

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

COUNTY OF SANTA CLARA

LOS ALTOS HILLS, CALIFORNIA

FINANCIAL STATEMENTS

WITH SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2009

AND

INDEPENDENT AUDITOR'S REPORT

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION**

For the Year Ended June 30, 2009

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FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION**

For the Year Ended June 30, 2009

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Foothill-De Anza Community
College District
Los Altos Hills, California

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Foothill-De Anza Community College District as of and for the year ended June 30, 2009, which comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the basic financial statements listed in the aforementioned table of contents present fairly, in all material respects, the financial position of Foothill-De Anza Community College District as of June 30, 2009, and the results of its operations, changes in its net assets and its cash flows for the year 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 a report dated November 30, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis (MD&A) on pages 3 through 8 is not a required part of the financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

INDEPENDENT AUDITOR'S REPORT

(Continued)

Our audit was conducted for the purpose of forming an opinion on the District's basic financial statements. The accompanying supplementary information listed in the table of contents, including the Schedule of Federal Financial Awards, which is required by the 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.

Perry Smith LLP

Sacramento, California
November 30, 2009



MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ending June 30, 2009

The Management Discussion and Analysis provides an overview of the District's financial activities for the year. The District has prepared the accompanying financial statements in accordance with the Governmental Accounting Standards Board's (GASB) Statement No. 34, "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments," and GASB Statement No. 35, "Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities." The statements are prepared using the Business Type Activity (BTA) model; this is in compliance with the California Community College Chancellor's Office recommendation to report in a manner consistent with other community college districts.

The annual report consists of three basic financial statements that provide information on the District as a whole:

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

Each one of these statements will be discussed.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Fiscal Year Ending June 30, 2009

Statement of Net Assets

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

Condensed Statement of Net Assets (in thousands)

ASSETS	2009	2008	Year to Year Change	Dollar Change
Current assets:				
Cash and cash equivalents	\$ 62,851	\$ 72,706	(13.6)%	\$ (9,855)
Short-term investments	81	81	0.0 %	
Receivables	31,073	21,454	44.8 %	9,619
Inventory and other assets	<u>3,879</u>	<u>3,714</u>	4.4 %	<u>165</u>
Total current assets	<u>97,884</u>	<u>97,955</u>	(0.1)%	<u>(71)</u>
Noncurrent assets:				
Restricted cash and cash equivalents	268,854	299,075	(10.1)%	(30,221)
Receivables	2,030	1,955	3.8 %	75
Capital assets, net	<u>347,245</u>	<u>334,258</u>	3.9 %	<u>12,987</u>
Total noncurrent assets	<u>618,129</u>	<u>635,288</u>	(2.7)%	<u>(17,159)</u>
Total assets	<u>\$ 716,013</u>	<u>\$ 733,243</u>	(2.3)%	<u>\$ (17,230)</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 23,613	\$ 27,405	(13.8)%	\$ (3,792)
Deferred revenue	13,839	12,846	7.7 %	993
Amounts held in trust	2,720	2,735	(0.5)%	(15)
Long-term liabilities-current portion	<u>5,822</u>	<u>5,164</u>	12.7 %	<u>658</u>
Total current liabilities	<u>45,994</u>	<u>48,150</u>	(4.5)%	<u>(2,156)</u>
Noncurrent liabilities:				
Long-term liabilities, noncurrent portion	7,704	9,322	(17.4)%	(1,618)
Long-term debt, noncurrent portion	<u>541,340</u>	<u>538,619</u>	0.5 %	<u>2,721</u>
Total noncurrent liabilities	<u>549,044</u>	<u>547,941</u>	0.2 %	<u>1,103</u>
Total liabilities	<u>595,038</u>	<u>596,091</u>	(0.2)%	<u>(1,053)</u>
NET ASSETS				
Invested in capital assets, net of related debt	51,284	63,947	(19.8)%	(12,663)
Restricted	43,845	44,303	(1.0)%	(458)
Unrestricted	<u>25,846</u>	<u>28,902</u>	(10.6)%	<u>(3,056)</u>
Total net assets	<u>120,975</u>	<u>137,152</u>	(11.8)%	<u>(16,177)</u>
Total liabilities and net assets	<u>\$ 716,013</u>	<u>\$ 733,243</u>	(2.3)%	<u>\$ (17,230)</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Fiscal Year Ending June 30, 2009

Statement of Net Assets (Continued)

- Current receivables increased by 44.8%, or approximately \$9.6 million, as a result of the increased amount of the general apportionment deferrals from the State, as compared to the previous years.
- Capital assets, net of accumulated depreciation, increased by 3.9%, or approximately \$13 million, in connection with the construction of numerous Measure E capital projects that began in 2001 and Measure C capital projects that began in 2007. We anticipate continued growth in capital assets in future years as Measure E and C projects are completed.
- Restricted cash decreased by 10.1%, or approximately \$30 million, consistent with the increase in capital assets described above.
- Accounts payable decreased by 13.8%, or approximately \$3.8 million, due mainly to the reductions in spending in the General Fund.
- Deferred revenue increased by 7.7%, or approximately \$1 million, as a result of unspent funds in the categorical programs.
- The noncurrent portion of long-term liabilities decreased by 17.4%, or approximately \$1.6 million, due to a decrease of the workers' compensation reserve. Long-term debt increased by approximately \$2.7 million due to the increased liability for accreted interest on Capital Appreciation Bonds.

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets presents the operating results of the District, as well as the non-operating revenue and expenses. State general apportionment, while budgeted for operations, is considered non-operating revenues according to Generally Accepted Accounting Principles.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Fiscal Year Ending June 30, 2009

Condensed Statement of Revenues, Expenses and Changes in Net Assets (in thousands)

	<u>2009</u>	<u>2008</u>	<u>Year to Year Change</u>	<u>Dollar Change</u>
Operating revenues:				
Net tuition and fees	\$ 38,200	\$ 33,591	13.7 %	\$ 4,609
Grants and contracts, non-capital	34,032	32,802	3.7 %	1,230
Auxiliary enterprise, net	14,905	14,442	3.2 %	463
Other	<u>18,672</u>	<u>19,728</u>	(5.4)%	<u>(1,056)</u>
Total operating revenues	<u>105,809</u>	<u>100,563</u>	5.2 %	<u>5,246</u>
Operating expense	<u>270,569</u>	<u>275,423</u>	(1.8)%	<u>(4,854)</u>
Loss from operations	<u>(164,760)</u>	<u>(174,860)</u>	5.8 %	<u>10,100</u>
Non-operating revenues (expenses):				
State apportionments, non-capital	82,786	84,655	(2.2)%	(1,869)
Local property taxes	71,618	65,697	9.0 %	5,921
State taxes and other revenues	5,207	5,256	(0.9)%	(49)
Investment (loss) income	(324)	8,735	(103.7)%	(9,059)
Interest expense	<u>(27,646)</u>	<u>(23,443)</u>	(17.9)%	<u>(4,203)</u>
Total non-operating revenues (expenses)	<u>131,641</u>	<u>140,900</u>	(6.6)%	<u>(9,259)</u>
Loss before capital revenues	<u>(33,119)</u>	<u>(33,960)</u>	2.5 %	<u>841</u>
Capital revenues	<u>16,942</u>	<u>22,602</u>	(25.0)%	<u>(5,660)</u>
Decrease in net assets	(16,177)	(11,358)	(42.4)%	(4,819)
Net assets – beginning of year	<u>137,152</u>	<u>148,510</u>	(7.6)%	<u>(11,358)</u>
Net assets – end of year	<u>\$ 120,975</u>	<u>\$ 137,152</u>	(11.8)%	<u>\$ (16,177)</u>

Operating revenues increased by 5.2%, or approximately \$5 million, as a result of an increase of nonresident tuition, various student fees revenue and an increase of federal Pell grants. The decrease in other operating revenue is due to the decrease in interest income.

Non-operating revenue decreased by 6.6%, or approximately \$9.3 million, as a result of the unrealized loss from investments and the increase of interest expense from the election of 2006 General Obligation Bond proceeds.

Capital revenues decreased by approximately \$5.6 million, due to the completion of the De Anza College Performing Arts Center projects, capital outlay funding for the Foothill College Life Science and Student Services equipment projects and decrease in funding for the scheduled maintenance projects.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Fiscal Year Ending June 30, 2009

Operating Expenses (by natural classification) (in thousands)

	<u>2009</u>	<u>2008</u>	<u>Year to Year Change</u>	<u>Dollar Change</u>
Salaries	\$ 142,638	\$ 142,056	0.4 %	\$ 582
Benefits	<u>42,667</u>	<u>48,954</u>	(12.8)%	<u>(6,287)</u>
Total salaries and benefits	<u>185,305</u>	<u>191,010</u>	(3.0)%	<u>(5,705)</u>
Supplies, materials, and other operating expenses and services	59,023	60,336	(2.2)%	(1,313)
Utilities	4,677	4,297	8.8 %	380
Depreciation	<u>21,564</u>	<u>19,780</u>	9.0 %	<u>1,784</u>
Total operating expenses	<u>\$ 270,569</u>	<u>\$ 275,423</u>	(1.8)%	<u>\$ (4,854)</u>

- Total compensation and benefits decreased by 3%, or approximately \$5.7 million. This is due to the decrease in reserve for workers' compensation liability.
- Supplies, materials, and other operating expenses and services decreased by 2.2%, or approximately \$1.3 million, due to the decreased contract instruction expenses for Job Corps and the reductions in spending for supplies and operating expenses in the unrestricted general fund.
- Depreciation increased by 9.0%, or approximately \$1.8 million, consistent with the increase in capital assets.

Statement of Cash Flows (in thousands)

The Statement of Cash Flows provides information about cash receipts and cash payments during the fiscal year. This statement helps users assess the District's ability to generate net cash flows, its ability to meet its obligations as they come due, and its need for external financing.

	<u>2009</u>	<u>2008</u>	<u>Year to Year Change</u>	<u>Dollar Change</u>
Cash provided by (used in):				
Operating activities	\$ (166,097)	\$ (164,454)	(1.0)%	\$ (1,643)
Non-capital financing activities	152,072	155,927	(2.5)%	(3,855)
Capital and related financing activities	(39,161)	(46,981)	16.6 %	7,820
Investing activities	<u>13,110</u>	<u>25,735</u>	(49.1)%	<u>(12,625)</u>
Net decrease in cash	(40,076)	(29,773)	(34.6)%	(10,303)
Cash-beginning of the fiscal year	<u>371,781</u>	<u>401,554</u>	(7.4)%	<u>(29,773)</u>
Cash-end of the fiscal year	<u>\$ 331,705</u>	<u>\$ 371,781</u>	(10.8)%	<u>\$ (40,076)</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Fiscal Year Ending June 30, 2009

Economic Factors That May Affect the Future

2009-2010 Fiscal Year

The State of California controls most of the Foothill-De Anza Community College District's operating income through the apportionment process, growth allowances, Cost of Living Adjustments (COLA) and categorical allocations. The fiscal year 2008-09 State budget was not signed into law until nearly three months into the new fiscal year and even then did not address the state's structural budget imbalance. In February 2009, an unprecedented budget action was taken by the governor that restated the 2008-09 budget and actually established a budget plan for 2009-10. That plan however relied on several voter approved actions which subsequently were defeated in a special election in May 2009. Subsequently, in July 2009 the governor signed a restated budget package into law

Although the 2008-09 adopted budget was balanced it relied on certain one-time revenues. The District however put a plan into place that addressed that imbalance by year end. The 2009-10 year saw more than \$14 million cut from our budget between apportionment and categorical program cuts. Although federal backfill funding of \$130 million was expected system-wide to buffer the categorical cuts ultimately, only \$35 million was made available to the California Community College system. The District ended the 2008-09 year with a robust \$33 million ending fund balance. Recognizing the continuing volatile nature of the economy and utilizing a strategic application of these one-time resources the 2009-10 fiscal year budget was developed with a series of dedicated reserves. In addition to the 5% General Reserve the District established a network of special reserves including a \$7 million staff protection reserve, a \$5 million medical Rate Stabilization Fund, a \$2 million Medical Plan Reserve and a \$300 thousand Reserve for Election cost. Although these reserves were reflected in the adopted budget the Board took a separated dedicated action in October 2009 to approve this reserve structure.

Capital Improvements under Measure C continue. At Foothill College, renovations on the Forum building and the Dental Hygiene/Radiology were completed as were several other high priority projects including installation of new photovoltaic arrays at parking lot 1-H. At De Anza College, construction began on the Mediated Learning Center Site Preparation and the first phase of the Utility Master Plan maintenance project and construction efforts continued on renovation of the Auto Technology building.

Measure E, the 1999 General Obligation Bond Measure, is continuing to wrap up. At Foothill College, design efforts continue for the new ETS/Data Center Building and the renovation of the District Office Building. Construction activities for both projects will occur under the Measure C bond program.

Implementation of the new integrated Educational Information System (EIS) continues. The Finance module went live on July 1, 2009; while various training sessions continued for Financial Aid, Human Resources/Payroll and the Student system. Educational Technology Services saw continued deployment of phase II wireless capability to both campuses, including Middlefield, as well as the procurement, acquisition, and deployment of phase I network equipment to refresh aged out and failing equipment.

The District completed its most recent update of the actuarial analysis of its unfunded retiree medical liability in July 2009. This study identified the total liability as \$127 million. At the June 15, 2009 meeting of the Board of Trustees action was taken to transfer \$829,400, budgeted for fiscal year 2008-09, to the irrevocable trust in order to fully fund the Annual Required Contribution (ARC).

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET ASSETS

June 30, 2009

ASSETS

Current assets:

Cash and cash equivalents (Note 2)	\$ 62,851,117
Short term investments (Note 2)	81,325
Accounts receivable, net (Note 3)	30,569,819
Student loans receivable, net – current portion	502,846
Stores inventories	1,431,364
Prepaid expenses	<u>2,447,907</u>

Total current assets 97,884,378

Noncurrent assets:

Restricted cash and cash equivalents (Note 2)	268,853,547
Student loans receivable, net – noncurrent portion	2,029,660
Capital assets, net (Note 4)	<u>347,245,018</u>

Total noncurrent assets 618,128,225

Total assets \$ 716,012,603

LIABILITIES

Current Liabilities:

Accounts and claims payable (Note 8)	\$ 20,168,455
Deferred revenue (Note 5)	13,838,472
Compensated absences payable – current portion	3,444,556
Amounts held in trust	2,719,705
Long-term debt – current portion (Note 6)	<u>5,822,085</u>

Total current liabilities 45,993,273

Noncurrent liabilities:

Compensated absences payable – noncurrent portion (Note 6)	1,919,510
Unpaid claims and claim adjustment expenses (Notes 6 and 8)	5,784,470
Long-term debt – noncurrent portion (Note 6)	<u>541,339,972</u>

Total noncurrent liabilities 549,043,952

Total liabilities 595,037,225

Commitments and contingencies (Note 12)

NET ASSETS

Invested in capital assets, net of related debt	51,283,718
Restricted for:	
Scholarships and loans	2,644,221
Capital projects	6,418,550
Debt services	14,982,587
Other special purposes	19,800,298
Unrestricted	<u>25,846,004</u>

Total net assets 120,975,378

Total liabilities and net assets \$ 716,012,603

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

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT
DISCRETELY PRESENTED COMPONENT UNIT –
FOOTHILL-DE ANZA COMMUNITY COLLEGES FOUNDATION
(A Nonprofit Organization)

STATEMENT OF NET ASSETS

June 30, 2009

ASSETS

Cash in County Treasury (Note 2)	\$ 5,125,238
Investments (Note 2)	19,072,395
Contributions receivable, net (Note 3)	595,493
Accounts receivable (Note 3)	8,168
Accrued interest receivable	20,722
Prepaid expenses	<u>6,120</u>
Total assets	<u>\$ 24,828,136</u>

LIABILITIES

Accounts payable and accrued liabilities	\$ 13,897
Due to other funds of the District	<u>1,586,646</u>
Total liabilities	<u>1,600,543</u>

NET ASSETS

Unrestricted (Note 11)	309,817
Temporarily restricted (Note 11)	6,675,906
Permanently restricted (Note 11)	<u>16,241,870</u>
Total net assets	<u>23,227,593</u>
Total liabilities and net assets	<u>\$ 24,828,136</u>

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

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2009

Operating revenues:	
Tuition and fees	\$ 41,913,565
Less: scholarship discounts and allowances	<u>(3,713,665)</u>
Net tuition and fees	<u>38,199,900</u>
Grants and contracts, non-capital:	
Federal	16,237,767
State	15,756,073
Local	2,038,146
Auxiliary enterprise sales and charges	14,904,490
Interest on student loans	41,882
Other operating revenues	<u>18,630,328</u>
Total operating revenues	<u>105,808,586</u>
Operating expenses (Note 14):	
Salaries	142,637,880
Benefits (Notes 9 and 10)	42,666,870
Supplies, materials, and other operating expenses and services	59,022,274
Utilities	4,677,095
Depreciation (Note 4)	<u>21,564,238</u>
Total operating expenses	<u>270,568,357</u>
Loss from operations	<u>(164,759,771)</u>
Non-operating revenues (expenses):	
State apportionments, non-capital	82,785,879
Local property taxes (Note 7)	71,617,513
State taxes and other revenues	5,207,424
Investment income (loss), noncapital	(627,395)
Investment income, capital	303,721
Interest expense on capital asset-related debt, net	<u>(27,646,040)</u>
Total non-operating revenues (expenses)	<u>131,641,102</u>

(Continued)

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
(Continued)
For the Year Ended June 30, 2009

Loss before capital revenues	<u>\$ (33,118,669)</u>
Capital revenues:	
State apportionment	1,650,000
Local property taxes and revenues	<u>15,291,782</u>
Total capital revenues	<u>16,941,782</u>
Decrease in net assets	<u>(16,176,887)</u>
Net assets, beginning of year	<u>137,152,265</u>
Net assets, end of year	<u>\$ 120,975,378</u>

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

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT
DISCRETELY PRESENTED COMPONENT UNIT –
FOOTHILL-DE ANZA COMMUNITY COLLEGES FOUNDATION
(A Nonprofit Organization)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues:				
Contributions	\$ 17,562	\$ 1,651,491	\$ 417,664	\$ 2,086,717
Donated services and facilities (Note 15)	168,781			168,781
Interest and dividend income	207,696	608,043		815,739
Change in fair value of investments (Note 2)	(1,783,492)	(2,712,153)		(4,495,645)
Other revenues	11,765	184,318		196,083
Net assets released from restrictions by payments	3,071,460	(3,071,460)		
Transfers	<u>75,423</u>		<u>(75,423)</u>	
Total revenues	<u>1,769,195</u>	<u>(3,339,761)</u>	<u>342,241</u>	<u>(1,228,325)</u>
Expenses:				
Grants and related activities	4,684,153			4,684,153
Donated services and facilities (Note 15)	<u>168,781</u>			<u>168,781</u>
Total expenses	<u>4,852,934</u>			<u>4,852,934</u>
Changes in net assets	(3,083,739)	(3,339,761)	342,241	(6,081,259)
Net assets, beginning of year, as previously stated	3,666,335	7,604,930	18,037,587	29,308,852
Cumulative change in accounting principle (Note 11)	<u>(272,779)</u>	<u>2,410,737</u>	<u>(2,137,958)</u>	
Net assets, beginning of year, restated	<u>3,393,556</u>	<u>10,015,667</u>	<u>15,899,629</u>	<u>29,308,852</u>
Net assets, end of year	<u>\$ 309,817</u>	<u>\$ 6,675,906</u>	<u>\$ 16,241,870</u>	<u>\$ 23,227,593</u>

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

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2009

Cash flows from operating activities:	
Tuition and fees	\$ 38,407,445
Federal grants and contracts	15,778,621
State grants and contracts	14,669,016
Local grants and contracts	2,247,031
Payments to suppliers	(47,348,621)
Payments to utilities	(4,636,170)
Payment to employees	(142,496,160)
Payment for benefits	(45,731,231)
Payment to students	(14,364,410)
Loans to students	(54,505)
Auxiliary enterprises sales and charges	14,805,425
Other receipts, net	<u>2,626,528</u>
Net cash used in operating activities	<u>(166,097,031)</u>
Cash flows from noncapital financing activities:	
State appropriations	75,446,013
Local property taxes	71,497,760
State taxes and other revenues	5,143,646
Scholarship and trust receipts	7,173
Scholarship and trust disbursements	(5,834)
Student organization agency receipts	1,502,945
Student organization agency disbursements	<u>(1,519,812)</u>
Net cash provided by noncapital financing activities	<u>152,071,891</u>
Cash flows from capital and related financing activities:	
State appropriations for capital purposes	4,359,101
Local revenue for capital purposes	15,295,792
Purchase of capital assets	(34,550,867)
Principal paid on capital debt	(5,163,410)
Interest paid on capital debt, net	<u>(19,102,322)</u>
Net cash used in capital and related financing activities	<u>(39,161,706)</u>
Cash flows from investing activities:	
Interest income	13,110,944
Short-term investments	<u>(677)</u>
Net cash provided by investing activities	<u>13,110,267</u>
Net decrease in cash and cash equivalents	(40,076,579)
Cash and cash equivalents balance, beginning of year	<u>371,781,243</u>
Cash and cash equivalents balance, end of year	<u>\$ 331,704,664</u>

(Continued)

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS

(Continued)

For the Year Ended June 30, 2009

Reconciliation of loss from operations to net cash used in operating activities:	
Loss from operations	\$(164,759,771)
Adjustments to reconcile loss from operations to net cash used in operating activities:	
Depreciation expense	21,564,238
Changes in assets and liabilities:	
Receivables, net	(3,873,477)
Inventories	118,826
Prepaid expenses	(283,648)
Accounts payable	(3,884,016)
Deferred revenue	988,069
Compensated absences	120,632
Claims liability	(1,647,315)
Interest on investments	<u>(14,440,569)</u>
Net cash used in operating activities	<u>\$(166,097,031)</u>
Noncash capital and related financing activities:	
Accretion of interest	\$ 8,543,718

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

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT
DISCRETELY PRESENTED COMPONENT UNIT –
FOOTHILL DE-ANZA COMMUNITY COLLEGES FOUNDATION
(Nonprofit Organization)

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2009

Cash flows from operating activities:

Decrease in net assets	\$ (6,081,259)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Change in fair value of investments	4,495,645
Effect of changes in:	
Decrease in contributions receivable	643,991
Decrease in accounts receivable	677,050
Decrease in accrued interest receivable	19,405
Decrease in prepaid expenses	43,527
Decrease in accounts payable and accrued liabilities	(35,293)
Increase in due to other funds	<u>1,071,749</u>
Net cash provided by operating activities	<u>834,815</u>

Cash flows provided by investing activities:

Sale of investments	<u>230,137</u>
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Net increase in cash and cash equivalents	1,064,952
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Cash and cash equivalents, July 1, 2008	<u>4,060,286</u>
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Cash and cash equivalents, June 30, 2009	<u><u>\$ 5,125,238</u></u>
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Supplemental information:

Noncash investing activities:	
Change in fair value of investments	\$ (4,495,645)

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

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Foothill-De Anza Community College District (District) is a political subdivision of the State of California and provides educational services to the local residents of the surrounding area. While the District is a political subdivision of the State, it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14. The District is classified as a state instrumentality under Internal Revenue Code Section 115, and is also classified as a charitable organization under Internal Revenue Code Section 501(c)(3), and is therefore exempt from Federal taxes.

The decision to include potential component units in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP) and GASB Statement 14 as amended by GASB Statement 39. The three criteria for requiring a legally separate, tax-exempt organization to be presented as a component unit are the "direct benefit" criterion, the "entitlement/ability to access" criterion, and the "significance" criterion. The District identified the Foothill-De Anza Community College District Financing Corporation (Financing Corporation) and the Foothill-De Anza Community Colleges Foundation (Foundation) as its potential component units.

The Financing Corporation is an organization whose activities to date have been limited to the issuance of Certificates of Participation and entering into lease arrangements with the District as discussed in Note 6. The District and the Financing Corporation have financial and operational relationships which met the reporting entity definition of GASB Statement 14 for inclusion of the Financing Corporation as a component unit of the District. Accordingly, the financial activities of the Financing Corporation have been blended with the financial statements of the District.

The Foundation is a nonprofit, tax-exempt organization dedicated to providing financial benefits generated from fundraising efforts and investments earnings to the District. The funds contributed by the Foundation to the District are significant to the District's financial statements. The District applied the criteria for identifying component units in accordance with GASB Statement 39 and therefore, the District has classified the Foundation as a component unit that will be discretely presented in the District's financial statements. The Foundation also issues a stand-alone audited, financial report, which can be obtained from the District or the Foundation.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

GASB released Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" in June 1999, which established a new reporting format for annual financial statements. In November 1999, GASB released Statement No. 35, "Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities," which applies the new reporting standards of GASB Statement No. 34 to public colleges and universities. The GASB then amended those statements in June 2001 with the issuance of GASB Statements No. 37 and No. 38. The District adopted and applied these new standards beginning in 2001-02 as required. In May 2002, the GASB released Statement No. 39, "Determining Whether Certain Organizations Are Component Units," which amends GASB Statement 14, paragraphs 41 and 42, to provide guidance for determining and reporting whether certain organizations are component units. The District adopted and applied this standard for the 2003-04 fiscal year as required. The District now follows the financial statement presentation required by GASB Statements No. 34, 35, 37, 38 and 39. This presentation provides a comprehensive, entity-wide perspective of the District's assets, cash flows, and replaces the fund-group perspective previously required.

Financial Presentation

For financial presentation purposes, the Financing Corporation financial activity has been blended, or combined, with the financial data of the District.

Basis of Accounting

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities. Under this model, the District's financial statements provide a comprehensive one-time look at its financial activities. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. All significant intra-agency transactions have been eliminated.

The Foundation's financial statements are prepared on the accrual basis of accounting. Recognition of contributions is dependent upon whether the contribution is restricted or unrestricted. Net assets are classified on the Statement of Net Assets as unrestricted, temporarily restricted or permanently restricted net assets based on the absence or existence of donor-imposed restrictions.

The District has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The District has elected to not apply FASB pronouncements issued after that date.

Cash and Cash Equivalents

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

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Cash and Cash Equivalents

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

Fair Value of Investments

The District records its investment in Santa Clara County Treasury at fair value. Changes in fair value are reported as revenue in the statement of revenues, expenses and changes in net assets. The fair value of investments, including the Santa Clara County Treasury external investment pool, at June 30, 2009 approximated their carrying value.

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

The Foundation's investments are pooled and are valued at their fair market value based upon quoted market prices, when available, or estimates of fair value in the balance sheet and unrealized and realized gains and losses are included in the Statement of Revenues, Support, Expenses and Changes in Net Assets.

Accounts Receivable

Accounts receivable 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. Accounts receivable also include amounts due from the Federal Government, State and Local Governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts.

Contributions

Contributions receivable consist of unconditional promises to give. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. An allowance for uncollectible contributions receivable is established based upon estimated losses related to specific amounts and is recorded through a provision for bad debt which is charged to expense. Unconditional promises to give that are expected to be collected with future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable in the years in which those promises are received. As of June 30, 2009, the Foundation has applied a discount rate of 5.0% to all contributions expected to be received in future years greater than one year. At June 30, 2009, an allowance for uncollectible contributions is not considered necessary and has not been recorded.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

Inventory consists of stores supplies, cafeteria food, textbooks and educational supplies. Except for bookstore inventories, which are valued using the retail method, inventories are stated at the lower of cost (first-in, first-out method) or market.

Capital Assets

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

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 50 years for buildings, 15 years for portable buildings, 10 years for land improvements, 8 years for most equipment and vehicles, and 3 years for technology equipment such as computers.

The District evaluates capital assets for financial impairment as events or changes in circumstances indicate that the carrying amounts of such assets may not be fully recoverable.

Compensated Absences

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

Accumulated Sick Leave

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

Deferred Revenue

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

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

The District's net assets are classified as follows:

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

Restricted net assets – expendable: Restricted expendable net assets include resources in which the District is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Restricted net assets – nonexpendable: Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

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

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

The Foundation's net assets are classified as follows:

Unrestricted: Unrestricted net assets consist of all resources of the Foundation, which have not been specifically restricted by a donor.

Temporarily restricted: Temporarily restricted net assets consist of cash and other assets received with donor stipulations that limit the use of the donated assets. When a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Revenue, Expense, and Changes in Net Assets as net assets released from restriction.

Permanently restricted: Permanently restricted net assets are nonexpendable net assets consisting of endowment and similar type funds in which the donor has stipulated as condition of the gift, that the principal be maintained in perpetuity.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

In August 2008, the FASB issued FASB Staff Position No. 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to and Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* (FSP FAS 117-1), which provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and additional disclosures about an organization's endowment funds. In 2008, the State of California adopted UPMIFA, which is effective beginning January 1, 2009. As a result of the adoption of UPMIFA, the Foundation has reclassified net assets previously stated as permanently restricted as temporarily restricted and unrestricted through a cumulative change in accounting principle. The following disclosures are made as required by FSP FAS 117-1.

The Foundation's endowment currently consists of 60 individual funds established for the purpose of supporting education at Foothill and De Anza Colleges as well as the District. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard prudence prescribed by UPMIFA.

The Foundation follows the Foundation's adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specific period(s) as well as board-designated funds.

The investment objective is to optimize earnings on all invested funds, while maintaining the preservation of capital. Risk will be minimized by investing in high quality fixed income and equity instruments with the objective of maintaining a balanced portfolio in accordance with the Foundation's investment policy.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

State Apportionments

Certain current year apportionments from the State are based on various financial and statistical information of the previous year. Prior year corrections due to the recalculation in February 2009 will be recorded in the year computed by the State.

On-Behalf Payments

GASB Statement No. 24 requires that direct on-behalf payments for benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers and Public Employees Retirement Systems on behalf of all Community Colleges in California. However, a fiscal advisory issued by the California Department of Education instructed districts not to record revenue and expenditures for these on-behalf payments.

Risk Management

As more fully described in Note 8, the District is partially self-insured with regard to workers' compensation and medical claims and certain other risks. The amount of the outstanding liability at June 30, 2009 for workers' compensation and medical claims includes estimates of future claim payments for known cases as well as provisions for incurred but not reported claims and adverse development on known cases which occurred through that date and is based on information provided by an outside actuary. Outstanding claims which are expected to become due and payable within the subsequent fiscal year are reflected as an accounts and claims payable liability and the balance of the estimated liability is reflected as a long-term liability.

Classification of Revenue

The District has classified its revenues as either operating or nonoperating revenues. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues, as defined by GASB Statement No. 35 including State appropriations, local property taxes, and investment income. Nearly all the District's expenses are from exchange transactions. Revenues and expenses are classified according to the following criteria:

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

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources described in GASB Statement No. 35, such as State appropriations and investment income.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Scholarship Discounts and Allowances

Student tuition and fee revenue are reported net of scholarship discounts and allowances in the statement of revenues, expenses and changes in net assets. Scholarship discounts and allowances represent the difference between stated charges for goods and services provided by the District and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants and other federal, state or nongovernmental programs, are recorded as operating revenues in the District's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the District has recorded a scholarship discount and allowance.

Estimates

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

New Financial Accounting Pronouncements

Fair Value Measurements

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*, which defines and establishes a framework for measuring fair value used in FASB pronouncements issued by FASB that require or permit fair value measurement. This statement expands disclosures using fair value to measure assets and liabilities in periods subsequent to the period of initial recognition. SFAS No. 157 is effective for the Foundation's financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those years. The Foundation adopted this statement on July 1, 2008. The impact of adoption was not material to the Foundation's financial condition or results of operations. See Note 2 – Cash, Cash Equivalents and Investments.

Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active

In October 2008, the FASB issued FSP FAS 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active*. The FSP clarifies the application of SFAS No. 157 in a market that is not active and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. The FSP is effective immediately, and includes prior period financial statements that have not yet been issued, and therefore the Foundation is subject to the provision of the FSP effective immediately. The impact of adoption was not material to the Foundation's financial condition or results of operations.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Financial Accounting Pronouncements (Continued)

Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly

In April 2009, the FASB issued FSP FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*, which provides additional guidance for estimating fair value in accordance with SFAS No. 157 when the volume and level of activity for the asset or liability have decreased significantly. FSP FAS 157-4 also provides guidance on identifying circumstances that indicate a transaction is not orderly. The provisions of FSP FAS 157-4 are effective for the Foundation's year ending on June 30, 2009. No reconciliation on Level 3 investments is provided as the Foundation is part of pooled investments under the Commonfund Reality Investors, LLC. The impact of adoption was not material to the Foundation's financial condition or results of operations. See Note 2 – Cash, Cash Equivalents and Investments.

Subsequent Events

In May 2009, the Financial Accounting Standards Board issued SFAS No. 165, *Subsequent Events* (SFAS 165). Under SFAS 165, entities are required to evaluate events and transactions that occur after the balance sheet date but before the date the financial statements are issued, or available to be issued in the case of non-public entities. SFAS 165 requires entities to recognize in the financial statements the effect of all events or transactions that provide additional evidence of conditions that existed at the balance sheet date, including the estimates inherent in the financial preparation process. Entities shall not recognize the impact of events or transactions that provide evidence about conditions that did not exist at the balance sheet date but arose after that date. SFAS 165 also requires entities to disclose the date through which subsequent events have been evaluated. SFAS 165 was effective for interim and annual reporting periods ending after June 15, 2009. The Foundation adopted the provisions of SFAS 165 for the year ended June 30, 2009, as required, and adoption did not have a material impact on the Foundation's financial statements taken as a whole. The Foundation evaluated all events or transactions that occurred from June 30, 2009 to November 30, 2009, the date the Foundation issued these financial statements.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

District cash, cash equivalents and investments at June 30, 2009, consisted of the following:

Pooled Funds:	
Cash in County Treasury	\$ 64,248,710
Deposits:	
Cash on hand and in banks	1,322,112
Cash held by Fiscal Agents	<u>266,133,842</u>
Total cash and cash equivalents	<u>331,704,664</u>
Less: restricted cash and cash equivalents:	
Cash held by Fiscal Agents	266,133,842
Cash held in trust for students and scholarships	<u>2,719,705</u>
Total restricted cash and cash equivalents	<u>268,853,547</u>
Net cash and cash equivalents	<u>\$ 62,851,117</u>
Investments:	
Certificates of deposit	<u>\$ 81,325</u>

Foundation cash and cash equivalents at June 30, 2009 totaled \$5,125,238.

The Foundation maintains substantially all of its cash in the Santa Clara County Treasury commingled in a concentration account held by Foothill-De Anza Community College District. The County pools and invests the cash. These pooled funds are carried at cost which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

As provided for by in Education Code, Section 41001, a significant portion of the District's cash balances is deposited with the County Treasurer for the purpose of increasing interest earnings through County investment activities. Interest earned on such pooled cash balances is allocated proportionately to all funds in the pool.

In accordance with applicable State laws, the Santa Clara County Treasurer may invest in derivative securities. However, at June 30, 2009, the Santa Clara County Treasurer has indicated that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

The California Government Code requires California banks and savings and loan associations to secure the District's deposits by pledging government securities as collateral. The market value of pledged securities must equal 110 percent of an agency's deposits. California law also allows financial institutions to secure an agency's deposits by pledging first trust deed mortgage notes having a value of 150 percent of an agency's total deposits and collateral is considered to be held in the name of the District. All cash held by financial institutions is entirely insured or collateralized.

Under provision of the District's policy, and in accordance with Sections 53601 and 53602 of the California Government Code, the District may invest in the following types of investments:

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

Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). At June 30, 2009, the carrying amount of the District's cash on hand and in banks (including certificates of deposit) was \$1,403,435 and the bank balance was \$1,283,666. The bank balance amount insured by the FDIC was \$472,308.

Cash with Fiscal Agent

Cash with Fiscal Agent totaling \$266,133,842 represents amounts held in the District's name with third party custodians for future construction projects and repayment of long-term liabilities.

Interest Rate Risk

The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2009, the District had no significant interest rate risk related to cash and investments held.

Credit Risk

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

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Concentration of Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2009, the District had no concentration of credit risk.

District Investments

At June 30, 2009, the District's investments, with a carrying value of \$81,325, which equals market value, consist of certificates of deposit. The certificates of deposit are collateralized as required by California State law for any amount exceeding FDIC coverage. Collateral is held in trust by the institutions and monitored by the State Superintendent of Banking.

Foundation Investments

The Foundation investments consist of the Commonfund mutual funds and zero coupon collateralized mortgage obligations, backed by the Government National Mortgage Association. The Foundation investments are pooled and are valued at their fair market value based upon quoted market prices, when available, or estimates of fair value in the balance sheet and unrealized and realized gains and losses are included in the Foundation Statement of Revenues, Expenses and Changes in Net Assets. At June 30, 2009, the Foundation's investments consisted of the following:

Commonfund:	
Multi-strategy Equity Fund	\$ 7,142,845
Multi-strategy Bond Fund	11,047,746
Real estate	<u>877,473</u>
Total Commonfund	19,068,064
Collateralized mortgage obligations	<u>4,331</u>
	<u>\$ 19,072,395</u>

The following presents information about the Foundation's assets and liabilities measured at fair value on a recurring basis as of June 30, 2009, and indicates the fair value hierarchy of the valuation techniques utilized by the Foundation to determine such fair value based on the hierarchy:

Level 1 – Quoted market prices or identical instruments traded in active exchange markets.

Level 2 – Significant other observable inputs such as quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable or can be corroborated by observable market data.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Foundation Investments (Continued)

Level 3 – Significant unobservable inputs that reflect a reporting entity's own assumptions about the methods that market participants would use in pricing an asset or liability.

The Foundation is required or permitted to record the following assets at fair value on a recurring basis:

<u>Description</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investment securities	<u>\$ 19,072,395</u>	<u>\$ -</u>	<u>\$ 18,194,922</u>	<u>\$ 877,473</u>

Certain investments were classified as Level 2 as comparable investment securities were used to determine fair value measurements. Certain investments were classified as Level 3 due to the use of unobservable inputs and assumptions in fair value measurements.

The Foundation had no non recurring assets and no liabilities at June 30, 2009 which were required to be disclosed using the fair value hierarchy.

3. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2009 are summarized as follows:

Federal	\$ 1,567,467
State	19,884,990
Local and other	<u>9,701,622</u>
	31,154,079
Less allowance for doubtful accounts	<u>(584,260)</u>
	<u>\$ 30,569,819</u>

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

At June 30, 2009 the Foundation had \$8,168 in accounts receivable due from local sources.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. ACCOUNTS RECEIVABLE (Continued)

Contributions Receivable

Contributions receivable with the Foundation as of June 30, 2009 consist of the following:

Due within one year	\$ 380,375
Due within one to five years	275,000
Discount	<u>(59,882)</u>
Contributions receivable, net	<u><u>\$ 595,493</u></u>

4. CAPITAL ASSETS

Capital asset activity consists of the following:

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2009</u>
Land	\$ 2,489,776			\$ 2,489,776
Land improvements	44,526,510	\$ 1,984,320		46,510,830
Building improvements	136,541,960	1,097,645	\$ (24,128)	137,615,477
Portable buildings	5,273,060			5,273,060
Buildings	232,277,780	19,026,405		251,304,185
Equipment	26,574,357	3,303,771	(24,240)	29,853,888
Software	1,787,366	110,279		1,897,645
Construction work in progress	<u>30,620,317</u>	<u>31,511,618</u>	<u>(22,483,171)</u>	<u>39,648,764</u>
Total	<u>480,091,126</u>	<u>57,034,038</u>	<u>(22,531,539)</u>	<u>514,593,625</u>
Less accumulated depreciation:				
Land improvements	15,326,584	4,225,331		19,551,915
Building improvements	65,586,988	10,193,668	(24,128)	75,756,528
Portable buildings	2,178,259	351,539		2,529,798
Buildings	42,472,537	4,835,820		47,308,357
Equipment	18,668,347	1,814,911	(24,240)	20,459,018
Software	<u>1,600,022</u>	<u>142,969</u>		<u>1,742,991</u>
Total	<u>145,832,737</u>	<u>21,564,238</u>	<u>(48,368)</u>	<u>167,348,607</u>
Capital assets, net	<u><u>\$ 334,258,389</u></u>	<u><u>\$ 35,469,800</u></u>	<u><u>\$ (22,483,171)</u></u>	<u><u>\$ 347,245,018</u></u>

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

5. DEFERRED REVENUE

Deferred revenue consisted of the following:

Deferred Federal and State revenue	\$ 6,401,193
Deferred student fees	3,239,618
Deferred tuition and other student enrollment fees	2,680,942
Deferred Celebrity Forum ticket sales	1,465,675
Deferred event sales	<u>51,044</u>
 Total deferred revenue	 <u><u>\$ 13,838,472</u></u>

6. LONG-TERM DEBT

Long-term debt at June 30, 2009 consisted of the following:

Description	Year of Issue	Interest Rate	Final Maturity	Original Amount	Balance June 30, 2009
General Obligation Bonds, Series A	2000	4.30%-6.26%	2030	\$ 99,995,036	\$ 28,145,036
General Obligation Bonds, Series B	2004	2.00%-5.79%	2036	\$ 90,100,063	61,460,063
General Obligation Bonds, Series C	2005	3.00%-5.03%	2036	\$ 57,904,900	57,762,253
General Obligation Refunding Bonds, Series A	2003	2.00%-5.00%	2030	\$ 67,475,000	62,980,000
General Obligation Refunding Bonds, Series B	2005	3.00%-5.25%	2021	\$ 22,165,000	22,010,000
2006 General Obligation Bonds, Series A	2006	4.00%-5.00%	2036	\$ 149,995,250	149,995,250
2006 General Obligation Bonds, Series B	2006	4.00%-5.00%	2036	\$ 99,996,686	99,996,686
Accreted interest on Capital Appreciation Bonds					35,262,586
Financing Corporation Certificates of Participation	1997	3.80%-5.05%	2012	\$ 12,520,000	2,045,000
Refunding Certificates of Participation	2003	1.00%-4.375%	2021	\$ 18,275,000	13,510,000
2006 Financing COPs	2006	3.50%-4.00%	2021	\$ 11,335,000	10,050,000
Capitalized lease obligations	1999-2005	3.67%-5.978%	2009-2020	\$ 9,005,573	<u>3,945,183</u>
Total long-term debt					547,162,057
Less current portion of long-term debt					<u>(5,822,085)</u>
					<u>541,339,972</u>
Compensated absences payable - noncurrent					1,919,510
Unpaid claims and claim adjustment expenses (Note 8)					<u>5,784,470</u>
Total noncurrent liabilities					<u><u>\$ 549,043,952</u></u>

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM DEBT (Continued)

The revenue bonds are collateralized by revenue from the student centers. The annual debt service for these bonds is provided by student fees. The capitalized lease obligations are generally collateralized by the leased property. The annual debt service for these leases is paid from the operating revenues of the District.

Changes in general long-term debt (excluding compensated absences and claims payable) are as follows:

	General Obligation Bonds Series A	General Obligation Bonds Series B	General Obligation Bonds Series C	General Obligation Refunding Bonds Series A	General Obligation Refunding Bonds Series B	2006 General Obligation Bonds Series A	
Balance, July 1, 2008	\$ 29,570,036	\$ 62,180,063	\$ 57,852,253	\$ 63,210,000	\$ 22,010,000	\$ 149,995,250	
New issuance							
Principal payments	<u>1,425,000</u>	<u>720,000</u>	<u>90,000</u>	<u>230,000</u>			
Balance, June 30, 2009	<u>\$ 28,145,036</u>	<u>\$ 61,460,063</u>	<u>\$ 57,762,253</u>	<u>\$ 62,980,000</u>	<u>\$ 22,010,000</u>	<u>\$ 149,995,250</u>	
	2006 General Obligation Bonds Series B	Accreted Interest on Capital Appreciation Bonds	Financing COPs	Refunding COPs	2006 Financing COPs	Capitalized Lease Obligations	Total
Balance, July 1, 2008	\$ 99,996,686	\$ 26,718,868	\$ 2,665,000	\$ 14,315,000	\$ 10,705,000	\$ 4,563,593	\$ 543,781,749
New issuance		8,543,718					8,543,718
Principal payments			<u>620,000</u>	<u>805,000</u>	<u>655,000</u>	<u>618,410</u>	<u>5,163,410</u>
Balance, June 30, 2009	<u>\$ 99,996,686</u>	<u>\$ 35,262,586</u>	<u>\$ 2,045,000</u>	<u>\$ 13,510,000</u>	<u>\$ 10,050,000</u>	<u>\$ 3,945,183</u>	<u>\$ 547,162,057</u>

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM DEBT (Continued)

The general long-term debt maturity schedules (excluding compensated absences and claims payable) is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>1999 General Obligation Bonds, Series A</u>			
2010	\$ 2,000,000	\$ 294,900	\$ 2,294,900
2011	2,000,000	194,900	2,194,900
2012	2,415,000	72,450	2,487,450
2013			
2014			
2015-2019	7,525,403	12,764,597	20,290,000
2020-2024	6,766,523	17,238,477	24,005,000
2025-2029	5,266,948	21,243,052	26,510,000
2030-2031	<u>2,171,162</u>	<u>11,383,838</u>	<u>13,555,000</u>
	<u>\$ 28,145,036</u>	<u>\$ 63,192,214</u>	<u>\$ 91,337,250</u>
<u>1999 General Obligation Bonds, Series B</u>			
2010	\$ 750,000	\$ 1,176,395	\$ 1,926,395
2011	1,150,000	1,142,145	2,292,145
2012	1,350,000	1,090,458	2,440,458
2013	1,575,000	1,031,845	2,606,845
2014	1,815,000	956,545	2,771,545
2015-2018	4,830,000	3,891,575	8,721,575
2020-2024	11,875,000	2,870,850	14,745,850
2025-2029	10,829,160	28,625,840	39,455,000
2030-2034	15,802,680	63,042,320	78,845,000
2035-2037	<u>11,483,223</u>	<u>59,421,777</u>	<u>70,905,000</u>
	<u>\$ 61,460,063</u>	<u>\$ 163,249,750</u>	<u>\$ 224,709,813</u>

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM DEBT (Continued)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>1999 General Obligation Bonds, Series C</u>			
2010	\$ 85,000	\$ 1,811,088	\$ 1,896,088
2011	340,000	1,804,713	2,144,713
2012	445,000	1,792,381	2,237,381
2013	560,000	1,775,700	2,335,700
2014	685,000	1,749,125	2,434,125
2015-2019	6,185,000	7,989,625	14,174,625
2020-2024	10,702,915	7,555,085	18,258,000
2025-2029	7,006,249	17,140,001	24,146,250
2030-2034	11,673,362	35,757,888	47,431,250
2035-2037	<u>20,079,727</u>	<u>4,639,648</u>	<u>24,719,375</u>
	<u>\$ 57,762,253</u>	<u>\$ 82,015,254</u>	<u>\$ 139,777,507</u>
<u>General Obligation Refunding Bonds, Series A</u>			
2010	\$ 235,000	\$ 3,118,129	\$ 3,353,129
2011	245,000	3,111,521	3,356,521
2012	250,000	3,104,219	3,354,219
2013	3,140,000	3,014,119	6,154,119
2014	3,645,000	2,832,088	6,477,088
2015-2019	5,105,000	12,672,281	17,777,281
2020-2024	12,145,000	11,527,153	23,672,153
2025-2029	25,550,000	6,513,313	32,063,313
2030-2031	<u>12,665,000</u>	<u>642,624</u>	<u>13,307,624</u>
	<u>\$ 62,980,000</u>	<u>\$ 46,535,447</u>	<u>\$ 109,515,447</u>

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM DEBT (Continued)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>General Obligation Refunding Bonds, Series B</u>			
2010		\$ 1,155,525	\$ 1,155,525
2011		1,155,525	1,155,525
2012		1,155,525	1,155,525
2013		1,155,525	1,155,525
2014		1,155,525	1,155,525
2015-2019	\$ 8,800,000	5,020,575	13,820,575
2020-2022	<u>13,210,000</u>	<u>1,094,888</u>	<u>14,304,888</u>
	<u>\$ 22,010,000</u>	<u>\$ 11,893,088</u>	<u>\$ 33,903,088</u>
 <u>2006 General Obligation Bonds, Series A</u>			
2010		\$ 6,043,125	\$ 6,043,125
2011	\$ 5,395,000	5,935,225	11,330,225
2012	6,070,000	5,705,925	11,775,925
2013	955,000	5,560,650	6,515,650
2014	1,265,000	5,505,150	6,770,150
2015-2019	11,930,000	26,080,875	38,010,875
2020-2024	24,360,000	21,636,875	45,996,875
2025-2029	42,170,000	13,522,250	55,692,250
2030-2034	45,106,592	28,664,641	73,771,233
2035-2037	<u>12,743,658</u>	<u>30,025,596</u>	<u>42,769,254</u>
	<u>\$ 149,995,250</u>	<u>\$ 148,680,312</u>	<u>\$ 298,675,562</u>
 <u>2006 General Obligation Bonds, Series B</u>			
2010		\$ 4,084,025	\$ 4,084,025
2011	\$ 3,925,000	4,005,525	7,930,525
2012	4,400,000	3,839,025	8,239,025
2013	630,000	3,735,275	4,365,275
2014	840,000	3,698,525	4,538,525
2015-2019	7,950,000	17,530,625	25,480,625
2020-2024	16,270,000	14,565,125	30,835,125
2025-2029	28,210,000	9,116,638	37,326,638
2030-2034	30,008,702	18,057,331	48,066,033
2035-2037	<u>7,762,984</u>	<u>18,170,083</u>	<u>25,933,067</u>
	<u>\$ 99,996,686</u>	<u>\$ 96,802,177</u>	<u>\$ 196,798,863</u>

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM DEBT (Continued)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>Financing COPs</u>			
2010	\$ 650,000	\$ 100,270	\$ 750,270
2011	680,000	69,070	749,070
2012	<u>715,000</u>	<u>35,750</u>	<u>750,750</u>
	<u>\$ 2,045,000</u>	<u>\$ 205,090</u>	<u>\$ 2,250,090</u>
<u>Refunding COPs</u>			
2010	\$ 830,000	\$ 520,965	\$ 1,350,965
2011	850,000	496,377	1,346,377
2012	880,000	468,902	1,348,902
2013	910,000	439,133	1,349,133
2014	940,000	407,213	1,347,213
2015-2019	5,305,000	1,441,256	6,746,256
2020-2021	<u>3,795,000</u>	<u>249,975</u>	<u>4,044,975</u>
	<u>\$ 13,510,000</u>	<u>\$ 4,023,821</u>	<u>\$ 17,533,821</u>
<u>2006 Financing COPs</u>			
2010	\$ 675,000	\$ 378,198	\$ 1,053,198
2011	705,000	354,223	1,059,223
2012	730,000	329,256	1,059,256
2013	755,000	302,739	1,057,739
2014	785,000	273,306	1,058,306
2015-2019	4,400,000	869,022	5,269,022
2020-2021	<u>2,000,000</u>	<u>94,133</u>	<u>2,094,133</u>
	<u>\$ 10,050,000</u>	<u>\$ 2,600,877</u>	<u>\$ 12,650,877</u>
<u>Capitalized Lease Obligations</u>			
2010	\$ 597,085	\$ 167,876	\$ 764,961
2011	465,453	141,204	606,657
2012	488,025	118,632	606,657
2013	511,706	94,951	606,657
2014	399,963	71,280	471,243
2015-2019	1,209,799	198,488	1,408,287
2020	<u>273,152</u>	<u>8,510</u>	<u>281,662</u>
	<u>\$ 3,945,183</u>	<u>\$ 800,941</u>	<u>\$ 4,746,124</u>

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM DEBT (Continued)

Certificates of Participation

On October 1, 1997, the Financing Corporation issued Certificates of Participation (COPs) in the amount of \$12,520,000 to provide proceeds for the acquisition, construction and installation of certain electrical, technology and air conditioning equipment, to make repairs and improvements to existing buildings and to defease an existing COPs. The COPs bear effective interest rates ranging from 3.8% to 5.05% and mature through 2012.

In June 2003, the Financing Corporation issued \$18,275,000 of Certificates of Participation with effective interest rates ranging from 1% to 4.375% and maturing 2004 through 2021. The Certificate proceeds are being used to advance refunds to the outstanding Advanced Refunding COPs and certain debt issue costs and interest.

On November 1, 2006, the Financing Corporation issued Certificates of Participation (COPs) in the amount of \$11,335,000 for the construction and renovation of certain District facilities and the acquisition and installation of equipment, pay capitalized interest with respect to the Certificates through approximately June 30, 2008 and pay costs related to the execution and delivery of the Certificates. The COPs bear effective interest rates ranging from 3.5% to 4.0% and mature through 2021.

General Obligation Bonds

The District, Santa Clara County, California, Election of 1999 General Obligation Bonds, Series A (the "Bonds") were authorized at an election of registered voters held on November 2, 1999, at which two-thirds of the persons voting on the proposition voted to authorize the issuance and sale of \$248,000,000 in principal amount of general obligation bonds of the District. The Bonds are being issued to construct and repair college educational facilities. Accordingly, the District sold bonds totaling \$99,995,036 on May 2, 2000.

In October 2002, the District issued General Obligation Bonds in the amount of \$67,475,000 for the purpose of refunding a portion of the 1999 Series A General Obligation Bonds.

In September 2003, the District issued Series B, 1999 General Obligation Bonds aggregating \$90,100,063. The bonds mature through 2036 and bear interest at rates ranging from 2% to 5.79%. The proceeds from the issuance will be used to construct and modernize education facilities.

In September 2005, the District issued Series C, 1999 General Obligation Bonds aggregating \$57,904,900. The bonds mature through 2036 and bear interest rates from 3.00% to 5.03%. The proceeds from the issuance will be used to construct and modernize college educational facilities. The District also issued General Obligation Refunding Bonds in the amount of \$22,165,000 for the purpose of refunding a portion of the aggregate amount outstanding of the Series B 1999 General Obligation Bonds.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM DEBT (Continued)

General Obligation Bonds (Continued)

The District, Santa Clara County, California, Election of 2006 General Obligation Bonds, Series A (the "Bonds") were authorized at an election of registered voters held on June 6, 2006 at which more than fifty-five percent of the persons voting on the proposition voted to authorize the issuance and sale of \$490,800,000 principal amount of general obligation bonds of the District. The Bonds are being issued to finance the acquisition, construction, modernization and renovation of certain District facilities approved by the District's registered voters and to pay costs of issuance associated with the Bonds. Accordingly, the District sold bonds totaling \$149,995,250 and \$99,996,686 on May 10, 2007.

7. PROPERTY TAXES

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

8. SELF-INSURANCE PROGRAM

Effective March 1, 2003, the District is self-insured for certain risks and employee benefits. Workers' compensation claims are self-insured to \$250,000. Excess insurance has been purchased which covers workers' compensation claims between \$250,000 and \$10,000,000. The estimate of incurred but not reported and reported claims was actuarially determined based upon historical experience and actuarial assumptions. The current and long-term portions of the liability for the unpaid claims for workers' compensation losses as of June 30, 2009 were \$1,386,400 and \$5,503,300, respectively.

The District is also self-insured for health care claims of employees participating in the District's health care plans. The District carries stop loss insurance to limit its aggregate liability to 125% of the expected paid claims and its individual claim liability limit to \$100,000 per care year. The current and long-term portions of the liability for health care claims at June 30, 2009 were \$1,911,965 and \$281,170, respectively.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

8. SELF-INSURANCE PROGRAM (Continued)

The claims reserve activity for the years ended June 30, 2009 and 2008 is as follows:

	<u>2009</u>	<u>2008</u>
Unpaid claims and claim adjustment expenses, beginning of year	\$ <u>11,377,128</u>	\$ <u>6,720,572</u>
Incurred claims and claim adjustment expenses:		
Provision for covered events of the current year	16,618,627	15,581,756
Provision for covered events of prior years	<u>(2,294,293)</u>	<u>4,656,556</u>
Total incurred claims and claims adjustment expenses	<u>14,324,334</u>	<u>20,238,312</u>
Payments		
Claims and claim adjustment expenses	<u>16,618,627</u>	<u>15,581,756</u>
Total unpaid claims and claim adjustment expenses, end of year	9,082,835	11,377,128
Less current portion included in accounts and claims payable	<u>3,298,365</u>	<u>3,945,343</u>
Total non-current unpaid claims and claim adjustment expenses, end of year	<u>\$ 5,784,470</u>	<u>\$ 7,431,785</u>

9. EMPLOYEE RETIREMENT SYSTEMS

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

State Teachers' Retirement System (STRS)

Plan Description

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

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

State Teachers' Retirement System (STRS) (Continued)

Plan Description (Continued)

The State Teachers' Retirement Plan (STRP), a defined benefit pension plan, provides retirement, disability, and death benefits, and depending on which component of the STRP the employee is in, postretirement cost-of-living adjustments may also be offered. Employees in the DB Plan attaining the age of 60 with five years of credited California service (service) are eligible for "normal" retirement and are entitled to a monthly benefit of two percent of their final compensation for each year of service. Final compensation is generally defined as the average salary earnable for the highest three consecutive years of service. The plan permits early retirement options at age 55 or as early as age 50 with at least 30 years of service. Disability benefits of up to 90 percent of final compensation to members with five years of service. After five years of credited service, members become 100 percent vested in retirement benefits earned to date. If a member's employment is terminated, the accumulated member contributions are refundable. The features of the CB Benefit Program include immediate vesting, variable contribution rates that can be bargained, guaranteed interest rates, and flexible retirement options. Participation in the CB benefit plan is optional; however, if the employee selects the CB benefit plan and their basis of employment changes to half time or more, the member will automatically become a member of the DB Plan.

Funding Policy

Active members of the DB Plan are required to contribute 8% of their salary while the district is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2008-09 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The CB Benefit Program is an alternative STRS contribution plan for instructors. Instructors who choose not to sign up for the DB Plan, PARS or FICA may participate in the CB Benefit Program. The district contribution rate for the CB Benefit Program is always a minimum of 4% with the sum of the district and employee contribution always being equal or greater than 8%.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

State Teachers' Retirement System (STRS) (Continued)

Annual Pension Cost

The District's total contributions to STRS for the fiscal years ended June 30, 2009, 2008, and 2007 were \$5,556,997, \$5,541,987 and \$4,887,679, respectively and equal 100% of the required contributions for each year. The State of California may make additional direct payments for retirement benefits to the STRS on behalf of all community colleges in the State. The revenue and expenditures associated with these payments, if any, have not been included in these financial statements. In their most recent actuarial valuation of the DB Plan as of June 30, 2005, the independent actuaries for STRS determined that, at June 30, 2005, the actuarial value of the DB program's actuarial accrued liabilities exceeded the program's actuarial value of assets by \$20.3 billion. Based on this valuation, the current statutory contributions are sufficient to fund normal cost and amortize the actuarial unfunded obligation of \$20.3 billion by 2030. However, future estimates of the actuarial unfunded obligation may change due to market performance, legislative actions and other membership related factors. In their most recent actuarial valuation of the CB Plan as of June 30, 2005, the independent actuaries for STRS determined that, at June 30, 2005, the actuarial value of the CB program's actuarial accrued liabilities exceeded the program's actuarial value of assets by \$2.1 million. The STRS management is continually evaluating the impact of market fluctuations on the assets of the CB Program. However, future estimates of the actuarial unfunded obligation may change due to market performance, legislative actions and other membership related factors.

California Public Employees' Retirement System (CalPERS)

Plan Description

All full-time classified employees participate in the CalPERS, an agent multiple employer contributory public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. 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 less if the plan is coordinated with Social Security. Retirement after age 55 increases the monthly benefit percentage rate to a maximum of 2.5 percent at age 63. 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.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

California Public Employees' Retirement System (CalPERS) (Continued)

Funding Policy

Active plan members are required to contribute 7% of their salary and the district is required to contribute an actuarially determined rate. The district's contribution rate to CalPERS for fiscal year 2002-03 was 2.894% beginning with the first pay period ending in July 2002; CalPERS then lowered the rate to 2.771% beginning with the first pay period ending in February 2003. On May 16, 2003, CalPERS approved a school employer contribution rate of 10.42% beginning with the first pay period that ended in July 2003. The required employer contribution rate for fiscal year 2008-2009 was 9.43% of annual payroll.

Annual Pension Cost

The District's contributions to CalPERS for fiscal years ending June 30, 2009, 2008 and 2007 were \$4,896,890, \$4,794,665 and \$4,201,827, respectively, and equaled 100 percent of the required contributions for each year. The actuarial assumptions used as part of the June 30, 2001, actuarial valuation (the most recent actuarial information available) included (a) an 8.25% investment rate of return (net of administrative expense); (b) an overall growth in payroll of 3.75% annually; and (c) an inflation component of 3.5% compounded annually that is a component of assumed wage growth, and assumed future post-retirement cost of living increases. The actuarial value of pension fund assets was determined by using a technique to smooth the effect of short-term volatility in the market value of investments.

10. OTHER POST-RETIREMENT BENEFITS

The District established an Other Post-Employment Benefits (OPEB) plan in fiscal year ended June 30, 2007 including joining as a member of the Community College League Retiree Health Benefit Program Joint Powers Authority (JPA), a non-profit organization. The JPA serves as an irrevocable trust, ensuring that funds contributed into its Investment Trust are dedicated to serving the needs of member districts and their employees and retirees.

The District provides post-employment health care benefits for retired employees through a single employer plan. The benefits, employee and employer contributions are governed by the District's collective bargaining agreements.

The District provides retirees, hired before July 1, 1997, their dependents, and domestic partners with health and hospital benefits, prescription drug benefits, vision care benefits, and dental care benefits, subject to certain eligibility requirements. Employees hired on or after July 1, 1997 are eligible for a health benefits bridge program to cover the period of time between retirement eligibility for Medicare coverage.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

10. OTHER POST-RETIREMENT BENEFITS (Continued)

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 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 liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB (assets) obligation:

Annual required contribution	\$ 8,388,089
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>(153,026)</u>
Annual OPEB cost	8,235,063
Contributions made	<u>(8,477,402)</u>
Increase in net OPEB asset	(242,339)
Net OPEB asset – beginning of year	<u>(1,638,140)</u>
Net OPEB asset – end of year	\$ <u>(1,880,479)</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset for 2009 and the preceding year was as follows (dollar amounts in thousands):

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Asset</u>
June 30, 2007	\$ 8,760,369	100%	\$ 1,140,000
June 30, 2008	\$ 8,388,089	100%	\$ 1,638,140
June 30, 2009	\$ 8,235,063	100%	\$ 1,880,479

As of December 1, 2007, the most recent actuarial valuation date, updated on July 10, 2009, the plan was 1.7 percent funded. The actuarial accrued liability for benefits was \$127 million, and the actuarial value of assets was \$2.2 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$124.8 million. The covered payroll (annual payroll of active employees covered by the plan) was \$83.3 million, and the ratio of the UAAL to the covered payroll was 150 percent.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

10. OTHER POST-RETIREMENT BENEFITS (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

In the December 1, 2007 actuarial valuation, updated on July 10, 2009, the entry age normal actuarial cost method was used. The actuarial assumptions included a 7.75 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 4.0 percent. Both rates included a 3.0 percent salary increase assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a fifteen-year period. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2009, was twenty-seven years.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

11. ENDOWMENT NET ASSETS – FOUNDATION

Changes in endowment net assets for the fiscal year ended June 30, 2009, consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year			\$ 18,037,587	\$ 18,037,587
Net assets reclassification based on change in law	\$ (272,779)	\$ 2,410,737	(2,137,958)	
Endowment net assets after reclassification	(272,779)	2,410,737	15,899,629	18,037,587
Change in fair value of investments	(1,783,492)	(1,242,961)		(3,026,453)
Contributions		1,868	417,664	419,532
Board designated transfers		266,460	(75,423)	191,037
Appropriation of endowment assets for expenditure		(801,063)		(801,063)
Endowment net assets, end of year	\$ (2,056,271)	\$ 635,041	\$ 16,241,870	\$ 14,820,640

Endowment net asset composition by type of fund for the fiscal year ended June 30, 2009, consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (1,733,954)	\$ 613,831	\$ 14,467,737	\$ 13,347,614
Board-restricted endowment funds	(322,317)	21,210	1,774,133	1,473,026
Total	\$ (2,056,271)	\$ 635,041	\$ 16,241,870	\$ 14,820,640

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were 44 individual endowment funds with such deficiencies as of June 30, 2009.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

12. COMMITMENTS AND CONTINGENCIES

State Controller's Office Audit

During 2004, the California State Controller's Office completed an audit of certain mandated costs claimed for reimbursement. The audit, which covered the period from July 1, 1999 through June 30, 2002, concluded that the State had overpaid the District by approximately \$1,225,000.

District management is aggressively pursuing the appeals process. However, there can be no assurance that management will be successful in their appeal. The District estimated its ultimate liability to be approximately \$1,129,000. The State has offset mandated costs claims for years subsequent to June 30, 2002 in the amount of \$582,398. As a result, the potential outstanding liability is \$582,398 at June 30, 2009.

Contingent Liabilities

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

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

Operating Leases

Future minimum rental payments under all noncancelable operating leases with initial or remaining lease terms in excess of one year as of June 30, 2009, are as follows:

Years Ending June 30,	
2010	\$ 1,594,934
2011	1,899,432
2012	<u>2,273,964</u>
	<u>\$ 5,768,330</u>

Construction Commitments

As of June 30, 2009, the District has approximately \$14.5 million in outstanding commitments on construction contracts.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

13. JOINT POWERS AGREEMENTS

Schools Excess Liability Fund

The District is a participant in the Schools Excess Liability Fund (SELF), a statewide Joint Powers Agency established as a program to pool excess liability and workers' compensation coverage for participating California public educational agencies.

The Agency is governed by an Executive Board consisting of representatives from member districts. The Executive Board controls the operations of SELF, including selections of management and approval of operating budgets. The following is a summary of financial information for SELF at June 30, 2009 (in thousands):

Total assets	\$	209,217
Total liabilities	\$	161,555
Total net assets	\$	47,662
Total revenues	\$	26,645
Total expenses	\$	27,701
Change in net assets	\$	(1,056)

The relationship between Foothill-De Anza Community College District and the Joint Powers Authority is such that SELF is not a component unit of the District for financial reporting purposes.

South Bay Regional Public Safety Training Consortium

The District is a participant in the South Bay Regional Public Safety Training Consortium (SBRPSTC) established as a program to provide training and educational programs that will be responsive to the needs of the participating California Community College District public safety agencies.

The consortium is governed by a Board of Directors consisting of one representative and one alternate representative from each Community College District. The representatives shall be appointed by the Governing Board of the member Community College District.

The Board of Directors controls the operations of SBRPSTC and is authorized to make and enter into contracts: to employ personnel; to incur debts, liabilities or obligations; to acquire, hold or dispose of property; to receive gifts, contributions, and donations of property, fund services, and other forms of assistance from persons, firms, corporations and governmental agencies; and to sue and be sued in its own name.

The following is a summary of financial information for SBRPSTC at June 30, 2009 (in thousands):

Total assets	\$	5,898
Total liabilities	\$	1,963
Total net assets	\$	3,935
Total revenues	\$	9,207
Total expenses	\$	9,960
Change in net assets	\$	(753)

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

13. JOINT POWERS AGREEMENTS (Continued)

South Bay Regional Public Safety Training Consortium (Continued)

The relationship between Foothill-De Anza Community College District and the Joint Powers Authority is such that SBRPSTC is not a component unit of the District for financial reporting purposes.

14. OPERATING EXPENSES

The following schedule details the functional classifications of the operating expenses reported in the statement of revenues, expenses and changes in net assets for the year ended June 30, 2009.

Functional Classifications	Salaries	Benefits	Supplies, Materials and Other Operating Expenses	Utilities	Depreciation	Total
Instruction	\$ 80,368,463	\$ 18,282,497	\$ 348,964	\$ 6,781		\$ 99,006,705
Academic Support	12,562,941	4,081,169	2,789,430	14,533		19,448,073
Student Services	13,638,693	4,827,314	3,077,198	23,336		21,566,541
Operation and Maintenance of Plant	7,115,808	2,895,414	1,880,599	4,369,767		16,261,588
Institution Support	17,516,427	9,777,304	21,381,345	94,357		48,769,433
Community Services & Economic Development	1,472,515	409,817	2,848,900	5,350		4,736,582
Auxiliary Operations	9,466,590	2,393,286	13,148,383	162,971		25,171,230
Student Aid	496,443	69	13,547,455			14,043,967
Depreciation (Note 4)					\$ 21,564,238	21,564,238
	<u>\$ 142,637,880</u>	<u>\$ 42,666,870</u>	<u>\$ 59,022,274</u>	<u>\$ 4,677,095</u>	<u>\$ 21,564,238</u>	<u>\$ 270,568,357</u>

15. DONATED SERVICES AND FACILITIES

Donated services and facilities to the Foothill-De Anza Community Colleges Foundation totaling \$168,781 for the year ended June 30, 2009 consisted of accounting and management support, comprehensive insurance, office space, and other miscellaneous internal services as provided by the District.

The valuation of such services and facilities is determined based upon various factors including employee salaries and benefits, office rent, and certain other operating expenses. All significant donated services and facilities and related costs are recognized and reported annually.

SUPPLEMENTAL INFORMATION

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

Board of Trustees
Foothill-De Anza Community
College District
Los Altos Hills, California

We have audited the basic financial statements of Foothill-De Anza Community College District as of and for the year ended June 30, 2009, and have issued our report thereon dated November 30, 2009. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental financial and statistical information is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of Foothill-De Anza Community College District and includes the following schedules:

- Organization
- Schedule of Federal Financial Awards
- Schedule of State Financial Awards
- Schedule of Workload Measures for State General Apportionment
- Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Basic Financial Statements
- Notes to Supplemental Information

**INDEPENDENT AUDITOR'S REPORT ON
SUPPLEMENTAL INFORMATION**

(Continued)

The information in these schedules 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.

Perry Smith LLP

Sacramento, California
November 30, 2009



FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

ORGANIZATION

June 30, 2009

The Foothill-De Anza Community College District was established on January 15, 1957, and comprises an area of approximately 105 square miles in Santa Clara County, California. There were no changes in the boundaries of the District during the current year. The District operates two community colleges, Foothill and De Anza.

The Board of Trustees and District Administration for the fiscal year ended June 30, 2009 were composed of the following members:

BOARD OF TRUSTEES

<u>Members</u>	<u>Office</u>	<u>Term Expires</u>
Betsy Bechtel	President	November 2011
Bruce Swenson	Vice President	November 2013
Pearl Cheng	Trustee	November 2013
Joan Barram	Trustee	November 2011
Laura Casas Frier	Trustee	November 2011
Erica Anderson	Student Trustee	May 2010
Isabelle Barrientos Vargas	Student Trustee	May 2010

DISTRICT ADMINISTRATION

Mike Brandy
Interim Chancellor

Judy C. Miner, Ed.D.
President, Foothill College

M. Brian Murphy, Ph.D.
President, De Anza College

DISTRICT FISCAL ADMINISTRATION

Andy Dunn
Vice Chancellor, Business Services

Hector Quinonez
District Controller

Bernata Slater
Director, Budget Operations

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FEDERAL FINANCIAL AWARDS

For the Year Ended June 30, 2009

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education</u>			
Student Financial Aid Cluster:			
Federal College Work Study	84.033		\$ 392,399
Federal Pell Grant Program – Grants	84.063		11,524,673
Federal Pell Grant Program – Administration	84.063		19,225
Federal Supplemental Education Opportunity Grant	84.007		388,943
Academic Competitiveness Grant	84.375		<u>194,552</u>
Total Student Financial Aid Cluster			<u>12,519,792</u>
Vocational Education	84.048	03577	773,852
Workforce Investment Act	84.048		75,535
Title III	84.031A		428,762
Asian American – Strength, Minority	84.382B		170,904
SRI Domain Specific	84.305A		<u>20,383</u>
Subtotal U.S. Department of Education			<u>13,989,228</u>
<u>U.S. National Science Foundation</u>			
National Science Foundation DEEP	47.076		89,132
National Science Foundation	47.076		715,998
National Science Foundation Animation	47.076		<u>57,175</u>
Subtotal U.S. National Science Foundation			<u>862,305</u>
<u>U.S. Department of Health and Human Services</u>			
Temporary Assistance for Needy Families (TANF)	93.558		50,137
Medical Assistance Program (MAA)	93.778		<u>80,350</u>
Subtotal U.S. Department of Health and Human Services			<u>130,487</u>
<u>U.S. Department of Agriculture</u>			
Child Care Program	10.558		<u>28,130</u>
<u>U.S. Corporation for National and Community Service</u>			
Americorps	94.006		<u>98,225</u>
NASA/Ames Internship Program	NGT2-1001		1,107,923
TAA/NAFTA	NGT2-1001		<u>21,469</u>
Total Federal Categorical Awards and Allowances			<u>\$ 16,237,767</u>

See accompanying notes to supplemental information.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL AWARDS

For the Year Ended June 30, 2009

	Program Entitlements			Program Revenues				Program Expenditures
	Prior Year Carry-forward	Current Entitlement	Total Entitlement	Cash Received	Accounts Receivable	Deferred Revenue/Accounts Payable	Total	
Extended Opportunity Programs and Services		\$ 1,919,736	\$ 1,919,736	\$ 1,732,797	\$ 186,939	\$ 56,583	\$ 1,863,153	\$ 1,863,153
Cooperative Agencies Resources for Education		189,183	189,183	169,349	19,834	17,396	171,787	171,787
Disabled Student Programs & Services	\$ 194,698	3,375,321	3,570,019	2,950,837	424,484		3,375,321	3,361,010
Deferred Maintenance Costs	353,416	622,983	976,399	918,517	57,629	353,163	622,983	353,416
Matriculation	1	2,492,456	2,492,457	2,169,252	323,204	364,217	2,128,239	2,128,239
Matriculation (non-credit)		123,788	123,788	70,521	53,267	12,905	110,883	110,883
AB 1725 Staff Development	93,551		93,551	89,272		65,804	23,468	23,468
AB 1725 Staff Diversity	52,189	29,467	81,656	76,455	5,201	40,469	41,187	41,187
Economic Development		655,485	655,485	505,876	541,785	392,176	655,485	655,485
Child Development Tax Bailout		827,468	827,468	827,468			827,468	827,468
Child Development Center		282,789	282,789	242,041	51,475	10,727	282,789	282,789
Child Care Pre-K Resource		2,000	2,000	500	1,500		2,000	2,000
Child Care Infant/Toddler Resource		2,000	2,000	500	1,500		2,000	2,000
High Tech Center Training Unit	32,147	941,290	973,437	993,133	93,642	113,338	973,437	973,437
Child Care Food Program		1,029	1,029	586	443		1,029	1,029
Child Care Instructional Materials		1,000	1,000		1,000		1,000	1,000
BFAP Administration	36,986	927,004	963,990	868,883	95,108	240,336	723,655	723,655
TANF	(2,246)	52,383	50,137	39,091	13,323	2,277	50,137	50,137
Transfer Ed and Articulation	4,062	8,000	12,062	12,063		4,432	7,631	7,631
TTIP Telecom & Technology	169,734	72,072	241,806	236,042	5,764	161,745	80,061	80,061
Instructional Equipment	2,977,023	353,132	3,330,155	3,294,104	36,050	2,644,100	686,054	686,054
Lottery Instructional Materials	813,249	513,078	1,326,327	39,303	473,776		513,079	605,251
CalGrant B & C		1,227,624	1,227,624	1,210,516	17,108		1,227,624	1,227,624
Calworks		523,605	523,605	398,681	124,237	11,646	511,272	511,272
Child Development Renovation Grant		5,279	5,279		5,279		5,279	5,279
Basic Skills	365,185	1,467,682	1,832,867	1,398,142	434,725	390,336	1,442,531	1,442,531
Career Tech Education	218,378	769,516	987,894	896,759	91,135	629,628	358,266	358,266
Miscellaneous State Assistance	160,650	286,845	447,495	388,154	49,108	172,123	265,139	258,643
Total State categorical awards and allowances				\$ 19,528,842	\$ 3,107,516	\$ 5,683,401	\$ 16,952,957	\$ 16,754,755

See accompanying notes to supplemental information.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

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

Annualized Attendance as of June 30, 2009

<u>Categories</u>	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Revised Data</u>
A. Summer Intersession			
1. Noncredit	115		115
2. Credit	5,224		5,224
B. Summer Intersession			
1. Noncredit	-		-
2. Credit	-		-
C. Primary Terms			
1. Census Procedure Courses			
a. Weekly Census Contact Hours	24,423		24,423
b. Daily Census Contact Hours	717		717
2. Actual Hours of Attendance Procedure Courses			
a. Noncredit	420		420
b. Credit	2,912		2,912
3. Independent Study/Work Experience			
a. Weekly Census Contact Hours	84		84
b. Daily Census Contact Hours	486		486
c. Noncredit Independent Study/Distance Education Courses	-		-
D. Total FTES	<u>34,381</u>	<u>-</u>	<u>34,381</u>
Supplemental Information:			
E. In-Service Training Courses (FTES)	-		-
H. Basic Skills Courses and Immigrant Education			
a. Noncredit	83		83
b. Credit	2,673		2,673
<u>CCFS 320 Addendum</u>			
CDCP Noncredit FTES	-		-
Centers FTES			
a. Noncredit	-		-
b. Credit	1,632		1,632

See accompanying notes to supplemental information.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
(CCFS-311) WITH AUDITED FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

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

See accompanying notes to
supplemental information.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO SUPPLEMENTAL INFORMATION

1. PURPOSE OF SCHEDULES

A - Schedule of Federal and State Financial Assistance

OMB Circular A-133 requires a disclosure of the financial activities of all Federally funded programs. To comply with A-133 and State requirements, this schedule was prepared by the District. Differences exist between the revenues shown on the schedule and the basic financial statements for the following reasons:

- Various program revenues are recorded in the current year for prior year claims, related expenditures were incurred in prior years.
- Amounts reported as revenue may not represent final claim amounts, due to the timing of filing the final claims, and the closing of the District's records.

B - Schedule of Workload Measures for State General Apportionment

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

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

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

**INDEPENDENT AUDITOR'S REPORT
ON STATE COMPLIANCE REQUIREMENTS**

Board of Trustees
Foothill-De Anza Community
College District
Los Altos Hills, California

We have audited the basic financial statements of Foothill-De Anza Community College District for the year ended June 30, 2009, and have issued our report thereon dated November 30, 2009.

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

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

General Directives

Management Information System Implementation – State General Apportionment
Required Data Elements

Administration

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

Student Services

Uses of Matriculation Funds
CalWorks – Use of State and Federal TANF Funding

**INDEPENDENT AUDITOR'S REPORT
ON STATE COMPLIANCE REQUIREMENTS**
(Continued)

Facilities

Scheduled Maintenance Program

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

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

In our opinion, the Foothill-De Anza Community College District complied, in all material respects with the aforementioned requirements for the year ended June 30, 2009.

This report is intended solely for the information and use of the Audit and Finance Committee, District management, the Board of Trustees, and the 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.

Perry Smith LLP

Sacramento, California
November 30, 2009



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

Board of Trustees
Foothill-De Anza Community
College District
Los Altos Hills, California

We have audited the basic financial statements of Foothill-De Anza Community College District as of and for the year ended June 30, 2009, and have issued our report thereon dated November 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

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

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

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Foothill-De Anza Community College District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Audit and Finance Committee, District management, Board of Trustees, and the 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.

Perry Smith CPA

Sacramento, California
November 30, 2009



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

Board of Trustees
Foothill-De Anza Community College District
Los Altos Hills, California

Compliance

We have audited the compliance of Foothill-De Anza Community College District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2009. Foothill-De Anza Community College District's major Federal programs are identified in the accompanying schedule of Federal financial assistance. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of Foothill-De Anza Community College District's management. Our responsibility is to express an opinion on Foothill-De Anza 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 Foothill-De Anza 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 on Foothill-De Anza Community College District's compliance with those requirements.

In our opinion, Foothill-De Anza Community College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Foothill-De Anza Community College District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Foothill-De Anza Community College District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 Foothill-De Anza Community College District's internal control over compliance.

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

(Continued)

Internal Control Over Compliance (Continued)

A control deficiency in the District's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

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

This report is intended for the information of the Audit and Finance Committee. District management, Board of Trustees, and the 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.

Pam. Smith UP

Sacramento, California
November 30, 2009



FINDINGS AND RECOMMENDATIONS

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

June 30, 2009

FINANCIAL STATEMENTS

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

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

Noncompliance material to financial statements
noted? _____ Yes X No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.063, 84.033, 84.007, 84.116, 84.375	Student Financial Aid Cluster

Dollar threshold used to distinguish between Type A
and Type B programs: \$ 487,133

Auditee qualified as low-risk auditee? X Yes _____ No

STATE AWARDS

Internal control over State programs:

Material weakness identified _____ Yes X No

Significant deficiency(ies) identified not considered
to be a material weakness(es) _____ Yes X No

Type of auditor's report issued on compliance for
State programs Unqualified

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

SUMMARY OF FINDINGS AND RECOMMENDATIONS

(Continued)

June 30, 2009

1. INTERNAL CONTROLS – ASSOCIATED STUDENT BODY – FOOTHILL COLLEGE

Criteria

Internal Controls – Safeguarding of Assets

Condition

At Foothill College, sub-receipt books or cash count forms are not consistently used by student groups in the collection of funds.

Effect

Potential misappropriation of student body funds.

Cause

Funds submitted for deposit are not supported by a cash count form detailing how the funds were generated by the student group.

Fiscal Impact

Not applicable.

Recommendation

All funds submitted by student groups for deposit should be supported by a cash count form detailing items sold and reconciled with the amount of funds presented for deposit. Further, for large fundraising efforts, the use of receipt books should be considered.

Corrective Action Plan

The District agrees with the finding and will take corrective action.

**SUMMARY SCHEDULE OF
PRIOR AUDIT FINDINGS**

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2009

Finding	Recommendation	Current Status	District Explanation if Not Fully Implemented
1. Bookstore			
Procedures to complete the annual inventory count of the De Anza College bookstore were not properly conducted. This resulted in several instances of individual inventory items being improperly counted and recorded in the bookstore's inventory tracking system.	The District should ensure personnel involved in the inventory counting procedures have sufficient knowledge and training to properly conduct the inventory count. Policies and procedures should clearly document processes for employees to follow to resolve counting differences, including the resolution of those differences in the bookstore's inventory tracking system.	Implemented.	
2. State Compliance – Concurrent Enrollment of K-12 Students in Community College Credit Courses			
The District did not assess enrollment fees for special full-time students who exceeded 15 quarter units.	The District should assess enrollment fees when special full-time students exceed 15 quarter units.	Implemented.	