
925-734-6600 xt 2209

Section II

Audit Services Proposal

Audit Services Proposal

A. INDEPENDENCE

Vavrinek, Trine, Day & Co., LLP affirms that it is independent of Foothill - De Anza Community College District as defined by generally accepted auditing standards of the U.S. General Accounting Office's Government Auditing Standards. Vavrinek, Trine, Day & Co, LLP and Terri A. Montgomery are members of the AICPA and will follow all professional standards and guidance issued by the AICPA, including Interpretation 501-3.

B. LICENSE TO PRACTICE IN CALIFORNIA

Vavrinek, Trine, Day & Co., LLP has been licensed to practice accounting in California under this name since June 1970. All professional staff meeting the criteria for licensure in California are also licensed to practice in California. Terri A. Montgomery, the partner, has been licensed as a CPA in California since September 1994. Vavrinek, Trine, Day & Co, LLP does not have a record of substandard audit work and meets all specific requirements imposed by state and local rules and regulations.

C. FIRM QUALIFICATIONS AND EXPERIENCE

History and Founding of our Firm

Vavrinek, Trine, Day & Co., LLP was established in 1948. Hugo F. Vavrinek was our founding partner when he left Fuller, Eadie and Payne and opened an office in downtown Ontario. Later Mr. Vavrinek became partners with C. Lewis Trine and C. Richard Day. The Firm's office was located in downtown Ontario. At that time, VTD had established itself as a growing Firm with a niche in auditing and tax services. Because of the growth of our Firm, in 1990 we moved to larger offices in Rancho Cucamonga, which now serves as the Firm's headquarters. Our Firm offers a full range of services, including corporate audit and tax and not for profit audit and tax throughout California. Proudly, our extensive audit practice is a key to our Firm's success. Many of clients are registrants with the SEC. Our Firm adheres to the strict quality control and independence standards required by the SEC and PCAOB within all our areas of practice. VTD has experienced a solid 60 plus years of growth and commitment to client service.

Firm Size and Client Base

Vavrinek, Trine, Day & Co., LLP is a leader in several different areas including but not limited to auditing, consulting and tax services for a variety of commercial, governmental, and nonprofit organizations. Vavrinek, Trine, Day & Co., LLP is a large regional Firm whose headquarters are located in Rancho Cucamonga, California. We currently have 30 partners with a total staff of approximately 200, including well over 125 professionals. Our audit and consulting practices provide a year-round client base for VTD. The team we are proposing to perform the audit has been selected because of their respective expertise in providing audit services.

Audit Services Proposal

Industry Expertise

Vavrinek, Trine, Day & Co., LLP has been providing services to local educational agencies for over 60 years. We perform audits of over 20 community colleges, 200 school districts, and several county offices of education and joint powers agencies each year as well as many other types of governmental agency audits such as cities and sanitary districts. We have experience working with college districts of all sizes from the smallest to some of the largest.

Our Pleasanton Office

Our Pleasanton office will have the primary responsibility of serving Foothill - De Anza Community College District. This will enable us to meet all of the service requirements within a timely and professional manner. Our Pleasanton office is comprised of four partners, four managers, and 14 supervisor, senior and staff level accountants. All staff that will be assigned to the audit will be VTD employees that collectively possess several years of college district audit experience. Our office in Pleasanton performs a variety of audit and accounting services including audit, review, compilation and other accounting services as well as tax and consulting services to a wide range of industries. However, our expertise is in audits of local educational agencies, including community colleges, school districts, county offices of education, and joint powers authorities. Approximately 70% of our time is dedicated to serving the local educational industry.

VTD
A solid 60 years of growth

Technical Knowledge and Training

We invest in our associates, as they are our most valued resource. Our staff has a unique blend of experience, technical knowledge, and management expertise that can only be found in a Firm that stresses continuing education in issues faced by our clients. We feel this is an important aspect of our practice that enables us to provide our clients with the highest quality product available. We provide our governmental auditors with not less than 32 hours of education specifically related to the audits of governmental agencies. This training is conducted in two phases, one in the spring and one in August. This allows us to concentrate on the specific issues that will arise during the two phases of the audit. The spring session concentrates on gaining an understanding and documenting the internal controls of the district, state compliance issues and federal single audit compliance issues. The training session in August concentrates on auditing the various account balances and addresses issues related to the financial statements and note disclosures.

Quality Control

VTD
A large regional firm

Vavrinek, Trine, Day & Co., LLP maintains a system of quality control in compliance with governmental audit standards. Our most recent Peer Review Opinion can be found in the Appendix. Foothill - De Anza Community College District can be assured that our accounting and audit practice has been subjected to review in accordance with requirements of the AICPA SEC Practice section and we do not have a record of substandard work. We meet all specific requirements imposed by state and local laws and regulations in regards to community college district auditing and follow all American Institute of Certified Public Accountants independence rules.

VTD
Our staff sets us apart from our competition

D. PARTNER, SUPERVISORY AND STAFF QUALIFICATIONS

The Managerial staff for the proposed audit services will include (but not be limited to) the following:

- Terri Montgomery, CPA — Engagement Partner
- Xiupin Guillaume, CPA — Review Partner
- Kirsten Moore, CPA — Engagement Manager

We will also provide accounting services at the senior and staff level, as appropriate, and other partners will be involved in the review process.

The Vavrinek Trine Day & Co., LLP audit team has been selected to meet all of your expectations. The team has worked together on numerous financial audits and will provide the level of service, which is deserved by Foothill - De Anza Community College District. We feel the technical qualifications of the personnel selected for this audit and the qualifications of the Firm allow us to provide a comprehensive audit of the highest quality.

Engagement Partner: Ms. Montgomery, CPA has been with Vavrinek, Trine, Day & Co., LLP for over 12 years. Ms. Montgomery has over 20 years experience serving a variety of companies, government agencies, and nonprofit organizations. Ms. Montgomery has extensive experience in auditing and accounting issues related to local educational agencies, having served this industry for the past 12 years. In the past year, Ms. Montgomery was in charge of 5 community colleges, 5 school districts, and a number of nonprofit agencies. Ms. Montgomery is also a member of our college, school, tax practice, and quality control committees and the chair of our nonprofit committee. Ms. Montgomery will be in charge of coordinating all facets of the engagement and will be on-site during the fieldwork to supervise the audit.

Engagement Partner: Ms. Guillaume, CPA has been with Vavrinek, Trine, Day & Co., LLP for over 11 years. Ms. Guillaume has over 11 years experience serving a variety of companies, government agencies, and nonprofit organizations. Ms. Guillaume has extensive experience in auditing and accounting issues related to local educational agencies, having served this industry for the past 11 years. Ms. Guillaume is also a member of our college, school, and nonprofit committees. Ms. Guillaume will have the responsibility of reviewing the engagement and serving as a back up for Ms. Montgomery as needed. Ms. Guillaume will be available for questions, advice or other needs the District may have in the event Ms. Montgomery is not available

Engagement Manager Ms. Moore, CPA has been with Vavrinek, Trine, Day & Co., LLP for over 7 years. Ms. Moore has experience managing numerous financial audits throughout the years, including local educational agencies. In the past year, Ms. Ginder served as the in charge for several community colleges and school districts.

These individuals will serve as the primary contacts for the audit. The remainder of the audit team will consist of staff and senior level accountants as needed to assist with various aspects of the audit.

E. SPECIFIC AUDIT APPROACH

Scope of Audits and Additional Services

The District audit will be conducted 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 (which includes GASB and GAO standards) and the Standards specified in the California Community Colleges Contracted District Audit Manual. In addition, the audit will contemplate guidelines in the California Community Colleges Budget and Accounting Manual (BAM) and other industry guidance.

Pre-audit and Planning Phase – Audit Approach

Vavrinek, Trine, Day & Co., LLP will meet with Foothill - De Anza Community College District's key staff to plan out the audit services for the year. These meetings will discuss any significant issues and the proposed audit plan; we anticipate the timeline for this meeting to take place as soon as reasonably possible to ensure that all parties are aware of expectations and responsibilities. During this phase, we will:

- Identify the key personnel and contacts
- Identify Management's responsibility for the audit process
- Identify key areas for possible fraud and understanding the agency's methodology for identifying and preventing fraud from occurring
- Propose major areas of testing for interim fieldwork
- Plan and determine involvement of agency staff
- Develop audit programs for special areas of concern related to the operations of the agencies
- Finalize timeframes for fieldwork and report presentation

Interim Fieldwork – Audit Approach

We expect to commence our interim fieldwork at a mutually agreeable time to best meet the agency's needs. During this phase we will:

- Gain an understanding of the agency's financial reporting process, including use of information systems and related processing controls, and perform tests as needed. Our procedures will include interviewing personnel who perform the various functions, review of district prepared questionnaires and policies and procedures, and the examination of selected documents.
- Identify the flow of information and internal control involved in key processes such as cash management, disbursements, payroll and personnel, budgeting and information systems. The focus of the audit will be on the internal controls and the identification of possible fraudulent practices.
- Perform State compliance testing, including attendance accounting. Audit procedures performed will correspond to those outlined in the Chancellor's Office's Contracted Districts Audit Manual. Additional procedures if deemed necessary for other State Laws and Regulations that are considered material to the financial statements.
- Perform Federal compliance testing of major programs. Audit procedures will include the identification of the major programs to be tested as well as the applicable compliance items that are material to each of the major programs. In addition, we will obtain an understanding of the District's internal control over its compliance with the applicable federal laws and regulations related to the major programs, and document that understanding.
- Perform preliminary analysis of financial data.

This phase of the audit is typically conducted during the months of March, April, May or June for internal control and other interim work and June-August for financial aid work. These phases of work are estimated to be approximately 60% of the work performed.

Final Fieldwork – Audit Approach

We will commence our final fieldwork as soon as the agency has sufficiently closed their accounting records. During this phase, we will perform substantive audit procedures on the year-end balance sheet and revenue and expense accounts. In addition, we will review the GASB 34/35 conversion entries and management discussion and analysis prepared by the District and examine the underlying documentation used to support the amounts recorded. We will use a variety of audit procedures including outside confirmation, detailed testing of agency schedules, analytical review and observation.

This phase of the audit is typically conducted during the months of October or November. We estimate that this phase will be around 40% of the work performed.

We will review with you and your staff any changes in the audit requirements, or changes in disclosures or formatting of the actual audit report.

Exit Phase

During the audit process, we will meet with management to cover the following:

- Review of the annual audited financial statements
- Discuss workable solutions for potential findings
- Discuss improvements for subsequent years audit plan, and other areas

Although the exit phase involves a recap of the audit process we will be in constant communication throughout the year regarding the status of the audit.

Audit Completion and Report Delivery

The final report will be issued as soon as the District has had sufficient time to review the draft reports and will be completed no later than December 31st each year unless unforeseen circumstances are encountered, or the District records, including fixed asset schedules are not ready for the auditors by November 15th of each year. Reports will be delivered to the appropriate local educational agency, county office, Chancellor's Office, and Department of Education.

Audit Sample Selection

For purposes of tests of compliance, Vavrinek, Trine, Day & Co., LLP utilizes a variety of sampling techniques depending upon the nature of the item(s) being tested. Sampling methodology typically employed is non-statistical, however, may include statistical sampling under certain circumstances. The selection of the items to test may be determined through random-number sampling, systematic sampling, block sampling, haphazard sampling, or judgmental sampling.

F. Identification of Anticipated Potential Audit Problems

We do not anticipate any potential audit problems. Should we encounter any difficulties during the audit, we would bring them to the attention of the appropriate levels of management in order to address the issues in the most efficient and cost effective manner.

G. Additional Information

Vavrinek, Trine, Day & Co, LLP is dedicated to participation within the community college industry and is a frequent presenter at various community college seminars sponsored by the California Chancellors Office and others.

Appendix A:

Resumes

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

Vavrinek, Trine, Day & Co., LLP

TERRI MONTGOMERY, CPA
Partner

Firm Position	Partner – Pleasanton Office Vavrinek, Trine, Day & Co., LLP
Length of Service	November 1991 to Present
Experience	Managed numerous audit engagements for community colleges, school districts, nonprofit, financial and commercial entities. Responsible for engagements involving a variety of state and federal compliance procedures. Review and preparation of tax returns for nonprofit organization, estates and trusts, individual and commercial entities. Regularly attends accounting courses sponsored by the AICPA and CalCPA and complies with continuing education requirements for governmental auditing. Four years previous accounting experience with a local tax CPA firm.
Professional Affiliations	American Institute of Certified Public Accountants California Society of Certified Public Accountants
Education	Graduate of California State University, Hayward - May 1988 Masters, Business Administration - Taxation Option California State University, Hayward - 1995

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

Vavrinek, Trine, Day & Co., LLP

XIUPIN Y. GUILLAUME, CPA
Partner

Firm Position	Partner Vavrinek, Trine, Day & Co., LLP Certified Public Accountants
Length of Service	April 1997 to Present
Experience	Managed numerous audit engagements for community colleges, school districts, nonprofits, financial and commercial entities. Responsible for engagements involving a variety of state and federal compliance procedures.
Education	Bachelor of Science - Accounting - 1995 California State University, Hayward
Continuing Education	Numerous in-house training sessions on various governmental agencies. Attend various continuing education courses which meet requirements of AICPA-SECPS, California State Society of C.P.A.'s and General Accounting Office-Government Auditing Standards.

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

Vavrinek, Trine, Day & Co., LLP

KIRSTEN MOORE, CPA
Manager

Firm Position	Manager Vavrinek, Trine, Day & Co., LLP, C.P.A.'s
Length of Service	Seven years
Experience	Audited a diverse group of clients, including community colleges, school districts, County Office of Educations, Counties, cities, towns, joint powers authorities, commercial businesses, nonprofit organizations, and special governmental sectors. Over eight years of public accounting experience which includes in-charge duties on numerous audits. Has participated in and attended numerous in-house training programs encompassing all areas of an accounting practice.
Education	Bachelor of Science – International Business – 1994 San Diego University, San Diego, California
Continuing Education	Attend various continuing education courses which meet requirements of AICPA-SECPS, California State Society of C.P.A.'s and General Accounting Office-Government Auditing Standards.

Appendix B:

Cost, Audit, Hours, and Hourly Rates

FOOTHILL - DE ANZA COMMUNITY COLLEGE DISTRICT

APPENDIX B
COSTS, AUDIT HOURS AND HOURLY RATES

Foothill - De Anza Community College District
Appendix B - Costs

Fees	6/30/2011	6/30/2012	6/30/2013	6/30/2014	6/30/2015
District Audit	$ 120,000	$ 122,400	$ 124,800	$ 127,250	$ 129,750
Bond Performance Report	6,000	6,100	6,200	6,300	6,400
Bond Financial Report	4,000	4,050	4,100	4,150	4,200
Foothill-DeAnza Community College Foundation Audit	12,500	12,750	13,000	13,250	13,500
College Foundation Tax Returns	750	750	750	750	750
California History Center Foundation Audit	8,500	8,650	8,800	8,950	9,100
California History Center Foundation Tax Returns	750	750	750	750	750
Total Maximum Fee for above audits	$ 152,500	$ 155,450	$ 158,400	$ 161,400	$ 164,450

Foothill - De Anza Community College District
Appendix B - Audit Hours and Hourly Rates

District Audit Services	Hours	Hourly Rates	Total
Partners	80	$ 250	$ 20,000
Manager/Supervisor	200	185	37,000
Senior Accountant	176	130	22,880
Staff Accountant	448	100	44,800
Clerical	8	95	760
Total estimated hours for District audit	912		$ 125,440
Reimbursable expenses			Included
Other: professional discount			(5,440)
Total for District Audit			$ 120,000

Appendix C:

References

FOOTHILL - DE ANZA COMMUNITY COLLEGE DISTRICT

APPENDIX C
LIST OF REFERENCES

The following is a partial list of community college agencies audited by our Pleasanton office in the last two years:

Contra Costa Community College District
Kindred Murillo, Vice Chancellor, Administrative Services
500 Court Street
Martinez, CA 94553
925-229-1000 ext. 1287

West Valley – Mission Community College District
Ed Maduli, Vice Chancellor, Administrative Services
14000 Fruitvale Avenue
Saratoga, CA 95070
408-741-2082

Cabrillo Community College District
Victoria Lewis, Vice Chancellor Business Services
6500 Soquel Drive
Aptos, CA 95003
831-479-6100 ext 6279

San Jose Evergreen Community College District
Jeanine Hawk, Vice Chancellor, Administrative Services
4750 San Felipe Road
San Jose, CA 95135
408-274-7400

San Mateo County Community College District
Jim Keller, Executive Vice Chancellor
3401 CSM Drive
San Mateo, CA 94402
650-358-6869

Additional Northern California Community Colleges served by this and other offices of VTD in recent years
Solano
Chabot Las Positas (through 2008)
San Francisco
Monterrey Peninsula
Peralta
San Joaquin Delta

Approximately 10-15 additional Community Colleges in Southern California

Appendix D:

Peer Review Letter

YANARI WATSON McGAUGHEY P.C.

DALE M. YANARI (19[illegible]-2004) ◆ RANDY S. WATSON ◆ G. LANCE McGAUGHEY

FINANCIAL CONSULTANTS/CERTIFIED PUBLIC ACCOUNTANTS

System Review Report

June 25, 2009

To the Partners of
Vavrinek, Trine, Day & Co., LLP
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Vavrinek, Trine, Day & Co., LLP (the firm) applicable to non-SEC issuers in effect for the year ended December 31, 2008. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under the *Government Auditing Standards*; audits of employee benefit plans, and audits performed under FDICIA.

In our opinion, the system of quality control for the accounting and auditing practice of Vavrinek, Trine, Day & Co., LLP applicable to non SEC issuers in effect for the year ended December 31, 2008, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Vavrinek, Trine, Day & Co., LLP has received a peer review rating of pass.

Yanari Watson McGaughey P.C.

Yanari Watson McGaughey P.C.

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AUDIT SERVICE

SAMPLE REPORTS

JUNE 30, 2010

PART II

January 3, 2011

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants and Consultants
5000 Hopyard Road, Suite 335
Pleasanton, California 94588

Partner Contact – Terri A. Montgomery 734-6600 Ext. 2209
Fax (925) 734-6611 Email: tmontgomery@vtdcpa.com

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

VALUE THE DIFFERENCE

To the Finance Committee
Of Contra Costa Community College District

We have audited the financial statements of the business-type activities, and the discretely presented component units, of Contra Costa Community College District for the year ended June 30, 2010. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 21, 2008. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practice

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Contra Costa Community College District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2010. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the business-type financial statements were.

Management's estimate of the liability for other post employment benefits is based on actuarial data. We evaluated the key factors and assumptions used to develop the actuarial data in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

5000 Hopyard Road, Suite 335 Pleasanton, CA 94588 Tel: 925.734.6600 Fax: 925.734.6611 www.vtdcpa.com

FRESNO • LAGUNA HILLS • PLEASANTON • RANCHO CUCAMONGA • PALO ALTO • SACRAMENTO

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representation

We have requested certain representations from management that are included in the management representation letter dated December 30, 2010.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Finance Committee, Governing Board and management of Contra Costa Community College District and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 30, 2010

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
SUMMARY OF UNCORRECTED AMOUNTS
JUNE 30, 2010

Entity-Wide						
			Financial Statements Effects			
Description of Audit Difference	Cause		Total Assets	Total Liabilities	Fund Balance	Net Income/Loss
Cash in County	Districts typically do not record the difference between Fair Market Value and Cost for County Cash funds. This is a difference on $122M of County Cash between GAAP and industry practice.		$ 226,657	$ -	$ -	$ 226,657
Local Agency Investment Fund (LAIF)	Districts typically do not record the difference between Fair Market Value and Cost for LAIF funds. This is a difference on $54M of LAIF between GAAP and industry practice.		89,131	-	-	89,131
Cash	Adjustments for 09/10 that are not recorded until 07/10		(114,748)	-	-	(114,748)
Capital Assets	Capital outlay equipment expenses recorded as repairs		(67,015)	-	-	(67,015)
Prepaid Assets	Advertising and marketing fee for July-Dec 2010 expensed in 09/10		(27,500)	-	-	(27,500)
		Total	$ 106,525	$ -	$ -	$ 106,525
		Financial Statement Caption Totals	515,858,753	327,489,062	188,369,691	(8,125,272)
		Net Audit Differences as % of F/S Captions	0.02%	0.00%	0.00%	-1.31%

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2010 AND 2009

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS
JUNE 30, 2010

FINANCIAL SECTION

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

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Contra Costa Community College District
Martinez, California

We have audited the accompanying basic financial statements of the business-type activities of Contra Costa Community College District (the District) as of and for the years ended June 30, 2010 and 2009, (and its discretely presented component unit as listed in the Table of Contents. These basic 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. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards.* 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 basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Contra Costa Community College District and its discretely presented component units as of June 30, 2010 and 2009, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2010, 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 our 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 is important for assessing the results of our audit.

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

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*, is presented for purposes of additional analysis and is 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, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Additional Supplementary Information as listed in the table of contents has been presented at the request of District management for purposes of additional analysis. 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.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 30, 2010

USING THIS ANNUAL REPORT

The purpose of this annual report is to provide readers with information about the activities programs and financial condition of the Contra Costa Community College District (the District) as of June 30, 2010. The report consists of three basic financial statements: the Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets, and Statement of Cash Flows and provides information about the District as a whole. This section of the annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2010. Please read it in conjunction with the District's financial statements, which immediately follow this section. Responsibility for the completeness and accuracy of this information rests with the District management.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Contra Costa Community College District's financial statements are presented in accordance with Governmental Accounting Standards Board Statements No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and No. 35, *Basic Financial Statements - and Management Discussion and Analysis - for Public College and Universities.* These statements allow for the presentation of financial activity and results of operations which focuses on the District as a whole. The entity-wide financial statements present the overall results of operations whereby all of the District's activities are consolidated into one total versus the traditional presentation by fund type. The focus of the Statement of Net Assets is designed to be similar to the bottom line results of the District. This statement combines and consolidates current financial resources with capital assets and long-term obligations. The Statement of Revenues, Expenses, and Changes in Net Assets focuses on the costs of the District's operational activities with revenues and expenses categorized as operating and nonoperating, and expenses are reported by natural classification. The Statement of Cash Flows provides an analysis of the sources and uses of cash within the operations of the District.

The California Community Colleges Chancellor's Office has recommended that all State community colleges follow the Business Type Activity (BTA) model for financial statement reporting purposes.

FINANCIAL HIGHLIGHTS

The District's primary funding source is general revenue comprised of local property taxes, student enrollment fees, and apportionment received from the State of California, based upon student attendance. A basic allocation established by State regulations plus an amount per full time equivalent student (FTES) is the primary basis of the total general revenue. In 2009-10, CCCCD received a basic allocation of $11,625,408 and FTES was funded at $4,565 per credit FTES and $2,745 per non-credit FTES, the same as in 2008-09.
The State's economic crisis had a multi-layered affect on community colleges. High unemployment rates resulted in increased enrollments at the same time that the State Budget was implementing severe cuts across all programs. CCCCD experienced an increase in resident FTES from 28,566 in 2008-09 to 32,246 in 2009-10. After adding back the 2,050 FTES borrowed in 2007-08 from summer 2008 for funding purposes, the District still reported an overall increase in resident FTES of over 5.3%. Unfortunately, funding for community colleges was reduced 3.34%, distributed by the State as a "workload" reduction, thereby capping the District's funding at 27,522 FTES. 2009-10 is the second consecutive year of no cost of living adjustment (COLA) for general revenue; additionally, the State was unable to fund any FTES growth.

While all employees received contractual step and column increases, no funding was available to augment salaries in the form of a cost of living adjustment. The District was able to absorb the 7.5% increase to employee health benefits at a cost of approximately $1.5 million. The District saw additional increases to employee benefit costs in form of rate increases for workers compensation, unemployment insurance and CalPERS retirement contributions.

During the 2009-2010 fiscal year, the District provided in excess of $28 million in financial aid to students attending classes at the three colleges. This aid was provided in the form of grants, scholarships, loans, and fee waivers funded through the Federal government, the State System Office, and local funding.

The District issued $73 million in general obligation bonds in March 2010 for construction and renovation projects and equipment throughout the District. This represents the second issuance of Measure A bonds approved in 2006 by the voters within the District's boundaries. The designated projects will be completed over the coming three to five years.

The District is continuing several construction and modernization projects at our three college campuses resulting in completed or in-progress building and improvements to sites of approximately $13 million in the 2009-2010 fiscal year. These projects are funded both through State construction revenues and through our voter approved general obligation bonds.

THE DISTRICT AS A WHOLE

Net Assets

Table 1

ASSETS	2010	2009	Change	2008	Change
Current Assets					
Cash and investments	$ 177,681,661	$ 115,278,093	$ 62,403,568	$ 132,892,668	$ (17,614,575)
Accounts receivable (net)	30,873,808	34,086,725	(3,212,917)	42,792,075	(8,705,350)
Other current assets	5,608,148	9,590,708	(3,982,560)	9,065,438	525,270
Total Current Assets	214,163,617	158,955,526	55,208,091	184,750,181	(25,794,655)
Other assets	26,226,151	25,929,533	296,618	25,155,185	774,348
Capital assets (net)	275,468,985	271,059,874	4,409,111	261,665,775	9,394,099
Total Assets	$ 515,858,753	$ 455,944,933	$ 59,913,820	$ 471,571,141	$ (15,626,208)
LIABILITIES					
Current Liabilities					
Accounts payable and accrued liabilities	34,591,512	30,505,386	4,086,126	35,059,512	(4,554,126)
Amounts held in trust for others [1]	-	1,631,352	(1,631,352)	9,746,556	(8,115,204)
Current portion of long-term debt	8,930,852	3,586,274	5,344,578	9,179,014	(5,592,740)
Total Current Liabilities	43,522,364	35,723,012	7,799,352	53,985,082	(18,262,070)
Long-term Debt	283,966,698	223,726,958	60,239,740	211,685,139	12,041,819
Total Liabilities	327,489,062	259,449,970	68,039,092	265,670,221	(6,220,251)
NET ASSETS					
Invested in capital assets	146,929,444	138,730,749	8,198,695	146,359,631	(7,628,882)
Restricted	25,724,666	18,630,553	7,094,113	19,274,457	(643,904)
Unrestricted	15,715,581	39,133,661	(23,418,080)	40,266,832	(1,133,171)
Total Net Assets	188,369,691	196,494,963	(8,125,272)	205,900,920	(9,405,957)
Total Liabilities and Net Assets	$ 515,858,753	$ 455,944,933	$ 59,913,820	$ 471,571,141	$ (15,626,208)

[1] The 2009-10 financial statement presentation has been changed to exclude fiduciary funds from the Statements of Net Assets – Primary Government, and to include those amounts on a separate Statement of Fiduciary Net Assets.

Cash and investments consist primarily of funds held in the Contra Costa County Treasury and the Local Agency Investment Fund (LAIF). The changes in our cash position are explained in the Statement of Cash Flows on pages 15 and 16.

Much of the unrestricted net assets have been designated by the Board or by contracts for such purposes as our required general reserve for ongoing financial health, commitments on contracts, other post employment benefits, and bookstore and cafeteria reserves.

Operating Results for the Year

The results of this year's operations for the District as a whole are reported in the *Statement of Revenues, Expenses, and Changes in Net Assets* on page 14.

Table 2

	2010	2009	Change	2008	Change
Operating Revenues					
Tuition and fees	$ 24,929,345	$ 21,074,951	$ 3,854,394	$ 19,098,420	$ 1,976,531
Auxiliary sales, charges and other	14,490,517	16,828,795	(2,338,278)	17,079,529	(250,734)
Total Operating Revenues	39,419,862	37,903,746	1,516,116	36,177,949	1,725,797
Operating Expenses					
Salaries and benefits [1]	164,004,497	181,924,813	(17,920,316)	178,671,045	3,253,768
Supplies and other expenses	68,510,796	67,345,926	1,164,870	41,218,103	26,127,823
Depreciation	9,800,292	8,797,042	1,003,250	7,351,811	1,445,231
Total Operating Expenses	242,315,585	258,067,781	(15,752,196)	227,240,959	30,826,822
Loss on Operations	(202,895,723)	(220,164,035)	17,268,312	(191,063,010)	(29,101,025)
Nonoperating Revenues					
State apportionments	67,963,777	68,800,023	(836,246)	66,840,628	1,959,395
Property taxes	85,766,697	84,283,816	1,482,881	90,518,413	(6,234,597)
State revenues [2]	24,576,399	27,487,658	(2,911,259)	29,803,076	(2,315,418)
Federal revenues [2]	32,533,611	20,001,260	12,532,351	15,075,124	4,926,136
Net interest expense	(5,293,765)	(556,755)	(4,737,010)	(581,281)	24,526
Other nonoperating revenues [1]	(14,634,696)	4,399,547	(19,034,243)	6,436,266	(2,036,719)
Total Nonoperating Revenue	190,912,023	204,415,549	(13,503,526)	208,092,226	(3,676,677)
Other Revenues					
State and local capital income	3,858,428	6,342,529	(2,484,101)	9,239,695	(2,897,166)
Net Increase in Net Assets	$ (8,125,272)	$ (9,405,957)	$ 1,280,685	$ 26,268,911	$ (35,674,868)

[1] During the 2009-2010 fiscal year, the District contributed $18,200,000 to an irrevocable trust for employee benefits. The prior year benefit expense amounts included increases for annual unfunded retirement costs, whereas, the current year unfunded change is significantly smaller than prior years due to the first time funding of this irrevocable trust.

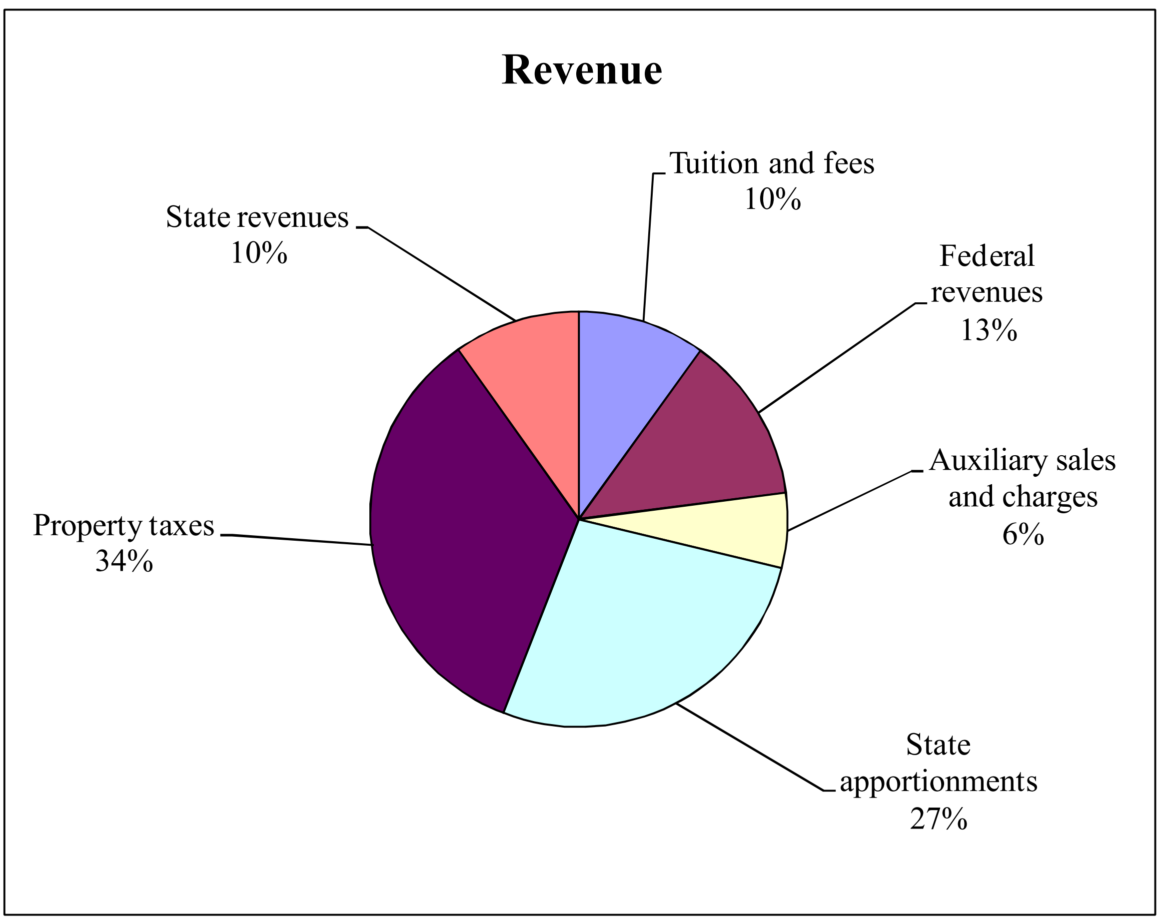
[2] During the 2009-2010 fiscal year, grant revenues were separated into Federal and State components for purposes of this analysis, thereby, creating classification differences in those two lines. When comparing these amounts to prior year amounts it would be more appropriate to consider the two amounts in total.

As previously stated, the District's primary funding comes from general revenue comprised of local property taxes, student enrollment fees, and State apportionment. In 2009-10, Contra Costa County's property revenue declined, as did most of the State. Any amount short of the State's budgeted target for property taxes is absorbed by the community college districts in the form of a "deficit factor." Enrollment fees for CCCCD show an increase reflective of the increased number of students served. As with property taxes, any statewide shortfall in collection of enrollment fees could result in a deficit factor shared by all districts. The District also experienced an increase in non-resident FTES, from 1,744 in 2008-09 to 2,019 FTES in 2009-10. Revenue from non-resident tuition is retained by the District.

Auxiliary revenue consists of bookstore and cafeteria net revenues, as well as information technology services provided to Contra Costa County Office of Education and certain K-12 school districts. The three college campuses each maintain their own bookstores and cafeterias to provide services to the students and faculty of the college. The operations are self-supporting and contribute to the student programs on each campus.

Federal and state revenues relate primarily to student financial aid as well as to specific Federal and State grants received for programs serving the students and programs of the District. These grant and program revenues are restricted as to the allowable expenses related to the programs.

Interest income of $2.9 million was off-set by interest expense of $8.3 million. Interest income is significantly down from prior years due primarily to large cash deferrals by the State (delays is distributing apportionment) and greatly reduced interest rates on pooled cash accounts and local agency investment funds (LAIF).



In accordance with requirements set forth by the California Community Colleges Chancellor's Office, the District reports operating expenses by object code. Operating expenses by functional classification are as follows:

Table 3

Year ended June 30, 2010:

	Salaries	Employee Benefits	Supplies, Material, and Other Expenses and Services	Depreciation	Total
Instructional activities	$ 66,356,998	$ 19,724,725	$ 2,742,318	$ -	$ 88,824,041
Academic support	10,696,333	2,581,259	1,158,628	-	14,436,220
Student services	12,492,510	3,115,160	2,960,603	-	18,568,273
Plant operations and maintenance	7,244,734	2,814,124	8,991,258	-	19,050,116
Instructional support services	15,069,917	8,512,212	5,807,499	-	29,389,628
Community services and economic development	1,459,779	336,702	347,643	-	2,144,124
Ancillary services and auxiliary operations	11,139,415	2,460,629	18,300,023	-	31,900,067
Student aid	-	-	28,202,824	-	28,202,824
Unallocated depreciation	-	-	-	9,800,292	9,800,292
Total	$ 124,459,686	$ 39,544,811	$ 68,510,796	$ 9,800,292	$ 242,315,585

Year ended June 30, 2009:

	Salaries	Employee Benefits	Supplies, Material, and Other Expenses and Services	Depreciation	Total
Instructional activities	$ 69,758,128	$ 32,454,387	$ 2,253,559	$ -	$ 104,466,074
Academic support	10,581,692	2,868,378	1,503,834	-	14,953,904
Student services	10,381,226	2,737,127	4,647,371	-	17,765,724
Plant operations and maintenance	6,431,982	2,416,850	7,767,075	-	16,615,907
Instructional support services	13,903,889	12,707,356	7,075,793	-	33,687,038
Community services and economic development	7,711,951	1,789,298	6,570,372	-	16,071,621
Ancillary services and auxiliary operations	6,270,914	1,911,635	19,434,752	-	27,617,301
Student aid	-	-	18,093,170	-	18,093,170
Unallocated depreciation	-	-	-	8,797,042	8,797,042
Total	$ 125,039,782	$ 56,885,031	$ 67,345,926	$ 8,797,042	$ 258,067,781

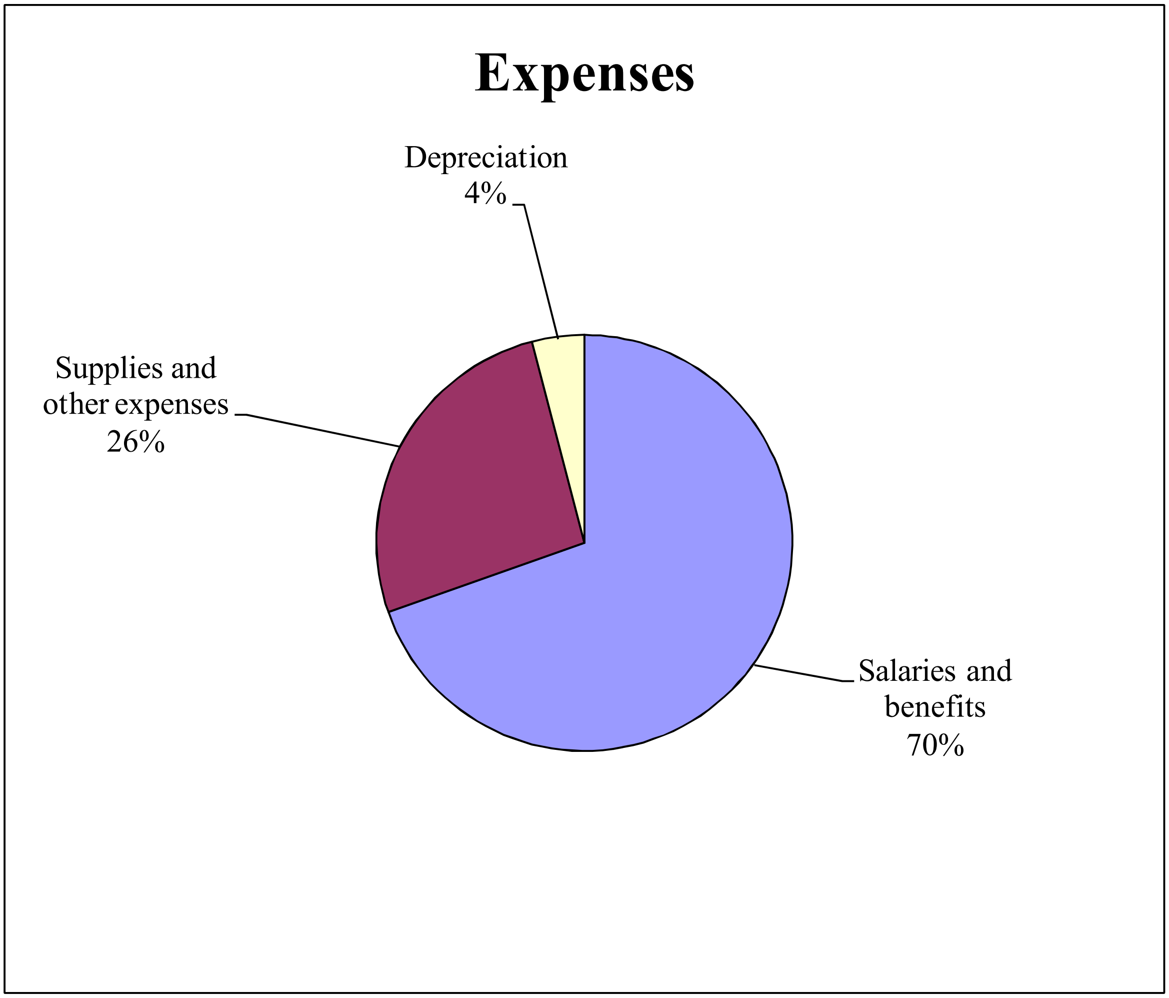


Table 4

Changes in Cash Position

	2010	2009	Change	2008	Change
Cash Provided by (Used in)					
Operating activities	$ (196,445,959)	$ (228,071,881)	$ 31,625,922	$ (156,113,620)	$ (71,958,261)
Noncapital financing activities	190,560,451	206,395,850	(15,835,399)	171,961,384	34,434,466
Capital financing activities	65,003,591	(554,520)	65,558,111	32,178,856	(32,733,376)
Investing activities	3,530,808	4,733,525	(1,202,717)	2,950,800	1,782,725
Net Increase (Decrease) in Cash	62,648,891	(17,497,026)	80,145,917	50,977,420	(68,474,446)
Cash, Beginning of Year	115,032,770	132,529,796	(17,497,026)	81,552,376	50,977,420
Cash, End of Year	$ 177,681,661	$ 115,032,770	$ 62,648,891	$ 132,529,796	$ (17,497,026)

The Statement of Cash Flows on pages 15 and 16 provides information about our cash receipts and payments during the year. This statement also assists users in assessing the District's ability to meet its obligations as they come due and its need for external financing. Our primary operating receipts are student tuition and fees and Federal, State, and local grants and contracts. The primary operating expense of the District is the payment of salaries and benefits to instructional and classified support staff.

While State apportionment revenues and property taxes are the primary source of noncapital related revenue, the GASB accounting standards require that this source of revenue is shown as nonoperating revenue as it comes from the general resources of the State and not from the primary users of the college's programs and services – our students. The District depends upon this funding to continue the current level of operations.

Cash Flows – Component Units

The prior year cash flow statement for Los Medanos College Foundation has been restated to reflect a change between classifications of long term CD accounts from cash to investments.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had $275.5 million in a broad range of capital assets, including land, buildings, and furniture and equipment. At June 30, 2009, our net capital assets were $271.1 million. The District is currently in the middle of a major capital improvement program with construction ongoing throughout the college campuses. These projects are primarily funded through our general obligation bonds resulting from voter-approved Measure A 2002 and Measure A+ 2006. These projects are accounted for within our Construction in Progress account until the project is completed at which time the cost of the buildings and/or improvements will be brought in to the depreciable Buildings and Improvement category.

Capital projects are continuing through the 2010-2011 fiscal year and beyond with primary funding through our general obligation bond.

Table 5

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Land and construction in progress	$ 57,167,258	$ 11,075,187	$ 33,191,160	$ 35,051,285
Buildings and improvements	273,341,803	34,675,706	1,889	308,015,620
Furniture and equipment	46,781,094	2,119,775	1,908,610	46,992,259
Subtotal	377,290,155	47,870,668	35,101,659	390,059,164
Accumulated depreciation	(106,230,281)	(9,569,211)	(1,209,313)	(114,590,179)
	$ 271,059,874	$ 38,301,457	$ 33,892,346	$ 275,468,985

Obligations

At the end of the 2009-2010 fiscal year, the District had $246 million in general obligation bonds outstanding. These bonds are repaid annually in accordance with the obligation requirements through an increase in the assessed property taxes on property within the Contra Costa Community College District boundaries. Other obligations for the District includes Certificates of Participation issued to fund the student center and bookstore building project at Diablo Valley College and a Note Payable to fund energy retrofitting projects.

In addition to the above obligations, the District is obligated to employees of the District for vacation and load banking benefits, retiree benefits, and lease purchase agreements for equipment.

Table 6

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
General obligation bonds	$ 176,050,000	$ 73,000,000	$ 3,255,000	$ 245,795,000
COPs and notes payable	1,050,000	-	60,000	990,000
OPEB (retiree benefits)	33,983,409	13,533,900	18,627,642	28,889,667
Other liabilities	16,229,823	1,497,315	504,255	17,222,883
Total Long-Term Debt	$ 227,313,232	$ 88,031,215	$ 22,446,897	$ 292,897,550
Amount due within one year				$ 8,930,852

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The Governing Board adopted the final amendment to the budget for the 2009-2010 fiscal year on September 8, 2010.

Within the Unrestricted General Fund, operating costs have continually increased. The State Budget has not kept pace with the increased operating costs, primarily in health and welfare benefits, especially in regards to the need to recognize post retirement benefits. Contra Costa CCD has continued to set aside funding for this long-term liability and in 2008-2009 established an irrevocable trust that was funded with $9.1 million in July 2009. The District's Governing Board approved an additional contribution of $9.1 million in June 2010 for the 2009-10 fiscal year and approved quarterly contributions totaling $9.1 million to be made in 2010-11. All contributions to the irrevocable trust will be made from funds invested in a restricted reserve. The contribution amounts are included in non-operating revenues in Table 2. After making the 2010-11 contribution to the trust, the remaining reserve balance is estimated to be approximately $32 million.

ECONOMIC FACTORS AFFECTING THE FUTURE OF THE CONTRA COSTA COMMUNITY COLLEGE DISTRICT

The economic position of the District is closely tied to the State of California as general revenue allocated to the District represents the majority of the total unrestricted sources of revenues received within the General Fund. The 2010-11 enacted State Budget includes no revenue COLA, as the statutory adjustment was computed at negative 0.38%. Information released in November 2010 indicates that the enacted Budget is already in the red by over $6 billion dollars and an additional $19 billion in 2011-12. While the State Budget did include funding for enrollment growth, it is likely these funds will be used to close the current year state budget gap.

The 2009-10 State Budget passed down cuts to many State funded categorical programs that provide vital services to our students. To buffer the first year of these reductions, federal Fiscal Stabilization funds awarded through the American Recovery and Reinvestment Act (ARRA) were distributed to community colleges. CCCCD's share of the ARRA funds was over $900,000 in 2009-10; in 2010-11, the District received just over $100,000 of ARRA funds, and there is no expectation of any ARRA funds for this purpose in 2011-12. The colleges have made every effort to continue to provide services to the extent possible.

The District has conservatively positioned itself by maintaining reserves in excess of the five percent minimum established by Education Code and Title 5. The 2010-11 budget included a 5% contingency reserve plus a 5% Board Reserve. Under the District's new resource allocation model implemented in 2010-11, each college and the district office are also required to maintain a minimum 1% reserve. In the past few years, the District has utilized one-time funds to soften the impact of budget reductions. With the one-time funds now mostly depleted or designated for future purposes, the District and colleges have undertaken the task of right-sizing by reducing course sections and discretionary expenditures to more closely align revenues to expenditures. While employee layoffs have been minimal to date, with less than 10 full-time positions being eliminated, it is expected that an additional cost reductions may be forthcoming if revenues continue to be flat or decline. Enrollment management efforts are being implemented to constrain enrollment to our funded FTES levels.

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 show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Contra Costa Community College District, Finance Department, (925) 229-1000.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

STATEMENTS OF NET ASSETS – PRIMARY GOVERNMENT
JUNE 30, 2010 AND 2009

ASSETS	2010	2009
Current Assets		
Cash and cash equivalents	$ 56,117,827	$ 29,798,206
Investments	-	245,323
Restricted cash and cash equivalents	121,563,834	85,234,564
Accounts receivable, net	30,873,808	34,086,725
Due from fiduciary funds	98,960	-
Notes receivable - current portion	295,094	259,385
Prepaid expenses - current portion	2,320,156	6,746,301
Stores inventories	2,804,718	2,522,738
Deferred charges - current portion	89,220	62,284
Total Current Assets	214,163,617	158,955,526
Noncurrent Assets		
Investments - noncurrent portion	24,415,970	24,696,377
Deferred charges - noncurrent portion	1,810,181	1,233,156
Nondepreciable capital assets	35,051,285	57,167,258
Depreciable capital assets, net of depreciation	240,417,700	213,892,616
Total Noncurrent Assets	301,695,136	296,989,407
TOTAL ASSETS	515,858,753	455,944,933
LIABILITIES		
Current Liabilities		
Accounts payable	13,276,453	17,786,258
Interest payable	4,384,851	3,513,486
Claims payable	98,568	90,971
Due to fiduciary funds	9,386,120	-
Deferred revenue	7,445,520	9,114,671
Amounts held in trust custody on behalf of others	-	1,631,352
Notes payable - current portion	65,000	60,000
Bonds payable - current portion	8,700,000	3,255,000
Bond premiums - current portion	158,399	116,026
Lease obligations - current portion	7,453	155,248
Total Current Liabilities	43,522,364	35,723,012
Noncurrent Liabilities		
Compensated absences payable - noncurrent portion	13,904,508	14,112,822
Notes payable - noncurrent portion	925,000	990,000
Bonds payable - noncurrent portion	237,095,000	172,795,000
Bond premiums - noncurrent portion	3,142,271	1,845,727
Lease obligations - noncurrent portion	10,252	-
OPEB Liability	28,889,667	33,983,409
Total Noncurrent Liabilities	283,966,698	223,726,958
TOTAL LIABILITIES	327,489,062	259,449,970
NET ASSETS		
Invested in capital assets, net of related debt	146,929,444	138,730,749
Restricted for:		
Debt service	18,101,437	10,710,944
Capital projects	7,078,199	7,735,995
Educational programs	331,952	-
Other activities	213,078	183,614
Unrestricted	15,715,581	39,133,661
TOTAL NET ASSETS	$ 188,369,691	$ 196,494,963

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

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS – PRIMARY GOVERNMENT FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
OPERATING REVENUES		
Student Tuition and Fees	$ 32,948,032	$ 26,108,372
Less: Scholarship discount and allowance	(8,018,687)	(5,033,421)
Net tuition and fees	24,929,345	21,074,951
Auxiliary Enterprise Sales and Charges		
Bookstore	12,261,070	12,956,786
Cafeteria	1,048,718	1,094,183
Other enterprise	1,180,729	2,777,826
TOTAL OPERATING REVENUES	39,419,862	37,903,746
OPERATING EXPENSES		
Salaries	124,459,686	125,039,782
Employee benefits	39,544,811	56,885,031
Supplies and materials	4,645,115	5,718,114
Services and other operating costs	35,676,374	43,534,642
Student financial aid	28,189,307	18,093,170
Depreciation	9,800,292	8,797,042
TOTAL OPERATING EXPENSES	242,315,585	258,067,781
OPERATING LOSS	(202,895,723)	(220,164,035)
NONOPERATING REVENUES (EXPENSES)		
State apportionments, noncapital	67,963,777	68,800,023
Local property taxes, levied for general purposes	67,376,337	73,201,516
Taxes levied for other specific purposes	18,390,360	11,082,300
Federal revenues	32,533,611	20,001,260
State revenues, other	23,611,527	26,616,080
State taxes and other revenues	964,872	871,578
Investment income	2,887,561	4,435,528
Unrealized gains/losses	54,957	-
Interest expense on capital related debt	(8,261,368)	(5,045,193)
Investment income on capital asset-related debt, net	25,085	52,910
Transfer from agency fund	123,000	-
Transfer to agency funds	(19,431,167)	-
Other nonoperating revenue	4,673,471	4,399,547
TOTAL NONOPERATING REVENUES (EXPENSES)	190,912,023	204,415,549
INCOME BEFORE OTHER REVENUES AND EXPENSES	(11,983,700)	(15,748,486)
State revenues, capital	2,819,833	3,258,836
Local revenues, capital	1,038,595	3,083,693
TOTAL INCOME BEFORE OTHER REVENUES AND EXPENSES	3,858,428	6,342,529
CHANGE IN NET ASSETS	(8,125,272)	(9,405,957)
NET ASSETS, BEGINNING OF YEAR	196,494,963	205,900,920
NET ASSETS, END OF YEAR	$ 188,369,691	$ 196,494,963

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

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

STATEMENTS OF CASH FLOWS – PRIMARY GOVERNMENT
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 24,763,738	$ 20,273,217
Payments to vendors for supplies and services	(40,314,176)	(71,530,114)
Payments to or on behalf of employees	(164,617,948)	(163,228,229)
Payments to students for scholarships and grants	(28,189,307)	(18,093,170)
Auxiliary enterprise sales and charges	14,490,517	14,186,327
Other operating receipts (payments)	(2,578,783)	(9,679,912)
Net Cash Flows From Operating Activities	(196,445,959)	(228,071,881)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State apportionments	66,614,124	92,528,759
Property taxes - nondebt related	67,376,337	62,119,216
Federal grants and contracts	33,710,609	20,001,260
State grants and contracts	18,429,328	26,616,080
Local grants and contracts	4,274,355	4,006,271
Other nonoperating	155,698	1,124,264
Net Cash Flows From Noncapital Financing Activities	190,560,451	206,395,850
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of capital assets	(14,857,465)	(18,349,547)
Loss on disposal of capital assets	-	1,546,683
State revenue, capital projects	2,819,833	3,258,836
Local revenue, capital projects	1,038,595	1,550,689
Proceeds from sale of bonds	74,059,339	-
Deferred cost on issuance	(673,411)	11,573
Property taxes - related to capital debt	18,390,360	11,082,300
Net change in OPEB obligation	(5,093,742)	14,803,276
Principal paid on capital debt	(3,315,000)	(9,285,401)
Interest paid on capital debt	(7,390,003)	(5,225,839)
Interest received on capital asset-related debt	25,085	52,910
Net Cash Flows From Capital Financing Activities	65,003,591	(554,520)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	245,323	-
Purchase of investments	-	(343,560)
Interest received from investments	3,285,485	5,077,085
Net Cash Flows From Investing Activities	3,530,808	4,733,525
NET CHANGE IN CASH AND CASH EQUIVALENTS	62,648,891	(17,497,026)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	115,032,770	132,529,796
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 177,681,661	$ 115,032,770

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

STATEMENTS OF CASH FLOWS, - PRIMARY GOVERNMENT Continued
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Loss	$ (202,895,723)	$ (220,164,035)
Adjustments to Reconcile Operating Loss to Net Cash Flows from Operating Activities:		
Depreciation and amortization expense	9,800,292	8,797,042
Changes in Assets and Liabilities:		
Receivables	156,997	(331,215)
Stores inventories	(281,980)	(331,907)
Prepaid expenses	4,399,209	(173,232)
Accounts payable and accrued liabilities	(4,324,251)	1,571,808
Deferred revenue	(1,669,151)	(9,325,138)
Funds held for others	(1,631,352)	(8,115,204)
Total Adjustments	6,449,764	(7,907,846)
Net Cash Flows From Operating Activities	$ (196,445,959)	$ (228,071,881)
CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:		
Cash in banks	$ 1,873,687	$ 1,307,748
Cash in county treasury	121,962,365	21,186,516
Cash in LAIF	53,845,609	92,538,506
Total Cash and Cash Equivalents	$ 177,681,661	$ 115,032,770
NON CASH TRANSACTIONS		
On behalf payments for benefits	$ 2,711,901	$ 2,873,441

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

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

STATEMENTS OF FIDUCIARY NET ASSETS
JUNE 30, 2010 AND 2009

	2010		2009	
	Trust	Agency Funds	Trust	Agency Funds
ASSETS				
Cash and cash equivalents	$ 2,136,283	$ 1,847,463	$ 888,495	$ 1,519,240
Investments	9,764,442	-	-	-
Accounts receivable, net	9,616,516	88,632	895,261	996
Due from other funds	168,270	115,788	122,495	111,503
Prepaid expenses	-	-	37,613	-
Total Assets	21,685,511	$ 2,051,883	1,943,864	$ 1,631,739
LIABILITIES				
Overdrafts	2,251,800	$ -	-	$ -
Accounts payable	63,308	204,988	1,351,706	617
Due to other funds	7,673	89,224	39,224	44,992
Deferred revenue	3,877	-	3,877	-
Due to student groups	-	1,757,671	-	1,586,130
Total Liabilities	2,326,658	$ 2,051,883	1,394,807	$ 1,631,739
NET ASSETS				
Reserved	19,358,853		549,057	
Total Net Assets	$ 19,358,853		$ 549,057	

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

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

STATEMENTS CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010 AND 2009

	2010	2009
ADDITIONS	**Trust**	**Trust**
Federal revenues	$ 26,547,394	$ 16,599,267
State revenues	1,559,087	1,433,343
Local revenues	666,802	12,047
Total Additions	28,773,283	18,044,657
DEDUCTIONS		
Services and operating expenditures	57,006	55
Student financial aid	28,189,307	18,093,170
Total Deductions	28,246,313	18,093,225
OTHER FINANCING SOURCES (USES)		
Operating transfers in	18,282,826	60,560
Total Other Financing Sources (Uses)	18,282,826	60,560
Change in Net Assets	18,809,796	11,992
Net Assets - Beginning	549,057	537,065
Net Assets - Ending	$ 19,358,853	$ 549,057

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

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

DISCRETELY PRESENTED COMPONENT UNITS
CONTRA COSTA, DIABLO VALLEY, AND LOS MEDANOS FOUNDATIONS
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2010

	Contra Costa	Diablo Valley	Los Medanos	Total
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	$ 824,971	$ 833,834	$ 213,721	$ 1,872,526
Investments	1,204,063	1,996,955	630,790	3,831,808
Accounts receivable	-	650	-	650
Prepaid expenses	-	19,367	-	19,367
Total Current Assets	2,029,034	2,850,806	844,511	5,724,351
NONCURRENT ASSETS				
Equipment, net	-	-	941	941
Total Noncurrent Assets	-	-	941	941
TOTAL ASSETS	$ 2,029,034	$ 2,850,806	$ 845,452	$ 5,725,292
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	$ -	$ 13,020	$ -	$ 13,020
Deferred revenue	-	159,360	-	159,360
Funds held for others	259,279	-	184,892	444,171
TOTAL LIABILITIES	259,279	172,380	184,892	616,551
NET ASSETS				
Unrestricted	1,013,070	122,159	240,352	1,375,581
Temporarily restricted	213,327	1,449,512	420,208	2,083,047
Permanently restricted	543,358	1,106,755	-	1,650,113
Total Net Assets	1,769,755	2,678,426	660,560	5,108,741
Total Liabilities and Net Assets	$ 2,029,034	$ 2,850,806	$ 845,452	$ 5,725,292

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

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

DISCRETELY PRESENTED COMPONENT UNIT
CONTRA COSTA COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	2010 Total	2009 Total
REVENUES					
Donations	$ 140,469	$ 47,210	$ -	$ 187,679	$ 258,958
Program income	7,535	-	-	7,535	67,527
Event income, net of expenses	3,976	-	-	3,976	108,066
Investment income	24,786	30,554	-	55,340	34,385
Other income	(518)	-	-	(518)	(285)
Satisfaction of program restrictions	125,252	(125,252)	-	-	-
Total Revenues	301,500	(47,488)	-	254,012	468,651
EXPENSES					
Program services	255,097	-	-	255,097	279,631
Management and general	7,377	-	-	7,377	14,817
Fundraising	6,303	-	-	6,303	11,071
Total Expenses	268,777	-	-	268,777	305,519
CHANGE IN NET ASSETS	32,723	(47,488)	-	(14,765)	163,132
NET ASSETS, BEGINNING OF YEAR	980,347	260,815	543,358	1,784,520	1,621,388
NET ASSETS, END OF YEAR	$ 1,013,070	$ 213,327	$ 543,358	$ 1,769,755	$ 1,784,520

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

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

DISCRETELY PRESENTED COMPONENT UNIT
DIABLO VALLEY COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	2010 Total	2009 Total
REVENUES					
Donations	$ 67,208	$ 262,546	$ 10,000	$ 339,754	$ 300,663
District in kind support	418,377	-	-	418,377	332,462
Other in kind donations	2,564	-	-	2,564	4,478
Event income, net of expenses	66,370	-	-	66,370	86,152
Investment income (loss)	174,785	9,100	-	183,885	(287,187)
Other income	8	8,096	-	8,104	178
Satisfaction of program restrictions	309,117	(309,117)	-	-	-
Total Revenues	1,038,429	(29,375)	10,000	1,019,054	436,746
EXPENSES					
Program services	359,095	-	-	359,095	316,949
Management and general	342,642	-	-	342,642	270,136
Fundraising	134,151	-	-	134,151	147,228
Total Expenses	835,888	-	-	835,888	734,313
CHANGE IN NET ASSETS	202,541	(29,375)	10,000	183,166	(297,567)
NET ASSETS, BEGINNING OF YEAR	(80,382)	1,478,887	1,096,755	2,495,260	2,792,827
NET ASSETS, END OF YEAR	$ 122,159	$ 1,449,512	$ 1,106,755	$ 2,678,426	$ 2,495,260

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

DISCRETELY PRESENTED COMPONENT UNIT
LOS MEDANOS COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	2010 Total	2009 Total
REVENUES					
Donations	$ 9,171	$ 239,452	$ -	$ 248,623	$ 263,813
District in kind support	236,735	-	-	236,735	230,465
Other in kind donations	161,125			161,125	169,385
Event income, net of expenses	624	-	-	624	5,762
Interest income	7,359	1,514	-	8,873	20,382
Other income	140	-	-	140	44
Satisfaction of program restrictions	233,882	(203,882)	(30,000)	-	-
Total Revenues	649,036	37,084	(30,000)	656,120	689,851
EXPENSES					
Program services	517,971	-	-	517,971	935,992
Management and general	182,016	-	-	182,016	146,496
Total Expenses	699,987	-	-	699,987	1,082,488
CHANGE IN NET ASSETS	(50,951)	37,084	(30,000)	(43,867)	(392,637)
NET ASSETS, BEGINNING OF YEAR	291,303	383,124	30,000	704,427	1,097,064
NET ASSETS, END OF YEAR	$ 240,352	$ 420,208	$ -	$ 660,560	$ 704,427

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

DISCRETELY PRESENTED COMPONENT UNITS
CONTRA COSTA, DIABLO VALLEY AND LOS MEDANOS FOUNDATIONS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010

	Contra Costa	Diablo Valley	Los Medanos	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in Net Assets	$ (14,765)	$ 183,166	$ (43,867)	$ 124,534
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities				
Unrealized gain	-	(125,591)	-	(125,591)
Depreciation	-	516	1,585	2,101
Donated investments	-	(5,912)	-	(5,912)
Changes in Assets and Liabilities				
Accounts receivable	-	950	2,000	2,950
Prepaids assets	-	(1,221)	-	(1,221)
Accounts payable	-	6,967	-	6,967
Deferred revenue	-	31,860	-	31,860
Funds held for others	3,086	-	53,735	56,821
Net Cash Flows From Operating Activities	(11,679)	90,735	13,453	3,828
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	-	777,892	-	777,892
Purchase of investments	(126,000)	(834,606)	(210,403)	(1,171,009)
Interest received from investments	55,340	-	-	55,340
Net Cash Flows From Investing Activities	(70,660)	(56,714)	(210,403)	(337,777)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(82,339)	34,021	(196,950)	(245,268)
CASH AND CASH EQUIVALENTS, BEGINNING	907,310	799,813	410,671	2,117,794
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 824,971	$ 833,834	$ 213,721	$ 1,872,526
In kind donations	$ -	$ 407,232	$ 397,860	$ 805,092

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

NOTE 1 - ORGANIZATION

Financial Reporting Entity

The Contra Costa Community College District (the District) was established in 1948 and began operating in 1949 as a political subdivision of the State of California and provides educational services to residents of the surrounding area. The District operates under a locally elected six-member Governing Board 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 three colleges, Diablo Valley College located in Pleasant Hill, Contra Costa College located in San Pablo, and Los Medanos College located in Pittsburg. In addition, there are two satellite centers located within Contra Costa County, California. While the District is a political subdivision of the State of California, it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 39.

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

For financial reporting purposes, the financing corporation component unit has a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and thus is included in the financial statements of the District. The component unit, although a legally separate entity, is reported in the financial statements using the blended presentation method as if were part of the District's operations because the governing board of the component unit is essentially the same as the governing board of the District and because its purpose is to finance the construction of facilities to be used for the direct benefit of the District. The Financing Corporation's financial activity is presented in the financial statements in the Capital Project and the Debt Service Funds Certificates of participation issued by the Corporation are included as long-term liabilities in the government-wide financial statements. Individually-prepared financial statements are not prepared for the Financing Corporation.

The District also applies 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. The three components used to determine the presentation are: providing a "direct benefit", the "environment and ability to access/influence reporting", and the "significance" criterion.

The component units determined under GASB Statement No. 39, although legally separate tax-exempt entities, are reported in the financial statements using the discrete presentation method as the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the District; the District is entitled to, or has the ability to otherwise access a majority of the economic resources received or held by the separate organization; and the economic resources received from or held by an individual organization are significant to the District.

The discretely presented component units are as follows:

- Contra Costa, Diablo Valley and Los Medanos Foundations

  The Contra Costa, Diablo Valley, and Los Medanos Foundations (the Foundations) are legally separate, tax-exempt component units of the District. The Foundations act primarily as a fundraising organization to provide grants and scholarships to students and support to employees, programs, and departments of the District. The boards of the Foundations consist of community members, alumni, and other supporters of the Foundation. Although the District does not control the timing or amount of receipts from the Foundations, the majority of resources, or income thereon, that the Foundations holds and invests are restricted to the activities of the District by the donors. Because these restricted resources held by the Foundations can only be used by, or for the benefit of, the District, the Foundations are considered component units of the District. The Foundations are reported in separate financial statements because of the difference in its reporting model, as further described below.

  The Foundations are not-for-profit organization under Internal Revenue Code (IRS) Section 501(c)(3) that reports its financial results under Financial Accounting Standards Board (FASB) Statements. Most significant to the Foundations' 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 Foundations' financial information in the District's financial reporting entity for these differences; however, significant note disclosures to the Foundation's financial statements have been incorporated into the District's notes to the financial statements. The Contra Costa Foundation reports its activities on the cash basis.

  Financial statements for the Foundations can be obtained from the Foundations Business Offices at each of the colleges.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37 and No. 38. This presentation provides a comprehensive entity-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. 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 material intra-agency and intra-fund transactions have been eliminated.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are classified as operating revenues. These transactions are 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, operating revenues consist primarily of student fees and auxiliary activities through the bookstore and cafeteria.

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 are classified as nonoperating revenue. Federal and State grants received to provide direct grants to students are classified as nonoperating revenues because the District does not generally receive any direct benefit from the grants and are recognized in the fiscal year in which all eligibility requirements are satisfied. Eligibility requirements may include time and/or purpose requirements. Property tax revenue is recognized in the fiscal year received. State apportionment revenue is earned based upon criteria set forth from the Community Colleges Chancellor's Office and includes reporting of full-time equivalent student (FTES) attendance. The corresponding apportionment revenue is recognized in the period the FTES are generated.

Operating expenses are costs incurred to provide instructional services including support costs, auxiliary services, and depreciation of capital assets. All other expenses not meeting this definition are reported as nonoperating. Expenses are recorded on the accrual basis as they are incurred, when goods are received, or services are rendered.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America (US GAAP) as applicable to colleges and universities, as well as those prescribed by the California Community Colleges Chancellor's Office. The District reports are based on all applicable GASB pronouncements, as well as applicable FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. The District has not elected to apply FASB pronouncements after that date. When applicable, certain prior year amounts have been reclassified to conform to current year presentation. The budgetary and financial accounts of the District are maintained in accordance with the State Chancellor's Office's *Budget and Accounting Manual*.

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments,* and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities,* as amended by GASB Statements No. 37 and No. 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

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be unrestricted cash on hand, demand deposits, and short-term unrestricted investments with original maturities three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows. Restricted cash and cash equivalents represented balances restricted by external sources such as grants and contracts or specifically restricted for the repayment of capital debt.

Investments

Investments held at June 30, 2010 and 2009, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

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. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. This allowance is based upon management's estimates and analysis. The allowance was estimated at $1,326,000 as of June 30, 2010 and 2009.

Prepaid Expenses

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

Inventories

Inventories consist primarily of bookstore merchandise and cafeteria food and supplies held for resale to the students and faculty of the colleges. Inventories are stated at cost. The cafeteria fund uses the first-in, first-out method and the bookstore uses the retail method. The cost is recorded as an expense as the inventory is consumed.

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 $25,000 for building and land improvements and $1,000 for all other capital assets. 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 to buildings and land that significantly increase the value or extend the useful life of the asset 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 utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings 25 to 50 years; improvements 20 years; equipment 5 to 15 years, and vehicles 8 years.

Accrued Liabilities and Long-Term Obligations

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

Deferred Issuance Costs, Premiums, and Discounts

In the entity-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable, business-type activities, or statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method.

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the entity-wide financial statements. The amounts have been recorded in the fund from which the employees, who have accumulated the leave, are paid. The District also participates in "load-banking" with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period.

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. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full time.

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.

Net Assets

GASB Statements No. 34 and No. 35 report equity as "Net Assets." Net assets are classified according to imposed 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 - Nonexpendable: Net assets whose use by the District has been externally restricted in perpetuity such as Endowment funds where future investment earnings may be used for the donor stipulated purpose. The District has no nonexpendable net 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. Net assets may be restricted for capital projects, debt repayment, and/or educational programs.

None of the District's restricted net assets have resulted from enabling legislation adopted by the District.

Unrestricted: Net assets that are not subject to externally imposed constraints. Unrestricted net assets may be designated for specific purposes by action of the Governing Board 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.

State Apportionments

Certain current year apportionments from the State are based on financial and statistical information of the previous year. Any corrections due to the recalculation of the apportionment are made in February of the subsequent year. When known and measurable, these reclassifications and corrections are accrued in the year in which the FTES are generated.

On-Behalf Payments

GASB Statement No. 24 requires direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees for another legally separate entity be recognized as revenues and expenditures by the employer entity. The State of California makes direct on-behalf payments to the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) on behalf of all community colleges in California. The amounts of on-behalf payments were $2,963,675 and $0 for CalSTRS and CalPERS, respectively.

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 Taxes

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 Contra Costa bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

The voters of the District passed General Obligation Bonds in 2002 and 2006 for the acquisition, construction, and remodeling of District capital assets. As a result of the passage of the Bond, property taxes are assessed on the property within the District specifically for the repayment of the debt incurred. The taxes are billed and collected as noted above and remitted to the District when collected.

Scholarship Discounts and Allowances

Student tuition and fee revenue is reported net of scholarship discounts and allowances in the Statement of Revenues, Expenditures, and Changes in Net Assets. Scholarship discounts and allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payments on the students' behalf. To the extent that fee waivers and discounts have been used to satisfy tuition and fee charges, the District has recorded a scholarship discount and allowance.

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. 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 years ended June 30, 2010 and 2009, the District distributed $1,604,386 and $1,250,672 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 Expenditures of Federal Awards.

Interfund Activity

Interfund transfers and interfund receivables and payables are eliminated during the consolidation process in the entity-wide financial statements.

Foundation Presentation

The Contra Costa, Diablo Valley, and Los Medanos Foundation's present its financial statements in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by the statement, the Foundation does not use fund accounting.

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.

Revenues and expenses are recorded when incurred in accordance with the accrual basis of accounting. 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.

Financial assets (Investments) are reported at fair value in accordance with SFAS No. 157.

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

New Accounting Pronouncements

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Classifications*. The objectives of this Statements is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this Statement are effective for the financial statements for periods beginning after June 15, 2010. The District does not anticipate a significant impact in reporting as a result of this Statement as fund financial information is not reported.

Comparative Financial Information

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

NOTE 3 – DEPOSITS AND INVESTMENTS

Policies and Practices

The District is authorized under California Government Code or the Entity's investment policy if different 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.

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 accompanying 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.

Investment in the State Investment Pool - The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California government code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, 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	30%	None
U.S. Treasury Obligations	5 years	100%	None
U.S. Agency Securities	5 years	75%	None
Commercial Paper	270 days	30%	10%
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	50%	None

Summary of Deposits and Investments

Deposits and investments as of June 30, 2010, consist of the following:

Cash on hand and in banks	$ 1,700,317
Cash in revolving	173,370
Investments	200,223,944
Total Deposits and Investments	$ 202,097,631
Cash and cash equivalents - current	$ 15,541,127
Cash and cash equivalents - restricted	162,140,534
Total Cash and cash equivalents	177,681,661
Investments - noncurrent	24,415,970
Total Investments	24,415,970
Total Deposits and Investments	$ 202,097,631

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 investing in the County pool and LAIF and 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.

Segmented Time Distribution

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

Investment Type	Fair Value	12 Months or Less	More than 12 Months
U.S. Treasuries	$ 2,777,027	$ 1,690,932	$ 1,086,095
Federal Agency Bonds	13,141,368	855,000	12,286,368
Municipal Bonds	1,034,230	34,230	1,000,000
Corporate Notes	6,008,410	286,410	5,722,000
Mortgage Backed Securities	1,454,935	39,935	1,415,000
County Pool	121,962,365	121,962,365	-
State Investment Pool	53,845,609	53,845,609	-
Total	$ 200,223,944	$ 178,714,481	$ 21,509,463

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the County pool and LAIF are not required to be rated, nor have they been rated as of June 30, 2010.

Investment Type	Fair Value	Minimum Legal Rating	Rating as of Year End AAA	AA+	AA	AA-	A+	Unrated
U.S. Treasuries	$ 2,777,027	n/a	$ -	$ -	$ -	$ -	$ -	$ 2,777,027
Federal Agency Bonds	13,141,368	n/a	13,141,368	-	-	-	-	-
Municipal Bonds	1,034,230	A	-	-	1,034,230	-	-	-
Corporate Notes	6,008,410	A	-	1,011,104	1,075,760	2,875,621	1,045,925	-
Mortgage Backed Securities	1,454,935	A	1,454,935	-	-	-	-	-
County Pool	121,962,365	n/a	-	-	-	-	-	121,962,365
State Investment Pool	53,845,609	n/a	-	-	-	-	-	53,845,609
Total	$ 200,223,944		$ 14,596,303	$ 1,011,104	$ 2,109,990	$ 2,875,621	$ 1,045,925	$ 178,585,001

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the stipulated by the California Government code. The District investments (other than U.S Treasuries, mutual funds and external investment pools, which are exempt from this disclosure) in any one issuer that represent five percent or more of the total investments was approximately $2.1 million issued by Wells Fargo and Company.

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. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2010, the District's bank balance of approximately $3 million 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 4 - ACCOUNTS RECEIVABLE

Receivables for the District consisted primarily of intergovernmental grants, entitlements, interest, and other local sources.

The accounts receivable are as follows:

	2010	2009
Federal Government		
Categorical aid	$ 1,235,508	$ 2,411,467
State Government		
Apportionment	17,616,391	16,266,738
Categorical aid	4,380,077	814,173
Lottery	1,377,494	1,727,287
Local Sources		
Interest	310,648	511,613
Other local sources	3,915,779	11,179,147
Total, excluding student receivables	28,835,897	32,910,425
Student receivables	3,364,447	2,502,826
Less allowance for bad debt	(1,326,536)	(1,326,526)
Student receivables, net	2,037,911	1,176,300
Total	$ 30,873,808	$ 34,086,725

Discretely Presented Component Unit

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

NOTE 5 - PREPAID EXPENSES AND OTHER ASSETS

The District has prepaid health insurance costs for periods after June 30, 2010.

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2010, was as follows:

2010	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	$ 13,651,216	$ -	$ -	$ 13,651,216
Construction in progress	43,516,042	11,075,187	33,191,160	21,400,069
Total Capital Assets Not Being Depreciated	57,167,258	11,075,187	33,191,160	35,051,285
Capital Assets Being Depreciated				
Land improvements	16,952,148	33,339,522	1,889	50,289,781
Buildings and improvements	256,389,655	1,336,184	-	257,725,839
Furniture and equipment	46,781,094	2,119,775	1,908,610	46,992,259
Total Capital Assets Being Depreciated	320,122,897	36,795,481	1,910,499	355,007,879
Total Capital Assets	377,290,155	47,870,668	35,101,659	390,059,164
Less Accumulated Depreciation				
Land improvements	14,413,269	1,323,919	1,889	15,735,299
Buildings and improvements	57,170,982	5,038,537	-	62,209,519
Furniture and equipment	34,646,030	3,206,755	1,207,424	36,645,361
Total Accumulated Depreciation	106,230,281	9,569,211	1,209,313	114,590,179
Net Capital Assets Being Depreciated	213,892,616	27,226,270	701,186	240,417,700
Net Capital Assets	$ 271,059,874	$ 38,301,457	$ 33,892,346	$ 275,468,985

Depreciation expense for the year was $9,569,211.

Capital asset activity for the District for the fiscal year ended June 30, 2009, was as follows:

2009	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	$ 13,651,216	$ -	$ -	$ 13,651,216
Construction in progress	34,834,745	15,852,478	7,171,181	43,516,042
Total Capital Assets Not Being Depreciated	48,485,961	15,852,478	7,171,181	57,167,258
Capital Assets Being Depreciated				
Land improvements	16,952,148	-	-	16,952,148
Buildings and improvements	249,579,141	6,856,042	45,528	256,389,655
Furniture and equipment	44,161,755	2,667,481	48,142	46,781,094
Total Capital Assets Being Depreciated	310,693,044	9,523,523	93,670	320,122,897
Total Capital Assets	359,179,005	25,376,001	7,264,851	377,290,155
Less Accumulated Depreciation				
Land improvements	14,200,464	212,805	-	14,413,269
Buildings and improvements	52,266,090	4,937,672	32,780	57,170,982
Furniture and equipment	31,046,676	3,646,565	47,211	34,646,030
Total Accumulated Depreciation	97,513,230	8,797,042	79,991	106,230,281
Net Capital Assets Being Depreciated	213,179,814	726,481	13,679	213,892,616
Net Capital Assets	$ 261,665,775	$ 16,578,959	$ 7,184,860	$ 271,059,874

Depreciation expense for the year was $8,797,042.

Discretely Presented Component Unit

All of the Foundations' capital assets are equipment purchases. At June 30, 2010, total equipment and accumulated depreciation were $7,371 and $6,430, respectively. Depreciation expense as of June 30, 2010 was $2,101.

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	2010	2009
Accrued payroll	$ 9,043,013	$ 9,656,464
Claims payable	98,568	90,971
Construction	2,552,880	2,639,866
Vendors	1,680,560	5,398,957
Total	$ 13,375,021	$ 17,786,258

NOTE 8 - DEFERRED REVENUE

Deferred revenue consisted of the following:

	2010	2009
Federal financial assistance	$ 1,039	$ -
State categorical aid	2,858,021	4,825,109
Enrollment and other student fees	4,265,353	3,569,339
Other local	321,107	720,223
Total	$ 7,445,520	$ 9,114,671

NOTE 9 - INTERFUND TRANSACTIONS

Interfund Receivables and Payables (Due To/Due From)

Balances owing between funds at year-end were for interfund balances at June 30, 2010 and 2009, have been eliminated in the consolidation process.

Interfund Operating Transfers

Operating transfers between funds of the District 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 restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers between funds of the District have been eliminated in the consolidation process.

	Transfers From						
Transfers To	General Unrestricted Fund	General Restricted Fund	Capital Outlay Project Fund	Bookstore Fund	Internal Service Fund	Fiduciary Fund	Total
General Unrestricted Fund	$ -	$ 5,867	$ 74,299	$ 53,544	$ -	$ -	$ 133,710
Other Special Revenue Fund	-	-	-	-	-	123,000	123,000
Capital Outlay Projects Fund	325,132	-	-	-	-	-	325,132
Cafeteria Fund	62,911	-	-		-	-	62,911
Bookstore Fund	389,753	-	-	-	-	-	389,753
Self Insurance Fund	100,000	-	-		-	-	100,000
Retiree Benefits Fund	1,000,000	-	-		-	-	1,000,000
Fiduciary Funds	41,124	44,591	-	-	19,270,452	-	19,356,167
Total	$ 1,918,920	$ 50,458	$ 74,299	$ 53,544	$19,270,452	$ 123,000	$21,490,673

The General Unrestricted Fund transferred to the Capital Outlay Projects Fund for locally funded projects.	$ 325,132
The General Unrestricted Fund transferred to the Cafeteria Fund to cover multi year operating losses.	62,911
The General Unrestricted Fund transferred to the Bookstore Fund to cover multi year operating losses.	389,753
The General Unrestricted Fund transferred to the Self Insurance Fund for funding self insurance retention.	100,000
The General Unrestricted Fund transferred to the Retiree Benefits Fund for funding retiree benefits reserve.	1,000,000
The General Unrestricted Fund transferred to the Fiduciary Funds for return to Title IV obligations.	41,124
The General Restricted Fund transferred to the General Unrestricted Fund for reimbursement of grant indirect costs.	5,867
The General Restricted Fund transferred to the Fiduciary Funds for redesignating FWS to FSEOG.	44,591
The Capital Outlay Project Fund transferred to the General Unrestricted Fund for unspent DVC signage project.	74,299
The Bookstore Fund transferred to the General Unrestricted Fund for support of operating fund from profits.	53,544
The Internal Service Fund transferred to the Fiduciary Funds for funding irrevocable OPEB trust.	19,270,452
The Fiduciary Funds transferred to the Other Special Revenue Fund for annual repayment of COPS.	123,000
Total	$21,490,673

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2010 fiscal year consisted of the following:

	Balance Beginning of Year	Additions/ Adjustment	Deductions	Balance End of Year	Due in One Year
Bonds and Notes Payable					
General obligation bonds	$ 176,050,000	$ 73,000,000	$ 3,255,000	$ 245,795,000	$ 8,700,000
Certificates of participation	1,050,000	-	60,000	990,000	65,000
Debt premium, net	1,961,753	1,497,315	158,399	3,300,669	158,399
Total Bonds and Notes Payable	179,061,753	74,497,315	3,473,399	250,085,669	8,923,399
Other Liabilities					
Compensated absences	14,112,822	-	208,314	13,904,508	-
Capital leases	155,248	-	137,542	17,706	7,453
Net OPEB obligation	33,983,409	13,533,900	18,627,642	28,889,667	-
Total Other Liabilities	48,251,479	13,533,900	18,973,498	42,811,881	7,453
Total Long-Term Debt	$ 227,313,232	$ 88,031,215	$ 22,446,897	$ 292,897,550	$ 8,930,852

The changes in the District's long-term obligations during the 2009 fiscal year consisted of the following:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
Bonds and Notes Payable					
General obligation bonds	$ 184,890,000	$ -	$ 8,840,000	$ 176,050,000	$ 3,255,000
Certificates of participation	1,110,000	-	60,000	1,050,000	60,000
Debt premium, net	1,713,829	363,950	116,026	1,961,753	116,026
Total Bonds and Notes Payable	187,713,829	363,950	9,016,026	179,061,753	3,431,026
Other Liabilities					
Compensated absences	13,181,618	931,204	-	14,112,822	-
Capital leases	424,623	-	269,375	155,248	155,248
Net OPEB obligation	19,544,083	22,986,100	8,546,774	33,983,409	-
Total Other Liabilities	33,150,324	23,917,304	8,816,149	48,251,479	155,248
Total Long-Term Debt	$ 220,864,153	$ 24,281,254	$ 17,832,175	$ 227,313,232	$ 3,586,274

Payments on the Certificates of Participation are paid by the Debt Service Fund. Payments on the general obligation bonds are made by the bond interest and redemption fund with local property tax revenues. Payments on the capital leases are paid by the general fund. The compensated absences and OPEB obligations will be paid by the fund for which the employee worked.

Description of Bonds

On March 5, 2002, $120,000,000 in general obligation bonds were authorized by the voters under Proposition 39/Measure A in an election held within the Contra Costa Community College District. In July 2002, the District issued its first series in the amount of $50,000,000. The bonds require annual principal payments and semi-annual interest payments beginning August 2003 through August 2026. Annual interest rates range from 3.5% to 6.0%.

In August 2004, the District issued its second series in the amount of $45,000,000. The bonds require annual principal payments and semi-annual interest payments beginning February 2005 through August 2029. Annual interest rates range from 4.0% to 5.0%.

In May 2006, the District issued the third series in the amount of $25,000,000. The bonds require annual principal payments and semi-annual interest payments beginning February 2007 through August 2027. Annual interest rates range from 4.0% to 4.5%.

On June 6, 2006, $286,500,000 in general obligation bonds were authorized by the voters under Proposition 39/Measure A+ in an election held within the Contra Costa Community College District. In August 2007, the District issued its first series in the amount of $73,000,000. The bonds require annual principal payments and semi-annual interest payments beginning August 2008 through August 2028. Annual interest rates range from 4.0% to 5.0%.

In March 16, 2010, the District issued the second series in the amount of $73,000,000. The bonds require annual principal payments and semi-annual interest payments beginning February 2011 through August 2034. Annual interest rates range from 0.75% to 6.504%.

Debt Maturity

General Obligation Bonds

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2009	Issued	Redeemed	Bonds Outstanding June 30, 2010
6/11/2002	8/1/2026	3.5%-6%	$ 50,000,000	$ 43,500,000	$ -	$ 150,000	$ 43,350,000
8/11/2004	8/1/2029	4.0%-5.5%	45,000,000	42,800,000	-	950,000	41,850,000
4/25/2006	8/1/2030	4.0%-4.5%	25,000,000	24,150,000	-	525,000	23,625,000
8/2/2007	8/1/2032	4.0%-5.0%	73,000,000	65,600,000	-	1,630,000	63,970,000
3/16/2010	8/1/2034	0.75%-6.504%	73,000,000	-	73,000,000	-	73,000,000
				$ 176,050,000	$ 73,000,000	$ 3,255,000	$ 245,795,000

The bonds mature through 2035 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2011	$ 8,700,000	$ 11,256,607	$ 19,956,607
2012	9,155,000	11,617,634	20,772,634
2013	9,555,000	11,372,159	20,927,159
2014	4,530,000	11,224,934	15,754,934
2015	4,940,000	10,892,394	15,832,394
2016-2020	32,865,000	50,422,713	83,287,713
2021-2025	50,260,000	40,884,093	91,144,093
2026-2030	73,280,000	25,486,651	98,766,651
2031-2035	52,510,000	7,487,847	59,997,847
Total	$ 245,795,000	$ 180,645,032	$ 426,440,032

Certificates of Participation

In June 1996, the Financing Corporation issued $1,605,000 of Certificates of Participation (COPs), with effective interest rates ranging from 4.5% to 5.35% maturing through 2021. The COPs proceeds were used to fund various construction projects. The COPs mature as follows:

Year Ending June 30,	Principal	Interest	Total
2011	$ 65,000	$ 59,400	$ 124,400
2012	70,000	55,500	125,500
2013	75,000	51,300	126,300
2014	80,000	46,800	126,800
2015	85,000	42,000	127,000
2016-2020	500,000	127,500	627,500
2021	115,000	6,900	121,900
Total	$ 990,000	$ 389,400	$ 1,379,400

Capital Leases

The District has entered into various capital lease arrangements and has recorded capital assets in the amount of $2,166,463 with corresponding depreciation of $1,981,035, at June 30, 2010. The District's liability on lease agreements with option to purchase is summarized below:

Year Ending June 30,	Lease Payment
2011	$ 8,356
2012	5,712
2013	5,236
Total	19,304
Less: Amount Representing Interest	1,599
Present Value of Minimum Lease Payments	$ 17,705

NOTE 11 – POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATION

The District provides postemployment health care benefits for retired employees in accordance with negotiated contracts with the various bargaining units of the District.

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually through agreements between the District and the bargaining units.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the payments of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding costs) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually paid during the year, and changes in the District's net OPEB obligation:

Annual required contribution	$ 13,533,900
Interest on net OPEB obligation	1,565,400
Adjustment to annual required contribution	(1,993,042)
Annual OPEB cost (expense)	13,106,258
Contributions made	(18,200,000)
Increase in net OPEB obligation	(5,093,742)
Net OPEB obligation, beginning of year	33,983,409
Net OPEB obligation, end of year	$ 28,889,667

Funding Status and Funding Progress

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the past two/three years is as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Contributions	Percentage Contributed	Net OPEB Obligation
2009	$ 22,986,100	$ 8,546,774	37%	$ 33,983,409
2010	13,818,362	18,200,000	132%	28,889,667

Actuarial valuation of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, follow the notes to the financial statements, presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial values of assets, consistent with the long-term perspective of the calculations.

In the July1, 2008, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses), if the Plan is not being funded in an irrevocable employee benefit trust fund invested in a long-term fixed income portfolio. Healthcare cost trend rates ranged from an initial 7.5 percent to an ultimate rate of 12 percent. The cost trend rate used for the Dental and Vision Programs was 6.5 percent. The UAAL is being amortized at a level dollar method. The remaining amortization period at July 1, 2009, was 28 years. The actuarial value of assets was not determined in this actuarial valuation.

NOTE 12 - LEASE REVENUES

The District has property held for lease. Currently no significant long-term lease agreements have been entered into with various lessees for terms that exceed one year.

NOTE 13 - RISK MANAGEMENT

Insurance Coverages

The District is exposed to various risks of loss related to torts; theft of, damage to, and destructions of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year ending June 30, 2010, the District contracted with the Bay Area Community College District Joint Powers Authority for property and liability insurance coverage. Settled claims have not exceeded this coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

The District provides a cooperative program of self-insurance for workers' compensation for member districts. The District is self insured for individual worker's compensation claims less than $1,000,000, and is covered by insurance for individual claims exceeding such amounts to a Statutory maximum per claim. Each participant's individual claims performance dictates whether the participant will be required to contribute more to cover pooled insurance costs or derive dividends from pool savings. Participation in the JPA is limited to K-12 and community college districts that can meet the JPA's selection criteria.

Insurance Program / Company Name	Type of Coverage	Limits
Contra Costa Schools Insurance Group	Workers' Compensation	State Statutory Limit
Statewide Association of Community Colleges	Liability	$25,000,000 per occurance
Statewide Association of Community Colleges	Property	$250,000,000 per occurance

Employee Medical Benefits

The District has contracted with Kaiser, Healthnet, and Blue Cross to provide employee medical benefits. Rates are set through an annual calculation process. The District pays monthly contributions as applicable to each of these plans.

Claims Liabilities

The District establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2008 to June 30, 2010:

	Propery and Liability
Liability Balance, July 1, 2008	$ 159,630
Claims and changes in estimates	721,227
Claims payments	(789,886)
Liability Balance, June 30, 2009	90,971
Claims and changes in estimates	539,103
Claims payments	(531,506)
Liability Balance, June 30, 2010	$ 98,568
Assets Available to Pay Claims at June 30, 2010	$ 400,097

NOTE 14 - 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 California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

CalSTRS

Plan Description

The District contributes to CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, California 95826.

Funding Policy

Active members are required to contribute 8.0 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 CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2009-2010 was 8.25 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The District's total contributions to CalSTRS for the fiscal years ended June 30, 2010, 2009, and 2008, were $5,243,305, $5,253,436, and $5,110,375, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

The District contributes to the School Employer Pool under the CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. 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 95811.

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary (7.0 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 2009-2010 was 9.709 percent of annual payroll. The District's contributions to CalPERS for fiscal years ending June 30, 2010, 2009, and 2008, were $3,752,530, $3,530,999, and $3,476,364, respectively, and equaled 100 percent of the required contributions for each year.

Other

As established by Federal law, all public section employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use the Cash Balance Plan as its alternative plan. The Cash Balance Plan (CB Plan), is an alternative to the STRS contribution plan for instructors. Instructors who choose not to sign up for STRS or FICA may participate in the CB plan. The District contribution rate for the year ended June 30, 2010, was 4% of annual payroll. Contributions for the year ended June 30, 2010, were $376,935.

The District also provides a 403(b) Tax Deferred Annuity Plan (TDA), which is a defined contribution pension plan. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account. The District does not contribute to this plan.

On-Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS which amounted to $2,963,675, $2,873,441, for the years ended June 30, 2010, and 2009, respectively and were (4.267 percent) of salaries subject to CalSTRS. A contribution to CalPERS was not required for the years ended June 30, 2010 or, 2009. These amounts have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

Deferred Compensation

The District offers its employees a CalPERS administered 457 Deferred Compensation Program (the Program). The Program, available to all permanent employees, permits them to defer a portion of pre-tax salary into investment of an individual's own choosing until future years. The deferred compensation is not available to the employees or their beneficiaries until termination, retirement, death, or an unforeseeable emergency. The CalPERS Board controls the investment and administrative functions of the CalPERS 457 Deferred Compensation Program. The Board for the exclusive benefit of participating employees, which adds security, holds the assets in trust. The District does not contribute to this plan.

NOTE 17 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of the Contra Costa Schools Insurance Group and the Bay Area Community College District 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.

The District's share of year-end assets, liabilities, or fund equity has not been calculated.

During the year ended June 30, 2010, the District made payments of $1,926,625 and $1,027,551 to the Contra Costa Schools Insurance Group and the Bay Area Community College District JPA, respectively.

NOTE 15 - 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. 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, 2010.

Apportionment

The District conducted an internal investigation into an instructional service agreement and found deficiencies in the administration of some of the agreements. These were self reported to the State Chancellor's Office (Chancellor's Office), and subsequently the Chancellor's Office has requested the District conduct an internal compliance review of all instructional service agreements. The District will file a FTES Discrepancy report with the Chancellor's Office once any FTES that may be out of compliance are determined.

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, 2010.

Operating Leases

The District has entered into various operating leases for buildings and equipment 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,	Facility Leases
2011	$ 648,087
2012	130,499
Total	$ 778,586

Related Party Transactions

The District provides facilities, staff, and operational support to each of the three Foundations.

Supplementary Early Retirement Plan

The District implemented a retirement incentive plan (the Plan) during the year ended June 30, 2010. Eligible employees must have seven or more years of service with the District, be eligible to retire under the State Teachers Retirement System (CalSTRS) or California Public Employees' Retirement System (CalPERS), retire effective on or before July 1, 2010 and have applied for benefits under the Plan. The eligible employees receive health benefits based on an adjusted number of years of service and the benefit is funded through the payment of Other Post Employment Benefits (OPEB).

Construction Commitments

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

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
2006 Bond		
Diablo Valley		
Commons project	$ 1,034,795	Nov-12
Soccer field renovations	14,610	Mar-11
Los Medanos		
Student services remodel	1,186,933	Jun-13
Nursing building	150,514	Dec-11
Parking lot B extension	21,934	Oct-10
Brentwood new campus	224,401	Sep-17
Facilities master plan	4,295	To be determined
Contra Costa		
Athletic fields	3,950	Dec-10
New science building	1,348	To be determined
Total 2006 Bond	$ 2,642,780	
2002 Bond		
Diablo Valley		
Planeterium	$ 6,076	Jun-11
LHS Ceiling replacement	7,535	Aug-09
Parking island landscaping	4,150	Jun-11
Los Medanos		
Scence building	6,454	Jun-11
Core building remodel	52,490	Sep-10
Art area remodel	592,688	Nov-10
Contra Costa		
Roofing	8,813	Jul-10
Card access	20,487	Dec-10
Parking lot 16	6,302	Aug-10
Applied arts building	957,282	Nov-10
Student services center	16,600	To be determined
Music building	287,708	Dec-14
VA building	77,861	Sep-10
Parking lot repaving	12,869	Jul-10
College center design	3,400,845	Jan-14
Total All Projects	$ 5,458,160	

The projects are funded through a combination of general obligation bonds, certificates of participation, and capital project apportionments from the State Chancellor's Office.

Deferral of State Apportionments

The State legislature has not enacted a budget as of June 30, 2010. As a result, certain apportionments owed to the District for funding of FTES, categorical programs, and construction reimbursements which are attributable to the 2009-2010 fiscal year have been deferred to the 2010-2011 fiscal year. The total amount of funding deferred into the 2010-2011 fiscal year and received in July 2010 was $13,685,665. These deferrals of apportionment are considered permanent with future funding also being subject to deferral into future years.

REQUIRED SUPPLEMENTARY INFORMATION

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2010

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a] / c)
June 30, 2006	$ -	$ 335,136,700	$ 335,136,700	-	$ 65,849,200	509%
June 30, 2008	$ -	$ 262,768,400	$ 262,768,400	-	$ 70,661,000	372%

SUPPLEMENTARY INFORMATION

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION
JUNE 30, 2010

The Contra Costa Community College District was established in 1948, and is comprised of an area of approximately 686 square miles located in Contra Costa County. There were no changes in the boundaries of the District during the current year. The District's three colleges are each accredited by the Accrediting Commission for Community and Junior Colleges Western Association of Schools and Colleges.

BOARD OF TRUSTEES

MEMBER	OFFICE	TERM EXPIRES
Dr Anthony T. Gordon	President	2010
John T. Nejedly	Vice President	2010
Jess H. Reyes	Secretary	2012
Sheila A. Grilli	Member	2010
Tomi Van de Brooke	Member	2012
Brandon Amargo	Student Trustee	2011

ADMINISTRATION

Dr Helen Benjamin	Chancellor
Kindred Murillo	Vice Chancellor, District-Wide Administrative Services
Serena Muindi	Associate Vice Chancellor, Finance
Judy Breza	Director, Fiscal Services

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Expenditures
U.S. DEPARTMENT OF EDUCATION			
Title V, Hispanic Serving Institutions	84.031S	[1]	$ 662,080
TRIO - Talent Search	84.044	[1]	310,308
Bridges To The Future	84.116	[1]	42,262
Childcare Access Means Parents In School	84.335	[1]	48,841
Higher Educational Institutional Aid	84.031		-
ARRA - Workability	84.390A	[1]	35,248
Minority Science Improvement	84.120A		-
Atlas Grant	84.999	[1]	85,672
STUDENT FINANCIAL AID CLUSTER			
Federal Pell Grant Programs (PELL)	84.063	[1]	25,864,197
Federal Pell Administrative Allowance	84.063	[1]	38,260
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	[1]	463,707
Federal Family Education Loans (FFEL)	84.032	[1]	1,604,386
Federal College Work Study (FWS)	84.033	[1]	447,333
ARRA - Federal College Work Study (FWS)	84.033	[1]	43,365
Academic Competitiveness Grants (ACG)	84.375	[1]	219,490
PASS THROUGH FUNDS			
ARRA- State Fiscal Stabilization Fund	84.394	25008	900,634
Career Technical Education Act - Basic Grants To States (Perkins IV)	84.048	03303	1,130,680
Career Technical Education Act - Title II	84.051	[2]	203,250
Career Technical Education Act - Tech Prep Demonstration	84.051	[2]	141,054
Tech Prep Demonstration	84.051	03207	-
Total U.S. Department of Education			32,240,767
NATIONAL SCIENCE FOUNDATION			
National Science Foundation	47.076	03797	11,462
National Science Foundation - Minority Science & Environmental	47.075	03797	61,684
National Science Foundation STEM	47.076	03797	96,854
Total National Science Foundation			170,000

See accompanying note to supplementary information.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
PASS THROUGH FUNDS			
Foster Care - Title IV E - Foster Parent Training	93.658	10011	301,767
Foster Care - Title IV E - Foster Relative	93.658	10011	50,550
Temporary Assistance for Needy Families (TANF)	93.558	[2]	150,990
ARRA - TANF Supplemental Grants	93.716	[2]	131,012
Total U.S. Department of Health and Human Services			634,319
U.S. DEPARTMENT OF LABOR			
PASS THROUGH FUNDS			
President's Community Training	17.269	03064	696,540
WORKFORCE INVESTMENT ACT CLUSTER			
WIA Adult Program	17.258	03573	177,119
Workforce Investment Act - Youth	17.259	03239	-
Veterans' Administrative Reporting Fee	17.802	[1]	4,764
U.S. DEPARTMENT OF ENERGY			
PASS THROUGH FUNDS			
ARRA - State Energy Program - Energy Commission - Green Building & Clean	17.269/	[2]	214,488
U.S. DEPARTMENT OF AGRICULTURE		03628	
Child and Adult Care Food Program	10.558	03628	-
Total Expenditures of Federal Awards			$34,137,997

[1] Pass through number not applicable.
[2] Pass through number not available.

See accompanying note to supplementary information.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

	Program Revenues				Total
Program	Cash Received	Accounts Receivable	Deferred Income	Total Revenue	Program Expenditures
AB1725 Staff Diversity	$ 119,283	$ 140	$ 117,468	$ 1,955	$ 1,955
Basic Skills	1,712,389	-	745,569	966,820	966,821
AB602 Board Financial Aid Staffing	894,009	74,467	-	968,476	968,477
BOGG Admin Allowance Revenue	64,473	-		64,473	64,473
Cal Grants	1,451,783	107,303	-	1,559,086	1,559,086
CalWORKS	434,415	37,776	-	472,191	472,192
CARE	236,364	25,338	28,116	233,586	233,585
Career Tech Community Colleges	573,271	-	202,471	370,800	370,800
Career Tech Education	119,800	7,738	-	127,538	127,538
Career Tech Project Supplement	99,991	-	62,287	37,704	37,704
Career Tech Workforce Innovation	316,257	-	100,428	215,829	215,829
CGTR Center Grant	239,925	22,617	-	262,542	262,542
Disabled Student Program and Services	1,785,762	62,618	1,274	1,847,107	1,847,106
Energy Systems	104,453	19,535	-	123,988	123,988
Environmental Tech Leadership	68,377	34,559	-	102,936	102,936
Extended Opportunity Programs and Services	1,816,884	12,101	36,842	1,792,143	1,792,143
Faculty and Staff Development	43,438	-	12,387	31,051	31,052
Foster Parent Training	139,232	139,322	-	278,554	278,554
Foster Relative	-	16,850	-	16,850	16,850
IDRC EETEC Grant	145,718	3,067	-	148,785	148,785
Instructional Equipment, One-time	252,683	-	252,683	-	-
Instructional Equipment, On-going	1,045,760	-	694,111	351,649	351,649
Lottery	2,905,727	850,009	-	3,755,736	3,755,736
Lottery, Prop 20	91,095	527,485	-	618,580	618,580
Matriculation-(Credit)	969,940	34,964	80,455	924,449	924,449
Matriculation-(Non-Credit)	3,762	-	3,060	702	702
MCHS SciMath	48,765	50,762	-	99,527	99,527
Nursing Capacity Building	142,225	-	142,225	-	-
Nursing WIA LVN	-	27,410	-	27,410	27,410
Part-Time Insurance	27,923	2,428	-	30,351	30,351
Part-Time Faculty Allocation	597,508	51,957	-	649,465	649,465
Part-Time Faculty Office Hours	138,233	9,543	-	147,776	150,253
Puente Project	-	2,686,386	-	2,686,386	2,686,386
RN Enrollment Growth	380,693	20,891	66,439	335,145	355,145
State Pre-School	1,326,704	59,634	-	1,386,338	1,386,338
Strengthening Existing Programs	53,389	-	53,240	149	150
Technical Support To Workforce Development	1	-	1	-	-
Transfer and Articulation	4,000	-	617	3,383	3,383
TTIP	176,669	-	104,791	71,878	71,878
Workability III	124,996	60,618	-	185,614	185,614
State Construction Grants	627,037	2,192,796	-	2,819,833	2,819,833
Subtotal	$ 19,282,934	$ 7,138,314	$ 2,704,464	$ 23,716,785	$ 23,739,265

See accompanying note to supplementary information.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT - ANNUAL/ACTUAL ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2010

CATEGORIES	Revised Reported Data *	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2009 only)			
1. Noncredit	36	-	36
2. Credit	3,506	-	3,506
B. Summer Intersession (Summer 2010 - prior to July 1, 2010)			
1. Noncredit	-	-	-
2. Credit	7	-	7
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	23,679	-	23,679
(b) Daily Census Contact Hours	1,410	-	1,410
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	173	-	173
(b) Credit	1,370	-	1,370
3. Independent Study/Work Experience Education Courses			
(a) Weekly Census Procedure Courses	973	-	973
(b) Daily Census Procedure Courses	1,092	-	1,092
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	32,246	-	32,246
Supplemental Information (subset of above information)			
E. In Service Training Courses (FTES)	-	-	-
H. Basis Skills Courses and Immigrant Education			
(a) Noncredit	77	-	77
(b) Credit	1,636	-	1,636

See accompanying note to supplementary information.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH FUND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

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

	Revenue Bond Construction Fund
FUND BALANCE	
Balance, June 30, 2010, (CCFS-311)	$ 115,304,729
Adjustments	
Accounts receivable	70,497
Accounts payable	(96,068)
Balance, June 30, 2010, Fund Financial Statement	$ 115,279,158

See accompanying note to supplementary information.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEETS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010

Amounts Reported in the Statement of Net Assets are Different Because:		
Total Fund Balance - Governmental Funds		**$ 206,458,462**
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	$ 390,038,819	
Accumulated depreciation is	(114,569,834)	275,468,985
Capital assets recorded in proprietary funds		(329,987)
Expenditures relating to issuance of debt were recognized in modified accrual basis, but should not be recognized in accrual basis.		1,899,401
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.		(4,384,851)
Internal Service funds are used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service funds are included with governmental activities.		2,155,231
Long-term liabilities at year end consist of:		
Bonds payable	245,795,000	
Bond premiums, net of amortization	3,300,670	
Capital leases payable	17,705	
Notes payable	990,000	
Compensated absences (vacations)	13,904,508	
OPEB Benefits	28,889,667	(292,897,550)
Total Net Assets		**$ 188,369,691**

See accompanying note to supplementary information.

NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2010

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 United States 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 General Apportionment - Annual/Actual Attendance

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.

NOTE 2 - RECONCILIATION OF EXPENDITURES OF GRANT ACTIVITY WITH THE DISTRICT'S ACCOUNTING SYSTEM

The following is a list of the grants differences between the District's accounting records and the Schedule of Expenditures of Federal Awards.

Federal revenue per financial statements	$ 32,533,611
Federal Family Education Loans	1,604,386
Expenditures per Schedule of Expenditures of Federal Awards	$ 34,137,997

INDEPENDENT AUDITORS' REPORTS

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

VALUE THE DIFFERENCE

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
Contra Costa Community College District
Martinez, California

We have audited the financial statements of the business-type activities of Contra Costa Community College District (the District) for the years ended June 30, 2010 and 2009, and have issued our report thereon dated December 30, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered Contra Costa Community College District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Contra Costa Community College District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Contra Costa Community College District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Contra Costa Community College District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits 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*.

We noted certain matters that we reported to management of Contra Costa Community College District in a separate letter dated December 30, 2010.

This report is intended solely for the information and use of the Board of Trustees, District Management, the California Community Colleges 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.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 30, 2010

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

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees
Contra Costa Community College District
Martinez, California

Compliance

We have audited the compliance of Contra Costa 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 could have a direct and material effect on each of its Contra Costa Community College District's major Federal programs for the year ended June 30, 2010. Contra Costa Community College District's major Federal programs are identified in the summary of auditors' 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 Contra Costa Community College District's management. Our responsibility is to express an opinion on Contra Costa Community College 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; 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 Contra Costa Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Contra Costa Community College District's compliance with those requirements.

In our opinion, Contra Costa Community College District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of Contra Costa Community College District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Contra Costa Community College District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Contra Costa Community College District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2010-1 to be a significant deficiency.

Contra Costa Community College District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Contra Costa Community College District's responses and, accordingly, we express no opinion.

This report is intended solely for the information and use of the Board of Trustees, District Management, the California Community Colleges 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.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 30, 2010

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

VALUE THE DIFFERENCE

REPORT ON STATE COMPLIANCE

Board of Trustees
Contra Costa Community College District
Martinez, California

We have audited the compliance of Contra Costa Community College District (the District) with the types of compliance requirements described in Section 400 of the California State Chancellor's Office's *California Community College District Audit Manual (CDAM)* that are applicable to community colleges in the State of California. The specific requirements are described below.

We conducted our audit of compliance 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements with State laws and regulations have occurred. An audit includes examining, on a test basis, evidence about Contra Costa Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Contra Costa Community College District's compliance with those requirements.

General Directive

Section 424: MIS Implementation - State General Apportionment Funding System

Administration

Section 435: Open Enrollment

Section 437: Student Fees - Instructional Materials and Health Fees

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Apportionments

Section 423: Apportionment of Instructional Service Agreements/Contracts
Section 425: Residency Determination for Credit Courses
Section 427: Concurrent Enrollment of K-12 Students in Community College Credit Courses
Section 432: Enrollment Fee
Section 426: Students Actively Enrolled

Fiscal Operations

Section 421: Salaries of Classroom Instructors (50% Law)
Section 431: Gann Limit Calculation

Student Services

Section 428: Use of Matriculation Funds
Section 433: CalWORKs - Use of State and Federal TANF Funding

Facilities

Section 434: Scheduled Maintenance Program

In our opinion, Contra Costa Community College District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported and are described in the accompanying schedule of findings and questioned costs as items 2010-2, 2010-3, and 2010-4.

Contra Costa Community College District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Contra Costa Community College District's responses and, accordingly, we express no opinion.

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

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 30, 2010

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2010

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

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

CFDA Number(s)	Name of Federal Program or Cluster
84.007, 84.032, 84.033 (ARRA), 84.063, 84.375	Student Financial Aid Cluster - ARRA
84.394	State Fiscal Stabilization Fund - ARRA
17.269	Presidents Community Training
17.258 (ARRA), 17.269, (ARRA), 17.802, 81.041 (ARRA)	WIA Cluster (Including ARRA), and Energy Commission Green Building and Clean Energy Retraining - ARRA
84.044	TRIO - Talent Search
93.658	Foster Care - Title IV E

Dollar threshold used to distinguish between Type A and Type B programs:	$ 300,000
Auditee qualified as low-risk auditee?	No

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	Yes
Type of auditors' report issued on compliance for State programs:	Qualified

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2010

None noted.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

The following findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance including questioned costs that are required to be reported by OMB Circular A-133.

2010-1 Finding – Student Financial Aid Cluster, Pell Grants, CFDA # 84.063
Significant Deficiency – Internal Control Over Compliance

Criteria or Specific Requirement

OMB A133 compliance supplement guidelines in Part 5, Cluster Programs for Student Financial Aid includes requirements that a District calculate funds not earned by students receiving financial aid and submit a report to a centralized reporting system within prescribed timelines. The critical timelines for this process are as follows: 1) determine the student's withdrawal date within 30 days after the student withdrew, 2) return the unearned Title IV funds within 45 days after the date the District determined the student withdrew, and 3) report the student to NSLDS (national system database), within 45 days from the date the student is notified of overpayment.

Condition

We reviewed the transactions related to seventeen students at Diablo Valley College and noted the following: in six cases the district did not meet the timeline for requirement #1, in seven cases the District did not meet the timeline for requirement #2. In addition, we reviewed eighteen students at Los Medanos College and noted that in eleven cases the District did not meet the timeline for requirement #1, and in seventeen cases the District did not meet the timeline for requirement #2.

Questioned Costs

None, as the report was prepared accurately but was not timely filed.

Context

We reviewed the reporting of withdrawals and other dates between December 2009 and June 2010 for seventeen students from Diablo Valley College and eighteen students from Los Medanos College, and five students from Contra Costa College.

Effect

Information on the NSDL website was not updated timely. As a result, there is a potential risk that the student would be able to obtain a grant from another college without the other institution being aware there is a repayment requirement at another District.

Cause

In Fall 2009 it was noted by Student Financial Aid department personnel that the automated system performing the Return to Title IV calculations was not operating correctly. The departments put a hold on the inaccurate automated calculations to investigat the problem. The calculation method was then switched to manual calculation. The time needed to investigate the problem and to define the manual method caused delays in processing, which resulted in the District missing the required timelines.

Recommendation

The Financial Aid Departments should be proactive in monitoring progress on meeting timelines and interact with other departments to resolve issues on a more timely basis as they occur.

District Response

The District's financial aid offices receive regular reports from the District Information Technology Department, identifying students that have fully withdrawn. This triggers the normal return to Title IV process, which results in returns being processed with the compliance period. The District's Information Technology department has corrected the noted programming error and the system is functioning correctly. All campus financial aid offices have been trained to use the USDE web site for computing R2T4s should the District system be unavailable in the future.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

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

2010-2 Finding – Instructional Material Fees
Significant Deficiency – Compliance

Criteria or Specific Requirement

Per Education Code Section 76355, districts are permitted to require students to purchase instructional materials, but must demonstrate that the District supplies the materials at a cost that is no more than the district's actual cost.

Condition

It was noted that one course Health Care Provider, CPR, RNURS-014-205-2053 charged an instructional material fee that appeared to exceed the cost for the instructional materials required for the class.

Questioned Costs

None.

Context

We reviewed nine instructional material fees in order to determine if the instructional material fees charged were within allowable guidelines.

Effect

The District was not in compliance with the requirement for the upper limit on the amount established as instructional material fees.

Cause

The documentation provided for the purchase of the instructional materials indicated that a bulk purchase allowed the District to purchase the items for $1.66 each, however the instructional material fee was set at $3.00.

Recommendation

The District should ensure that instructional material fees are limited to the actual purchase costs of the materials.

District Response

The District concurs with the finding and will take necessary steps to ensure future compliance.

2010-3 Finding – Calworks
Significant Deficiency - Compliance

Criteria or Specific Requirement

Calworks requirements are incorporated in Education Code 79200-79203 & 84759 and the CalWORKS Program Handbook Section V (Eligibility Determination) and requirements of the State System's Office requires certain eligibility documents to be obtained and included within student files as support for eligibility determinations. Education code and the Handbook also indicate that the student's eligibility should be verified at the beginning of each semester.

Condition

Contra Costa College does not have a procedure in place to document and maintain the required eligibility documentation through the County Welfare Department for each academic term the recipient was served. In addition, the eligibility of CalWORKS program was not verified at each academic term.

Questioned Costs

State Calworks expenditures for Contra Costa College were $197,813.

Context

We reviewed eligibility documentation for 25 CalWORKS students at each of the three Colleges.

Effect

The College may be at risk of providing services to individuals who are not eligible to receive the specific services from the CalWORKS and/or TANF programs.

Cause

The College does not have a procedure in place to effectively coordinate with the County Welfare Department to ensure that required documentation is obtained for each academic term the recipient was served.

Recommendation

Contra Costa College should maintain documentation to support the eligibility of all individuals receiving services through the CalWORKS and TANF programs in one central program area to support that services are properly provided. Student files should be checked at the beginning of each semester to determine that all required documents are included as well as the required certification from the County. Use of a checklist may assist in ensuring the student files are well organized and complete.

District Response

The District will develop and implement procedures to ensure all student files are complete to include eligibility documentation.

2010-4 Finding – Concurrent Enrollment
Significant Deficiency – Compliance

Criteria or Specific Requirement

A community college district may claim FTES for the attendance of K-12 pupils who take courses offered by the district under the concurrent enrollment arrangement only if it complies with specific conditions. Per Education Code Section 48800(a), the District governing board may authorize those pupils, upon recommendation of the principal of the pupil's school of attendance, and with parental consent, to attend a community college during any session or term.

In addition, Education Code 76002(a)(4) states that not more than 10% of concurrent student enrollment in a physical education course can be claimed for apportionment.

Condition

During our testing of concurrently enrolled students, we noted the following:

- Authorizations - none of the 25 students tested at Contra Costa College had evidence of approval from the principal of the pupil's school of attendance to attend the college courses.
- Physical Education Courses - PE-002-7568 and PE-014-758 at Los Medanos College and PE-098-6211 and PE-098-4621 at Contra Costa College had more than 10% of concurrent students enrolled.

Questioned Costs

Total FTES overstated is 1.902.

Context

- We reviewed 25 concurrently enrolled student files and reports at Contra Costa College, Diablo Valley College, and Los Medanos College from the Fall 2009 and Spring 2010 semesters.
- 17 physical education courses were reviewed between the three within the District with four of the 17 being found to be over the 10% limit.

Effect

The District was out of compliance with the State requirements regarding maintaining evidence of approvals from the principal for the special full time and part time students and the limits placed on concurrent enrollment on physical education courses and therefore overstated apportionment by the amount of concurrent students that should have been removed.

Cause

- Contra Costa College was using a form that did not include a field for a signature of the principal for the concurrent students tested.
- Contra Costa College and Los Medanos College do not appear to have a process to review for compliance with this requirement.

Recommendation

The District should work with the College to develop procedures to obtain the necessary approvals for the concurrently enrolled students and limits on enrollment used for FTES reporting in order to be in compliance with the State requirements.

District Response

The District concurs with the finding and has taken necessary steps to ensure future compliance.

SUMMARY OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010

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.

Financial Statements

2009-1 Finding – Year End Closing Process
Material Weakness

Criteria or Specific Requirement

One element of a District's internal control over financial reporting is its ability to prepare financial statements from its trial balance in accordance with Generally Accepted Accounting Standards. This includes development of a system of internal control procedures that allow for accurate, timely closing of accounting records.

Condition

We noted that several adjustments to the District trial balance were necessary after the start of the audit. Some of these adjustments were noted by District personnel, and some were a result of our inquiries during the completion of the audit. The CCFS-311 was filed prior to the discovery of these adjustments, and therefore, these variances are included on the fund balance reconciliation page of this report.

Questioned Costs

Not applicable.

Context

Four funds required adjustments exceeding $100,000 each, totaling approximately $2.8 million after the year end close was completed. In addition, many smaller differences that were considered immaterial in relation to the financial statements as a whole, remain under investigation and some have not been reconciled or corrected.

Effect

Reconciliations and adjustments to the year end balances occurring after the filing of the form CCFS-311, and after financial reports have been presented to management and the governing board decrease the relevance and usefulness of the data that was previously provided.

Cause

Year end closing procedures were not sufficient to identify and correct errors in a timely manner.

Recommendation

We recognized that the District has made significant improvements in identifying and reconciling year end accruals decreasing the number of proposed material audit adjustments exceeding $100,000 from eight to four. We recommend that the District continue its effort in this process so that all significant accruals and adjustments presented in the CCFS-311 reflect the current, accurate finances of the District.

Current Status

Implemented.

2009-2 Finding – Payroll Clearing Accounts
Material Weakness

Criteria or Specific Requirement

Industry standards and general best practices emphasize recording transactions in a clear concise manner to provide for the transparency of the items being recorded. Transactions should be posted in a timely manner and reconciled periodically throughout the year.

Condition

We noted there are three payroll benefit liability accounts with significant balances totaling approximately $3.3 million were not supported by detail payroll clearing account reconciliations or other information.

Questioned Costs

Not applicable.

Context

The District's annual payroll and benefits expenditures total over $165 million, or 56% of total District-wide expenditures.

Effect

By not reconciling payroll related accounts in a timely manner, errors and/or misuse of accounts could occur and not be detected in timely manner. In addition, the delayed reconciliations and reviews of payroll accounts can impact the ability of the District to provide timely and accurate reporting to outside agencies of the activities during the period.

Cause

The District was unable to provide explanation and/or evidence for three payroll liability balances.

Recommendation

The District should ensure that the processing, posting, and reconciliation of payroll as well as other transactions through the general ledger system occurs in a timely manner. The detail of the payroll clearing account should be reviewed and the transaction detail should be validated through methods such as payroll exception reports designed to catch errors in entries prior to posting of the amounts to the general ledger. Exception reports can be used for various purposes, including but not limited to determining if retirement withholding or other liability amounts are being posted to non-existent general ledger accounts, or if student payroll is coded to a certificated salary account, etc.
We recommend that reconciliations be performed monthly for the payroll clearing accounts, so that any unusual items can be identified timely and investigated.

Current Status

Implemented.

2009-3 Finding – Bookstore Subsidiary Ledger Reports
Significant deficiency

Criteria or Specific Requirement

Industry standards and general best practices suggest a system of internal control over bookstore operations that will provide for both the safeguarding of District-owned assets and the proper recordkeeping of each account balance.

Condition

We noted the original accounts receivable and payable detail reports did not agree with amounts reported in trial balance.

Questioned Costs

Not applicable.

Context

There was approximately $1 million in accounts receivables and $429,000 in accounts payable recorded in the Bookstore Fund.

Effect

By not maintaining proper support and reconciling assets and liabilities in a timely manner, the effect is a transaction trail of evidence that is not clear as it could be and increases the possibility that errors may occur and not be prevented or detected in a timely manner.

Cause

Accounts receivables and payables detail maintained in the bookstore system did not agree with amounts recorded in the District general ledger.

Recommendation

In order to strengthen the bookstore internal controls and therefore mitigate the potential for misappropriation, regular monitoring of the bookstore accrual transactions is recommended. Providing regular review and oversight will enhance the ability of the District to accurate account for the assets and liabilities maintained by the bookstore.

Current Status

Implemented.

2009-4 Finding

Criteria or Specific Requirement

Per Education Code Section 76355, districts are permitted to require students to purchase instructional materials, but must demonstrate that the District supplies the materials at a cost that is no more than the district's actual cost.

Condition

It was noted that the District does not have a systematic procedure to document the cost for the instructional material required for each class, and therefore, instructional material fees charged are not properly documented.

Questioned Costs

None.

Context

The amount set as instructional material fees may either be too high and exceed the allowable cap, or lower than the allowable amount, in which case District operations are subsidizing the instructional material purchases.

Effect

The District does not know if it is in compliance with the requirement for the upper limit on the amount established as instructional material fees.

Cause

The District was unable to provide us with invoices that support the District's cost of instructional materials.

Recommendation

The District should develop a method to keep track of all costs for instructional materials by classes and compare that cost to the fee charged to students to determine if the District has charged more than its actual costs to students.

Current Status

Not Implemented – See finding 2010-4.

2009-5 Finding

Criteria or Specific Requirement

A community college district may claim FTES for the attendance of K-12 pupils who take courses offered by the district under the concurrent enrollment arrangement only if it complies with specific conditions. Per Education Code Section 48800(a), the District governing board may authorize those pupils, upon recommendation of the principal of the pupil's school of attendance, and with parental consent, to attend a community college during any session or term.

Condition

During our testing of concurrently enrolled students' applications at DVC, we noted that 6 out of 15 students tested did not have evidence of approval from the principal of the pupil's school of attendance, and/or with evidence of parental consent, to attend the college courses.

Questioned Costs

We do not anticipate that this finding would have an effect on FTES claimed, however the six students in question may have been under-assessed enrollment fees if they should have been listed as a regular status student rather than a concurring enrollment student.

Context

We reviewed concurrently enrolled student files and reports at Diablo Valley College from the Fall 2008 and Spring 2009 semesters listing the number of FTES generated by this student group.

Effect

The District was out of compliance with the State requirements regarding maintaining evidence of approvals from the principal and parents for the special full time and part time students.

Cause

Diablo Valley College was unable to provide evidence of the approvals from the principal and/or parents for 6 of the 15 concurrent students tested.

Recommendation

The District should work with the College to develop procedures to review and maintain the necessary approvals for the concurrently enrolled students in order to be in compliance with the State requirement.

Current Status

Not implemented – See Finding 2010-5.

ADDITIONAL SUPPLEMENTARY INFORMATION

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEETS
JUNE 30, 2010

	General Unrestricted	General Restricted	Retiree Benefits	Other Special Revenue
ASSETS				
Cash and cash equivalents	$17,003,275	$ 2,088,699	$ 20,445,375	$ 133,906
Investments	-	-	24,415,970	-
Accounts receivable	21,916,490	6,014,163	138,513	-
Due from other funds	7,628,991	795,061	1,005,914	-
Prepaid expenses	1,856,100	445	-	79,172
Other current assets	230,954	-	-	-
Total Assets	$48,635,810	$ 8,898,368	$ 46,005,772	$ 213,078
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	$ 6,650,639	$ 3,986,298	$ 5,956	$ -
Due to other funds	9,162,933	1,399,951	9,102,063	-
Deferred revenue	4,265,353	3,180,167	-	-
Total Liabilities	20,078,925	8,566,416	9,108,019	-
FUND EQUITY				
Fund Balances				
Reserved	59,588	331,952	-	213,078
Unreserved				
Designated	6,094,935	-	36,897,753	-
Undesignated	22,402,362	-	-	-
Total Fund Equity	28,556,885	331,952	36,897,753	213,078
Total Liabilities and Fund Equity	$48,635,810	$ 8,898,368	$ 46,005,772	$ 213,078

See accompanying note to additional supplementary information.

Bond Interest and Redemption	Other Debt Service	Capital Outlay Projects	Revenue Bond Construction	Total Governmental Fund (Memorandum Only)
$ 15,292,626	$ 2,750,000	$ 5,078,538	$ 116,485,296	$ 179,277,715
-	-	-	-	24,415,970
58,811	-	2,192,795	381,955	30,702,727
-	-	353,707	458,459	10,242,132
-	-	-	384,439	2,320,156
-	-	60,140	4,000	295,094
$ 15,351,437	$ 2,750,000	$ 7,685,180	$ 117,714,149	$ 247,253,794
$ -	$ -	$ 531,653	$ 2,021,227	$ 13,195,773
-	-	75,328	413,764	20,154,039
-	-	-	-	7,445,520
-	-	606,981	2,434,991	40,795,332
15,351,437	-	-	115,279,158	131,235,213
-	2,750,000	7,078,199	-	52,820,887
-	-	-	-	22,402,362
15,351,437	2,750,000	7,078,199	115,279,158	206,458,462
$ 15,351,437	$ 2,750,000	$ 7,685,180	$ 117,714,149	$ 247,253,794

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

GOVERNMENTAL FUNDS
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2010

	General Unrestricted	General Restricted	Retiree Benefits	Other Special Revenue
REVENUES				
Federal revenues	$ 943,658	$ 5,042,559	$ -	$ -
State revenues	76,100,227	14,685,065	-	-
Local revenues	93,551,826	3,521,051	2,412,320	1
Total Revenues	170,595,711	23,248,675	2,412,320	1
EXPENDITURES				
Current Expenditures				
Academic salaries	75,909,755	2,731,009	-	-
Classified salaries	35,378,878	7,013,712	-	-
Employee benefits	40,932,070	2,343,964	-	-
Books and supplies	2,692,062	1,803,100	-	-
Services and operating expenditures	13,591,548	7,576,129	120,626	-
Capital outlay	1,078,134	1,392,155	-	-
Debt service - principal	106,014	6,196	-	60,000
Debt service - interest and other	-	-	-	33,537
Total Expenditures	169,688,461	22,866,265	120,626	93,537
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	907,250	382,410	2,291,694	(93,536)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	133,710	-	1,000,000	123,000
Operating transfers out	(1,918,920)	(50,458)	(19,270,452)	-
Other sources	-	-	-	-
Other uses	2,852	-	-	-
Total Other Financing Sources (Uses)	(1,782,358)	(50,458)	(18,270,452)	123,000
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(875,108)	331,952	(15,978,758)	29,464
FUND BALANCE, BEGINNING OF YEAR	29,431,993	-	52,876,511	183,614
FUND BALANCE, END OF YEAR	$ 28,556,885	$ 331,952	$ 36,897,753	$ 213,078

See accompanying note to additional supplementary information.

Bond Interest and Redemption	Other Debt Service	Capital Outlay Projects	Revenue Bond Construction	Total Governmental Fund (Memorandum Only)
$ -	$ -	$ -	$ -	$ 5,986,217
195,797	-	2,819,833	-	93,800,922
18,415,445	-	662,279	697,149	119,260,071
18,611,242	-	3,482,112	697,149	219,047,210
-	-	-	-	78,640,764
-	-	16,834	620,726	43,030,150
-	-	-	208,408	43,484,442
-	-	-	-	4,495,162
-	-	142,649	783,872	22,214,824
-	-	4,231,258	8,629,165	15,330,712
3,255,000	-	-	-	3,427,210
8,351,677	-	-	-	8,385,214
11,606,677	-	4,390,741	10,242,171	219,008,478
7,004,565	-	(908,629)	(9,545,022)	38,732
-	-	325,132	-	1,581,842
-	-	(74,299)	-	(21,314,129)
385,928	-	-	73,000,000	73,385,928
-	-	-	-	2,852
385,928	-	250,833	73,000,000	53,656,493
7,390,493	-	(657,796)	63,454,978	53,695,225
7,960,944	2,750,000	7,735,995	51,824,180	152,763,237
$ 15,351,437	$ 2,750,000	$ 7,078,199	$115,279,158	$ 206,458,462

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

PROPRIETARY FUNDS
BALANCE SHEETS
JUNE 30, 2010

	Enterprise Funds				
	Cafeteria	Bookstore	Information Technology	Total	Internal Service Fund
ASSETS					
Cash and cash equivalents	$ 54,213	$ 1,362,014	$ 705,027	$ 2,121,254	$ 372,658
Accounts receivable	7,150	131,233	1,711	140,094	30,987
Due from other funds	138,703	467,375	-	606,078	100,326
Stores inventories	3,552	2,801,166	-	2,804,718	-
Furniture and equipment (net)	10,742	319,248	-	329,990	-
Total Assets	$ 214,360	$ 5,081,036	$ 706,738	$ 6,002,134	$ 503,971
LIABILITIES AND FUND EQUITY					
LIABILITIES					
Overdrafts	$ -	$ 4,089,966	$ -	$ 4,089,966	$ -
Accounts payable	46,515	32,045	2,120	80,680	98,568
Due to other funds	4,998	71,356	-	76,354	5,306
Total Liabilities	51,513	4,193,367	2,120	4,247,000	103,874
FUND EQUITY					
Retained earnings	162,847	887,669	704,618	1,755,134	400,097
Total Liabilities and Fund Equity	$ 214,360	$ 5,081,036	$ 706,738	$ 6,002,134	$ 503,971

See accompanying note to additional supplementary information.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

PROPRIETARY FUNDS
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED JUNE 30, 2010

	Enterprise Funds				
	Cafeteria	Bookstore	Information Technology	Total	Internal Service Fund
OPERATING REVENUES					
Sales revenues	$ 1,048,718	$ 12,261,070	$ 1,180,729	$ 14,490,517	$ 59,376
OPERATING EXPENSES					
Classified salaries	342,845	1,895,944	548,468	2,787,257	1,515
Employee benefits	101,191	658,621	185,766	945,578	219
Books and supplies	35,667	45,834	68,452	149,953	-
Services and other operating expenditures	578,538	9,844,506	246,454	10,669,498	307,268
Capital outlay	594	1,792	-	2,386	224,616
Interest expense	-	170	-	170	-
Depreciation	5,111	230,278	-	235,389	-
Total Operating Expenses	1,063,946	12,677,145	1,049,140	14,790,231	533,618
Operating Income (Loss)	(15,228)	(416,075)	131,589	(299,714)	(474,242)
NONOPERATING REVENUES (EXPENSES)					
Interest income	-	-	-	-	1,307
Gain (loss) on disposal of assets	-	-	-	-	52,105
Operating transfers in	62,911	389,753	-	452,664	100,000
Operating transfers out	-	(53,544)	-	(53,544)	-
Total Nonoperating Revenues (Expenses)	62,911	336,209	-	399,120	153,412
NET INCOME (LOSS)	47,683	(79,866)	131,589	99,406	(320,830)
RETAINED EARNINGS, BEGINNING OF YEAI	115,164	967,535	573,029	1,655,728	720,927
RETAINED EARNINGS, END OF YEAR	$ 162,847	$ 887,669	$ 704,618	$ 1,755,134	$ 400,097

See accompanying note to additional supplementary information.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

PROPRIETARY FUNDS
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010

	Enterprise Funds				
	Cafeteria	Bookstore	Information Technology	Total	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from user charges	$ 1,041,893	$ 13,142,961	$ 1,187,302	$ 15,372,156	$ 692,815
Cash payments to employees for services	(444,036)	(2,554,565)	(734,234)	(3,732,835)	(1,734)
Cash payments for insurance claims	-	-	-	-	59,376
Cash payments to suppliers for goods and services	(602,671)	(10,586,110)	(322,893)	(11,511,674)	(524,287)
Cash payments for other operating expenses	-	(170)	-	(170)	-
Net Cash Provided (Used) for Operating Activities	(4,814)	2,116	130,175	127,477	226,170
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Due from/to other funds	144,048	(104,907)	1,806,163	1,845,304	203,719
Net Cash Provided (Used) from Noncapital Financing Activities	144,048	(104,907)	1,806,163	1,845,304	203,719
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	-	(3,746)	-	(3,746)	52,105
Net Cash Provided (Used) for Capital and Related Financing Activities	-	(3,746)	-	(3,746)	52,105
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on investments	-	-	-	-	1,307
Net Cash Provided (Used) from Investing Activities	-	-	-	-	1,307
Net increase in cash and cash equivalents	139,234	(106,537)	1,936,338	1,969,035	483,301
Cash and cash equivalents - Beginning	(85,021)	(2,621,415)	(1,231,311)	(3,937,747)	(110,643)
Cash and cash equivalents - Ending	$ 54,213	$ (2,727,952)	$ 705,027	$ (1,968,712)	$ 372,658
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	$ (15,228)	$ (416,075)	$ 131,589	$ (299,714)	$ (474,242)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	5,111	230,278	-	235,389	-
Changes in assets and liabilities:					
Receivables	(6,825)	881,891	6,573	881,639	692,815
Inventories	-	(281,980)	-	(281,980)	-
Accounts payable	12,128	(411,998)	(7,987)	(407,857)	7,597
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ (4,814)	$ 2,116	$ 130,175	$ 127,477	$ 226,170

See accompanying note to additional supplementary information.

FIDUCIARY FUNDS
BALANCE SHEETS
JUNE 30, 2010

	Associated Students Trust	Student Center Fee	Student Financial Aid	Retirement Plan
ASSETS				
Cash and cash equivalents	$ 319,761	$ 1,280,234	$ 1,642,598	$ -
Investments	-	-	-	9,764,442
Accounts receivable	87,771	861	513,966	-
Due from other funds	21,527	61,904	168,031	9,102,063
Total Assets	$ 429,059	$ 1,342,999	$ 2,324,595	$ 18,866,505
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Overdrafts	$ -	$ -	$ 2,251,800	$ -
Accounts payable	221	3,833	61,245	-
Due to other funds	15,516	39,989	7,673	2,063
Deferred revenue	-	-	3,877	-
Due to student groups/others	413,322	1,299,177	-	-
Total Liabilities	429,059	1,342,999	2,324,595	2,063
FUND EQUITY				
Fund Balances				
Reserved	-	-	-	18,864,442
Unreserved				
Designated	-	-	-	-
Total Fund Equity	-	-	-	18,864,442
Total Liabilities and Fund Equity	$ 429,059	$ 1,342,999	$ 2,324,595	$ 18,866,505

See accompanying note to additional supplementary information.

Scholarship and Loan	Associated Students Other Trust	Total
$ 493,685	$ 247,468	$ 3,983,746
-	-	9,764,442
487	-	603,085
239	32,357	9,386,121
$ 494,411	$ 279,825	$ 23,737,394
$ -	$ -	$ 2,251,800
-	200,934	266,233
-	33,719	98,960
-	-	3,877
-	45,172	1,757,671
-	279,825	4,378,541
-	-	18,864,442
494,411	-	494,411
494,411	-	19,358,853
$ 494,411	$ 279,825	$ 23,737,394

CONTRA COSTA COMMUNITY COLLEGE DISTRICT

FIDUCIARY FUNDS
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2010

	Student Financial Aid	Scholarship and Loan	Retirement Plan	Total
REVENUES				
Federal revenues	$ 26,547,394	$ -	$ -	$ 26,547,394
State revenues	1,559,087	-	-	1,559,087
Local revenues	-	2,360	664,442	666,802
Total Revenues	28,106,481	2,360	664,442	28,773,283
EXPENDITURES				
Current Expenditures				
Services and operating expenditures	-	57,006	-	57,006
Total Expenditures	-	57,006	-	57,006
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	28,106,481	(54,646)	664,442	28,716,277
OTHER FINANCING SOURCES (USES)				
Operating transfers in	82,826	-	18,200,000	18,282,826
Other uses	(28,189,307)	-	-	(28,189,307)
Total Other Financing Sources (Uses)	(28,106,481)	-	18,200,000	(9,906,481)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	-	(54,646)	18,864,442	18,809,796
FUND BALANCE, BEGINNING OF YEAR	-	549,057	-	549,057
FUND BALANCE, END OF YEAR	$ -	$ 494,411	$ 18,864,442	$ 19,358,853

NOTE TO ADDITIONAL SUPPLEMENTARY INFORMATION
JUNE 30, 2010

Fund Financial Statements

The accompanying financial statements report the governmental, proprietary, and fiduciary fund activities of Contra Costa 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 basic financial statements.

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

VALUE THE DIFFERENCE

To the Finance Committee
Of Contra Costa Community College District

In planning and performing our audit of the financial statements of Contra Costa Community College District as of and for the year ended June 30, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered Contra Costa Community College District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the Company's internal control in our report dated December 30, 2010. This letter does not affect our report dated December 30, 2010, on the financial statements of Contra Costa Community College District.

Disbursement of Funds

Best practices over funds disbursed include internal controls that are to detect and prevent errors and misstatements and to limit the opportunity for misappropriation. As noted in prior year, the following areas have disbursement control processes that could potentially be strengthened:

- The Datatel accounts payable module does not reject duplicate invoices. The system flags a duplicate invoice to notify the user that it is a duplicate invoice, however, the accounts payable clerk and others can override the flag without approval.

- The District policies allow for a 10% deviation from the original Purchase Order amount to be processed without additional approval. However, when we walked some transactions through the system, we noted that the system allowed a 25% deviation without a flag or requirement for additional authorization.

- The District policies require credit card holders to submit credit card statements with original receipts to their manager for approval. The managers then require to review, assign correct account codes, and submit the entire listing to the District Office. We reviewed 25 credit card expenses and noted 4 of them did not have receipts present, but were approved by the managers.

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Recommendation

We recommend that the District consider the potential of the design of the system and whether or not any improvements can be made to strengthening the controls over processing of disbursements in the following areas:

- The District business staff should consider consulting with the Information Technology staff to determine if the controls over duplicate invoices are operating as desired, or if there is a report that could be generated periodically listing all overrides processed. The override report could then be reviewed by a supervisor to review for any excessive use of overrides.

- The District business staff should consider consulting with the Information Technology staff to determine if the controls over dollar limit deviations are operating as desired or if there should be some type of report that could be generated on a periodic basis listing all the purchase orders with a deviation exceeding 10% that were processed. The deviation report could then be reviewed by a supervisor to review for any excessive deviations and determine whether additional approval was obtained for those items.

- The District should remind all managers who have credit card expense approval authority that they are responsible for ensuring that proper documentation is provided prior to approving the expenses.

District Response

The Director of Fiscal Services will consult with the appropriate Information Technology staff to determine if reports can be generated to address these concerns. A review of procurement card policies and procedures is scheduled to occur in 2010-11 and a recommendation will e made to strengthen language regarding documentation.

Capital Assets – Land and Donated assets

We noted the following items during our review of the capital assets:

- The land asset account in the general ledger is not supported by a schedule listing the individual costs of the land parcels owned by the District.
- There is no effective process to track and record donated items in the capital asset accounts of the general ledger. We noted donated equipment received by the Clean Energy Grant Program during the current year that did not appear to be included in the general ledger.
- Equipment purchases should be analyzed for those that meet the capitalization threshold and only those not meeting the threshold or truly repairs to previously existing equipment recorded as noncapital expenses.

Recommendation

- We recognize that the District has begun to research the land cost included in the financial records and prepare and maintain a schedule of individual parcels supporting that value. The list should include information on location, parcel number, date acquired or donated, and the original cost, or estimate cost/value of the land and should include land donated to the District, such as the parcel in Brentwood. This schedule should then be coordinated with the District's risk management program to verify that appropriate insurance or self insurance is maintained on all the land parcels owned by the District. We recommend the District continue that research and complete the project to determine if the amount of the land asset recorded is appropriate.
- We recommend that the District ensure that donated capital assets are captured in a report at least annually and that these amounts be recorded in the capital asset accounts in the long term asset fund.

- We do not believe the equipment amounts reported as repair expenses are material to the capital asset balance on the entity-wide financial statements, however, we do note that the data used for preparing the entitywide financial statements is therefore incomplete.

District Response

The Finance Department will work with the Facilities Planning Department to complete the documentation of all land values by the end of 2010-11. A procedure will be developed to capture the value of donated assets. The Purchasing and Fiscal Services departments plan to offer campus training which will include correct classification of purchases.

Equipment Inventory

We noted that the District has implemented procedures required for inventorying equipment purchased with Federal funds. However, due to limitations of time and resources the inventory has been limited just to those items charged to Federal funds.

Recommendation

We recommend that the District follow a policy of periodically inventorying all equipment not just that purchased with federal funds in order to update the financial records supporting amounts reported on the entity-wide statement of net assets and to determine if any updates to insurance coverage limits are needed.

District Response

The District's Purchasing Department is currently examining options for performing periodic physical inventories of all equipment.

Allowance for Uncollectible Student Receivables

During our review of the student receivables, we noted that the District has recorded an allowance for potentially uncollected student receivables. The amount of the allowance recorded $1,326,526 has not changed from the prior year.

Recommendation

We encourage the District to review its method of estimating the potential allowance for uncollectible amounts and to consider any potential changes to the method that may be needed in light of changing enrollment levels. In addition, we recommend that the District update the recorded allowance for uncollectible amounts each year during year end closing procedures.

District Response

The Director of Fiscal Services will consult with the independent auditors and other districts to determine an appropriate procedure to make an annual adjustment to the allowance for uncollectible accounts.

Personnel Costs

There was no readily apparent indication of campus level review of salary worksheets. Worksheets are forwarded to the district for payroll processing, however an indication that the campuses have reviewed the information for accuracy is not apparent.

Recommendation

We recommend that the worksheets be designed to include a positive indication of campus level review and that indication be included on the worksheets forwarded to the district for processing. In addition, we encourage continued cross-training between District and site staff to foster understanding of which parties are responsible for which portions of the payroll processing.

District Response

The District will consult with the campus business offices to review current practices and determine an appropriate procedure for reviewing payroll worksheets.

Associated Student Body

We noted that the Los Medanos College ASB records do not include use of a revenue potential form for fundraising event planning to determine the desirability of a fundraiser and its potential profitability prior to the approval of the fundraiser.

Recommendation

We recommend that some type of documentation be maintained estimating the potential profits of a fundraising event to determine if the activity should be undertaken. The form should also be compared to the actual income and expenses after the fact to assist in determining that all funds collected were deposited and whether or not the activity was a success and should be considered again for future activities.

District Response

The District, in coordination with the Vice President of Administrative Services of Los Medanos College, will facilitate discussion with the Associated Students to examine current practices and make recommendations for improved fundraising procedures.

SUMMARY OF PRIOR YEAR COMMENT

Disbursement of Funds

Best practices over funds disbursed include internal controls that are to detect and prevent errors and misstatements and to limit the opportunity for misappropriation. As noted in prior year, the following areas have disbursement control processes that could potentially be strengthened:

- The Datatel accounts payable module does not reject duplicate invoices. The system flags a duplicate invoice to notify the user that it is a duplicate invoice, however, the accounts payable clerk and others can override the flag without approval.

- The District policies allow for a 10% deviation from the original Purchase Order amount to be processed without additional approval. However, when we walked some transactions through the system, we noted that the system allowed a 25% deviation without a flag or requirement for additional authorization.

- The District policies require credit card holders to submit credit card statements with original receipts to their manager for approval. The managers then require to review, assign correct account codes, and submit the entire listing to the District Office. We reviewed 25 credit card expenses and noted 4 of them did not have receipts present, but were approved by the managers.

Recommendation

We recommend that the District consider the potential of the design of the system and whether or not any improvements can be made to strengthening the controls over processing of disbursements in the following areas:

- The District business staff should consider consulting with the Information Technology staff to determine if the controls over duplicate invoices are operating as desired, or if there is a report that could be generated periodically listing all overrides processed. The override report could then be reviewed by a supervisor to review for any excessive use of overrides.

- The District business staff should consider consulting with the Information Technology staff to determine if the controls over dollar limit deviations are operating as desired or if there should be some type of report that could be generated on a periodic basis listing all the purchase orders with a deviation exceeding 10% that were processed. The deviation report could then be reviewed by a supervisor to review for any excessive deviations and determine whether additional approval was obtained for those items.

- The District should remind all managers who have credit card expense approval authority that they are responsible for ensuring that proper documentation is provided prior to approving the expenses.

Status

Not implemented – see current year comments.

Bookstore Inventory

Best practices over safeguarding district assets and accurately reflecting the assets in the accounting system include internal controls that are designed to monitor the year end physical inventory process in order to detect and prevent errors and misstatements and to limit the opportunity for misappropriation. During our physical inventory observation process, we noted that 7 out 9 sections selected for verification had discrepancies. 2 sections had discrepancies between $170 and $300 and 5 sections had discrepancies between $5 and $100.

Recommendation

We understand that the District contracted with outside companies to perform the year end physical inventories. However, we recommend that designated district personnel be on site to monitor the entire inventory process and to ensure the counts are accurate and all items are being accounted for.

Status

Implemented

Capital Asset Cost Data

We noted that capital outlay expenditures not identified with a particular project number were not analyzed for potential inclusion in construction in process or other capital asset accounts. If a capital outlay expenditure amount did not have a project number assigned, or was inadvertently not recorded, the amounts of those disbursements were reported as expenditures rather than capital assets in the entity-wide financial statements. We do not believe the amounts reported as expense are material to the capital asset balance on the entity-wide financial statements, however, we do note that the data used for preparing the entitywide financial statements is therefore incomplete.

In addition, we noted that one of the funds requiring an audit adjustment as described in Finding 2009-1 is related to the accrual of accounts payable amounts for building fund capital assets. There were three amounts totaling approximately $3 million that were noted during our audit and not recorded as accounts payable during the year end closing process.

We also noted that the land asset account was not supported by a schedule listing the land parcels owned by the District.

Recommendation

We recommend that all disbursements and accruals reported as capital outlay expenditures, not just those that are assigned a project number, be reviewed when summarizing data for construction in process and capital asset purposes.

In addition, we recommend that facilities work more closely with the business office at the end of the year and assist in identifying all potential significant accounts payable. Any amounts that are not known as a contractor may not have submitted an invoice can be estimated based on a reasonable method that facilities uses when considering the elements of the project such as contract price, estimated amount completed by year end and amounts previously billed.

We also recommend that the District research the land cost included in the financial records and prepare and maintain a schedule of individual parcels supporting that value. The list should include information on location, parcel number, date acquired or donated, and the original cost, or estimate cost/value of the land. This schedule should then be coordinated with the District's risk management program to verify that appropriate insurance or self insurance is maintained on all the land parcels owned by the District.

Status

Partially Implemented – See current year comments.

Equipment Inventory

We noted that the District has implemented procedures required for inventorying equipment purchased with Federal funds. However, due to limitations of time and resources the inventory has been limited just to those items charged to Federal funds.

Recommendation

We recommend that the District follow a policy of periodically inventorying all equipment not just that purchased with federal funds in order to update the financial records supporting amounts reported on the entity-wide statement of net assets and to determine if any updates to insurance coverage limits are needed.

Status

Not implemented – see current year comments.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Company personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 30, 2010

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

VALUE THE DIFFERENCE

To the Governing Board
San Mateo County Community College District

We have audited the financial statements of the business-type activities of San Mateo County Community College District for the year ended June 30, 2010, and have issued our report thereon dated December 14, 2010. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards
As stated in our engagement letter dated March 17, 2010, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit
We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

Qualitative Aspects of Accounting Practices
Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by San Mateo County Community College District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2010. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were claims liability in the Self Insurance fund, and other postemployment benefit obligation (OPEB). Another sensitive estimate is the depreciation which we have evaluated the useful life of various classes of depreciable assets in accordance with the district policy and industry practice.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

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Difficulties Encountered in Performing the Audit
We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements
Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There was no such misstatement noted.

Disagreements with Management
For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations
We have requested certain representations from management that are included in the management representation letter dated December 14, 2010.

Management Consultations with Other Independent Accountants
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Trustees and management of San Mateo County Community College District and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co., LLP

Pleasanton, California
December 14, 2010

san josé·evergreen
COMMUNITY COLLEGE DISTRICT

SAN JOSE / EVERGREEN
COMMUNITY
COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT
JUNE 30, 2010

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS
JUNE 30, 2010

FINANCIAL SECTION

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

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of the business-type activities of San Jose/Evergreen Community College District (the District) as of and for the years ended June 30, 2010 and 2009, as listed in the Table of Contents. These basic 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 basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of San Jose/Evergreen Community College District as of June 30, 2010 and 2009, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2010, 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 our 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 is important for assessing the results of our audit.

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

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*, is presented for purposes of additional analysis and is 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, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 3, 2010

In June 1999, the Governmental Accounting Standards Board (GASB) released Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, which established new reporting formats for annual statements. In November 1999, GASB released Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, which applied the new reporting models to public colleges and universities. In its "Accounting Advisory No. 2001-01", the State Chancellor's Office opined that the California Community Colleges would best benefit from, and would "therefore implement", the business-type activities (BTA) reporting model, as outlined in GASB Statements No. 34 and No. 35.

Responsibility for the completeness and accuracy of this information rests with the District management.

The reporting model is in some cases an extreme departure from that used prior to GASB Statements No. 34 and No. 35 implementation and, in some cases, has limited value or may even be detrimental to casual readers attempting to understand the financial health of a governmental entity. Because of this, the District has asked its auditors to also present the District's 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 analysis provides an overview of the District's financial activities. The analysis will include comparisons of current to prior year activity.

Statement of Net Assets

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

Statement of Net Assets

	2010	2009	Change	2008	Change
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	$ 9,193,672	$ 14,007,779	$ (4,814,107)	$ 12,985,674	$ 1,022,105
Accounts receivable, net	10,762,040	12,110,539	(1,348,499)	16,179,055	(4,068,516)
Due from trust funds	1,448,751	801,482	647,269	1,296,316	(494,834)
Prepaid expenses - current portion	86,086	75,795	10,291	190,057	(114,262)
Other assets	355,675	601,638	(245,963)	512,370	89,268
Other current assets - current portion	166,952	86,086	80,866	63,461	22,625
Total Current Assets	22,013,176	27,683,319	(5,670,143)	31,226,933	(3,543,614)
NONCURRENT ASSETS					
Restricted cash	65,487,231	83,063,823	(17,576,592)	113,596,520	(30,532,697)
Investments - noncurrent portion	-	-	-	779,353	(779,353)
Other current assets - noncurrent portion	1,970,599	2,056,686	(86,087)	1,396,145	660,541
Prepaid OPEB contribution	39,271,509	39,352,909	(81,400)	-	39,352,909
Capital assets, net of accumulated depreciation	282,529,871	281,283,253	1,246,618	254,480,449	26,802,804
Total Noncurrent Assets	389,259,210	405,756,671	(16,497,461)	370,252,467	35,504,204
TOTAL ASSETS	411,272,386	433,439,990	(22,167,604)	401,479,400	31,960,590
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	11,708,138	12,585,945	(877,807)	12,750,668	(164,723)
Deferred revenue	4,537,677	5,179,460	(641,783)	3,959,978	1,219,482
Current portion of long-term obligations	7,389,301	4,984,301	2,405,000	5,234,301	(250,000)
Total Current Liabilities	23,635,116	22,749,706	885,410	21,944,947	804,759
NONCURRENT LIABILITIES					
Accrued compensated absences payable	1,783,854	1,613,678	170,176	1,791,404	(177,726)
Long-term obligations	297,154,568	301,866,498	(4,711,930)	256,413,812	45,452,686
Other long-term liabilities	4,186,025	4,395,326	(209,301)	4,604,627	(209,301)
Total Noncurrent Liabilities	303,124,447	307,875,502	(4,751,055)	262,809,843	45,065,659
TOTAL LIABILITIES	326,759,563	330,625,208	(3,865,645)	284,754,790	45,870,418
NET ASSETS					
Invested in capital assets, net of related debt	66,680,952	81,012,193	(14,331,241)	93,766,220	(12,754,027)
Restricted for:					
Debt service	11,973,507	13,495,120	(1,521,613)	12,960,356	534,764
Educational programs	1,351,838	1,148,875	202,963	1,264,544	(115,669)
Capital projects	973,131	939,576	33,555	936,445	3,131
Unrestricted	3,533,395	6,219,018	(2,685,623)	7,797,045	(1,578,027)
Total Net Assets	$ 84,512,823	$102,814,782	$ (18,301,959)	$ 116,724,610	$ (13,909,828)

Cash and cash equivalents are invested primarily in the Santa Clara County investment pool. The decrease in the cash balances from prior year is primarily a result of continued construction and renovation of our college campuses.

Accounts receivable primarily represents funding owed to the District by the State for capital and non-capital apportionment and grants. The total owed to the District by the Federal and State sources is approximately $6.8 million.

Other assets primarily represent bookstore merchandise inventory.

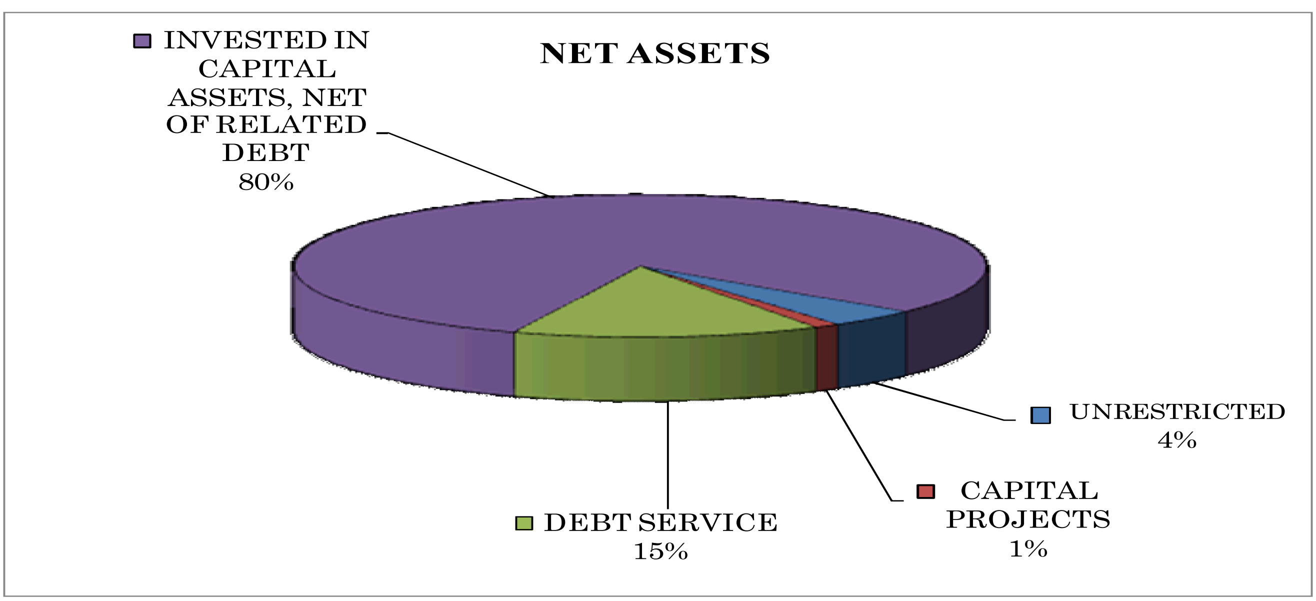
Capital assets represent the District's original investment in land, site improvements, buildings, building improvements, construction in progress, and equipment, less the cost of accumulated depreciation. Capital assets increased by approximately $28 million over the past two years due to the construction and renovation projects funded by our general obligation bonds and State construction apportionments.

Accounts payable and accrued liabilities represent amounts owed for services and goods received by the District, during Fiscal Year 2009-2010, for which payment would not be made until Fiscal Year 2010-2011. The accounts payable amount primarily represents debt on vendor invoices and amounts owed to employees for services rendered.

Deferred revenues represent prepayments made to the District for which services have yet to be rendered. Approximately $3.5 million of this amount represents student tuition and registration fees, received during Fiscal Year 2009-2010, for the Fiscal Year 2010-2011 Summer and Fall terms. Approximately $1.0 million represents funding for grants and contracts whose terms and conditions extend beyond the Fiscal Year 2009-2010.

The District's long-term liabilities consist of the accumulated liability for compensated absence of approximately $1.7 million and $258 million in voter approved general obligation bonds, $46.7 million of OPEB taxable bonds, and $4.4 million in bond premiums being allocated over the life of the bonds. The general obligation bonds are being repaid through tax assessments on property located within the District boundaries and are not a direct obligation of the District's general fund.

The largest component of the District's "Net Assets" is the investment in capital assets (net of related debt) of approximately $66.7 million. These funds are not liquid resources that can be used to fund ongoing operations.



Statement of Revenues, Expenses, and Changes in Net Assets

Operating Results

	2010	2009	Change	2008	Change
OPERATING REVENUES					
Tuition and Fees - net	$ 6,799,139	$ 6,098,111	$ 701,028	$ 6,060,262	$ 37,849
Auxiliary Enterprise Sales and Charges					
Bookstore	4,307,573	4,910,131	(602,558)	4,707,192	202,939
TOTAL OPERATING REVENUES	11,106,712	11,008,242	98,470	10,767,454	240,788
OPERATING EXPENSES					
Salaries	64,810,405	66,931,948	(2,121,543)	65,055,409	1,876,539
Employee benefits	25,152,408	24,318,514	833,894	23,067,866	1,250,648
Supplies, materials, and other operating expenses and services	43,941,827	38,521,956	5,419,871	37,381,387	1,140,569
Depreciation	14,342,474	13,045,370	1,297,104	8,744,903	4,300,467
TOTAL OPERATING EXPENSES	148,247,114	142,817,788	5,429,326	134,249,565	8,568,223
OPERATING LOSS	(137,140,402)	(131,809,546)	(5,330,856)	(123,482,111)	(8,327,435)
NONOPERATING REVENUES (EXPENSES)					
State apportionments, noncapital	4,303,262	2,508,063	1,795,199	2,982,808	(474,745)
Local property taxes	79,999,385	83,381,864	(3,382,479)	77,343,177	6,038,687
Grants and Contracts, noncapital:					
Federal	28,397,664	19,853,795	8,543,869	16,968,385	2,885,410
State	10,760,441	13,120,705	(2,360,264)	13,680,823	(560,118)
Local	1,376,831	1,779,456	(402,625)	950,870	828,586
State taxes and other revenues	2,659,994	2,963,616	(303,622)	3,874,825	(911,209)
Investment income	149,901	213,802	(63,901)	284,176	(70,374)
Interest expense on capital related debt	(17,063,427)	(14,802,086)	(2,261,341)	(10,090,238)	(4,711,848)
Loss on disposal of capital assets	38,343	56,386	(18,043)	(52,838)	109,224
Investment income on capital assets-related debt, net	758,022	2,619,507	(1,861,485)	2,928,314	(308,807)
Other nonoperating revenue	6,483,950	5,133,113	1,350,837	3,256,075	1,877,038
TOTAL NONOPERATING REVENUES (EXPENSES)	117,864,366	116,828,221	1,036,145	112,126,377	4,701,844
INCOME/LOSS) BEFORE OTHER REVENUES AND EXPENSES	(19,276,036)	(14,981,325)	(4,294,711)	(11,355,734)	(3,625,591)
State revenues, capital	974,077	709,628	264,449	10,692,247	(9,982,619)
CHANGE IN NET ASSETS	(18,301,959)	(14,271,697)	(4,030,262)	(663,487)	(13,608,210)
NET ASSETS, BEGINNING OF YEAR	102,814,782	117,086,479	(14,271,697)	117,749,966	(663,487)
NET ASSETS, END OF YEAR	$ 84,512,823	$ 102,814,782	$ (18,301,959)	$ 117,086,479	$ (14,271,697)

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. 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.

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 $191 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. Approximately $5.3 million of the gross enrollment revenue has been funded by the Board of Governor's (fee) Waivers, which is offset by an equal amount in "scholarship discounts".

The revenue, for auxiliary enterprises, consists primarily of the net revenue from the District's bookstores on the San Jose City College and Evergreen Valley College campuses in the amount of approximately $4.3 million.

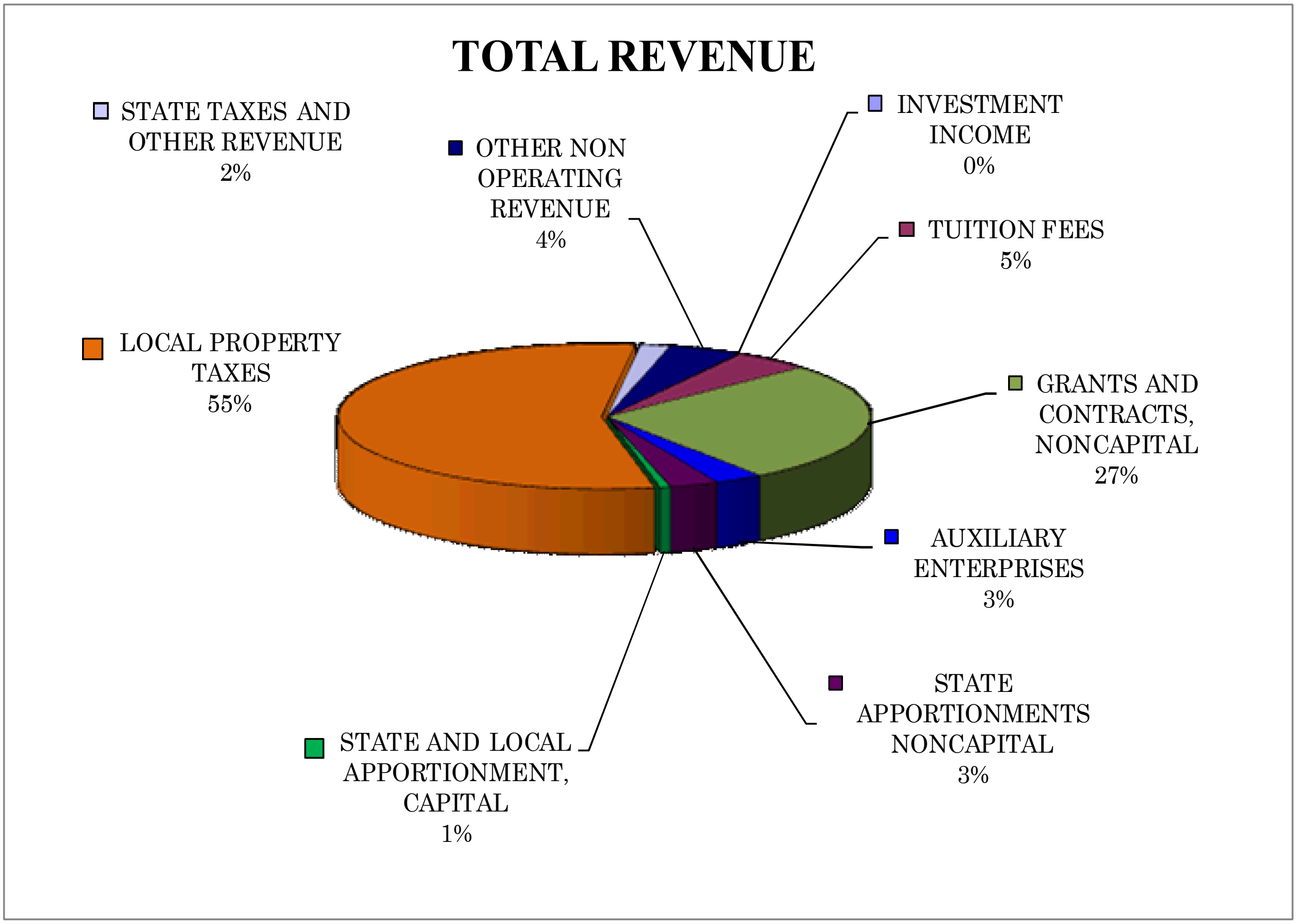
Because the primary sources of funding that support the District's instructional activities comes from State apportionment and local property taxes, which are considered nonoperating, the financial results of the District's "operations" will result in a net operating loss.

The principal components of the District's nonoperating revenue are: noncapital State apportionment, local property taxes, federal and state grants, and 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 $.7 million in interest income was primarily earned on the cash in the County Treasury during the fiscal year in the District's general obligation bond.

The largest component of the District's nonoperating revenues is noncapital grants and contracts. Approximately $10.8 million is funding received from the State for categorical programs, such as DSP&S, EOP&S, Matriculation, etc., while Federal grants of approximately $20.6 million provide funding for student financial aid programs.

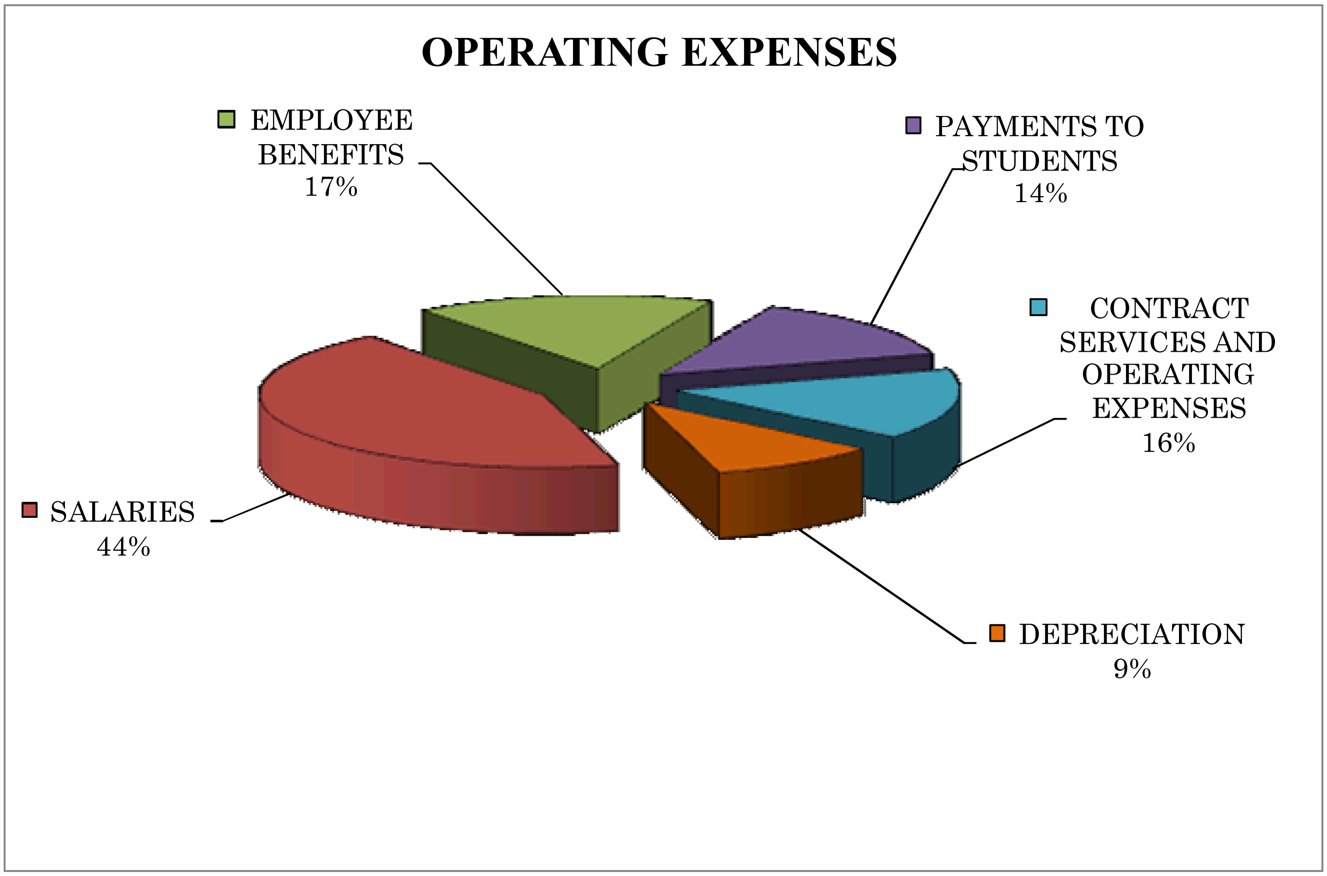
The "State apportionments, capital" revenues principally represent State funding for State approved capital projects and deferred maintenance programs.

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



The largest component of the District's operating expense is the cost associated with employee salaries and benefits. Nearly 60 percent of the total expense is spent in this area. "Contract services and other operating expenses" represent ongoing operating costs such as utilities and supplies and account for an additional $23.3 million. The remainder includes amounts paid to students primarily for financial aid of $20.6 million and depreciation expense of $14.3 million.

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



District enrollment in Fiscal Year 2009-2010 reached a record level, with 15,697 FTES reported to the State of California for funding. The District's FTES was not fully funded due to severe funding restrictions at the State level.

The OPEB Trust Fund was established after the sale of OPEB Bonds to fund the GASB 43/45 Actuarial Valuation of Postretirement Employee Benefits originally estimated and $47 million and updated to $38 million dollars with the most recent actuarial study. The closing for the District's OPEB Bond was May 14, 2009, with an expense rate fixed at 4.62% and a swap rate the end of the third year at 4.239%. Separate financial statements for the Retiree Benefit Plan Trust are available by contacting the San Jose/Evergreen Community College District office.

Statement of Cash Flows

The Statement of Cash Flows presents detailed information about the cash activity of the District during the year. The statement is divided into five parts. The first section deals with the operating cash flows and shows the net cash used by the operating activities of the District. The second section reflects cash flows from noncapital financing activities. The third section 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

	2010	2009	Change	2008	Change
Cash From					
Operating activities	$ (116,900,155)	$ (124,732,536)	$ 7,832,381	$(113,847,727)	$ (10,884,809)
Noncapital financing activities	113,627,198	117,301,241	(3,674,043)	110,201,550	7,099,691
Capital and related financing activities	(19,479,459)	(24,340,145)	4,860,686	54,364,863	(78,705,008)
Investing activities	361,717	972,703	(610,986)	1,994,985	(1,022,282)
Change in Cash	(22,390,699)	(30,798,737)	8,408,038	52,713,671	(83,512,408)
Cash - Beginning of Year	97,071,602	127,870,339	(30,798,737)	75,156,668	52,713,671
Cash - End of Year	$ 74,680,903	$ 97,071,602	$ (22,390,699)	$ 127,870,339	$ (30,798,737)

Economic Factors That May Affect the Future

The Unrestricted General Fund provides the resources necessary to sustain the day-to-day activities of the district and pays for most administrative and operating expenditures. The State budget continues to exhibit its fragile status as Fiscal Year 2010-2011 commences into the second quarter. The State is currently predicting a $6 billion revenue shortfall for Fiscal Year 2010-2011 and $19 billion for Fiscal Year 2011-2012; is relying heavily on anticipated Federal funds; is assuming 12 months of expenditure reductions in a 9 month timeframe; and is continuing its deficit spending pattern. The Governor has called a special session beginning December 6, 2010, to address these issues. In addition to the afore-mentioned, there is potential for continued reductions to resources in Fiscal Year 2010-2011 because of the continuing deflation in the market value of personal residences and decreases to personal income. Much of the State's General Apportionment funding for local schools and community colleges is tied to personal income, and leveling of this revenue source does not combat the previous losses and will continue to impact the State's ability to provide cost-of-living adjustments in the next several years without other revenue enhancements.

As the District monitors events surrounding the State's fiscal condition, planning is moving ahead to control and reduce expenditures in the likely event that the State adopts mid-year spending cuts to education budgets in Fiscal Year 2010-2011. This strategy includes the adoption of a 1% deficit factor with an estimated value of $696,189, benefit revisions, organizational review and realignments, aggressively pursuing grants, and utility savings from energy efficiency project implementation incorporated in Measure G – 2010.

The District is again experiencing unprecedented demand for its programs and services, which can be expected to continue as the unemployment rate continues at record levels. However, the services that the District offers to the community will be driven by the availability of resources, and if the State reduces its funding to community colleges, this District may take the appropriate action to maintain its service level within the budget allocations provided by the State. Of note, there will be sufficient enrollment that will be reported in Fiscal Year 2010-11 to permit the District to receive the maximum funded growth permissible within available State resources.

Progress on Capital Projects

The District continues to make progress in implementing its capital projects master plan associated with Measure G – 2004, including the Multi-disciplinary Complex at SJCC as well as renovations to the Cedro and PE Buildings at EVC.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, students, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need any additional financial information, 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 – PRIMARY GOVERNMENT
JUNE 30, 2010 AND 2009

	2010	2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 9,193,672	$ 14,007,779
Accounts receivable, net of allowance	10,762,040	12,110,539
Due from trust funds	1,448,751	801,482
Deferred charges	86,086	86,086
Prepaid expenses	166,952	75,795
Stores inventories	355,675	601,638
Total Current Assets	22,013,176	27,683,319
NONCURRENT ASSETS		
Restricted cash and cash equivalents	65,487,231	83,063,823
Deferred charges	1,970,599	2,056,686
Prepaid OPEB contribution	39,271,509	39,352,909
Nondepreciable capital assets	28,030,570	64,979,885
Depreciable capital assets, net of accumulated depreciation	254,499,301	216,303,368
Total Noncurrent Assets	389,259,210	405,756,671
TOTAL ASSETS	411,272,386	433,439,990
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	6,377,706	7,871,987
Accrued interest payable	5,330,432	4,713,958
Deferred revenue	4,537,677	5,179,460
Bonds and notes payable	7,180,000	4,775,000
Other long-term liabilities	209,301	209,301
Total Current Liabilities	23,635,116	22,749,706
NONCURRENT LIABILITIES		
Accrued compensated absences payable	1,783,854	1,613,678
Bonds and notes payable	297,154,568	301,866,498
Other long-term liabilities	4,186,025	4,395,326
Total Noncurrent Liabilities	303,124,447	307,875,502
TOTAL LIABILITIES	326,759,563	330,625,208
NET ASSETS		
Invested in capital assets, net of related debt	66,680,952	81,012,193
Restricted for:		
Debt service	11,973,507	13,495,120
Educational programs	1,351,838	1,148,875
Capital projects	973,131	939,576
Unrestricted	3,533,395	6,219,018
TOTAL NET ASSETS	$ 84,512,823	$ 102,814,782

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 – PRIMARY GOVERNMENT FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
OPERATING REVENUES		
Student Tuition and Fees	$ 12,043,369	$ 8,602,272
Less: Scholarship discount and allowance	(5,244,230)	(2,504,161)
Net tuition and fees	6,799,139	6,098,111
Auxiliary Enterprise Sales and Charges		
Bookstore	4,307,573	4,910,131
TOTAL OPERATING REVENUES	11,106,712	11,008,242
OPERATING EXPENSES		
Salaries	64,810,405	66,931,948
Employee benefits	25,152,408	24,318,514
Supplies, materials, and other operating expenses and services	43,945,727	38,521,956
Depreciation	14,342,474	13,045,370
TOTAL OPERATING EXPENSES	148,247,114	142,817,788
OPERATING LOSS	(137,140,402)	(131,809,546)
NONOPERATING REVENUES (EXPENSES)		
State apportionments, noncapital	4,303,262	2,508,063
Local property taxes	79,999,385	83,381,864
Federal grants	28,397,664	19,853,795
State grants	10,760,441	13,120,705
Local grants	1,376,831	1,779,456
State taxes and other revenues	2,659,994	2,963,616
Investment income, net	149,901	213,802
Interest expense on capital related debt	(17,063,427)	(14,802,086)
Investment income on capital asset-related debt, net	758,022	2,619,507
Gain (loss) on disposal of capital assets	38,343	56,386
Transfer from agency fund	3,088,097	402,945
Other nonoperating revenue	3,395,853	4,730,168
TOTAL NONOPERATING REVENUES (EXPENSES)	117,864,366	116,828,221
INCOME (LOSS) BEFORE OTHER REVENUES AND EXPENSES	(19,276,036)	(14,981,325)
OTHER REVENUES (EXPENSES)		
State revenues, capital	974,077	709,628
TOTAL OTHER REVENUES AND EXPENSES	974,077	709,628
CHANGE IN NET ASSETS	(18,301,959)	(14,271,697)
NET ASSETS, BEGINNING OF YEAR	102,814,782	117,086,479
NET ASSETS, END OF YEAR	$ 84,512,823	$ 102,814,782

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

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

STATEMENTS OF CASH FLOWS – PRIMARY GOVERNMENT
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 7,241,042	$ 4,513,716
Payments to vendors for supplies and services	(39,216,147)	(40,112,991)
Payments to or on behalf of employees	(89,646,145)	(93,764,669)
Auxiliary enterprise sales and charges	3,871,361	4,642,022
Other operating receipts (payments)	849,734	(10,614)
Net Cash Flows from Operating Activities	(116,900,155)	(124,732,536)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State apportionments	6,210,186	2,431,198
Property taxes	64,410,015	68,547,743
Grants and contracts	38,206,075	35,369,837
State taxes and other apportionments	2,945,362	2,963,616
Proceeds from OPEB debt	-	46,775,000
Payment to OPEB irrevocable trust	-	(39,957,516)
Other nonoperating	1,855,560	1,171,363
Net Cash Flows from Noncapital Financing Activities	113,627,198	117,301,241
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
State apportionments capital projects	974,077	8,032,681
Purchase of capital assets	(18,047,045)	(39,848,176)
Deferred charges	-	(22,655)
Proceeds from capital debt	3,665,136	4,319,736
Property taxes for capital debt	15,589,370	14,834,121
Principal paid on capital debt	(5,972,066)	(5,025,000)
Interest paid on capital debt	(16,446,953)	(9,250,359)
Interest received on capital asset-related debt	758,022	2,619,507
Net Cash Flows from Capital Financing Activities	(19,479,459)	(24,340,145)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received from investments	361,717	972,703
Net Cash Flows from Investing Activities	361,717	972,703
CHANGE IN CASH AND CASH EQUIVALENTS	(22,390,699)	(30,798,737)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	97,071,602	127,870,339
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 74,680,903	$ 97,071,602

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

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

STATEMENTS OF CASH FLOWS – PRIMARY GOVERNMENT CONTINUED
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
RECONCILIATION OF NET OPERATING REVENUES TO NET CASH FROM OPERATING ACTUALS		
Operating loss	$ (137,140,402)	$ (131,809,546)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	14,342,474	13,045,370
Changes in assets and liabilities:		
Accounts receivable, net (operating portion)	3,324,945	(6,121,938)
Stores inventories	245,963	(89,268)
Prepaid expenses	(91,157)	114,262
Accounts payable and accrued liabilities (operating portion)	(877,807)	(131,341)
Deferred revenue	(641,783)	211,736
Funds held for others	3,937,612	48,189
Total Adjustments	20,240,247	7,077,010
Net Cash Flows From Operating Activities	$ (116,900,155)	$ (124,732,536)
CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING		
Cash in banks	$ 1,284,158	$ 1,145,857
Cash equivalents - U.S. Bank	2,142,740	4,319,736
Cash in County Treasury	71,254,005	91,606,009
Total Cash and Cash Equivalents	$ 74,680,903	$ 97,071,602
NONCASH TRANSACTIONS		
On behalf payments for benefits	$ 1,360,672	$ 1,498,187

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

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

STATEMENTS OF FIDUCIARY NET ASSETS
JUNE 30, 2010 AND 2009

	2010		2009	
	Trust	Agency Funds	Trust	Agency Funds
ASSETS				
Cash and cash equivalents	$ -	$ 643,131	$ 1,553,627	$ 974,574
Investments	44,282,116	-	39,607,205	-
Accounts receivable, net	1,461,788	-	835,980	-
Other current assets	-	-	-	59,779
Total Assets	45,743,904	$ 643,131	41,996,812	$ 1,034,353
LIABILITIES				
Accounts payable	295,100	$ 170	194,440	$ 976
Due to other funds	1,448,751	-	801,482	-
Deferred revenue	30	-	611	-
Due to others	-	642,961	-	1,033,377
Total Liabilities	1,743,881	$ 643,131	996,533	$ 1,034,353
NET ASSETS				
Reserved	44,000,023		41,000,279	
Total Net Assets	$ 44,000,023		$ 41,000,279	

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

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010 AND 2009

	2010 Trust	2009 Trust
ADDITIONS		
Federal revenues	$ 19,778,415	$ 13,620,860
State revenues	859,716	1,251,419
Local revenues	6,314,431	41,265,842
Total Additions	26,952,562	56,138,121
DEDUCTIONS		
Classified salaries	46,875	44,141
Employee benefits	-	207,071
Services and operating expenditures	20,817,846	14,845,555
Total Deductions	20,864,721	15,096,767
OTHER FINANCING SOURCES (USES)		
Operating transfers out	(3,088,097)	(402,945)
Total Other Financing Sources (Uses)	(3,088,097)	(402,945)
Change in Net Assets	2,999,744	40,638,409
Net Assets - Beginning	41,000,279	361,870
Net Assets - Ending	$ 44,000,023	$ 41,000,279

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

NOTE 1 – ORGANIZATION AND 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. While the District is a political subdivision of the State of California, it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 39.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The District has adopted 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.

The following entities do not meet the above criteria for inclusion as component units of the District. Additional information is included in Note 14 to the financial statements.

- **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.

- **San Jose / Evergreen Community College District Foundation**
  The San Jose / Evergreen Community College District Foundation does not meet the criteria under GASB 39 for inclusion as a component unit of the District. Separate financial statements are typically available from the Foundation.

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 as defined by GASB Statements 34 and 35, as amended by GASB Statement 37. 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 intra-agency and intra-fund transactions have been eliminated. The bookstore operates on an April 30 year end.

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 60 days of fiscal year-end. For the District operating revenues consist primarily of student fees and auxiliary activities through the bookstore and cafeteria.

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 (US GAAP) as applicable to colleges and universities, as well as those prescribed by the California Community Colleges Chancellor's Office. The District reports are based on all applicable 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. The District has not elected to apply FASB pronouncements after that date. When applicable, certain prior year amounts have been reclassified to conform to current year presentation. The budgetary and financial accounts of the District are maintained in accordance with the State System's Office *Budget and Accounting Manual*.

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, demand deposits, and short-term investments with original maturities of one year or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows. Restricted cash and cash equivalents represented balances restricted by external sources such as grants and contracts or specifically restricted for the repayment of capital debt.

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. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. This allowance is based upon management's estimates and analysis. The allowance was estimated at $2,125,468 and $947,061 for the years ended June 30, 2010 and 2009, respectively.

Prepaid Expenses

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

Stores Inventories

Stores inventories consist primarily of bookstore merchandise and supplies held for resale to the students and faculty of the colleges. Stores 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.

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 to buildings and land that significantly increase the value or extend the useful life of the asset 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 utilizing 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.

Deferred Issuance Costs, Premiums, and Discounts

In the entity - wide financial statements and in the proprietary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method.

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the entity-wide financial statements. The amounts have been recorded in the fund from which the employees, who have accumulated the leave, are paid. The District also participates in "load-banking" with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period.

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. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave.

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 revenue includes (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.

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 - Nonexpendable: Net assets whose use by the District has been externally restricted in perpetuity such as Endowment funds where future investment earnings may be used for the donor stipulated purpose. The District has no nonexpendable net 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. Net assets may be restricted for capital projects, debt repayment, and/or educational programs. Restricted net assets resulting from enabling legislation was $1,351,838 at June 30, 2010.

None of the District's restricted net assets have resulted from enabling legislation adopted by the District.

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. Certain significant revenue streams relied upon for operation are classified as nonoperating as defined by GASB Statement No. 35. Classifications are as follows:

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 (4) interest on institutional student loans.

Nonoperating revenues - Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as State apportionments, 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.

State Apportionments

Certain current year apportionments from the State are based on financial and statistical information of the previous year. Any corrections due to the recalculation of the apportionment are made in February of the subsequent year and are recorded in the District's financial records when received.

On-Behalf Payments

GASB Statement No. 24 requires direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees for another legally separate entity be recognized as revenues and expenditures by the employer entity. The State of California makes direct on-behalf payments to the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) on behalf of all community colleges in California. The amounts of on-behalf payments were $1,360,672 and $1,498,187 for CalSTRS for the years ended June 30, 2010, and 2009, respectively. There were no on-behalf payments made for CalPERS in the years ended June 30, 2010, and 2009.

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 Taxes

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.

The voters of the District passed General Obligation Bonds in 1998 and 2004 for the acquisition, construction, and remodeling of District capital assets. As a result of the passage of the Bonds, property taxes are assessed on the property within the District specifically for the repayment of the debt incurred. The taxes are billed and collected as noted above and remitted to the District when collected.

Scholarship Discounts and Allowances

Student tuition and fee revenue is reported net of scholarship discounts and allowances in the Statement of Revenues, Expenditures, and Changes in Net Assets. Scholarship discounts and allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payments on the students' behalf. To the extent that fee waivers and discounts have been used to satisfy tuition and fee charges, the District has recorded a scholarship discount and allowance.

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. 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 years ended June 30, 2010 and 2009, the District distributed $2,730,391 and $1,973,177 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 Expenditures of Federal Awards.

Interfund Activity

Exchange transactions between funds of the District are reported as revenues and expenses within the Statement of Revenues, Expenses, and Changes in Net Assets. Flows of cash or goods from one fund to another without a requirement for repayment are recognized as interfund transfers within the District's fund financial statements. Amounts owing between funds for both exchange and non-exchange transactions are recorded as interfund receivables and payables within the District's fund financial statements. Interfund transfers and interfund receivables and payables are eliminated during the consolidation process in the entity-wide financial statements.

New Accounting Pronouncements

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Classifications*. The objectives of this Statements is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this Statement are effective for the financial statements for periods beginning after June 15, 2010. The District does not anticipate a significant impact in reporting.

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 3 – DEPOSITS 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.

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 Corporate 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.

Summary of Deposits and Investments

Deposits and investments as of June 30, 2010, consist of the following:

	Entitywide	Fiduciary
Cash on hand and in banks	$ 1,259,075	$ 643,131
Cash in revolving	25,083	-
Subtotal Deposits	1,284,158	643,131
Cash equivalents, county cash	71,254,005	-
Cash equivalents, U.S. Bank	2,142,740	
Investments, BenefitTrust	-	44,282,116
Subtotal Investments	73,396,745	44,282,116
Total Deposits and Investments	$ 74,680,903	$ 44,925,247

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 in Years
U.S. Treasury Cash Reserve	$ 2,142,740	0.09
County Pool - Santa Clara	71,254,005	0.89
Total	$ 73,396,745	

*Weighted average days to maturity.

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, 2010
U.S. Treasury Cash Reserve	$ 2,142,740	Not Required	Aaa
County Pool - Santa Clara	71,254,005	Not Required	Not rated
Total	$ 73,396,745		

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. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2010, the District's bank balance of approximately $500,000 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 4 - ACCOUNTS RECEIVABLE

Accounts receivable for the District consisted primarily of intergovernmental grants, entitlements, interest, and other local sources. Included in student receivables are $3,475,168 and $2,597,948, as of June 30, 2010 and 2009, respectively, of registration fees for students registering for future terms. These amounts are recorded as accounts receivable and deferred revenue in the accompanying financial statements. Excluding registration fees for future terms and allowance estimates, student receivables were $2,334,471 and $1,498,377 for the years ended June 30, 2010, and 2009.

The District has determined $2,125,468 of accounts receivable at June 30, 2010 and $947,061 at 2009, may be uncollectable and has set up a corresponding allowance for doubtful accounts.

	2010		2009
	Entitywide	Fiduciary	Total
Federal Government			
Categorical aid	$ 2,808,787	$ 1,449,871	$ 3,448,770
State Government			
Apportionment	897,561	-	2,804,485
Categorical aid	781,208	11,917	641,533
Lottery	759,948	-	970,667
Other State sources	95,322	-	321,563
Local Sources			
Interest	177,480	-	389,296
Student receivables, net of allowance	3,684,171	-	3,248,854
Other local sources	1,557,563	-	1,121,351
Total	$ 10,762,040	$ 1,461,788	$ 12,946,519

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2010, was as follows:

	Balance Beginning of Year	Additions / Adjustments	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	$ 3,441,983	$ -	$ -	$ 3,441,983
Construction in progress	61,537,901	21,908,220	58,857,534	24,588,587
Total Capital Assets Not Being Depreciated	64,979,884	21,908,220	58,857,534	28,030,570
Capital Assets Being Depreciated				
Land improvements	36,213,082	5,302,334	-	41,515,416
Buildings and improvements	254,616,412	43,805,860	314,942	298,107,330
Furniture and equipment	11,695,346	3,490,666	1,157,169	14,028,843
Total Capital Assets Being Depreciated	302,524,840	52,598,860	1,472,111	353,651,589
Total Capital Assets	367,504,724	74,507,080	60,329,645	381,682,159
Less Accumulated Depreciation				
Land improvements	19,322,347	3,310,394	-	22,632,741
Buildings and improvements	57,745,689	9,759,492	289,747	67,215,434
Furniture and equipment	9,153,435	1,272,588	1,121,910	9,304,113
Total Accumulated Depreciation	86,221,471	14,342,474	1,411,657	99,152,288
Net Capital Assets Being Depreciated	216,303,369	38,256,386	60,454	254,499,301
Net Capital Assets	$ 281,283,253	$ 60,164,606	$ 58,917,988	$ 282,529,871

Depreciation expense for the year was $14,342,474.

Capital asset activity for the District for the fiscal year ended June 30, 2009, 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	57,964,410	39,077,109	35,503,618	61,537,901
Total Capital Assets Not Being Depreciated	61,406,393	39,077,109	35,503,618	64,979,884
Capital Assets Being Depreciated				
Land improvements	31,312,041	4,901,041	-	36,213,082
Buildings and improvements	223,984,295	30,632,117	-	254,616,412
Furniture and equipment	10,953,819	741,527	-	11,695,346
Total Capital Assets Being Depreciated	266,250,155	36,274,685	-	302,524,840
Total Capital Assets	327,656,548	75,351,794	35,503,618	367,504,724
Less Accumulated Depreciation				
Land improvements	16,542,187	2,780,160	-	19,322,347
Buildings and improvements	48,404,155	9,341,534	-	57,745,689
Furniture and equipment	8,229,757	923,678	-	9,153,435
Total Accumulated Depreciation	73,176,099	13,045,372	-	86,221,471
Net Capital Assets	$ 254,480,449	$ 62,306,422	$ 35,503,618	$ 281,283,253

Depreciation expense for the year was $13,045,372.

NOTE 6 - 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 are 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.

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.

	Transfers From				
Transfers To	General Unrestricted Fund	General Restricted Fund	Student Body Center Fee Fund	Investment Trust Fund	Total
General Unrestricted Fund	$ -	$ 347,108	$ 219	$ -	$ 347,327
General Restricted Fund	484,258	-	-	-	484,258
Bond Interest and Redemption Fund	4,650	-	-	-	4,650
Child Development Fund	159,234	-	-	-	159,234
Capital Outlay Projects Fund	27,518	-	-	-	27,518
Other Debt Service Fund	-	-	-	3,087,878	3,087,878
Total	$ 675,660	$ 347,108	$ 219	$ 3,087,878	$ 4,110,865

The General Unrestricted Fund transferred to the General Restricted Fund to supplement operations supporting the categorical programs.	$ 484,258
The General Unrestricted Fund transferred to the Bond Interest and Redemption Fund to clear the due to/from.	4,650
The General Unrestricted Fund transferred to the Child Development Fund to supplement operations supporting the Child Development Center.	159,234
The General Unrestricted Fund transferred to the Capital Outlay Projects Fund to clear the due to/from for arbitrage payable, which was moved to the General Unrestricted Fund in Fiscal Year 2008-2009.	27,518
The General Restricted Fund transferred to the General Unrestricted Fund to partially offset the cost of the space occupied by the Workforce Institute, District overhead costs, and the ITSS Application Analyst supported by revenues associated with BOG Administration.	347,108
The Student Center Fee Fund transferred to the General Unrestricted Fund to pass through to the ASB Funds.	219
The OPEB Trust Fund transferred to the Other Debt Service Fund to offset the cost of retiree benefits.	3,087,878
Total	$ 4,110,865

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	2010		2009
	Entitywide	Fiduciary	Total
Accrued payroll and benefits	$ 1,608,570	$ 13,445	$ 1,568,143
Construction	688,705	-	3,086,160
Banked overload	392,109	-	318,022
Compensated absences	130,365	-	259,267
Other	3,557,957	281,825	2,675,869
Total	$ 6,377,706	$ 295,270	$ 7,907,461

NOTE 8 - DEFERRED REVENUE

Deferred revenue for the District consisted of the following:

	2010		2009
	Entitywide	Fiduciary	Total
Federal financial assistance	$ 1,081	$ -	$ 1,534
State categorical aid	899,806	-	2,387,485
Enrollment fees	3,475,168	-	2,597,948
Other local	161,622	30	192,493
Total	$ 4,537,677	$ 30	$ 5,179,460

NOTE 9 - LONG-TERM OBLIGATIONS

Long-Term Obligations Summary

The changes in the District's long-term obligations during the 2009-2010 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 C	$ 3,994,256	$ 159,892	$ 1,197,066	$ 2,957,082	$ 2,200,000
1998 General Obligation bonds, Series D	7,100,000	-	950,000	6,150,000	1,200,000
2004 General obligation refunding bonds	90,570,203	823,034	3,825,000	87,568,237	3,780,000
2004 General obligation bonds, Series A	59,145,459	1,536,234	-	60,681,693	-
2004 General obligation bonds, Series B	99,056,580	1,145,976	-	100,202,556	-
2009 OPEB taxable bond	46,775,000	-	-	46,775,000	-
Total Bonds and Notes Payable	306,641,498	3,665,136	5,972,066	304,334,568	7,180,000
Other Liabilities					
Bond Premiums	4,604,627	-	209,301	4,395,326	209,301
Compensated absences	1,613,678	170,176	-	1,783,854	-
Total Other Liabilities	6,218,305	170,176	209,301	6,179,180	209,301
Total Long-Term Obligations	$ 312,859,803	$ 3,835,312	$ 6,181,367	$ 310,513,748	$ 7,389,301

The changes in the District's long-term obligations during the 2008-2009 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 B	$ 200,000	$ -	$ 200,000	$ -	$ -
1998 General Obligation bonds, Series C	3,789,001	205,255	-	3,994,256	-
1998 General Obligation bonds, Series D	9,800,000	-	2,700,000	7,100,000	950,000
2004 General obligation refunding bonds	91,963,609	731,594	2,125,000	90,570,203	3,825,000
2004 General obligation bonds, Series A	57,686,256	1,459,203	-	59,145,459	-
2004 General obligation bonds, Series B	97,999,946	1,056,634	-	99,056,580	-
2009 OPEB taxable bond	-	46,775,000	-	46,775,000	-
Total Bonds and Notes Payable	261,438,812	50,227,686	5,025,000	306,641,498	4,775,000
Other Liabilities					
Bond Premiums	4,813,928	-	209,301	4,604,627	209,301
Compensated absences	1,791,404	-	177,726	1,613,678	-
Total Other Liabilities	6,605,332	-	387,027	6,218,305	209,301
Total Long-Term Obligations	$ 268,044,144	$ 50,227,686	$5,412,027	$ 312,859,803	$4,984,301

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.

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, 2010 and 2009, the amounts outstanding were $2,957,082 and $3,994,256, respectively. The bonds mature through 2011 with interest rates ranging from two to five 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, 2010 and 2009, the amounts outstanding were $6,150,000 and $7,100,000, respectively. The bonds mature through 2014 with interest rates ranging from three to five 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, 2010 and 2009, the amounts outstanding were $87,568,237 and $90,570,203, respectively. The bonds mature through 2023 with interest rates ranging from two to five percent. At June 30, 2010 and 2009, the balance of the escrow account was $95,890,706, and $96,093,373, respectively.

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, 2010 and 2009, the amounts outstanding were $60,681,693 and $59,145,459, respectively. The bonds mature through 2030 with interest rates ranging from three to five percent.

In February 2008, the District issued $97,999,946 of the General Obligation Bonds as Series B 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, 2010 and 2009, the amounts outstanding were $100,202,556 and $99,056,580, respectively. The bonds mature through 2032 with interest rates ranging from three to seven percent.

In May 2009, the District issued $46,775,000 of the OPEB Taxable Bonds. The proceeds from the sale of the bonds will be used by the District to fund an irrevocable trust for payment of other post employment benefits and to pay certain cost of issuance of the bonds. At June 30, 2010 and 2009, the amounts outstanding were $46,775,000. The bonds mature through 2044 with variable interest rate at 4.62% through 2012, and then at a swap rate of 4.239% plus a spread of 30 basis points, and a letter of credit and remarketing fee of 140 basis points.

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, 2010 and 2009, the balance of the escrow account was $1,972,143and $2,263,640, respectively.

Debt Maturity

General Obligation Bonds

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2009	Accreted Interest Addition	Redeemed	Bonds Outstanding June 30, 2010
7/1/2000	9/1/2010	2.0-5.25%	7,999,708	$ 3,994,256	$ 159,892	$ 1,197,066	$ 2,957,082
6/1/2002	9/1/2013	2.0-5.25%	80,750,000	7,100,000	-	950,000	6,150,000
4/1/2004	9/1/2021	2.0-5.25%	96,790,995	90,570,203	823,034	3,825,000	87,568,237
5/26/2005	9/1/2029	3.0-5.00%	55,391,474	59,145,459	1,536,234	-	60,681,693
2/21/2008	9/1/2032	2.69-7.436%	97,999,946	99,056,580	1,145,976	-	100,202,556
5/1/2009	7/1/2043	4.62%	46,775,000	46,775,000	-	-	46,775,000
				$ 306,641,498	$ 3,665,136	$ 5,972,066	$ 304,334,568

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
2011	$ -	$ 718,575	$ 718,575

Outstanding Election of 1998 General Obligation Bonds, Series C

The general obligation bonds mature through 2012 as follows:

Fiscal Year	Principal	Accreted Interest	Total
2011	$ 1,320,286	$ 879,714	$ 2,200,000
2012	-	757,082	757,082
Total	$ 1,320,286	$ 1,636,796	$ 2,957,082

Outstanding Election of 1998 General Obligation Bonds, Series D

The general obligation bonds mature through 2014 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2011	$ 1,200,000	$ 239,600	$ 1,439,600
2012	1,400,000	188,300	1,588,300
2013	1,650,000	128,000	1,778,000
2014	1,900,000	47,500	1,947,500
Total	$ 6,150,000	$ 603,400	$ 6,753,400

2004 General Obligation Refunding Bonds

The general obligation bonds mature through 2022 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest to Maturity	Total
2011	$ 3,780,000	$ -	$ 3,979,613	$ 7,759,613
2012	4,785,000	-	3,774,113	8,559,113
2013	5,330,000	-	3,529,863	8,859,863
2014	5,750,000	-	3,252,863	9,002,863
2015	8,040,000	-	2,908,112	10,948,112
2016-2020	54,227,806	3,682,195	6,937,431	64,847,432
2021-2022	5,655,431	14,030,569	-	19,686,000
Total	$ 87,568,237	$ 17,712,764	$ 24,381,995	$ 129,662,996

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
2011	$ -	$ -	$ 1,497,250	$ 1,497,250
2012	-	-	1,497,250	1,497,250
2013	-	-	1,497,250	1,497,250
2014	-	-	1,497,250	1,497,250
2015	-	-	1,497,250	1,497,250
2016-2020	-	-	7,486,250	7,486,250
2021-2025	18,004,512	17,065,888	7,486,250	42,556,650
2026-2030	42,677,181	20,767,864	2,583,125	66,028,170
Total	$ 60,681,693	$ 37,833,752	$ 25,041,875	$ 123,557,320

2004 General Obligation Bonds, Series B

The general obligation bonds mature through 2033 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest to Maturity	Total
2011	$ 93,469	$ 1,327	$ 3,718,250	$ 3,813,046
2012	1,739,720	183,372	3,718,250	5,641,342
2013	1,414,739	120,261	3,718,250	5,253,250
2014	1,783,208	226,762	3,718,250	5,728,220
2015	2,297,648	407,352	3,718,250	6,423,250
2016-2020	13,400,002	2,044,498	18,267,625	33,712,125
2021-2025	47,070,000	-	11,652,750	58,722,750
2026-2030	25,390,786	8,509,214	1,310,750	35,210,750
2030-2033	7,012,984	17,977,222	-	24,990,206
Total	$ 100,202,556	$ 29,470,008	$ 49,822,375	$ 179,494,939

2009 Taxable OPEB Bonds

The general obligation bonds mature through 2044 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2011	$ -	$ 2,161,004	$ 2,161,004
2012	-	3,092,271	3,092,271
2013	-	2,772,870	2,772,870
2014	-	2,777,967	2,777,967
2015	-	2,777,967	2,777,967
2016-2020	-	13,894,926	13,894,926
2021-2025	605,000	13,828,629	14,433,629
2026-2030	3,610,000	13,173,771	16,783,771
2031-2035	8,275,000	11,338,611	19,613,611
2036-2040	15,160,000	7,752,210	22,912,210
2041-2044	19,125,000	1,931,575	21,056,575
Total	$ 46,775,000	$ 75,501,801	$ 122,276,801

NOTE 10 –FUND BALANCE

As Of June 30, 2010, the Student Center Fee Fund ended the year with a deficit in fund balance of $438.

NOTE 11 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Postemployment Benefit Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the San Jose / Evergreen Community College District. The Plan provides medical insurance benefits to eligible retirees and their spouses. The District implemented a Bridge plan for faculty (certificated) and administrative retirees hired on/after the retiree health determination dates, as noted in the July 2009 actuarial study, and retiring on/after July 1, 2009. Membership in the Plans consists of 322 retirees and beneficiaries currently receiving benefits, 71 plan members entitled to but not yet receiving benefits, and 281 active plan members not yet fully eligible for benefits. Separate financial statements are prepared for the Plan and may be obtained by contacting the San Jose Evergreen Community College District.

Contribution Information

The contribution requirements of plan members and the District are established and may be amended by the District and the Faculty Association, Chapter 6157, (AFT), the local California Service Employees Association, Chapter 363, (CSEA), and unrepresented groups. The District's required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements between the District, AFT, CSEA and the unrepresented groups. In May 2009, The District issued an OPEB Taxable Bond of $46,775,000 for the purposes of financing the District's obligation to pay certain healthcare retiree costs. During the fiscal year, 2008-09 the District transferred $39,957,416 to the Retiree Benefit Fund irrevocable trust, $2,524,693 to the General Fund to reimburse it for current year pay as you go amounts paid, $3,523,639 to the required debt service reserve, and $769,252 to the issuance costs fund. Premiums paid during 2009-10 were funded from the contribution and interest earnings.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	$ 175,400
Interest on net OPEB obligation	3,101,000
Amortization of net OPEB obligation	(3,357,800)
Annual OPEB cost (expense)	(81,400)
Contributions made	-
Benefits paid outside of Trust	-
Increase in net OPEB obligation	(81,400)
Net OPEB prepaid (obligation), beginning of year	39,352,900
Net OPEB prepaid (obligation), end of year	$ 39,271,500

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2010 was as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Prepayment
2009	$ 2,524,693	$ 39,957,416	1583%	$ 39,352,900
2010	(81,400)	-	0%	39,271,500

Funded Status and Funding Progress

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2009	$ 41,000,300	$ 38,044,800	$ (2,955,500)	108%	$ 64,732,200	-5%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2009, actuarial valuation, the entry age normal method was used. The actuarial assumptions included a 7.88 percent investment rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a combined equity and fixed income portfolio. Healthcare cost trend rates were estimated at 5 percent for all years. The UAAL is being amortized at a level dollar method. The remaining amortization period at July 1, 2009, was 29 years. The actuarial value of assets was $41,000,300 as of this actuarial valuation. At June 30, 2010, the Trust held net assets in the amount of $44,000,461, which consisted of amounts on deposit with the Trust.

NOTE 12 - 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, 2010, the District contracted with the Bay Area Community College Districts Joint Powers Authority for property and liability insurance coverage. Coverage limits for property and liability claims are $250,000,000, and $25,000,000, respectively. Bay Area Community College Districts Joint Powers Authority reinsured amounts exceeding $250,000 and $1,000,000, respectively with SAFER. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For workers' compensation claims incurred prior to January 1, 1996, the District was self-insured through the Northern California Community College Pool Joint Powers Authority (JPA) up to $250,000 per occurrence, the limitation of $250,000 per occurrence was backed up by excess coverage, purchased by the Pool, that provided coverage to statutory limits.

Effective January 1, 1996, the Northern California Community College Pool (Pool) obtained commercial workers' compensation insurance which provided statutory coverage, which by definition has no limit of liability. In the subsequent years, the Pool secured Workers' Compensation through various commercial carriers. As of 7/1/03, the Pool became a member of the Protected Insurance Program for Schools (PIPS). PIPS is a self-insured program that chooses to reinsure their liability for loss to first dollar. While the PIPS program operates much like a commercial insurance program, it is important to distinguish that it is not a commercial insurance program, rather it is reinsured to first dollar and has no deductible. The limit of liability for the PIPS program is $150,000,000 per occurrence.

NOTE 13 - 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 (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

CalSTRS

Plan Description

The District contributes to CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, California 95826.

Funding Policy

Active members are required to contribute 8.0 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 CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2009-2010 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's total contributions to CalSTRS for the fiscal years ended June 30, 2010, 2009, and 2008, were $2,692,632, $2,744,369, and $2,700,604, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. 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 95811.

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 2009-2010 was 9.709 percent of annual payroll. The District's contributions to CalPERS for fiscal years ending June 30, 2010, 2009, and 2008, were $2,224,642, $2,260,721, and $2,090,224, respectively, and equaled 100 percent of the required contributions for each year.

Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use social security as its alternative plan. Contributions made by the District and an employee vest immediately. The District contributes 6.25 percent of an employee's gross earnings. An employee is required to contribute 6.25 percent of his or her gross earnings to the social security plan.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS which amounted to $1,360,672, $1,498,187, and $1,475,531 (4.267 percent) of salaries subject to CalSTRS, respectively for the years ended June 30, 2010, 2009, and 2008. These amounts have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of the Bay Area Community College Districts Joint Powers Authority and the Northern California Community College Pool (Pool) Joint Powers Authority (JPA). The District pays annual premiums for its property liability, health, and workers' compensation coverage. The relationship between the District and the JPAs is such that they are not component units 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.

The District's share of year-end assets, liabilities, or fund equity has not been calculated.

During the year ended June 30, 2010, the District made payments of $491,449 and $1,377,926 to Bay Area Community College Districts Joint Powers Authority and Northern California Community College Pool Joint Powers Authority, respectively.

NOTE 15 - 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, 2010.

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, 2010.

Operating Leases

The District has entered into a long term operating leases for land on which the San Jose City Technology Center is located, with a 60 year lease expiring in 2061, and contains provisions for exercising two options for an additional 19 and 20 years, if desired. This agreement does not contain a purchase option. The agreement contains a termination clause providing for cancellation by the landlord after a specified number of days written notice. Future minimum lease payments under these agreements are as follows:

Year Ending June 30,	Lease Payment
2011	$ 353,784
2012	353,784
2013	353,784
2014	353,784
2015	353,784
2016-2020	2,034,240
2021-2025	2,339,280
2026-2030	2,690,220
2031-2035	2,690,220
2036-2040	2,690,220
2041-2045	2,690,220
2046-2050	2,690,220
2051-2055	2,690,220
2056-2060	2,690,220
Total	$ 24,973,980

Construction Commitments

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

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

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

NOTE 16 - SUBSEQUENT EVENTS

The District issued $17,630,000 of Tax and Revenue Anticipation Notes dated August 11, 2010. The notes mature on June 30, 2011, and yield 2.0 percent interest. The notes were sold to supplement cash flow due to the deferral of state apportionment. Repayment requirements are that a percentage of principal and interest be deposited with the Fiscal Agent each month beginning January , 2011, until 100 percent of principal and interest due is on account in June, 2011.

The District passed a new general obligation bond known as Measure G 2010 on November 2, 2010 that authorizes a new bond in the amount of $268,000,000.

REQUIRED SUPPLEMENTARY INFORMATION

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2010

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
June 30, 2007	$ -	$ 47,719,500	$ 47,719,500	0%	$ 63,192,700	76%
July 1, 2009	$ 41,000,300	$ 38,044,800	$ (2,955,500)	108%	$ 64,732,200	-5%

SUPPLEMENTARY INFORMATION

DISTRICT ORGANIZATION
JUNE 30, 2010

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. The District's two colleges are each accredited by the Western Association of Schools and Junior Colleges.

BOARD OF TRUSTEES

MEMBER	OFFICE	TERM EXPIRES
Mr. Balbir Dhillon	President	December 2010
Mr. Richard Hobbs	Vice President	December 2010
Mr. Ron Lind	Member	December 2012
Mr. Richard K. Tanaka	Member	December 2012
Ms. Maria Fuentes	Member	December 2010
Mr. Randy Okamura	Member	December 2012
Ms. Mayra Cruz	Member	December 2012

ADMINISTRATION

Ms. Rosa Perez	Chancellor
Ms. Jeanine Hawk	Vice Chancellor, Administrative Services
Ms. Sandy Dillon	Interim Vice Chancellor, Human Resources
Dr. Doug Treadway	Interim President, San Jose City College
Dr. David Wain Coon	President, Evergreen Valley College

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Expenditures
U.S. DEPARTMENT OF EDUCATION			
Title V, Higher Education - Institutional Aid	84.031	[1]	$ 1,111,793
Student Support Services	84.042	[1]	306,091
STUDENT FINANCIAL AID CLUSTER			
Federal Pell Grant Programs (PELL)	84.063	[1]	19,210,137
Federal Pell Grant Program - Administrative Allowance	84.063	[1]	27,635
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	[1]	320,061
Federal College Work Study Program (FWS)	84.033	[1]	243,424
Federal College Work Study Program (FWS) - ARRA	84.033	[1]	57,119
Federal Family Education Loans (FFEL)	84.032	[1]	2,728,393
Academic Competitiveness Grants (ACG)	84.375	[1]	162,675
Passed through California State Chancellors Office			
State Fiscal Stabilization Funds - ARRA	84.394	25008	497,403
Career and Technical Education - Basic Grants to States	84.048	03303	521,283
Career and Technical Education - Tech Prep Education	84.049	03207	135,500
Total U.S. Department of Education			25,321,514
NATIONAL SCIENCE FOUNDATION			
Incorporating 2D Laser Scanning Curriculum - Education and Human Resource	47.076	[1]	158,734
Passed through Michigan State University			
Physical Science SJCC IACPT	47.049	03797	9,256
Total National Science Foundation			167,990
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through Santa Clara County			
Medi-Cal Administration Activities (MAA)	93.778	10011	178,234
Passed through Yosemite Community College			
Child Care and Development Improvement/Yosemite	93.575	[2]	11,825
TEMPORARY ASSISTANCE FOR NEEDY FAMILIES CLUSTER			
Passed through California State Chancellors Office			
Temporary Assistance for Needy Families (TANF)	93.558	[2]	135,211
TANF Supplemental Grants - Work Study & Job Development - ARRA	93.716	[2]	71,919
Passed through County of Santa Clara			
Emergency Contingency Fund TANF State Programs -Work Study - ARRA	93.714	[2]	831,075
Total U.S. Department of Health and Human Services			1,228,264
U.S. DEPARTMENT OF LABOR			
WORKFORCE INVESTMENT ACT CLUSTER			
Passed through California State Chancellors Office			
WIA Adult Programs - Green Jobs -ARRA	17.258	[1]	327,573
Passed through City of San Jose			
WIA Adult Programs	17.258	03573	1,898,447
WIA Youth Activities	17.259	03239	570,702
WIA Dislocated Workers - Workshops	17.260	03239	1,610,593
Veterans' Administrative Reporting Fee	17.802	[1]	974
Total U.S. Department of Labor			4,408,289
Total Expenditures of Federal Awards			$31,126,057

[1] Pass through number not applicable.
[2] Pass through number not available.

See accompanying note to supplementary information.

SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

	Program Entitlements		
Program	Current Year	Prior Year	Total Entitlement
CARE	$ 101	$ 142,412	$ 142,513
Extended Opportunity Programs and Services (EOP&S)	58,964	1,188,874	1,247,838
California Student Aid Commission / Cal Grant	823,286	12,485	835,771
Instructional Equipment 08-09	-	139,035	139,035
Instructional Equipment 07-08	-	29,229	29,229
Telecom Tech. Infrastructure 08-09	-	66	66
Telecom Tech. Infrastructure 07-08	-	1,144	1,144
Transcript Project	5,000	-	5,000
CalWorks Program / Santa Clara County	273,127	-	273,127
CalWorks Program / State	426,828	-	426,828
CDC/TANF	77,523	-	77,523
Financial Aid Administration Allowance (BFAP)	680,604	65,475	746,079
Econ/Leadership SJCC 09-10	85,552	-	85,552
Econ/Leadership SJCC 08-09	-	43,808	43,808
Econ/Job Development Incentive	148,787	-	148,787
Econ/Linking After School Employment 09-10	123,988	-	123,988
Econ/Linking After School Employment 08-09	-	163,745	163,745
Econ/Responsive Training Fund 09-10	435,697	-	435,697
Econ/Responsive Training Fund 08-09	-	878,503	878,503
Econ/California Energy Commission	60,000	-	60,000
Nursing/Faculty and Recruitment 06-07	-	44,016	44,016
Nursing/Career Tech Education 07-08	-	6,828	6,828
Nursing Enrollment Growth Grant 09-10	62,496	-	62,496
Nursing Enrollment Growth Grant 08-09	-	14,699	14,699
Nursing/AND/BSN	136,429	-	136,429
Career Technical Education/Construction Industry/Career	359,802	-	359,802
Career Technical Education/Stepping Stone, SJCC MOU -	42,540	-	42,540
Career Technical Education/Stepping Stone, EVC MOU -	19,437	-	19,437
Career Technical Education/Construction, SJCC MOU -	12,415	-	12,415
Enrollment Fee Administration 2%	72,108	-	72,108
4 C @ O.N.E. 09-10	650,000	-	650,000
4 C @ O.N.E. 08-09	-	123,885	123,885
Foster Care Education	137,693	-	137,693
Staff Diversity	7,522	26,623	34,145
Disabled Students Program	909,299	-	909,299

See accompanying note to supplementary information.

Program Revenues					
Cash Received	Accounts Receivable	Accounts Payable	Deferred Revenue	Total Revenue	Program Expenditures
$ 142,513	$ -	$ -	$ -	$ 142,513	$ 142,513
1,247,678	-	-	14,731	1,232,947	1,313,282
847,799	11,917	-	-	859,716	859,716
139,035	-	-	43,367	95,668	95,668
29,228	-	-	-	29,228	29,229
66	-	-	-	66	66
1,144	-	-	-	1,144	1,144
5,000	-	-	5,000	-	-
225,261	47,451	-	-	272,712	272,712
426,828	-	-	-	426,828	426,828
36,890	34,311	-	-	71,201	71,201
746,079	-	-	71,534	674,545	674,545
71,864	-	-	43,352	28,512	28,512
43,808	-	-	-	43,808	43,808
124,981	-	-	17,549	107,432	107,432
104,150	-	-	51,688	52,462	52,462
162,184	-	-	-	162,184	162,184
-	136,757	-	-	136,757	136,757
878,216	290	-	-	878,506	878,506
-	-	-	-	-	-
44,014	-	-	26,563	17,451	17,541
6,828	-	-	-	6,828	6,828
52,497	9,999	-	-	62,496	62,496
14,699	-	-	-	14,699	14,698
136,429	-	-	108,220	28,209	28,209
359,801	-	-	-	359,801	359,801
3,679	4,286	-	-	7,965	7,965
9,191	12,422	-	-	21,613	21,613
12,415	-	-	-	12,415	12,415
72,108	-	-	-	72,108	72,108
585,000	-	-	80,504	504,496	504,496
123,885	-	-	18,867	105,018	105,018
102,810	34,883	-	-	137,693	137,693
34,145	-	-	29,514	4,631	4,631
909,299	-	-	-	909,299	1,211,829

SCHEDULE OF EXPENDITURES OF STATE AWARDS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010

	Program Entitlements		
Program	Current Year	Prior Year	Total Entitlement
Matriculation	$ 854,238	$ -	$ 854,238
Basic Skills 09-10	198,694	-	198,694
Basic Skills 08-09	-	352,603	352,603
Basic Skills 07-08	-	166,808	166,808
Basic Skills Initiative Professional Development	119,000	-	119,000
Transfer and Articulation	8,253	-	8,253
Restricted Lottery	205,086	-	205,086
West Ed	46,174	-	46,174
CACFP-Child & Adult Care Food Prog.	23,480	-	23,480
Gen. Child Care & Dev Prog. (CCTR 9330)	211,442	-	211,442
Cal State Preschool (CSPP 9598)	174,906	-	174,906
Instructional Materials (CIMS 9657)	688	-	688
Instructional Material 06-07 one-time	-	29,230	29,230
Childcare Tax Bailout Apportionment	34,308	-	34,308
EVC Arts Complex: Equipment	-	1,759,196	1,759,196
Scheduled Maintenance: ongoing 08-09	-	101,405	101,405
Total State Programs	$ 7,485,467	$ 5,290,069	$ 12,775,536

See accompanying note to supplementary information.

Program Revenues					
Cash Received	Accounts Receivable	Accounts Payable	Deferred Revenue	Total Revenue	Program Expenditures
$ 854,238	$ -	$ -	$ -	$ 854,238	$ 946,203
198,694	-	-	141,479	57,215	57,215
355,152	-	-	205,647	149,505	149,505
166,808	-	-	-	166,808	166,808
29,750	-	-	13,989	15,761	15,761
8,253	-	-	5,542	2,711	2,711
33,715	171,371	-	-	205,086	205,086
20,712	12,409	-	-	33,121	33,121
30,273	-	-	-	30,273	30,237
78,107	7,062	-	-	85,169	85,169
84,324	60,897	-	-	145,221	145,221
688	-	-	-	688	688
29,230	-	-	339	28,891	28,891
34,308	-	-	-	34,308	34,308
777,350	95,322	-	-	872,672	872,972
101,405	-	-	-	101,405	101,405
$ 10,502,531	$ 639,377	$ -	$ 877,885	$10,264,023	$ 10,739,207

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT- ANNUAL/ACTUAL ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2010

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2009 only)			
1. Noncredit	3	-	3
2. Credit	978	-	978
B. Summer Intersession (Summer 2010 - prior to July 1, 2010)			
1. Noncredit	-	-	-
2. Credit	137	-	137
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	12,799	-	12,799
(b) Daily Census Contact Hours	536	-	536
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	68	-	68
(b) Credit	722	-	722
3. Alternative Attendance			
(a) Weekly Census Contact Hours	454	-	454
(b) Daily Census Contact Hours	-	-	-
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	15,697	-	15,697
Supplemental Information (subset of above information)			
E. In Service Training Courses (FTES)	490	-	490
H. Basis Skills Courses and Immigrant Education			
(a) Noncredit	72	-	72
(b) Credit	2,115	-	2,115

See accompanying note to additional supplementary information.

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH FUND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2010.

See accompanying note to additional 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, 2010

Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:		
Total Fund Balance and Retained Earnings:		
General Funds	$ 6,386,736	
Special Revenue Funds	81,737	
Capital Project Funds	50,352,853	
Debt Service Funds	15,354,720	
Enterprise Funds	1,160,297	
		$ 73,336,343
Prepaid OPEB obligation		39,271,509
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	381,680,966	
Accumulated depreciation is	(99,151,095)	
Less fixed assets already recorded in the enterprise funds	(172,930)	282,356,941
Due from trust funds		1,448,751
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term obligations is recognized when it is incurred.		(3,443,658)
Issue costs, net of amortization		2,056,685
Long-term liabilities at year end consist of:		
Bonds and notes payable	(304,334,568)	
Compensated absences	(1,783,854)	
Premiums, net of amortization	(4,395,326)	
		(310,513,748)
Total Net Assets		$ 84,512,823

See accompanying note to additional supplementary information.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEETS
JUNE 30, 2010

	General Funds		Special Revenue Funds	
	General Unrestricted	**General Restricted**	**Cafeteria**	**Child Development**
ASSETS				
Cash and cash equivalents	$ 59,813,178	$ -	$ -	$ -
Accounts receivable	6,401,103	3,921,934	-	70,827
Due from other funds	-	-	81,699	-
Prepaid expenses	166,952	-	-	-
Total Assets	$ 66,381,233	$ 3,921,934	$ 81,699	$ 70,827
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	$ 5,872,641	$ 226,518	$ -	$ -
Cash overdraft	-	-	-	-
Due to other funds	51,991,711	1,288,605	-	70,789
Deferred revenue	3,481,983	1,054,973	-	-
Total Liabilities	61,346,335	2,570,096	-	70,789
FUND EQUITY				
Fund Balances				
Reserved	67,589	-	-	-
Unreserved				
Designated		1,351,838	81,699	38
Undesignated	4,967,309	-	-	-
Total Fund Equity	5,034,898	1,351,838	81,699	38
Total Liabilities and Fund Equity	$ 66,381,233	$ 3,921,934	$ 81,699	$ 70,827

See accompanying note to additional supplementary information.

Debt Service Funds			Capital Project Funds		Total Governmental
Bond Interest and Redemption	Revenue Bond Interest and Redemption	Other Debt Service	Capital Outlay Projects	General Obligation Bond	Fund (Memorandum Only)
$ 11,962,580	$ -	$ -	$ -	$ -	$ 71,775,758
10,927	-	-	95,322	114,093	10,614,206
-	-	3,381,213	877,809	49,265,629	53,606,350
-	-	-	-	-	166,952
$ 11,973,507	$ -	$ 3,381,213	$ 973,131	$ 49,379,722	$ 136,163,266
$ -	$ -	$ -	$ -	$ -	$ 6,099,159
-	-	-	-	-	-
-	-	-	-	-	53,351,105
-	-	-	-	-	4,536,956
-	-	-	-	-	63,987,220
-	-	-	-	-	67,589
11,973,507	-	3,381,213	-	49,379,722	66,168,017
-	-	-	973,131	-	5,940,440
11,973,507	-	3,381,213	973,131	49,379,722	72,176,046
$ 11,973,507	$ -	$ 3,381,213	$ 973,131	$ 49,379,722	$ 136,163,266

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

GOVERNMENTAL FUNDS
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2010

	General Funds		Special Revenue Funds	
	General Unrestricted	**General Restricted**	**Cafeteria**	**Child Development**
REVENUES				
Federal revenues	$ -	$ 8,619,249	$ -	$ -
State revenues	7,058,707	8,148,943	-	295,659
Local revenues	71,235,589	2,776,877	52,095	120,367
Total Revenues	78,294,296	19,545,069	52,095	416,026
EXPENDITURES				
Current Expenditures				
Academic salaries	36,231,491	3,322,330	-	-
Classified salaries	15,889,177	7,317,860	23,931	320,866
Employee benefits	16,768,399	3,451,556	16,337	216,211
Books and supplies	259,804	685,641	-	35,127
Services and operating expenditures	9,494,785	3,739,493	14,995	35,136
Capital outlay	86,896	802,412	-	278
Debt service - principal	-	-	-	-
Debt service - interest and other	322,809	-	-	-
Total Expenditures	79,053,361	19,319,292	55,263	607,618
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(759,065)	225,777	(3,168)	(191,592)
OTHER SOURCES (USES)				
Operating transfers in	72,327	484,258	-	159,234
Operating transfers out	(675,660)	(347,108)	-	-
Other sources	19,414	18,929	-	-
Other uses	(84,099)	(178,893)	-	32,396
Total Other Sources (Uses)	(668,018)	(22,814)	-	191,630
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(1,427,083)	202,963	(3,168)	38
FUND BALANCE, BEGINNING OF YEAR	6,461,981	1,148,875	84,867	-
FUND BALANCE, END OF YEAR	$ 5,034,898	$ 1,351,838	$ 81,699	$ 38

See accompanying note to additional supplementary information.

Debt Service Funds			Capital Project Funds		Total Governmental
Bond Interest and Redemption	Revenue Bond Interest and Redemption	Other Debt Service	Capital Outlay Projects	General Obligation Bond	Fund (Memorandum Only)
$ -	$ -	$ -	$ -	$ -	$ 8,619,249
-	-	-	974,077	-	16,477,386
15,646,927	-	447,870	564,672	804,856	91,649,253
15,646,927	-	447,870	1,538,749	804,856	116,745,888
-	-	-	-	-	39,553,821
-	-	-	175,797	210,629	23,938,260
-	-	3,083,940	91,604	82,289	23,710,336
-	-	-	5,662	-	986,234
-	-	3,527,777	345,692	10,091,975	27,249,853
-	-	-	886,439	7,791,492	9,567,517
5,972,066	-	-	-	-	5,972,066
10,405,227	-	-	-	-	10,728,036
16,377,293	-	6,611,717	1,505,194	18,176,385	141,706,123
(730,366)	-	(6,163,847)	33,555	(17,371,529)	(24,960,235)
-	4,650	3,087,878	-	-	3,808,347
-	-	-	-	-	(1,022,768)
-	-	-	-	-	38,343
-	(795,897)	-	-	-	(1,026,493)
-	(791,247)	3,087,878	-	-	1,797,429
(730,366)	(791,247)	(3,075,969)	33,555	(17,371,529)	(23,162,806)
12,703,873	791,247	6,457,182	939,576	66,751,251	95,338,852
$ 11,973,507	$ -	$ 3,381,213	$ 973,131	$ 49,379,722	$ 72,176,046

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

PROPRIETARY FUNDS
BALANCE SHEETS
JUNE 30, 2010

	Enterprise Funds Bookstore	Internal Service Fund
ASSETS		
Cash and cash equivalents	$ 762,405	$ -
Accounts receivable	147,834	-
Due from other funds	-	721
Stores inventories	355,675	-
Furniture and equipment (net)	172,930	-
Total Assets	$ 1,438,844	$ 721
LIABILITIES AND FUND EQUITY		
LIABILITIES		
Accounts payable	$ 278,547	$ -
Deferred revenue	-	721
Total Liabilities	278,547	721
FUND EQUITY		
Retained earnings	1,160,297	-
Total Liabilities and Fund Equity	$ 1,438,844	$ 721

See accompanying note to additional supplementary information.

PROPRIETARY FUNDS
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED JUNE 30, 2010

	Enterprise Funds Bookstore	Internal Service Fund
OPERATING REVENUES		
Revenues	$ 4,327,663	$ 809,417
OPERATING EXPENSES		
Classified salaries	1,101,274	-
Books and supplies	3,068,520	-
Services and other operating expenditures	228,766	809,417
Depreciation	65,973	-
Total Operating Expenses	4,464,533	809,417
Operating Income (Loss)	(136,870)	-
NONOPERATING REVENUES/(EXPENSES)		
Interest income	371	-
Total Nonoperating Revenues (Expenses)	371	-
NET INCOME (LOSS)	(136,499)	-
RETAINED EARNINGS, BEGINNING OF YEAR	1,296,796	-
RETAINED EARNINGS, END OF YEAR	$ 1,160,297	$ -

See accompanying note to additional supplementary information.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

PROPRIETARY FUNDS
STATEMENTS CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010

	Enterprise Funds Bookstore	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from user charges	$ 4,353,500	$ 810,138
Cash payments to employees for services	(1,101,274)	-
Cash payments to suppliers for goods and services	(2,804,148)	-
Cash payments for other operating expenses	(228,766)	(832,681)
Net Cash Flows From Operating Activities	219,312	(22,543)
Net change in cash and cash equivalents	219,312	(22,543)
Cash and cash equivalents - Beginning	543,093	22,543
Cash and cash equivalents - Ending	$ 762,405	$ -
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATION ACTIVITIES		
Operating income (loss)	$ (136,870)	$ -
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:		
Depreciation	65,973	-
Changes in assets and liabilities:		
Receivables	25,837	-
Inventories	245,963	-
Accounts payable	18,409	(22,543)
NET CASH FLOWS FROM OPERATING ACTIVITIES	$ 219,312	$ (22,543)

See accompanying note to additional supplementary information.

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

FIDUCIARY FUNDS
BALANCE SHEETS
JUNE 30, 2010

	Associated Students					
	San Jose City College	Evergreen Valley College	Student Center Fund	Student Financial Aid	OPEB Trust Fund	Total
ASSETS						
Cash and cash equivalents	$ 303,235	$ 339,896	$ -	$ -	$ -	$ 643,131
Investments	-	-	-	-	44,282,116	44,282,116
Accounts receivable	-	-	-	1,461,788	-	1,461,788
Total Assets	$ 303,235	$ 339,896	$ -	$ 1,461,788	$ 44,282,116	$ 46,387,035
LIABILITIES AND FUND EQUITY						
LIABILITIES						
Accounts payable	$ 170	$ -	$ -	$ 13,445	$ 281,655	$ 295,270
Deferred income	-	-	-	30	-	30
Due to other funds	-	-	438	1,448,313	-	1,448,751
Due to others	303,065	339,896	-	-	-	642,961
Total Liabilities	303,235	339,896	438	1,461,788	281,655	2,387,012
FUND EQUITY						
Fund Balances						
Reserved	-	-	-	-	-	-
Unreserved						
Designated	-	-	-	-	-	-
Undesignated	-	-	(438)	-	44,000,461	44,000,023
Total Fund Equity	-	-	(438)	-	44,000,461	44,000,023
Total Liabilities and Fund Equity	$ 303,235	$ 339,896	$ -	$ 1,461,788	$ 44,282,116	$ 46,387,035

See accompanying note to additional supplementary information.

FIDUCIARY FUNDS
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2010

	Student Center Fund	Student Financial Aid	OPEB Trust Fund	Total
REVENUES				
Federal revenues	$ -	$ 19,778,415	$ -	$ 19,778,415
State revenues	-	859,716	-	859,716
Local revenues	(219)	-	6,314,650	6,314,431
Total Revenues	(219)	20,638,131	6,314,650	26,952,562
EXPENDITURES				
Current Expenditures				
Classified salaries	-	46,875	-	46,875
Services and operating expenditures	-	20,591,256	226,590	20,817,846
Total Expenditures	-	20,638,131	226,590	20,864,721
EXCESS OF REVENUES OVER EXPENDITURES	(219)	-	6,088,060	6,087,841
OTHER USES				
Operating transfers out	(219)	-	(3,087,878)	(3,088,097)
Other sources	-	-	-	-
Total Other Uses	(219)	-	(3,087,878)	(3,088,097)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	(438)	-	3,000,182	2,999,744
FUND BALANCE, BEGINNING OF YEAR	-	-	41,000,279	41,000,279
FUND BALANCE, END OF YEAR	$ (438)	$ -	$ 44,000,461	$ 44,000,023

See accompanying note to supplementary information.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2010

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

This schedule provides information about the District's governing board members and administration members.

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. The information in this schedule is presented to comply with reporting requirements of the California State System's Office.

Schedule of Workload Measures for State General Apportionment – Annual (Actual) Attendance

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, including restricted categorical funding, are made to community college districts. This schedule provides information regarding the annual attendance measurements of students throughout the District.

Reconciliation of Annual Financial and Budget Report (CCFS-311) 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 District's internal 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 internal fund financial statements, prepared on a modified accrual basis, to the entity-wide full accrual basis financial statements required under GASB Statements No. 34 and No. 35 business-type activities reporting model.

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.

NOTE 2 - RECONCILIATION OF EXPENDITURES OF GRANT ACTIVITY WITH THE DISTRICT'S ACCOUNTING SYSTEM

Federal Family Education Loans are included in the Schedule of Federal Expenditures but are not included in the District's financial statements.

Federal revenue per financial statements	$ 28,397,664
Federal Family Education Loans	2,728,393
Expenditures per Schedule of Expenditures of Federal Awards	$ 31,126,057

INDEPENDENT AUDITORS' REPORTS

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

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 the business-type activities of San Jose/Evergreen Community College District (the District) for the years ended June 30, 2010 and 2009, and have issued our report thereon dated December 3, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered San Jose/Evergreen Community College District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of San Jose/Evergreen Community College District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of San Jose/Evergreen Community College District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether San Jose/Evergreen Community College District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion.

We noted certain matters that we reported to management of San Jose/Evergreen Community College District in a separate letter dated December 3, 2010.

San Jose/Evergreen Community College District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit San Jose/Evergreen Community College District's responses and, accordingly, express no opinion.

This report is intended solely for the information and use of the Board of Trustees, Audit Committee, District Management, the California Community Colleges 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.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 3, 2010

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

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON 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 could have a direct and material effect on each of its San Jose/Evergreen Community College District's major Federal programs for the year ended June 30, 2010. San Jose/Evergreen Community College District's major Federal programs are identified in the summary of auditors' 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 San Jose/Evergreen Community College District's management. Our responsibility is to express an opinion on San Jose/Evergreen Community College 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about San Jose/Evergreen Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of San Jose/Evergreen Community College District's compliance with those requirements.

In our opinion, San Jose/Evergreen Community College District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2010.

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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 the 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 the requirements that could have a direct and material effect on a major Federal program 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of San Jose/Evergreen Community College District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as item 2010-1. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

San Jose/Evergreen Community College District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit San Jose/Evergreen Community College District's responses and, accordingly, we express no opinion.

This report is intended solely for the information and use of the Board of Trustees, Audit Committee, District Management, the California Community Colleges 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.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 3, 2010

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

REPORT ON STATE COMPLIANCE

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

We have audited the compliance of San Jose/Evergreen Community College District (the District) with the types of compliance requirements described in Section 400 of the California State Chancellor's Office's *California Community College District Audit Manual (CDAM)* that are applicable to community colleges in the State of California. The specific requirements are described below.

We conducted our audit of compliance 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements with State laws and regulations have occurred. An audit includes examining, on a test basis, evidence about San Jose/Evergreen Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of San Jose/Evergreen Community College District's compliance with those requirements.

General Directive

Section 424: MIS Implementation - State General Apportionment Funding System

Administration

Section 435: Open Enrollment

Section 437: Student Fees - Instructional Materials and Health Fees

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Apportionments

Section 423: Apportionment of Instructional Service Agreements/Contracts
Section 425: Residency Determination for Credit Courses
Section 427: Concurrent Enrollment of K-12 Students in Community College Credit Courses
Section 432: Enrollment Fee
Section 426: Students Actively Enrolled

Fiscal Operations

Section 421: Salaries of Classroom Instructors (50% Law)
Section 431: Gann Limit Calculation

Student Services

Section 428: Use of Matriculation Funds
Section 433: CalWORKs - Use of State and Federal TANF Funding

Facilities

Section 434: Scheduled Maintenance Program

In our opinion, San Jose/Evergreen Community College District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2010.

San Jose/Evergreen Community College District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit San Jose/Evergreen Community College District's responses and, accordingly, we express no opinion.

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

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 3, 2010

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2010

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

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

CFDA Numbers	Name of Federal Program or Cluster
84.063, 84.007, 84.032, 84.033 (ARRA), 84.375	Student Financial Aid Cluster (includes ARRA)
84.394 (ARRA)	State Fiscal Stabilization Fund (ARRA)
84.031	Title V - Higher Education Institutional Aid
17.258 (ARRA), 17.259, 17.260	Workforce Investment Act Cluster (includes ARRA)
93.714 (ARRA), 93.716 (ARRA), 93.558	TANF Cluster (includes ARRA)
84.042	Student Support Services

Dollar threshold used to distinguish between Type A and Type B programs:	$ 300,000
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for State programs:	Unqualified

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2010

None noted.

The following findings represent significant deficiencies, material weaknesses, and/or material instances of noncompliance including questioned costs that are required to be reported by OMB Circular A-133.

2010-1 Finding – Student Financial Aid Cluster, Pell Grants, CFDA # 84.063
Significant Deficiency – Internal Control Over Compliance

Criteria or Specific Requirement

OMB A133 compliance supplement guidelines in Part 5, Cluster Programs for Student Financial Aid includes requirements that a District calculate funds not earned by students receiving financial aid and submit a report to a centralized reporting system within prescribed timelines. The critical timelines for this process are as follows: 1) determine the student's withdrawal date within 30 days after the student withdrew, 2) return the unearned Title IV funds within 45 days after the date the District determined the student withdrew, and 3) report the student to NSLDS (national system database), within 45 days from the date the student is notified of overpayment.

Condition

We reviewed the transactions related to fourteen students at Evergreen College and noted the following: in eight cases the district did not meet the timeline for requirement #1, in twelve cases the District did not meet the timeline for requirement #2, and in nine cases the District did not meet the timeline for requirement #3. In addition, we reviewed sixteen students at San Jose City College and noted that in thirteen cases the District did not meet the timeline for requirement #1.

Questioned Costs

None, as the report was prepared accurately but was not timely filed.

Context

We reviewed the reporting of withdrawals and other dates between November 2009 and June 2010 for fourteen students from Evergreen College and sixteen students from San Jose City College.

Effect

Information on the NSDL website was not updated timely. As a result, there is a potential risk that the student would be able to obtain a grant from another college without the other institution being aware there is a repayment requirement at another District.

Cause

The Financial Aid Department did not have a tracking system to monitor reporting timelines and ensure that information was gathered in time to meet required due dates.

Recommendation

The Financial Aid Department should have a tracking system for monitoring reporting timeliness and be proactive in monitoring progress on meeting timelines and interact with other departments to resolve issues as they occur.

District Response

The District agrees with the recommendation and the financial aid departments will monitor and track report due dates.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

None noted.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010

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.

2009-1 Finding – Segregation of Duties – Human Resources and Payroll
Significant Deficiency

Criteria or Specific Requirement

Management is responsible for establishing and maintaining strong internal controls over the fiscal activities of the district, including optimizing the segregation of duties between processes to the maximum extent reasonably possible. This includes the segregation of duties between processes performed by the human resources department and those performed by the payroll department.

Condition

We noted that both the human resources and payroll department personnel have the ability to modify information entered by the other department.

Questioned Costs

Not applicable.

Context

Both of the departments involved have a need to work closely together and do often require access to data from the other department in order to appropriately manage employment procedures and payroll processing. It appears that users were granted editing rights beyond those that may be necessary.

Effect

The opportunity exists for individuals within one department to override the internal control structure and make changes to transactions that are the responsibility of another department. This situation weakens the optimal segregation of duties that were designed and based on a key element of separating the significant processes related to employment into differing departments.

Cause

Software controls prohibiting editing access to those who do not need such access are not operating in an optimal manner.

Recommendation

Review system access to human resources and payroll transaction processes and ensure that the ability to make and/or edit entries is restricted to only those in need of such rights in the appropriate departments. Others, such as those in another department, needing access to information should be provided with read only access rights to such transactions.

Current Status

Implemented.

2009-2 Finding – Students Actively Enrolled – San Jose City College
Instance of Noncompliance - Significant Deficiency

Criteria or Specific Requirement

CCR Title V, Section 58003.1 and 58004 require that any student who has been identified as a no show, officially withdrawn from the course, or been dropped from the course as of the last business day before census day not be considered activity enrolled and not included in FTES reported.

Condition

Census rosters for 3 of 13 courses from Fall 2008 selected for testing were unable to be located. The instructors use these census rosters to indicate which students are no shows and should not be considered actively enrolled. The date a drop is recorded is critical to the correct processing of FTES reported and the calculation of funds received from the State. Without these census rosters a drop would not be recorded until such time as the student went to the admissions and records office and initiated the drop.

Substitute rosters in the form of class rosters as of the end of the course term were later provided, however, the rosters as of the end of the course do not indicate if there were any students that were no shows at the census date and should have been dropped by the process initiated by the instructor before census date, rather than being dropped by the student themselves at a date after census information was processed.

Questioned Costs

The three daily courses for which census rosters were unable to be located were:
- AJ-011-101 reported 2.88 RFTES and .06 NFTES
- ENGL-092-112 reported 3.43 RFTES and 0.12 NFTES
- ENGL-001A-124 reported 2.72 RFTES and .2 NFTES

The FTES of the District are over cap so there should be no financial effect to the District as a result of the FTES reported in these three classes.

Context

We noted that the census rosters that were unable to be located were from a limited group of daily census courses and short term courses at San Jose City College. The questioned costs noted above include all students reported for those courses. It is probable that some students in these courses were currently enrolled and appropriately included in FTES reports, however, it is also likely that an unknown portion of the FTES claimed for these courses were for students who were no shows and should have been dropped prior to the calculation of FTES totals.

Effect

FTES reported for these courses may or may not have been over reported.

Cause

Census rosters selected for review were not able to be located. Instructors may not be turning in their census rosters to the Admissions and Records, or rosters turned in may not be maintained on file.

Recommendation

Faculty and admissions and records should be reminded of importance of timely census procedures and understand that the lack of a census roster or other method to report no shows before census date FTES are calculated results in the over-reporting of FTES and potentially receiving state funds to which the District is not entitled or disallowance of FTES for which the District was entitled to if an entire class is disallowed.

We were informed that the Colleges have a census report tracking process which includes sending the Department Deans a list of the faculty who have not turned in census rosters. In order to ensure that FTES reported are accurate and the District receives all state funding to which it is entitled and no funding for which it is not entitled, we recommend that the Deans follow up with those responsible for the missing rosters and ensure that census rosters are submitted timely for all census courses.

Current Status

Implemented

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VALUE THE DIFFERENCE

To the Audit Committee of the
San Jose Evergreen Community College District

We have audited the financial statements of the business-type activities of San Jose/Evergreen Community College District for the year ended June 30, 2010, and have issued our report thereon dated December 3, 2010. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated March 1, 2010, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on November 10, 2009.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by San Jose/Evergreen Community College District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2010. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

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Difficulties Encountered in Performing the Audit
We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements
Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management
For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations
We have requested certain representations from management that are included in the management representation letter dated December 3, 2010.

Management Consultations with Other Independent Accountants
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of audit committee, Board of Trustees, and management of San Jose/Evergreen Community College District and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 3, 2010

SAN JOSE/EVERGREEN COMMUNITY COLLEGE DISTRICT

AUDIT DIFFERENCE EVALUATION FORM
JUNE 30, 2010

Entity-Wide

Description of Audit Difference	Cause		Financial Statements Effects: Total Assets	Total Liabilities	Fund Balance	Net Income/Loss
County Cash - $75 million	Districts typically do not record the difference between Fair Market Value and Cost for County Cash funds. This is a difference between GAAP and industry practice consistent with State guidelines.		$ 338,641	$ -	$ 338,641	$ 338,641
Accrued Liabilities	Bookstore sales tax liability incorrectly recorded		-	(14,088)	-	14,088
		Total	$ 338,641	$ (14,088)	$ 338,641	$ 352,729
		Financial Statement Caption Totals	412,631,779	328,118,957	84,512,822	(18,301,960)
		Net Audit Differences as % of F/S Captions	0.08%	0.00%	0.40%	-1.93%

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VALUE THE DIFFERENCE

To the Audit Committee, Board of Trustees, and Management
of San Jose/Evergreen Community College District

In planning and performing our audit of the financial statements of the governmental activities of San Jose/Evergreen Community College District as of and for the year ended June 30, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered San Jose/Evergreen Community College District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated December 3, 2010, on the financial statements of San Jose/Evergreen Community College District.

Equipment Inventory

We noted that the District has recently undertaken an equipment inventory process designed to identify items that have changed location or are no longer in use and update insurance records and coverage limits. However we did not note that the District has established a procedure to routinely update this process.

We recommend that the District establish a policy that defines the periodic timeframe for performing regular equipment inventory procedures.

Response

The District concurs. Although the District periodically updates our equipment inventory process (every two years), there isn't a formal policy in place that defines the periodic timeframe of when the activities are to occur. The District will draft an administrative procedure in FY2010-2011 to address this recommendation.

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STATUS OF OUR 2008-2009

Allowance for Uncollectible Student Receivables

During our review of the recording of student receivables, we noted that the District has recorded an allowance for potentially uncollected student receivables. The amount of the allowance recorded $847,471 has not changed substantially from the prior year.

Recommendation

We encourage the District to review its method of estimating the potential allowance for uncollectible amounts and to consider any potential changes to the method that may be needed in light of changing enrollment levels. In addition, we recommend that the District update the recorded allowance for uncollectible amounts each year during year end closing procedures.

Response

The District agrees and is currently working on developing process for collections and for calculation of the allowance for uncollectable amounts.

Status

Implemented.

Payroll

We noted that payroll department personnel were not prohibited from processing items affecting their own payroll until after the 2008-09 fiscal year.

Recommendation

We recommend that any actions relating to an individual, whether they be processing of payroll changes, approval of procurement card charges, expense reimbursements, or any other items requiring approval prohibit an individual from approving or recording their own transactions.

Response

The District agrees and will review its procedures to ensure that payroll department personnel are not allowed to process items affecting their own payroll.

Status

Implemented

Ethics and Fraud Reporting Policies

We understand that a District ethics policy is in the process of being developed. Based upon our inquiries, we did not note that the District has a formal reporting structure for concerns that may arise related to potential fraud or inappropriate management of funds.

Recommendation

We commend the district for developing the ethics policies and encourage their completion. We also recommend the District consider the advisability of establishing a reporting structure for any fraud or financial stewardship questions that may occur. This could be done in the form of a whistleblower type of policy with a phone number or other mechanism that is widely communicated as being available for reporting concerns. The District would also need to determine the appropriate method/personnel to investigate and address any reported concerns.

Response

The District Concurs. The District has drafted Institutional Board Policy 3050 to address the ethics policy and is in the process of drafting a whistleblower policy and is working on getting this approved by the Board in the 2009-2010 fiscal year.

Status

Implemented.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Company personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management, the Governing Board, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 3, 2010

SAN MATEO COUNTY
COMMUNITY COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2010 AND 2009

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS
JUNE 30, 2010

FINANCIAL SECTION

VAVRINEK, TRINE, DAY
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Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

Board of Trustees
San Mateo County Community College District
San Mateo, California

We have audited the accompanying basic financial statements of San Mateo County Community College District (the District) as of and for the years ended June 30, 2010 and 2009, and its discretely presented component unit the Education Housing Corporation as listed in the Table of Contents. These basic 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 basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of San Mateo County Community College District and its discretely presented component unit as of June 30, 2010 and 2009, 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.

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In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2010, 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 our 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 is important for assessing the results of our audit.

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

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*, is presented for purposes of additional analysis and is 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, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Additional Supplementary Information listed in the table of contents has been presented at the request of District management for purposes of additional analysis. 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.

Vavrinek, Trine, Day & Co., LLP

Pleasanton, California
December 14, 2010

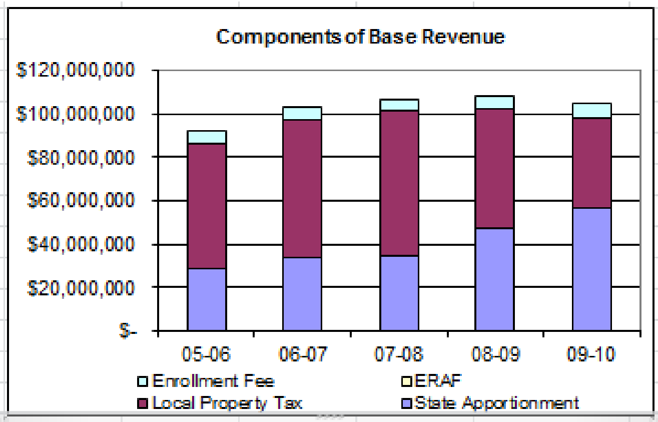
Introduction

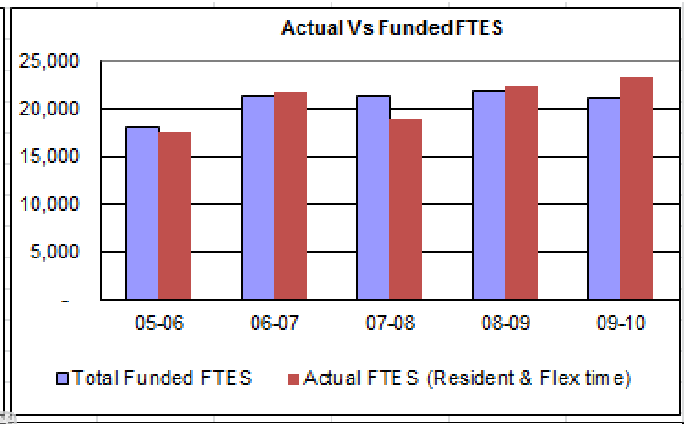
The San Mateo County Community College District's (the District) Annual Financial Report presents management's discussion and analysis of the District's financial activities during the fiscal years ended June 30, 2010, June 30, 2009 and June 30, 2008. The discussion has been prepared by management and is best read in conjunction with the financial statements and the notes following this section.

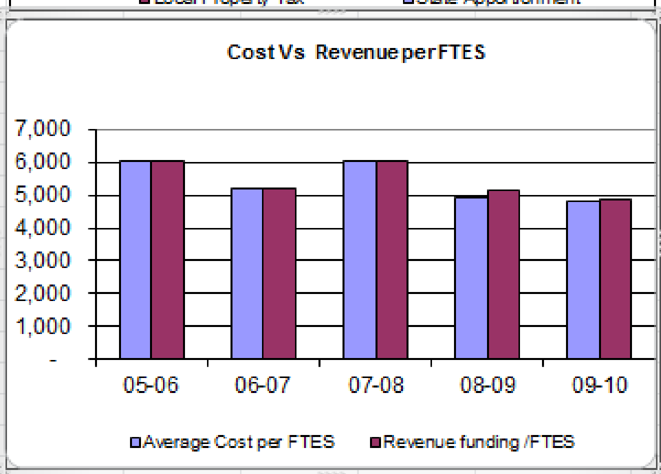
There are three basic financial statements that provide information on the District's financial activities as a whole. These statements are:

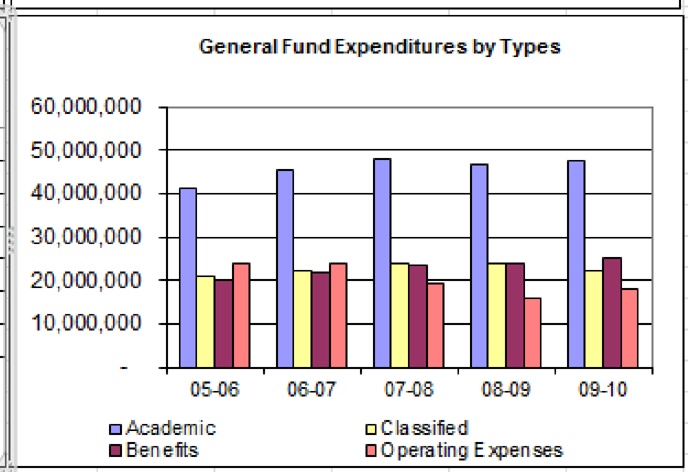
- Statement of Net Assets
- Statement of Revenues, Expenses and Changes in Net Assets
- Statement of Cash Flows

Financial Highlights of 2009-10









Financial Overview

- Assets exceeded liabilities for the fiscal year ended June 30, 2010 by $186 million, and total net assets increased $15 million over last year.
- Net noncurrent assets increased $16 million.
- Net operating loss was $146 million.
- Net non-operating gain was $147 million.

Reporting for the District as a Whole

- Economic position of the District with the State

  As the state's economy faltered starting in 2008/09 and continuing into 2010/11 at least, the District's economic position has been more challenging. The state cut the District's funding by 3.4% in 2009/10. As the budget deliberations continue, the outlook for funding for 2010/11 continues to look grim. The District has responded by cutting 10% of the sites' operating budgets for 2009/10 and an additional 10% for 2010/11. As of P-2, the District was over its funded FTES cap for 2009/10 by about 1600 FTES. The passage of a parcel tax for the District will bring in needed relief for 2010/11 – about $6 million.

- Salaries and Benefits

  The expenditure projection for salaries includes annual increases for movement on step and column placements and longevity service increments only. The District completed its three-year contracts with each of the employee bargaining groups. With no State COLA in 2009-10, and again in 2010-11, COLA is not projected in the 2010-11 budget for any employee group. The budget includes the January 1, 2010 increases (2 – 17%) in non-capped health premium rates for employees and retirees. Dental insurance and vision rates increased slightly. The PERS rate increased from 9.428% to 9.709%. The District's Unemployment Insurance Contribution Rate increased to .3%. Worker's compensation decreased slightly remained at 2%. To comply with GASB 45, in 2009-10, the District begun charging itself an amount (4%) to cover the future medical benefit costs for current employees. These charges appear as part of the benefit expenses in all funds.

- Bond construction

  As of June 30, 2010, the $207 million November 2001 general obligation bond was expended and encumbered $387 million of the $468 million November 2005 general obligation bond has been spent or encumbered by contract. The 2001 bond authorization projects were completed by the end of 2009. A program definition document identifying projects, sequence of construction, and cost estimates is used for the 2005 general obligation authorization. This document is adjusted regularly to keep pace with the academic and construction environment. The funds of the 2005 general obligation bond continue to be used to refurbish the three colleges' classroom spaces and to construct new instructional and student services facilities, as well as faculty offices. The 2005 general obligation bond construction projects are scheduled to be completed by the end of 2011with many renovation projects and subprojects already completed.

- Cañada College Building 5 & 6 Renovation Project is a State Funded project. This project will provide facilities to support the expansion of the University Center and will also create multi-function spaces a new Student Health Center, classrooms, faculty offices and Central Duplicating. In addition, the 36 year old electrical, plumbing and HVAC system will be improved and upgraded, a new gateway and elevator will be provided, improving accessibility and architecturally tying this portion of campus into the recent improvements from the Cañada Gateway Project. The cafeteria and servery will be modernized and will feature a video wall. Construction is 20% complete as of June 30, 2010. Occupancy is expected in the fall semester of 2011.

- College of San Mateo's largest bond funded project is the Design-Build Project, which involved demolition of four buildings; construction of two new buildings, a new aquatic center, a Chiller Plant to support the new buildings and extensive site work and landscape improvements. As of June 30, 2010, this project is 80 % complete. The construction of Health and Wellness Center, Building 5, has been completed. This building, the new home for the Workforce programs, including Dental Assisting, Nursing and Cosmetology, as well as the new home for the San Mateo Fitness and Aquatics Center, was completed in spring 2010. The Athletic Club and Aquatics Center has exceeded expectations and since its opening April 1, 2010 has more than 2000 members. Cosmetology, nursing, physical education and adaptive PE classes were taught in the summer of 2010. The building will be fully occupied in the fall semester of 2010. The Chiller Plant was completed in spring 2010. The construction of the new, College Center, Building 10, began in spring 2009 and is scheduled for completion in spring 2011 with occupancy set for late spring, summer and fall 2011. This new facility will unite Student Services into a "One-Stop Shop", including admissions, career services, counseling, health center, financial aid, a learning center, disabled students programs & services, cafeteria, convenience store, coffee bar, a copy center and the CSM Bookstore. In addition, the building will house the Multi-Media program, Administration, conference rooms and medium and large forum classrooms. The majority of the Sitework, including Parking lots, new campus entries roadways and landscaping will be completed in the summer of 2010, with the central quad around Building 10 phased for the fall semester.

- College of San Mateo Building 12/15/17/34 Modernization. Buildings 12/15/17 have been completed. Buildings 15 and 17 house Division administrators, faculty, and staff. Building 17 is home to a new Student Life and Leadership Development suite and Building 12, first floor, is the new home for Fire Science and Administrative Justice. Building 34 with be the future swing home of ITS, as well as the permanent home of Fire Science Equipment storage and the CSM mail and receiving department.

- Skyline College's largest bond funded project is the Design-Build Project, which is approximately 65% complete with the remainder currently under construction. Building 4 will be the new home of the Cosmetology program, the Multi-Cultural Center and college administration and general assignment classrooms. Building 11 Automotive Transmission Facility, was completed in spring 2010 and Automotive Transmission classes will be taught in the fall semester 2010. The Ceramics Lab renovation in Building 1 was completed and classes began in the modernized facility in the spring semester 2010. Building 4 is scheduled for completion in the spring of 2011 with occupancy planned for summer 2011. Also part of this Design Build project is parking, paving, sidewalk and roadway upgrades; new campus entries; landscape improvements and renovation of existing quads on campus. The majority of this work will be completed prior to the fall semester, 2011, with the remainder being completed early in 2011.

Rendering of Cañada Building 5 Gateway

CSM Building 5, Health and Wellness

CSM Chiller Plant

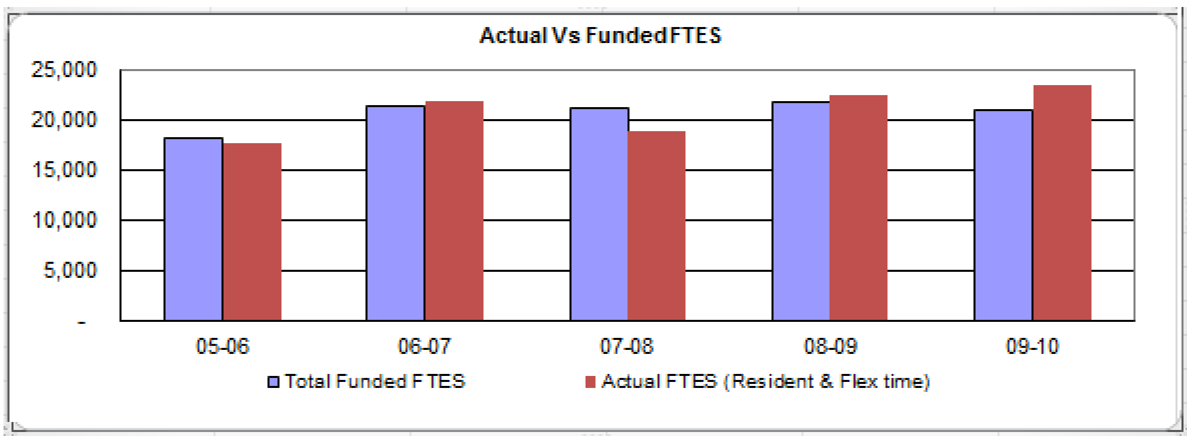
CSM Building 10, College Center

Skyline College Building 11, Automotive Transmission

Skyline College Building 4, Multicultural, Cosmetology & Administration

Enrollment

Over the last several years, the District has been borrowing FTES from the following summer to boost enrollment, while being held harmless for funding in the year from which the FTES were taken. In 2008/09, the District has finally just about reached its funded FTES cap, borrowing only 116 FTES from 2009/10. With the state 3.4% reduction in funded FTES in 2009/10 and record demand, the District was over its funded FTES cap in 2009/10. The District is likely to continue to be overcap as it attempts to meet the needs of its students with shrinking resources. The FTES goals for 2010/11 have been reduced another 400 FTES under the 2009/10 goals. The following chart shows comparative funded and actual FTES data for the past five fiscal years.



Net Assets

The Statement of Net Assets below includes all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting basis used by private companies. Net Assets, the difference between total assets and total liabilities, is one way to measure the financial condition of the District. Following are explanatory remarks for the statement:

- Cash and cash equivalents consist of cash in the Treasury, Local Agency Investment Fund (LAIF) of the State Treasurer's Office, San Mateo County Pool Investment, Special Deposit Bond and with Wells Fargo Bank, proceeds from the District's general obligation construction bond and certificates of deposit with various banks.

- Accounts receivable primarily consists of revenues from local, state, and federal sources from which the District had earnings but which were not received as of the fiscal year's closing date.

- Inventories and other assets include prepaid expenses and bookstore inventories.

- Capital assets, net of depreciation, are the net historical value of land, buildings, construction in progress and equipment less accumulated depreciation.

- Accounts payable and accrued liabilities consist of payables to the state, federal grants, benefits, salaries and local vendors which the District incurred but for which payments were not issued as of the end of the fiscal year.

- Deferred revenues represent cash received during the fiscal year from state, federal grants, general state apportionment and student fees; however, the funds were not earned as the end of the fiscal year.

- Long-term liabilities include obligations to be paid over a period longer than 1 year. The current portion represents payments due within the next 12 months. The District has compensated absences payable, and construction bond.

- According to GASB Statements, equity is reported as "Net Assets" rather than "Fund Balance." The District's net assets are classified as follows:

    - Invested in capital assets, net of related debt, represents the District's total investment in capital assets and net of outstanding debt obligations related to those capital assets.
    - Restricted net assets consist of expendable and nonexpendable portions. Restricted expendable net assets include resources which the District is contractually obligated to expend in accordance with restrictions imposed by external third parties.
    - Unrestricted net assets represent resources used for transactions relating to the educational and general operations of the District.

Analysis of Net Assets – June 30, 2010

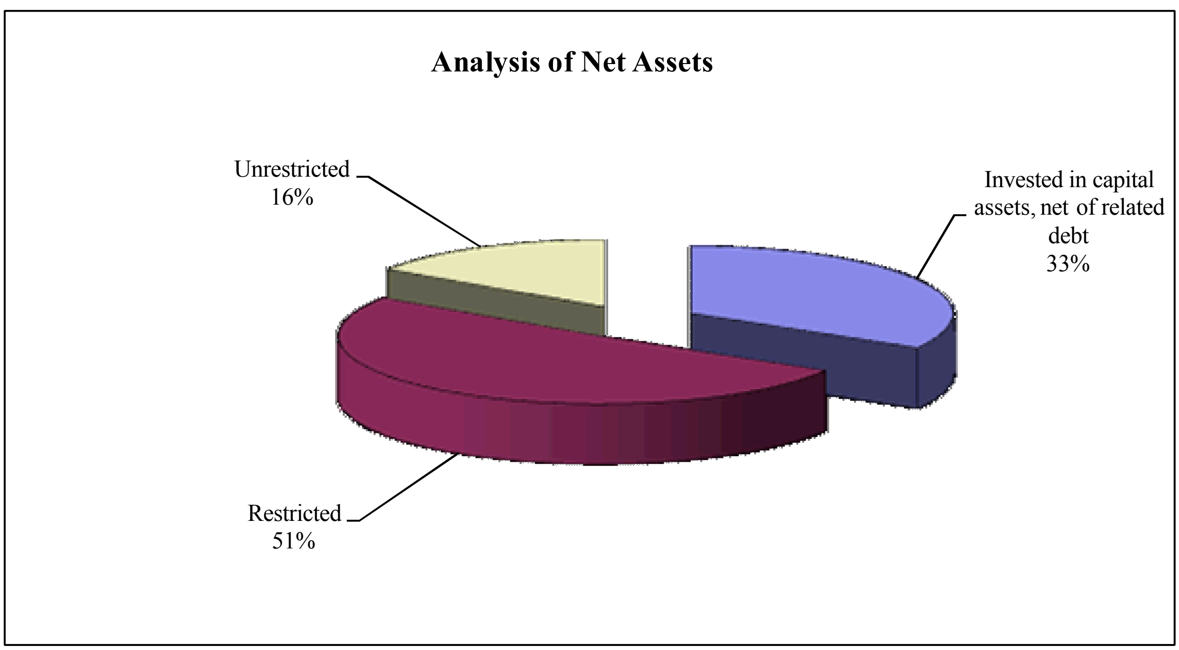


Table 1 Statement of Net Assets

	2010	2009	2008
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 52,658,313	$ 70,270,706	$ 5,554,918
Investments	-	-	66,683,257
Accounts receivable,net	36,730,049	26,624,489	22,256,730
Student loans receivable	1,444,989	770,222	621,628
Prepaid expenses	3,592,332	172,303	3,586,283
Deferred charges	266,780	266,780	266,780
Stores inventories	1,841,518	1,832,612	1,754,594
Other current assets	-	-	25,750
Total Currents Assets	96,533,981	99,937,112	100,749,940
Noncurrent Assets:			
Deferred charges	5,149,046	5,415,828	5,682,608
Prepaid expenses	511,915	7,078,461	7,387,606
Restricted cash and cash equivalents	251,638,753	368,589,938	499,030,957
Non-depreciable capital assets	197,058,518	180,487,313	99,114,649
Depreciable capital assets, net of depreciation	408,115,705	284,577,220	250,013,002
Total Noncurrent Assets	862,473,937	846,148,760	861,228,822
TOTAL ASSETS	959,007,918	946,085,872	961,978,762
LIABILITIES			
Current Liabilities:			
Accounts payable	28,686,223	32,118,233	25,564,758
Interest payable, restricted	14,990,244	16,624,786	17,622,768
Deferred revenue	12,002,231	11,507,994	10,178,081
Amount held in trust on behalf of others	-	-	949,659
Compensated absences payable - current portion	-	-	2,303,149
Bonds and notes payable - current portion	11,200,000	9,575,000	16,065,000
Bond premium - current portion	877,627	877,627	877,627
Total Current Liabilities	67,756,325	70,703,640	73,561,042
Noncurrent Liabilities			
Compensated absences payable - noncurrent portion	3,489,506	3,338,217	1,013,153
Bonds and notes payble - noncurrent portion	683,767,051	677,772,064	670,946,723
Net OPEB Obligation	-	4,350,423	2,709,003
Other long-term liabilities - noncurrent portion	17,551,018	18,428,645	19,306,275
Total Noncurrent Liabilities	704,807,575	703,889,349	693,975,154
TOTAL LIABILITIES	772,563,900	774,592,989	767,536,196
NET ASSETS			
Invested in capital assets, net of related debt	62,387,368	66,322,802	79,328,342
Restricted for:			
Debt service	20,213,256	18,441,351	26,772,227
Capital projects	69,832,065	58,337,149	56,979,609
Educational programs	4,946,405	4,207,126	3,976,966
Other activities	188,718	166,888	177,874
Unrestricted	28,876,206	24,017,567	27,181,798
TOTAL NET ASSETS	$ 186,444,018	$ 171,492,883	$ 194,416,816

Total net assets at June 30, 2010, increased $15 million over the prior fiscal year. The increase was primarily due to the increase in depreciable capital assets from Bond construction.

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets shown below consists of operating and non-operating results of the District. Operating revenues represent all revenues from programmatic sources. Non-operating revenues include State apportionments, Local property tax revenues, investment earnings and gifts. Operating revenues include activities characterized by exchange transactions, such as student fees, sales and services of Bookstore and Cafeteria operations, services provided and contracted to grants agencies, and interest from institutional student loans. Non-operating revenue, on the other hand, is characterized by non-exchange transactions, such as donations, gifts, State appropriations and regular investment income.

Table 2 – Statement of Operating Revenues

	2010	2009	2008
OPERATING REVENUES			
Student Tuition and Fees	$ 17,238,134	$ 13,580,206	$ 12,617,332
Less: Fee waivers and allowance	(4,936,761)	(3,241,560)	(2,942,230)
Net Tuition and fees	12,301,373	10,338,646	9,675,102
Auxiliary Enterprise Sales and Charges			
Bookstore	8,181,477	8,769,069	8,569,211
Cafeteria	186,399	211,458	207,873
Fitness Center	215,505	-	-
TOTAL OPERATING REVENUES	20,884,754	19,319,173	18,452,186
OPERATING EXPENSES			
Salaries	85,071,308	92,142,686	87,820,850
Employee benefits	25,920,582	31,784,596	32,107,393
Supplies, materials, and other operating expenses and services	27,522,557	32,627,603	36,265,682
Student financial aid	15,270,317	9,097,088	6,899,035
Depreciation	13,885,147	10,486,701	12,596,369
TOTAL OPERATING EXPENSES	167,669,911	176,138,674	175,689,329
OPERATING LOSS	(146,785,157)	(156,819,501)	(157,237,143)
NON-OPERATING REVENUES (EXPENSES)			
State apportionments, noncapital	55,358,880	48,244,024	33,478,098
Local property taxes, levied for general pruposes	40,915,540	53,585,109	66,173,389
Local property taxes, levied for speciall pruposes	26,507,015	24,274,761	23,577,893
Federal	19,885,592	12,285,730	9,526,924
State	7,705,476	13,644,091	12,572,475
Local	2,891,579	2,188,699	2,811,493
State taxes and other revenues	2,679,525	2,307,213	2,518,268
Investment income (loss), net	5,354,937	(15,601,986)	26,619,435
Interest expense on capital related debt	(30,256,360)	(30,588,864)	(40,904,192)
Interest income on capital asset-related debt, net	114,206	155,977	164,587
Other non-operating revenue	14,514,253	9,405,516	11,808,859
TOTAL NON-OPERATING REVENUES (EXPENSES)	145,670,643	119,900,270	148,347,229
INCOME (LOSS) BEFORE OTHER REVENUES AND EXPENSES	(1,114,514)	(36,919,231)	(8,889,914)
OTHER REVENUES AND EXPENSES			
State revenues, capital	1,592,888	11,103,757	12,762,469
Local revenues, capital	14,472,761	2,891,541	2,835,501
TOTAL OTHER REVENUES AND EXPENSES	16,065,649	13,995,298	15,597,970
INCREASE IN NET ASSETS	14,951,135	(22,923,933)	6,708,056
NET ASSETS, BEGINNING OF YEAR	171,492,883	194,416,816	187,708,760
NET ASSETS, END OF YEAR	$ 186,444,018	$ 171,492,883	$ 194,416,816

Explanatory information for the statement is as follows:

- Tuition and Fees include enrollment, health, non-resident tuition, other student fees and less scholarship discount and allowance as defined by GASB statement No. 35.

- Auxiliary Enterprise Sales and Charges consist of bookstore, cafeteria sales and fitness center less discount allowances.

- State apportionments, non-capital includes state apportionment, apprenticeship, and child care development apportionment.

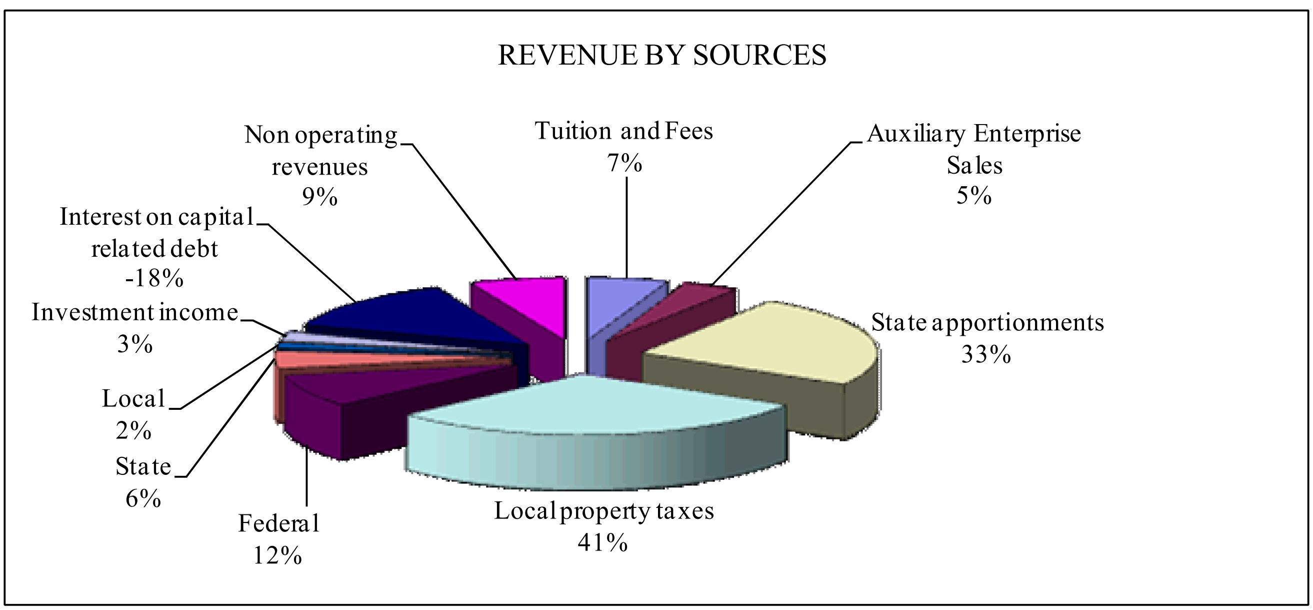
- Local property taxes and other non-operating revenues consist primarily of secured and unsecured taxes which are payable to the District in December and March of each year. The County of San Mateo collects the taxes on behalf of the District. Other non-operating revenues are State Lottery revenue and miscellaneous local income.

- Federal, and state grants and contract services are "exchange" transactions for which the District files applications, complies with individual spending restrictions, files expenditure reports, and/or signs contracts.

- Net investment income includes interest from the San Mateo County Investment Pool managed by the County Treasurer, certificates of deposit, bond proceeds, and Local Agency Investment Fund (LAIF), less interest expense on capital related debt.

- State and Local Revenues, capital includes State scheduled maintenances funding and issuance of the General Bond. These revenues relate mainly to construction activities.

Below is an illustration of District revenues by source:



Revenues and expenses changed mainly due to the following:

- Net Income from Operating sources illustrated an increase in tuition and fees.
- Net Non-Operating sources increased mainly due to an increase in the State apportionment revenue and Federal grants.

The District's operating expenses are shown below (with explanatory remarks) by account and by activity. Following are explanatory comments for the Statement of Operating Expenses by Account:

- Salaries and benefits expenses, which represent the largest percentage of the District's operating expense, decreased due to the State budget cuts.

- Supplies, materials, other operating expenses, services and utilities are the normal cost of operating expenses for "exchange" transactions.

- Depreciation of capital assets is computed and recorded by the straight-line method. The District maintains a capitalization threshold of $5,000 for equipment and $100,000 for building improvements. Useful lives of the assets are estimated as follows:
  - 5 to 10 years for equipment
  - 25 to 50 years for improvements
  - 25 to 50 years for buildings

Cash Flows

The Statement of Cash Flows shown below provides information about cash receipts and cash payments during the fiscal year. The statement also assists readers in understanding the District's ability to generate net cash flows, and its ability to meet obligations as they come due, or the District's need for assistance via external financing. The District has adopted the direct method, and under this method, data for cash flow present operating activities by major categories of gross receipts and gross payments as well as the resulting net amount. Additional explanatory information for the statement is as follows:

- The main cash receipts from operating activities consist of tuition, student fees, and auxiliary enterprise sales. Cash outlays include payment of salaries, benefits, supplies and operating expenses.

State apportionments and property taxes are the primary source of non-capital financing.

- For capital financing activities, the main sources are from special State Apportionments and General Obligation Bond and C.O.P. proceeds.

- Cash from investing activities consists of Interest from County Investment Pool, Certifications of Deposits, Bond and Local Agency Investment Fund (LAIF).

	2010	2009	2008
CASH FLOWS PROVIDED BY (USED IN):	in thousands	in thousands	in thousands
Operating Activities	($135,159)	($131,165)	($142,367)
Noncapital financing activities	167,199	151,358	149,238
Capital financing activities	(173,502)	(138,987)	(70,928)
Investing activities	6,899	(13,614)	28,993
NET CHANGE IN CASH AND CASH EQUIVALENTS	(134,564)	(132,408)	(35,064)
CASH & CASH EQUIVALENTS, BEGINNING OF YEAR	438,861	571,269	606,333
CASH AND CASH EQUIVALENTS, END OF YEAR	$304,297	$438,861	$571,269

Economic Factors and the 2010-11 Budget

The 2009/10 state budget arrived with a 3.4% reduction in state revenues and significant draws upon the District's cash flows. The state's revenues continue to come in below the budget. The state is relying on borrowing from schools, deferring payments both within the current and into the next fiscal year. The 2010/11 state budget anticipates a $19.1 billion gap between revenues and ongoing expenses, many of which are mandated or are match to federal dollars. Although the Governor's May Revise treats community colleges well, the legislature does not agree with the Governor's drastic human services cuts and education must take a hit if the budget is to be balanced without additional revenues. The District is relying primarily upon local tax dollars to assist with cash flow, in addition to borrowing through a Tax Revenue Anticipation Note (TRAN). The District adopted a deficit budget for 2009/10, using reserves generated from shifting FTES between years. Because there were no mid-year cuts during 2009/10, the District will not experience that deficit and will end the year with a slight surplus. The District is now planning on a slight deficit for 2010/11, again allowing the possibility of final budget or mid-year cuts. This has allowed the District time to prepare for cuts for the 2010/11 fiscal year. Because the District is planning and preparing for budget cuts one year in advance, the District is able to use the District's strategic plan to make the cuts in the least harmful way. The District continues to prepare multi-year projections to allow it to plan ahead.

Construction In Progress (C.I.P.) Planning 2010-11 and Beyond

Staff continues to revise and update the master schedule and the master budget of the Capital Improvement Program to coincide with the funding and programming requirements of CSM and Skyline College's Design-Build Projects, State and locally funded modernization projects. The situation at the state level for potential bond funding continues to be undefined as to the date of the next Statewide Capital Outlay Bonding. Staff continues to work with the state update Final Project Proposals and create new Initial Project Proposals, so that the District is poised to receive funding when the state process begins again. Most of the effort for 2010-2011 will be in the completion, move-in, start up and close out of Skyline Building 4 and CSM Building 10, the two largest buildings in C.I.P.II. The amount of time spent planning for future projects in C.I.P.II will begin to subside in 2010-2011. Compilations of site-specific activities, which currently in design or pre-construction are listed below:

Cañada College:

- Electrical Infrastructure Upgrades

College of San Mateo:

- North Gateway--Demolition of Buildings 21-29-- Project (State Funded)
    - Increment 1- Electrical Load Center 4 Replacement
    - Increment 2- Demolition of Buildings 21-27 & 29; Construction of new North Gateway

Skyline College:

- Electrical Infrastructure Upgrades

San Mateo County Community College District is fortunate in having legislative authority to use a variety of construction delivery methods, to best suit each project's character and bring best value to the Colleges and our taxpayers, including design-build, multiple-prime contracting, as well as the traditional design-bid-build delivery method.

Staff and Faculty Housing

The College District recently opened its second housing project (Cañada Vista) for faculty and staff on Parking Lot 3 at Cañada College. The project was fully entitled by the City of Redwood City, Town of Woodside and the Local Agency Formation Commission; construction began in April, 2009 and the grand opening occurred on August 12, 2010.

Canada Vista has 60 units: 22 one bedroom or one bedroom with den; 32 two bedrooms; and 6 three-bedroom units. Fifty-six units will have private, individual garages and a washer/dryer. Interior amenities include 9 foot ceilings, wood entryways, individual patios or decks; large windows and sliding glass doors. As is the case with College Vista, rents are expected to be significantly below market rate. The District has allocated 52 of the units to faculty and staff who were on the wait list for housing; six units are being reserved for newly hired faculty and staff.

The College Vista Project, which has been open for more than 4½ years, continues to be successful and we believe that it has helped the district increase its retention of employees. Twelve employees who lived at College Vista have moved out to purchase new homes.

<u>Contacting the District's Financial Management Office</u>

This financial report is designed to provide our citizens, taxpayers, students, investors and creditors with a general overview of the District's finances and to show the District's accountability for funding received. Questions or concerns about this report or requests for additional financial information should be addressed to James W. Keller, Executive Vice Chancellor, by phone at 650-574-6500 or by e-mail at kellerj@smccd.edu.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

STATEMENTS OF NET ASSETS – PRIMARY GOVERNMENT
JUNE 30, 2010 AND 2009

	2010	2009
ASSETS		
Current Assets		
Cash and cash equivalents	$ 52,658,313	$ 70,270,706
Accounts receivable, net	36,730,049	26,624,489
Student loans receivable	1,444,989	770,222
Prepaid expenses	3,592,332	172,303
Deferred charges	266,780	266,780
Stores inventories	1,841,518	1,832,612
Total Current Assets	96,533,981	99,937,112
Noncurrent Assets		
Deferred charges	5,149,046	5,415,828
Prepaid expenses	511,915	7,078,461
Restricted cash and cash equivalents	251,638,753	368,589,938
Nondepreciable capital assets	197,058,518	180,487,313
Depreciable capital assets, net of depreciation	408,115,705	284,577,220
Total Noncurrent Assets	862,473,937	846,148,760
TOTAL ASSETS	959,007,918	946,085,872
LIABILITIES		
Current Liabilities		
Accounts payable	28,686,223	32,118,233
Interest payable, restricted	14,990,244	16,624,786
Deferred revenue	12,002,231	11,507,994
Bonds and notes payable - current portion	11,200,000	9,575,000
Bond premium - current portion	877,627	877,627
Total Current Liabilities	67,756,325	70,703,640
Noncurrent Liabilities		
Compensated absences payable - noncurrent portion	3,489,506	3,338,217
Bonds and notes payable - noncurrent portion	683,767,051	677,772,064
Net OPEB Obligation	-	4,350,423
Other long-term liabilities - noncurrent portion	17,551,018	18,428,645
Total Noncurrent Liabilities	704,807,575	703,889,349
TOTAL LIABILITIES	772,563,900	774,592,989
NET ASSETS		
Invested in capital assets, net of related debt	62,387,368	66,322,802
Restricted for:		
Debt service	20,213,256	18,441,351
Capital projects	69,832,065	58,337,149
Educational programs	4,946,405	4,207,126
Other activities	188,718	166,888
Unrestricted	28,876,206	24,017,567
TOTAL NET ASSETS	$ 186,444,018	$ 171,492,883

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS – PRIMARY GOVERNMENT FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
OPERATING REVENUES		
Student Tuition and Fees	$ 17,238,134	$ 13,580,206
Less: Fee waivers and allowance	(4,936,761)	(3,241,560)
Net tuition and fees	12,301,373	10,338,646
Auxiliary Enterprise Sales and Charges		
Bookstore	8,181,477	8,769,069
Cafeteria	186,399	211,458
Fitness Center	215,505	-
TOTAL OPERATING REVENUES	20,884,754	19,319,173
OPERATING EXPENSES		
Salaries	85,071,308	92,142,686
Employee benefits	25,920,582	31,784,596
Supplies, materials, and other operating expenses and services	27,522,557	32,627,603
Student financial aid	15,270,317	9,097,088
Depreciation	13,885,147	10,486,701
TOTAL OPERATING EXPENSES	167,669,911	176,138,674
OPERATING LOSS	(146,785,157)	(156,819,501)
NONOPERATING REVENUES (EXPENSES)		
State apportionments, noncapital	55,358,880	48,244,024
Local property taxes, levied for general purposes	40,915,540	53,585,109
Local property taxes, levied for special purposes	26,507,015	24,274,761
Federal grants	19,885,592	12,285,730
State grants	7,567,964	13,644,091
Local grants	2,891,579	2,188,699
State taxes and other revenues	2,817,037	2,307,213
Investment income (loss), net	5,354,937	(15,601,986)
Interest expense on capital related debt	(30,256,360)	(30,588,864)
Interest income on capital asset-related debt, net	114,206	155,977
Other nonoperating revenue	14,514,253	9,405,516
TOTAL NONOPERATING REVENUES (EXPENSES)	145,670,643	119,900,270
LOSS BEFORE OTHER REVENUES AND EXPENSES	(1,114,514)	(36,919,231)
State revenues, capital	1,592,888	11,103,757
Local revenues, capital	14,472,761	2,891,541
TOTAL OTHER REVENUES AND EXPENSES	16,065,649	13,995,298
CHANGE IN NET ASSETS	14,951,135	(22,923,933)
NET ASSETS, BEGINNING OF YEAR	171,492,883	194,416,816
NET ASSETS, END OF YEAR	$ 186,444,018	$ 171,492,883

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

STATEMENTS OF CASH FLOWS – PRIMARY GOVERNMENT
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 12,618,314	$ 12,810,510
Local grants and contracts	(2,052,169)	5,103,588
Payments to vendors for supplies and services	(27,349,024)	(25,724,876)
Payments to or on behalf of employees	(111,243,775)	(122,866,914)
Payments to students for scholarships and grants	(15,943,740)	(9,245,682)
Auxiliary sales	8,811,134	8,758,558
Net Cash Flows From Operating Activities	(135,159,260)	(131,164,816)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State apportionments	51,434,144	43,177,654
Property taxes, levied for general purposes	40,915,540	53,585,109
Property taxes, levied for special purposes	26,507,015	24,274,761
Grant and contracts	35,003,471	23,555,343
State taxes and other apportionments	2,817,037	2,307,213
Other receipts (payments)	10,521,487	4,457,667
Net Cash Flows From Noncapital Financing Activities	167,198,694	151,357,747
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of capital assets	(160,626,141)	(122,978,899)
Loss on disposal of capital assets	442,777	328,303
Bond accretions	17,194,987	16,400,341
Net increase (decrease) on OPEB obligations	(4,350,423)	1,641,420
State revenue, capital projects	1,592,888	11,103,757
Local revenue, capital projects	14,472,761	2,891,541
Principal paid on capital debt	(10,452,627)	(16,942,630)
Interest paid on capital debt	(31,890,902)	(31,586,846)
Interest received on capital asset-related debt	114,206	155,977
Net Cash Flows Used for Capital Financing Activities	(173,502,474)	(138,987,036)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received/(paid) from investments	6,899,462	(13,614,383)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(134,563,578)	(132,408,488)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	438,860,644	571,269,132
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 304,297,066	$ 438,860,644

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

STATEMENTS OF CASH FLOWS, PRIMARY GOVERNMENT, Continued
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Loss	$ (146,785,157)	$ (156,819,501)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation expense	13,885,147	10,486,701
Changes in Assets and Liabilities:		
Receivables, net	(824,247)	2,529,798
Inventories	(8,906)	(78,018)
Prepaid and other current assets	3,146,517	3,413,980
Student loans receivable, net	(674,767)	(148,594)
Accounts payable and accrued liabilities	(4,392,084)	8,060,831
Deferred revenue	494,237	1,389,987
Total Adjustments	11,625,897	25,654,685
Net Cash Flows From Operating Activities	$ (135,159,260)	$ (131,164,816)
CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:		
Cash and cash equivalends, unrestricted	$ 52,658,313	$ 70,270,706
Cash and cash equivalents, restricted	251,638,753	368,589,938
Total Cash and Cash Equivalents	$ 304,297,066	$ 438,860,644
NON CASH TRANSACTIONS		
On behalf payments for benefits	$ 1,601,068	$ 1,772,764

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

STATEMENTS OF FIDUCIARY NET ASSETS
JUNE 30, 2010 AND 2009

	2010		2009		
	Agency Fund		Agency Fund		
	Associated Students Trust	Student Representation Fee	Associated Students Trust	Student Representation Fee	BACC JPA
ASSETS					
Cash and cash equivalents	$ 1,718,403	$ 115,130	$ 1,499,388	$ 57,818	$ 59,160
Accounts receivable	1,004,649	-	892,979	-	-
Fixed assets	7,854	-	10,929	-	-
Total Assets	$ 2,730,906	$ 115,130	$ 2,403,296	$ 57,818	$ 59,160
LIABILITIES					
Accounts payable	$ 1,701,509	$ -	$ 1,507,356	$ -	$ -
Due to student groups and other	1,029,397	115,130	895,940	57,818	59,160
Total Liabilities	$ 2,730,906	$ 115,130	$ 2,403,296	$ 57,818	$ 59,160

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

DISCRETELY PRESENTED COMPONENT UNIT
EDUCATIONAL HOUSING CORPORATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2010 AND 2009

	2010	2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 77,631	$ 86,793
Accounts receivable	146	202
Prepaid expenses	2,721	2,500
Total Assets	$ 80,498	$ 89,495
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ -	$ 136
Deferred rent	-	30,614
Other deferred revenue	-	510
Rent security deposits	67,934	50,899
Total Liabilities	67,934	82,159
NET ASSETS		
Unrestricted	12,564	7,336
Total Liabilities and Net Assets	$ 80,498	$ 89,495

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

DISCRETELY PRESENTED COMPONENT UNIT
EDUCATIONAL HOUSING CORPORATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
REVENUES		
Rental income	$ 560,912	$ 560,482
Interest and dividends	444	1,234
Commission	151	221
Water reimbursement	11,715	11,304
Other local income	1,235	-
Total Revenues	574,457	573,241
EXPENSES		
Operating expenses	97,729	115,083
Total Expenses	97,729	115,083
OTHER SOURCES AND USES		
Transfer out to SMCCCD	(471,500)	(457,500)
Total Other Uses	(471,500)	(457,500)
CHANGE IN NET ASSETS	5,228	658
NET ASSETS, BEGINNING OF YEAR	7,336	6,678
NET ASSETS, END OF YEAR	$ 12,564	$ 7,336

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

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

DISCRETELY PRESENTED COMPONENT UNIT
EDUCATIONAL HOUSING CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 5,228	$ 658
Changes in Assets and Liabilities		
Decrease in accounts receivable	56	202
Decrease in prepaid expenses	(221)	221
Increase/(decrease) in accounts payable	(136)	136
Increase/(decrease) in deferred revenue	(31,124)	31,124
Increase in rent security deposits	17,035	875
Net Cash Flows From Operating Activities	(9,162)	33,216
NET CHANGE IN CASH AND CASH EQUIVALENTS	(9,162)	33,216
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	86,793	53,577
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 77,631	$ 86,793

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

NOTE 1 – ORGANIZATION

Organization

The San Mateo County Community College District (the District) was established in 1922 as a political subdivision of the State of California and provides post secondary educational services to residents of San Mateo County and surrounding areas. The District operates under a locally elected five-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 three college campuses located in the cities of San Mateo, San Bruno, and Redwood City, California. While the District is a political subdivision of the State of California, it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 39.

NOTE2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The District has adopted 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. The three components used to determine the presentation are: providing a "direct benefit", the "environment and ability to access/influence reporting", and the "significance" criterion. As defined by accounting principles generally accepted in the United States of America and established by the Governmental Accounting Standards Board, the financial reporting entity consists of the primary government, the District, and the following component units:

San Mateo County Community College District Financing Corporation
San Mateo County Community Colleges Educational Housing Corporation

The San Mateo County Community College District Financing Corporation (the Corporation) is a legally separate organization component unit of the District. The Corporation was formed to issue debt specifically for the acquisition and construction of capital assets for the District. The Board of Trustees of the Corporation is the same as the Board of Trustees of the District. The financial activity has been "blended" or consolidated within the financial statements as of the District as if the activity was the District's. This activity is included as the COP Payment Fund and COP Construction Fund in the District's governmental funds. Individually-prepared financial statements are not prepared for the Corporation.

The San Mateo County Community Colleges Educational Housing Corporation (the Corporation) is a legally separate organization component unit of the District. The Corporation was formed to operate staff and faculty housing. The Board of Trustees of the Corporation is the same as the Board of Trustees of the District. The financial activity of the Corporation is reported separately in the financial statements. Individually-prepared financial statements are not prepared for the Corporation. The Corporation is a not-for-profit organization that is exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private corporation. Accordingly, no provision for income taxes has been provided in the functional statements. The Corporation annually files information returns, Forms 990, 199, and RRF-1, with the appropriate agencies.

The District has determined that the San Mateo County Community Colleges Foundation does not meet the criteria for inclusion under GASB 39.

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 as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37 and No. 38. This presentation provides a comprehensive entity-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. 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 material intra-agency and intra-fund transactions have been eliminated.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are classified as operating revenues. These transactions are 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, operating revenues consist primarily of student fees and auxiliary activities through the bookstore and cafeteria.

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 are classified as nonoperating revenue. Federal and State grants received to provide direct grants to students are classified as nonoperating revenues because the District does not generally receive any direct benefit from the grants and are recognized in the fiscal year in which all eligibility requirements are satisfied. Eligibility requirements may include time and/or purpose requirements. Property tax revenue is recognized in the fiscal year received. State apportionment revenue is earned based upon criteria set forth from the Community Colleges Chancellor’s Office and includes reporting of full-time equivalent student (FTES) attendance. The corresponding apportionment revenue is recognized in the period the FTES are generated.

Operating expenses are costs incurred to provide instructional services including support costs, auxiliary services, and depreciation of capital assets. All other expenses not meeting this definition are reported as nonoperating. Expenses are recorded on the accrual basis as they are incurred, when goods are received, or services are rendered.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America (US GAAP) as applicable to colleges and universities, as well as those prescribed by the California Community Colleges Chancellor’s Office. The District reports are based on all applicable GASB pronouncements, as well as applicable FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. The District has not elected to apply FASB pronouncements after that date. When applicable, certain prior year amounts have been reclassified to conform to current year presentation. The budgetary and financial accounts of the District are maintained in accordance with the State System's Office's *Budget and Accounting Manual*.

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments,* and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities,* as amended by GASB Statements No. 37 and No. 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 – Primary Government
  - Statement of Revenues, Expenses, and Changes in Net Assets – Primary Government
  - Statement of Cash Flows – Primary Government
  - Financial Statements for the Fiduciary Funds including:
    - Statements of Fiduciary Net Assets
- Notes to the Financial Statements

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be unrestricted cash on hand, demand deposits, and short-term unrestricted investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include unrestricted cash with county treasury balances for purposes of the statement of cash flows. Restricted cash and cash equivalents represent balances restricted by external sources such as grants and contracts or specifically restricted for the repayment of capital debt.

Investments

Investments held at June 30, 2010 and 2009, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

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. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. This allowance is based upon a five-year average ratio over actual revenues. The allowance was estimated at $2,246,281and $1,757,816 for the years ended June 30, 2010 and 2009, respectively.

Prepaid Expenditures

Prepaid expenses represent payments made to vendors and others 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 lower of cost or market, utilizing the first in, first out method. The cost is recorded as an expense as the inventory is consumed.

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 $5,000 for equipment and $100,000 for land, buildings and improvements. 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 to buildings and land that significantly increase the value or extend the useful life of the asset 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 utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 25 to 50 years; improvements, 25 to 50 years; equipment, 5 to 10 years.

Accrued Liabilities and Long-term Obligations

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

Deferred Issuance Costs, Premiums, and Discounts

In the entity-wide financial statements and in the proprietary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method.

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the entity-wide financial statements. The amounts have been recorded in the fund from which the employees, who have accumulated the leave, are paid. The District also participates in “load-banking” with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period.

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. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full time.

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.

Net Assets

GASB Statements No. 34 and No. 35 report equity as "Net Assets." Net assets are classified according to imposed 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 – Nonexpendable: Net assets whose use by the District has been externally restricted in perpetuity such as Endowment funds where future investment earnings may be used for the donor stipulated purpose. The District has no nonexpendable net 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. Net assets may be restricted for capital projects, debt repayment, and/or educational programs.

None of the District's restricted net assets have resulted from enabling legislation adopted by the District.

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. Substantially all unrestricted net assets are designated for educational and general operations of the District.

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.

State Apportionments

Certain current year apportionments from the State are based on financial and statistical information of the previous year. Any corrections due to the recalculation of the apportionment are made in February of the subsequent year. When known and measurable, these calculations and corrections are accrued in the year in which the FTES area generated.

On-Behalf Payments

GASB Statement No. 24 requires direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees for another legally separate entity be recognized as revenues and expenditures by the employer entity. The State of California makes direct on-behalf payments to the California State Teachers' Retirement System (CalSTRS) on behalf of all community colleges in California. The amounts of on-behalf payments were $1,601,068.

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 Taxes

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 San Mateo bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

The voters of the District passed General Obligation Bonds in 2001 and 2005 for the acquisition, construction, and remodeling of District capital assets. As a result of the passage of the Bond, property taxes are assessed on the property within the District specifically for the repayment of the debt incurred. The taxes are billed and collected as noted above and remitted to the District when collected.

Scholarship Discounts and Allowances

Student tuition and fee revenue is reported net of scholarship discounts and allowances in the Statement of Revenues, Expenditures, and Changes in Net Assets. Scholarship discounts and allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payments on the students' behalf. To the extent that fee waivers and discounts have been used to satisfy tuition and fee charges, the District has recorded a scholarship discount and allowance.

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. 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, 2010 and 2009, the District distributed $1,673,444 and $1,313,235 in student loans through the U.S. Department of Education Federal Family Education Loan Program.

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 Expenditures of Federal Awards.

Interfund Activity

Interfund transfers and interfund receivables and payables are eliminated during the consolidation process in the entity-wide financial statements.

New Accounting Pronouncements

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Classifications*. The objectives of this Statements is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this Statement are effective for the financial statements for periods beginning after June 15, 2010. The District does not anticipate a significant impact in reporting as a result of this Statement as fund financial information is not reported.

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 3 – DEPOSITS 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; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

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 accompanying 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.

Investment in the State Investment Pool - The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California government code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in the pool is reported in the accompanying financial statement at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, 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	180 days	30%	10%
Negotiable Certificates of Deposit	5 years	30%	FDIC
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	$20 million

Summary of Deposits and Investments

Deposits and investments as of June 30, 2010 and 2009, are classified in the accompanying financial statements as follows:

	2010	2009
Business-type activities	$ 304,297,066	$ 438,860,644
Fiduciary funds	1,833,533	1,616,366
Component Unit	77,631	86,793
Total Deposits and Investments	$ 306,208,230	$ 440,563,803

Deposits and investments as of June 30, 2010 and 2009, consist of the following:

	2010	2009
Cash on hand and in banks	$ 5,290,160	$ 1,542,072
Investments	300,918,070	439,021,731
Total Deposits and Investments	$ 306,208,230	$ 440,563,803

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 primarily investing in the County pool and local agency investment fund (LAIF).

Weighted Average Maturity

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is presented in the following schedule:

Investment Type	Fair Value	Weighted Average Maturity In Years
Brokered certificates of deposit	$ 5,000	0.35
County Pool	286,915,630	1.00
State Investment Pool	13,997,440	0.57
Total	$ 300,918,070	

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the County pool and LAIF are not required to be rated, nor have they been rated as of June 30, 2010.

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. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit.) The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2010 and 2009, the District's bank balances of approximately $1,766,000 and $0, respectively, were 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.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The California government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments.

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivables for the District consisted primarily of intergovernmental grants, entitlements, interest, and other local sources. The District computes the allowance for bad debt accounts based on a five-year weighted average on uncollectibles accounts receivable to total revenue ratio.

The accounts receivable are as follows:

	2010	2009
Federal Government		
Categorical aid	$ 2,204,764	$ 1,679,591
State Government		
Apportionment	11,753,161	7,828,425
Categorical aid	441,857	956,107
Lottery	267,820	1,153,244
Other state sources	1,226,614	5,010,449
Local Sources		
Interest	819,495	2,364,020
Other local sources	15,761,340	4,429,655
Subtotal	32,475,051	23,421,491
Student receivables	6,501,279	4,960,814
Less allowance for bad debt	(2,246,281)	(1,757,816)
Accounts receivables, net	$ 36,730,049	$ 26,624,489
Student loans	$ 1,444,989	$ 770,222

Receivables at June 30, 2010 and 2009 include $977,521 for loans made to 14 District employees to purchase houses. All full time employees who purchase a home and contribute at least 20 percent of the purchase price are eligible to receive loans of up to $75,000 per employee. Repayment terms and interest rates are: no payments due in years 1 through 5, payments of principal and interest in years 6-29, with final payment of any remaining balance in year 30. Selling the property, withdrawing cash from the equity, or leaving the District's employment accelerates the due date of the loan. Interest is charged at 4 percent per year. As of June 30, 2010, all of the funds have been loaned out. No loans will be granted to additional employees until existing loans are paid back or the Board authorizes additional amounts to be loaned out.

Discretely Presented Component Unit

The Educational Housing Corporation's accounts receivable are interest receivable.

Fiduciary Fund

The Fiduciary Fund's accounts receivable are primarily student fees and interest receivable.

NOTE 5 – PREPAID EXPENSES AND OTHER ASSETS

The significant item within prepaid expense is that the District has entered into a long-term contract for the insurance of the bond construction projects throughout the District. The insurance agreement calls for an original lump-sum payment of $10,264,301 which is being amortized over the life of the insurance coverage. The prepaid expense as of June 30, 2010 was $3,722,524. Amortization of the prepaid balance is as follows:

2010-2011	$ 3,210,609
2011-2012	503,098
2012-2013	7,558
2013-2014	1,259
Total	$ 3,722,524

On November 1, 2009, the District entered a lease agreement with San Mateo County Community College District Financing Corporation to finance the acquisition and construction of Canada Vista project. The agreement authorizes the Financing Corporation to borrow from the Retiree Benefits Fund in the amount of $14,951,276 to finance the acquisition and construction of Canada Vista. This amount has been eliminated for consolidated reporting purpose. The loan will be repaid in fiscal year 2010-2011.

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2010, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	$ 20,628,292	$ -	$ -	$ 20,628,292
Construction in progress	159,859,021	147,981,558	131,410,353	176,430,226
Total Capital Assets Not Being Depreciated	180,487,313	147,981,558	131,410,353	197,058,518
Capital Assets Being Depreciated				
Land improvements	12,953,351	19,338,948	-	32,292,299
Buildings and improvements	326,411,995	114,640,357	-	441,052,352
Furniture, equipment, and vehicles	22,455,685	3,887,104	832,206	25,510,583
Total Capital Assets Being Depreciated	361,821,031	137,866,409	832,206	498,855,234
Less Accumulated Depreciation				
Land improvements	8,665,435	747,708	-	9,413,143
Buildings and improvements	57,008,646	10,294,495	-	67,303,141
Furniture, equipment, and vehicles	11,569,730	2,842,944	389,429	14,023,245
Total Accumulated Depreciation	77,243,811	13,885,147	389,429	90,739,529
Net Capital Assets Being Depreciated	284,577,220	123,981,262	442,777	408,115,705
Net Capital Assets	$ 465,064,533	$ 271,962,820	$ 131,853,130	$ 605,174,223

Depreciation expense for the year was $13,885,147.

Capital asset activity for the District for the fiscal year ended June 30, 2009, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	$ 20,628,292	$ -	$ -	$ 20,628,292
Construction in progress	78,486,357	123,729,738	42,357,074	159,859,021
Total Capital Assets Not Being Depreciated	99,114,649	123,729,738	42,357,074	180,487,313
Capital Assets Being Depreciated				
Land improvements	12,953,351	-	-	12,953,351
Buildings and improvements	287,580,688	42,357,074	3,525,767	326,411,995
Furniture, equipment, and vehicles	19,483,400	3,033,077	60,792	22,455,685
Total Capital Assets Being Depreciated	320,017,439	45,390,151	3,586,559	361,821,031
Less Accumulated Depreciation				
Land improvements	8,401,201	264,234	-	8,665,435
Buildings and improvements	52,489,281	7,716,829	3,197,464	57,008,646
Furniture, equipment, and vehicles	9,128,860	2,501,662	60,792	11,569,730
Total Accumulated Depreciation	70,019,342	10,482,725	3,258,256	77,243,811
Net Capital Assets Being Depreciated	249,998,097	34,907,426	328,303	284,577,220
Net Capital Assets	$ 349,112,746	$ 158,637,164	$ 42,685,377	$ 465,064,533

Depreciation expense for the year was $10,482,725.

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	2010	2009
Accrued payroll	$ 2,105,683	$ 2,508,857
Construction	11,412,932	18,433,665
Vendor	15,167,608	11,175,711
Total	$ 28,686,223	$ 32,118,233

Discretely Presented Component Unit

The Educational Housing Corporation has no accounts payable as of June 30, 2010.

Fiduciary Fund

The accounts payable of the Fiduciary Fund consists primarily of funds held for the student clubs.

NOTE 8 - DEFERRED REVENUE

Deferred revenue at June 30, 2010 and 2009 consisted of the following:

	2010	2009
Federal financial assistance	$ 5,873	$ 10,000
State categorical aid	2,630,352	1,387,587
Enrollment fees	5,190,307	3,821,366
Other local	4,175,699	6,289,041
Total	$ 12,002,231	$ 11,507,994

NOTE 9 – INTERFUND TRANSACTIONS

Interfund Receivables and Payable (Due To/Due From)

Interfund receivables and payables 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.

Operating Transfers

Operating transfers between funds of the District 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 restricted 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 10 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2010 fiscal year consisted of the following:

	Balance Beginning of Year	Additions/ Accretions	Prepaid/ Deductions	Balance End of Year	Due in One Year
Bonds and Notes Payable					
General obligation bonds	$ 687,347,064	$ 17,194,987	$ 9,575,000	$ 694,967,051	$ 11,200,000
Other Liabilities					
Compensated absences	3,338,217	151,289	-	3,489,506	-
Net OPEB obligation	4,350,423	7,430,914	11,781,337	-	-
Total Other Liabilities	695,035,704	24,777,190	21,356,337	698,456,557	11,200,000
Premiums, net of amortization	19,306,272	-	877,627	18,428,645	877,627
Total Long-term Liabilities	$ 714,341,976	$ 24,777,190	$ 22,233,964	$ 716,885,202	$ 12,077,627

The changes in the District's long-term obligations during the 2009 fiscal year consisted of the following:

	Balance Beginning of Year	Additions/ Accretions	Deductions	Balance End of Year	Due in One Year
Bonds and Notes Payable					
General obligation bonds	$ 687,011,723	$ 16,400,341	$ 16,065,000	$ 687,347,064	$ 9,575,000
Total Bonds and Notes Payable	687,011,723	16,400,341	16,065,000	687,347,064	9,575,000
Other Liabilities					
Compensated absences	3,316,302	21,915	-	3,338,217	-
Net OPEB obligation	2,709,003	8,175,590	6,534,170	4,350,423	-
Total Other Liabilities	693,037,028	24,597,846	22,599,170	695,035,704	9,575,000
Premiums, net of amortization	20,183,902	-	877,630	19,306,272	877,627
Total Long-term Liabilities	$ 713,220,930	$ 24,597,846	$ 23,476,800	$ 714,341,976	$ 10,452,627

Description of Debt

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local property revenues. The accrued vacation and Net OPEB obligations are paid by the fund in which the related employee costs are accounted for.

General obligation bonds were approved by local elections in 2001 and 2005. The total amount approved by the voters in 2001 and 2005 were $207,000,000 and $468,000,000, respectively. All of the authorized 2001 and 2005 bonds have been issued. Interest rates on the 2001 bonds are range from 3.00 percent to 5.74 percent and the interest rates on the 2005 bonds are range from 3.50 percent to 5.00 percent. At June 30, 2010, the outstanding balances for the 2001 and 2005 bonds were $208,722,029 and $486,245,022, respectively.

Debt Maturity

General Obligation Bonds

The bonds mature through 2039 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2011	$ 11,200,000	$ 15,294,608	$ 26,494,608
2012	12,985,000	14,836,700	27,821,700
2013	14,910,000	14,289,483	29,199,483
2014	16,945,000	13,692,094	30,637,094
2015	25,219,008	12,940,682	38,159,690
2016-2020	118,344,342	53,378,140	171,722,482
2021-2025	132,084,913	38,479,988	170,564,901
2026-2030	153,113,361	27,978,950	181,092,311
2031-2035	112,130,361	16,436,500	128,566,861
2036-2039	98,035,066	4,818,500	102,853,566
Total	$ 694,967,051	$ 212,145,645	$ 907,112,696

Other Postemployment Benefit (OPEB) Obligation

The District implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, during the year ended June 30, 2008. The District's actuarially-determined annual required contribution (ARC) for the year ended June 30, 2010, was $7,383,929. The District made a contribution of $6,177,360 for premiums for current retirees. The balance of the ARC was contributed by the District to the San Mateo County Community College District Public Entity Investment Trust. See Note 12 for additional information regarding the OPEB obligation and the District's postemployment benefit plan.

NOTE 11 – DEFEASED DEBT

In 2006, the District defeased $30,885,000 certificates of participation issued in 2004 by creating an irrevocable trust fund. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust fund. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore, removed as a liability from the District's Long-Term Obligations. As of June 30, 2010, the amount of defeased debt outstanding but removed from the Long-Term Obligations amounted to $29,261,106.

NOTE 12 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATION

The District provides postemployment health care benefits for retired employees in accordance with negotiated contracts with the various bargaining units of the District.

Plan Description

The Other Postemployment Benefit Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the San Mateo County Community College District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 712 retirees and beneficiaries currently receiving benefits and 810 active plan members. Separate financial statements are prepared for the Plan and may be obtained by contacting the San Mateo County Community College District.

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits. During the year, the District contributed $6,177,360 to the Plan to pay for current retirees' medical premiums. Plan members receiving benefits contributed $36,575, or approximately .006 percent of the total premiums. Contributions made by retirees range between $1 to $335 per month. In addition to the current premium, the District contributed $5,000,000 to the San Mateo County Community College District Public Entity Investment Trust.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities or funding costs (UAAL) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	$ 7,383,929
Interest on net OPEB obligation	46,985
Adjustment to annual required contribution	(730,137)
Annual OPEB cost (expense) - District paid premiums	(6,177,360)
Contributions (total trust, net of investment expenses and interest)	(4,990,358)
Contributions in excess of ARC	(4,466,941)
Net OPEB obligation, beginning of year	4,350,423
Prepaid OPEB, end of year	$ (116,518)

Trend Information

Trend information for the annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the past three years is as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation/(Prepaid)
2008	$ 9,056,503	$ 6,339,552	70%	$ 2,709,003
2009	8,175,590	6,534,170	80%	4,350,423
2010	7,383,929	11,167,718	100%	(116,518)

Funding Status and Funding Progress

The funded status of the OPEB Plan as of June 30, 2010, is as follows:

Actuarial Accrued Liability (AAL)	$ 108,915,006
Actuarial Value of Plan Assets	(4,990,358)
Unfunded Actuarial Accrued Liability (UAAL)	$ 103,924,648
Funded Ratio (Actuarial Value of Plan Assets/AAL)	5%
Covered Payroll	$ 85,080,018
UAAL as Percentage of Covered Payroll	122%

The above noted actuarial accrued liability was based on the revised September 8, 2009, actuarial valuation. In October 2009, the District established an irrevocable trust fund for the Other Postemployment Benefit Plan and transferred $5 million into the Trust to relieve the District of its post retirement medical benefits liability. The Plan assets as of June 30, 2010 were $4,990,358. Separate financial statements are prepared for the Plan and may be obtained by contacting the San Mateo County Community College District.

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, follow the notes to the financial statements, presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial values of assets, consistent with the long-term perspective of the calculations.

In the September 8, 2009 actuarial valuation, the Entry Age Normal Actuarial Cost Method was used. The actuarial assumptions included a 7 percent investment rate of return (net of administrative expenses), based on the Plan being funded in a retiree benefits reserve fund invested in a long-term fixed income portfolio. Healthcare cost trend rates assumed 4 percent per year. The UAAL is being amortized at a level dollar method. The remaining amortization period at July 1, 2010, was 29 years. The actuarial value of assets was not determined in this actuarial valuation. At July 1, 2010, the Trust held net assets in the amount of $4,990,358 in investments with Benefit Trust.

NOTE 13 - RISK MANAGEMENT

Insurance Coverages

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 the year ending June 30, 2010, the District contracted with MacCorkle Inc., an insurance broker to manage the District's insurance claims. The District is self-insured for the first $150,000. Settled claims have not exceeded this commercial coverage.

Workers' Compensation

For the fiscal year, the District contracted with Andreini and Company for placement of excess workers' compensation insurance program. The District is self-insured for the first $350,000.

Employee Medical Benefits

The District has contracted with the Cal PERS to provide employee medical and surgical benefits. CalPERS is a shared risk pool comprised of nearly 2,500 employers and covers five regions (Bay Area, Other Northern California, Southern California, Other Southern California, and Out of State). Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating Districts. Claims are paid for all participants regardless of claims flow. The CalPERS Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool. CalPERS requires the District to have a post retirement medical benefit plan for CalPERS members.

The District also contributed towards the medical plan premiums of PERS and STRS retirees who did not meet the District eligibility requirements for retiree benefits when they retired. This contribution is required by CalPERS and is called the "Employer Share" and was established in order to provide retirees, regardless of District eligibility, with continuation of group medical insurance coverage at a reduced monthly premium. There are currently 60 retirees that fall under this categorical and the District's share for the fiscal year was $349,230.

Claim Liabilities

The District records an estimated liability for indemnity torts and other claims against the District. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred, but not reported based on historical experience.

Unpaid Claim Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2008 to June 30, 2010:

	Workers' Compensation	Property and Liability
Liability Balance, July 1, 2008	$ 868,625	$ 300,000
Claims and changes in estimates	938,053	-
Claims payments	(272,532)	-
Liability Balance, June 30, 2009	1,534,146	300,000
Claims and changes in estimates	118,565	-
Claims payments	-	(150,000)
Liability Balance, June 30, 2010	$ 1,652,711	$ 150,000
Assets available to pay claims at June 30, 2010	$ 9,156,855	$ 150,000

NOTE 14 - 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 California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

CalSTRS

Plan Description

The District contributes to CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, California 95826.

Funding Policy

Active members are required to contribute 8.0 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 CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2009-2010 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's total contributions to CalSTRS for the fiscal years ended June 30, 2010, 2009, and 2008, were $3,114,710, $3,248,693, and $3,538,898, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. 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 95811.

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary (7.0 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 2009-2010 was 9.709 percent of covered payroll. The District's contributions to CalPERS for fiscal years ending June 30, 2010, 2009, and 2008, were $3,251,939, $3,221,484, and $3,067,890, respectively, and equaled 100 percent of the required contributions for each year.

On-Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS. The State of California made contributions to CalSTRS on behalf of the District for fiscal year ending June 30, 2010, 2009, and 2008 amounted to $1,601,068, $1,772,764, and $1,771,986, respectively, and equaled 4.267 percent of salaries subject to CalSTRS. These amounts have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

Deferred Compensation

The District offers its employees two 457 and seven 403 (b) tax deferred compensation plans. The plans, available to all employees, permits them to defer a portion of their pre-tax salary into investment(s) provided by the plans. The deferred compensation will become available once a qualifying event, as defined by the IRS, has been met. The District oversees the administrative functions of these plans. The District makes employer contributions for five of its employees, otherwise, these plans are strictly for employee contributions only.

NOTE 15 - 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, 2010.

The California State Controller's Office audited the District's mandated costs claims in 2003-2004. As the result of the audit, the District has set aside a reserve for the liability. However, the District is in the process of disputing this liability with the State.

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, 2010.

Early Retirement

The District offered an early incentive retirement plan to all bargaining units who elect early retirement. The cost of the incentives for fiscal year 2009-2010 was $1,104,261. $959,261 had been paid during the year. The remaining of the incentive in the amount of $145,000 will be paid in fiscal year 2010-2011.

Construction Commitments

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

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
District funded facility improvement projects	$ 1,930,158	within 1 year
State funded capital outlay projects	3,365,917	within 1 year
2001 G.O. Bond (Measure C) construction projects	3,664	within 6 months
2005 G.O. Bond (Measure A) construction projects	40,238,235	within 3 years
	$ 45,537,974	

The projects are funded through a combination of general obligation bonds and capital project apportionments from the State Chancellor's Office.

Deferral of State Apportionments

The State legislature has not enacted a budget as of June 30, 2010. As a result, certain apportionments owed to the District for funding of FTES, categorical programs, and construction reimbursements which are attributable to the 2009-2010 fiscal year have been deferred to the 2010-2011 fiscal year. The total amount of funding deferred into the 2010-2011 fiscal year was $11,841,284 which have been received as of December 14, 2010. These deferrals of apportionment are considered permanent with future funding also being subject to deferral into future years.

NOTE 16 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is self-insured for the workers' compensation and property and liability up to $150,000. The District contracts with MacCorkle Inc., an insurance broker to manage the District's insurance claims. The District pays an annual premium to MacCorkle for their services. The relationships between the District and the risk management company are such that they are not component units of the District for financial reporting purposes.

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

During the year ended June 30, 2010, the District made payment of $53,000 to MacCorkle Inc. for the insurance related services. The District also paid $30,308 and $224,975 to School Excess Liability Fund and Princeton Excess and Surplus for excess liability program.

The District is a member of South Bay Regional Public Safety Training Consortium JPA. During the year, the District made payments of approximately $136,950 to South Bay Regional Public Safety Training Consortium JPA for the purpose of serving the students and providing them instruction.

NOTE 17 - TAX AND REVENUE ANTICIPATION NOTES

On July 6, 2009, the District issued $29,530,000 Tax and Revenue Anticipation Notes bearing interest at 2.50 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on July 1, 2010. By May 2010, 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 $29,530,000 and related accrued interest and cash held in trust are not included in these financial statements.

	Outstanding Beginning of Year	Additions	Deletions	Outstanding End of Year
2009 2.50% TRANS	$ -	$ 29,530,000	$ 29,530,000	$ -

NOTE 18 - SUBSEQUENT EVENTS

The District issued $14,415,000 of Tax and Revenue Anticipation Notes dated July 1, 2010. The notes mature on June 1, 2011, and yield 0.650 percent interest. The notes were sold to supplement cash flow. Repayment requirements are that a percentage of principal and interest be deposited with the Fiscal Agent each month beginning January 1, 2011, until 100 percent of principal and interest due is on account in May, 2011.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2010

Actuarial Valuation Date		Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a] / c)
September 1, 2006		$ -	$ 149,530,877	$ 149,530,877	$ -	$ 87,823,351	170.26%
Septembr 8, 2009, revised	*	$ -	$ 108,915,006	$ 108,915,006	$ -	$ 92,142,686	118.20%
Septembr 8, 2009, revised	*	$ -	$ 108,915,006	$ 108,915,006	$ -	$ 85,080,018	128.01%

* The September 8, 2009 actuarial study was revised to reflect the change in interest rate assumption from 5% to 7% upon the establishment of the trust and a new investment policy. As of June 30, 2010, the District has total assets of $4,990,358 in the OPEB irrevocable trust.

SUPPLEMENTARY INFORMATION

DISTRICT ORGANIZATION
JUNE 30, 2010

The San Mateo County Community College District was established in 1922, and includes three college campuses located in San Mateo County. There were no changes in the boundaries of the District during the current year. The District's three colleges are each accredited by the Accrediting Commission for Community and Junior Colleges, Western, Association of Schools and Colleges.

BOARD OF TRUSTEES

MEMBER	OFFICE	TERM EXPIRES
Patricia Miljanich	President	2011
Dave Mandelkern	Vice President-Clerk	2011
Helen Hausman	Trustee	2013
Richard Holober	Trustee	2013
Karen Schwarz	Trustee	2011

ADMINISTRATION

Ron Galatolo	Chancellor - Superintendent
James Keller	Executive Vice Chancellor
Michael Claire	President – College of San Mateo
Tom Mohr	President – Canada College
Victoria Morrow	President – Skyline College

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION		
Student Financial Aid Cluster		
Federal Work Study Program	84.033	$ 382,537
ARRA - Federal Work Study Program	84.033	45,774
Pell Grant	84.063	13,782,511
Supplemental Educational Opportunity Grant (SEOG)	84.007	482,356
Federal Family Education Loans	84.032	1,673,444
Academic Competitiveness Grant (ACG)	84.375	123,356
Postsecondary Education		
TRIO Cluster		
Student Support Services	84.042A	845,803
Upward Bound	84.047A	235,362
Passed through Santa Clarita Community College District		
Fund for the Improvement of Postsecondary Education	84.116Z	57,000
International Education		
Undergraduate International Studies and Foreign Language	84.016	11,478
Undergraduate Education		
Minority Science and Engineering Improvement	84.120	310,495
College Cost Reduction and Access Act Hispanic Serving Institutions	84.031C	559,453
Vocational Education		
Passed through Cabrillo Community College District:		
CTEA II Tech Prep Education	84.243	10,000
Passed through California Department of Education:		
CTEA I-C Basic Grants to States	84.048A	663,152
CTEA II Tech Prep Education	84.243	203,250
Elementary and Secondary Education		
Passed through California Department of Development Services:		
Special Education-Grants for Infants and Families	84.181	9,750
Passed through Sequoia Union High School District:		
Twenty-First Century Community Learning Centers	84.287	1,678
Passed through California Department of Education/CCCCO:		
ARRA - State Fiscal Stablization Fund - Education State Grants	84.394	507,922
Special Education and Rehabilitation Services		
Passed through California Department of Rehabilitation:		
Vocational Rehabilitation-Workability	84.126A	143,858
Total U.S. Department of Education		20,049,179

See accompanying note to supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Administration for Children and Families		
Passed through California Department of Education:		
Temporary Assistance for Needy Families (TANF)	93.558	71,250
ARRA - Temporary Assistance for Needy Families (TANF), ECF	93.714	76,564
Child Care and Development Block Grant	93.575	27,348
Total U.S. Department of Health and Human Services		175,162
U.S. DEPARTMENT OF AGRICULTURE		
Passed through California Department of Education:		
Child and Adult Care Food Program	10.558	37,124
Passed through County of San Mateo/California DSS:		
Supplemental Nutrition Assistance Program	10.551	75,014
Total U.S. Department of Agriculture		112,138
U.S. DEPARTMENT OF LABOR		
Passed through County of San Mateo/California EDD:		
WIA Dislocated Workers	17.260	72,257
ARRA - WIA Dislocated Workers	17.260	173,374
Passed through California Employment Development Department/CCCCO:		
WIA Governor's 15% Discretionary Fund	17.258	36,382
ARRA - WIA Governor's 15% Discretionary Fund	17.258	44,175
Community Based Job Training Grants	17.269	624,940
Total U.S. Department of Labor		951,128
U.S. DEPARTMENT OF THE TREASURY		
Volunteer Income Tax Assistance (VITA) Matching Grant Program	21.009	13,000
NATIONAL SCIENCE FOUNDATION		
Education and Human Resources	47.076	303,427
Total Expenditures of Federal Awards		$ 21,604,034

See accompanying note to supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

	Program Revenues				Total
Program	Cash Received [1]	Accounts Receivable	Deferred Revenue	Total Revenue	Program Expenditures
GENERAL FUND					
Disabled Students Programs & Services	$ 1,191,991	$ -	$ 113,816	$ 1,078,175	$ 1,078,175
Extended Opportunity Programs & Services	1,154,887	-	2,661	1,152,226	1,152,226
CARE/EOPS	93,613	-	1,297	92,316	92,316
Matriculation	814,653	-	-	814,653	814,653
Foster Parent Training	46,451	35,326	1,923	79,854	79,854
FA Administrative Allowance	809,820	-	28,547	781,273	781,273
Block Grant	1,329,691	-	1,263,679	66,012	66,012
T-Com and Technology (TTIP)	186,874	-	112,589	74,285	74,285
CalWORKs	316,095	-	1,583	314,512	314,512
Middle College High School	96,353	101,525	-	197,878	197,878
CITD Economic Development	64,982	54,047	-	119,029	119,029
Transfer and Articulation	457	-	-	457	457
Staff Diversity	2,943	-	-	2,943	2,943
Staff Development	58,635	-	48,288	10,347	10,347
Statewide Leadership Multimedia	71,864	-	71,864	-	-
MESA/CCCP Funds for Student Success	110,138	7,602	-	117,740	117,740
RCSD CBET Program	33,245	44,998	-	78,243	78,243
Lottery-Prop 20-Instructional Materials	37,053	267,820	-	304,873	120,520
Nursing-Enrollment Growth	163,619	3,872	-	167,491	167,491
TTIP Video Over IP Grant	11,619	-	11,619	-	-
SUHSD CBET Program	24,986	19,366	-	44,352	44,352
CCC Live Caption	9,036	-	9,036	-	-
Basic Skills 09-10	359,267	-	263,978	95,289	95,289
Basic Skills 07-08	110,040	-	-	110,040	110,040
CTE Equip - Allied Health	2,048	-	392	1,656	1,656
Econ Dev IDRC Surgical Technology	131,216	24,994	-	156,210	156,210
CTE Community Collaborative Project	194,614	-	-	194,614	194,614
Basic Skills 08-09	482,047	-	153,067	328,980	328,980
CTE Com Collaborative Project 09-10	375,651	-	217,572	158,079	158,079
CTE Com Collaborative Project 10-12	309,998	-	288,115	21,883	21,883
Entrepreneurship Career Pathways	35,000	50,000	-	85,000	85,000
LACCD - CCC ESL/BSI Prof Dev Grant	62,500	-	129	62,371	62,371
Los Rios CCD - Kaiser RWT - Canada	-	11,488	-	11,488	11,488
State Library	25,547	-	21,724	3,823	3,823
CDE Child Development	341,039	59,554	-	400,594	400,593
Cal Grant	430,564	29,085	18,473	441,176	441,176
Total State Programs	$ 9,488,536	$ 709,677	$ 2,630,352	$ 7,567,862	$ 7,383,508

[1]Include cash received from prior year.

See accompanying note to supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT – ANNUAL (ACTUAL) ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2010

CATEGORIES	Revised Reported Data*	Audit Adjustments	Audited Data
A. Summer Intersession			
1. Noncredit	11	-	11
2. Credit	2,734	-	2,734
B. Summer Intersession			
1. Noncredit	-	-	-
2. Credit	-	-	-
C. Primary Terms			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	16,790	-	16,790
(b) Daily Census Contact Hours	1,182	-	1,182
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	109	-	109
(b) Credit	804	-	804
3. Alternative Attendance Accounting Procedure			
(a) Weekly Census Procedure Courses	978	-	978
(b) Daily Census Procedure Courses	312	-	312
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	22,920	-	22,920
E. Basic Skills courses and Immigrant Education (FTES)			
1. Noncredit	48	-	-
2. Credit	2,259	-	-
	2,307	-	-

* Revised, November 2010.

See accompanying note to supplementary information.

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH FUND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

There were no adjustments to the Annual Financial and Budget Report (CCFS-311), which required reconciliation to the audited financial statements at June 30, 2010.

See accompanying note to supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010

Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:		
Total Fund Balance:		
General Funds	$ 20,924,286	
Special Revenue Funds	33,938,244	
Capital Projects Funds	218,549,641	
Debt Service Funds	20,213,256	
Enterprise Funds	6,771,735	
Internal Service Funds	7,504,144	
Fiduciary Funds	250,646	
Total Fund Balance - All District Funds		**$ 308,151,952**
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	$ 695,913,752	
Accumulated depreciation is	(90,739,529)	605,174,223
Capital assets recorded in proprietary funds.		(422,537)
Expenditures relating to issuance of debt were recognized on the modified accrual basis, but should not be recognized in accrual basis.		5,415,826
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.		(14,990,244)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term liabilities at year end consist of:		
Bonds payable	694,967,051	
Premiums, net of amortization	18,428,645	
Compensated absences (vacations)	3,489,506	(716,885,202)
Total Net Assets		**$ 186,444,018**

See accompanying note to supplementary information.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2010

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

This schedule provides information about the District's governing board members and administration members.

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 United States 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.

The following schedule provides reconciliation between revenues reported on the statement of revenues, expenses, and changes in net assets and the related expenditures reported on the schedule of expenditures of Federal awards.

Description	CFDA Number	Amount
Total Federal Revenues per Statement of Revenues, Expenses, and Changes in Net Assets:		$ 19,885,592
Federal Family Education Loans		1,673,444
Adjustments to Skyline SEOG program (with $2 rounding difference)		44,998
Total Expenditures of Federal Awards		$ 21,604,034

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 General Apportionment – Annual (Actual) Attendance

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. These schedules provide information regarding the attendance of students throughout the District.

Reconciliation of Annual Financial and Budget Report (CCFS - 311) 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 internal fund financial statements, prepared on a modified accrual basis, to the entity-wide full accrual basis financial statements required under GASB Statements No. 34 and No. 35 business-type activities reporting model.

INDEPENDENT AUDITORS' REPORTS

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

VALUE THE DIFFERENCE

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 Mateo County Community College District
San Mateo, California

We have audited the basic financial statements of San Mateo County Community College District (the District) for the years ended June 30, 2010 and 2009, and have issued our report thereon dated December 14, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered San Mateo County Community College District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of San Mateo County Community College District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of San Mateo County Community College District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether San Mateo County Community College District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits 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*.

We noted certain matters that we reported to management of San Mateo County Community College District in a separate letter dated December 14, 2010.

This report is intended solely for the information and use of the Board of Trustees, District Management, the California Community Colleges 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.

Vavrinek, Trine, Day & Co., LLP

Pleasanton, California
December 14, 2010

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

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees
San Mateo County Community College District
San Mateo, California

Compliance

We have audited the compliance of San Mateo County 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 could have a direct and material effect on each of its San Mateo County Community College District's major Federal programs for the year ended June 30, 2010. San Mateo County Community College District's major Federal programs are identified in the summary of auditors' 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 San Mateo County Community College District's management. Our responsibility is to express an opinion on San Mateo County Community College 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about San Mateo County Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of San Mateo County Community College District's compliance with those requirements.

In our opinion, San Mateo County Community College District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2010.

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Internal Control Over Compliance

The management of San Mateo County Community College District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered San Mateo County Community College District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of San Mateo County Community College District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Trustees, District Management, the California Community Colleges 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.

Vavrinek, Trine, Day & Co., LLP

Pleasanton, California
December 14, 2010

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

VALUE THE DIFFERENCE

REPORT ON STATE COMPLIANCE

Board of Trustees
San Mateo County Community College District
San Mateo, California

We have audited the compliance of San Mateo County Community College District (the District) with the types of compliance requirements described in Section 400 of the California State Chancellor's Office's *California Community College District Audit Manual (CDAM)* that are applicable to community colleges in the State of California. The specific requirements are described below.

We conducted our audit of compliance 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements with State laws and regulations have occurred. An audit includes examining, on a test basis, evidence about San Mateo County Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of San Mateo County Community College District's compliance with those requirements.

General Directive

Section 424: MIS Implementation - State General Apportionment Funding System

Administration

Section 435: Open Enrollment

Section 437: Student Fees - Instructional Materials and Health Fees

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Apportionments

Section 423: Apportionment of Instructional Service Agreements/Contracts

Section 425: Residency Determination for Credit Courses

Section 427: Concurrent Enrollment of K-12 Students in Community College Credit Courses

Section 432: Enrollment Fee

Section 426: Students Actively Enrolled

Fiscal Operations

Section 421: Salaries of Classroom Instructors (50% Law)

Section 431: Gann Limit Calculation

Student Services

Section 428: Use of Matriculation Funds

Section 433: CalWORKs - Use of State and Federal TANF Funding

Facilities

Section 434: Scheduled Maintenance Program

In our opinion, San Mateo County Community College District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported and are described in the accompanying schedule of findings and questioned costs as items 2010-1.

San Mateo County Community College District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit San Mateo County Community College District's response and, accordingly, we express no opinion.

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

Vavrinek, Trine, Day & Co., LLP

Pleasanton, California
December 14, 2010

SCHEDULE OF FINDINGS
AND
QUESTIONED COSTS

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2010

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	No
Identification of major programs:	

CFDA Numbers	Name of Federal Program or Cluster
84.033 (Include ARRA), 84.063, 84.007, 84.375, 84.032	Student Financial Aid Cluster (Include ARRA)
84.042A, 84.047A	TRIO Cluster
84.120	Minority Science and Engineering Improvement
84.394	State Fiscal Stablization Fund - ARRA
93.558, 93.714 (ARRA)	Temporary Assistance for Needy Families (Include ARRA)
17.260 (Include ARRA), 17.258 (Include ARRA)	WIA Cluster (Include ARRA)
17.269	Community Based Job Training Grants
47.076	Education and Human Resources

Dollar threshold used to distinguish between Type A and Type B programs:	$ 300,000
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	Yes
Type of auditors' report issued on compliance for State programs:	Qualified

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2010

None reported.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

None reported.

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

2010-1 Concurrent Enrollment of K-12 Students In Community College Credit Courses

Criteria or Specific Requirement
Education Code section 87356 requires the Board of Governors to adopt regulations to establish minimum qualifications for service as a community college faculty member. Education Code section 87357 requires the Board of Governors to engage in various activities in establishing those minimum qualifications. Subsection (b) of section 87357 requires the Board to issue a list of disciplines that is to be distributed to the districts for their use in applying the minimum qualifications for service.

Title 5, section 53410 sets the basic minimum qualifications for credit instructors which include either a master's degree "in the discipline of the faculty member's assignment" or a master's degree "in a discipline reasonably related" to the assignment and a bachelor's degree "in the discipline of the faculty member's assignment."

Education Code section 87359 requires the Board of Governors to adopt regulations setting forth a process to allow local districts to employ faculty members who do not meet the minimum qualifications adopted by the Board of Governors. The section provides that a person may be hired to serve as a faculty member if the district governing board determines that the individual "possesses qualifications that are at least equivalent to the minimum qualifications specified in regulations of the board of governors adopted pursuant to Section 87356." The section requires a process to ensure that "each individual faculty member employed under the authority granted by the regulations possesses minimum qualification specified in regulations adopted by the board of governors."

Condition

We noted at Skyline College that one credit instructor did not have the necessary documentation on file to show that the instruction met the minimum qualification requirements as described above.

Questioned Costs

0.16 FTES or approximately $700.

Context

The course taught by the instructor was Music -377 (course # 92570) in Fall 2009 semester. The weekly student contact hours for the course were 82.8 hours.

Effect

The District is not in compliance with the requirements of instructor minimum qualification.

Cause

The College did not obtain all necessary documentation as required to show teacher hired met minimum teaching qualification.

Recommendation

Individuals having hiring responsibilities should be reminded the importance of following the appropriate policy and procedures established by governing board and the requirements indicated in CCR Title 5, section 53410.

District Response

The instructor was hired to teach guitar. At the time he was hired, he had over 20 years of experience playing the guitar professionally. The relatively new dean was unaware that the instructor would have to apply for an equivalency as the dean did not believe a degree was necessary to teach guitar given 20 years of professional experience. The District will conduct an education forum for the deans about equivalencies, minimum qualifications and FSA's to prevent this in the future.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010

None reported.

ADDITIONAL SUPPLEMENTAL INFORMATION

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2010

	General Unrestricted	General Restricted	Child Development	Retiree Benefits
ASSETS				
Cash and cash equivalents	$ 15,124,373	$ 9,229,700	$ 125,232	$ 17,684,139
Accounts receivable, net of allowance	17,403,082	2,723,499	77,077	1,117,857
Due from other funds	84	-	-	-
Prepaid expenses	158,654	7,979	-	-
Other current assets	-	-	-	14,951,276
Total Assets	$ 32,686,193	$ 11,961,178	$ 202,309	$ 33,753,272
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Deficit cash	$ -	$ -	$ -	$ -
Accounts payable	11,452,296	621,907	4,924	3,218
Due to other funds	84	-	-	-
Other current liabilities	-	-	-	-
Deferred revenue	5,255,932	6,392,866	8,667	528
Total Liabilities	16,708,312	7,014,773	13,591	3,746
FUND EQUITY				
Fund Balances				
Reserved	8,620,671	4,946,405	-	-
Unreserved				
Designated	7,357,210	-	-	-
Undesignated	-	-	188,718	33,749,526
Total Fund Equity	15,977,881	4,946,405	188,718	33,749,526
Total Liabilities and Fund Equity	$ 32,686,193	$ 11,961,178	$ 202,309	$ 33,753,272

See accompanying note to additional supplementary information.

Bond Interest and Redemption	COP Payment	Capital Outlay Projects	Bond Construction	COP Construction	Total Governmental Funds (Memorandum Only)
$ 20,007,060	$ 160,800	$ 79,155,078	$ 152,315,815	$ -	$ 293,802,197
44,966	430	3,307,385	584,522	11,341,251	36,600,069
-	-	2,300,000	1,118,895	-	3,418,979
-	-	36,000	3,901,614	-	4,104,247
-	-	-	-	-	14,951,276
$ 20,052,026	$ 161,230	$ 84,798,463	$ 157,920,846	$ 11,341,251	$ 352,876,768
$ -	$ -	$ -	$ -	$ 5,660,292	$ 5,660,292
-	-	1,625,108	9,203,270	593,540	23,504,263
-	-	1,118,895	-	2,300,000	3,418,979
-	-	14,951,276	-	-	14,951,276
-	-	58,538	-	-	11,716,531
-	-	17,753,817	9,203,270	8,553,832	59,251,341
-	-	-	-	-	13,567,076
-	-	-	-	-	7,357,210
20,052,026	161,230	67,044,646	148,717,576	2,787,419	272,701,141
20,052,026	161,230	67,044,646	148,717,576	2,787,419	293,625,427
$ 20,052,026	$ 161,230	$ 84,798,463	$ 157,920,846	$ 11,341,251	$ 352,876,768

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2010

	General Unrestricted	General Restricted	Child Development	Retiree Benefits
REVENUES				
Federal revenues	$ -	$ 5,504,262	$ 38,107	$ -
State revenues	58,175,641	6,726,193	400,593	-
Local revenues	55,651,083	8,494,994	194,218	298,722
Total Revenues	113,826,724	20,725,449	632,918	298,722
EXPENDITURES				
Current Expenditures				
Academic salaries	47,241,193	4,729,272	181,357	-
Classified salaries	22,198,874	7,870,389	504,597	-
Employee benefits	24,914,923	3,466,599	323,550	-
Books and supplies	1,578,156	1,164,773	43,007	-
Services and operating expenditures	8,361,594	3,118,135	5,247	50,140
Capital outlay	72,351	745,584	-	-
Debt service - principal	-	-	-	-
Debt service - interest and other	-	-	-	-
Total Expenditures	104,367,091	21,094,752	1,057,758	50,140
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	9,459,633	(369,303)	(424,840)	248,582
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	2,022,692	446,670	1,500,000
Operating transfers out	(8,009,527)	(280,969)	-	-
Other sources	7,518	242,707	-	2,435,979
Other uses	(10,148)	(875,848)	-	(5,000,000)
Total Other Financing Sources (Uses)	(8,012,157)	1,108,582	446,670	(1,064,021)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	1,447,476	739,279	21,830	(815,439)
FUND BALANCE, BEGINNING OF YEAR	14,530,405	4,207,126	166,888	34,564,965
FUND BALANCE, END OF YEAR	$15,977,881	$ 4,946,405	$ 188,718	$33,749,526

See accompanying note to additional supplementary information.

Bond Interest and Redemption	COP Payment	Capital Outlay Projects	Bond Construction	COP Construction	Total Governmental Fund (Memorandum Only)
$ -	$ -	$ -	$ -	$ -	$ 5,542,369
171,843	-	1,592,888	-	-	67,067,158
26,746,014	2,590	3,457,689	3,635,931	11,411,041	109,892,282
26,917,857	2,590	5,050,577	3,635,931	11,411,041	182,501,809
-	-	-	142,080	-	52,293,902
-	-	268,528	2,969,298	383	33,812,069
-	-	69,727	1,037,571	54	29,812,424
-	-	226,968	6,058,062	23,457	9,094,423
-	-	324,689	10,060,974	521,021	22,441,800
-	-	1,270,719	119,060,251	9,963,230	131,112,135
9,575,000	-	-	-	-	9,575,000
15,573,542	-	-	-	-	15,573,542
25,148,542	-	2,160,631	139,328,236	10,508,145	303,715,295
1,769,315	2,590	2,889,946	(135,692,305)	902,896	(121,213,486)
-	-	6,346,720	-	-	10,316,082
-	-	-	-	(2,300,000)	(10,590,496)
-	-	470,831	-	-	3,157,035
-	-	(1,000,000)	-	-	(6,885,996)
-	-	5,817,551	-	(2,300,000)	(4,003,375)
1,769,315	2,590	8,707,497	(135,692,305)	(1,397,104)	(125,216,861)
18,282,711	158,640	58,337,149	284,409,881	4,184,523	418,842,288
$ 20,052,026	$ 161,230	$ 67,044,646	$148,717,576	$ 2,787,419	$ 293,625,427

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

PROPRIETARY FUNDS
BALANCE SHEET
JUNE 30, 2010

	Enterprise Funds				
	Bookstore	Cafeteria	Fitness Center	Total	Internal Service Fund
ASSETS					
Cash and cash equivalents	$ 5,000,055	$ 277,725	$ 1,025,187	$ 6,302,967	$ 9,306,855
Accounts receivable	100,937	27,699	1,344	129,980	-
Stores inventories	1,841,518	-	-	1,841,518	-
Furniture and equipment (net)	275,069	138,492	8,976	422,537	-
Total Assets	$ 7,217,579	$ 443,916	$ 1,035,507	$ 8,697,002	$ 9,306,855
LIABILITIES AND FUND EQUITY					
LIABILITIES					
Accounts payable	$ 539,841	$ 28,416	$ 237,775	$ 806,032	$ -
Current loan	-	-	1,000,000	1,000,000	-
Deferred revenue	-	-	119,235	119,235	-
Claim liabilities	-	-	-	-	1,802,711
Total Liabilities	539,841	28,416	1,357,010	1,925,267	1,802,711
FUND EQUITY					
Retained earnings	6,677,738	415,500	(321,503)	6,771,735	7,504,144
Total Liabilities and Fund Equity	$ 7,217,579	$ 443,916	$ 1,035,507	$ 8,697,002	$ 9,306,855

See accompanying note to additional supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED JUNE 30, 2010

	Enterprise Funds				Internal Service Fund
	Bookstore	Cafeteria	Fitness Center	Total	
OPERATING REVENUES					
Sales revenues	$ 7,873,046	$ 186,399	$ 215,505	$ 8,274,950	$ -
Other local revenues	308,431	-	-	308,431	1,751,462
Total Operating Income	8,181,477	186,399	215,505	8,583,381	1,751,462
OPERATING EXPENSES					
Classified salaries	1,799,106	21,294	272,706	2,093,106	101,235
Employee benefits	25,810	5,751	-	31,561	49,823
Books and supplies	5,795,411	-	-	5,795,411	-
Services and other operating expenditures	479,713	144,687	267,850	892,250	440,800
Total Operating Expenses	8,100,040	171,732	540,556	8,812,328	591,858
Operating Income (Loss)	81,437	14,667	(325,051)	(228,947)	1,159,604
NONOPERATING REVENUES (EXPENSES)					
Interest income	124,563	2,390	3,548	130,501	57,843
Total Nonoperating Revenues (Expenses)	124,563	2,390	3,548	130,501	57,843
NET INCOME (LOSS)	206,000	17,057	(321,503)	(98,446)	1,217,447
RETAINED EARNINGS, BEGINNING OF YEAR	6,471,738	398,443	-	6,870,181	6,286,697
RETAINED EARNINGS, END OF YEAR	$ 6,677,738	$ 415,500	$ (321,503)	$ 6,771,735	$ 7,504,144

See accompanying note to additional supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

PROPRIETARY FUNDS
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010

	Enterprise Funds				Internal Service Fund
	Bookstore	Cafeteria	Fitness Center	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from user charges	$ 8,396,068	$ 200,905	$ 214,161	$ 8,811,134	$ 1,751,462
Cash received (paid) from other funds	-	(40,948)	-	(40,948)	-
Cash payments to employees for services	(1,824,916)	(27,045)	(272,706)	(2,124,667)	(151,058)
Cash payments for insurance claims	-	-	-	-	(31,926)
Cash payments to suppliers for goods and services	(6,370,523)	(103,593)	89,632	(6,384,484)	(440,800)
Net Cash Provided (Used) for Operating Activities	200,629	29,319	31,087	261,035	1,127,678
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Loss on disposal of capital assets	2,003	358		2,361	-
Acquisition of capital assets	(7,516)	-	(9,448)	(7,516)	-
Net Cash Used for Capital and Related Financing Activities	(5,513)	358	(9,448)	(14,603)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on investments	124,563	2,390	3,548	126,953	57,843
Net Cash Provided from Investing Activities	124,563	2,390	3,548	126,953	57,843
Net increase (decrease) in cash and cash equivalents	319,679	32,067	1,025,187	1,376,933	1,185,521
Cash and cash equivalents - Beginning	4,680,376	245,658	-	4,926,034	8,121,334
Cash and cash equivalents - Ending	$ 5,000,055	$ 277,725	$ 1,025,187	$ 6,302,967	$ 9,306,855
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	81,437	14,667	(325,051)	(228,947)	1,159,604
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	84,301	29,268	472	114,041	-
Changes in assets and liabilities:					
Receivables	214,590	14,506	(1,344)	227,752	-
Due to other fund	-	(40,948)	-	(40,948)	-
Prepaid expenses	47,562	-		47,562	-
Inventories	(8,906)	-	-	(8,906)	-
Accrued liabilities	(218,355)	11,826	237,775	31,246	(31,926)
Deferred revenue	-	-	119,235	119,235	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 200,629	$ 29,319	$ 31,087	$ 261,035	$ 1,127,678

See accompanying note to additional supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

FIDUCIARY FUNDS
BALANCE SHEET
JUNE 30, 2010

	Trust	Agency Fund	
	Student Financial Aid	Associated Students Trust	Student Representation Fee
ASSETS			
Cash and cash equivalents	$ 545,339	$ 1,718,403	$ 115,130
Accounts receivable	1,444,989	1,004,649	-
Fixed assets	-	7,854	-
Total Assets	$ 1,990,328	$ 2,730,906	$ 115,130
LIABILITIES AND FUND EQUITY			
Accounts payable	$ 1,573,217	$ 1,701,509	$ -
Deferred revenue	166,465	-	-
Due to student groups and other	216	1,029,397	115,130
Total Liabilities	1,739,898	$ 2,730,906	$ 115,130
FUND BALANCE			
Unreserved	250,430		
Total Liabilities and Fund Balance	$ 1,990,328		

See accompanying note to additional supplementary information.

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

FIDUCIARY FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2010

	Student Financial Aid
REVENUES	
Federal revenues	$ 14,343,223
State revenues	441,176
Local revenues	426,212
Total Revenues	15,210,611
OTHER FINANCING SOURCES (USES)	
Operating transfers in	280,969
Operating transfers out	(6,555)
Other uses	(15,469,907)
Total Other Financing Sources (Uses)	(15,195,493)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	15,118
FUND BALANCE, BEGINNING OF YEAR	235,312
FUND BALANCE, END OF YEAR	$ 250,430

See accompanying note to additional supplementary information.

NOTE TO ADDITIONAL SUPPLEMENTARY INFORMATION
JUNE 30, 2010

NOTE 1 – PURPOSE OF SCHEDULES

Fund Financial Statements

The accompanying financial statements report the governmental, proprietary, and fiduciary fund activities of San Mateo County 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 basic financial statements. The information is not required component of the financial statements in accordance with GASB Statements No. 34 and No. 35 and is presented at the request of the District management.

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

VALUE THE DIFFERENCE

To the Board of Trustees and Management
of San Mateo County Community College District

In planning and performing our audit of the financial statements of the governmental activities of San Mateo County Community College District (District) as of and for the year ended June 30, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered San Mateo County Community College District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated December 14, 2010, on the financial statements of San Mateo County Community College District.

Student Receivables

Comment

As noted in the prior year, the student receivable detail does not agree to the amount recorded in the trial balance generated from the Banner system. Upon further investigation it was determined that the student receivables tracking system is unable to print an outstanding receivable cut off list as of June 30. The system is a dynamic system that provides detail of amounts owed on any particular day, however, it cannot look back to a date prior to the processing date and determine the amount that was owed on a date that is in the past.

Recommendation

We understand that the District Business Office is working on this issue. We encourage the Business Office to continue its efforts in developing procedures to resolve the differences in the student receivable records that are maintained by Banner system and the student module. The Business Office can also consider alternative methods to accomplish this, for example, consider running a report as of June 30 and when year-end closing is completed, and then reconcile the two reports.

District Response

The District has reported this concern to Sungard, the developer of Banner. Sungard is aware that this issue is a programming problem.

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SUMMARY OF PRIOR YEAR COMMENTS

Student Receivables

Comment

As noted in the prior year, the student receivable detail does not agree to the amount recorded in the trial balance generated from the Banner system. Upon further investigation it was determined that the student receivables tracking system is unable to print an outstanding receivable cut off list as of June 30. The system is a dynamic system that provides detail of amounts owed on any particular day, however, it cannot look back to a date prior to the processing date and determine the amount that was owed on a date that is in the past.

Recommendation

We understand that the District Business Office is working on this issue. We encourage the Business Office to continue its efforts in developing procedures to resolve the differences in the student receivable records that are maintained by Banner system and the student module. The Business Office can also consider alternative methods to accomplish this, for example, consider running a report as of June 30 and when year-end closing is completed, and then reconcile the two reports.

Current Status

Not implemented. See current year comment.

Student Actively Enrolled Record Keeping

Comment

During our testing of student enrollment, we noted that the supporting documentation to ensure that the faculty clears the rolls of all inactive students as of each course section's drop date was not always present. Although no inappropriate drop dates were apparent, we noted that 8 out of 30 classes we reviewed did not have clear documentation that the teachers had removed the inactive students as of the drop date.

Recommendation

Clearing the rolls of inactive students as of the drop date is a necessity for accurate apportionment reporting. To ensure that all FTES claimed for apportionment are properly supported, we recommend that the District revise its written policies and procedures to clearly document this process. In addition, faculty should be routinely trained on census procedures and be reminded of the potential impact on District funding if proper documentation is not in place.

Current Status

Implemented.

Residency Determination for Credit Courses

Comment

The College of San Mateo was not able to locate the Non-resident Tuition Exemption Form for one AB540 student that we requested for review.

Recommendation

Documentation supporting the classification of each student's residency to support the FTES claimed should be in place and readily available for review upon request.

Current Status

Implemented.

This letter does not affect our report dated December 14, 2010, on the financial statements of the District.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management, the Governing Board, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co., LLP

Pleasanton, California
December 14, 2010

WEST VALLEY-MISSION
COMMUNITY COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2010 AND 2009

WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS
JUNE 30, 2010

FINANCIAL SECTION

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

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

Board of Trustees
West Valley-Mission Community College District
Saratoga, California

We have audited the accompanying basic financial statements of the business-type activities of West Valley-Mission Community College District (the District) as of and for the years ended June 30, 2010 and 2009, and its discretely presented component unit Mission-West Valley Land Corporation as listed in the Table of Contents. These basic 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. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards.* 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 basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of West Valley-Mission Community College District, and its discretely presented component unit, as of June 30, 2010 and 2009, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2010, 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 our 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 is important for assessing the results of our audit.

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

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*, is presented for purposes of additional analysis and is 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, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Additional Supplementary Information as listed in the table of contents has been presented at the request of District management for purposes of additional analysis. 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.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 29, 2010

USING THIS ANNUAL REPORT

The purpose of this annual report is to provide readers with information about the activities, programs, and financial condition of the West Valley-Mission Community College District (the District) as of June 30, 2010. This section of the annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended June 30, 2010. Please read it in conjunction with the District's financial statements, which immediately follow this section. Responsibility for the completeness and accuracy of this information rests with the District Management.

OBJECTIVES OF THE AUDIT

The audit of the West Valley-Mission Community College District had the following objectives:

- To express an opinion as to whether the financial statements are fairly presented, in all material respects, in conformity with U. S. generally accepted accounting principles (GAAP).
- To evaluate the adequacy of the systems and procedures affecting compliance with government audit standards, guides, procedures, statutes, rules, and regulations which could have a material effect on the financial statements in accordance with government auditing standards.
- To review and report on the District's system of internal controls related to major federal programs.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Annual report consists of three basic financial statements that provide information on the District as a whole:

- The Statement of Net Assets - page 17
- Statement of Revenues, Expenses, and Changes in Net Assets – page 18
- The Statement of Cash Flows – page 19

The focus of the Statement of Net Assets is designed to be similar to the bottom line results of the District. This statement combines and consolidates current financial resources with capital assets and long-term obligations.

The Statement of Revenues, Expenses, and Changes in Net Assets focuses on the costs of the District's operational activities, which are supported primarily by local property taxes and State apportionment revenues. Activities are reported as either operating or non-operating. A community college depends on State apportionment for operating expenses; however, the operating expenses reflect a loss because the financial reporting model classifies State appropriations, taxes and interest income as non-operating revenues.

The Statement of Cash Flow provides an analysis of the sources and uses of cash within the operations of the District. This statement helps measure the ability to meet financial obligations as they mature.

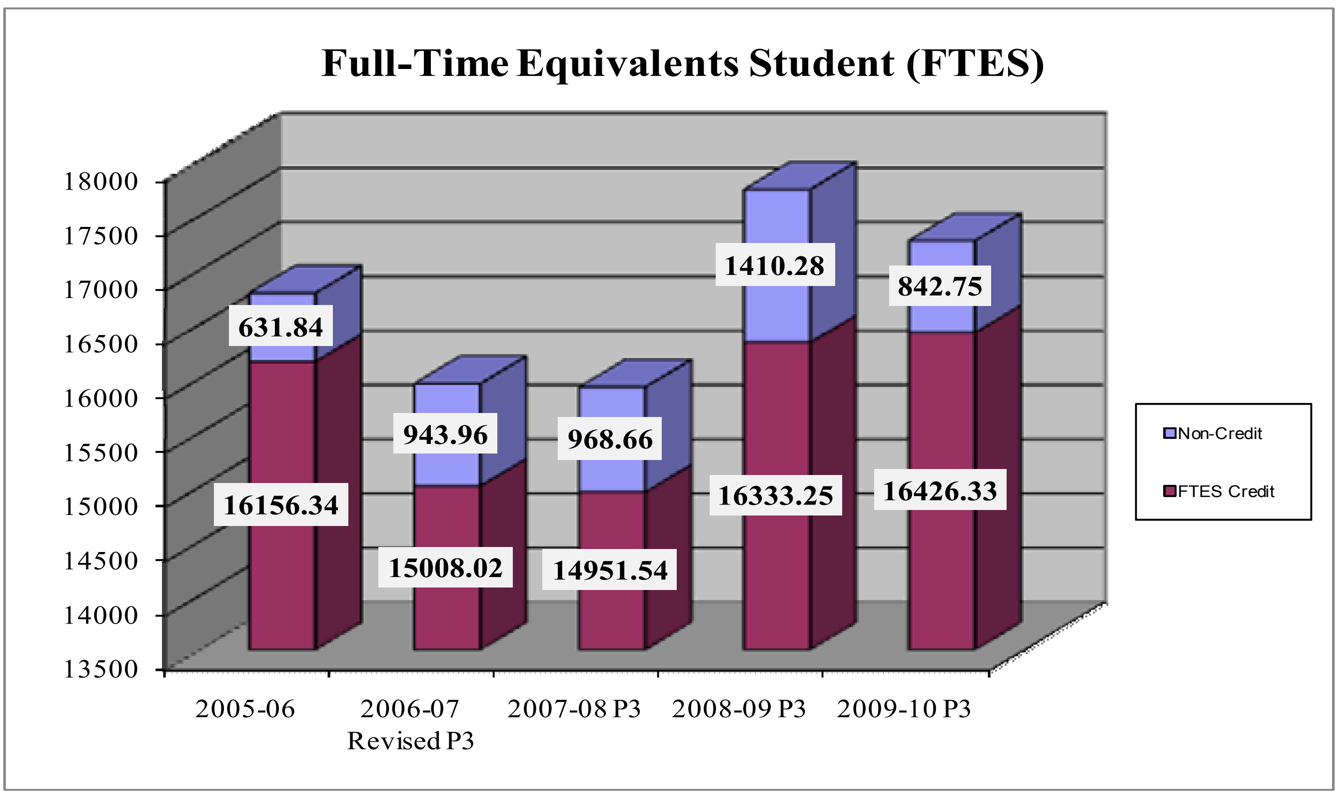
The California Community Colleges System's Office has recommended that all State community colleges follow the Business Type Activity (BTA) model for financial reporting purposes.

STUDENT ATTENDANCE HIGHLIGHTS

The CCFS-320 Annual Student Attendance Report (P-3) in fiscal year 2009-10, for West Valley-Mission Community College District, reported a decrease of 498 full-time equivalent students (FTES) from the previous year's base. The decrease of FTES was the result of the State's 2009-10 Budget Act, AB X4-1 which authorized the Chancellor's Office to adjust districts' base workload measures by 3.39 percent of general apportionment revenue. West Valley Mission Community College District's share of reduced revenue equated to approximately $2.8 million or 600 FTES.

As a footnote, without a 3.39 percent workload reduction imposed by the State, the District actually increased FTES by 446 and restored the balance of $1 million in apportionment revenue.
Summer 2010 also allowed the Colleges to carry forward 344 credit FTES to be reported in FY 2010-11.

Enrollment continues to be a major challenge and opportunity for the District. The colleges are aggressively pursuing additional enrollment with a combination of strategies that include marketing, targeted recruitment and outreach, program development, additional class sections on and off-site.



This chart illustrates total credit and noncredit FTES reported on the CCFS-320 Attendance Report decreased by 498 FTES or a decrease of 2.8 percent from FY2008 – 09 to FY 2009-10.

The District has an opportunity to restore FTES and be funded up to the $1 million in restoration apportionment while other California Community Colleges have a cap on their growth limits. Enrollment projections for FY 2010-10 identified short-term and long-term strategies for data driven enrollment, recruitment, marketing and retention. The past fiscal years enrollment reports have included two summers to maximize apportionment revenue.

FINANCIAL HIGHLIGHTS

- The District's revenue is dependent on the State's enrollment-based funding formula. SB 361, established in 2006, revised the California Community College (CCC) apportionment allocation formula to help ensure that district funding rates were permanently equalized at the 90th percentile of the highest funded district. CCC receives most of their monies from three major sources: state general funds, local property taxes, and student fees. The level of funding varies from year to year and if state revenue projections change, such as a property tax shortfall, then the State applies a deficit factor to reduce apportionment revenues, even after the close of a fiscal year.

- Student enrollment fees changed from $20 per unit during fiscal year 2008-09 to $26 per unit as of Fall 2009. California State revenues declined from loss of property taxes and increased unemployment, which resulted in a State revenue shortfall. The total general deficit for the CCC system equaled $544 million for a net reduction in 2009-10 or a loss of 8.7 percent. As of June 2010, a deficit factor was applied to the apportionment computational revenue, which was an additional loss of $94,500 in revenue or 21 credit FTES for WVMCCD.

- The economic position of the District is closely tied to that of the State of California. The District received zero funding for the estimated 4.25% cost-of-living adjustment (COLA) in fiscal year 2009-10 and zero funding of all growth funds. In addition to zero funding, the State reduced base workload measures (FTES) by 3.39 percent. The District's Unrestricted General Fund received 15.5% ($14.7 million) of funding through State apportionment; 84.0% ($79.6 million) from local sources; and 0.5% (0.5million) from Federal American Recovery and Reinvestment Act (ARRA) State stabilization funds.

- The District ended the 2009-10 fiscal year with an Unadjusted Unrestricted General Fund balance of $6.7 million. As of June 30, 2010, the Unrestricted General Fund reserve was $4.8 million or 5.1% of the Unrestricted General Fund expenditures. The Board of Trustees has set a goal to maintain at least a 5% reserve for the Unrestricted General Fund expenditures.

- Revenues exceeded expenditures in fiscal year 2009-10 by $1.6 million in the Unrestricted General Fund which increased the fund balance to $6.7 million.

- The District is committed to recruiting and retaining outstanding faculty and staff and one way to compete with peer institutions and non-academic employers is through a total compensation package. COLA was not funded in fiscal year 2009-10 however, annual step and column increase on the salary schedule was funded. Negotiations with collective bargaining units are on-going.

- To offset a projected deficit for fiscal year 2010-11, an agreement was reached in December 2009, with the majority of bargaining units, to cap medical benefits at $18,030 annually and reduce employee salaries by 4.62% by virtue of (12) unpaid furlough days annually, commencing July 2010.

- The average cost for health care premiums for the Unrestricted General Fund increased by 8.9% in fiscal year 2009-10. The annual composite rate of $17,130 per FTE was used for budget purposes, or an increase of $696/FTE from the prior year's composite rate of $16,434/FTE.

- The Board of Trustees authorized the District to offer an early retirement incentive program to the Associated College Educators (ACE), meet-and confer groups, and supervisors for fiscal year 2008-09 and fiscal year 2009-10 to realize some salary and benefit savings. The retirement incentive programs included a supplemental employee retirement program (SERP), cash incentives, and a STRS 2+ program.

The funding for the retirement incentives was obtained from Mission-West Valley Land Corporation. Expenditures for SERP continue until fiscal year 2011-12 with a total liability to the Unrestricted General Fund of $185,633 annually.

- In Fall 2008, the District embarked upon an ambitious and comprehensive organizational review with the intent of saving costs, enhancing efficiencies and ensuring accountability. The Organizational Review Report was produced by the California Collegiate Brain Trust which included 132 recommendations and eight major areas of focus for in-depth analysis. These recommendations have been and will continue to be examined. Efforts to work together through participatory governance committees, collective bargaining and other informal alliance is an on-going commitment to better serve students while reducing costs. As of June 2010, a total of 121 recommendations were implemented, three were considered not doable, and 8 remain for further study and resources to materialize.

- Medical and mandatory benefit costs for both employees and retirees continue to increase. The District provides retirees, hired before 1994, with lifetime medical benefits. The District has accounted for retiree benefits on a "pay-as-you-go" basis. An actuarial study determined that present value liability for those benefits, as of April 2009, was $108.4 million. This amount represents the present value of all benefits to be paid for current and future retirees. An on-going solution to cover the increased costs of retiree benefits is to participate in the California Employer's Retirement Benefit Trust (CERBT). Effective January 1, 2008, all California public employers were permitted to join the CERBT program to pre-fund other post-employment benefit (OPEB) obligations. The CERBT is a Section 115 Trust and is Internal Revenue Service-compliant. West Valley Mission CC District will approve a Board resolution in FY 2010-11, to authorize the District to "deposit all or a portion of the amounts received from the State of California in connection with the construction of capital projects into an irrevocable trust under the auspices of the CalPERS and invested therein in accordance with the investment criteria established by CalPERS." It is an irrevocable trust dedicated to the purpose of pre-funding OPEB. The District designated Retiree Health Benefit Fund has a balance of $55 million.

- Student financial aid provided to qualifying students throughout the District is approximately $14.2 million in fiscal year 2009-10. This aid is provided through grants and loans from the Federal government, the State Chancellor's Office, and local funding.

- The District's Non-Resident tuition fee for fiscal year 2009-10 is $199 per unit based on no more than contiguous districts non-resident tuition rate and the capital outlay fee of $0 per unit remains the same.

- In November 2004, the voters approved a Proposition 39, General Obligation Bond, Series A (Measure H) for $235 million. Funds from Measure H will be used to provide expansion, major safety repairs, renovations, and modernization at both college campuses. The active construction project list funded by Measure H bonds and state capital project funds during 2009-10 includes the West Valley Campus Fox (Technology) Center, completed January 2010; West Valley Math and Science Addition, completed and opened for classes Summer 2009; Renovation of the Math and Science building, started Fall 2009; and Mission College has its first renovation project start with the Hospitality Management building in Fall 2009. The District has $215.8 million in general obligation bonds outstanding at the end of fiscal year 2009-10.

THE DISTRICT AS A WHOLE

NET ASSETS
Table 1

	2010	2009	Change	2008	Change
ASSETS					
Current Assets					
Cash and investments	$ 38,349,280	$ 23,146,458	$ 15,202,822	$ 28,068,061	$ (4,921,603)
Restricted cash and investments	213,614,453	182,798,552	30,815,901	86,610,959	96,187,593
Accounts receivable (net)	19,441,465	25,338,558	(5,897,093)	9,722,030	15,616,528
Other current assets	766,778	587,673	179,105	448,297	139,376
Total Current Assets	272,171,976	231,871,241	40,300,735	124,849,347	107,021,894
Non Current Assets					
Other non current assets	2,624,226	2,489,879	134,347	1,398,327	1,091,552
Capital Assets (net of depreciation)	159,192,273	131,214,330	27,977,943	94,499,314	36,715,016
Total Assets	433,988,475	365,575,450	68,413,025	220,746,988	144,828,462
LIABILITIES					
Current Liabilities					
Accounts payable and accrued liabilities	18,589,254	18,511,148	78,106	12,612,316	5,898,832
Deferred revenue	10,547,247	10,205,185	342,062	7,862,025	2,343,160
Amounts held in trust	-	-	-	932,143	(932,143)
Current portion of long-term obligations	2,879,506	1,127,750	1,751,756	7,653,869	(6,526,119)
Total Current Liabilities	32,016,007	29,844,083	2,171,924	29,060,353	783,730
Long-term Obligations	285,674,461	229,744,687	55,929,774	93,454,623	136,290,064
Total Liabilities	317,690,468	259,588,770	58,101,698	122,514,976	137,073,794
NET ASSETS					
Invested in capital assets	95,509,815	84,194,517	11,315,298	69,459,100	14,735,417
Restricted	23,939,601	11,640,171	12,299,430	14,793,646	(3,153,475)
Unrestricted	(3,151,409)	10,151,992	(13,303,401)	13,979,266	(3,827,274)
Total Net Assets	$ 116,298,007	$ 105,986,680	$ 10,311,327	$ 98,232,012	$ 7,754,668

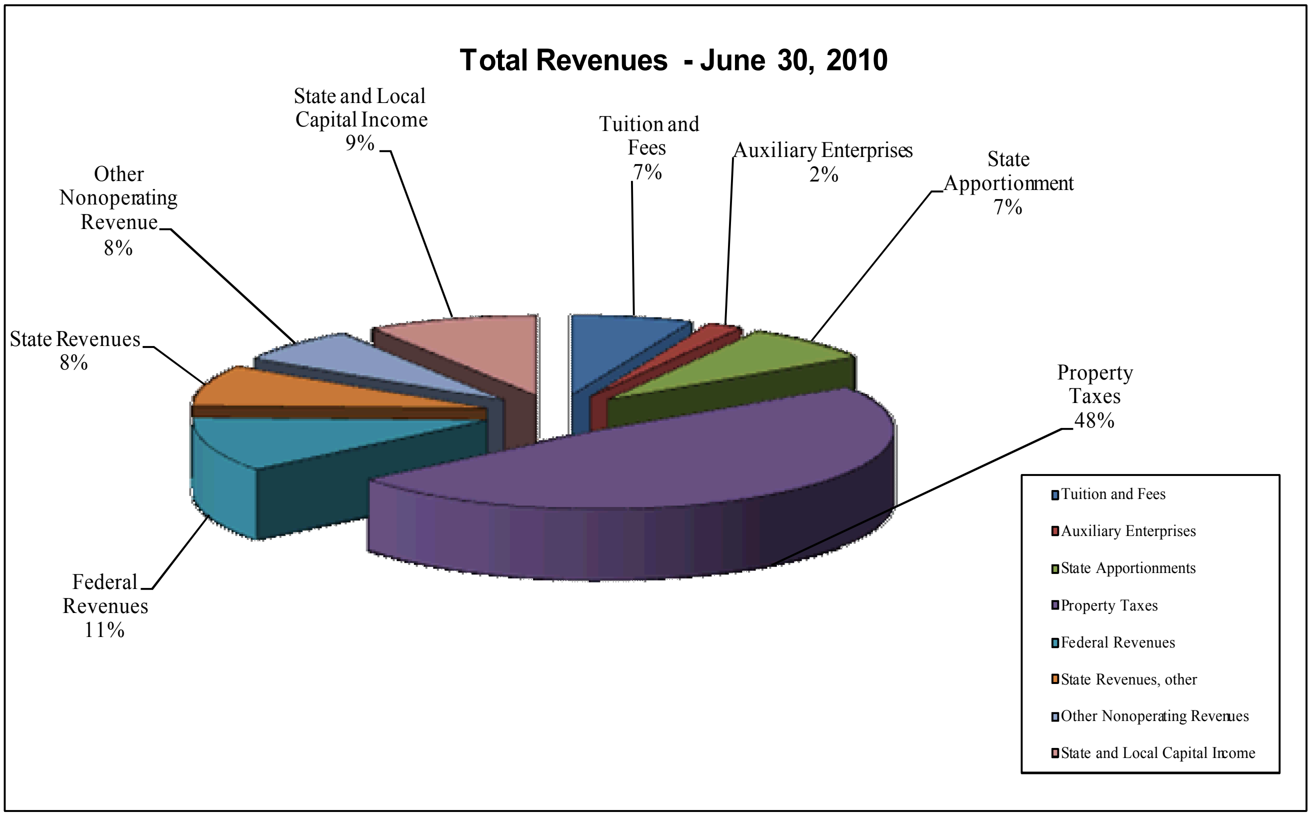
- Cash and investments consist mainly of cash in the county treasury, local agency investment funds (LAIF), and investments from the 2009 Revenue Bond issue. Cash increased by $15.2 million from the prior year. Interest income has continued to decline over the last fiscal year due to a steady fall of interest rates and Treasury bill yield.
- Restricted cash and investments increased by $30.8 million from 2009 Revenue bond proceeds and capital outlay expenditures of general obligation bonds.
- Net accounts receivable consist mainly of receivables from state and federal grants. Receivables decreased by $5.9 million due primarily to the State Chancellor's Office paying prior year deferred payments to the District. The District has earned these funds but has not yet received the cash as of the fiscal year end.
- Capital assets (net of depreciation) are the historical value of land, buildings, construction in progress and equipment less depreciation. Net Capital assets increased by $28.0 million due to an increase to Construction in Progress for Measure H construction projects.
- Accounts payable and accrued liabilities consists mainly of payables to vendors, a payable to the State HBA (last of three years), and accrued payroll benefits. The $0.1 million increase is primarily due to changes in vendor payables.

- Deferred revenue relates to federal, state, and local program funds that were received, but not yet earned, as of the fiscal year end. Most grants are considered earned when spent up to the amount of the award. There was no significant change in the current year.
- Amounts held in trust are Fiduciary funds of the Associated Student Body and fluctuate yearly based on usage and have been reclassified to their own statement of net assets for 2009 and 2010.
- The current portion of long-term obligations consists of the principal payment for the Measure H bond, Compensated Absences, Capital Leases and Apportionment.
- The non-current portion of Long-term obligations is all of the long-term debt that is to be paid beyond the next fiscal year. It currently consists of the Measure H bond, amortized bond premiums, Compensated Absences, Long-term debt to the State for HBA and Capital Leases.
- Net assets overall increased by approximately $10.3 million.

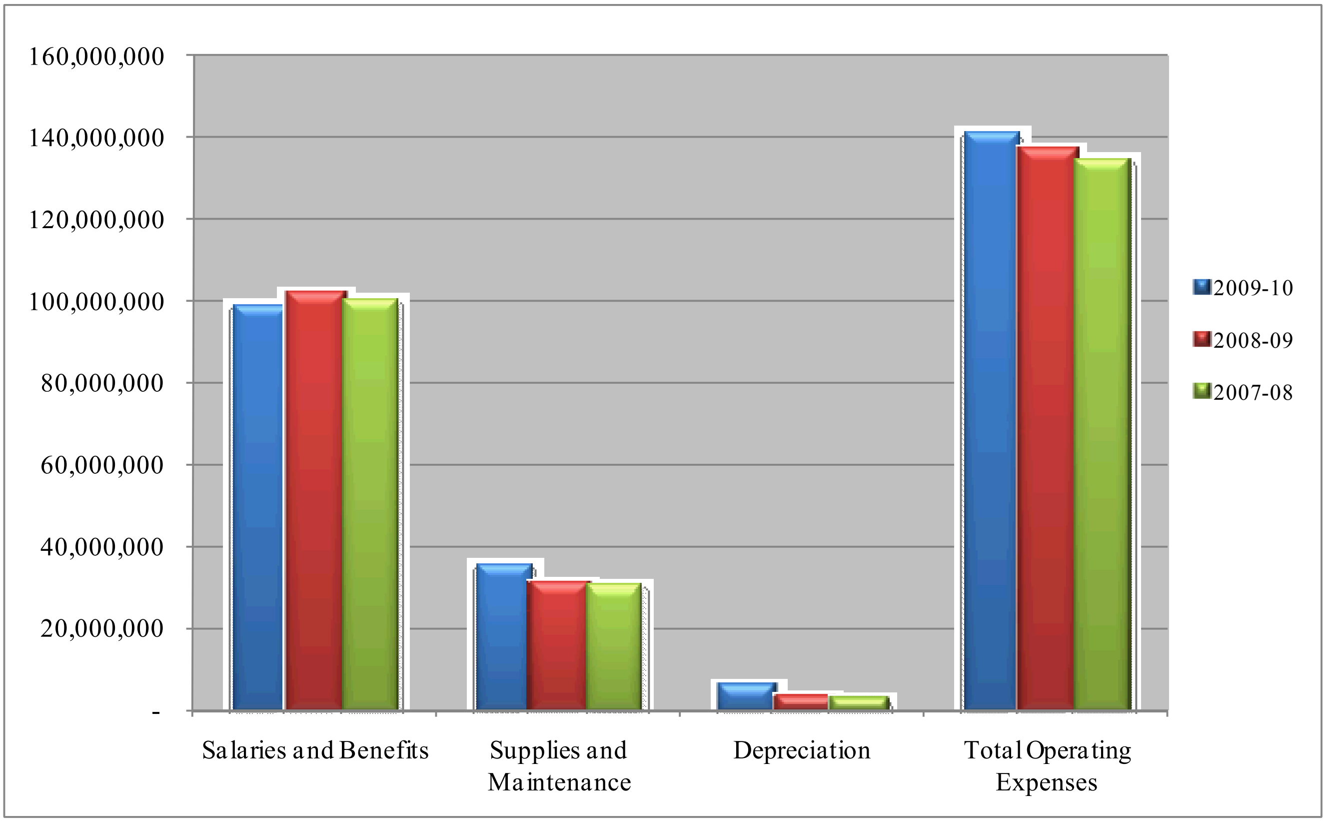
OPERATING RESULTS FOR THE YEAR

The results of this year's operations for the District as a whole are reported in the *Statement of Revenues, Expenses, and Changes in Net Assets* on page 18.

	2010	2009	Change	2008	Change
Operating Revenues					
Tuition and fees	$ 10,610,546	$ 8,501,728	$ 2,108,818	$ 7,857,548	$ 644,180
Auxiliary enterprises	3,005,665	2,660,683	344,982	3,924,713	(1,264,030)
Total Operating Revenues	13,616,211	11,162,411	2,453,800	11,782,261	(619,850)
Operating Expenses					
Salaries and benefits	99,446,269	102,288,745	(2,842,476)	100,719,129	1,569,616
Supplies and maintenance	35,780,898	31,344,578	4,436,320	31,013,599	330,979
Depreciation	6,351,361	3,633,609	2,717,752	3,116,437	517,172
Total Operating Expenses	141,578,528	137,266,932	4,311,596	134,849,165	2,417,767
Loss on Operations	(127,962,317)	(126,104,521)	(1,857,796)	(123,066,904)	(3,037,617)
Nonoperating Revenues					
State apportionments	11,755,907	8,994,120	2,761,787	11,175,817	(2,181,697)
Property taxes	77,531,048	69,644,171	7,886,877	72,224,140	(2,579,969)
Federal revenues	17,869,623	11,315,247	6,554,376	8,853,099	2,462,148
State revenues, other	13,388,616	14,485,216	(1,096,600)	21,245,691	(6,760,475)
Net interest expense	(8,087,598)	(1,158,357)	(6,929,241)	633,481	(1,791,838)
Other nonoperating revenues	11,000,009	17,177,398	(6,177,389)	11,863,797	5,313,601
Total Nonoperating Revenue	123,457,605	120,457,795	2,999,810	125,996,025	(5,538,230)
Other Revenues					
State and local capital income	14,816,039	13,401,394	1,414,645	1,951,021	11,450,373
Net Increase in Net Assets	$ 10,311,327	$ 7,754,668	$ 2,556,659	$ 4,880,142	$ 2,874,526



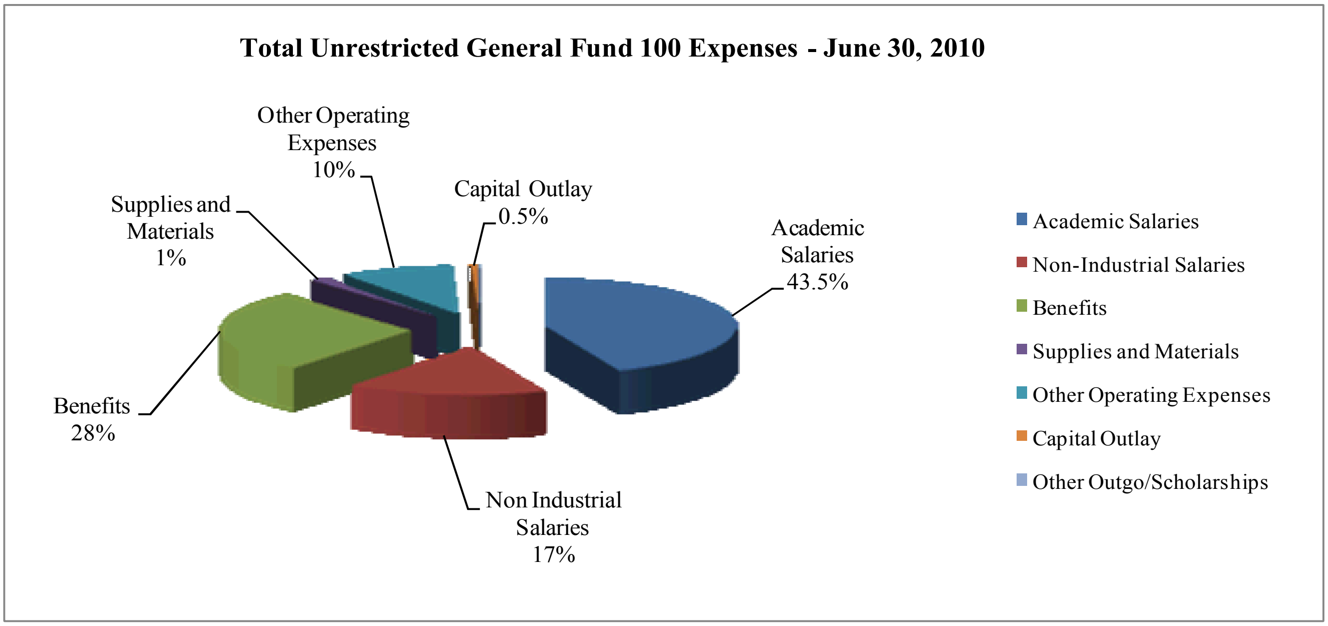
- The District's primary revenue fund is the state apportionment calculation, which is comprised of three sources of revenues: local property taxes, student enrollment fees and state apportionment. We noted an increase in property taxes levied and received from property within the county. Receipts include an assessment for property tax to be used to repay the general obligation bonds. Taxes collected for specific purposes declined from the previous fiscal year due to a large bond payment.
- Grant and contract revenues relate primarily to student financial aid as well as to specific Federal and State grants received for programs serving the students and programs of the District. These grant and program revenues are restricted as to the allowable expenses related to the programs. (Net change is a decrease of $5.5 million).
- Auxiliary revenue consists of community education funds and contract education revenues. The operation is self-supporting and contributes to the student programs on the campus (Net change is an increase of $0.3 million).
- Interest income of $1.1 million was off-set by interest expense of $9.2 million. The interest income is primarily the result of cash held in the Santa Clara County Treasury. Interest income and interest expense (net) changed by $6.9 million over the 2008-09 fiscal year due to declining interest rates throughout the year and increases in debt service payments.



- The overall operating expenses for the District increased by 3.0% from the previous fiscal year end.
- Salaries and benefits decreased by an average of 2.8% over the prior year. This slight decrease is a net of increases to health insurance premiums, annual step and column salary increases, and other post employment benefits, offset by a decrease of full-time equivalent staff and increased efficiency.
- Supplies, materials, and other operating expenses and services increased by $4.4 million due to increases in financial aid awards.
- The increase in depreciation expenses is due to increasing capital assets from bond projects.

THE DISTRICT FUNDS

The following chart represents the District's primary operating fund, the Unrestricted General Fund 100. The total cost of salaries and benefits accounts for 88.5% of the total expenditures. The other operating expenses comprise of 10% of the Unrestricted General Fund expenditures, such as instructional contracts, facilities rentals, advertising, property insurance, legal services, and many other expenses that are necessary to the operation of a college.



In accordance with requirements set forth by the California Community Colleges Chancellor's Office, the District reports operating expenses by object code. Operating expenses by functional classification are as follows:

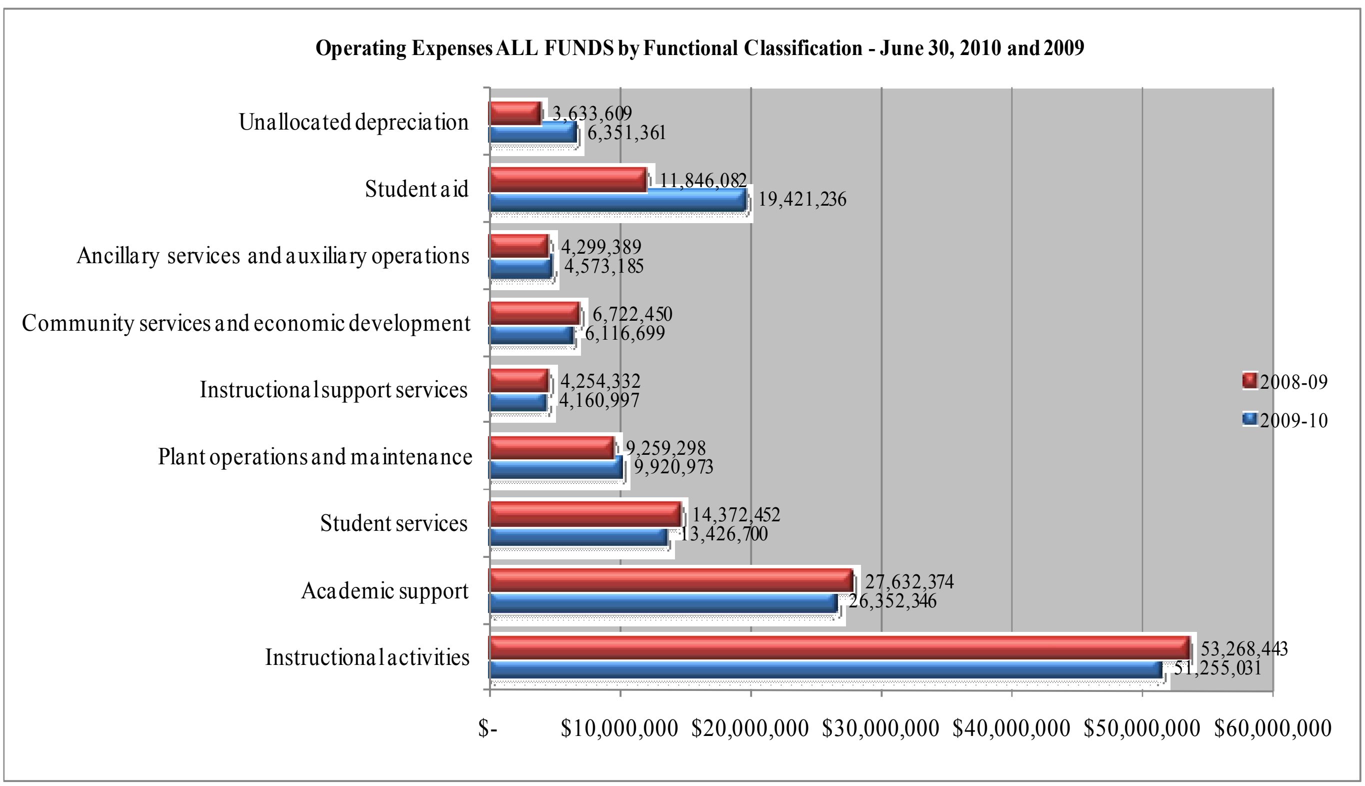
Functional expenses for the year ended June 30, 2010 for all Funds except Agency Funds F811/812 Student Body Sports/Club Accounts and Other Agency Fund 899 – California State Academic Senate Career Pathways Grant:

	Salaries and Benefits	Supplies, Materials Other Expenses and Services	Depreciation	Total
Instructional activities	$ 49,117,657	$ 2,137,374	$ -	$ 51,255,031
Academic support	22,654,827	3,697,519	-	26,352,346
Student services	11,841,056	1,585,644	-	13,426,700
Plant operations and maintenance	4,696,981	5,223,992	-	9,920,973
Instructional support services	3,912,777	248,220	-	4,160,997
Community services and economic development	3,660,517	2,456,182	-	6,116,699
Ancillary services and auxiliary operations	3,224,490	1,348,695	-	4,573,185
Student aid	337,964	19,083,272	-	19,421,236
Unallocated depreciation	-	-	6,351,361	6,351,361
Total	$ 99,446,269	$ 35,780,898	$ 6,351,361	$ 141,578,528

Functional expenses for the year ended June 30, 2009 for all Funds except Agency Funds F811/812 Student Body Sports/Club Accounts:

	Salaries and Benefits	Supplies, Material, and Other Expenses and Services	Depreciation	Total
Instructional activities	$ 50,707,362	$ 2,561,081	$ -	$ 53,268,443
Academic support	22,956,618	4,675,756	-	27,632,374
Student services	12,451,455	1,920,997	-	14,372,452
Plant operations and maintenance	4,363,155	4,896,143	-	9,259,298
Instructional support services	3,825,609	428,723	-	4,254,332
Community services and economic development	4,750,515	1,971,935	-	6,722,450
Ancillary services and auxiliary operations	2,934,378	1,365,011	-	4,299,389
Student aid	299,653	11,546,429	-	11,846,082
Unallocated depreciation	-	-	3,633,609	3,633,609
Total	$ 102,288,745	$ 29,366,075	$ 3,633,609	$ 135,288,429

The Chart above compares FY 2009-2010 to FY 2008-09 as a percent of total operating expenses by functional classifications.



CHANGES IN CASH POSITION

The Statement of Cash Flows on pages 19 and 20 provides information about our cash receipts and payments during the year. This statement also assists users in assessing the District's ability to meet its obligations as they come due and its need for external financing. Our primary operating receipts are student tuition and fees. The primary operating expense of the District is the payment of salaries and benefits to instructional and classified support staff.

While State apportionment revenues, federal and state grants, and property taxes are the primary source of non-capital related revenue, the GASB accounting standards require that this source of revenue is shown as non-operating revenue as it comes from the general resources of the State and not the primary users of the college's programs and services – our students.

Cash Provided by (Used in)	2010	2009	Change	2008	Change
Operating activities	$ (123,109,624)	$ (120,284,149)	$ (2,825,475)	$ (121,900,794)	$ 1,616,645
Noncapital financing activities	190,751,487	124,657,716	66,093,771	117,429,768	7,227,948
Capital financing activities	(22,119,248)	86,571,594	(108,690,842)	(13,718,311)	100,289,905
Investing activities	496,108	1,257,294	(761,186)	2,271,559	(1,014,265)
Net Increase (Decrease) in Cash	46,018,723	92,202,455	(46,183,732)	(15,917,778)	108,120,233
Cash, Beginning of Year	205,945,010	113,742,555	92,202,455	130,596,798	(16,854,243)
Cash, End of Year	$ 251,963,733	$ 205,945,010	$ 46,018,723	$ 114,679,020	$ 91,265,990

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had $159.2 million of capital assets, including land, buildings, and furniture and equipment. At June 30, 2009, our capital assets were $131.2 million. The District is currently in the middle of a major capital improvement program with construction on-going throughout the college campuses. These projects are primarily funded through our general obligation bonds. These projects are accounted for within our Construction in Progress account until the project is completed, at which time the cost of the buildings and/or improvements will be brought into the depreciable Buildings and Improvement category.

Capital projects are continuing through the 2010-11 fiscal year and beyond with primary funding through our general obligation bond.

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Land and construction in progress	$ 57,916,866	$ 32,888,517	$ 57,734,329	$ 33,071,054
Buildings and improvements	113,799,152	51,916,597	545,683	165,170,066
Furniture and equipment	6,661,654	7,183,601	549,420	13,295,835
Vehicles	1,352,520	74,918	-	1,427,438
Subtotal	179,730,192	92,063,633	58,829,432	212,964,393
Accumulated depreciation	48,515,862	6,351,361	1,095,103	53,772,120
	$ 131,214,330	$ 85,712,272	$ 57,734,329	$ 159,192,273

Obligations

At the end of the 2009-10 fiscal year, the District had $215.8 million general obligation bonds outstanding. These bonds are repaid annually in accordance with the obligation requirements through an increase in the assessed property taxes on property within the West Valley-Mission Community College District boundaries. In addition to the above obligations, the District is obligated to employees of the District for vacation and load banking benefits and lease purchase agreement for equipment.

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
General obligation bonds	$ 215,511,864	$ 561,029	$ 265,000	$ 215,807,893
Lease revenue bonds	-	56,120,000	-	56,120,000
Bond premiums, net of amortization	6,905,256	193,910	572,745	6,526,421
Compensated absences	5,703,932	368,910	442,053	5,630,789
Other post employment benefits	2,392,122	8,555,978	7,191,348	3,756,752
Capital leases	112,519	-	52,956	59,563
State apportionment	246,744	-	246,744	-
Supplemental early retirement plan	-	1,947,825	1,295,276	652,549
Total Long-term Obligations	$ 230,872,437	$ 67,747,652	$ 10,066,122	$ 288,553,967
Amount due within one year				$ 2,879,506

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The Board of Trustees adopted the final budget for FY 2009-10 on October 1, 2009.

Within the Unrestricted General Fund, operating costs have continually increased. The State Budget has not kept pace with the increased operating costs, primarily in health and welfare benefits, especially in regards to the need to recognize post retirement benefits.

The Board of Trustees approved the budget Priorities for FY 2009-10 on April 6, 2009. The intent of the budget priorities was to accomplish the approved goals over two fiscal years. In accordance with District Policy 6.5.3, the following District Budget Priorities are established for the 2009-10 and 2101-11 Fiscal Years. References to Board Goals refer to those Goals approved at the Board of Trustee meeting of February 19, 2009.

The priority of the Board for the 2009-10 and 2010-11 Fiscal Years is to establish a budget that balances on-going expenditures with on-going revenues and maintains a prudent Unrestricted General Fund Reserve of 5%. (Board Goal #2)

The Administration is directed to consider the following in developing the budget:

1) Maintain effective instructional and student support programs and services to foster a learning-centered environment. (Board Goal #4)
2) Seek growth in Full-time Equivalent Students (FTES) to achieve maximum State revenues through efficient management of enrollments and class sections. (Board Goal #1)

3) Improve administrative systems and organizational structures to improve efficiency and effectiveness. (Board Goal #5)
4) Minimize the filling of vacant positions while developing a staffing plan to reduce personnel costs and/or make more effective use of existing positions. (Board Goal # 2 and #5)
5) Control the rising cost of health care benefits through plan design, aggressive negotiations with providers, hard audits of participants and collective bargaining. (Board Goal #2)
6) Effectively manage cash to meet anticipated obligations. (Board Goal #2)
7) Allocate resources to address accreditation recommendations
8) Examine all possible assets of the District to determine how such assets can generate additional revenues and aggressively pursue community and business partnerships.

December 2009, the Board of Trustees adopted a resolution for a balanced budget that balances on-going expenditures with on-going revenues and maintains a prudent unrestricted general fund reserve of 5%. One-time revenues were not used for on-going expenditures in the development of the District's FY 2010-11 final budget. The budget is balanced – revenues match expenditures and a 1% contingency reserve was designated above the 5% reserve level.

ECONOMIC FACTORS AFFECTING THE FUTURE OF THE WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT

The economic position of the District is closely tied to the State of California as State apportionments and property taxes allocated to the District represent over half of its total unrestricted sources of revenue received within the General Fund.

Although June 15 is the constitutional deadline for the legislature to submit its proposed budget to the Governor, the state budget was approved 100 days into the new fiscal year on October 8, 2010. For the 2010-11 fiscal year, the LAO's forecast of California's General Fund revenues and expenditures shows that the state must address a budget problem of $25.4 billion between now and the time the Legislature enacts a 2011-12 state budget plan. The budget problem consists of a $6 billion projected deficit for 2010-11 and a $19 billion gap between projected revenues and spending in 2011-12. The State budget for FY 2010-11 increased the apportionment deferrals for California Community Colleges by $129 million, creating a total inter-year deferral of $832 million.

The District did not have a cash flow constraint during FY 2009-10 due to State deferrals and property tax shortfalls, but will continue to monitor cash on a monthly basis during FY 2010-11.

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 show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the West Valley-Mission Community College District:

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Ed.maduli@wvm.edu

Linda Francis
Director of Fiscal Services
linda.francis@wvm.edu

WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT

STATEMENTS OF NET ASSETS – PRIMARY GOVERNMENT
JUNE 30, 2010 AND 2009

	2010	2009
ASSETS		
Current Assets		
Cash and cash equivalents	$ 38,349,280	$ 23,146,458
Restricted cash and cash equivalents	213,614,453	182,798,552
Accounts receivables, (net)	19,441,465	25,338,558
Prepaid expenses - current portion	556,178	395,228
Deferred charges	210,600	192,445
Total Current Assets	272,171,976	231,871,241
Noncurrent Assets		
Deferred charges - noncurrent portion	2,624,226	2,489,879
Nondepreciable capital assets	33,071,054	57,916,866
Depreciable capital assets, net of depreciation	126,121,219	73,297,464
Total Noncurrent Assets	161,816,499	133,704,209
TOTAL ASSETS	433,988,475	365,575,450
LIABILITIES		
Current Liabilities		
Accounts payable	14,874,237	16,350,614
Interest payable, unrestricted	3,715,017	2,160,534
Deferred revenue	10,547,247	10,205,185
Lease obligations - current portion	52,957	52,957
Bonds payable - current portion	2,020,346	265,000
Other long-term liabilities - current portion	806,203	809,793
Total Current Liabilities	32,016,007	29,844,083
Noncurrent Liabilities		
Compensated absences payable - noncurrent portion	5,630,789	5,703,932
Other post employment benefits - noncurrent portion	3,756,752	2,392,122
Lease obligations - noncurrent portion	6,606	59,562
Bonds payable - noncurrent portion	269,907,547	215,246,864
Other long-term liabilities - noncurrent portion	6,372,767	6,342,207
Total Noncurrent Liabilities	285,674,461	229,744,687
TOTAL LIABILITIES	317,690,468	259,588,770
NET ASSETS		
Invested in capital assets, net of related debt	95,509,815	84,194,517
Restricted for:		
Debt service	18,617,730	5,615,181
Capital projects	1,809,811	1,883,108
Educational programs	3,505,150	3,864,249
Other activities	6,910	277,633
Unrestricted	(3,151,409)	10,151,992
TOTAL NET ASSETS	$ 116,298,007	$ 105,986,680

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

WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS – PRIMARY GOVERNMENT FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
OPERATING REVENUES		
Student Tuition and Fees	$ 14,279,729	$ 10,821,748
Less: Scholarship discount and allowance	(3,669,183)	(2,320,020)
Net tuition and fees	10,610,546	8,501,728
Auxiliary Enterprises	3,005,665	2,660,683
TOTAL OPERATING REVENUES	13,616,211	11,162,411
OPERATING EXPENSES		
Salaries	68,958,017	73,114,956
Employee benefits	30,488,252	29,173,789
Supplies, materials, and other operating expenses and services	35,780,898	31,344,578
Depreciation	6,351,361	3,633,609
TOTAL OPERATING EXPENSES	141,578,528	137,266,932
OPERATING LOSS	(127,962,317)	(126,104,521)
NONOPERATING REVENUES (EXPENSES)		
State apportionments, noncapital	11,755,907	8,994,120
Local property taxes, levied for general purposes	66,092,991	67,081,897
Taxes levied for other specific purposes	11,438,057	2,562,274
Federal revenues	17,869,623	11,315,247
State revenues, other	13,388,616	14,485,216
Investment income	303,267	611,373
Interest expense on capital related debt	(9,216,468)	(3,302,396)
Interest income on capital asset-related debt	825,603	1,532,666
Transfer to agency fund	(1,000,000)	-
Local grants and other nonoperating revenue	12,000,009	17,177,398
TOTAL NONOPERATING REVENUES (EXPENSES)	123,457,605	120,457,795
INCOME BEFORE OTHER REVENUES AND EXPENSES	(4,504,712)	(5,646,726)
State revenues, capital	14,816,039	13,401,394
CHANGE IN NET ASSETS	10,311,327	7,754,668
NET ASSETS, BEGINNING OF YEAR	105,986,680	98,232,012
NET ASSETS, END OF YEAR	$ 116,298,007	$ 105,986,680

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

WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT

STATEMENTS OF CASH FLOWS – PRIMARY GOVERNMENT
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 10,944,883	$ 9,509,303
Payments to students for scholarships and grants	(15,379,767)	(10,851,837)
Payments to or on behalf of employees	(96,752,825)	(103,309,987)
Payments to vendors for supplies and services	(24,926,687)	(18,297,526)
Auxiliary enterprise sales and charges:	3,005,665	2,660,683
Other operating receipts (payments)	(893)	5,215
Net Cash Flows Used By Operating Activities	(123,109,624)	(120,284,149)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State apportionments	10,587,754	8,994,120
Property taxes - nondebt related	66,092,991	67,081,897
State taxes and other apportionments	11,438,057	13,399,223
Federal grants and contracts	17,294,633	10,640,962
State grants and contracts	15,308,577	13,583,325
Other nonoperating	15,078,667	10,958,189
Proceeds from OPEB debt	54,950,808	-
Net Cash Flows From Noncapital Financing Activities	190,751,487	124,657,716
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of capital assets	(34,667,919)	(49,505,222)
State revenue, capital projects	8,066,070	5,869,262
Property taxes - related to capital debt	11,438,057	2,562,274
Proceeds from capital debt	-	134,999,632
Principal paid on capital debt	(881,006)	(6,043,871)
Interest paid on capital debt	(7,092,498)	(2,714,948)
Deferred cost on issuance	192,445	(128,399)
Interest received on capital asset-related debt	825,603	1,532,866
Net Cash Flows (Used)/From Capital Financing Activities	(22,119,248)	86,571,594
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received from investments	496,108	1,257,294
Net Cash Flows From Investing Activities	496,108	1,257,294
CHANGE IN CASH AND CASH EQUIVALENTS	46,018,723	92,202,455
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	205,945,010	113,742,555
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 251,963,733	$ 205,945,010

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

STATEMENTS OF CASH FLOWS – PRIMARY GOVERNMENT, Continued
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Loss	$ (127,962,317)	$ (126,104,521)
Adjustments to Reconcile Operating Loss to Net Flows from Operating Activities:		
Depreciation and amortization expense	6,351,361	3,633,609
Changes in Assets and Liabilities:		
Accounts receivables, net	(3,025,208)	(5,826,142)
Prepaid expenses	(160,950)	(10,977)
Other assets	(18,155)	(128,399)
Accounts payable and accrued liabilities	(512,253)	5,603,906
Deferred revenue	2,217,898	2,543,160
Amounts held in trust on behalf of others	-	5,215
Total Adjustments	4,852,693	5,820,372
Net Cash Flows Used By Operating Activities	$ (123,109,624)	$ (120,284,149)
CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:		
Cash in banks	$ 38,349,280	$ 23,146,458
Cash equivalents, restricted	213,614,453	182,798,552
Total Cash and Cash Equivalents	$ 251,963,733	$ 205,945,010
NON CASH TRANSACTIONS		
On behalf payments for benefits	$ 1,559,262	$ 1,919,396

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

WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT

STATEMENTS OF FIDUCIARY NET ASSETS
JUNE 30, 2010 AND 2009

	2010		2009	
	Trust	Agency Funds	Trust	Agency Funds
ASSETS				
Cash and cash equivalents	$ 680,208	$ 762,849	$ -	$ 762,849
Accounts receivable, net	1,765,022	516	1,302,374	1,013
Prepaid expenses	17,737	-	-	-
Total Assets	2,462,967	$ 763,365	1,302,374	$ 763,862
LIABILITIES				
Accounts payable	256,008	$ 3,473	258,679	$ 120
Overdrafts	-	-	356,292	-
Deferred revenue	150,776	-	-	-
Due to student groups	-	759,892	-	763,742
Total Liabilities	406,784	$ 763,365	614,971	$ 763,862
NET ASSETS				
Unreserved	2,056,183		687,403	
Total Net Assets	$ 2,056,183		$ 687,403	

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

WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT

STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	Trust	
ADDITIONS	**2010**	**2009**
Federal revenues	$ 14,651,784	$ 9,180,888
State revenues	559,679	523,671
Local revenues	1,082,117	1,048,140
Total Additions	16,293,580	10,752,699
DEDUCTIONS		
Classified salaries	774,055	763,367
Employee benefits	174,468	177,798
Books and supplies	37,852	52,521
Services and operating expenditures	15,072,771	9,816,589
Capital outlay	599	4,787
Debt service - principal	-	50,000
Debt service - interest and other	-	835
Total Deductions	16,059,745	10,865,897
OTHER FINANCING SOURCES (USES)		
Operating transfers in	180,462	166,297
Operating transfers out	(45,517)	(37,154)
Other sources	1,000,000	-
Total Other Financing Sources (Uses)	1,134,945	129,143
Change in Net Assets	1,368,780	15,945
Net Assets - Beginning	687,403	671,458
Net Assets - Ending	$ 2,056,183	$ 687,403

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

WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT

DISCRETELY PRESENTED COMPONENT UNIT
MISSION-WEST VALLEY LAND CORPORATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2010 AND 2009

	2010	2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 8,135,826	$ 12,196,703
Accounts receivable	3,119	-
Interest receivable	10,458	56,749
Total Current Assets	8,149,403	12,253,452
NONCURRENT ASSETS		
Land	16,702	16,702
Lease commissions - net	652,687	667,664
Total Noncurrent Assets	669,389	684,366
TOTAL ASSETS	$ 8,818,792	$ 12,937,818
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 675,793	$ 3,946,483
Accrued expenses	88,908	87,338
Total Current Liabilities	764,701	4,033,821
NONCURRENT LIABILITIES		
Refundable security deposits	200,000	200,000
Total Noncurrent Liabilities	200,000	200,000
TOTAL LIABILITIES	964,701	4,233,821
NET ASSETS		
Unrestricted	7,854,091	8,703,997
Total Net Assets	7,854,091	8,703,997
TOTAL LIABILITIES AND NET ASSETS	$ 8,818,792	$ 12,937,818

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

DISCRETELY PRESENTED COMPONENT UNIT
MISSION-WEST VALLEY LAND CORPORATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

UNRESTRICTED	2010	2009
REVENUES		
Rental income	$ 4,582,138	$ 4,503,414
Interest income	52,847	307,926
Fee income	175,000	-
Total Revenues	4,809,985	4,811,340
EXPENSES		
Operating expenses	5,659,891	9,213,794
Total Expenses	5,659,891	9,213,794
CHANGE IN NET ASSETS	(849,906)	(4,402,454)
NET ASSETS, BEGINNING OF YEAR	8,703,997	13,106,451
NET ASSETS, END OF YEAR	$ 7,854,091	$ 8,703,997

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

WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT

DISCRETELY PRESENTED COMPONENT UNIT
MISSION-WEST VALLEY LAND CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ (849,906)	$ (4,402,454)
Adjustments to reconcile change in net assets to net cash used by operating activities		
Amortization of commissions	14,977	14,977
(Increase) decrease in		
Accounts receivable	(3,119)	200,000
Interest receivable	46,291	39,836
Increase (decrease) in		
Accounts payable	(3,270,690)	3,879,010
Accrued expenses	1,570	(189,636)
Net Cash Flows From Operating Activities	(4,060,877)	(458,267)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,060,877)	(458,267)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	12,196,703	12,654,970
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 8,135,826	$ 12,196,703

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

NOTE 1 –ORGANIZATION

The West Valley-Mission Community College District (the District) was established in 1963 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 nine-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 community colleges located within Santa Clara County, California. While the District is a political subdivision of the State of California, it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 39.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The District follows 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. The District has determined that the West Valley – Mission Advance Foundation and West Valley-Mission College Foundation do not meet the criteria for inclusion under GASB 39. The three components used to determine the presentation are: providing a "direct benefit", the "environment and ability to access/influence reporting", and the "significance" criterion. As defined by accounting principles generally accepted in the United States of America and established by the Governmental Accounting Standards Board, the financial reporting entity consists of the primary government, the District, and the following component units:

As defined by generally accepted accounting principles established by the GASB, the financial reporting entity consist of the primary government (the District), as well as the following component units.

- West Valley-Mission College District Financing Corporation
- Mission-West Valley Land Corporation

The *West Valley-Mission College District Financing Corporation* (the Corporation) is a legally separate organization component unit of the District. The Corporation was formed to provide financing assistance to the District for construction and acquisition of major capital facilities. The District appoints the Corporation's governing board. All accounting and administrative functions are performed by the District. The Corporation meets the criteria of the governing authority's ability to significantly influence operations and accountability for fiscal matters and the criteria for inclusion in the District's reporting entity and is reported as a blended component unit. The financial activities of the Corporation have been included in these financial statements in the Revenue Bond Debt Service Fund and the Capital Outlay Projects Fund. Individually-prepared financial statements are not prepared for the Corporation.

The *Mission-West Valley Land Corporation* (MWVLC) is a non-profit organization under IRS Code Section 501(c)(3). The board of the MWVLC is the same as the District's. The MWVLC meets the criteria of the governing authority's ability to significantly influence operations and accountability for fiscal matters and the criteria for inclusion in the Districts reporting entity. Its purpose is to provide programs that enhance and enrich the community life of the District both educationally and culturally. The financial activity of the MWVLC is reported as a separate discretely presented component unit. Individually-prepared financial statements can be obtained from District Business Office.

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.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are classified as operating revenues. These transactions are 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 60 days of fiscal year-end. For the District, operating revenues consist primarily of student fees and auxiliary through the bookstore and cafeteria.

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 are classified as nonoperating revenue. Federal and State grants received to provide direct grants to student are classified as nonoperating revenues because the District does not generally receive any direct benefit from the grants and are recognized in the fiscal year in which all eligibility requirements are satisfied. Eligibility requirements may include time and or purpose requirements. Property tax revenue is recognized in the fiscal year received. State apportionment revenue is earned based upon criteria set forth from the Community Colleges Chancellor's Office and includes reporting of full-time equivalent student (FTES) attendance. The corresponding apportionment revenue is recognized in the period the FTES are generated.

Operating expenses are costs incurred to provide instructional services including support costs, auxiliary services, and depreciation of capital assets. All other expenses not meeting this definition are reported as nonoperating. Expenses are recorded on the accrual basis as they are incurred, when goods are received, or services are rendered.

The accounting policies of the District conform to accounting principles generally accepted in the United State of America (US GAAP) as applicable to colleges and universities, as well as those prescribed by the California Community Colleges 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. The District has elected not to apply FASB pronouncements issued after November 30, 1989. When applicable, certain prior year amounts have been reclassified to conform to current year presentation.

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 unrestricted cash on hand, demand deposits, and short-term unrestricted investments with original maturities three months or less from the date of acquisition. Cash equivalents also include unrestricted cash with county treasury balances for purposes of the statement of cash flows. Restricted cash and cash equivalents represents balances restricted to external sources such as grants and contracts or specifically restricted for the repayment of capital debt.

Investments

Investments held at June 30, 2010 and 2009, with original maturities greater than one year are state at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost at amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

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. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. This allowance is based upon management's estimates and analysis. The allowance was estimated at $672,673 and $480,598, respectively, as of June 30, 2010 and 2009.

Prepaid Expenses

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

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 $5,000. 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 utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 50 years; improvements, 20 years; equipment, 8 to 20 years.

Accrued Liabilities and Long-term Obligations

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

Deferred Issuance Costs, Premiums, and Discounts

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method.

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the entity-wide financial statements. The amounts have been recorded in the fund from which the employees, who have accumulated the 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. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full time.

The District also established policy to accrue faculty banked leave. The rates to accrue banked leave are as follows:

Banked Load Limit	Basis of Accrual
Less than 1.0	Prevailing associate / part-time faculty rate
1.0	Full-time faculty rate
1.01 but less than 2.0	The first 1.0 at full-time faculty rate, the excess at part-time faculty rate
2.0	Full-time faculty rate
2.01 and more	First 2.0 at full-time faculty rate, the excess at part-time faculty rate

A full-time faculty member cannot earn greater than 2.0 banked loads in addition to the 2.0 of pre-retirement banked load. The absolute accumulative total of banked load at any time is 4.0. The full liability for this benefit is reported on the entity-wide 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.

Net Assets

GASB Statements No. 34 and No. 35 report equity as "Net Assets." Net assets are classified according to imposed 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. Substantially all unrestricted net assets are designated for educational and general operations of the District.

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.

State Apportionments

Certain current year apportionments from the State are based on financial and statistical information of the previous year. Any corrections due to the recalculation of the apportionment are made in February of the subsequent year. When known and measurable, these reclassifications and corrections are accrued in the year in which the FTES are generated.

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.

The voters of the District passed a General Obligation Bond in 2004 for the acquisition, construction and remodeling of District capital assets. As a result of the passage of the Bond, property taxes are assessed on the property within the District specifically for the repayment of the debt incurred. The taxes are billed and collected as noted above and remitted to the District when collected.

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, Federal Work-Study, outstanding Perkins Loan, 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 years ended June 30, 2010 the District distributed $1,729,190 and $1,620,787, respectively, 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 – Mission West Valley Land Corporation Presentation

The Mission West Valley Land Corporation (Land Corporation) presents its financial statements in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations.* Under SFAS No. 117, the Land Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by the statement, the Land Corporation does not use fund accounting.

The assets, liabilities, and fund balance of the Organization are reported as unrestricted funds, which represent the portion of resources that are available for general support of the Organization's operations. The Organization 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.

New Accounting Pronouncements

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Classifications*. The objectives of this Statements is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this Statement are effective for the financial statements for periods beginning after June 15, 2010. The District does not anticipate a significant impact in reporting as a result of this Statement as fund financial information is not reported.

Comparative Financial Information

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

NOTE 3 - DEPOSITS 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.

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.

Investment in the State Investment Pool - The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California government code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in the pool is reported in the accompanying financial statement at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, 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 Corporate 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

Summary of Deposits and Investments

Deposits and investments as of June 30, 2010, are classified in the accompanying financial statements as follows:

Total business-type activities	$ 251,963,733
Component unit	8,135,826
Total Deposits and Investments	$ 260,099,559

Deposits and investments as of June 30, 2010, consist of the following:

Cash on hand and in banks	$ 1,254,793
Investments	258,844,766
Total Deposits and Investments	$ 260,099,559

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 primarily investing in County and State investment pools.

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	Weighted Average Maturity
Mutual Funds	$ 54,950,808	0.09
County Pool	195,758,132	0.89
State Investment Pool	8,135,826	0.56
Total	$ 258,844,766	

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the County pool and LAIF are not required to be rated, nor have they been rated as of June 30, 2010.

			Rating as of Year End	
Investment Type	Fair Value	Not Required To Be Rated	Aaa	Unrated
Mutual Funds	$ 54,950,808	$ -	$ 54,950,808	$ -
County Pool	195,758,132	195,758,132	-	195,758,132
State Investment Pool	8,135,826	8,135,826	-	8,135,826
Total	$ 258,844,766	$ 203,893,958	$ 54,950,808	$ 203,893,958

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. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit.) The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2010, approximately $1,050,000 of the District's bank balance 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.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The California government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments.

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivables for the District consisted primarily of intergovernmental grants, entitlements, interest, and other local sources.

The accounts receivable are as follows:

	2010	2009
Federal Government		
Categorical aid	$ 2,044,421	$ 1,501,589
State Government		
Apportionment	1,892,180	1,215,251
Categorical aid	270,268	580,570
Lottery	1,100,696	938,186
Other state sources	319,723	440,855
State construction grants	7,007,030	11,848,866
Local Government		
Interest	128,742	322,754
Student receivables	5,037,721	3,558,318
Other local sources	1,640,684	4,932,169
Total	$ 19,441,465	$ 25,338,558

Student receivables	$ 5,710,394	$ 4,038,916
Less allowance for bad debt	(672,673)	(480,598)
Student receivables, net	$ 5,037,721	$ 3,558,318

Discretely Presented Component Unit

The Mission-West Valley Land Corporation's accounts receivable are interest receivable.

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2010, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	$ 2,050,827	$ -	$ -	$ 2,050,827
Construction in progress	55,866,039	32,888,517	57,734,329	31,020,227
Total Capital Assets Not Being Depreciated	57,916,866	32,888,517	57,734,329	33,071,054
Capital Assets Being Depreciated				
Land improvements	13,288,619	159,073	-	13,447,692
Buildings and improvements	100,510,533	51,757,524	545,683	151,722,374
Furniture and equipment	6,661,654	7,183,601	549,420	13,295,835
Vehicles	1,352,520	74,918	-	1,427,438
Total Capital Assets Being Depreciated	121,813,326	59,175,116	1,095,103	179,893,339
Total Capital Assets	179,730,192	92,063,633	58,829,432	212,964,393
Less Accumulated Depreciation				
Land improvements	6,357,320	355,834	-	6,713,154
Buildings and improvements	36,603,440	4,560,558	545,683	40,618,315
Furniture and equipment	4,605,343	1,367,817	549,420	5,423,740
Vehicles	949,759	67,152	-	1,016,911
Total Accumulated Depreciation	48,515,862	6,351,361	1,095,103	53,772,120
Net Capital Assets	$ 131,214,330	$85,712,272	$ 57,734,329	$ 159,192,273

Depreciation expense for the year was $6,351,361.

Capital asset activity for the District for the fiscal year ended June 30, 2009, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	$ 2,050,827	$ -	$ -	$ 2,050,827
Construction in progress	30,156,800	37,747,225	12,037,986	55,866,039
Total Capital Assets Not Being Depreciated	32,207,627	37,747,225	12,037,986	57,916,866
Capital Assets Being Depreciated				
Land improvements	13,102,011	186,608	-	13,288,619
Buildings and improvements	86,686,702	13,823,831	-	100,510,533
Furniture and equipment	7,434,028	348,221	1,120,595	6,661,654
Vehicles	1,243,522	280,726	171,728	1,352,520
Total Capital Assets Being Depreciated	108,466,263	14,639,386	1,292,323	121,813,326
Total Capital Assets	140,673,890	52,386,611	13,330,309	179,730,192
Less Accumulated Depreciation				
Land improvements	5,999,460	357,860	-	6,357,320
Buildings and improvements	34,181,516	2,421,924	-	36,603,440
Furniture and equipment	4,979,574	746,364	1,120,595	4,605,343
Vehicles	1,014,026	107,461	171,728	949,759
Total Accumulated Depreciation	46,174,576	3,633,609	1,292,323	48,515,862
Net Capital Assets	$ 94,499,314	$48,753,002	$ 12,037,986	$ 131,214,330

Depreciation expense for the year was $3,633,609.

Discretely Presented Component Unit

As of June 30, 2010, the Mission-West Valley Land Corporation owned land with a historical cost of $16,702.

NOTE 6 - INTERFUND TRANSACTIONS

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 7 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	2010	2009
Accrued payroll benefits	$ 7,838,195	$ 7,426,753
Apportionment	2,264	246,744
Construction project related vendors	3,653,836	3,965,593
Vendor	3,379,942	4,711,524
Total	$ 14,874,237	16,350,614

Discretely Presented Component Unit

The accounts payable of Mission-West Valley Land Corporation consist primarily of amounts owed to vendors for supplies and services.

NOTE 8 - DEFERRED REVENUE

Deferred revenue at consisted of the following:

	2010	2009
Federal financial assistance	$ 38,875	$ 6,717
State categorical aid	1,445,762	3,002,867
Enrollment fees	7,094,751	5,350,701
Capital projects	532,340	884,005
Other local	1,435,519	960,895
Total	$ 10,547,247	$ 10,205,185

NOTE 9 - LONG-TERM OBLIGATIONS

Long-term Obligations Summary

The changes in the District's long-term obligations during the 2010 fiscal year consisted of the following:

	Balance Beginning of Year	Additions	Accretions	Deductions	Balance End of Year	Due in One Year
Bonds and Notes Payable						
General obligation bonds	$ 215,511,864	$ -	$ 561,028	$ 265,000	$ 215,807,892	$ 2,020,346
Revenue bonds	-	56,120,000	-	-	56,120,000	-
Premiums, net	6,905,256	193,910	-	572,745	6,526,421	572,745
Total Bonds and Notes Payable	222,417,120	56,313,910	561,028	837,745	278,454,313	2,593,091
Other Liabilities						
Compensated absences	5,703,932	368,912	-	442,053	5,630,791	-
Capital leases	112,519	-	-	52,957	59,562	52,957
Other postemployment benefits	2,392,122	8,555,978	-	7,191,348	3,756,752	-
State apportionment	246,744	-	-	246,744	-	-
Supplemental early retirement	-	1,947,825	-	1,295,276	652,549	233,458
Total Other Liabilities	8,455,317	10,872,715	-	9,228,378	10,099,654	286,415
Total Long-term Obligations	$ 230,872,437	$ 67,186,625	$ 561,028	$ 10,066,123	$ 288,553,967	$ 2,879,506

The changes in the District's long-term obligations during the 2009 fiscal year consisted of the following:

	Balance Beginning of Year	Additions	Accretions	Deductions	Balance End of Year	Due in One Year
Bonds and Notes Payable						
General obligation bonds	$ 86,275,000	$134,999,692	$ 177,172	$ 5,940,000	$ 215,511,864	$ 265,000
Student center bonds	50,000	-	-	50,000	-	-
Premiums, net	2,459,751	4,553,231	-	107,726	6,905,256	563,049
Total Bonds and Notes Payable	88,784,751	139,552,923	177,172	6,097,726	222,417,120	828,049
Other Liabilities						
Compensated absences	5,879,801	-	-	175,869	5,703,932	-
Capital leases	166,390	-	-	53,871	112,519	52,957
Other post employment benefits	-	8,555,978	-	6,163,856	2,392,122	-
State apportionment	740,232	-	-	493,488	246,744	246,744
Total Other Liabilities	6,786,423	8,555,978	-	6,887,084	8,455,317	299,701
Total Long-term Obligations	$ 95,571,174	$148,108,901	$ 177,172	$ 12,984,810	$ 230,872,437	$ 1,127,750

Description of Debt

Payments on the 2006 general obligation bonds are made by the Measure H Debt Services - Bond Interest and Redemption Fund with local revenues. Payments on the 1969 and 2009A revenue bonds are made by the Student Representation Fee Funds. Payments on the 2009A-1 revenue bonds are made by the general fund. Capital leases payments and state apportionment repayments are made by the General Fund. The compensated absences and other post employment benefits will be paid by the fund for which the employee worked.

Revenue bonds of $1,250,000 were issued in 1969 at an interest rate of 3% and the outstanding balance as of June 30, 2010 is zero. These bonds were issued to construct the West Valley Student Center and matured through 2009.

General obligation bonds were approved by a local election in November 2004. The total amount approved by the voters was $235,000,000. At June 30, 2010, $235,000,000 had been issued and $215,807,892 was outstanding. Interest rates on the bonds range from 1.83 percent - 5.00 percent.

Revenue bonds were issued in November 2009 for $55,000,000 to provide funding for retiree benefits, and $1,120,000 for the West Valley Student Center. Interest rates on the bonds range from 2% to 8.253% and will be partially offset by federal subsidies under the Build America Bond program.

The District has utilized capital leases agreements to purchase primarily equipment. The current lease purchase agreements in the amount of $59,562 will be paid through 2012.

Debt Maturity

General Obligation Bonds

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding June 30, 2009	Accretion	Redeemed	Bonds Outstanding June 30, 2010
5/4/2006	8/1/2030	4.00%-5.00%	$ 100,000,000	$ 80,335,000	$ -	$ 265,000	$ 80,070,000
5/19/09	8/1/2019	5.00%	14,184,692	14,361,864	561,028	-	14,922,892
5/19/09	8/1/2035	1.83%-4.21%	120,815,000	120,815,000	-	-	120,815,000
				$215,511,864	$ 561,028	$ 265,000	$ 215,807,892

The 2006 general obligation bonds mature through 2031 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2011	$ 2,020,346	$ 12,842,479	$ 14,862,825
2012	2,087,417	12,356,762	14,444,178
2013	2,173,857	12,493,971	14,667,828
2014	2,295,410	12,614,994	14,910,403
2015	2,438,314	12,715,477	15,153,791
2016-2020	18,414,349	61,136,955	79,551,305
2021-2025	35,250,000	50,736,050	85,986,050
2026-2030	53,725,000	38,652,965	92,377,965
2031-2035	77,765,000	19,512,230	97,277,230
2036-2040	18,900,000	618,030	19,518,030
Subtotal	215,069,692	$ 233,679,912	$ 448,749,604
Accretions to Date	738,200		
Total	$ 215,807,892		

Revenue Bonds

The 2009 revenue bonds mature through 2028 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2011	$ 40,000	$ 2,806,000	$ 2,846,000
2012	40,000	2,804,000	2,844,000
2013	40,000	2,802,000	2,842,000
2014	115,000	2,800,000	2,915,000
2015	285,000	2,794,250	3,079,250
2016-2020	3,060,000	2,780,000	5,840,000
2021-2025	15,670,000	2,627,000	18,297,000
2026-2030	36,870,000	1,843,500	38,713,500
Total	$ 56,120,000	$ 21,256,750	$ 77,376,750

Capital Leases

The District has entered into various capital lease arrangements. Future minimum lease payments are as follows:

Year Ending June 30,	Lease Payment
2011	$ 56,790
2012	7,084
Total	63,874
Less: Amount Representing Interest	4,312
Present Value of Minimum Lease Payments	$ 59,562

Compensated Absences and Faculty Banked Leave Liability

The District calculated the total long term portion of compensated absences as of June 30, 2010 at $5,630,791. Of this amount, $2,919,033 was calculated for the unfunded faculty banked leave, $2,669,438 for accrued vacation, and $12,318 for compensated absences and compensatory time. In addition to the $2,919,033 of unfunded faculty banked leave there is $7,326,034 of faculty banked leave, which was accrued in the District's general fund as funds have been set aside for the future payment of this liability. The compensated absences and the unfunded faculty banked leave are included in the entity-wide statements.

State Apportionment

The State Chancellor's Office initiated a review of the District's course offerings known as To Be Arranged (TBA) or Hours By Arrangement (HBA). The initial review indicated an adjustment of $ 5,877,824 due back to the state. This was later adjusted to $5,644,227. An amount of $4,903,995 was withheld from the February 2008 apportionment receipt, and $246,744 in both February 2009 and 2010. The remaining $246,744 will be withheld from the annual apportionment recalculations in 2010-11. The amount to be withheld in 2010 is included in general fund accounts payable, while the remainder was recorded as other long term debt.

Supplemental Early Retirement Plan

In May 2008, the District approved an offering of a Supplemental Early Retirement Plan (SERP) incentive to eligible employees. The window to elect to participate was August 1, 2008 through August 31, 2008 and the District liability for those faculty electing to participate was $47,825. The premium for annuities purchased by the District was over a five year period beginning in FY 07/08 through FY 11/12. The balance of the SERP liability for faculty is $95,650. In addition, in March 2009, the District approved offering a STRS "Plus 2" or bonus lump sum cash payable to eligible employees. The window to elect to participate in the STRS "Plus 2" plan was July 1, 2009 through August 31, 2009. The District received a grant from the Mission West Valley Land Corporation to pay for STRS "Plus 2" and cash incentive in full rather than deferring payments over 8 years and paying interest. The expense for FY09/10 for this retirement incentive was approximately $1.9 million. Other bargaining units were also offered a similar Supplemental Early Retirement Program with the same window as the Cal STRS plan. The premiums for annuities purchased by the District for other employee groups was over a five year period beginning in FY 09/10 through FY 12/13. The SERP liability is $185,633 per year or a balance of $556,899.

Year Ending June 30,	Payment
2011	$ 233,458
2012	233,458
2013	185,633
Total	$ 652,549

NOTE 10 - POSTEMPLOYMENT BENEFITS

Plan Description

The Postemployment Benefit Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by West Valley-Mission Community College District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses.

	Faculty	Classified	Management
Benefit types provided	Medical and dental	Medical and dental	Medical and dental
Duration of benefits	Lifetime	Lifetime	Lifetime
Required service	10 years *	10 years *	10 years *
Minimum age	55	50	50
Dependent coverage	Yes	Yes	Yes
District contribution	50%-100% *	50%-100% *	50%-100% *
District cap	None	None	None

* Retirees receive 50% benefits for 10 years of service + 10% for additional year of service to 100% for 15 years of service

Active plan participants at June 30, 2010 totaled 165 and current retirees were 530. Employees hired after January 1, 1994 are not eligible for medical benefits upon retirement.

Contribution Information

The contribution requirements of plan members and the District are established and may be amended by the District, the District's bargaining units and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements between the District, the District's bargaining units and the unrepresented groups. For fiscal year 2009-10, the District contributed $7,191,348 to the plan, all of which was used for current premiums (approximately 107 percent of estimated current year's annual required contributions). The District recognizes the costs of providing those benefits and related costs when paid.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years.

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

Annual required contribution	$	8,555,978
Contributions made		(7,191,348)
Increase in net OPEB liability		1,364,630
Net OPEB liability, beginning of year		2,392,122
Net OPEB liability, end of year	$	3,756,752

The actual contribution, annual required contribution, percentage contributed and the net OPEB liability is as follows:

Year Ended June 30,	Actual Contribution	Annual Required Contribution	Percentage Contributed	Net OPEB Liability
2009	$ 6,163,856	$ 8,555,978	72%	$2,392,177
2010	7,191,348	8,555,978	84%	3,756,752

Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the November 1, 2008, actuarial valuation, the entry age normal method was used. The actuarial assumptions included a 5 percent investment rate of return, (net of administrative expenses). The healthcare cost trend rate was 4 percent until reaching the ultimate trend. The UAAL is being amortized at a level percentage with payroll assuming a 3 percent annual increase in payroll. The remaining amortization period at June 30, 2009, was 28 years.

The actuarial value of assets was not determined in this actuarial valuation. Currently, the District is considered to be an unfunded plan since there are no assets in an irrevocable trust and retiree benefits are paid annually on a cash basis. In an effort to provide funding for this future obligation, the District has established a designated Retiree Benefits Special Reserve Fund. The ending fund balance of the designated Retiree Benefits Special Reserve Fund was $54,706,545.

NOTE 11 - 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, 2010, the District contracted with the Bay Area Community College District for property and general 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.

Workers' Compensation

For fiscal year 2009-2010, the District participated in the Northern California Community College Pool ("NCCCP") for workers' compensation insurance coverage. 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 K-12 and community college districts that can meet the JPA's selection criteria.

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

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

CalSTRS

Plan Description

The District contributes to CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Boulevard, Sacramento, California 95826.

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, participates 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 California State Teachers' Retirement Plan (CalSTRS), a cost-sharing, multiple-employer contributory public employee retirement system. The California State Teachers' Retirement Law (Part 13 of the *California Education Code*, Section 22000 et seq.) established benefit provisions for CalSTRS. Copies of the CalSTRS annual financial report may be obtained from the CalSTRS Executive Office, 7667 Folsom Boulevard, Sacramento, California 95851.
The CalSTRS, a defined benefit pension plan, provides retirement, disability, and death benefits, and depending on which component of the CalSTRS 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 8.0 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 CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2009-2010 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 CalSTRS 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 CalSTRS for the fiscal years ended June 30, 2010, 2009, and 2008, were $3,015,734, $3,324,018, and $3,348,602, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. 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 95811.

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 West Valley-Mission 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.

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 7.0 percent of their salary (7.0 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 2009-2010 was 9.709 percent of covered payroll.

Annual Pension Cost

The District's contributions to CalPERS for fiscal years ending June 30, 2010, 2009, and 2008, were $2,142,577 $2,192,341, and $2,246,803, respectively, and equaled 100 percent of the required contributions for each year.

Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use Social Security as its alternative plan for full time employees. Contributions made by the District and an employee vest immediately. The District contributes 6.2 percent of an employee's gross earnings. An employee is required to contribute 6.2 percent of his or her gross earnings to the pension plan.

Alternative Plan

The District offers Accumulation Program for Part-Time and Limited Service Employees (Apple Plan) approved in 1991 for part-time employees who are not members of CalSTRS and CalPERS. The District contributes 4 percent of their salary on behalf of the employees to the plan.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS which amounted to $1,559,262 (4.267 percent) of salaries subject to CalSTRS. These amounts have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

NOTE 13 - 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.

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, 2010.

Construction Commitments

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

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
West Valley College		
Classroom and study services facility upgrade	$ 35,611	06/30/10
Science and Math reconstruction	8,503,771	08/30/11
Language Arts/Social Science reconstruction	1,645,273	09/30/12
Campus Center renovation	766,730	09/30/11
Surface improvements	284,267	06/30/11
Utility infrastructure modernization	46,737	12/30/10
ADA barrier removal	103,958	12/30/10
Interim housing	545,073	06/30/10
Mission College		
Childcare replacement	170,725	09/30/11
Hospitality management	4,510,241	08/30/11
Infrastructure upgrade - electric/data	4,883,282	06/30/11
Main building replacement	4,896,178	06/30/14
Districtwide		
Data Network	49,563	05/31/11
Information systems building	186,074	09/30/11
Fire alarm replacement	716,928	09/30/11
General program costs	125,654	09/30/11
Miscellaneous operational expenses	3,259	12/31/10
	$ 27,473,324	

The projects are funded through a combination of general obligation bonds and capital project apportionments from the State Chancellor's Office.

NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of the Northern California Community College Pool ("NCCCP") and the Bay Area Community College District (BACCD) Joint Powers Authority JPAs. The District pays annual premiums for its property and general liability 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. The District's share of year-end assets, liabilities, or fund equity has not been calculated. During the year ended June 30, 2010, the District made payments of $926,485 and $483,173 to NCCCP and BACCD, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT

SCHEDULE OF OTHER POST EMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2010

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
November 1, 2008	$ -	$ 108,416,025	$ 108,416,025	$ -	$ 18,000,000	602%

SUPPLEMENTARY INFORMATION

WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION
JUNE 30, 2010

The West Valley-Mission Community College District was established in January, 1963. The District encompasses areas primarily in Santa Clara County and also Santa Cruz County, California. The administrative offices of the District are located in Saratoga, California. There were no changes in the boundaries of the District during the current year. The District's colleges are each accredited by the Western Association of Schools and Junior Colleges.

BOARD OF TRUSTEES

MEMBER	OFFICE	TERM EXPIRES
Bob Owens	President	2012
Chad Walsh	Vice President	2010
Jack Lucas	Member	2010
Buck Polk	Member	2010
Chris Stampolis	Member	2012
Adrienne Grey	Member	2012
Chris Constantin	Member	2010
Nick Heimlich	Provisional Member	2010
Sarah Ochoa	West Valley College Student Trustee	2009
Komi Touglo	Mission College Student Trustee	2009

ADMINISTRATION

John E. Hendrickson	Chancellor
Edralen Maduli	Vice Chancellor, Administrative Services

WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Program Revenues Cash Received	Accounts Receivable	Deferred Revenue	Total Revenue	Total Program Expenditures
U.S. DEPARTMENT OF EDUCATION						
Student Financial Aid Cluster						
Supplemental Educational Opportunity Grant (SEOG)	84.007	$ 220,738	$ -	$ -	$ 220,738	$ 220,738
Pell Grant	84.063	12,628,575	1,351,511	-	13,980,086	13,980,086
Student Financial Aid Administration Allowance	84.063	37,445	4,584	31,575	10,454	10,454
Federal Work Study Program	84.033	161,470	130,018	-	291,488	291,488
Federal Family Education Loans	84.032	1,729,190	-	-	1,729,190	1,729,190
Academic Competitiveness (ACG)	84.375	127,415	32,058	-	159,473	159,473
Title V-Hispanic Serving Institution	84.031	210,732	-	-	210,732	210,732
Trio Project - Access	84.042	260,226	37,987	-	298,213	298,213
Vocational and Applied Technology Education Act						
Technical Prep	84.048	85,920	49,580	-	135,500	135,500
Title I-C	84.048	215,664	197,321	5,268	407,717	407,717
Fund for the Improvement of Postsecondary Education (FIPSE)	84.116	48,467	4,000	-	52,467	52,467
Trade Promotion & Education Project (TPEP)	84.153	28,272	9,988	-	38,260	38,260
ARRA - State Fiscal Stablization Fund	84.394	500,597	-	-	500,597	500,597
						18,034,915
US. DEPARTMENT OF LABOR						
Job Training Partnership Act - GAIN	17.250	96,258	14,253	-	110,511	110,511
U.S. DEPARTMENT OF AGRICULTURE						
Passed through California Department of Education						
Child and Adult Care Food Program	10.558	28,072	2,848	-	30,920	30,920
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Pass-Through California Department of Education						
CalWorks	93.558	41,261	3,739	-	45,000	45,000
Temporary Assistance to Needy Families (TANF)	93.558	72,819	5,899	2,032	76,686	76,686
Pass-Through Santa Clara County						
Foster Care - Title IV-E	93.658	809,072	103,528	-	912,600	694,844
ARRA - Emergency Contingency Fund for Temporary Assistance to Needy Families (ARRA - TANF)	93.714	99,997	22,055	-	122,052	122,052
Medical Assistance Program	93.778	25,938	12,437	-	38,375	3,865
						942,447
U.S. DEPARTMENT OF STATE BUREAU OF EDUCATIONAL AND CULTURAL AFFAIRS						
Pass-Through Foundation for California Community Colleges						
Initiative for Egypt Program	19.009	165,139	62,615	-	227,754	227,754
Total		$ 17,593,267	$2,044,421	$ 38,875	$19,598,813	$ 19,346,547

See accompanying note to supplementary information.

WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

	Program Revenues				Total
Program	Cash Received	Accounts Receivable	Deferred Revenue	Total Revenue	Program Expenditures
BFAP	$ 622,005	$ -	$ 110,889	$ 511,116	$ 526,425
EOPS	814,842	-	1,834	813,008	813,008
CARE	88,992	-	-	88,992	88,992
DSPS	921,597	-	18,273	903,324	903,324
EDP New Media	114,679	16,270	-	130,949	130,949
State Instructional Equipment	158,636	-	78,708	79,928	79,928
Advanced Transportation Technology	85,400	-	5,905	79,495	79,495
Advanced Transportation Technology	588,435	-	-	588,435	588,435
Articulation	1,641	-	765	876	876
Matriculation - Credit	766,186	-	-	766,186	766,186
Matriculation - Non Credit	78,674	-	30,781	47,893	47,893
TTIP Tech for Access - TCO	8,820	-	8,820	-	6,802
CITD	129,342	13,985	-	143,327	143,327
CITD/IDRC	158,520	-	54,235	104,285	104,285
Cal- Works	293,235	62,068	-	355,303	355,303
Mesa FSS Grant	56,541	-	2,023	54,518	54,518
OELM - One Time	35,156	-	1,454	33,702	33,702
Regional Health Occupational Resource Center	85,400	16,270	-	101,670	101,670
Remote Sensing	162,348		35,091	127,257	127,257
Workplace Learning	85,400	16,270	-	101,670	101,670
Career Technical Education Allied Health	71,446	-	3,319	68,127	68,127
Career Tech	166,574	15,102	15,929	165,747	165,747
JDIF	135,706	-	40,631	95,075	95,075
HR Staff Diversity	7,842	-	-	7,842	8,658
Staff Development	51,124	-	51,124	-	-
Basic Skills	733,162	-	475,741	257,421	257,421
Center for Excellence	116,828	16,270	19,045	114,053	114,053
CTE - Silicon Valley (Career Tech)	580,652	-	139,498	441,154	441,154
CTE - Supplement	55,220	-	-	55,220	55,220
CTE - WIP	103,176	-	-	103,176	103,176
CTE - YEP/CITD	80,328	-	34,684	45,644	45,644
CTE - Career Pathways	-	75,000	-	75,000	75,000
IELM - One Time	7,723	-	7,723	-	-
State Block Grant	34,623	-	34,623	-	-
Statewide Hospital	8,708	-	8,400	308	308
HUB - Bay Area Environmental Training Center-CTE	349,001	-	163,931	185,070	185,070
HUB - New Media	88,146	11,903	-	100,049	100,049
HUB - Bay Area Environmental Training Center	140,504	11,903	-	152,407	152,407
Bay Area Environmental Training Center	85,400	16,270	-	101,670	101,670
HUB -ATTE	102,181	15,227	-	117,408	117,408
Child Development	4,703	-	-	4,703	4,703
Lottery - Restricted	37,311	287,784	102,336	222,759	222,759
Subtotal	$ 8,216,207	$ 574,322	$ 1,445,762	$ 7,344,767	$ 7,367,694

See accompanying note to supplementary information.

WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT – ANNUAL (ACTUAL) ATTENDANCE AS OF JUNE 30, 2010

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2009)			
1. Noncredit	201	-	201
2. Credit	346	-	346
B. Summer Intersession (Summer 2010-Prior to July 1, 2010)			
1. Noncredit	-	-	-
2. Credit	947	-	947
C. Primary Terms			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	12,667	-	12,667
(b) Daily Census Contact Hours	750	-	750
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	641	-	641
(b) Credit	233	-	233
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	1,117	-	1,117
(b) Daily Census Contact Hours	385	-	385
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	17,288	-	17,288
H. Basic Skills courses and Immigrant Education (FTES)			
1. Noncredit	3	-	3
2. Credit	1,210	-	1,210
	1,212	-	1,212

See accompanying note to supplementary information.

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH FUND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

The following were the fund balance reconciliations between the Annual Financial and Budget Report (CCFS-311) and the fund financial statements.

	Retiree Benefits Fund	Debt Service Fund	Other Enterprise Fund	Student Representation Fee Fund
FUND BALANCE				
Balance, June 30, 2010, (CCFS-311)	$ 9,090,080	$ -	$ 2,633,353	$ 690,590
Increase in:				
Cash with fiscal agent	45,616,465	9,334,343	-	1,000,000
Deferred revenue	-	-	(148,869)	221,763
Balance, June 30, 2010, Fund Financial Statement	$ 54,706,545	$ 9,334,343	$ 2,484,484	$ 1,912,353

See accompanying note to supplementary information.

WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEETS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010

Amounts Reported in the Statement of Net Assets are Different Because:		
Total Fund Balance - All Governmental Funds		**$ 246,396,062**
Total Fund Balance - Student Financial Aid Fiduciary Fund		**143,830**
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	$ 212,964,393	
Accumulated depreciation is	(53,772,120)	159,192,273
Expenditures relating to issuance of debt were recognized in modified accrual basis, but are amortized over the life of the bonds in accrual basis.		2,834,826
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.		(3,715,017)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term liabilities at year end consist of:		
Bonds payable	215,807,893	
Lease revenue bonds	56,120,000	
Capital leases payable	59,563	
Bond premium, net	6,526,421	
Compensated absences (vacations)	5,630,789	
Other post employment benefits	3,756,752	
Other long term debt	652,549	(288,553,967)
Total Net Assets		**$ 116,298,007**

See accompanying note to supplementary information.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2010

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

This schedule provides information about the District's governing board members and administration members.

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 United States 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.

Description	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures and Changes in Fund Balance:		$ 17,869,623
Federal Family Education Loans	84.032	1,729,190
Foster care carryover	93.658	(217,756)
Medical assistance program carryover	93.778	(34,510)
Total Schedule of Expenditures of Federal Awards		$ 19,346,547

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. The information in this schedule is presented to comply with reporting requirements of the California State System's Office.

Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance

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, including restricted categorical funding, are made to community college districts. These schedules provide information regarding the annual attendance measurements of students throughout the District.

Reconciliation of Annual Financial and Budget Report (CCSF-311) 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 District's internal 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 Statements No. 34 and 35 business-type activities reporting model.

INDEPENDENT AUDITORS' REPORTS

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

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
West Valley-Mission Community College District
Saratoga, California

We have audited the financial statements of the business-type activities of West Valley-Mission Community College District (the District) for the years ended June 30, 2010 and 2009, and have issued our report thereon dated December 29, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered West Valley-Mission Community College District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of West Valley-Mission Community College District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of West Valley-Mission Community College District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Valley-Mission Community College District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits 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*.

We noted certain matters that we reported to management of West Valley-Mission Community College District in a separate letter dated December 29, 2010.

This report is intended solely for the information and use of the Board of Trustees, Audit Committee, District Management, the California Community Colleges 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.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 29, 2010

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

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees
West Valley-Mission Community College District
Saratoga, California

Compliance

We have audited the compliance of West Valley-Mission 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 could have a direct and material effect on each of its West Valley-Mission Community College District's major Federal programs for the year ended June 30, 2010. West Valley-Mission Community College District's major Federal programs are identified in the summary of auditors' 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 West Valley-Mission Community College District's management. Our responsibility is to express an opinion on West Valley-Mission Community College 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; 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 West Valley-Mission Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of West Valley-Mission Community College District's compliance with those requirements.

In our opinion, West Valley-Mission Community College District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2010.

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Internal Control Over Compliance

The management of West Valley-Mission Community College District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered West Valley-Mission Community College District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and repot on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of West Valley-Mission Community College District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Trustees, Audit Committee, District Management, the California Community Colleges 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.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 29, 2010

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

VALUE THE DIFFERENCE

REPORT ON STATE COMPLIANCE

Board of Trustees
West Valley-Mission Community College District
Saratoga, California

We have audited the compliance of West Valley-Mission Community College District (the District) with the types of compliance requirements described in Section 400 of the California State Chancellor's Office's *California Community College District Audit Manual (CDAM)* that are applicable to community colleges in the State of California. The specific requirements are described below.

We conducted our audit of compliance 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements with State laws and regulations have occurred. An audit includes examining, on a test basis, evidence about West Valley-Mission Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of West Valley-Mission Community College District's compliance with those requirements.

General Directive

Section 424: MIS Implementation - State General Apportionment Funding System

Administration

Section 435: Open Enrollment

Section 437: Student Fees - Instructional Materials and Health Fees

Apportionments

Section 423: Apportionment of Instructional Service Agreements/Contracts

Section 425: Residency Determination for Credit Courses

Section 427: Concurrent Enrollment of K-12 Students in Community College Credit Courses

Section 432: Enrollment Fee

Section 426: Students Actively Enrolled

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Fiscal Operations

Section 421: Salaries of Classroom Instructors (50% Law)

Section 431: Gann Limit Calculation

Student Services

Section 428: Use of Matriculation Funds

Section 433: CalWORKs - Use of State and Federal TANF Funding

Facilities

Section 434: Scheduled Maintenance Program

In our opinion, West Valley-Mission Community College District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2010.

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

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 29, 2010

Schedule of Findings and Questioned Costs

WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT

SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2010

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	No
Identification of major programs:	

CFDA Numbers	Name of Federal Program or Cluster
84.007, 84.063, 84.032, 84.033 (ARRA), 84.375	Student Financial Aid Cluster (includes ARRA)
84.394 (ARRA)	State Fiscal Stabilization Fund (ARRA)
84.048, 84.049	Career and Technical Education

Dollar threshold used to distinguish between Type A and Type B programs:	$ 300,000
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	No
Signficant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for State programs:	Unqualified

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2010

None reported.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

None reported.

WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

None reported.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010

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.

2009-1 Finding – Retentions Payable
Significant Deficiency

Criteria or Specific Requirement
Governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred if the expenditures will be paid out of currently available funds.

Condition
We noted that construction retentions in the amount of $512,037 that will be paid out of available bond and other construction funds upon completion of projects were not recorded in the capital projects funds.

Questioned Costs
None

Context
Construction retentions can be paid into escrow funds monthly, in which case the expense is recorded each month, or held by the District until the project is accepted as complete. The majority of the significant construction retentions were held in escrow and previously recognized as expenses in the capital projects funds, however, there were a total of seven projects in which the District is holding those funds. The retention amounts associated with these projects were not accrued as accounts payable.

Effect
The unaudited capital project expenditures were understated by $512,037. An audit adjustment was proposed and recorded by management and the expenditures in this report have been updated to reflect this change.

Cause
Personnel were not familiar with the transactions required when processing construction retentions that are held by the District rather than held in escrow accounts.

Recommendation
We recommend that part of the annual year end closing process include a review of construction project retentions to determine if any significant amounts not held in escrows need to be included in the accounts payable accruals.

Current Status
Implemented.

2009-2 Finding – Concurrent Enrollment

Criteria or Specific Requirement
CA Ed. Code Sections 48800 (a), 48800.5, 76003, and 76001(d) indicate that fees must be assessed for all units once the student has exceeded 11 units and is considered a special full-time student. These sections also require that the college obtain verification that the high school student can benefit from advanced scholastic or vocational education, and that this verification is obtained by having high school principals, or other District designees, review and sign college applications for these students.

Condition
- 5 out of 30 concurrent students selected for testing had exceeded 11 units and had not been assessed the appropriate enrollment fees.
- 7 out of 30 concurrent students applications selected for testing were not signed by the student's parent.

Questioned Costs
- $840 in enrollment fees was lost due to not charging these three students the appropriate fees for a special full time student.
- FTES claimed for the students without appropriate recommendation documentation was 4.97.

Context
We reviewed concurrently enrolled student files and reports from the Fall 2008, Spring 2009, and Summer 2009 semesters listing the number of FTES generated by this student group, both in total and for the physical education courses.

Effect
The District is not collecting all enrollment fees for concurrent students enrolled in more than 11 units. In addition, the District is out of compliance with the State requirements over who must sign the application for special full time and part time students. The District has also exceeded the allowable amount of apportionment to be claimed on physical education courses.

Cause
The sites did not monitor the assessment of enrollment fees for concurrently enrolled students exceeding 11 units. In addition, the District did not have a process to review FTES claimed for these types of students to determine compliance with the 10% limits over physical education courses.

Recommendation
- The colleges should to monitor the registration process and assess fees for special full-time students once they enroll in more than 11 units.
- Concurrent enrollment applications should be reviewed for completeness and verification that appropriate signatures are included on the applications.

Current Status
Implemented.

2009-3 Finding - Residency

Criteria or Specific Requirement
Each District must act to ensure that only the attendance of California residents is claimed for State apportionment credit.

Condition
Two of fifteen students were noted as having unknown residency status in the system for the fall, 2008 semester. Both of the students were not charged enrollment fees as a result of their status and both were claimed as out-of-state residents on the 320. One of the two students was actually a California resident and the other student's application could not be found. In addition, it was discovered that a foreign student was classified as an out-of-state student and the site did not collect the capital outlay fee.

Questioned Costs
One of the two unknown residency status student's was actually a California resident, and therefore, the District failed to collect enrollment fees for the classes the student enrolled in which totaled $180 for the Fall, 2008 semester. In addition, the District misreported 0.40 FTES as non-resident that should have been claimed as resident.

The other unknown status student application is missing, if the student really is a resident then $60 should have been collected and 0.16 FTES was misreported as a non-resident.

The foreign student is classified correctly on the 320, however, the site failed to collect a total of $185 in capital outlay fees for the Spring, 2009 courses.

Context
We reviewed residency records for 15 students and noted the above condition.

Effect
Residency status determines the amounts of various fees to be collected and FTES to be reported. Discrepancies in the residency status may cause the over or under collection of fees and inaccurate reporting of FTES.

Cause

The out-of-state student that was actually a foreign student was caused by input error when entering data into the Admissions and Records system. One of the unknown status applications could not be found as it appears the student originally applied to the College back in 1978 and the other unknown resident was potentially an additional input error.

Recommendation

We recommend that an overall review be performed for any students who have an unknown residency status in the system to ensure that they are assessed appropriate enrollment fees and if necessary, out-of-state and foreign residency fees. Data entered by a student employees should be reviewed by their supervisor to verify that residency status is appropriate for the student. The District may want to consider blocking a student from enrolling if they hadn't registered in a course within a specified time from when they completed their application date.

Current Status
Implemented.

2009-4 Finding – Students Actively Enrolled – Mission College

Instance of Noncompliance - Significant Deficiency

Criteria or Specific Requirement
CCR Title V, Section 58003.1 and 58004 require that any student who has been identified as a no show, officially withdrawn from the course, or been dropped from the course as of the last business day before census day not be considered activity enrolled and not included in FTES reported.

Condition
Census rosters for 2 of 10 courses from the Fall and Winter semesters were selected for testing and were unable to be located. The instructors use these census rosters to indicate which students are no shows and should not be considered actively enrolled. The date a drop is recorded is critical to the correct processing of FTES reported and the calculation of funds received from the State. Without these census rosters a drop would not be recorded until such time as the student went to the admissions and records office and initiated the drop.

Questioned Costs
The two daily courses for which census rosters were unable to be located were:
- HIST*017A*70959 reported 5.28 RTFTES and 0.41 NFTES
- CIS*046A*66435 reported 1.87 RFTES and 0.10 NFTES

Context
We noted that the census rosters that were unable to be located were from a limited group of daily census courses and short term courses at Mission College. The questioned costs noted above included all students reported for those courses. It is probable that some students in these courses were currently enrolled and appropriately included in FTES reports, however, it is also likely that an unknown portion of the FTES claimed for these courses were for students who were no shows and should have been dropped prior to the calculation of FTES totals.

Effect
FTES reported for these courses may or may not have been over reported.

Cause
Census rosters selected for review were not able to be located. Instructors may not be turning in their census rosters to the Admissions and Records, or rosters turned in may not be maintained on file.

Recommendation
Faculty and admissions and records should be reminded of importance of timely census procedures and understand that the lack of a census roster or other method to report no shows before census date FTES are calculated results in the over-reporting of FTES and potentially receiving state funds to which the District is not entitled or disallowance of FTES for which the District was entitled to if an entire class is disallowed.

We were informed that the Colleges have a census report tracking process which includes sending the Department Deans a list of the faculty who have not turned in census rosters. In order to ensure that FTES reported are accurate and the District receives all state funding to which it is entitled and no funding for which it is not entitled, we recommend that the Deans follow up with those responsible for the missing rosters and ensure that census rosters are submitted timely for all census courses.

Current Status
Implemented.

2009-5 GANN APPROPRIATION LIMIT

Criteria or Specific Requirements
Article XIIIB of the State Constitution and Chapter 1205 Statutes of 1980 require each community college to calculate their appropriations limit.

Condition
During the audit of the District Gann Limit calculation reported in the CCFS 311, it was noted that there was an error on line EDP 13. The District miscalculated the amount reported in State aid apportionments and subventions included within the proceeds of taxes of the District.

Questioned Costs
No questioned costs related to this item as the District is still within its appropriation limit.

Context
Article XIIIB of the State Constitution stipulates that each community college calculate their appropriation limit.

Effect
The District Gann Appropriation Limit is misstated on the CCFS 311.

Cause

An error was made in carrying totals forward onto the form from the supplementary schedules. Checks and balances designed to locate errors such as this did not operate effectively.

Recommendation
In order to strengthen internal controls, we recommend the district review the design of the workload to ensure that all transactions are subject to a review by someone other than the person initiating the entry.

Current Status
Implemented.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010

2009-6 Finding – Instructional Materials Fees – Control Deficiency

Criteria or Specific Requirement
Education Code 76565 stipulates that Districts may only require students to provide instructional materials which are of continuing value to the student outside the classroom and are tangible personal property, which is owned or primarily controlled, by the student. In addition, the District is not allowed to charge more to the student than the cost of the materials to the District.

Condition
During our review of instructional material fees, we noted that the college collected more fees than were expensed during the year for the Court Reporting course #014C, thereby, indicating a potential charge in excess of amounts allowed.

Questioned Costs
The instructional fee revenue for this course is approximately $10-$20 per student.

Context
We reviewed three courses charging instructional materials fees and noted the above considerations in one of the cases.

Effect
The District does not appear to be in compliance with Education Code 76565 and may not be charging the appropriate amount of instructional materials fees.

Cause
Instructional material fees appear to be in excess of amounts spent in some cases and amounts spent included some items that may not be appropriate.

Recommendation
Each class that charges fees should have documentation that indicates what the fees are for, the amount of fees being charged, and the cost of the materials to the District. The documentation should demonstrate that the site is in compliance with the criteria mentioned above. In addition, separate general ledger accounts should be set up to distinguish between expenses related to the fees charged to students and expenses related to the cost of providing that class. Each class that charges fees should have documentation that indicates what the fees are for, the amount of fees being charged, and the cost of the materials to the District. The documentation should demonstrate that the site is in compliance with the requirements of the education code over instructional material fees. In addition, separate general ledger accounts should be set up to distinguish between expenses related to the fees charged to students and expenses related to the cost of providing that class.

Current Status
Implemented.

ADDITIONAL SUPPLEMENTARY INFORMATION

WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2010

	General Unrestricted	General Restricted	Child Development	Retiree Benefits
ASSETS				
Cash and cash equivalents	$ 17,785,550	$ 4,692,687	$ -	$ 54,706,545
Accounts receivable	8,022,693	1,715,702	209,694	-
Prepaid expenses	538,441	-	-	-
Total Assets	$ 26,346,684	$ 6,408,389	$ 209,694	$ 54,706,545
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Deficit cash	$ -	$ -	$ 202,784	$ -
Accounts payable	14,012,014	132,727	-	-
Deferred revenue	5,596,442	2,770,512	-	-
Total Liabilities	19,608,456	2,903,239	202,784	-
FUND EQUITY				
Fund Balances				
Reserved	5,314,946	3,505,150	-	-
Unreserved				
Designated	25,936	-	-	-
Undesignated	1,397,346	-	6,910	54,706,545
Total Fund Equity	6,738,228	3,505,150	6,910	54,706,545
Total Liabilities and Fund Equity	$ 26,346,684	$ 6,408,389	$ 209,694	$ 54,706,545

See accompanying note to additional supplementary information.

Revenue Bond Debt Service	Measure H Debt Service	Measure H Capital Outlay Fund	Capital Outlay Projects	Other Enterprise Funds	Total
$ 9,334,343	$ 9,274,131	$ 158,723,857	$ -	$ 3,889,074	$ 258,406,187
-	9,256	98,411	7,500,680	283,086	17,839,522
-	-	-	-	-	538,441
$ 9,334,343	$ 9,283,387	$ 158,822,268	$ 7,500,680	$ 4,172,160	$ 276,784,150
$ -	$ -	$ -	$ 4,895,604	$ -	$ 5,098,388
-	-	295,063	262,925	40,500	14,743,229
-	-	-	532,340	1,647,177	10,546,471
-	-	295,063	5,690,869	1,687,677	30,388,088
-	-	-	-	-	8,820,096
-	-	-	-	-	25,936
9,334,343	9,283,387	158,527,205	1,809,811	2,484,483	237,550,030
9,334,343	9,283,387	158,527,205	1,809,811	2,484,483	246,396,062
$ 9,334,343	$ 9,283,387	$ 158,822,268	$ 7,500,680	$ 4,172,160	$ 276,784,150

WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2010

	General Unrestricted	General Restricted	Child Development	Retiree Benefits
REVENUES				
Federal revenues	$ 500,597	$ 1,773,722	$ 30,920	$ -
State revenues	16,257,522	6,429,169	867,505	-
Local revenues	79,567,953	3,688,576	824,879	-
Total Revenues	96,326,072	11,891,467	1,723,304	-
EXPENDITURES				
Current Expenditures				
Academic salaries	41,394,223	1,961,239	8,684	-
Classified salaries	15,984,544	4,528,195	1,305,872	-
Employee benefits	26,596,054	2,218,056	550,666	-
Books and supplies	1,263,307	607,204	31,936	-
Services and operating expenditures	9,016,528	2,897,773	78,726	-
Other outgo	23,898	315,542	18,143	-
Capital outlay	444,710	390,726	-	-
Debt service - principal	-	-	-	-
Debt service - interest and other	-	-	-	-
Total Expenditures	94,723,264	12,918,735	1,994,027	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,602,808	(1,027,268)	(270,723)	-
OTHER FINANCING SOURCES (USES)				
Operating transfers in	640,992	786,193	-	-
Operating transfers out	(603,110)	(118,024)	-	(468,320)
Other sources	-	-	-	45,616,465
Total Other Financing Sources (Uses)	37,882	668,169	-	45,148,145
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	1,640,690	(359,099)	(270,723)	45,148,145
FUND BALANCE, BEGINNING OF YEAR	5,097,538	3,864,249	277,633	9,558,400
FUND BALANCE, END OF YEAR	$ 6,738,228	$ 3,505,150	$ 6,910	$ 54,706,545

See accompanying note to additional supplementary information.

Revenue Bond Debt Service	Measure H Debt Service	Measure H Fund	Capital Outlay Projects	Other Enterprise Funds	Total
$ -	$ -	$ -	$ -	$ 912,600	$ 3,217,839
-	-	-	14,816,039	783,904	39,154,139
-	11,395,838	782,638	2,000,806	3,005,665	101,266,355
-	11,395,838	782,638	16,816,845	4,702,169	143,638,333
-	-	-	-	188,088	43,552,234
-	-	461,391	473	1,769,620	24,050,095
-	-	122,018	2,213	390,642	29,879,649
-	-	-	3,282	359,184	2,264,913
363,102	-	-	140,136	1,541,134	14,037,399
-	-	-	-	-	357,583
-	-	17,674,837	16,744,038	50,218	35,304,529
-	265,000	167	-	-	265,167
-	7,462,632	334	-	-	7,462,966
363,102	7,727,632	18,258,747	16,890,142	4,298,886	157,174,535
(363,102)	3,668,206	(17,476,109)	(73,297)	403,283	(13,536,202)
-	-	-	-	-	1,427,185
-	-	-	-	(54,967)	(1,244,421)
9,697,445	-	-	-	-	55,313,910
9,697,445	-	-	-	(54,967)	55,496,674
9,334,343	3,668,206	(17,476,109)	(73,297)	348,316	41,960,472
-	5,615,181	176,003,314	1,883,108	2,136,167	204,435,590
$ 9,334,343	$ 9,283,387	$ 158,527,205	$ 1,809,811	$ 2,484,483	$ 246,396,062

WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT

FIDUCIARY FUNDS
BALANCE SHEET
JUNE 30, 2010

	Associated Student Trust Funds	Student Representation Fee Funds	Student Financial Aid Funds	Total
ASSETS				
Deposits and investments	$ 762,849	$ 2,024,274	$ -	$ 2,787,123
Receivables	516	163,079	1,601,943	1,765,538
Prepaid expenses	-	-	17,737	17,737
Total Assets	$ 763,365	$ 2,187,353	$ 1,619,680	$ 4,570,398
LIABILITIES				
Overdrafts	$ -	$ -	$ 1,344,066	$ 1,344,066
Accounts payable	3,473	125,000	131,008	259,481
Due to student groups	759,892	-	-	759,892
Deferred revenue	-	150,000	776	150,776
Total Liabilities	$ 763,365	275,000	1,475,850	2,514,215
NET ASSETS				
Reserved		1,912,353	143,830	2,056,183
Total Liabilities and Net Assets		$ 2,187,353	$ 1,619,680	$ 4,570,398

See accompanying note to additional supplementary information.

WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT

FIDUCIARY FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2010

	Student Representation Fee Funds	Student Financial Aid Funds	Total
REVENUES			
Federal revenues	$ -	$ 14,651,784	$ 14,651,784
State revenues	-	559,679	559,679
Local revenues	1,077,999	4,118	1,082,117
Total Revenues	1,077,999	15,215,581	16,293,580
EXPENDITURES			
Current Expenditures			
Classified salaries	439,826	334,229	774,055
Employee benefits	170,733	3,735	174,468
Books and supplies	37,852	-	37,852
Services and operating expenditures	51,438	699	52,137
Other outgo	-	15,020,634	15,020,634
Capital outlay	599	-	599
Total Expenditures	700,448	15,359,297	16,059,745
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	377,551	(143,716)	233,835
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	180,462	180,462
Operating transfers out	-	(45,517)	(45,517)
Other sources	1,000,000	-	1,000,000
Total Other Financing Sources (Uses)	1,000,000	134,945	1,134,945
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	1,377,551	(8,771)	1,368,780
FUND BALANCE, BEGINNING OF YEAR	534,802	152,601	687,403
FUND BALANCE, END OF YEAR	$ 1,912,353	$ 143,830	$ 2,056,183

NOTE TO ADDITIONAL SUPPLEMENTARY INFORMATION
JUNE 30, 2010

NOTE 1 – PURPOSE OF SCHEDULES

Fund Financial Statements

The accompanying financial statements report the governmental and fiduciary fund activities of West Valley-Mission 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 basic financial statements. The information is unaudited and is presented at the request of the District management.

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

VALUE THE DIFFERENCE

To the Audit and Budget Oversight Committee and Management
of West Valley – Mission Community College District

In planning and performing our audit of the financial statements of the business-type activities and the discretely presented component unit information of West Valley-Mission Community College District as of and for the year ended June 30, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered West Valley-Mission Community College District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Governmental Unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the Governmental Unit's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated December 29, 2010, on the financial statements of West Valley-Mission Community College District.

Asset and Liability Balances Carried forward from Prior Years

Comment

The District accounts payable includes items that, while immaterial for audit purposes, are well in excess of a year old and should be addressed for operational purposes. Governmental funds typically record payables for items that will be paid from available funds in the next accounting cycle. Longer term payables are normally recorded in a separate long term liability fund. Items included in accounts payable that may not represent currently payable amounts include:

- $131,200 of restricted general fund items originating from the conversion to Datatel.
- $131,000 of Perkins loans fund payable and $80,000 of Perkins loan receivables that need to be transmitted to the applicable Federal agency for processing and collection.
- $180,000 of funds set aside in prior years for the Faculty Obligation Number (FON) penalty assessed in a prior year were set aside and are available for use for expenses agreed to in the settlement agreement.

Recommendation

We recommend the District review the items noted above and determine if the balances carried forward should be written off, used for their intended purposes, or if they continue to be accrued as items that will be transactions in future years. In addition, we encourage the completion of the processing and transmission of old Perkins loan funds to the applicable Federal department so as to remove the liabilities from the District.

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FRESNO • LAGUNA HILLS • PLEASANTON • RANCHO CUCAMONGA • PALO ALTO

Response

The District maintains controls and balancing of long term assets and liabilities by recording in the general fund. The District would prefer to continue their current process of recording long term assets and liabilities such as the payables that were set up for potential future repayments in the general fund. A process will be initiated to evaluate accounts payables older than two years and either reverse the entry or record the payable in a long term liability fund. The District will continue to work on remitting Perkins loan funds to the Federal government as staff time permits.

Credit Card Statements

Comment

Credit Card procedures are not consistently followed. Of the 42 individuals charging expenses during May 2010, 7 did not provide receipts for individual items purchased.

Recommendation

Designate an individual to assist with reviewing credit card receipts and follow-up on a monthly basis with those employees that do not submit receipts. If individuals do not submit receipts for a certain number of consecutive months, consider implementing or enforcing policies that suspend or revoke the individual's ability to use District credit cards.

Response

The District reviews all credit card statements to ensure that receipts are provided for every charge and that the individual's supervisor approves the expenditures. Statements that are not in compliance will be sent back to the individual's supervisor for correction. The individual's ability to use the District credit card will be revoked if the noncompliance persists.

Outstanding Checks

Comment

We noted that outstanding checks for refunds due to students not cashed for various reasons are not submitted to California through the escheat process for unclaimed funds, or otherwise addressed.

Recommendation

We recommend the District investigate the process for escheating unclaimed funds to the State of California and determine if outstanding uncleared checks to students totaling approximately $123,000, or to other vendors, if any uncashed amounts meet the criteria for requiring payment to California or should be addressed in some alternate manner.

Response

Upon investigation, California State Controller's Office website provides general guidelines for unclaimed property for business associations, financial institutions, insurance companies, corporations, and other holders of unclaimed property. Properties must be valued at $50 or more and drafts, certified checks, cashier's checks, and sums payable on any other written instrument for which a banking or financial organization is directly liable, when these instruments are outstanding for more than three years, (CCP Section 1513(d)). The District will evaluate the amounts of outstanding checks for students/vendors and propose a process for compliance for escheating unclaimed funds.

Banked Leave, Accrued Vacation and Comp Time Reporting

Comment

We noted that the calculation of year end leave liabilities does not appear to include a provision for benefits.

Recommendation

We recommend that the calculation of year end leave liability provisions include not only the base banked leave, vacation, and comp time amounts for hours earned times current pay rate, but also include a projected estimate for benefits that will be paid based on the time that has been earned.

Response

The District will calculate mandatory benefits associated with vacation, banked leave, and compensation time amounts as part of the year end process of posting liabilities to the general ledger.

Banked Leave

We noted that the personnel forms documenting accumulations of the $9 million value of banked leave and/or the annual use of banked leave do not appear to be complete and do not reconcile to the calculated change in individual's banked leave for 11 of 23 individuals reviewed. In addition, we noted that some of the forms in the personnel files do not include approval signatures and may be copies made prior to approval signatures occurring.

Recommendation

We recommend that the monitoring function for banked leave calculations be strengthened. Personnel forms supporting the annual changes in individual's banked leave should be reconciled to each semester's changes in the banked leave summary worksheet and documentation of the review verifying this reconciliation should be noted on each banked leave action form. In addition, we recommend that the forms be reviewed to ensure that signed copies of the forms are maintained on file.

Response

The District will perform a self-audit and document that the accrued bank leave is accurate for each faculty member and verify the base. As part of the year end process, the Colleges will submit journal entries to expense banked leave to the appropriate departments and finance will reconcile the annual changes with authorized documentation from the Human Resource Department.

SUMMARY OF PRIOR YEAR COMMENTS

Asset and Liability Balances Carried forward from Prior Years

Comment

The District accounts payable includes items that, while immaterial for audit purposes, are well in excess of a year old and should be addressed for operational purposes. Governmental funds typically record payables for items that will be paid from available funds in the next accounting cycle. Longer term payables are normally recorded in a separate long term liability fund. Items included in accounts payable that may not represent currently payable amounts include:

- $162,400 of unrestricted general fund items originating mostly from an amount that was potentially due to Enron, and an amount that carried over in beginning balances from the conversion to Datatel.
- $134,100 of restricted general fund items originating from the conversion to Datatel.
- $133,700 of Perkins loans fund payable and $80,000 of Perkins loan receivables that need to be transmitted to the applicable Federal agency for processing and collection.
- $335,000 of funds set aside in prior years for the Faculty Obligation Number (FON) penalty assessed in a prior year were set aside and are available for use for expenses agreed to in the settlement agreement.

Recommendation

We recommend the District review the items noted above and determine if the balances carried forward should be written off, used for their intended purposes, or if they continue to be accrued as items that will be transactions in future years. In addition, we encourage the completion of the processing and transmission of old Perkins loan funds to the applicable Federal department so as to remove the liabilities from the District.

Status

Partially Implemented, see current year comments.

Student Registration/Accounts Receivable/Deferred Fees

Comment

We noted that the student registration module tracks enrollment fee registration funds for future fiscal years as deferred revenue. However, the system options were not set up to do this for other student fees such as the lab and equipment fees. Therefore, lab and equipment fees charged at registration for courses to be held in the 2009-2010 fiscal year are being recorded as revenue in the 2008-2009 fiscal year.

Recommendation

We recommend the District investigate the option settings in the student registration module and its interface with the Datatel general ledger system and determine if the options should be changed to ensure that any revenue for courses held in the 2009-2010 fiscal year are posted to the correct fiscal year.

Status

Implemented.

Credit Card Statements

Comment

Credit Card procedures are not consistently followed. Of the 51 individuals charging expenses during February 2009, 5 approved their own expenditures, and 23 did not provide receipts for individual items purchased.

Recommendation

Designate an individual to assist with reviewing credit card receipts and follow-up on a monthly basis with those employees that do not submit receipts. If individuals do not submit receipts for a certain number of consecutive months, consider implementing or enforcing policies that suspend or revoke the individual's ability to use District credit cards.

Status

Partially implemented, see current year comments.

Outstanding Checks

Comment

We noted that outstanding checks not cashed for various reasons are not submitted to California through the escheat process for unclaimed funds, or otherwise addressed.

Recommendation

We recommend the District investigate the process for escheating unclaimed funds to the State of California and determine if outstanding uncleared checks to students totaling approximately $123,000, or to other vendors, if any uncashed amounts meet the criteria for requiring payment to California or should be addressed in some alternate manner.

Status

Not implemented, see current year comments.

Banked Leave, Accrued Vacation and Comp Time Reporting

Comment

We noted that the calculation of year end leave liabilities does not appear to include a provision for benefits.

Recommendation

We recommend that the calculation of year end leave liability provisions include not only the base banked leave, vacation, and comp time amounts for hours earned times current pay rate, but also include a projected estimate for benefits that will be paid based on the time that has been earned.

Status

Not implemented, see current year comments.

General Costs of Capital Projects

Comment

The District is in the early stages of a significant capital projects phase. Part of accounting for the costs of capital projects includes accumulating and allocating general overall costs to specific projects. The District is capturing these general overall costs as "operational expenses" amounting to approximately $1.3M, and program management, totaling approximately $7 million to date. These costs have been captured as overall building project costs, but have not been allocated to specific projects as projects are completed. All costs associated with a project should be included in the capitalized cost of the building and moved from a classification of construction in process to completed buildings as completed building costs are what are used to establish a depreciable cost of a building. If early projects are not allocated a share of these overall costs based on projected totals, then later projects will be picking up a disproportionally large share of these overall program costs.

Recommendation

We recognize that many of the projects are currently in process and that only the West Valley Aquatic Center and the Mission College third floor remodel projects were completed by June 30, 2009. Therefore, we do not believe that this created a significant misstatement of capital assets and depreciation expense in the current year. However, a methodology for allocating overall costs to projects as they are completed should be developed now as project completion activity is increasing. In addition, we noted that there is a transition in personnel accounting for capital asset and depreciation activity and we recommend that the District determine who these tasks will be assigned to and ensure that the individual is also aware of the need to allocate overall project costs to completed projects.

Status

Implemented.

Information Systems

Comment

Upon inquiry we were informed that the District is in process of developing a disaster recovery plan for administrative data systems.

Recommendation

We commend the district for its efforts to undertake this project and encourage completion of the plan.

Status

Implemented.

This communication is intended solely for the information and use of management, the Audit and Budget Oversight Committee, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 29, 2010

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

To the Audit and Budget Oversight Committee
West Valley-Mission Community College District

We have audited the financial statements of the business-type activities, and the aggregate discretely presented component units of West Valley-Mission Community College District for the year ended June 30, 2010. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 3, 2010. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by West Valley-Mission Community College District are described in Note 1 to the financial statements. The District did not adopt any new accounting policies and the application of existing policies was not changed during the fiscal year ended June 30, 2010. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

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Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 29, 2010.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Audit and Budget Oversight Committee and management of West Valley-Mission Community College District and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 29, 2010

WEST VALLEY MISSION COMMUNITY COLLEGE DISTRICT

SUMMARY OF AUDIT DIFFERENCES
FOR THE YEAR ENDED JUNE 30, 2010

Entity-Wide

Description of Audit Difference	Cause	W/P Ref.	Financial Statements Effects: Total Assets	Total Liabilities	Fund Balance	Net Income/Loss
Investments - County Cash	Districts do not typically adjust county cash to fair market value. GAAP requires all investments be reported at FMV. This is the difference between book value and fair market value of county cash on $199.8 million of county cash at 6/30/10	I 102	$ 944,743		$ 944,743	$ 944,743
Accounts Receivable - Students	Classification- for operational reasons refunds due to students included as negative receivables rather than reclassing to accounts payable	J109	78,069	78,069		
Accounts Receivable - Students	Student receivable ledger does not tie to general ledger by an immaterial amount	J109	(3,080)		(3,080)	(3,080)
Funded Banked Leave Liability	Forms supporting current year activity not reconciled to worksheet summarizing liability	M106		(123,437)	123,437	123,437
		Total	74,989	(45,368)	120,357	120,357
	Financial Statement Caption Totals		$ 378,692,720	$ 260,191,498	$ 118,501,222	$ 12,514,542
	Net Audit Differences as % of F/S Captions		0.02%	-0.02%	0.10%	0.96%