Foothill-De Anza Community College District

Annual Financial Report

June 30, 2012

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

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JUNE 30, 2012

FINANCIAL SECTION

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of Foothill-De Anza Community College District (the District) as of and for the year ended June 30, 2012, and its discretely presented component units, Foothill-DeAnza Community College District Foundation, as listed in the Table of Contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our 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. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards.* An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Foothill-De Anza Community College District and its discretely presented component unit as of June 30, 2012, and the respective changes in financial position and 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 our report November 19, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important for assessing the results of our audit.

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

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

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
November 19, 2012

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ending June 30, 2012

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) Codification Section 2200.101 and GASB Codification Sections 2200.190-191. 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.

Condensed Statement of Net Assets (in thousands)

ASSETS	2012	2011	Percentage Change	Dollar Change
Current assets				
Cash & cash equivalents	$ 75,233	$ 81,887	-8.1%	$ (6,654)
Investments	82	82	0.0%	-
Receivables, current portion	36,320	30,074	20.8%	6,246
Inventory and other assets	10,043	10,853	-7.5%	(810)
Total current assets	121,678	122,896	-1.0%	(1,218)
Noncurrent assets				
Restricted cash and cash equivalents	249,302	360,658	-30.9%	(111,356)
Receivables and other assets, noncurrent portio	2,485	1,781	39.5%	704
Capital assets, net	480,578	404,298	18.9%	76,280
Total noncurrent assets	732,365	766,737	-4.5%	(34,372)
Total assets	854,043	889,633	-4.0%	(35,590)
LIABILITIES				
Current liabilities				
Accounts payable & accrued liabilities	44,684	41,714	7.1%	2,970
Deferred revenue	13,725	12,099	13.4%	1,626
Amounts held in trust	2,692	2,687	0.2%	5
Long-term debt, current portion	9,862	17,743	-44.4%	(7,881)
Total current liabilities	70,963	74,243	-4.4%	(3,280)
Noncurrent liabilities				
Long-term liabilities, noncurrent portion	6,801	7,127	-4.6%	(326)
Long-term debt, noncurrent portion	726,765	709,062	2.5%	17,703
Total noncurrent liabilities	733,566	716,189	2.4%	17,377
Total liabilities	804,529	790,432	1.8%	14,097
NET ASSETS				
Invested in capital assets, net of related debt	(32,804)	5,395	-708.0%	(38,199)
Restricted	29,943	49,986	-40.1%	(20,043)
Unrestricted	52,375	43,820	19.5%	8,555
Total net assets	$ 49,514	$ 99,201	-50.1%	$ (49,687)

Statement of Net Assets (Continued)

- Current receivables increased by 20.8%, or approximately $6.2 million, as a result of the increase in resident and non-resident tuition fees and one-time medical reimbursement claims.

- Capital assets increased by 18.9%, or approximately $76.3 million, in connection with the completion of numerous Measure C capital projects at both colleges, including construction of the Baldwin Winery and renovation of the East Cottage, Language Arts buildings, the Smithwick Theatre, the utility and technology infrastructure, the soccer and softball complex, and general classrooms. Work in process continues on large capital construction projects including the physical sciences and engineering center and the media and learning center. We anticipate continued growth in capital assets in future years as Measure C projects are completed.

- Restricted cash decreased by 30.9%, or approximately $111.4 million, as a result of spending on capital projects.

- Accounts payables increased by 7.1%, or approximately $3.0 million, due mainly to the increased activities in capital projects.

- Deferred revenue increased by 13.4%, or approximately $1.6 million, due to the increase in resident and non-resident tuition fees.

- The current portion of long-term debt decreased by 44.4%, or approximately $7.9 million, in alignment with the debt payment schedule. See Note 8 for long-term debt discussion.

- The noncurrent portion of long-term debt increased by 2.5%, or approximately $17.7 million, due to the issuance of the General Obligation Refunding Bonds in 2012.

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 revenues and expenses. State general apportionment, while budgeted for operations, is considered non-operating revenues in accordance with Generally Accepted Accounting Principles.

	2012	2011	Percentage Change	Dollar Change
Operating revenues				
Net tuition and fees	$ 49,423	$ 43,089	14.7%	$ 6,334
Auxiliary enterprise, net	12,994	13,207	-1.6%	(213)
Other	9,387	8,378	12.0%	1,009
Total operating revenues	71,804	64,674	11.0%	7,130
Operating expenses	264,483	269,902	-2.0%	(5,419)
Loss from operations	(192,679)	(205,228)	-6.1%	12,549
Non-operating revenues (expenses)				
State apportionment, non-capital	51,823	71,275	-27.3%	(19,452)
Local property taxes	73,383	72,210	1.6%	1,173
Grants and contracts, non-capital	36,208	39,896	-9.2%	(3,688)
State taxes and other revenues	5,323	5,193	2.5%	130
Investment (loss)	(291)	(361)	-19.4%	70
Interest expense	(58,980)	(28,473)	107.1%	(30,507)
Total non-operating revenues (expenses)	107,466	159,740	-32.7%	(52,274)
Loss before capital revenues	(85,213)	(45,488)	87.3%	(39,725)
Capital revenues	35,526	35,612	-0.2%	(86)
Change in net assets	(49,687)	(9,876)	403.1%	(39,811)
Net assets-beginning of year	99,201	109,077	-9.1%	(9,876)
Net assets-end of year	$ 49,514	$ 99,201	-50.1%	$ (49,687)

Operating revenues increased by 11.0%, or approximately $7.1 million, due to the increase in resident and non-resident tuition fees. Increase in the other operating revenue is relating to the energy efficiency rebate and a one-time settlement in capital projects.

Non-operating revenue decreased by 32.7%, or approximately $52.3 million, due to the decrease in State apportionment as a result of workload reduction. The increase in local property taxes is due to the stabilization in the housing market. The decrease in grants and contracts resulted from the reductions of Pell grants. The increase in interest expense is a result of the General Obligation Bonds reclassification.

Operating Expenses (by Natural classification) (in thousands)

	2012	2011	Percentage Change	Dollar Change
Salaries	$ 133,569	$ 136,860	-2.4%	$ (3,291)
Benefits	45,040	40,872	10.2%	4,168
Total salaries and benefits	178,609	177,732	0.5%	877
Supplies, Materials and Other Operating Expenses and Services	31,420	41,758	-24.8%	(10,338)
Student financial aid	21,594	22,014	-1.9%	(420)
Utilities	3,305	3,433	-3.7%	(128)
Depreciation	29,555	24,965	18.4%	4,590
TOTAL OPERATING EXPENSES	$ 264,483	$ 269,902	-2.0%	$ (5,419)

- Salaries decreased by 2.4%, or approximately $3.3 million, resulting from the workload reduction and some vacant positions not being filled.
- Benefits increased by 10.2%, or approximately $4.2 million, due to the increase in medical benefit costs.
- Supplies, materials, other operating expenses and services decreased by 24.8%, or approximately $10.3 million, due mainly to the increased capitalization of applicable expenses pertaining to work in process and completed capital projects.
- Depreciation increased by 18.4%, or approximately $4.6 million, resulting from the increase of fixed asset

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.

	2012	2011	Percentage Change	Dollar Change
Cash provided by (used in):				
Operating activities	$ (160,314)	$ (141,117)	-13.60%	$ (19,197)
Non-capital financing activities	162,423	144,839	12.14%	17,584
Capital and related financing activiti	(124,357)	125,455	199.12%	(249,812)
Investing activities	4,238	5,070	-16.41%	(832)
Net decrease in cash	(118,010)	134,247	187.91%	(252,257)
Cash- beginning of the fiscal year	442,545	308,298	43.54%	134,247
Cash- end of the fiscal year	$ 324,535	$ 442,545	-26.67%	$ (118,010)

Economic Factors that may affect the Future

2012-13 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/work-load-reductions, Cost of Living Adjustments (COLA) and categorical allocations. The fiscal year 2011-12 state allocation imposed a 6.21% workload reduction at Adopted Budget as well as mid-year trigger cuts resulting in an additional workload reduction of 1.5%. Additionally, the deficit factor on apportionment funding was projected at approximately .976%. The 2012-13 state budget parallels prior year funding and again includes mid-year cuts to be imposed as a workload reduction of 7.3% if the governor's proposed tax package had failed in the November election. The District budget was built on the assumption of the additional 7.3% workload reduction, which results in an overall deficit of approximately $11.9million. However, since the tax package was just approved by voters in the November 6th election, the district deficit decreases to $5.7 million.

The District addressed the worst case scenario of an $11.9 million deficit in our 2012-13 budget through a combination of using of one time funds deliberately set aside to offset potential state funding reductions and mid year reductions to district operating expenses. Our combination strategy of one-time funds and mid year cuts will remain the same, but we will now adjust our revenue and expense projections to recognize the new lower deficit of $5.7million. This will allow the district to thoughtfully and strategically develop plans for operational budget cuts and appropriate staffing level contraction to be implemented as needed in 2012-13 and 2013-14. The District ended the 2011-12 year with a planned $38 million ending fund balance. As was the case in 2011-12, due to the continuing volatile nature of the economy and the relatively high likelihood that additional mid year state budget cuts could still be imposed, the overall budget strategy for 2012-13 is to maintain and utilize as needed our dedicated reserves. The Board of Trustees Adopted Budget includes a $9.7 million "Stability Fund" that is in addition to the 5% ($9.9 million) General Reserve as recommended by the Chancellor's office. Additionally, the district set aside approximately $10.6 million for anticipated increases in our medical benefits package.

Capitol improvement expenditures made possible by the passage of General Obligation Bond Measure C have now reached $262 million. Major accomplishments include excellent construction progress on maintenance and renovation projects as well as on new facilities, including a Physical Science and Engineering Center at Foothill College and a Media and Learning Center at De Anza College. The pace of technology and instructional equipment acquisition and installation has accelerated to outfit the newly renovated and newly constructed buildings. The district is on target with our current three year spend plan for the bond program.

The most recent actuarial analysis for the District's unfunded retiree medical liability was completed in August 2012. The study listed the Actuarial Accrued Liability (AAL) at $117 million. The District uses a "smoothing" calculation for the annual contribution to more evenly average the Annual Required Contribution (ARC) over each budget year cycle. At the May 7, 2012 Board Meeting, the Board of Trustees approved a transfer of $250,000, budgeted for fiscal year 2011-12, into the CalPERS irrevocable trust to fully fund the ARC. This was in addition to the pay-as-you-go amount of $7.2 million included in the actuarial analysis and estimated to be paid in fiscal year 2011-12.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Foothill-De Anza Community College District, Kevin McElroy, Vice Chancellor of Business Services.

Separately issued financial statements for the Foothill-De Anza Community Colleges Foundation component unit may be obtained by contacting Sheryl Alexander at 12345 El Monte Road, Los Altos Hills, CA 94022.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET ASSETS - PRIMARY GOVERNMENT
JUNE 30, 2012

ASSETS	
Current Assets	
Cash and cash equivalents	$ 75,232,764
Investments	81,700
Accounts receivable, net	36,123,658
Student loans receivable - current portion	196,588
Stores inventories	1,725,305
Prepaid expenses	2,204,836
Deferred issue costs - current portion	120,131
Net OPEB assets	5,993,099
Total Current Assets	121,678,081
Noncurrent Assets	
Restricted cash and cash equivalents	249,302,372
Student loans receivable - noncurrent portion	424,037
Deferred issue costs, net of amortization - noncurrent portion	2,061,235
Capital assets, nondepreciable	154,757,536
Capital assets, net of depreciation	325,820,004
Total Noncurrent Assets	732,365,184
TOTAL ASSETS	854,043,265
LIABILITIES	
Current Liabilities	
Accounts payable and accrued liabilities	31,108,334
Interest payable	9,854,405
Deferred revenue	13,725,300
Amounts held in trust	2,691,980
Compensated absences payable - current portion	3,721,299
Long term debt - current portion	9,861,799
Total Current Liabilities	70,963,117
Noncurrent Liabilities	
Compensated absences payable - noncurrent portion	1,781,775
Long term debt - noncurrent portion	726,764,661
Unpaid claims and claims adjustment expenses	5,019,146
Total Noncurrent Liabilities	733,565,582
TOTAL LIABILITIES	804,528,699
NET ASSETS	
Invested in capital assets, net of related debt	(32,804,365)
Restricted for:	
Debt service	13,491,712
Capital projects	2,416,590
Scholarships and loans	856,066
Other special purposes	13,179,807
Unrestricted	52,374,756
TOTAL NET ASSETS	$ 49,514,566

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 - PRIMARY GOVERNMENT FOR THE YEAR ENDED JUNE 30, 2012

OPERATING REVENUES	
Tuition and fees	$ 59,934,059
Less: Scholarship discounts and allowance	(10,511,218)
Net tuition and fees	49,422,841
Auxiliary enterprise sales and charges	12,994,440
Other operating revenues	9,386,498
TOTAL OPERATING REVENUES	71,803,779
OPERATING EXPENSES	
Salaries	133,568,875
Benefits	45,039,554
Supplies, materials, and other operating expenses and services	31,420,051
Student financial aid	21,594,443
Utilities	3,305,217
Depreciation	29,554,918
TOTAL OPERATING EXPENSES	264,483,058
LOSS FROM OPERATIONS	(192,679,279)
NONOPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	51,823,471
Local property taxes	73,383,003
Grants and contracts, noncapital	
Federal	22,308,519
State	12,400,418
Local	1,499,013
State taxes and other revenues	5,323,379
Investment loss, noncapital	(1,650)
Interest expense on capital related debt	(58,980,196)
Investment loss, capital	(289,941)
TOTAL NONOPERATING REVENUES (EXPENSES)	107,466,016
LOSS BEFORE CAPITAL REVENUES AND EXPENSES	(85,213,263)
CAPITAL REVENUES	
Local property taxes and revenues	35,526,311
TOTAL INCOME BEFORE OTHER REVENUES AND EXPENSES	35,526,311
CHANGE IN NET ASSETS	(49,686,952)
NET ASSETS, BEGINNING OF YEAR	99,201,518
NET ASSETS, END OF YEAR	$ 49,514,566

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

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	$ 48,072,283
Payments to suppliers and financial aid	(26,725,824)
Payments to utilities	(3,305,217)
Payments to employees	(133,681,848)
Payments for benefits	(45,312,215)
Payments to students for scholarships and grants	(21,594,443)
Loans to students, net	1,715,426
Auxiliary enterprise sales and charges	12,879,344
Other operating receipts (payments)	7,638,904
Net Cash Flows From Operating Activities	(160,313,590)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State apportionments	51,582,267
Property taxes - nondebt related	73,559,671
Federal grants and contracts	22,573,273
State grants and contracts	11,519,189
Local grants and contracts	(2,328,803)
State taxes and other apportionments	5,511,663
Scholarship and trust receipts	546,486
Scholarship and trust disbursements	(573,914)
Student organization agency receipts	1,904,647
Student organization agency disbursements	(1,872,028)
Net Cash Flows From Noncapital Financing Activities	162,422,451
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Local revenue, capital projects	35,406,348
Proceeds from sale of bonds	70,735,000
Purchase of capital assets	(105,834,778)
Principal paid on capital debt	(95,348,025)
Interest paid on capital debt	(27,134,130)
Deferred issue costs	(2,181,366)
Net Cash Flows From Capital Financing Activities	(124,356,951)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(82)
Interest received from investments	4,238,566
Net Cash Flows From Investing Activities	4,238,484
NET CHANGE IN CASH AND CASH EQUIVALENTS	(118,009,606)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	442,544,742
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 324,535,136

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

STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT, Continued
FOR THE YEAR ENDED JUNE 30, 2012

RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating Loss	$ (192,679,279)
Adjustments to Reconcile Operating Loss to Net Cash Flows from Operating Activities:	
Depreciation and amortization expense	29,554,918
Interest on investments	(2,927,099)
Changes in Assets and Liabilities:	
Receivables	(522,522)
Stores inventories	(309,939)
Net OPEB asset	103,622
Prepaid expenses	1,136,767
Accounts payable and accrued liabilities	3,649,379
Deferred revenue	1,960,034
Compensated absences	(121,044)
Claims liability	(158,427)
Total Adjustments	32,365,689
Net Cash Flows From Operating Activities	$ (160,313,590)

NON CASH TRANSACTIONS	
Accretion of interest	$ 9,340,940

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
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 3,169,908
Accounts receivable, net	178,496
Pledge receivable	336,869
Prepaid expenses	33,962
Total Current Assets	3,719,235
NONCURRENT ASSETS	
Investments	26,413,749
TOTAL ASSETS	$ 30,132,984
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	$ 649,721
Accrued payroll expenses	146,374
Total Current Liabilities	796,095
NET ASSETS	
Unrestricted	3,644,307
Temporarily restricted	8,913,392
Permanently restricted	16,779,190
Total Net Assets	29,336,889
Total Liabilities and Net Assets	$ 30,132,984

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
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES				
Contributions	$ 1,674,422	$ 3,770,586	$ 106,115	$ 5,551,123
Donated services and facilities	47,671	-	-	47,671
Investment income, net of investment expenses	(61,008)	(282,924)	-	(343,932)
Event revenue	70,385	-	-	70,385
Other revenue	33,857	-	-	33,857
Assets released from restrictions	(342,966)	(1,486,320)	1,829,286	-
Total Revenues	1,422,361	2,001,342	1,935,401	5,359,104
EXPENSES				
Grants and scholarships	3,182,060	-	-	3,182,060
Management and general	648,001	-	-	648,001
Fundraising expenses	230,296	-	-	230,296
Donated services and facilities	47,671	-	-	47,671
Total Expenses	4,108,028	-	-	4,108,028
CHANGE IN NET ASSETS	(2,685,667)	2,001,342	1,935,401	1,251,076
NET ASSETS, BEGINNING OF YEAR	6,329,974	6,912,050	14,843,789	28,085,813
NET ASSETS, END OF YEAR	$ 3,644,307	$ 8,913,392	$ 16,779,190	$ 29,336,889

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
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	$ 1,251,076
Adjustments to Reconcile Changes in Net Assets to Net Cash From Operating Activities	
Unrealized gain	(3,492,032)
Changes in Assets and Liabilities	
Contributions receivable	(161,443)
Accounts receivable	(121,457)
Prepaid expenses	(13,198)
Accounts payable	(4,893)
Accrued payroll	(93,536)
Net Cash Flows From Operating Activities	(2,635,483)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	2,718,341
NET CHANGE IN CASH AND CASH EQUIVALENTS	82,858
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,087,050
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 3,169,908

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

NOTE 1 - ORGANIZATION

Foothill-De Anza Community College District (the District) was established in 1957 as a political subdivision of the State of California and is a comprehensive, public, two-year institution offering educational services to residents of the surrounding area. The District operates under a locally elected five-member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund, special revenue funds, and capital project funds, but these budgets are managed at the department level. Currently, the District operates two colleges located within Santa Clara County, California. While the District is a political subdivision of the State of California, it is legally separate and is independent of other State and local governments, and it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Codification Section (Cod Sec) 2100.101.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The District follows the criteria in GASB Cod Sec 2100.101 as amended be GASB Cod Sec 2100.138 to provide guidance on the determination of whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District. The three components used to determine the presentation are: providing a "direct benefit," the "environment and ability to access/influence reporting," and the "significance" criterion. As defined by accounting principles generally accepted in the United States of America and established by the Governmental Accounting Standards Board, the financial reporting entity consists of the primary government, the District, and the following component units:

- Foothill-De Anza Community Colleges Foundation

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

  The Foundation is a not-for-profit organization under Internal Revenue Code (IRC) Section 501(c)(3) that reports its financial results in accordance with Financial Accounting Standards Codifications. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the District's financial reporting entity for these differences; however, significant note disclosures to the Foundation's financial statements have been incorporated into the District's notes to the financial statements.

Complete financial statements for the Foundation can be obtained from the Foundation's Business Office at 12345 El Monte Road, Los Altos Hills California 94022.

The following entity meets the criterion for inclusion as a "blended" component unit and is consolidated within the financial statements of the District:

- Foothill-De Anza Community College District Financing Corporation

  The Foothill-De Anza Community College District Financing Corporation (the Corporation) is a legally separate organization and a component unit of the District. The Corporation was formed to issue debt specifically for the acquisition and construction of capital assets for the District. The Board of Trustees of the Corporation is the same as the Board of Trustees of the District. The financial activity has been "blended" or consolidated within the financial statements as the District as if the activity was the District's. Certificates of participation issued by the Corporation are included as long-term liabilities of the District. Individually-prepared financial statements are not prepared for the Foothill-De Anza Community College District Financing Corporation.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Cod Sec 2200.101 and Cod Sec Co 5.101, and amended by Cod Sec 2200 and 2300. This presentation provides a comprehensive entity-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. Additionally, the District’s policies comply with the California Community Colleges Chancellor’s Office Budget and Accounting Manual. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

Revenue from Federal and State grants are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements may include time and/or purpose requirements. These transactions are recorded on the accrual basis when the exchange takes place. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, operating revenues consist primarily of student fees and auxiliary activities.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are classified as operating revenues. Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, Federal and State grants, property taxes, entitlements, and donations. Property tax revenue is recognized in the fiscal year received. State apportionment revenue is earned based upon criteria set forth from the Community Colleges Chancellor's Office and includes reporting of full-time equivalent student (FTES) attendance. The corresponding apportionment revenue is recognized in the period the FTES are generated.

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

The District reports are based on all applicable GASB pronouncements, as well as applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. The District has not elected to apply FASB pronouncements after that date.

The financial statements are presented in accordance with the reporting model as prescribed for, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments,* and *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities,* as amended. The business-type activities model followed by the District requires the following components of the District's financial statements:

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

Cash and Cash Equivalents

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

Investments

In accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and External Investment Pools, investments held at June 30, 2012, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end.

Restricted Assets

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

Deferred Issuance Costs, Premiums, and Discounts

In the entity-wide financial statements long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method.

Accounts Receivable

Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. This allowance is based upon management's estimates and analysis. The allowance was estimated at $739,702 for the year ended June 30, 2012.

Prepaid Expenses

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

Inventories

Inventories consist primarily of bookstore merchandise and cafeteria food and supplies held for resale to the students and faculty of the colleges. Except for bookstore inventories, which are valued using the retail method, inventories are stated at cost, using the lower of cost or market method. The cost is recorded as an expense as the inventory is consumed.

Capital Assets and Depreciation

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

Depreciation of capital assets is computed and recorded utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 50 years; portable buildings, 15 years; land improvements, 10 years; most equipment and vehicles, 8 years; and technology equipment 3 to 5 years.

Accrued Liabilities and Long-Term Obligations

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

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the entity-wide financial statements. The amounts have been recorded in the fund from which the employees, who have accumulated the leave, are paid.

Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, retirement credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Retirement credit for unused sick leave is applicable to all academic employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full time.

Deferred Revenue

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

Noncurrent Liabilities

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

Net Assets

"Net Assets" represents the difference between assets and liabilities. Net assets are classified according to imposed restrictions or availability of assets for satisfaction of District obligations according to the following net asset categories:

Invested in Capital Assets, Net of Related Debt: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. To the extent debt has been incurred, but not yet expended for capital assets, such accounts are not included as a component invested in capital assets-net of related debt.

Restricted - Nonexpendable: Net assets whose use by the District has been externally restricted in perpetuity such as Endowment funds where future investment earnings may be used for the donor stipulated purpose. The District has no nonexpendable net assets.

Restricted - Expendable: Net assets whose use by the District is subject to externally imposed constraints that can be fulfilled by actions of the District pursuant to those constraints or by the passage of time. Net assets may be restricted for capital projects, debt repayment, and/or educational programs.

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

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

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

State Apportionments

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

Property Taxes

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

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

Board of Governors Grant (BOGG) and Fee Waivers

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

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, Federal Work-Study, and Stafford Loan programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. These programs are audited in accordance with the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget's revised Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations,* and the related *Compliance Supplement.* During the year ended June 30, 2012, the District distributed $11,833,539 in direct lending through the U.S. Department of Education. This amount has not been included as revenues or expenses within the accompanying financial statements as the amounts were passed directly to qualifying students; however, the amounts are included on the Schedule of Expenditures of Federal Awards.

Estimates

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

Foundation Financial Statement Presentation

The Foothill-De Anza Community Colleges Foundation presents its financial statements in accordance with Statement of Financial Accounting Codifications. Under these reporting requirements, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by the codification, the Foundation does not use fund accounting.

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

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

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

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

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Investments are reported at fair value in accordance with FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*.

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

New Accounting Pronouncements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 3 – CASH AND INVESTMENTS

Policies and Practices

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

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

General Authorizations

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

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

Summary of Cash and Investments

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

Primary Government	
Cash on hand and in banks	$ 1,105,575
Cash in revolving accounts	25,000
Investments, short term - county cash	74,102,189
Investments, short term - other	81,700
Total Cash and Cash Equivalents	75,314,464
Investments - restricted county cash	249,302,372
Total Cash and Investments	$ 324,616,836

Interest Rate Risk

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

Weighted Average Maturity

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is presented in the following schedule:

Investment Type	Fair Value	Weighted Average Maturity in Years
Money Market Accounts	$ 81,700	0.50
County Pool	323,404,561	1.29
Total	$ 323,486,261	

Credit Risk

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

Custodial Credit Risk - Deposits

Cash balances held in the bank are insured up to $250,000 by the Federal Depository Insurance Corporation (FDIC). At June 30, 2012, the carrying amount of the District's cash on hand and in banks (including certificates of deposit) was approximately $1,130,000, and the bank balance was $930,000. At June 30, 2012, the bank balance amount was fully insured by FDIC.

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable consisted primarily of intergovernmental grants, entitlements, interest, and other local sources.

The accounts receivable are as follows:

Primary Government	
Federal Government	
Categorical aid	$ 967,143
State Government	
Apportionment	16,620,205
Categorical aid	1,667,227
Other State sources	1,842,104
Local Sources	
Interest	1,843,180
Tuition and fees	6,861,233
Grants and contracts - local	5,697,862
Other local sources	1,364,406
Less allowance for bad debt	(739,702)
Total	$ 36,123,658

The allowance for doubtful accounts is maintained at an amount which management considers sufficient to fully reserve and provide for the possible uncollectability of other receivable balances. The allowance is calculated based on a sliding scale of student receivable balances and provides for 4% for balances up to 30 days old, 7% for 31-60 days, 20% for 61-90 days, and 50% for amounts over 90 days.

Discretely Presented Component Unit

The Foundation's accounts receivable consist primarily of short-term donations expected to be received within one year, and therefore no discount has been recorded. In the opinion of management, all amounts have been deemed to be fully collectable.

NOTE 5 - CAPITAL ASSETS

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

	Balance Beginning of Year	Additions / Adjustments	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	$ 2,489,776	$ -	$ -	$ 2,489,776
Construction in progress	85,605,680	104,243,714	37,581,634	152,267,760
Total Capital Assets Not Being Depreciated	88,095,456	104,243,714	37,581,634	154,757,536
Capital Assets Being Depreciated				
Land improvements	75,589,839	12,915,872	-	88,505,711
Building improvements	157,797,226	23,531,962	-	181,329,188
Buildings	251,304,186	-	-	251,304,186
Portable buildings	5,273,060	-	-	5,273,060
Equipment	35,104,413	2,755,781	30,917	37,829,277
Software	5,399,838	-	-	5,399,838
Total Capital Assets Being Depreciated	530,468,562	39,203,615	30,917	569,641,260
Total Capital Assets	618,564,018	143,447,329	37,612,551	724,398,796
Less Accumulated Depreciation				
Land improvements	29,593,442	7,841,331	-	37,434,773
Buildings improvements	96,949,694	12,669,021	-	109,618,715
Buildings	57,305,484	4,916,004	-	62,221,488
Portable buildings	3,232,872	349,121	-	3,581,993
Equipment	24,721,881	2,593,663	-	27,315,544
Software	2,462,965	1,185,778	-	3,648,743
Total Accumulated Depreciation	214,266,338	29,554,918	-	243,821,256
Depreciable Capital Assets, Net of Depreciation	316,202,224	9,648,697	30,917	325,820,004
Net Capital Assets	$ 404,297,680	$ 113,892,411	$ 37,612,551	$ 480,577,540

Depreciation expense for the year was $29,554,918.

Assets consisting of the Advance Technology Center and Science Center in the amount of $41 million have been pledged as collateral for notes payable described in Note 8.

Discretely Presented Component Unit

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

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Equipment	$ 335,000	$ -	$ -	$ 335,000
Furniture and Fixtures	5,350	-	-	5,350
Total Assets Being Depreciated	340,350	-	-	340,350
Accumulated depreciation	340,350	-	-	340,350
Net Capital Assets	$ -	$ -	$ -	$ -

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable consisted of the following:

Primary Government	
Vendors	$ 24,606,717
Workers compensation and medical claims reserves	5,491,573
Payroll	1,010,044
Total	$ 31,108,334

Fiduciary Funds	
Vendors	$ 32,540
Total	$ 32,540

NOTE 7 - DEFERRED REVENUE

Deferred revenue consisted of the following:

Primary Government	
Federal financial assistance	$ 28,753
State categorical aid	3,553,283
State apportionment	246,327
Enrollment fees	7,289,899
Other local	2,607,038
Total	$ 13,725,300

NOTE 8 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2012 fiscal year consisted of the following:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
Bonds and Notes Payable					
General obligation bonds	$ 702,706,975	$ 80,075,940	$ 92,535,000	$ 690,247,915	$ 6,860,000
Premiums, net of amortization	-	28,170,724	3,076,798	25,093,926	825,093
Certificates of participation	21,215,000	-	2,325,000	18,890,000	1,665,000
Total Bonds and Notes Payable	723,921,975	108,246,664	97,936,798	734,231,841	9,350,093
Other Liabilities					
Compensated absences	1,949,928	-	168,153	1,781,775	-
Capital leases	2,882,644	-	488,025	2,394,619	511,706
Claims liability	5,177,573	-	158,427	5,019,146	-
Total Other Liabilities	10,010,145	-	814,605	9,195,540	511,706
Total Long-Term Debt	$ 733,932,120	$ 108,246,664	$ 98,751,403	$ 743,427,381	$ 9,861,799

	Measure E, General Obligation Bond, Series A	2002 General Obligation Refunding Bond	Measure E, General Obligation Bond, Series B	Measure E, General Obligation Bond, Series C	2005 General Obligation Refunding Bond	2012 General Obligation Refunding Bond	Measure C, General Obligation Bond, Series A	Measure C, General Obligation Bond, Series B
Balance July 1, 2011	$ 43,903,039	$ 62,500,000	$ 79,341,419	$ 63,611,471	$ 22,010,000	$ -	$ 148,720,521	$ 98,620,525
New issuances	-	-	-	-	-	70,735,000	-	-
Accreted interest	2,584,336	-	3,385,688	1,372,206	-	-	1,235,227	763,483
Redemptions	-	(59,110,000)	(4,830,000)	(13,665,000)	-	-	-	-
Principal payments	(2,415,000)	(250,000)	(1,350,000)	(445,000)	-	-	(6,070,000)	(4,400,000)
Balance June 30, 2012	$ 44,072,375	$ 3,140,000	$ 76,547,107	$ 50,873,677	$ 22,010,000	$ 70,735,000	$ 143,885,748	$ 94,984,008

	Measure C, General Obligation Bond, Series C	Bond Premiums	Financing COPs	Refunding COPs	2006 Financing COP	Capital Lease Obligations	Claims Liabilities	Compensated Absences	Total
Balance July 1, 2011	$ 184,000,000	$ -	$ 715,000	$ 11,830,000	$ 8,670,000	$ 2,882,644	$ 5,177,573	$ 1,949,928	$ 733,932,120
New issuances	-	28,170,724	-	-	-	-	-	-	98,905,724
Accreted interest	-	-	-	-	-	-	-	-	9,340,940
Redemptions	-	-	-	-	-	-	-	-	(77,605,000)
Principal payments	-	(3,076,798)	(715,000)	(880,000)	(730,000)	(488,025)	(158,427)	(168,153)	(21,146,403)
Balance June 30, 2012	$ 184,000,000	$ 25,093,926	$ -	$ 10,950,000	$ 7,940,000	$ 2,394,619	$ 5,019,146	$ 1,781,775	$ 743,427,381

Description of Debt

Payments on the certificates of participation are paid by the Debt Service Fund. Payments on the general obligation bonds are made by the bond interest and redemption fund with local property tax revenues. Payments on the capital leases are paid by the capital projects or general funds. The accrued vacation will be paid by the fund for which the employee worked. Payments on the claims liabilities will be paid by the self insurance funds.

Certificate 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 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 matures 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

Measure E

The District, Santa Clara County, California, Election of 1999 General Obligation Bonds (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.

Series A was sold on May 3, 2000 for a total of $99,995,036.

Series B was sold on September 9, 2003, for a total of $90,100,063.

Series C was sold on September 20, 2005 for a total of $57,904,900.

On October 2, 2002, the District issued General Obligation Refunding Bonds in the amount of $67,475,000 for the purpose of refunding a portion of the Measure E, Series A General Obligations Bonds.

On September 20, 2005, the District issued General Obligation Refunding Bonds in the amount of $22,165,000 for the purpose of refunding a portion of the Measure E, Series B General Obligation Bonds.

On May 3, 2012, the District issued General Obligation Refunding Bonds in the amount of $70,735,000 for the purpose of refunding portions of the Measure E, Series B, Series C General Obligation Bonds, and the 2002 Refunding Obligation Bonds.

Measure C

The District, Santa Clara County, California Election of 2006, General Obligation Bonds (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.

Series A was sold on May 10, 2007 for a total of $149,995,250.

Series B was sold on May 10, 2007, for a total of $99,996,686.

Series C was sold on May 19, 2011 for a total of $184,000,000.

Debt Maturity

General Obligation Bonds

Description	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2011	New Issuances	Accreted	Principal Payments	Bonds Outstanding June 30, 2012
Measure E, General Obligation Bond, Series A	5/3/2000	8/1/2030	4.30%-6.26%	$ 99,995,036	$ 43,903,039	$ -	$ 2,584,336	$ 2,415,000	$ 44,072,375
2002 General Obligation Refunding Bond	10/02/2002	8/1/2030	2.00%-5.00%	67,475,000	62,500,000	-	-	59,360,000	3,140,000
Measure E, General Obligation Bond, Series B	9/9/2003	8/1/2036	2.00%-5.79%	90,100,063	79,341,419	-	3,385,688	6,180,000	76,547,107
Measure E, General Obligation Bond, Series C	9/20/2005	8/1/2036	3.00%-5.03%	57,904,900	63,611,471	-	1,372,206	14,110,000	50,873,677
2005 General Obligation Refunding Bond	9/20/2005	8/1/2021	3.00%-5.25%	22,165,000	22,010,000	-	-	-	22,010,000
2012 General Obligation Refunding Bond	5/3/12	8/1/2030	0.25-5.00%	70,735,000	-	70,735,000	-	-	70,735,000
Measure C, General Obligation Bond, Series A	4/18/2007	8/1/2036	4.00%-5.00%	149,995,250	148,720,521	-	1,235,227	6,070,000	143,885,748
Measure C, General Obligation Bond, Series B	5/3/2007	8/1/2036	4.00%-5.00%	99,996,686	98,620,525	-	763,483	4,400,000	94,984,008
Measure C, General Obligation Bond, Series C	5/19/2011	8/1/2040	4.73%-4.78%	184,000,000	184,000,000	-	-	-	184,000,000
					$ 702,706,975	$ 70,735,000	$ 9,340,940	$ 92,535,000	$ 690,247,915

The bonds mature through the fiscal years ending June 30, 2041 are as follows:

Measure E, General Obligation Bond, Series A

Fiscal Year	Principal	Interest to Maturity	Total
2013	$ -	$ -	$ -
2014	-	-	-
2015	-	-	-
2016	1,861,833	2,658,167	4,520,000
2017	1,878,361	3,001,639	4,880,000
2018-2022	8,545,769	18,319,231	26,865,000
2023-2027	5,132,011	17,622,989	22,755,000
2028-2031	4,312,062	21,027,938	25,340,000
Total	21,730,036	$ 62,629,964	$ 84,360,000
Accreted Interest	22,342,339		
	$ 44,072,375		

General Obligation Bond, Refunding Bond, Series A

Fiscal Year	Principal	Interest to Maturity	Total
2013	$ 3,140,000	$ 86,350	$ 3,226,350
Total	$ 3,140,000	$ 86,350	$ 3,226,350

Measure E, General Obligation Bond, Series B

Fiscal Year	Principal	Interest to Maturity	Total
2013	$ 1,575,000	$ 833,175	$ 2,408,175
2014	1,815,000	757,875	2,572,875
2015	-	712,500	712,500
2016	-	712,500	712,500
2017	-	712,500	712,500
2018-2022	-	3,562,500	3,562,500
2023-2027	18,395,689	16,542,661	34,938,350
2028-2032	12,465,069	42,764,931	55,230,000
2033-2037	19,129,305	92,515,695	111,645,000
Total	53,380,063	$ 159,114,337	$ 212,494,400
Accreted Interest	23,167,044		
	$ 76,547,107		

Measure E, General Obligation Bond, Series C

Fiscal Year	Principal	Interest to Maturity	Total
2013	$ 560,000	$ 1,092,449	$ 1,652,449
2014	685,000	1,065,875	1,750,875
2015	835,000	1,027,875	1,862,875
2016	1,055,000	980,625	2,035,625
2017	-	954,250	954,250
2018-2022	-	4,771,250	4,771,250
2023-2027	5,465,525	13,205,725	18,671,250
2028-2032	9,023,551	25,587,699	34,611,250
2033-2037	25,603,178	22,429,697	48,032,875
Total	43,227,254	$ 71,115,445	$ 114,342,699
Accreted Interest	7,646,423		
	$ 50,873,677		

General Obligation, Refunding Bond, Series B

Fiscal Year	Principal	Interest to Maturity	Total
2013	$ -	$ 1,155,525	$ 1,155,525
2014	-	1,155,525	1,155,525
2015	-	1,155,525	1,155,525
2016	2,330,000	1,094,363	3,424,363
2017	-	1,033,200	1,033,200
2018-2022	19,680,000	2,832,377	22,512,377
Total	$ 22,010,000	$ 8,426,515	$ 30,436,515

General Obligation, Refunding Bond, Series B

Fiscal Year	Principal	Interest to Maturity	Total
2013	$ -	$ 2,242,973	$ 2,242,973
2014	3,780,000	3,008,225	6,788,225
2015	6,225,000	2,949,275	9,174,275
2016	-	2,895,050	2,895,050
2017	3,905,000	2,816,950	6,721,950
2018-2022	12,595,000	12,868,625	25,463,625
2023-2027	22,695,000	8,088,375	30,783,375
2028-2031	21,535,000	2,236,875	23,771,875
Total	70,735,000	$ 37,106,348	$ 107,841,348

Measure C, General Obligation Bond, Series A

Fiscal Year	Principal	Interest to Maturity	Total
2013	$ 955,000	$ 5,560,650	$ 6,515,650
2014	1,265,000	5,505,150	6,770,150
2015	1,600,000	5,433,525	7,033,525
2016	1,960,000	5,344,525	7,304,525
2017	2,355,000	5,236,650	7,591,650
2018-2022	18,830,000	23,791,375	42,621,375
2023-2027	34,310,000	17,260,125	51,570,125
2028-2032	55,800,000	6,724,288	62,524,288
2033-2037	21,455,250	56,139,750	77,595,000
Total	138,530,250	$ 130,996,038	$ 269,526,288
Accreted Interest	5,355,498		
	$ 143,885,748		

Measure C, General Obligation Bond, Series B

Fiscal Year	Principal	Interest to Maturity	Total
2013	$ 630,000	$ 3,735,275	$ 4,365,275
2014	840,000	3,698,525	4,538,525
2015	1,065,000	3,650,900	4,715,900
2016	1,305,000	3,591,650	4,896,650
2017	1,570,000	3,519,775	5,089,775
2018-2022	12,565,000	16,003,500	28,568,500
2023-2027	22,930,000	11,641,125	34,571,125
2028-2032	37,385,000	4,514,538	41,899,538
2033-2037	13,381,687	34,518,313	47,900,000
Total	91,671,687	$ 84,873,601	$ 176,545,288
Accreted Interest	3,312,321		
	$ 94,984,008		

Measure C, General Obligation Bond, Series C

Fiscal Year	Principal	Interest to Maturity	Total
2013	$ -	$ 9,864,445	$ 9,864,445
2014	-	9,200,000	9,200,000
2015	-	9,200,000	9,200,000
2016	-	9,200,000	9,200,000
2017	-	9,200,000	9,200,000
2018-2022	-	46,000,000	46,000,000
2023-2027	-	46,000,000	46,000,000
2028-2032	4,185,000	45,700,375	49,885,375
2033-2037	21,260,000	42,633,000	63,893,000
2038-2041	158,555,000	16,739,625	175,294,625
Total	$ 184,000,000	$ 243,737,445	$ 427,737,445

Certificates of Participation

Fiscal Year	Principal	Interest to Maturity	Total
2013	$ 1,665,000	$ 751,355	$ 2,416,355
2014	1,725,000	690,985	2,415,985
2015	1,790,000	625,097	2,415,097
2016	1,855,000	557,429	2,412,429
2017	1,935,000	479,448	2,414,448
2018-2022	9,920,000	1,076,537	10,996,537
Total	$ 18,890,000	$ 4,180,851	$ 23,070,851

Capital Leases

The District's liability on lease agreements with option to purchase is summarized below:

Fiscal Year Ending June 30,	Lease Payment
2013	$ 606,657
2014	471,241
2015	281,661
2016	281,661
2017	281,661
2018-2022	844,986
Total	2,767,867
Less: Amount Representing Interest	373,248
Present Value of Minimum Lease Payments	$ 2,394,619

NOTE 9 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATION

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

Plan Description

The District established an Other Post Employment Benefit Plan (the Plan) which is a single-employer defined benefit healthcare plan administered by the California Employers Retirement Benefit Trust (CERBT). CERBT 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 Plan provides medical and dental insurance benefits to eligible retirees and their spouses. As of the most recent actuarial study completed, membership of the Plan consisted of 754 retirees and beneficiaries currently receiving benefits, and 944 active plan members. Separate financial statements are not prepared for the Trust.

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 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 and Medicare coverage.

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually through agreements between the District and the bargaining units. For fiscal year 2011-2012, the District contributed $8,509,855 to the Plan, all of which was used for current premiums (99 percent of total premiums).

Annual OPEB Cost and Net OPEB Asset/Obligation Asset/Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the requirements of *Other Post Employment Benefits* guidance. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding costs) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB asset/obligation based on the most recent actuary study prepared in August 2012 with an effective date of June 30, 2011:

Annual required contribution	$ 10,778,700
Adjustment to annual required contribution	(2,165,123)
Annual OPEB cost (expense)	8,613,577
Contributions made	8,509,955
Decrease in net OPEB asset	(103,622)
Net OPEB asset, July 1, 2011	6,096,721
Net OPEB asset, June 30, 2012	$ 5,993,099

Trend Information

Trend information for the annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB assets/obligation for the past three years is as follows:

Year's Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Asset
2010	$ 7,280,595	$ 9,188,716	126%	$ 3,788,600
2011	$ 7,280,595	$ 9,588,716	132%	$ 6,096,721
2012	$ 8,613,577	$ 8,509,955	99%	$ 5,993,099

Funding Status and Funding Progress

The funded status of the OPEB Plan as of June 30, 2012, is as follows:

Actuarial Accrued Liability (AAL)	$ 117,564,565
Actuarial Value of Plan Assets	(6,430,877)
Unfunded Actuarial Accrued Liability (UAAL)	$ 111,133,688
Funded Ratio (Value of Plan Assets/AAL)	5.5%
Covered Payroll	94,425,252
UAAL as Percentage of Covered Payroll	117.69%

The above noted actuarial value of plan assets was based on the June 30, 2011, actuarial valuation. The market value of the Plan Assets as of June 30, 2012 is $6,564,872. Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, follows the notes to the financial statements and presents multi-year trend information about whether the value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the June 30, 2011, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 7.61 percent investment rate of return (net of administrative expenses), based on the Plan being funded in an irrevocable employee benefit trust fund invested in a long-term fixed income portfolio. Healthcare cost trend rate of 4 percent. Both rates included a 3 percent salary increase assumption. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at July 1, 2011, was 30 years. The actuarial value of assets was determined using actuarial techniques that spread the effects of short-term volatility in the market value of investments over a fifteen-year period. At June 30, 2011, the most recent actuarial study date, the Trust held net assets in the amount of $6,096,721, which consisted of amounts on deposit with CERBT.

NOTE 10 - RISK MANAGEMENT

Property and Liability

During fiscal year ending June 30, 2012, the District contracted with commercial insurers for property coverage and the Schools Excess Liability Fund Joint Powers Authority (SELF) for excess liability insurance coverage.

Workers' Compensation

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 worker's 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, 2012 were $1,371,163, and $5,019,146, respectively.

Health Care

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, 2012 were $2,024,043, and $0, respectively.

Insurance Coverages

Insurance Program / Company Name	Type of Coverage	Limits
Travelers Property Casualty Company	Property Insurance	$25,000-$50,000,000
Everest National	Excess Liability	$5,000,000-$10,000,000
Schools Excess Liability Fund (SELF)	Excess Liability	$5,000,000-$20,000,000

Claims Liabilities

The District establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2010 to June 30, 2012.

	Health Care	Workers' Compensation	Total
Liability Balance, July 1, 2010	$ 1,441,153	$ 6,889,700	$ 8,330,853
Claims and changes in estimates	18,457,692	5,736,433	24,194,125
Claims payments	(17,050,240)	(6,814,133)	(23,864,373)
Liability Balance, June 30, 2011	2,848,605	5,812,000	8,660,605
Claims and changes in estimates	871,546	2,481,309	3,352,855
Claims payments	(1,696,108)	(1,903,000)	(3,599,108)
Liability Balance, June 30, 2012	2,024,043	6,390,309	8,414,352
Less current portion in accounts payable	2,024,043	1,371,163	3,395,206
Total noncurrent, end of year	$ -	$ 5,019,146	$ 5,019,146

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS

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

CalSTRS

Plan Description

The District contributes to CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries who are eligible and employed more than 50 percent or more of a full time equivalent position participate in the Defined Benefit Plan (DB Plan). Part time educators hired under contract of less than 50 percent or on an hourly or daily basis without contract may elect membership in the Cash Benefit Balance Program (CB Benefit Program). Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

The State Teachers Retirement Plan (STRP), a defined benefit plan, provides retirement, disability, and death benefits, and depending on which component of the STRP the employee is in, post retirement cost-of-living adjustments may also be offered. Employees in the DB Plan attaining the age of 60 with five years 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 years of consecutive service. The plan permits early retirement options at age 55, or as early as age 50, with at least 30 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 program 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.

CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, California, 95826.

Funding Policy

Active members are required to contribute 8.0 percent of their salary while the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2011-2012 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The CB Benefit Program is an alternative for STRS contribution plan for instructors. Instructors who choose not to sign up for the DB plan or FICA may participate in the CB Benefit program. The District contribution rate for the CB Benefit Program is always a minimum of 4 percent, with the sum of the District and employee contribution always being equal or greater to 8 percent.

The District's total contributions to CalSTRS for the fiscal years ended June 30, 2012, 2011, and 2010, were $5,332,848, $5,433,697, and $5,428,107, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

The District contributes to the School Employer Pool under CalPERS a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The District's contribution rate to CalPERS for fiscal year 2011-2012 was 10.923 percent of covered payroll. The District's contributions to CalPERS for fiscal years ending June 30, 2012, 2011, and 2010, were $5,511,264, $5,442,173, and $5,008,642, respectively, and equaled 100 percent of the required contributions for each year.

On-Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS which amounted to $3,129,223 (4.855 percent) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. These amounts have not been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

Deferred Compensation

The District offers its employees a Tax Sheltered Annuity Plan under Internal Revenue Code (IRC) 403(b) and a Deferred Compensation Plan under IRC 457(b). The two plans are available to all permanent employees and permits them to defer a portion of pre-tax salary into investments of an individual's own choosing until future years. The compensation deferred is not available to the employees or their beneficiaries until termination, retirement, death, or an unforeseeable emergency. The District also offers a governmental plan under IRC 414(d) for the benefit of certain designated employees in the positions of Chancellor, Vice Chancellor(s), and College President(s). The plan provides for employer contributions to a trust for the payment of definitely determinable benefits in accordance with IRC 401(a) compensation limitations and minimum required distribution rules.

NOTE 12 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of the Schools Excess Liability Fund (SELF) Joint Powers Authority (JPA), a statewide JPA established as a program to pool excess liability and workers' compensation coverage for participating California agencies, and the South Bay Regional Public Safety Training Consortium Joint Powers Authority (JPA) established as a program to provide training and educational programs that will be responsive to the needs of the participating California Community College Districts.

The relationship between the District and the JPAs is such that they are not component units of the District for financial reporting purposes.

The JPAs have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, transactions between the JPAs and the District are included in these statements. Audited financial statements are available from the respective entities. The District's share of year-end assets, liabilities, or fund equity has not been calculated.

During the year ended June 30, 2012, the District made payments of $475,473 to the South Bay Regional Public Safety Training Consortium and $72,157 to SELF.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2012.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2012.

Operating Leases

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

Year's Ending June 30,	Lease Payment
2013	$ 1,331,563
2014	1,360,751
2015	1,390,801
2016	1,421,736
Total	$ 5,504,851

Construction Commitments

As of June 30, 2012, the District had the following commitments with respect to the unfinished capital projects: The projects are funded through a combination of general obligation bonds and capital project apportionments from the California State Chancellor's Office.

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
Measure C		
Physical Science and Engineering Center	$ 9,157,803	01/07/13
Central campus site improvements	6,253,190	02/12/13
Stadium and track	4,525,786	10/10/12
Parking and circulation	2,738,744	11/08/13
Corporation yard	2,271,627	03/28/13
Media & Learning Center	2,032,729	08/15/12
Construction management / Design management	1,287,958	06/30/12
Photovoltaic arrays	734,333	11/15/11
Building G	707,961	09/21/12
Scheduled maintenance	554,562	07/22/21
Modernization of Learning Support Center, Biology and General Classrooms	495,675	09/22/14
Flint parking structure	438,709	02/21/14
Advanced Technology Center (ATC)	380,333	01/06/14
Construction overhead	337,680	07/13/22
Tile roofs	284,848	09/01/12
Smithwick theater	265,175	07/13/13
Property acquisition	250,703	01/12/16
Baldwin Winery & East Cottage "Historic Renovation"	215,254	09/28/11
Modernization of building 5700	212,573	04/08/13
Print shop and plant services facility	187,604	02/27/14
Scheduled maintenance	117,648	12/31/12
Reconstruction of stadium bleachers and press box	96,035	08/31/12
Physical education lab space	87,362	07/04/13
General classrooms	58,633	07/29/11
Combined site improvements	55,753	09/20/13
Other projects	443,831	thru 6/30/22
Subtotal Measure C	34,192,509	
Measure E		
ETS Building board room / Chancellor's office	420,061	2/10/2012
Renovation of district office building	410,718	12/30/2013
Overhead	285,393	3/30/2013
Data Center E	80,351	3/31/2013
Master landscaping phase 2 (design)	58,615	12/31/2010
Swing space	38,016	3/9/2015
Stelling parking garage	35,224	12/6/2012
Campus wide coax replacement	21,249	3/16/2012
Minor improvements	20,068	3/13/2014
Other projects	77,068	thru 12/31/12
Subtotal Measure E	1,446,763	
Total Construction Commitments	$ 35,639,272	

NOTE 14 – OPERATING EXPENSES

The following schedule details the functional classifications of the operating expenses reported in the statement of revenues, expenses, and changes net assets for the year ended June 30, 2012.

	Salaries	Employee Benefits	Supplies Material, and Other Expenses	Financial Aid	Utilities	Depreciation	Total
Instruction	$ 76,778,710	$ 18,481,093	$ 1,294,488	$ -	$ 3,310	$ -	$ 96,557,601
Academic Support	11,596,667	4,083,647	1,480,550	-	12,813	-	17,173,677
Student Services	12,998,730	4,886,191	2,212,107	-	19,879	-	20,116,907
Operation and Maintenance of Plant	6,077,732	2,649,896	2,295,957	-	3,026,048	-	14,049,633
Institution support	16,187,460	12,181,677	8,386,070	-	90,405	-	36,845,612
Community Services & Economic Development	1,734,557	499,883	3,335,427	-	2,294	-	5,572,161
Auxiliary Operations	7,719,896	2,257,167	12,415,452	-	150,468	-	22,542,983
Student Aid	475,123	-	-	21,594,443	-	-	22,069,566
Depreciation	-	-	-	-	-	29,554,918	29,554,918
	$ 133,568,875	$ 45,039,554	$ 31,420,051	$ 21,594,443	$ 3,305,217	$ 29,554,918	$ 264,483,058

NOTE 15 – DONATED SERVICES AND FACILITIES

Donated services and facilities to the Foothill-De Anza Community Colleges Foundation totaling $47,671, for the year ended June 30, 2012, consisted of accounting and management support, comprehensive insurance, office space, and other miscellaneous internal services 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.

REQUIRED SUPPLEMENTARY INFORMATION

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

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

Fiscal Year Ended	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal Method	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
6/30/2010	$ 4,700,000	$ 107,000,000	$ 102,300,000	4.4%	$ 83,900,000	122%
6/30/2011	6,305,002	107,000,000	100,694,998	5.9%	95,902,636	105%
6/30/2012	6,430,877	117,564,565	111,133,688	5.5%	94,425,252	118%

SUPPLEMENTARY INFORMATION

DISTRICT ORGANIZATION
JUNE 30, 2012

Foothill-De Anza Community College District was established on January 15, 1957, and is comprised of an area of approximately 105 square miles located in Santa Clara County. There were no changes in the boundaries of the District during the current year. The District's colleges are accredited by the Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges, which is one of six regional associations that accredit public and private schools, colleges, and universities in the United States.

BOARD OF TRUSTEES

MEMBER	OFFICE	TERM EXPIRES
Joan Barram	President	November 2016
Laura Casas Frier	Vice President	November 2016
Pearl Chang	Member	November 2014
Betsy Bechtel	Member	November 2016
Bruce Swenson	Member	November 2014
Antonia Zavala	Student Trustee	May 2013
Vincent Mendoza	Student Trustee	May 2013

ADMINISTRATION

Linda M. Thor, Ed. D.	Chancellor
Judy C. Miner, Ed. D.	President, Foothill College
M. Brian Murphy, Ph. D.	President, De Anza College

FISCAL ADMINISTRATION

Kevin McElroy	Vice Chancellor, Business Services
Hector Quinonez	District Controller
Bernata Slater	Director, Budget Operations

See accompanying note to supplementary information.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Expenditures
U.S. DEPARTMENT OF EDUCATION			
STUDENT FINANCIAL AID CLUSTER			
Federal Pell Grant Programs (PELL)	84.063	[1]	$19,416,763
Federal Pell Administrative Allowance	84.063	[1]	31,634
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	[1]	388,568
Federal Direct Student Loans	84.268	[1]	11,833,539
Federal College Work Study (FWS)	84.033	[1]	405,997
Academic Competitiveness Grants (ACG)	84.375	[1]	3,262
Total Student Financial Aid Cluster			32,079,763
Strengthening Minority Serving Institutions - Asian American	84.382S	[1]	277,151
Higher Educational Institutional Aid	84.031	[1]	320,005
PASS THROUGH FUNDS			
Career Technical Education Act - Basic Grants To States (Perkins IV)	84.048	03303	641,830
Education Research, Development, Dissemination - SRI domain specific	84.305A	[2]	1,927
Total U.S. Department of Education			33,320,676
NATIONAL SCIENCE FOUNDATION			
National Science Foundation - Nano Technology	47.076	03797	104,129
National Science Foundation - CCB FEST	47.076	03797	4,089
Total National Science Foundation			108,218
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
AmeriCorps State and National	94.006	[1]	81,489
Total Corporation for National and Community Service			81,489
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			
Trade Adjustment Assistance (TAA)/ North American Free Trade Agreement (NAFTA)	43.007	[1]	114,595
Total National Aeronautics and Space Administration			114,595

[1] Pass-Through Entity Identifying Number not applicable, direct funded

[2] Pass-Through Entity Identifying Number not available

See accompanying note to supplementary information.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
EMERGENCY CONTINGENCIES FUNDS FOR TEMPORARY ASSISTANCE TO NEEDY FAMILIES CLUSTER			
Temporary Assistance for Needy Families (TANF)	93.558	[2]	51,211
ARRA - TANF Supplemental Grants	93.714	[2]	643
Total Emergency Contingencies Funds for Temporary Assistance to Needy Families Cluster			51,854
Medical Assistance Program (MAA)	93.778	10011	271,873
Total U.S. Department of Health and Human Services			323,727
U.S. DEPARTMENT OF LABOR			
PASS THROUGH FUNDS			
WORKFORCE INVESTMENT ACT CLUSTER			
WIA Adult Program	17.258	03573	81,640
Program of Competitive Grants for Worker Training	17.275	03239	70,468
Veterans' Administrative Reporting Fee	17.802	[2]	3,004
Total U.S. Department of Labor			155,112
U.S. DEPARTMENT OF AGRICULTURE			
PASS THROUGH FUNDS			
Child and Adult Care Food Program	10.558	03628	38,243
Total Expenditures of Federal Awards			$34,142,060

See accompanying note to supplementary information.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

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

	Program Entitlements			Program Revenues				
Program	Current Year	Prior Year	Total Entitlement	Cash Received	Accounts Receivable	Deferred Revenue	Total Revenue	Program Expenditures
GENERAL FUND								
Extended Opportunity Programs & Services	$ 1,308,714	$ -	$ 1,308,714	$ 1,308,714	$ -	$ -	$ 1,308,714	$ 1,308,714
Cooperative Agencies Resources for Education	109,312	-	109,312	109,312	-	-	109,312	109,312
Disabled Student Programs & Services	2,122,925	81,668	2,204,593	2,122,925	-	-	2,122,925	2,089,162
Deferred Maintenance Costs(FND 47)	-	-	-	-	-	-	-	-
Matriculation	1,205,544	-	1,205,544	1,205,544	-	-	1,205,544	1,205,544
Matriculation Non-Credit	56,564	-	56,564	56,564	-	-	56,564	56,564
AB 1725 Staff Development	-	55,386	55,386	51,108	-	49,293	1,815	1,814
AB 1725 Staff Diversity	12,937	54,346	67,283	67,283	-	67,283	-	-
Economic Development	929,492	58,855	988,347	553,120	368,273	-	921,393	921,393
Basic Skills	412,602	720,664	1,133,266	1,133,266	-	788,583	344,683	344,683
Career Tech Education	493,137	505,868	999,005	843,420	85,986	519,991	409,415	409,415
Child Development Center	242,868	-	242,868	242,868	-	-	242,868	242,868
Child Care Instructional Materials	-	-	-	-	-	-	-	-
Child Dev Tax Bailout	405,503	-	405,503	405,503	-	-	405,503	405,503
Child Care Food Program	1,600	-	1,600	1,355	245	-	1,600	1,600
High Tech Center Training Unit	1,000,000	27,270	1,027,270	1,026,863	-	-	1,026,863	1,026,863
BFAP Administration	868,940	120,863	989,803	989,803	-	-	989,803	989,803
TANF	51,211	39	51,250	51,250	-	39	51,211	51,211
Transfer-Ed and Articulation	-	-	-	-	-	-	-	-
TTIP Telecom & Technology	-	146,042	146,042	146,042	-	146,042	-	-
Instructional Equipment	-	2,060,794	2,060,794	2,060,794	-	1,850,553	210,241	210,241
Lottery Instructional Materials	945,670	1,290,113	2,235,783	88,400	857,270	-	945,670	332,573
Mandated Cost Reimbursement	-	1,564,365	1,564,365	-	-	-	-	-
NOVA SWIC Solar Tech	926,774	-	926,774	668,906	257,869	-	926,774	926,774
CalGrant B & C	1,207,919	451	1,208,370	1,128,089	79,830	-	1,207,919	1,207,919
Calworks	315,315	-	315,315	315,315	-	-	315,315	315,315
Calworks TSE	234,427	40,036	274,463	292,478	18,773	72,613	238,638	238,638
Miscellaneous State Assistance	141,393	61,139	202,532	183,294	19,238	58,888	143,644	143,644
Subtotal	$ 12,992,847	$ 6,787,899	$ 19,780,746	$ 15,052,215	$ 1,687,484	$ 3,553,284	$ 13,186,415	$ 12,539,553

See accompanying note to supplementary information.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT AS OF JUNE 30, 2012

CATEGORIES	Annual Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2011 only)			
1. Noncredit **	38.91	-	38.91
2. Credit	3,734.71	-	3,734.71
B. Summer Intersession (Summer 2012 - Prior to July 1, 2012)			
1. Noncredit **	-	-	-
2. Credit	316.72	-	316.72
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	18,519.59	-	18,519.59
(b) Daily Census Contact Hours	345.82	-	345.82
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit **	199.79	-	199.79
(b) Credit	1,368.69	-	1,368.69
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	4,850.20	-	4,850.20
(b) Daily Census Contact Hours	80.48	-	80.48
(c) Noncredit Independent Study/Distance Education Courses			
D. Total FTES	29,454.91	-	29,454.91
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	4.99	-	4.99
H. Basic Skills courses and Immigrant Education			
1. Noncredit **	48.35	-	48.35
2. Credit	3,067.50	-	3,067.50
CCFS-320 Addendum			
CDCP Noncredit FTES	20.32	-	20.32
Centers FTES			
1 Noncredit **	2.00	-	2.00
2 Credit	624.00	-	624.00
	3,767.16	-	3,767.16

** Including Career Development and College Preparation (CDCP) FTES.

See accompanying note to supplementary information.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

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

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110 Reported Data	Audit Adjustments	Revised Data	ECS 84362 B Total CEE AC 0100 - 6799 Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	$ 34,104,489	$ -	$ 34,104,489	$ 34,104,489	$ -	$ 34,104,489
Other	1300	30,302,017	-	30,302,017	30,302,017	-	30,302,017
Total Instructional Salaries		64,406,506	-	64,406,506	64,406,506	-	64,406,506
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	12,283,600	-	12,283,600
Other	1400	-	-	-	1,484,390	-	1,484,390
Total Noninstructional Salaries		-	-	-	13,767,990	-	13,767,990
Total Academic Salaries		64,406,506	-	64,406,506	78,174,496	-	78,174,496
<u>Classified Salaries</u>							
Noninstructional Salaries							
Regular Status	2100	-	-	-	30,055,343	-	30,055,343
Other	2300	-	-	-	2,568,314	-	2,568,314
Total Noninstructional Salaries		-	-	-	32,623,657	-	32,623,657
Instructional Aides							
Regular Status	2200	1,958,483	-	1,958,483	1,958,483	-	1,958,483
Other	2400	288,410	-	288,410	288,410	-	288,410
Total Instructional Aides		2,246,893	-	2,246,893	2,246,893	-	2,246,893
Total Classified Salaries		2,246,893	-	2,246,893	34,870,550	-	34,870,550
Employee Benefits	3000	20,194,404	-	20,194,404	38,678,982	-	38,678,982
Supplies and Material	4000	-	-	-	2,249,563	-	2,249,563
Other Operating Expenses	5000	-	-	-	18,615,561	-	18,615,561
Equipment Replacement	6420	-	-	-	52,828	-	52,828
Total Expenditures Prior to Exclusions		86,847,803	-	86,847,803	172,641,980	-	172,641,980

See accompanying note to supplementary information.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

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

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Exclusions							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	$ 4,548,853	$ -	$ 4,548,853	$ 4,548,853	$ -	$ 4,548,853
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	3,306,702	-	3,306,702
Objects to Exclude							
Rents and Leases	5060	-	-	-	1,283,284	-	1,283,284
Lottery Expenditures							-
Academic Salaries	1000	-	-	-	1,550,339	-	1,550,339
Classified Salaries	2000	-	-	-	839,535	-	839,535
Employee Benefits	3000	-	-	-	809,514	-	809,514
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	3,716	-	3,716
Instructional Supplies and Materials	4300	-	-	-	6,270	-	6,270
Noninstructional Supplies and Materials	4400	-	-	-	58,649	-	58,649
Total Supplies and Materials		-	-	-	68,635	-	68,635

See accompanying note to supplementary information.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

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

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	$ -	$ -	$ -	$ 441,891	$ -	$ 441,891
Capital Outlay							
Library Books	6000	-	-	-	-	-	-
Equipment	6300	-	-	-	-	-	-
Equipment - Additional	6400	-	-	-	-	-	-
Equipment - Replacement	6410	-	-	-	4,705	-	4,705
Total Equipment		-	-	-	4,705	-	4,705
Total Capital Outlay							
Other Outgo	7000	-	-	-	197,479	-	197,479
Total Exclusions		4,548,853	-	4,548,853	13,050,937	-	12,609,046
Total for ECS 84362, 50 Percent Law		$ 82,298,950	$ -	$ 82,298,950	$ 159,591,043	$ -	$ 160,032,934
Percent of CEE (Instructional Salary Cost/Total CEE)		51.57%		51.43%	100.00%		100.00%
50% of Current Expense of Education					$ 79,795,522		$ 80,016,467

See accompanying note to supplementary information.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH FUND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2012.

See accompanying note to supplementary information.

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

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

Schedule of Expenditures of Federal Awards

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

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenses, and Changes in Net Assets - Primary Government and the related expenditures reported on the Schedule of Federal Awards. The reconciling amounts consist primarily of funds that in the previous period were recorded as revenues but were unspent. These unspent balances have been expended in the current period. In addition, funds have been recorded in the current period as revenues that have not been expended as of June 30, 2012. These unspent balances are reported as legally restricted ending balances within the Statement of Net Assets - Primary Government.

Description	CFDA Number	Amount
Total Federal Revenues per Statement of Revenues, Expenditures, and Changes in Fund Balance:		$ 22,308,522
Federal Direct Student Loans	84.268	11,833,539
Total Expenditures of Federal Awards		$ 34,142,061

Schedule of Expenditures of State Awards

The accompanying schedule of expenditures of State awards includes the State grant activity of the District and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The information in this schedule is presented to comply with reporting requirements of the California State Chancellor's Office.

NOTE 1 - PURPOSE OF SCHEDULES (CONTINUED)

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

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

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

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

INDEPENDENT AUDITORS' REPORTS

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

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

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

We have audited the basic financial statements of Foothill-De Anza Community College District (the District) and its discretely presented component unit for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon November 19, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Foothill-De Anza Community College District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audits, 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 opinions 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as previously defined. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as items 2012-1 and 2012-2, that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Compliance and Other Matters

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

Foothill-De Anza Community College District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Foothill-De Anza Community College District's response and, accordingly, express no opinion on the response.

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

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
November 19, 2012

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

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

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

Compliance

We have audited Foothill-De Anza Community College District's (the District's) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Foothill-De Anza Community College District's major Federal programs for the year ended June 30, 2012. Foothill-De Anza Community College District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of 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 of Foothill-De Anza Community College District's compliance with those requirements.

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In our opinion, Foothill-De Anza Community College District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of Foothill-De Anza Community College District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Foothill-De Anza Community College District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Foothill-De Anza Community College District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as previously defined. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2012-1.

Foothill-De Anza Community College District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Foothill-De Anza Community College District's response and, accordingly, express no opinion on the response.

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

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
November 19, 2012

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

VALUE THE DIFFERENCE

REPORT ON STATE COMPLIANCE

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 (the District), as of and for the year ended June 30, 2012, and have issued our report thereon November 19, 2012.

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

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

Section 421	Salaries of Classroom Instructors: 50 Percent Law
Section 423	Apportionment for Instructional Service Agreements/Contracts
Section 424	State General Apportionment Funding System
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Concurrent Enrollment of K-12 Students in Community College Credit Courses
Section 431	Gann Limit Calculation
Section 433	California Work Opportunity and Responsibility to Kids (CalWORKS)
Section 435	Open Enrollment
Section 437	Student Fee – Instructional and Other Materials
Section 438	Student Fees – Health Fees and Use of Health Fees
Section 474	Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
Section 475	Disabled Student Programs and Services (DSPS)
Section 476	Curriculum and Instruction
Section 479	to Be Arranged Hours (TBA)

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

Foothill-De Anza Community College District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Foothill-De Anza Community College District's response and, accordingly, we express no opinion on the response.

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

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
November 19, 2012

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

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

FINANCIAL STATEMENTS	
Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	Yes
Noncompliance material to financial statements noted?	No
FEDERAL AWARDS	
Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	Yes
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	No
Identification of major programs:	

CFDA Number(s)	Name of Federal Program or Cluster
84.033, 84.375, 84.063, 84.007, 84.268, 84.038	Student Financial Aid Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 300,000
Auditee qualified as low-risk auditee?	No
STATE AWARDS	
Internal control over State programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	Yes
Type of auditors' report issued on compliance for State programs:	Unqualified

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

None noted.

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

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

2012-1 Finding - Student Financial Aid Cluster, Pell Grants - CFDA #84.063
Significant Deficiency, Internal Control Over Compliance

Criteria or Specific Requirement

According to 34 CFR section 668.22(j), an institution must determine the student's withdrawal date within 30 days after the end of the earlier of:

(1) Payment or enrollment period
(2) Academic year in which student withdrew
(3) Educational program from which student withdrew

Condition

We noted that the identification of the student's withdrawal date for purposes of determining the start date for the Return to Title IV processes was not consistently completed within the required timeframe.

Questioned Costs

None, as the Return to Title IV process was completed accurately, but was not timely.

Context

We reviewed the reporting of 40 of 321 Return to Title IV students and noted thirteen that were not identified within the required 30 day timeline.

Effect

The District did not comply with the required timelines for the identification of the student withdrawal date as prescribed by Title IV.

Cause

It was noted by Student Financial Aid department personnel that there was a personnel change in the department at one site and that the duties related to Return to Title IV processes were not able to be redistributed and handled in a timely manner.

Recommendation

The Financial Aid Departments should be proactive ensuring compliance procedures are completed within the required timeframes and may need to review the distribution of duties in the department to ensure that the department is capable of meeting federal processing timelines.

Management's Response and Corrective Action Plan

We agree with the audit finding. In fiscal year 2011-2012 we were compliant in returning all Title IV funds, but missed the 30 day timeline in determining the withdrawal date for some students for purposes of Return to Title IV. The Financial Aid Department was going through a period of transition due to the retirement of its longtime director, resulting in significant workload increase on the staff responsible for processing Return to Title IV. In addition, fiscal year 2011-2012 year brought a marked increase in the volume of ISIR's received and students awarded and disbursed. This also increased our number of Return to Title IV students by 16%.

As of summer 2012 the Financial Aid Department has a new leadership committed to ensuring full compliance. Measures have already been taken by instituting a biweekly process for identifying and working on students who have received financial aid and dropped all of their classes and determining their withdrawal date within the 30 day timeline. The Director of Financial Aid will document, in written form, and verify on a monthly basis that this biweekly review process is taking place. Additionally, the College Vice President of Student Services will verify with the Director of Financial Aid and document monthly that the review process is being performed. We are fully compliant with Return to Title IV as of summer 2012 and will be in 100% compliance throughout fiscal year 2012-2013, and forward. For additional information contact Kevin McElroy, Vice Chancellor Business Services, 650-949-6201.

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

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

2012-2 Finding – Instructional Material Fees
Significant Deficiency – Compliance

Criteria or Specific Requirement

CCR Title V 59400-59408 sets certain requirements for Colleges that charge instructional fees, including the requirement to not show a profit from fees selected.

Condition

During our testing of instructional material fees charged by the college, we noted that the amounts spent on class materials were less than the instruction material fees for a Ceramics, Biology, Video Production, Health, Vietnamese Literature, and Women's Studies Course.

Questioned Costs

$18,232. This is the amount by which instructional material fees exceeded course material costs for the courses noted above.

Context

We reviewed the class schedule and selected twenty-five courses for review that charged instructional fees. We noted that the records of six of the twenty - five courses reviewed indicated that the amount collected for instructional material fees exceeded the amounts spent for materials.

Effect

The District does not appear to be in compliance with state requirements regarding determination of amounts allowable as instructional material fees.

Cause

Instructional material fee rates may be set at higher than necessary levels, or there may be inconsistencies in recording fees collected, and/or expenses related to these fees in a manner that does would accurately capture this information.

Recommendation

The process for establishing amounts of material fees should be reviewed to determine that only those amounts needed for course materials are charged. In addition, the monitoring process to determine that expenditures are appropriately charged against the fees collected should be reviewed to ensure all appropriate item elements are accurately captured.

Corrective Action Plan

We agree with the audit finding and will implement measures to spend down existing instructional material fee balances and ensure that per student charges are reasonable.

Materials fees are collected from students when certain tangible instructional materials are required to achieve the desired student learning outcomes in the class. The materials must become the possession of the student and have continuing value outside the classroom. Every effort is made to accurately determine the cost of the materials in order to ensure that students are not charged in excess of our actual cost. Initial fees are established by having each department prepare a list of each individual item needed by the students along with the related unit cost. The total becomes the amount of the fee that each enrolled student pays. These fees are reviewed annually.

Effective immediately, we will take steps to decrease the amounts collected where there is a significant instructional materials fee balance outstanding at the end of any given quarter, we will work closely with the departments to determine if the per unit fees that we charge the students are reasonable, and we will review the fees on a quarterly basis, rather than on an annual basis, in order to ensure prompt adjustments to any fees, as necessary. The quarterly review of fees will be performed and documented by the respective division deans, the Vice President of Instruction, and the Vice President of Finance and Educational Resources.

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

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

2011-1 Finding – Student Financial Aid Cluster, Pell Grants - CFDA #84.063
Significant Deficiency, Internal Control Over Compliance

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

Condition
We noted that the calculations of funds not earned by students receiving financial aid were not consistently completed within 30 days of the students' withdrawal, and the funds were not returned within 45 days after the student withdrew at one college.

Questioned Costs
None, as the actions under criteria #1, and #2 above were completed accurately, but were not timely.

Context
We reviewed the reporting of 8 of 127 Return to Title IV students and noted four that were not notified within the required 30 day timeline, and three with funds not returned within the 45 day timeline.

Effect
The District did not comply with the required timelines for the calculations of funds not earned by students receiving financial aid as prescribed by Title IV.

Cause
It was noted by Student Financial Aid department personnel that the automated system performing the Return to Title IV calculations was implemented during the current year and staff was not familiar with how to run the necessary reports. This resulted in one of the Colleges missing the required timelines.

Recommendation
The Financial Aid Departments should be proactive in monitoring progress on meeting timelines.

Current Status:
Implemented.

2011-2 Finding - Concurrent Enrollment
Significant Deficiency – Compliance

Criteria or Specific Requirement
A community college district may claim FTES for the attendance of K-12 pupils who take courses offered by the district under the concurrent enrollment arrangement only if it complies with specific conditions.

- Per Education Code Section 48800(a), for summer session, K-12 principals may not recommend more than five percent of the number of pupils who have completed a particular grade immediately prior to the recommendation.
- Education Code 48800.5 requires that High School Principals certify that all concurrent enrollment students will benefit from attending college courses.
- Per Education Code Section 76001(d), special part time students may enroll in up to 11 units per semester.
- Education Code 760029(a) states that concurrent enrollment courses offered at High School locations must be either in the schedule, or must be advertised for a 30 day period prior to the first meeting of the course.

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

- Authorizations – No evidence was maintained of the High School Principal certifications stating that summertime concurrently enrolled students did not exceed 5% of the students who were recommendation to attend concurrent courses.
- Authorizations – No evidence was maintained of the High School Principal's or Middle School Coordinator recommendation for middle college students to attend concurrent courses.
- Enrollment Fees – We noted some concurrently enrolled students who exceeded the unit enrollment maximum for a special admin student and should have been charged regular enrollment fees.
- High School Campus course offerings – One Physical Education course was held off campus, however, the location was not published in the schedule, or otherwise advertised, prior to the first meeting of the course.

Questioned Costs
Total FTES claimed for summertime students without Principal certification was 0.87 FTES.
Total FTES claimed for 4 students without Principal or Coordinator recommendation was 0.6.
Total Enrollment fees not charged to students exceeding special part time admin status was $1,508.
Total FTES claimed for the Physical Education course was 2.4 FTES.

Context

- We reviewed 15 concurrently enrolled student files for summertime courses and noted at one site none of the files had evidence of certification of the 5 percent summertime limit.
- 8 of 43 concurrently enrolled student files reviewed did not have evidence of the High School Principal or Middle School coordinator's recommendation for the student to attend concurrent courses. All eight students were Middle School students.
- 4 of 20 concurrently enrolled students at one site exceeded the special part time admit status and should have been charged enrollment fees.
- 1 of 45 courses reviewed was a concurrent enrollment course held off campus and the location was not published openly prior to the first meeting of the class.

Effect
The District was not in compliance with some of the State requirements regarding the operations of concurrent enrollment courses and may be subject to removal of some of the associated FTES.

Cause
- One of the sites was not obtaining documentation that the high school principals certified they did not recommend more than 5% of the students for summer courses.
- One site was not obtaining High School Principals or Middle School Coordinator recommendations for Middle School students.
- The sites were not using a consistent formula to convert semester units to quarters when determining what constitutes full time student status. Therefore, conclusions as to which students were under the unit cap for enrollment fee exceptions, was not appropriately applied.
- An additional section of the course was added late in scheduling and the location was not advertised as required.

Recommendation
The District should work with the Colleges to develop procedures to obtain the necessary approvals for the concurrently enrolled students, assess full time student status for purposes of charging enrollment fees, and ensure that off campus courses are in the schedule of advertised course offerings as required.

Current Status:
Implemented.

2011-3 Finding – State General Apportionment Funding System
Significant Deficiency – Compliance

Criteria or Specific Requirement
Title 5 Section 58003.1 and the Student Attendance Accounting Manual define the characteristics of various classifications of courses used in the Form 320 reporting and the quantification of contact hours for various types of courses.

Condition
During our review of the courses claimed for apportionment on the second period Form 320, we noted three hybrid courses that have both a lecture and online component that were listed as weekly courses that should have been classified as alternative attendance accounting courses. In addition, we noted differences in contact hour calculations.

Questioned Costs

- 11.71 FTES should be removed from weekly courses and added to alternative attendance courses.
- Weekly courses were overstated by 9.67 FTES.
- Daily courses were overstated by 1.99 FTES.
- Positive Attendance courses were overstated by 0.47 FTES.

Context

- We reviewed 80 courses and noted three courses that were inappropriately classified.
- Weekly courses overstatement of 663 contact hours of 73,579 tested, or 0.9 percent.
- Daily courses overstatement of 1,046 contact hours of 32,899 tested, or 3.2 percent.
- Positive Attendance performing arts courses overstatement of 248 contact hours of 4,216 tested, or 6.0 percent. The difference in positive attendance courses appears to have been limited only to the performing arts courses.

Effect
The FTES noted above reported on the second period Form 320 were not supported by available documents, or were misclassified between categories. We understand the District corrected the items we noted on the annual recertification 320 form.

Cause
The errors in FTES reporting appear to be primarily attributable to the implementation of the new ERP system resulting in set-up errors in some course programs.

Recommendation
We recommend the District review hybrid courses at both sites to verify that they are appropriately classified in the data reports used to complete the Form 320. In addition, we recommend the district review the contact hour data used for the Form 320 for the courses where differences were noted and ensure that future contact hour data is adjusted as necessary.

Current Status:
Implemented.

2011-4 Finding – To Be Arranged Hours (TBA)
Significant Deficiency – Compliance

Criteria or Specific Requirement
Pursuant to Title 5, Sections 58003.1(b) and (c), the TBA portion of a course uses an alternative method for regularly scheduling a credit course. In addition, Legal Advisory 08-02 To Be Arranged (TBA) Hours Compliance Advice indicates that documentation is required to substantiate that each student has completed the TBA requirements as appropriate for either the Weekly or Daily census attendance accounting procedures.

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

Condition

- We noted that contact hours for students where documentation of participation for at least 50 minutes of the To Be Arranged time was not available had not been removed from the 320.
- We noted courses where instructional activities to be conducted during the TBA hours were not indicated in the official course outlines.
- We noted courses where the number of TBA hours required was not documented in the catalog or in the official schedule of classes.

Questioned Costs

2,147 contact hours, or 4.09 FTES, should be removed from weekly courses to remove contact hours of students who did not demonstrate TBA activity participation.

Context

- We reviewed 17 TBA weekly courses out of a population of approximately 75 courses. The 75 courses included 487 enrolled students. We noted that TBA contact hours of 2,147 of 45,676 tested, were not supported by documented attendance records. There was no significant level of TBA daily courses noted in the District.
- We noted nine courses where instructional activities to be conducted during the TBA hours were not indicated in the official course outlines.
- We noted 11 courses where the number of TBA hours required was not documented in the catalog or in the official schedule of classes.

Effect

FTES reported on the Form 320 were overstated and the District received apportionment funding for those FTES. In addition, course materials do not concisely and consistently describe the TBA expectations, activities, and hours.

Cause

The District was not adjusting Form 320 data for those students who did not participate for a minimum amount of To Be Arranged Hours. In addition, course materials are not consistent with each other.

Recommendation

We recommend the District review participation records for all To Be Arranged courses and remove contact hours for those students who are not participating. We also recommend the District review all TBA course outline, catalogs, and course schedule material and verify that TBA is appropriately noticed and described.

Current Status:

Implemented.