



WEST VALLEY-MISSION  
COMMUNITY COLLEGE DISTRICT

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ANNUAL FINANCIAL REPORT

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**JUNE 30, 2012 AND 2011**

# WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT

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JUNE 30, 2012

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***FINANCIAL SECTION***

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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 West Valley-Mission Community College District (the District) as of and for the years ended June 30, 2012 and 2011, and its discretely presented component units, Mission-West Valley Land Corporation and West Valley-Mission Community College Foundation, 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. The financial statements of the West Valley-Mission Community College Foundation and the Mission-West Valley Land Corporation were not audited in accordance with *Government Auditing Standards*, but were audited in accordance with auditing standards generally accepted in the United States of America for nongovernmental entities. 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 West Valley-Mission Community College District and its discretely presented component units as of June 30, 2012 and 2011, 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 31, 2012, 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.

*Vavinek, Trine, Day & Co LLP*

Pleasanton, California  
December 31, 2012

# **WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2012**

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### **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, 2012. 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, 2012. 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 18
- Statement of Revenues, Expenses, and Changes in Net Assets – page 19
- The Statement of Cash Flows – page 20

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.

# WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT

## MANAGEMENT’S DISCUSSION AND ANALYSIS

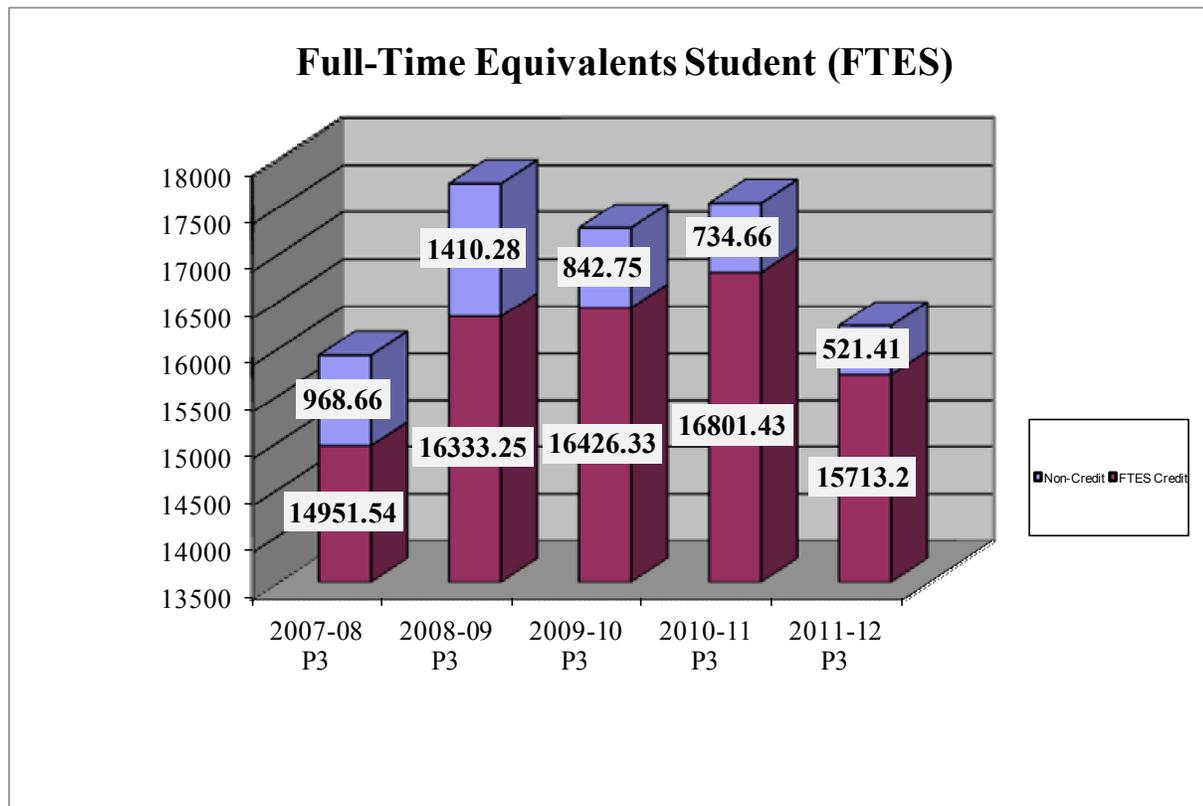
JUNE 30, 2012

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### STUDENT ATTENDANCE HIGHLIGHTS

The District reported 16,235 FTES on the CCFS-320 Annual Student Attendance Report (P-3). There was a significant decrease of 1,301 FTES compared to the previous year’s P-3 report. The decrease of FTES was due to a workload reduction of approximately 7.4 percent.

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 1,301 FTES or a decrease of 7.4 percent from FY 2010-11 to FY 2011-12.

# WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

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### FINANCIAL HIGHLIGHTS

- The District receives majority of the revenues from multiple sources: state apportionment, local property taxes, and student fees. The level of funding varies from year to year depending on the states projections. If state revenues do not materialized, the state will apply a mid-year deficit factor to reduce apportionment revenues. This can occur after the close of a fiscal year.
- During fiscal year 2011-12, student enrollment fees are \$36 per unit, and non-resident tuition fee is \$204 per unit. The foreign citizen capital outlay fee remained unchanged at \$0 per unit.
- In fiscal year 2011-12, the District had experienced mid-year triggers resulting in a workload reduction of \$1.5 million. In February, the Chancellor's Office released the P1 report for the District, which projected a deficit of \$1.4 million. The District had a shortfall of \$400,000 from non-resident tuition revenue. The Land Corporation had provided \$1.5 million to offset a portion of the deficit. The remainder of the deficit was covered by the contingency reserve and implementing a budget reduction plan.
- The District ended fiscal year 2011-12 with an Unrestricted General Fund balance of \$10.8 million. As of June 30, 2012, the Unrestricted General Fund set aside a 5 percent reserve of \$4.4 million and a contingency reserve of \$129,262. The Board of Trustees has set a goal to maintain at least a 5 percent reserve in the Unrestricted General Fund. Board policy also allows the District to set aside no more than a 3 percent contingency reserve to cover unanticipated expenditures during the year. The remainder of the fund balance has been assigned to Banked Leave Liability and various contractual obligations.
- Kaiser composite rate has increase by 2 percent compared to the rates from the prior year. Dental PPO plan rates have increased by 4 percent. Dental HMO plan rates have increased by 3 percent. Vision plan rates have increased by 17 percent. Actual costs for the medical plans are used to develop the budget for fiscal year 2011-12. The Kaiser plan is the only plan that is under the annual medical cap of \$18,050. For all employees selecting Blue Shield plan, the employees will pay the difference between the actual costs and the cap amount of \$18,050.
- Retiree medical costs 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 December, 2010, 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). The CERBT is a Section 115 Trust and is Internal Revenue Service compliant. The Board of Trustees has approved a Board resolution in fiscal year 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 purposes of pre-funding the Other Post Employment Benefit plan (OPEB). The balance in the trust account as of June 30, 2012 was \$32 million. The money from the trust fund has enabled the District to stabilize the cost of retiree benefits in the Unrestricted General Fund at \$7.8 million.
- Student financial aid provided to qualifying students throughout the District is approximately \$20 million in fiscal year 2011-12. This aid is provided through grants and loans from the Federal government, the State Chancellor's Office, and local funding.
- In November 2004, the voters approved Proposition 39, General Obligation Bond (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 District has approximately \$82 million in Measure H outstanding as of June 30, 2012.

# WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2012**

- In November 2009, the District issued Revenue Bonds, Series 2009A (Tax-Exempt), and Revenue Bonds, Series 2009A-1 (Build America Bonds). The total aggregate principal amount is \$56,120,000. The Bonds will provide funds to: finance the acquisition and/or construction of certain public capital improvements, and finance the rehabilitation of the student center at the District's West Valley campus. In connection with the completion of the Lease Project, the District expects to receive matching funds from the State. The District intends to deposit such matching State funds in a trust fund for the payment of the District's accrued post-employment benefits liability.
- In August 2011, the District issued Lease Revenues Bonds, Series 2011B (Tax-Exempt) and Lease Revenues Bonds, Series 2011C (New Clean Renewable Energy Bonds). The total aggregate principal amount is \$9,905,000. The Bonds will provide funds to finance the solar projects at Mission College and West Valley College.

### THE DISTRICT AS A WHOLE

#### NET ASSETS

**Table 1**

	6/30/2012	6/30/2011	Change	6/30/2010	Change
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and investments	\$ 36,915,090	\$ 54,279,664	\$ (17,364,574)	\$ 38,349,280	\$ 15,930,384
Restricted cash and investments	104,186,340	143,383,229	(39,196,889)	213,614,453	(70,231,224)
Accounts receivable (net)	10,516,353	20,911,622	(10,395,269)	19,441,465	1,470,157
Other current assets	373,240	6,996,601	(6,623,361)	766,778	6,229,823
Total Current Assets	<u>151,991,023</u>	<u>225,571,116</u>	<u>(73,580,093)</u>	<u>272,171,976</u>	<u>(46,600,860)</u>
<b>Non Current Assets</b>					
Other non current assets	35,849,276	20,236,946	15,612,330	2,624,226	17,612,720
Capital Assets (net of depreciation)	236,089,896	187,055,483	49,034,413	159,192,273	27,863,210
Total Assets	<u>423,930,195</u>	<u>432,863,545</u>	<u>(8,933,350)</u>	<u>433,988,475</u>	<u>(1,124,930)</u>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Accounts payable and accrued liabilities	20,134,289	22,027,384	(1,893,095)	18,589,254	3,438,130
Deferred revenue	9,328,546	10,573,427	(1,244,881)	10,547,247	26,180
Current portion of long-term obligations	3,212,235	2,940,225	272,010	2,879,506	60,719
Total Current Liabilities	<u>32,675,070</u>	<u>35,541,036</u>	<u>(2,865,966)</u>	<u>32,016,007</u>	<u>3,525,029</u>
Long-term Obligations	<u>294,414,937</u>	<u>281,065,633</u>	<u>13,349,304</u>	<u>285,674,461</u>	<u>(4,608,828)</u>
Total Liabilities	<u>327,090,007</u>	<u>316,606,669</u>	<u>10,483,338</u>	<u>317,690,468</u>	<u>(1,083,799)</u>
<b>NET ASSETS</b>					
Invested in capital assets	90,930,692	93,393,986	(2,463,294)	95,509,815	(2,115,829)
Restricted	19,746,989	15,287,923	4,459,066	23,939,601	(8,651,678)
Unrestricted	(13,837,493)	7,574,967	(21,412,460)	(3,151,409)	10,726,376
Total Net Assets	<u>\$ 96,840,188</u>	<u>\$ 116,256,876</u>	<u>\$ (19,416,688)</u>	<u>\$ 116,298,007</u>	<u>\$ (41,131)</u>

# WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2012**

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- 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 decreased by \$17 million from the prior year, due to transfers to the CalPERS irrevocable trust for Other Post Employment Benefits in 2011-12 and transfers for capital project funds to offset the cost of renovating the West Valley College Student Center.
- Restricted cash and investments decreased by \$39 million from 2009 Revenue bond proceeds and capital outlay expenditures of general obligation bonds and funding of the CalPERS irrevocable trust for Other Post Employment Benefits.
- Net accounts receivable consist mainly of receivables from state and federal grants. Receivables decreased by \$10 million due primarily to timing differences in when the State Chancellor's Office pays deferred payments to the District. The District has moved more towards a basic aid status and does not receive the same level of apportionment from the State of California as it has in the past.
- Other current assets decreased \$6 million due to a change in the accruals for other post employment benefit plan health insurance costs.
- Other noncurrent assets increased by \$15.6 million as a result of current year changes in the CalPERS irrevocable trust for Other Post Employment Benefit Plan trust funding.
- Capital assets (net of depreciation) are the historical value of land, buildings, construction in progress and equipment less depreciation. Net capital assets increased by \$49 million due to an increase to Construction in Progress for Measure H construction projects.
- Accounts payable and accrued liabilities consist mainly of payables to vendors and accrued payroll benefits. The \$1.9 million decrease 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.
- 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, and Capital Leases.
- Net assets decreased by \$19 million due to depreciation of \$8 million, funding of the CalPERS irrevocable trust for Other Post Employment Benefit Plan, and a decrease in state apportionment funding.

# WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2012**

### OPERATING RESULTS FOR THE YEAR

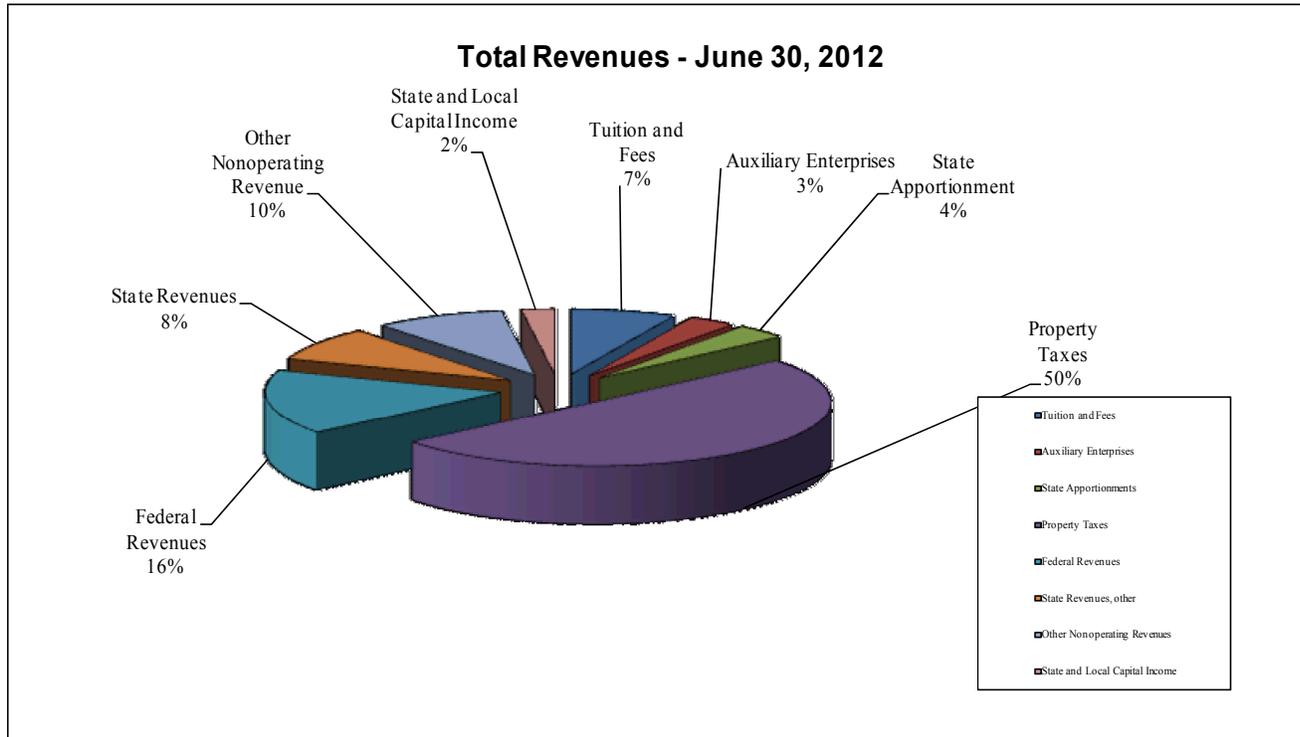
The results of this year's operations for the District as a whole are reported in the *Statement of Revenues, Expenses, and Changes in Net Assets* on page 19.

	6/30/2012	6/30/2011	Change	6/0/10	Change
Operating Revenues					
Tuition and fees	\$ 10,796,618	\$ 9,903,922	\$ 892,696	\$ 10,610,546	\$ (706,624)
Auxiliary enterprises	4,869,693	3,124,770	1,744,923	3,005,665	119,105
Total Operating Revenues	<u>15,666,311</u>	<u>13,028,692</u>	<u>2,637,619</u>	<u>13,616,211</u>	<u>(587,519)</u>
Operating Expenses					
Salaries and benefits	102,794,106	101,918,947	875,159	99,446,269	2,472,678
Other operating expenses and supplies	14,655,058	21,370,507	(6,715,449)	20,402,681	967,826
Student financial aid	20,292,554	19,944,733	347,821	15,378,217	4,566,516
Depreciation	8,147,771	6,581,291	1,566,480	6,351,361	229,930
Total Operating Expenses	<u>145,889,489</u>	<u>149,815,478</u>	<u>(3,925,989)</u>	<u>141,578,528</u>	<u>8,236,950</u>
Loss on Operations	<u>(130,223,178)</u>	<u>(136,786,786)</u>	<u>6,563,608</u>	<u>(127,962,317)</u>	<u>(8,824,469)</u>
Nonoperating Revenues					
State apportionments	5,363,873	14,838,993	(9,475,120)	11,755,907	3,083,086
Property taxes	75,962,998	74,737,447	1,225,551	77,531,048	(2,793,601)
Federal revenues	24,570,365	23,318,154	1,252,211	17,869,623	5,448,531
State revenues, other	12,679,022	11,293,586	1,385,436	13,388,616	(2,095,030)
Net interest expense	(21,010,600)	(17,723,902)	(3,286,698)	(8,087,598)	(9,636,304)
Transfers from fiduciary funds	(3,582,909)	9,090,948	(12,673,857)	-	9,090,948
Other nonoperating revenues	13,436,055	12,185,611	1,250,444	11,000,009	1,185,602
Total Nonoperating Revenue	<u>107,418,804</u>	<u>127,740,837</u>	<u>(20,322,033)</u>	<u>123,457,605</u>	<u>4,283,232</u>
Other Revenues					
State and local capital income	<u>3,387,686</u>	<u>9,004,818</u>	<u>(5,617,132)</u>	<u>14,816,039</u>	<u>(5,811,221)</u>
Net Increase in Net Assets	<u>\$ (19,416,688)</u>	<u>\$ (41,131)</u>	<u>\$ (19,375,557)</u>	<u>\$ 10,311,327</u>	<u>\$ (10,352,458)</u>

# WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

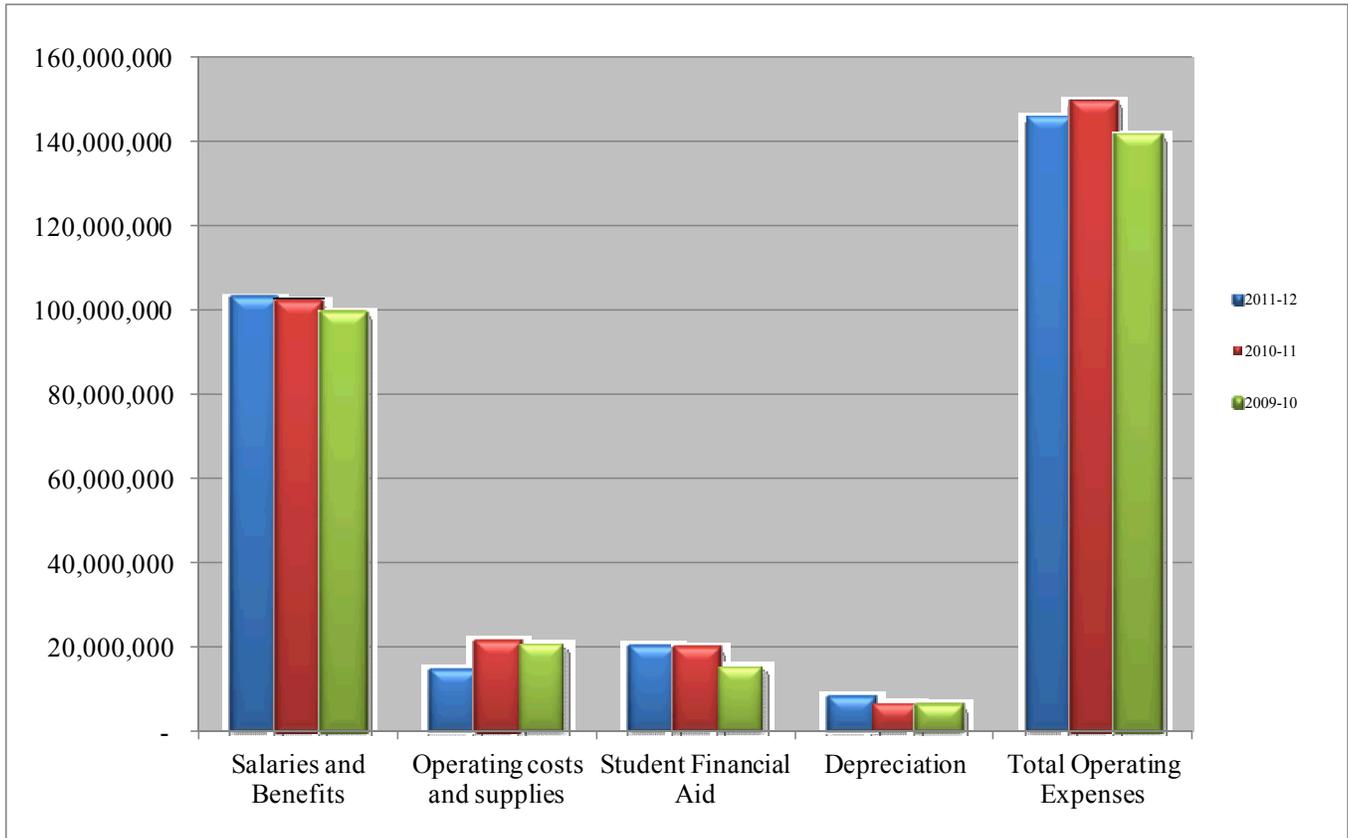


- The District's primary revenue fund is the state apportionment calculation, which is comprised of three sources of revenues: local property taxes, student enrollment fees and state apportionment. We noted an increase in property taxes levied and received from property within the county. Receipts include 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. State apportionment revenue decreased due to workload reductions.
- 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 an increase of \$2.6 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 \$1.7 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 \$3 million over the 2010-11 fiscal year due to declining interest rates throughout the year and increases in debt service payments.
- State and local construction revenue decreased by \$5.6 million due to the lack of state funding available in 2011-12.

# WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012



- The overall operating expenses for the District decreased by 3% from the previous fiscal year end.
- Salaries and benefits increased by 1% over the prior year. The increase is related to the actuarial calculations associated with the CalPERS Other Post Employment Benefit Trust.
- Operating costs and supplies decreased by \$6.9 million due to budget reductions and decrease in State capital project funding.
- Student financial aid remained relatively stable.
- The increase in depreciation expenses is due to increasing capital assets from bond projects.

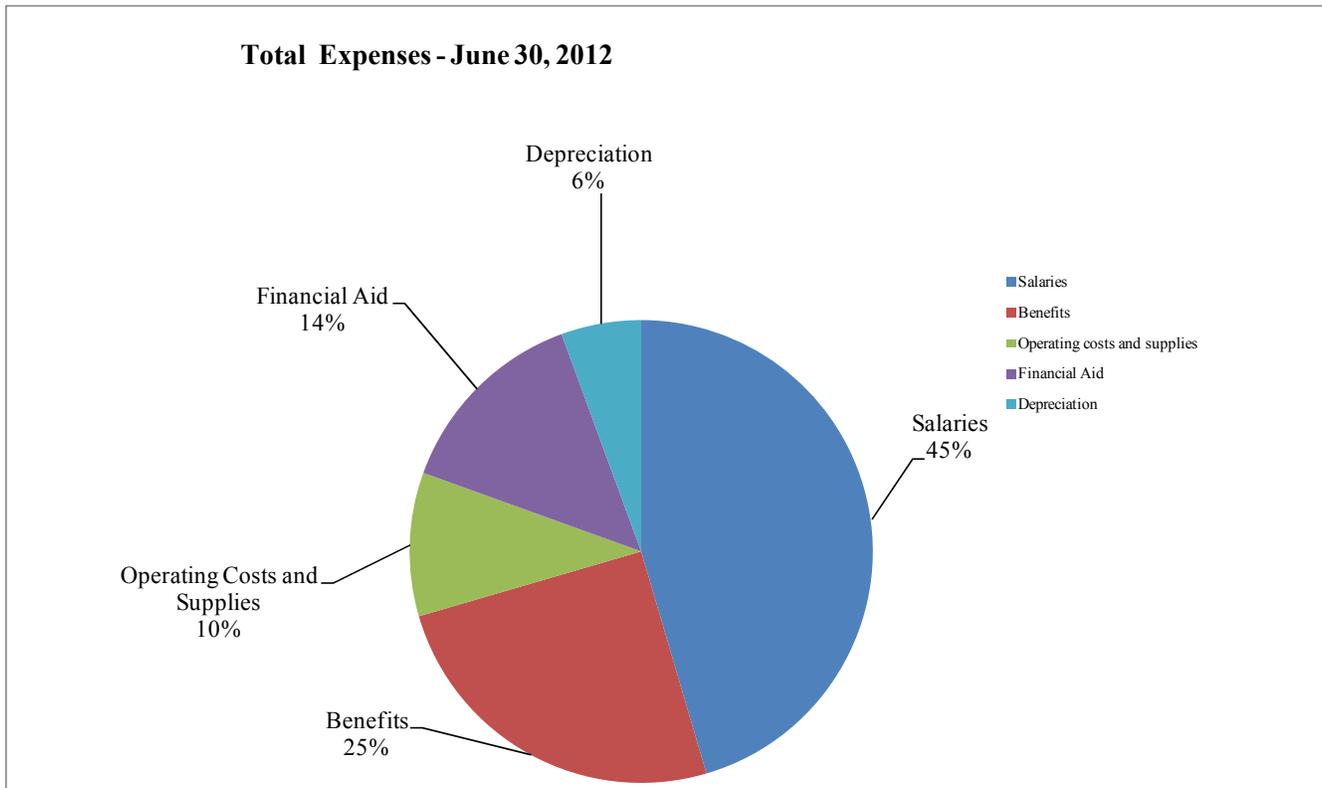
# WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2012**

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The following chart represents the District's operating expenses. The total cost of salaries and benefits accounts for 70% of the total expenditures. The other operating expenses comprise of 24% of the District expenditures, such as financial aid, instructional contracts, facilities rentals, advertising, property insurance, legal services, and many other expenses that are necessary to the operation of a college.



# WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2012**

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, 2012 for all Funds except Trust and Agency Funds are as follows:

<b>2012</b>	Salaries and Benefits	Operating Costs and Supplies	Student Financial Aid	Depreciation	Total
Instructional activities	\$ 53,807,173	\$ 1,492,525	\$ -	\$ -	\$ 55,299,698
Academic support	21,236,785	5,220,529	-	-	26,457,314
Student services	11,219,202	1,471,469	-	-	12,690,671
Plant operations and maintenance	4,491,576	3,525,500	-	-	8,017,076
Instructional support services	3,773,129	416,254	-	-	4,189,383
Community services and economic development	3,611,821	1,477,476	-	-	5,089,297
Ancillary services and auxiliary operations	4,654,420	1,051,305	-	-	5,705,725
Student aid	-	-	20,292,554	-	20,292,554
Unallocated depreciation	-	-	-	8,147,771	8,147,771
Total	<u>\$ 102,794,106</u>	<u>\$ 14,655,058</u>	<u>\$ 20,292,554</u>	<u>\$ 8,147,771</u>	<u>\$ 145,889,489</u>

Functional expenses for the year ended June 30, 2011 for all Funds except Trust and Agency Funds are as follows:

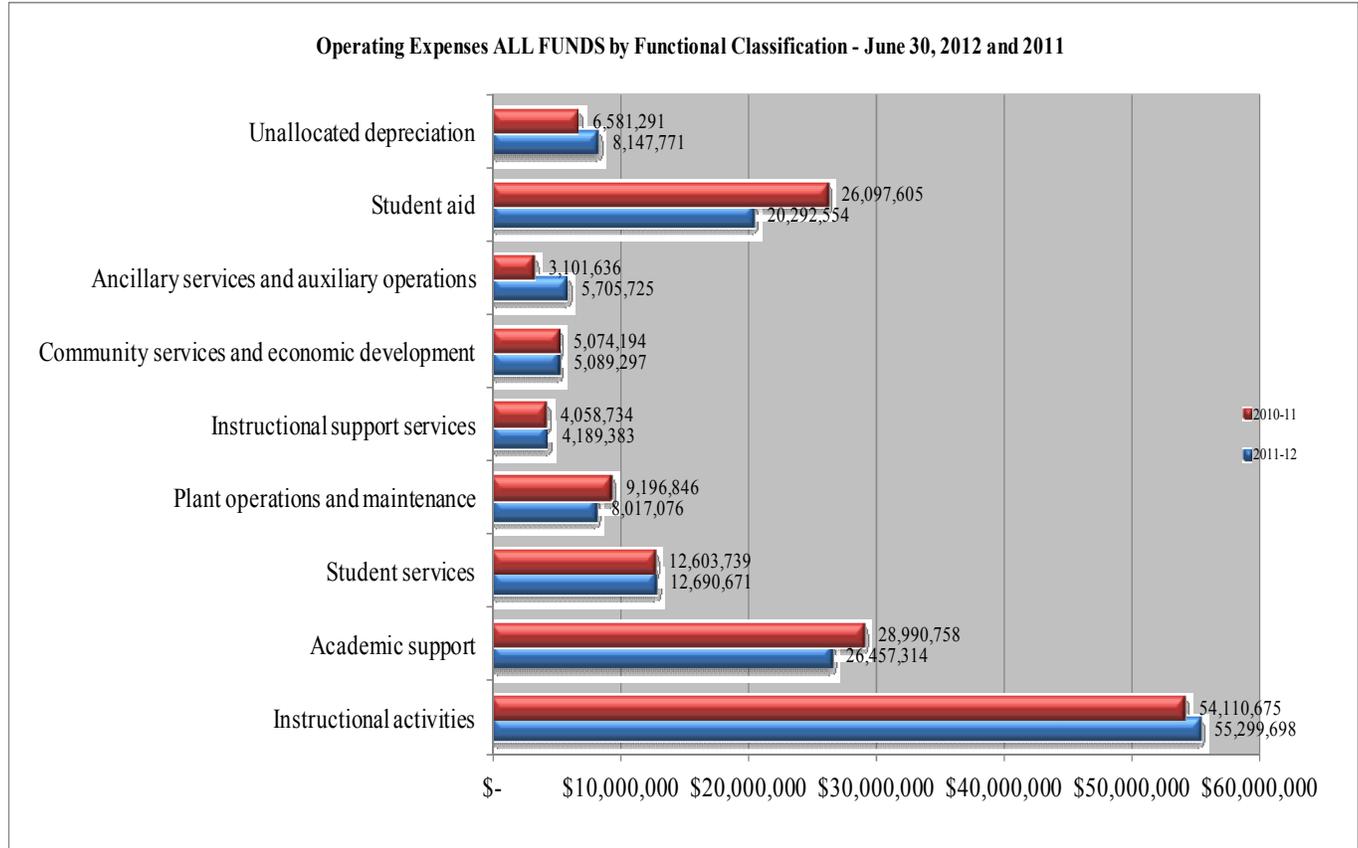
<b>2011</b>	Salaries and Benefits	Operating Costs and Supplies	Student Financial Aid	Depreciation	Total
Instructional activities	\$ 52,037,708	\$ 2,072,967	\$ -	\$ -	\$ 54,110,675
Academic support	24,138,769	4,851,989	-	-	28,990,758
Student services	10,789,577	1,814,162	-	-	12,603,739
Plant operations and maintenance	5,749,780	3,447,066	-	-	9,196,846
Instructional support services	3,661,488	397,246	-	-	4,058,734
Community services and economic development	3,349,002	1,725,192	-	-	5,074,194
Ancillary services and auxiliary operations	1,886,156	1,215,480	-	-	3,101,636
Student aid	306,467	-	25,791,138	-	26,097,605
Unallocated depreciation	-	-	-	6,581,291	6,581,291
Total	<u>\$ 101,918,947</u>	<u>\$ 15,524,102</u>	<u>\$ 25,791,138</u>	<u>\$ 6,581,291</u>	<u>\$ 149,815,478</u>

# WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT

## MANAGEMENT’S DISCUSSION AND ANALYSIS

**JUNE 30, 2012**

The Chart below compares FY 2011-2012 to FY 2010-11 as a percent of total operating expenses by functional classifications.



### CHANGES IN CASH POSITION

The Statement of Cash Flows on pages 20 and 21 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.

	6/30/2012	6/30/2011	Change	6/30/2010	Change
Cash Provided by (Used in)					
Operating activities	\$ (119,198,953)	\$ (119,623,657)	\$ 424,704	\$ (123,109,624)	\$ 3,485,967
Noncapital financing activities	105,656,579	93,412,523	12,244,056	190,751,487	(97,338,964)
Capital financing activities	(43,316,881)	(28,487,888)	(14,828,993)	(22,119,248)	(6,368,640)
Investing activities	297,792	398,182	(100,390)	496,108	(97,926)
Net Increase (Decrease) in Cash	(56,561,463)	(54,300,840)	(2,260,623)	46,018,723	(100,319,563)
Cash, Beginning of Year	197,662,893	251,963,733	(54,300,840)	205,945,010	46,018,723
Cash, End of Year	\$ 141,101,430	\$ 197,662,893	\$ (56,561,463)	\$ 251,963,733	\$ (54,300,840)

# WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2012**

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2012, the District had \$236.1 million of capital assets, including land, buildings, and furniture and equipment. At June 30, 2011, our capital assets were \$187.1 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 2012-13 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	\$ 64,012,881	\$ 58,084,485	\$ 59,241,348	\$ 62,856,018
Buildings and improvements	166,404,921	59,150,661	46,851	225,508,731
Furniture and equipment	15,265,966	475,094	1,683,075	14,057,985
Vehicles	1,513,521	261,788	-	1,775,309
Subtotal	247,197,289	117,972,028	60,971,274	304,198,043
Accumulated depreciation	60,141,806	8,147,771	181,430	68,108,147
	<u>\$ 187,055,483</u>	<u>\$ 109,824,257</u>	<u>\$ 60,789,844</u>	<u>\$ 236,089,896</u>

#### Debt Obligations

At the end of the 2011-12 fiscal year, the District had \$213.2 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	\$ 214,685,091	\$ 1,033,532	\$ 2,485,000	\$ 213,233,623
Lease revenue bonds	56,080,000	9,905,000	270,000	65,715,000
Bond premiums, net of amortization	5,953,676	276,602	572,745	5,657,533
Compensated absences	6,861,394	5,973,989	-	12,835,383
Capital leases	6,606	-	6,606	-
Supplemental early retirement plan	419,091	-	233,458	185,633
Total Long-term Obligations	<u>\$ 284,005,858</u>	<u>\$ 17,189,123</u>	<u>\$ 3,567,809</u>	<u>\$ 297,627,172</u>
Amount due within one year				<u>\$ 3,212,235</u>

# WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2012**

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### 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 2011-12 on September 4, 2011.

Within the District, 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 2012-13 on March 16, 2010. The intent of the budget priorities was to accomplish the approved goals over two fiscal years. References to Board Goals refer to those Goals approved at the Board of Trustee meeting of February 21, 2012.

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.

The 2012-13 budget was balanced with Land Corporation stability funding, bargaining concessions, and budget reductions. The District continues to maintain a prudent unrestricted general fund reserve of 5 percent and a board contingency reserve of no more than 3 percent.

# **WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2012**

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### **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.

Using the authority provided by the voters through Proposition 25 (November, 2010), the Legislature passed the 2011-12 Budget Act (SB 87) with a simple majority rather than the 2/3rds vote that had been required for the past several decades. The plan solves what was identified in January as a \$26.6 billion gap through major program reductions, borrowing and transfers, and an assumption of major revenue gains beyond what had been estimated in January. The final budget assumes General Fund expenditures of \$85.9 billion, a decrease of \$5.5 billion from fiscal year 2010-11.

Although there were mid-year triggers and ongoing State deferrals, the District did not have a cash flow constraint during fiscal year 2011-12. However, the District will continue to monitor cash on a monthly basis during fiscal year 2012-13.

### **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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Ngoc Chim

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WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT

STATEMENTS OF NET ASSETS – PRIMARY GOVERNMENT  
 JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 36,915,090	\$ 54,279,664
Restricted cash and cash equivalents	104,186,340	143,383,229
Accounts receivables, (net)	10,516,353	20,911,622
Due from fiduciary funds	-	6,639,652
Prepaid expenses - current portion	155,560	146,349
Deferred charges	217,680	210,600
<b>Total Current Assets</b>	<u>151,991,023</u>	<u>225,571,116</u>
<b>Noncurrent Assets</b>		
Deferred charges - noncurrent portion	2,180,213	2,413,626
Prepaid OPEB contribution	33,669,063	17,823,320
Nondepreciable capital assets	62,856,018	64,012,881
Depreciable capital assets, net of depreciation	173,233,878	123,042,602
<b>Total Noncurrent Assets</b>	<u>271,939,172</u>	<u>207,292,429</u>
<b>TOTAL ASSETS</b>	<u>423,930,195</u>	<u>432,863,545</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	11,409,581	15,208,194
Interest payable, unrestricted	6,820,413	6,819,190
Due to fiduciary funds	1,904,295	-
Deferred revenue	9,328,546	10,573,427
Lease obligations - current portion	-	6,606
Bonds and notes payable - current portion	2,453,857	2,127,416
Other long-term liabilities - current portion	758,378	806,203
<b>Total Current Liabilities</b>	<u>32,675,070</u>	<u>35,541,036</u>
<b>Noncurrent Liabilities</b>		
Compensated absences payable - noncurrent portion	12,835,383	6,861,393
Bonds and notes payable - noncurrent portion	276,494,766	268,637,676
Other long-term liabilities - noncurrent portion	5,084,788	5,566,564
<b>Total Noncurrent Liabilities</b>	<u>294,414,937</u>	<u>281,065,633</u>
<b>TOTAL LIABILITIES</b>	<u>327,090,007</u>	<u>316,606,669</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	90,930,692	93,393,986
Restricted for:		
Debt service	15,912,204	11,010,331
Capital projects	1,708,533	1,509,723
Educational programs	2,089,902	2,755,928
Other activities	36,350	11,941
Unrestricted	(13,837,493)	7,574,967
<b>TOTAL NET ASSETS</b>	<u>\$ 96,840,188</u>	<u>\$ 116,256,876</u>

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, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>OPERATING REVENUES</b>		
Student Tuition and Fees	\$ 16,792,537	\$ 13,945,505
Less: Scholarship discount and allowance	(5,995,919)	(4,041,583)
Net tuition and fees	10,796,618	9,903,922
Auxiliary Enterprises	4,869,693	3,124,770
<b>TOTAL OPERATING REVENUES</b>	<u>15,666,311</u>	<u>13,028,692</u>
<b>OPERATING EXPENSES</b>		
Salaries	66,320,895	66,782,330
Employee benefits	36,473,211	35,136,617
Operating costs and supplies	14,655,058	21,370,507
Student financial aid	20,292,554	19,944,733
Depreciation	8,147,771	6,581,291
<b>TOTAL OPERATING EXPENSES</b>	<u>145,889,489</u>	<u>149,815,478</u>
<b>OPERATING LOSS</b>	<u>(130,223,178)</u>	<u>(136,786,786)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State apportionments, noncapital	5,363,873	14,838,993
Local property taxes, levied for general purposes	64,993,295	63,959,097
Taxes levied for other specific purposes	10,969,703	10,778,350
Federal revenues	24,570,365	23,318,154
State revenues, other	12,679,022	11,293,586
Investment income	297,792	367,760
Interest expense on capital related debt	(21,610,685)	(18,381,557)
Interest income on capital asset-related debt	302,293	289,895
Transfer from agency funds	11,349,090	9,090,948
Transfer to agency funds	(14,931,999)	-
Local grants and other nonoperating revenue	13,436,055	12,185,611
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>107,418,804</u>	<u>127,740,837</u>
<b>INCOME BEFORE OTHER REVENUES AND EXPENSES</b>	<u>(22,804,374)</u>	<u>(9,045,949)</u>
State revenues, capital	3,387,686	9,004,818
<b>CHANGE IN NET ASSETS</b>	<u>(19,416,688)</u>	<u>(41,131)</u>
<b>NET ASSETS, BEGINNING OF YEAR</b>	116,256,876	116,298,007
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 96,840,188</u>	<u>\$ 116,256,876</u>

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, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees	\$ 11,464,081	\$ 11,540,186
Payments to students for scholarships and grants	(20,641,184)	(20,129,818)
Payments to or on behalf of employees	(99,684,505)	(99,835,510)
Payments to vendors for supplies and services	(15,207,038)	(14,323,285)
Auxiliary enterprise sales and charges:	4,869,693	3,124,770
<b>Net Cash Flows Used By Operating Activities</b>	<u>(119,198,953)</u>	<u>(119,623,657)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State apportionments	7,746,392	13,320,627
Property taxes - nondebt related	64,993,295	63,959,097
Federal grants and contracts	22,933,963	24,858,146
State grants and contracts	14,974,594	9,165,273
Other nonoperating	17,424,851	(67,300)
Contribution to OPEB trust	(22,416,516)	(17,823,320)
<b>Net Cash Flows From Noncapital Financing Activities</b>	<u>105,656,579</u>	<u>93,412,523</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Purchase of capital assets	(46,255,953)	(34,444,501)
State revenue, capital projects	5,156,862	13,826,507
Property taxes - related to capital debt	10,969,703	10,778,350
Proceeds from capital debt	10,181,602	-
Principal paid on capital debt	(2,995,064)	(2,332,956)
Interest paid on capital debt	(20,417,433)	(16,605,183)
Issuance costs on capital debt	(176,980)	-
Interest received on capital asset-related debt	220,382	289,895
<b>Net Cash Flows Used Capital Financing Activities</b>	<u>(43,316,881)</u>	<u>(28,487,888)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received from investments	297,792	398,182
<b>Net Cash Flows From Investing Activities</b>	<u>297,792</u>	<u>398,182</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	(56,561,463)	(54,300,840)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>197,662,893</u>	<u>251,963,733</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 141,101,430</u></u>	<u><u>\$ 197,662,893</u></u>

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

**WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT**

**STATEMENTS OF CASH FLOWS – PRIMARY GOVERNMENT, Continued  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating Loss	<u>\$ (130,223,178)</u>	<u>\$ (136,786,786)</u>
Adjustments to Reconcile Operating Loss to Net Flows from Operating Activities:		
Depreciation and amortization expense	8,147,771	6,581,291
Changes in Assets and Liabilities:		
Accounts receivables, net	959,577	3,042,855
Prepaid expenses	(9,211)	409,829
Accounts payable and accrued liabilities	2,218,202	8,147,433
Deferred revenue	<u>(292,114)</u>	<u>(1,018,279)</u>
Total Adjustments	<u>11,024,225</u>	<u>17,163,129</u>
<b>Net Cash Flows Used By Operating Activities</b>	<u><u>\$ (119,198,953)</u></u>	<u><u>\$ (119,623,657)</u></u>
 <b>CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:</b>		
Cash in banks	\$ 36,915,090	\$ 54,279,664
Cash equivalents, restricted	104,186,340	143,383,229
<b>Total Cash and Cash Equivalents</b>	<u><u>\$ 141,101,430</u></u>	<u><u>\$ 197,662,893</u></u>
 <b>NON CASH TRANSACTIONS</b>		
On behalf payments for benefits	<u><u>\$ 2,033,321</u></u>	<u><u>\$ 1,777,092</u></u>

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

**WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT**

**STATEMENTS OF FIDUCIARY NET ASSETS  
JUNE 30, 2012 AND 2011**

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	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,492,282	\$ 14,679,475
Investments	32,536,033	26,963,341
Accounts receivable, net	135,485	153,560
<b>Total Assets</b>	<u>\$ 35,163,800</u>	<u>\$ 41,796,376</u>
 <b>LIABILITIES</b>		
Accounts payable	\$ 1,556,090	\$ 7,339,328
Deferred revenue	14,297	234,942
<b>Total Liabilities</b>	<u>1,570,387</u>	<u>7,574,270</u>
 <b>NET ASSETS</b>		
Unreserved	33,593,413	34,222,106
<b>Total Net Assets and Liabilities</b>	<u>\$ 35,163,800</u>	<u>\$ 41,796,376</u>

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, 2012 AND 2011**

	<b>Trust</b>	
	<b>2012</b>	<b>2011</b>
<b>ADDITIONS</b>		
Federal revenues	\$ -	\$ 1,315,370
State revenues	1,753,346	1,519,617
Local revenues	1,986,584	955,762
<b>Total Additions</b>	<b>3,739,930</b>	<b>3,790,749</b>
<b>DEDUCTIONS</b>		
Classified salaries	1,003,224	657,514
Employee benefits	582,679	202,448
Books and supplies	152,670	104,183
Services and operating expenditures	1,871,408	1,711,454
Capital outlay	8,011	21,687
<b>Total Deductions</b>	<b>3,617,992</b>	<b>2,697,286</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Operating transfers in	14,931,999	39,518,776
Operating transfers out	(11,349,090)	(9,091,248)
Other uses	(4,333,540)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(750,631)</b>	<b>30,427,528</b>
<b>Change in Net Assets</b>	<b>(628,693)</b>	<b>31,520,991</b>
<b>Net Assets - Beginning</b>	<b>34,222,106</b>	<b>2,701,115</b>
<b>Net Assets - Ending</b>	<b>\$ 33,593,413</b>	<b>\$ 34,222,106</b>

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, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 8,379,096	\$ 8,571,440
Interest receivable	7,802	10,817
<b>Total Current Assets</b>	<u>8,386,898</u>	<u>8,582,257</u>
<b>NONCURRENT ASSETS</b>		
Restricted cash - security deposits held	550,000	550,000
Land	16,702	16,702
Lease commissions - net	622,733	637,710
<b>Total Noncurrent Assets</b>	<u>1,189,435</u>	<u>1,204,412</u>
<b>TOTAL ASSETS</b>	<u>\$ 9,576,333</u>	<u>\$ 9,786,669</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 642,550	\$ 377,713
Deferred revenue	186,264	90,487
<b>Total Current Liabilities</b>	<u>828,814</u>	<u>468,200</u>
<b>NONCURRENT LIABILITIES</b>		
Refundable security deposits	550,000	550,000
<b>Total Noncurrent Liabilities</b>	<u>550,000</u>	<u>550,000</u>
<b>TOTAL LIABILITIES</b>	<u>1,378,814</u>	<u>1,018,200</u>
<b>NET ASSETS</b>		
Unrestricted	8,197,519	8,768,469
<b>Total Net Assets</b>	<u>8,197,519</u>	<u>8,768,469</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 9,576,333</u>	<u>\$ 9,786,669</u>

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 ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

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<b>UNRESTRICTED</b>	<b>2012</b>	<b>2011</b>
<b>REVENUES</b>		
Rental income	\$ 3,840,888	\$ 4,232,005
Interest income	34,921	42,045
<b>Total Revenues</b>	<b>3,875,809</b>	<b>4,274,050</b>
<b>EXPENSES</b>		
Operating expenses	3,327,345	2,125,631
Amortization of commisions	14,977	14,977
Legal	44,022	65,756
Rent	960,222	1,058,001
Contracted services	83,500	78,000
Audit fees	11,550	11,300
Financial services	4,928	5,513
Office supplies & expense	215	494
<b>Total Expenses</b>	<b>4,446,759</b>	<b>3,359,178</b>
<b>CHANGE IN NET ASSETS</b>	<b>(570,950)</b>	<b>914,378</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>8,768,469</b>	<b>7,854,091</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 8,197,519</b>	<b>\$ 8,768,469</b>

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, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (570,950)	\$ 914,378
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
Interest receivable	3,015	(359)
Increase (decrease) in		
Accounts payable	264,837	(298,080)
Accrued expenses	95,777	1,579
<b>Net Cash Flows From (Used) Operating Activities</b>	<u>(192,344)</u>	<u>635,614</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from refundable security deposits	-	350,000
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(192,344)	985,614
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>9,121,440</u>	<u>8,135,826</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 8,929,096</u>	<u>\$ 9,121,440</u>

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

**WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT**

**DISCRETELY PRESENTED COMPONENT UNIT  
WEST VALLEY MISSION COMMUNITY COLLEGE FOUNDATION  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2012 AND 2011**

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ASSETS	2012	2011
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,745,553	\$ 2,471,366
Investments	6,250,952	5,720,927
Accounts receivable	64,265	13,901
Charitable remainder trust	845,042	927,252
Other assets	282,431	282,431
Total Assets	<u>\$ 9,188,243</u>	<u>\$ 9,415,877</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 53,200	\$ 6,046
Total Liabilities	<u>53,200</u>	<u>6,046</u>
<b>NET ASSETS</b>		
Unrestricted	(207,233)	305,388
Temporarily restricted	1,649,635	2,171,297
Permanently restricted	7,692,641	6,933,146
Total Net Assets	<u>9,135,043</u>	<u>9,409,831</u>
Total Liabilities and Net Assets	<u>\$ 9,188,243</u>	<u>\$ 9,415,877</u>

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

**WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT**

**DISCRETELY PRESENTED COMPONENT UNIT  
WEST VALLEY MISSION COMMUNITY COLLEGE FOUNDATION  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

	2012				2011
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<b>REVENUES</b>					
Donations	\$ 6,847	\$ 331,891	\$ 208,015	\$ 546,753	\$ 1,223,061
In kind donations	223,786	74,463	-	298,249	326,502
Event income	81,282	-	-	81,282	54,809
Interest income	-	92,065	-	92,065	134,469
Investment income	-	(153,089)	-	(153,089)	840,253
Other income	3,905	-	-	3,905	50,496
Satisfaction of program restrictions	315,512	(866,992)	551,480	-	-
Total Revenues	<u>631,332</u>	<u>(521,662)</u>	<u>759,495</u>	<u>869,165</u>	<u>2,629,590</u>
<b>EXPENSES</b>					
Program services	910,964	-	-	910,964	744,846
Management and general	232,989	-	-	232,989	209,531
Total Expenses	<u>1,143,953</u>	<u>-</u>	<u>-</u>	<u>1,143,953</u>	<u>954,377</u>
CHANGE IN NET ASSETS	(512,621)	(521,662)	759,495	(274,788)	1,675,213
NET ASSETS, BEGINNING OF YEAR	<u>305,388</u>	<u>2,171,297</u>	<u>6,933,146</u>	<u>9,409,831</u>	<u>7,734,618</u>
NET ASSETS, END OF YEAR	<u>\$ (207,233)</u>	<u>\$ 1,649,635</u>	<u>\$ 7,692,641</u>	<u>\$ 9,135,043</u>	<u>\$ 9,409,831</u>

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

**WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT**

**DISCRETELY PRESENTED COMPONENT UNIT  
WEST VALLEY MISSION COMMUNITY COLLEGE FOUNDATION  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

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	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (274,788)	\$ 1,675,213
Gains/losses on investments	153,089	(840,253)
Adjustments to reconcile change in net assets to net cash provided by operations		
Increase in accounts receivable	(50,364)	(8,901)
Increase in promises to give	-	(21,512)
Decrease in accounts payable	47,154	(193,589)
Net Cash Provided (Used) by Operating Activities	<u>(124,909)</u>	<u>610,958</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net Proceeds from investments	<u>(600,904)</u>	<u>140,929</u>
 <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	 (725,813)	 751,887
 <b>CASH AND CASH EQUIVALENTS, Beginning of Year</b>	 <u>2,471,366</u>	 <u>1,719,479</u>
 <b>CASH AND CASH EQUIVALENTS, End of Year</b>	 <u>\$ 1,745,553</u>	 <u>\$ 2,471,366</u>

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

# WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

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### **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 is a comprehensive, public, two-year institution offering 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 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
- West Valley-Mission Community Colleges Foundation
- Mission College Center for Innovation and Technology

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.

# WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2012 AND 2011**

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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.

The *West Valley-Mission Community Colleges Foundation* (the Foundation) is a non-profit organization under IRS Code Section 501(c)(3). The Foundation 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. It is dedicated to providing assistance to the students, teachers, and programs of the West Valley and Mission Colleges. The financial activity of the Foundation is reported as a separate discretely presented component unit. Individually-prepared financial statements can be obtained from District Business Office.

The *Mission College Center for Innovation and Technology* (the Center) is a non-profit organization under IRS Code Section 501(c)(3). The Foundation does not meet 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. It is dedicated to providing assistance to the students, teachers, and programs of the West Valley and Mission Colleges. The financial activity of the Center is not included in this report. 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. The significant accounting policies followed by the District in preparing these financial statement are in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office *Budget and Accounting Manual*. 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 Federal and State grants, entitlements, and donations. 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. Revenue from Federal and State grants and entitlements are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements may include time and or purpose requirements.

# WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2012 AND 2011**

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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 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**

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held at June 30, 2012 and 2011, are stated at fair value. Fair value is estimated based on quoted market prices at year-end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at a time of purchase.

### **Restricted Assets**

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by enabling legislation. Restricted assets represented investments required by debt covenants to be set aside by the District for the purpose of satisfying certain requirements of the bonded debt.

# WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2012 AND 2011**

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### **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 \$516,501 and \$673,650, respectively, as of June 30, 2012 and 2011.

### **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, land improvements, and equipment. The District maintains an initial unit cost capitalization threshold of \$100,000 for land and buildings, \$50,000 for land improvements and building improvements and \$5,000 for equipment and an estimated useful life greater than one year. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. The District does not possess any infrastructure. Donated capital assets are recorded at estimated fair market value at the date of donation. Improvements are capitalized; the costs of routine maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged as an operating expense in the year in which the expense was incurred. 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; building improvements, 25 years, land improvements, 20 years; and equipment, 8 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**

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method.

# WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

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### 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, retirement 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. Retirement credit for unused sick leave is applicable to all academic 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.

### Noncurrent Liabilities

Noncurrent liabilities include bonds and notes payable, compensated absences, capital lease obligation and OPEB obligations with maturities greater than one year.

# WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

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### Net Assets

GASB Statements No. 34 and No. 35 report equity as "Net Assets" and represents the difference between assets and liabilities. 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. To the extent debt has been incurred, but not yet expended for capital assets, such accounts are not included as a component invested in capital assets – net of related debts.

**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.

### 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 certain District property. 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.

# WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

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### **Board of Governors Grants (BOGG) and Fee Waivers**

Student tuition and fee revenue is reported net of allowances and fee waivers approved by the Board of Governors through BOGG fee waivers in the Statement of Revenues, Expenses, 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 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, 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, 2012 and 2011, the District distributed \$1,637,177 and \$1,648,450, respectively, in direct lending through the U.S. Department of Education. These amounts have 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.

### **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 revenue 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 California Department of Education has issued a fiscal advisory instructing districts not to record the revenue and expenditures for the on behalf payments within the funds and account of a district. The amount of the on behalf payments made for the District for the year ended June 30, 2012, was \$2,033,321 for CalSTRS and \$0 for CalPERS. Refer to Note 12 for additional information regarding the CalSTRS and CalPERS on behalf payments. These amounts are reflected in the District's audited financial statements.

### **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.

### **Reclassifications**

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

# WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

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### **Component Units – Mission West Valley Land Corporation and West Valley-Mission Community Colleges Foundation 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 November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of GASB Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. For component units that currently are blended, based on the "substantively the same governing body" criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility (as defined in paragraph 8a) for the activities of the component unit. New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government. Lastly, additional reporting guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting.

This Statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Early implementation is encouraged.

# WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2012 AND 2011**

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In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier implementation is encouraged.

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Concepts Statement No. 4 introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement No. 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement No. 4.

This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier implementation is encouraged.

# WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2012 AND 2011**

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In March 2012, GASB issued Statement No. 66, *Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, GASB Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

This Statement amends GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the General Fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in GASB Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

This Statement also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply GASB Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier implementation is encouraged.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by State and local governments for pensions. It also improves information provided by State and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of GASB Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

GASB Statement No. 67, *Financial Reporting for Pension Plans*, revises existing standards of financial reporting for most pension plans. This Statement and Statement No. 67 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement - determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due.

# WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2012 AND 2011**

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The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of State and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.

Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.

Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

This Statement is effective for fiscal years beginning after June 15, 2014. Earlier implementation is encouraged.

### **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 (ESC) 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.

**WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012 AND 2011**

**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 District deposits and investments**

Deposits and investments as of June 30, 2012, are classified in the accompanying financial statements as follows:

Total business-type activities	\$ 141,101,430
Fiduciary	35,028,315
Total Deposits and Investments	<u><u>\$ 176,129,745</u></u>

**WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011**

Deposits and investments as of June 30, 2012, consist of the following:

Cash on hand and in banks	\$ 1,673,000
Investments	174,456,745
Total Deposits and Investments	<u><u>\$ 176,129,745</u></u>

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by 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
U.S. Treasuries	\$ 10,961,927	0.14
CalPers	32,536,033	1.00
County Pool	130,958,785	1.24
Total	<u><u>\$ 174,456,745</u></u>	

**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, 2012.

Investment Type	Fair Value	Not Required To Be Rated	Rating as of Year End	
			Aaa	Unrated
U.S. Treasuries	\$ 10,961,927	\$ -	\$ 10,961,927	\$ -
CalPers	32,536,033	32,536,033	-	32,536,033
County Pool	130,958,785	130,958,785	-	130,958,785
Total	<u><u>\$ 174,456,745</u></u>	<u><u>\$ 163,494,818</u></u>	<u><u>\$ 10,961,927</u></u>	<u><u>\$ 163,494,818</u></u>

**WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011**

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**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, 2012, approximately \$450,000 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.

	<u>2012</u>	<u>2011</u>
Federal Government		
Categorical aid	\$ 2,173,561	\$ 520,541
State Government		
Apportionment	896,078	3,277,351
Categorical aid	679,659	2,998,233
Lottery	1,209,671	1,170,866
Other state sources	202,703	6,870
State construction grants	313,344	2,185,341
Local Government		
Interest	180,231	98,320
Student receivables	1,754,420	2,713,997
Other local sources	3,106,686	7,940,103
Total	<u>\$ 10,516,353</u>	<u>\$ 20,911,622</u>
Student receivables	\$ 2,270,921	\$ 3,387,647
Less allowance for bad debt	<u>(516,501)</u>	<u>(673,650)</u>
Student receivables, net	<u>\$ 1,754,420</u>	<u>\$ 2,713,997</u>

**Discretely Presented Component Unit**

The Mission-West Valley Land Corporation's accounts receivable are interest receivable.

**WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011**

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the District for the fiscal year ended June 30, 2012, was as follows:

**2012**

	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	61,962,054	58,084,485	59,241,348	60,805,191
Total Capital Assets Not Being Depreciated	<u>64,012,881</u>	<u>58,084,485</u>	<u>59,241,348</u>	<u>62,856,018</u>
Capital Assets Being Depreciated				
Land improvements	14,833,892	23,292,509	-	38,126,401
Buildings and improvements	151,571,029	35,858,152	46,851	187,382,330
Furniture and equipment	15,265,966	475,094	1,683,075	14,057,985
Vehicles	1,513,521	261,788	-	1,775,309
Total Capital Assets Being Depreciated	<u>183,184,408</u>	<u>59,887,543</u>	<u>1,729,926</u>	<u>241,342,025</u>
Total Capital Assets	<u>247,197,289</u>	<u>117,972,028</u>	<u>60,971,274</u>	<u>304,198,043</u>
Less Accumulated Depreciation				
Land improvements	7,158,546	1,603,383	-	8,761,929
Buildings and improvements	45,021,061	5,269,379	13,123	50,277,317
Furniture and equipment	6,929,002	1,120,139	168,307	7,880,834
Vehicles	1,033,197	154,870	-	1,188,067
Total Accumulated Depreciation	<u>60,141,806</u>	<u>8,147,771</u>	<u>181,430</u>	<u>68,108,147</u>
Net Capital Assets	<u>\$ 187,055,483</u>	<u>\$ 109,824,257</u>	<u>\$ 60,789,844</u>	<u>\$ 236,089,896</u>

Depreciation expense for the year was \$8,147,771.

**WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011**

Capital asset activity for the District for the fiscal year ended June 30, 2011, was as follows:

**2011**

	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	31,020,227	38,016,997	7,075,170	61,962,054
Total Capital Assets Not Being Depreciated	<u>33,071,054</u>	<u>38,016,997</u>	<u>7,075,170</u>	<u>64,012,881</u>
Capital Assets Being Depreciated				
Land improvements	13,447,692	1,386,200	-	14,833,892
Buildings and improvements	151,722,374	-	151,345	151,571,029
Furniture and equipment	13,295,835	1,970,131	-	15,265,966
Vehicles	1,427,438	146,343	60,260	1,513,521
Total Capital Assets Being Depreciated	<u>179,893,339</u>	<u>3,502,674</u>	<u>211,605</u>	<u>183,184,408</u>
Total Capital Assets	<u>212,964,393</u>	<u>41,519,671</u>	<u>7,286,775</u>	<u>247,197,289</u>
Less Accumulated Depreciation				
Land improvements	6,713,154	445,392	-	7,158,546
Buildings and improvements	40,618,315	4,554,091	151,345	45,021,061
Furniture and equipment	5,423,740	1,505,262	-	6,929,002
Vehicles	1,016,911	76,546	60,260	1,033,197
Total Accumulated Depreciation	<u>53,772,120</u>	<u>6,581,291</u>	<u>211,605</u>	<u>60,141,806</u>
Net Capital Assets	<u>\$ 159,192,273</u>	<u>\$ 34,938,380</u>	<u>\$ 7,075,170</u>	<u>\$ 187,055,483</u>

Depreciation expense for the year was \$6,581,291.

**Discretely Presented Component Unit**

As of June 30, 2012 and 2011, the Mission-West Valley Land Corporation owned land with a historical cost of \$16,702.

**WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011**

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**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 within governmental funds have been eliminated through consolidation within the entity-wide financial statements. During the 2011-12 fiscal year the amount transferred to/from the fiduciary funds from the primary government funds totaled to \$14,931,999, and \$11,349,090.

**NOTE 7 - ACCOUNTS PAYABLE**

Accounts payable for the District consisted of the following:

	Primary Government	
	2012	2011
Accrued payroll benefits	\$ 300,177	\$ 12,753,923
Apportionment	381,185	379,939
Construction project related vendors	9,741,486	545,181
Vendor	986,733	1,529,151
Total	\$ 11,409,581	\$ 15,208,194

**Discretely Presented Component Unit**

The accounts payable of Mission-West Valley Land Corporation and the West Valley-Mission Community College District Foundation consisted primarily of amounts owed to vendors for supplies and services.

**NOTE 8 - DEFERRED REVENUE**

Deferred revenue consisted of the following:

	Primary Government	
	2012	2011
Federal financial assistance	\$ 71,606	\$ 54,987
State categorical aid	2,014,547	1,802,731
Enrollment fees	6,115,177	6,407,291
Capital projects	98,700	201,521
Other local	1,028,516	2,106,897
Total	\$ 9,328,546	\$ 10,573,427

**WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011**

	Fiduciary Funds	
	2012	2011
State categorical aid	\$ 6,103	\$ -
Other	8,194	234,942
Total	<u>\$ 14,297</u>	<u>\$ 234,942</u>

**NOTE 9 - LONG-TERM OBLIGATIONS**

**Long-term Obligations Summary**

The changes in the District's long-term obligations during the 2012 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	\$ 214,685,091	\$ -	\$ 1,033,532	\$ 2,485,000	\$ 213,233,623	\$ 2,173,857
Revenue bonds	56,080,000	9,905,000	-	270,000	65,715,000	280,000
Premiums, net	5,953,676	276,602	-	572,745	5,657,533	572,745
Total Bonds and Notes Payable	<u>276,718,767</u>	<u>10,181,602</u>	<u>1,033,532</u>	<u>3,327,745</u>	<u>284,606,156</u>	<u>3,026,602</u>
Other Liabilities						
Compensated absences	6,861,394	5,973,989	-	-	12,835,383	-
Capital leases	6,606	-	-	6,606	-	-
Supplemental early retirement	419,091	-	-	233,458	185,633	185,633
Total Other Liabilities	<u>7,287,091</u>	<u>5,973,989</u>	<u>-</u>	<u>240,064</u>	<u>13,021,016</u>	<u>185,633</u>
Total Long-term Obligations	<u>\$ 284,005,858</u>	<u>\$ 16,155,591</u>	<u>\$ 1,033,532</u>	<u>\$ 3,567,809</u>	<u>\$ 297,627,172</u>	<u>\$ 3,212,235</u>

**WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012 AND 2011**

The changes in the District's long-term obligations during the 2011 fiscal year consisted of the following:

	Balance Beginning of Year	Additions	Accretions	Deductions	Balance End of Year	Due in One Year
<b>Bonds and Notes Payable</b>						
General obligation bonds	\$ 215,807,892	\$ -	\$ 1,117,199	\$ 2,240,000	\$ 214,685,091	\$ 2,087,416
Revenue bonds	56,120,000	-	-	40,000	56,080,000	40,000
Premiums, net	6,526,421	-	-	572,745	5,953,676	572,745
Total Bonds and Notes Payable	278,454,313	-	1,117,199	2,852,745	276,718,767	2,700,161
<b>Other Liabilities</b>						
Compensated absences	5,630,791	1,230,603	-	-	6,861,394	-
Capital leases	59,562	-	-	52,956	6,606	6,606
Supplemental early retirement	652,549	-	-	233,458	419,091	233,458
Total Other Liabilities	6,342,902	1,230,603	-	286,414	7,287,091	240,064
<b>Total Long-term Obligations</b>	<b>\$ 284,797,215</b>	<b>\$ 1,230,603</b>	<b>\$ 1,117,199</b>	<b>\$ 3,139,159</b>	<b>\$ 284,005,858</b>	<b>\$ 2,940,225</b>

**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 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 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.

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, 2012, \$235,000,000 had been issued and \$213,233,623 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, \$1,120,000 for the West Valley Student Center, and in October 2011 for \$9,905,000 for solar projects. Interest rates on the bonds range from 2.00 percent to 8.253 percent and will be partially offset by federal subsidies under the Build America Bond program.

**WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011**

**Debt Maturity**

**General Obligation Bonds**

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds
				Outstanding June 30, 2011	Accretion	Redeemed	Outstanding June 30, 2012
5/4/2006	8/1/2030	4.00%-5.00%	\$ 100,000,000	\$ 79,630,000	\$ -	\$ 635,000	\$ 78,995,000
5/19/09	8/1/2019	5.00%	14,184,692	14,240,091	1,033,532	1,850,000	13,423,623
5/19/09	8/1/2035	1.83%-4.21%	120,815,000	120,815,000	-	-	120,815,000
				<u>\$ 214,685,091</u>	<u>\$ 1,033,532</u>	<u>\$ 2,485,000</u>	<u>\$ 213,233,623</u>

The 2006 general obligation bonds mature through 2037 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
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	2,604,038	12,796,591	15,400,629
2017	2,804,339	12,856,727	15,661,066
2018-2022	25,220,973	56,910,988	82,131,961
2023-2027	42,000,000	46,514,665	88,514,665
2028-2032	62,715,000	32,220,479	94,935,479
2032-2037	68,710,000	9,356,778	78,066,778
Subtotal	<u>210,961,930</u>	<u>\$ 208,480,670</u>	<u>\$ 419,442,600</u>
Accretions to Date	2,271,693		
Total	<u>\$ 213,233,623</u>		

**Revenue Bonds**

The revenue bonds mature through 2038 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2013	\$ 280,000	\$ 4,932,303	\$ 5,212,303
2014	340,000	4,923,703	5,263,703
2015	435,000	4,910,104	5,345,104
2016	480,000	4,890,904	5,370,904
2017	465,000	4,866,753	5,331,753
2018-2022	7,955,000	23,382,725	31,337,725
2023-2027	27,185,000	17,724,859	44,909,859
2028-2033	26,405,000	3,265,639	29,670,639
2034-2038	2,170,000	356,875	2,526,875
Total	<u>\$ 65,715,000</u>	<u>\$ 69,253,865</u>	<u>\$ 134,968,865</u>

**WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012 AND 2011**

**Compensated Absences and Faculty Banked Leave Liability**

The District calculated the total long term portion of compensated absences as of June 30, 2012 at \$12,835,483. Of this amount, \$9,711,760 was calculated for the unfunded faculty banked leave, \$3,103,751 for accrued vacation, and \$19,872 for compensated absences and compensatory time. The compensated absences and the unfunded faculty banked leave are included in the entity-wide statements.

**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. In addition, in March 2009, the District approved offering a CalSTRS “Plus 2” or bonus lump sum cash payable to eligible employees. The window to elect to participate in the CalSTRS “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 CalSTRS “Plus 2” and cash incentive in full rather than deferring payments over 8 years and paying interest. Other bargaining units were also offered a similar Supplemental Early Retirement Program with the same window as the CalSTRS 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.

Year Ending <u>June 30,</u> <u>2013</u>	<u>Payment</u> <u>\$ 185,633</u>
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**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.

	<u>Faculty</u>	<u>Classified</u>	<u>Management</u>
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 plus 10% for additional year of service to 100% for 15 years of service.

**WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012 AND 2011**

Active plan participants at June 30, 2012 totaled 117, current retirees were 519, and 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 2011-12, the District contributed \$8,305,026 to the plan, all of which was used for current premiums (approximately 126 percent of estimated current year’s annual required contributions). In addition, the District contributed \$14,931,999 to the plan through the sale of lease revenue bonds in the prior year. The District recognizes the costs of providing those benefits and related costs when paid.

**Annual OPEB Cost and Net OPEB Asset/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	\$ (6,570,773)
Contributions made	22,416,516
Change in net OPEB liability	15,845,743
Net OPEB liability, beginning of year	17,823,320
Net OPEB assets, end of year	<u>\$ 33,669,063</u>

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 Asset (Liability)
2010	\$ 7,191,348	\$ 8,555,978	84%	\$ (3,756,752)
2011	28,150,845	6,570,773	428%	17,823,320
2012	22,416,516	6,570,773	341%	33,669,063

# WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

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### **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 June 30, 2011, actuarial valuation, the entry age normal method was used. The actuarial assumptions included a 7.61 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, 2012, was 30 years.

### ***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, 2012, 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 2011-2012, 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.

# WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

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### **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.

# WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

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### 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 2011-2012 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, 2012, 2011, and 2010, were \$2,998,410, \$3,008,577, and \$3,015,734, 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.

# WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2012 AND 2011**

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### **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 2011-2012 was 10.923 percent of covered payroll.

### **Annual Pension Cost**

The District's contributions to CalPERS for fiscal years ending June 30, 2012, 2011, and 2010, were \$2,610,475, \$2,478,825, and \$2,142,577, 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 \$2,033,321 (4.855 percent) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contributions rat for CalPERS. 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, 2012.

# WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

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### Construction Commitments

As of June 30, 2012, 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		
Infrastructure modernization project support	\$ 4,388	08/30/12
ADA barrier removal	290,626	01/31/13
Applied arts and science remodel	2,172,912	12/31/14
Campus center building renovation phase I	338,433	12/31/12
Language arts/social services facility upgrades	9,248,469	10/31/13
Classroom and student services facility upgrades	159,029	12/31/12
Mission College		
Utility infra-electrical/data/sewer upgrade	424,995	06/30/13
Main building replacement: phase I-building 1E	41,527,200	06/30/14
Classroom and student services facility upgrades	70,901	06/30/13
Main building fire alarm upgrade	29,000	06/30/13
Districtwide		
Data network	12,364	08/31/12
Fire alarm replacement	163,765	06/30/13
	<u>\$ 54,442,082</u>	

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, 2012, the District made payments of \$432,095 and \$639,198 to NCCCP and BACCD, respectively.

### **NOTE 15 – SUBSEQUENT EVENTS**

In August 2012, the board authorized the issuance of a new general obligation bond not to exceed \$100 million and refunding bonds not to exceed \$70 million.

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***REQUIRED  
SUPPLEMENTARY INFORMATION***

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**WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF OTHER POST EMPLOYMENT BENEFITS (OPEB)  
 FUNDING PROGRESS  
 FOR THE YEAR ENDED JUNE 30, 2012**

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<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a / b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ( b - a  / c)</b>
November 1, 2008	\$ -	\$ 108,416,025	\$ 108,416,025	\$ -	\$ 18,000,000	602%
June 30, 2011	\$ 20,345,004	\$ 88,514,298	\$ 68,169,294	23%	\$ 18,540,000	368%

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***SUPPLEMENTARY INFORMATION***

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# WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT

## DISTRICT ORGANIZATION

**JUNE 30, 2012**

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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

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Adrienne Grey	President	2012
Nick Heimlich	Vice President	2014
Jack Lucas	Member	2014
Buck Polk	Member	2014
Chris Stampolis	Member	2012
Robert Owens	Member	2012
Chad Walsh	Member	2014
Bryan Dallara	Student Trustee	2012
Eric Smith	Student Trustee	2012

### ADMINISTRATION

John E. Hendrickson	Chancellor
Edralin J. Maduli	Vice Chancellor, Administrative Services

**WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Program Revenues				Total Program Expenditures
		Cash Received	Accounts Receivable	Deferred Revenue	Total Revenue	
<b>U.S. DEPARTMENT OF EDUCATION</b>						
Student Financial Aid Cluster						
Supplemental Educational Opportunity Grant ( SEOG)	84.007	\$ 238,807	\$ 5,911	\$ -	\$ 244,718	\$ 244,718
Pell Grant	84.063	15,875,856	1,153,123	-	17,028,979	17,028,979
Student Financial Aid Administration Allowance	84.063	80,388	-	33,950	46,438	35,818
Federal Work Study Program	84.033	126,613	163,417	-	290,030	290,030
Federal Direct Student Loans	84.032	1,527,946	109,231	-	1,637,177	1,637,177
Academic Competitiveness (ACG)	84.375	889	-	-	889	889
Strengthening Minority Serving Institutions (AANAPISI)	84.382B	509,690	23,723	14,481	518,932	518,932
Training Real Time Writers Initiative	84.116K	38,368	3,069	-	41,437	41,437
Trio Project - Access	84.042	521,244	86,230	-	607,474	607,474
Vocational and Applied Technology Education Act						
Technical Prep	84.048	25,886	-	-	25,886	25,886
Title I-C	84.048	192,822	215,553	-	408,375	408,375
Trade Promotion & Education Project (TPEP)	84.153	9,073	-	-	9,073	9,073
						<u>20,848,788</u>
<b>US. DEPARTMENT OF LABOR</b>						
Job Training Partnership Act - GAIN	17.250	102,020	8,490	-	110,510	110,510
ARRA - WIA Adult Program	17.258	16,524	-	-	16,524	16,524
						<u>127,034</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
Passed through California Department of Education						
Child and Adult Care Food Program	10.558	47,759	4,654	-	52,413	40,730
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
Personal Home Care Aide State Training Program (PHCASTP)						
Early Retiree Reinsurance Program - Centers for Medicare and Medicaid Services	93.512	79,963	23,419	-	103,382	103,382
Pass-Through California State Chancellor's Office	93.546	524,277	-	-	524,277	524,277
CalWorks						
Temporary Assistance to Needy Families (TANF)	93.558	68,518	3,314	-	71,832	71,832
Pass-Through Santa Clara County	93.558	77,820	-	-	77,820	77,820
Foster Care - Title IV-E						
Medical Assistance Program	93.658	808,615	103,465	-	912,080	810,231
Pass-Through Los Rios Community College District	93.778	27,420	-	23,175	4,245	4,245
ARRA Health Information Technology Professionals in Health Care						
	93.721	89,210	269,962	-	359,172	359,172
						<u>1,950,959</u>
<b>U.S. DEPARTMENT OF STATE BUREAU OF EDUCATIONAL AND CULTURAL AFFAIRS</b>						
Pass-Through Foundation for California Community Colleges Initiative for Egypt Program						
	19.009	1,150	-	-	1,150	1,150
Total		<u>\$ 20,990,858</u>	<u>\$ 2,173,561</u>	<u>\$ 71,606</u>	<u>\$ 23,092,813</u>	<u>\$ 22,968,661</u>

See accompanying note to supplementary information.

**WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012**

Program	Program Revenues			Total Revenue	Total Program Expenditures
	Cash Received	Accounts Receivable	Deferred Revenue		
BFAP	\$ 763,520	\$ -	\$ 74,564	\$ 688,956	\$ 688,104
EOPS	882,626	-	9,924	872,702	866,658
CARE	90,565	-	-	90,565	90,564
DSPS	884,226	-	55,748	828,478	828,478
Emergency Preparedness CCCCCO	141,923	63,893	-	205,816	205,816
State Instructional Equipment	46,556	-	5,321	41,235	41,235
Advanced Transportation Technology	123,000	83,997	-	206,997	206,997
ATTEi (SB70 - CA Partnership Academy)	107,239	-	54,218	53,021	53,021
Articulation	367	-	367	0	-
Matriculation - Credit	599,997	-	484	599,513	599,513
Matriculation - Non Credit	79,978	-	44,235	35,743	35,743
TTIP Tech for Access - TCO	8,820	-	5,105	3,715	3,715
TTIP Tech Training (Datatel)	-	-	-	-	34,398
TTIP - Ownership	2,376	-	-	2,376	2,376
CITD	3,355	-	3,355	-	-
CalWorks	303,795	-	13,160	290,635	290,635
Foster Care and Kinship	167,149	34,139	-	201,288	201,288
MESA FSS Grant	37,875	12,693	-	50,568	50,568
Regional Health Occupational Resource Center	167,198	81,998	88,336	160,860	160,860
Career Tech	187,545	20,791	44,019	164,317	164,317
EWD IDRC	-	146,209	8,519	137,690	137,690
EWD Workplace Learning Resources Center	123,000	-	81,488	41,512	41,512
EWD CA Adv Lighting Controls Trng. Program	5,000	-	-	5,000	5,000
EWD JDIF	140,688	-	70,656	70,032	70,032
Human Resources Staff Diversity	7,842	-	-	7,842	36,277
Staff Development	16,302	-	14,462	1,840	1,839
Basic Skills	474,058	-	249,585	224,473	224,473
CTE - Silicon Valley (Career Tech)	752,544	-	524,357	228,187	228,187
CTE Pathways Initiative	310,000	-	218,680	91,320	91,320
CTE -Economic Workforce Development BAETC	246,821	-	81,644	165,177	165,177
CTE Transitions	-	93,939	-	93,939	93,939
State Block Grant	27,073	-	-	27,073	27,073
HUB - Bay Area Environmental Training Center	308,000	102,000	153,956	256,043	256,044
HUB -ATTE	60,000	40,000	-	100,000	100,000
Solar Grant	103,028	-	-	103,028	103,028
State Construction Grant	3,035,897	248,968	-	3,284,865	3,284,865
Lottery - Restricted	331,588	395,986	212,363	515,211	515,211
Subtotal	<u>\$ 10,539,950</u>	<u>\$ 1,324,613</u>	<u>\$ 2,014,547</u>	<u>\$ 9,850,016</u>	<u>\$ 9,905,953</u>

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, 2012**

<b>CATEGORIES</b>	<u>Annual Reported Data</u>	<u>Audit Adjustments</u>	<u>Audited Data</u>
<b>A. Summer Intersession (Summer 2011)</b>			
1. Noncredit **	45.51	-	45.51
2. Credit	80.03	-	80.03
<b>B. Summer Intersession (Summer 2012-Prior to July 1, 2012)</b>			
1. Noncredit **	29.52	-	29.52
2. Credit	1,389.45	-	1,389.45
<b>C. Primary Terms (Exclusive of Summer Intersession)</b>			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	11,485.49	-	11,485.49
(b) Daily Census Contact Hours	316.56	(1.22)	315.34
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	446.38	-	446.38
(b) Credit	329.02	(2.12)	326.90
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	1,499.39	-	1,499.39
(b) Daily Census Contact Hours	613.26	-	613.26
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
<b>D. Total FTES</b>	<u>16,234.61</u>	<u>(3.34)</u>	<u>16,231.27</u>
<b>SUPPLEMENTAL INFORMATION (Subset of Above Information)</b>			
<b>E. In-Service Training Courses (FTES)</b>	166.24	-	166.24
<b>H. Basic Skills courses and Immigrant Education</b>			
1. Noncredit **	58.47	-	58.47
2. Credit	2,191.66	-	2,191.66
	<u>2,250.13</u>	<u>-</u>	<u>2,250.13</u>

See accompanying note to supplementary information.

**WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF EDUCATION CODE SECTION 84362 (50 PERCENT LAW) CALCULATION  
FOR THE YEAR ENDED JUNE 30, 2012**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<b><u>Academic Salaries</u></b>							
<b>Instructional Salaries</b>							
Contract or Regular	1100	\$ 18,875,358	\$ -	\$ 18,875,358	\$ 18,890,455	\$ -	\$ 18,890,455
Other	1300	12,608,984	-	12,608,984	12,633,811	-	12,633,811
<b>Total Instructional Salaries</b>		<b>31,484,342</b>	<b>-</b>	<b>31,484,342</b>	<b>31,524,266</b>	<b>-</b>	<b>31,524,266</b>
<b>Noninstructional Salaries</b>							
Contract or Regular	1200	-	-	-	7,423,742	-	7,423,742
Other	1400	-	-	-	315,064	-	315,064
<b>Total Noninstructional Salaries</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>7,738,806</b>	<b>-</b>	<b>7,738,806</b>
<b>Total Academic Salaries</b>		<b>31,484,342</b>	<b>-</b>	<b>31,484,342</b>	<b>39,263,072</b>	<b>-</b>	<b>39,263,072</b>
<b><u>Classified Salaries</u></b>							
<b>Noninstructional Salaries</b>							
Regular Status	2100	-	-	-	14,342,246	-	14,342,246
Other	2300	-	-	-	495,936	-	495,936
<b>Total Noninstructional Salaries</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>14,838,182</b>	<b>-</b>	<b>14,838,182</b>
<b>Instructional Aides</b>							
Regular Status	2200	944,920	-	944,920	944,920	-	944,920
Other	2400	180,782	-	180,782	180,782	-	180,782
<b>Total Instructional Aides</b>		<b>1,125,702</b>	<b>-</b>	<b>1,125,702</b>	<b>1,125,702</b>	<b>-</b>	<b>1,125,702</b>
<b>Total Classified Salaries</b>		<b>1,125,702</b>	<b>-</b>	<b>1,125,702</b>	<b>15,963,884</b>	<b>-</b>	<b>15,963,884</b>
Employee Benefits	3000	13,019,164	-	13,019,164	26,163,605	-	26,163,605
Supplies and Material	4000	-	-	-	764,652	-	764,652
Other Operating Expenses	5000	418,755	-	418,755	7,403,354	-	7,403,354
Equipment Replacement	6420	-	-	-	80,311	-	80,311
<b>Total Expenditures Prior to Exclusions</b>		<b>46,047,963</b>	<b>-</b>	<b>46,047,963</b>	<b>89,638,878</b>	<b>-</b>	<b>89,638,878</b>

See accompanying note to supplementary information.

**WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF EDUCATION CODE SECTION 84362 (50 PERCENT LAW) CALCULATION  
FOR THE YEAR ENDED JUNE 30, 2012**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<b><u>Exclusions</u></b>							
<b>Activities to Exclude</b>							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	\$ 4,398,473	\$ -	\$ 4,398,473	\$ 4,398,473	\$ -	\$ 4,398,473
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	3,752,086	-	3,752,086
<b>Objects to Exclude</b>							
Rents and Leases	5060	-	-	-	90,530	-	90,530
Lottery Expenditures							-
Academic Salaries	1000	-	-	-	1,511,297	-	1,511,297
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	496,877	-	496,877
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	-	-	-
<b>Total Supplies and Materials</b>		-	-	-	-	-	-

See accompanying note to supplementary information.

**WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF EDUCATION CODE SECTION 84362 (50 PERCENT LAW) CALCULATION  
FOR THE YEAR ENDED JUNE 30, 2012**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Outlay							
Library Books	6000	-	-	-	-	-	-
Equipment	6300	-	-	-	-	-	-
Equipment - Additional	6400	-	-	-	-	-	-
Equipment - Replacement	6410	-	-	-	-	-	-
<b>Total Equipment</b>		-	-	-	-	-	-
<b>Total Capital Outlay</b>							
Other Outgo	7000	-	-	-	-	-	-
<b>Total Exclusions</b>		4,398,473	-	4,398,473	10,249,263	-	10,249,263
<b>Total for ECS 84362, 50 Percent Law</b>		\$ 41,649,490	\$ -	\$ 41,649,490	\$ 79,389,615	\$ -	\$ 79,389,615
<b>Percent of CEE (Instructional Salary Cost/Total CEE)</b>		52.46%		52.46%	100.00%		100.00%
<b>50% of Current Expense of Education</b>					\$ 39,694,808		\$ 39,694,808

See accompanying note to supplementary information.

**WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT  
WITH FUND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

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None noted.

See accompanying note to supplementary information.

# WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2012

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### 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-Primary Government and the related expenditures reported on the Schedule of Federal Awards. The reconciliation amounts consist primarily of funds that in the previous period were recorded as revenues but were unspent. These unspent balances have been expended in the current period. These unspent balances are reported as legally restricted ending balances within the Statement of Net Assets-Primary Government.

	<u>CFDA Number</u>	<u>Amount</u>
Total Federal Revenues From the Statement of Revenues, Expenditures and Changes in Fund Balance:		\$ 24,570,365
Build america bonds	N/A	(1,477,552)
Child & adult food program carryover	10.558	(11,683)
Foster care program carryover	93.658	(101,849)
Pell administrative allowance carryover	84.063	(10,620)
Total Schedule of Expenditures of Federal Awards		<u>\$ 22,968,661</u>

#### 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.

# WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION (CONTINUED)

**JUNE 30, 2012**

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### **Reconciliation of Education Code Section 84362 (50 Percent Law) Calculation**

ECS 84362 requires the District to expend a minimum of 50 percent of the unrestricted General fund monies on salaries of classroom instructors. This is reported annually to the State Chancellor's Office. This schedule provides a reconciliation of the amount reported to the State Chancellor's Office and the impact of any audit adjustments and/or corrections noted during the audit.

### **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.

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***INDEPENDENT AUDITORS' REPORTS***

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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  
West Valley-Mission Community College District  
Saratoga, California

We have audited the basic financial statements of West Valley-Mission Community College District (the District) and its discretely presented component unit for the years ended June 30, 2012 and 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 31, 2012. 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**

The management of West Valley-Mission Community College District is responsible for establishing and maintaining effective 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.

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 previously defined.

### **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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2012-1 and 2012-2.

We noted certain matters that we reported to management of West Valley-Mission Community College District in a separate letter dated December 31, 2012.

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.

*Vavinek, Trine, Day & Co LLP*

Pleasanton, California  
December 31, 2012



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  
West Valley-Mission Community College District  
Saratoga, California

**Compliance**

We have audited West Valley-Mission Community College District's (the District's) compliance 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 West Valley-Mission Community College District's major Federal programs for the year ended June 30, 2012. 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, 2012.

## 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 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 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 was not designed to 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 previously defined.

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.

*Vavinek, Trine, Day & Co LLP*

Pleasanton, California  
December 31, 2012



## REPORT ON STATE COMPLIANCE

Board of Trustees  
West Valley-Mission Community College District  
Saratoga, California

We have audited the basic financial statements of West Valley-Mission Community College District (the District), as of and for the year ended June 30, 2012, and have issued our report thereon dated December 31, 2012.

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

Compliance with the requirements of laws, regulations, contracts, and grants listed below is the responsibility of West Valley-Mission Community College District's management. In connection with the audit referred to above, we selected and tested transactions and records to determine the West Valley-Mission Community College District's compliance with the State laws and regulations in accordance with Section 400 of the Chancellor's Office California Community Colleges Contracted District Audit Manual (CDAM) issued in May 2012 applicable to the following items:

Section 421	Salaries of Classroom Instructors: 50 Percent Law
Section 423	Apportionment for Instructional Service Agreements/Contracts
Section 424	State General Apportionment Funding System
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Concurrent Enrollment of K-12 Students in Community College Credit Courses
Section 431	Gann Limit Calculation
Section 433	California Work Opportunity and Responsibility to Kids (CalWORKS)

Section 435	Open Enrollment
Section 437	Student Fee – Instructional and Other Materials
Section 438	Students Fees – Health Fees and use of Health Fees
Section 474	Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
Section 475	Disabled Student Programs and Services (DSPS)
Section 476	Curriculum and Instruction
Section 479	to Be Arranged Hours (TBA)

Based on our audit, we found that for the items tested, the West Valley-Mission Community College District complied with the State laws and regulations referred to above, except as described in the Schedule of State Award Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs. Our audit does not provide a legal determination on West Valley-Mission Community College District's compliance with the State laws and regulations referred to above.

West Valley-Mission 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 West Valley-Mission Community College District's responses and, accordingly, we express no opinion on the responses.

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.

*Vavinek, Trine, Day & Co LLP*

Pleasanton, California  
December 31, 2012

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***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

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**WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT**

**SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2012**

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**FINANCIAL STATEMENTS**

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

**FEDERAL AWARDS**

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	
Identification of major programs:	<u>No</u>

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.382B</u>	<u>Strengthening Minority Serving Institutions (AANAPISI)</u>
<u>84.007, 84.063, 84.033, 84.032, 84.375</u>	<u>Student Financial Aid Cluster</u>
<u>93.721</u>	<u>ARRA Health Information Technology Professionals in Health Care</u>

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

**STATE AWARDS**

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

**WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT**

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 2012**

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None noted

**WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012**

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None noted

# WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT

## STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

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

### 2012-1 Finding – State General Apportionment Funding System *Significant Deficiency*

#### **Criteria or Specific Requirement:**

*Daily Attendance Courses* - Education Code 58003.1 (c) and the Student Attendance Accounting Manual Daily define credit courses as those scheduled to meet five or more days and scheduled regularly with respect to the number of hours during each scheduled day. For Daily Attendance Courses, the calculation of FTES equals the number of contact hours during each meeting, multiplied by the number of days the course meets, multiplied by the number of students enrolled as of census, divided by 525. In addition, Education Code 55002 (a)(4) specifies that each section of the courses is to be taught in accordance with a set of objectives and other specifications defined in the course outline of record.

*Positive Attendance Courses* - Education Code 58003.1 (d) and (e) and the Student Attendance Account Manual define Positive Attendance courses as those scheduled to meet for fewer than five days, and credit courses scheduled to irregularly with respect to the number of days of the shall be computed by dividing the actual student contact hours of attendance by 525. For all open entry-open exit courses and for all noncredit courses the units of full-time equivalent student shall be computed by dividing the actual student contact hours of attendance by 525.

#### **Condition:**

- *Daily Attendance:* One course did not meet for more than 5 days, one course did not use the proper term length multiplier, and two courses were not scheduled regularly with respect to the number of hours during each scheduled day.
- *Daily Attendance:* Four courses in the Fall semester were scheduled for, and the District reported, more contact hours than the total indicated in the official course outline.
- *Positive Attendance:* Contact hours reported for six courses exceeded the actual scheduled time per the Schedule of Classes.

#### **Questioned Costs**

*Daily Attendance:* 1.22 FTES were found to be out of compliance with the methods for calculating FTES. This represented 4% of the total Daily FTES tested. Extrapolated to the Fall semester where the errors were noted, the projected error would be 3.32 FTES.

*Positive Attendance:* 2.12 FTES were found to be out of compliance with the methods for calculating FTES. This represented 12% of the total Positive Attendance FTES tested. Extrapolated to the Summer, Fall, and Winter semesters where the errors were noted, the projected error would be 47.55

#### **Context**

We reviewed seventeen of 170 daily courses and noted four which did not meet the criteria for calculating FTES. We reviewed sixteen of 191 positive attendance courses and noted six that did not meet the criteria for calculating FTES noted above. The District has adjusted for the daily attendance FTES in the 320 recalculation.

# WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT

## STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

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### **Effect**

The overall effect of the condition resulted in the reporting of 3.34 FTES that were not in accordance with the guidelines for calculating FTES.

### **Cause**

The conditions noted above were due to errors in entering course information into the system used to track courses and accumulate FTES, and not limiting positive attendance course hours claimed to hours scheduled.

### **Recommendation**

We recommend that information entered into the system be reviewed by someone other than the individual doing the entry to provide for a review process designed to catch entry errors prior to the filing of 320 reports. In addition, the District should investigate the potential to establish edit checks in the Datatel system to flag courses that aren't meeting particular criteria to assist in identifying potential problem courses.

### **Management's Responses and Corrective Action Plan**

The District concurs with the recommendation. The District will develop a review process to detect entry errors prior to submitting the 320 report. The District will research processes within Datatel to identify potential problem courses.

## **2012-2 Finding – Extended Opportunity Program (EOPS) and Cooperative Agencies Resources for Education (CARE)**

### **Criteria or Specific Requirement**

*Eligibility* - Program guidelines require that the program provide orientation and registration assistance prior to the students' admission to the program.

### **Condition**

Two out of the three components of registration assistance were not being completed by the CARE Specialist at one site.

### **Questioned Costs**

Unknown

### **Context**

During our testing of program operations and expenditures we discovered the conditions noted above.

### **Effect**

Program services were not consistently provided in accordance with program guidelines.

### **Cause**

The Specialist designated to complete these tasks was not performing these processes.

# WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT

## STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

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### **Recommendation**

Program management should ensure that all services required to be provided to students are addressed.

### **Management's Response and Corrective Action Plan**

Program management has fully reviewed the EOPS/CARE Specialist position duties as of March 9, 2012. Corrective measures have been implemented to provide additional oversight and training.

# WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2012

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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.

### **2011-1 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. One of the critical timelines for this process is to determine the student's withdrawal date within 30 days after the earliest of 1) the enrollment period, 2) the academic year, or 3) the program.

#### **Condition**

We noted that the identification of financial aid funds to be returned for students who had originally received financial aid was not consistently completed within 30 days of the students' withdrawal.

#### **Questioned Costs**

None, as the actions were completed accurately, but were not timely.

#### **Context**

We reviewed the reporting of 40 of 390 Return to Title IV students and noted thirteen were not identified within the required 30 day timeframe.

#### **Effect**

The District did not comply with the required timelines for identification of students receiving financial aid that are subject to Return to Title IV provision, and therefore, the next step in the process of notifying the students and returning funds to the system may be delayed.

#### **Cause**

The District did not have an effective process to identify student withdrawals within the time frames.

#### **Recommendation**

The Financial Aid Departments should review the methodology of determining student withdrawals and assess methods to be able to identify the withdrawn students within the above timelines.

#### **Current Status:**

Implemented

# WEST VALLEY-MISSION COMMUNITY COLLEGE DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2012

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**2011-2 Finding – To Be Arranged Hours (TBA)**  
*Significant Deficiency – Compliance*

**Criteria or Specific Requirement**

Title 5, Section 55002(a)(3), 55002(b)(2), 58050(5), and 58051(a)(1) require that specific instructional activities, including those conducted during TBA hours, expected of all students enrolled in the course be included in the official course outline. In addition, Title 5 Section 58102 and 58108 require that a clear description of the course, including the number of TBA hours required be published in the official general catalog or addendum thereto and in the official schedule of classes or addendum thereto.

**Condition**

We noted two courses where the official outline did not include a description of the TBA activities.

**Questioned Costs**

None, as condition is that a documentation consistency improvement is needed.

**Context**

We reviewed 40 courses from the two College sites and noted two ESL courses where the TBA activity description was not in the official outline and TBA hours were claimed for apportionment.

**Effect**

Course materials do not concisely and consistently describe the TBA expectations, activities, and hours.

**Cause**

Course materials were not consistent with operation of the course.

**Recommendation**

We recommend the District review TBA course outlines, catalogs and course schedule materials to verify that TBA is appropriately noticed and described in the course materials.

**Current Status**

Implemented