FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2013

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS
JUNE 30, 2013

FINANCIAL SECTION

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

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit Foothill-De Anza Community College District Foundation of Foothill-De Anza Community College District (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component unit of the District as of June 30, 2013, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Changes in Accounting Principles

As discussed in the Notes to the basic financial statements, the accompanying financial statements reflect certain changes required as a result of the implementation of GASB Statement No. 62 for the year ended June 30, 2013. These changes require a restatement of the beginning net position of the District as discussed in Note 16. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require 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.

Other Information

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, as required by U.S. Office of Management and Budget (OMB) 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.

The supplementary information, including the Schedule of Expenditures of Federal Awards, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2013, 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, 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* in considering the District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
November 25, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ending June 30, 2013

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

Each one of these statements will be discussed.

Condensed Statement of Net Position (in thousands)

ASSETS	2013	2012	Percentage Change	Dollar Change
Current assets				
Cash & cash equivalents	$ 91,284	$ 75,233	21.3%	$ 16,051
Investments	82	82	0.0%	-
Receivables, current portion	24,484	36,320	-32.6%	(11,836)
Inventory and other assets	5,897	10,043	-41.3%	(4,146)
Total current assets	121,747	121,678	0.1%	69
Noncurrent assets				
Restricted cash and cash equivalents	177,808	249,302	-28.7%	(71,494)
Receivables and other assets, noncurrent portio	7,366	2,485	196.4%	4,881
Capital assets, net	612,534	480,578	27.5%	131,956
Total noncurrent assets	797,708	732,365	8.9%	65,343
Total assets	919,455	854,043	7.7%	65,412
LIABILITIES				
Current liabilities				
Accounts payable & accrued liabilities	37,707	44,684	-15.6%	(6,977)
Deferred revenue	11,771	13,725	-14.2%	(1,954)
Amounts held in trust	-	2,692	-100.0%	(2,692)
Long-term debt, current portion	11,753	9,862	19.2%	1,891
Total current liabilities	61,231	70,963	-13.7%	(9,732)
Noncurrent liabilities				
Long-term liabilities, noncurrent portion	6,241	6,801	-8.2%	(560)
Long-term debt, noncurrent portion	724,459	726,765	-0.3%	(2,306)
Total noncurrent liabilities	730,700	733,566	-0.4%	(2,866)
Total liabilities	791,931	804,529	-1.6%	(12,598)
NET POSITION				
Invested in capital assets, net of related debt	30,520	(32,804)	-193.0%	63,324
Restricted	36,608	29,944	22.3%	6,664
Unrestricted	60,396	52,374	15.3%	8,022
Total net position	$ 127,524	$ 49,514	157.6%	$ 78,010

Statement of Net Position (Continued)

- Current receivables decreased by 32.6%, or approximately $11.8 million, as a result of the reduced funding from the State apportionment.

- Restricted cash decreased by 28.7%, or approximately $71.5 million, as a result of spending on capital projects.

- Inventory and other assets decreased by 41.3%, or approximately $4.1 million, as a result of the reclassification of the OPEB asset held in trust with the CalPERS CERBT irrevocable trust to the noncurrent portion of receivables and other assets.

- Capital assets increased by 27.5%, or approximately $132.0 million, in connection with the completion of numerous Measure C capital projects at both colleges, including construction of the media and learning center, the physical sciences and engineering center, the central campus site improvements, the stadium and track, and corporation yard. Completion of our largest capital construction efforts occurred with a substantial portion of the bond funds used for these construction projects. Work in process continues on large capital construction projects including the new Foothill-De Anza Education Center in Sunnyvale. We anticipate continued growth in capital assets in future years as Measure C projects are completed.

- Accounts payables decreased by 15.6%, or approximately $7.0 million, due mainly to the payment process timeline of capital projects.

- The current portion of long-term debt increased by 19.2%, or approximately $2.0 million, in alignment with the debt payment schedule. See Note 8 for long-term debt discussion.

- The noncurrent portion of long-term debt decreased by 0.3%, or approximately $2.3 million, consistent with the scheduled repayment of debt obligations.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position 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.

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

	2013	2012	Percentage Change	Dollar Change
Operating revenues				
Net tuition and fees	$ 57,515	$ 49,423	16.4%	$ 8,092
Auxiliary enterprise, net	11,320	12,994	-12.9%	(1,674)
Other	8,080	9,387	-13.9%	(1,307)
Total operating revenues	76,915	71,804	7.1%	5,111
Operating expenses	273,080	264,483	3.3%	8,597
Loss from operations	(196,165)	(192,679)	1.8%	(3,486)
Non-operating revenues (expenses)				
State apportionment, non-capital	42,897	51,823	-17.2%	(8,926)
Local property taxes	78,969	73,383	7.6%	5,586
Grants and contracts, non-capital	37,978	36,208	4.9%	1,770
State taxes and other revenues	5,613	5,323	5.4%	290
Investment (loss)	(883)	(291)	203.4%	(592)
Interest expense	(12,760)	(58,980)	-78.4%	46,220
Total non-operating revenues (expense	151,814	107,466	41.3%	44,348
Loss before capital revenues	(44,351)	(85,213)	-48.0%	40,862
Capital revenues	35,505	35,526	-0.1%	(21)
Change in net position	(8,846)	(49,687)	-82.2%	40,841
Net position-beginning of year	49,514	99,201	-50.1%	(49,687)
Restatement	86,856	-	-100.0%	86,856
Net position-end of year	$ 127,524	$ 49,514	157.6%	$ 78,010

Operating revenues increased by 7.1%, or approximately $5.1 million, due to the increase in resident and non-resident tuition fees. The decrease in auxiliary enterprise and the other operating revenue resulted fromthe reductions in sales and interest income.

Overall non-operating revenues (expenses) increased by 41.3%, or approximately $44.3 million primarily due to the decrease in interest expense as a result of the implementation of GASB 62 interest capitalization, the decrease in State apportionment funding as a result of workload reduction, and the increase in local property taxes is due to the appreciation in the housing market.

Operating Expenses (by Natural classification) (in thousands)

	2013	2012	Percentage Change	Dollar Change
Salaries	$ 131,011	$ 133,569	-1.9%	$ (2,558)
Benefits	41,861	45,040	-7.1%	(3,179)
Total salaries and benefits	172,872	178,609	-3.2%	(5,737)
Supplies, Materials and Other Operating Expenses and Services	38,365	31,420	22.1%	6,945
Student financial aid	22,099	21,594	2.3%	505
Utilities	3,650	3,305	10.4%	345
Depreciation	36,094	29,555	22.1%	6,539
TOTAL OPERATING EXPENSES	$ 273,080	$ 264,483	3.3%	$ 8,597

- Salaries decreased by 1.9%, or approximately $2.6 million, resulting from the workload reduction and some vacant positions not being filled.
- Benefits decreased by 7.1%, or approximately $3.2 million, due to changes in the medical benefit plans.
- Supplies, materials, other operating expenses and services increased by 22.1%, or approximately $6.9 million, due to the increased spending in capital projects.
- Depreciation increased by 22.1%, or approximately $6.5 million, resulting from the increase in 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.

	2013	2012	Percentage Change	Dollar Change
Cash provided by (used in):				
Operating activities	$ (174,019)	$ (160,314)	-8.55%	$ (13,705)
Non-capital financing activities	175,638	162,423	8.14%	13,215
Capital and related financing activiti	(59,379)	(124,357)	52.25%	64,978
Investing activities	2,316	4,238	-45.35%	(1,922)
Net decrease in cash	(55,444)	(118,010)	53.02%	62,566
Cash- beginning of the fiscal year	324,535	442,545	-26.67%	(118,010)
Cash- end of the fiscal year	$ 269,091	$ 324,535	-17.08%	$ (55,444)

Economic Factors that may affect the Future

2013-14 Fiscal Year

The State of California controls most of the Foothill-De Anza Community College District's non-operating income through the apportionment process, growth allowances, Cost of Living Adjustments (COLA), and categorical allocations. Because Proposition 30, the Education Protection Act (EPA), passed in November of 2012, the fiscal year 2013/14 state allocation included 2% FTES restoration/growth funding, a 1.57% COLA, partial restoration of categorical program funding, and no new workload reductions to funding as in the past couple of years. The governor's 2013/14 budget is the best we have seen in several years. There is no threat of mid-year "trigger cuts" to the state budget or, ultimately, reduced funding for community colleges. Additionally, the budget is based on conservative state revenue assumptions by the governor, for which both the Legislative Analyst's Office (LAO) and the Department of Finance (DOF) agree creates a more stable budget that will stay balanced through the end of the fiscal year.

The district addressed its 2012/13 structural budget deficit of approximately $5 million dollars through implementation of permanent budget cuts as of the end of the fiscal year. However, the district has a current 2013/14 structural budget deficit of approximately $5.6 million due to 1) the normal increases in operating expenses, 2) the drop in apportionment revenue (1,779 drop from FTES base in 2012/13), and 3) the allocation of COLA funding from the state to salary increases.

Because, for the first time in three years, we are not facing significant ambiguity in budgeted state revenue, we are able to plan on a single scenario for 2013/14. This scenario acknowledges that our approximate $5.6 million structural deficit will be covered with one-time dollars, leaving a Stability Fund balance of approximately $9.2 million for 2014/15 that will be adequate to close the deficit until necessary expenditure adjustments can be implemented.

Utilizing approximately $5.6 million of our 2013/14 $14.8 million Stability Fund will allow the colleges and Central Services reasonable time to plan for any necessary cuts and for the district to evaluate enrollment patterns (and the corresponding apportionment payments) in the 2013/14 year.

Capital improvement expenditures made possible by the passage of General Obligation Bond Measure C have now reached $324 million. Major accomplishments include excellent construction progress on maintenance and renovation projects, as well as on new facilities, and official possession of nine acres of land at the former Onizuka Base in Sunnyvale (through the Base Realignment and Closure (BRAC)/public benefit conveyance process) that will become the new Foothill Regional Education Center. 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 2013. The study listed the Actuarial Accrued Liability (AAL) at $120.2 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 March 4, 2013 Board Meeting, the Board of Trustees approved a transfer of $500,000, budgeted for fiscal year 2012/13, into the CalPERS irrevocable trust to fully fund the ARC. This was in addition to the pay-as-you-go amount of $7.6 million included in the actuarial analysis and estimated to be paid in fiscal year 2013/14.

Per the latest actuarial study completed in August of 2013, we will be transferring $1.5 million into our OPEB Trust account to fully fund the ARC for the 2013/14 fiscal year.

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 Robin Latta-Lyssenko at 12345 El Monte Road, Los Altos Hills, CA 94022.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION - PRIMARY GOVERNMENT
JUNE 30, 2013

ASSETS	
Current Assets	
Cash and cash equivalents	$ 91,283,975
Investments	81,767
Accounts receivable, net	24,307,128
Student loans receivable - current portion	177,197
Stores inventories	1,580,867
Prepaid expenses	4,202,440
Deferred issue costs - current portion	113,160
Total Current Assets	121,746,534
Noncurrent Assets	
Restricted cash and cash equivalents	177,807,591
Student loans receivable - noncurrent portion	364,566
Deferred issue costs, net of amortization - noncurrent portion	1,955,045
Net OPEB assets	5,046,598
Capital assets, nondepreciable	71,267,458
Capital assets, net of depreciation	541,267,208
Total Noncurrent Assets	797,708,466
TOTAL ASSETS	919,455,000
LIABILITIES	
Current Liabilities	
Accounts payable and accrued liabilities	23,640,431
Interest payable	10,358,261
Deferred revenue	11,770,687
Compensated absences payable - current portion	3,708,591
Long term debt - current portion	11,753,060
Total Current Liabilities	61,231,030
Noncurrent Liabilities	
Compensated absences payable - noncurrent portion	1,425,825
Long term debt - noncurrent portion	724,459,110
Unpaid claims and claims adjustment expenses	4,815,470
Total Noncurrent Liabilities	730,700,405
TOTAL LIABILITIES	791,931,435
NET POSITION	
Invested in capital assets, net of related debt	30,520,095
Restricted for:	
Debt service	13,282,704
Capital projects	9,204,199
Scholarships and loans	704,190
Other special purposes	13,416,648
Unrestricted	60,395,729
TOTAL NET POSITION	$ 127,523,565

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 POSITION - PRIMARY GOVERNMENT FOR THE YEAR ENDED JUNE 30, 2013

OPERATING REVENUES	
Tuition and fees	$ 72,114,019
Less: Scholarship discounts and allowance	(14,598,723)
Net tuition and fees	57,515,296
Auxiliary enterprise sales and charges	11,319,694
Other operating revenues	8,080,119
TOTAL OPERATING REVENUES	76,915,109
OPERATING EXPENSES	
Salaries	131,010,849
Benefits	41,861,231
Supplies, materials, and other operating expenses and services	38,364,852
Student financial aid	22,099,541
Utilities	3,649,768
Depreciation	36,093,592
TOTAL OPERATING EXPENSES	273,079,833
LOSS FROM OPERATIONS	(196,164,724)
NONOPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	42,897,095
Local property taxes	78,968,556
Grants and contracts, noncapital	
Federal	22,708,134
State	12,995,513
Local	2,274,824
State taxes and other revenues	5,613,177
Investment loss, noncapital	(211,351)
Interest expense on capital related debt	(12,760,489)
Investment loss, capital	(671,670)
TOTAL NONOPERATING REVENUES (EXPENSES)	151,813,789
LOSS BEFORE CAPITAL REVENUES AND EXPENSES	(44,350,935)
CAPITAL REVENUES	
Local property taxes and revenues	35,504,094
TOTAL INCOME BEFORE OTHER REVENUES AND EXPENSES	35,504,094
CHANGE IN NET POSITION	(8,846,841)
NET POSITION, BEGINNING OF YEAR	49,514,566
RESTATEMENT	86,855,840
NET POSITION, END OF YEAR	$ 127,523,565

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, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	$ 55,666,518
Payments to suppliers and financial aid	(45,595,849)
Payments to utilities	(3,649,768)
Payments to employees	(131,487,181)
Payments for benefits	(43,098,094)
Payments to students for scholarships and grants	(22,099,541)
Loans to students, net	78,861
Auxiliary enterprise sales and charges	11,514,907
Other operating receipts (payments)	4,650,996
Net Cash Flows From Operating Activities	(174,019,151)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State apportionments	51,378,543
Property taxes - nondebt related	79,146,502
Federal grants and contracts	22,789,564
State grants and contracts	12,662,863
Local grants and contracts	6,835,246
State taxes and other apportionments	5,517,635
Scholarship and trust disbursements	(2,691,980)
Net Cash Flows From Noncapital Financing Activities	175,638,373
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Local revenue, capital projects	35,381,082
Purchase of capital assets	(81,194,879)
Principal paid on capital debt	(10,279,803)
Interest paid on capital debt	(3,398,832)
Deferred issue costs	113,160
Net Cash Flows From Capital Financing Activities	(59,379,272)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(66)
Interest received from investments	2,316,546
Net Cash Flows From Investing Activities	2,316,480
NET CHANGE IN CASH AND CASH EQUIVALENTS	(55,443,570)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	324,535,136
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 269,091,566

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

STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT, Continued
FOR THE YEAR ENDED JUNE 30, 2013

RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating Loss	$ (196,164,724)
Adjustments to Reconcile Operating Loss to Net Cash Flows from Operating Activities:	
Depreciation and amortization expense	36,093,592
Interest on investments	(1,550,280)
Changes in Assets and Liabilities:	
Receivables	(2,092,692)
Stores inventories	144,438
Net OPEB asset	946,501
Prepaid expenses	(1,997,604)
Accounts payable and accrued liabilities	(7,467,903)
Deferred revenue	(1,358,145)
Compensated absences	(368,658)
Claims liability	(203,676)
Total Adjustments	22,145,573
Net Cash Flows From Operating Activities	$ (174,019,151)

NON CASH TRANSACTIONS	
Accretion of interest	$ 9,865,513

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

STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2013

	Trust	Agency Funds
ASSETS		
Cash and cash equivalents	$ 21,129	$ 2,801,576
Accounts receivable, net	22,883	71,552
Prepaid expenses	-	19,563
Total Assets	44,012	2,892,691
LIABILITIES		
Accounts payable	(646)	40,784
Due to other funds	-	161,572
Deferred revenue	-	178,403
Due to others	-	2,511,932
Total Liabilities	(646)	2,892,691
NET ASSETS		
Unreserved	44,658	-
Total Net Assets	$ 44,658	$ -

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

	Trust
ADDITIONS	
Local revenues	$ 387,944
Total Additions	387,944
DEDUCTIONS	
Classified salaries	6,347
Employee benefits	76
Payments to students	1,494
Services and operating expenditures	401,206
Total Deductions	409,123
OTHER FINANCING SOURCES (USES)	
Operating transfers in	3,500
Capital grants and gifts	5,000
Total Other Financing Sources (Uses)	8,500
Change in Net Assets	(12,679)
Net Assets - Beginning	57,337
Net Assets - Ending	$ 44,658

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, 2013

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 2,056,856
Accounts receivable, net	37,022
Promises to give	1,481,912
Prepaid expenses	20,625
Total Current Assets	3,596,415
NONCURRENT ASSETS	
Investments	29,964,538
TOTAL ASSETS	$ 33,560,953
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	$ 530,440
Accrued payroll expenses	170,619
Total Current Liabilities	701,059
NET POSITION	
Unrestricted	3,609,581
Temporarily restricted	11,391,630
Permanently restricted	17,858,683
Total Net Position	32,859,894
Total Liabilities and Net Postion	$ 33,560,953

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

DISCRETELY PRESENTED COMPONENT UNIT
FOOTHILL-DE ANZA COMMUNITY COLLEGES FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES				
Contributions	$ 293,095	$ 3,498,039	$ 1,079,493	$ 4,870,627
Donated services and facilities	60,232	-	-	60,232
Investment income, net of investment expenses	823,257	1,716,888	-	2,540,145
Event revenue	41,842	-	-	41,842
Other revenue	82,883	-	-	82,883
Assets released from restrictions	2,736,689	(2,736,689)	-	-
Total Revenues	4,037,998	2,478,238	1,079,493	7,595,729
EXPENSES				
Grants and scholarships	3,167,523	-	-	3,167,523
Management and general	474,827	-	-	474,827
Fundraising expenses	370,142	-	-	370,142
Donated services and facilities	60,232	-	-	60,232
Total Expenses	4,072,724	-	-	4,072,724
CHANGE IN NET POSITION	(34,726)	2,478,238	1,079,493	3,523,005
NET POSITION, BEGINNING OF YEAR	3,644,307	8,913,392	16,779,190	29,336,889
NET POSITION, END OF YEAR	$ 3,609,581	$ 11,391,630	$ 17,858,683	$ 32,859,894

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, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	$ 3,523,005
Adjustments to Reconcile Changes in Net Assets to Net Cash From Operating Activities	
Change in fair value of investments	2,047,468
Changes in Assets and Liabilities	
Contributions receivable	(1,145,043)
Accounts receivable	141,474
Prepaid expenses	13,337
Accounts payable	(119,281)
Accrued payroll	24,245
Net Cash Flows From Operating Activities	4,485,205
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(5,598,257)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,113,052)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,169,908
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,056,856

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 by 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 Position - Primary Government
  - Statement of Revenues, Expenses, and Changes in Net Position - 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, 2013, 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 $914,012 for the year ended June 30, 2013.

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 Position

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

Invested in Capital Position, 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 position 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 position.

Restricted - Expendable: Net position 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 position may be restricted for capital projects, debt repayment, and/or educational programs.

None of the District's restricted net position has resulted from enabling legislation adopted by the District.

Unrestricted: Net position that are not subject to externally imposed constraints. Unrestricted net position 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 Position. 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, 2013, the District distributed $11,108,521 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.

Changes in Accounting Principles

In March 2012, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre November 30, 1989 FASB and AICPA Pronouncements*. GASB Statement No. 62 establishes standards of financial accounting and reporting for capitalizing interest cost as a part of the historical cost of acquiring certain assets. For the purposes of applying this Statement, interest cost includes interest recognized on obligations having explicit interest rates and interest imputed on certain types of payables, as well as interest related to capital leases.

The District has implemented the provisions of this Statement for the year ended June 30, 2013. See Note 16 for more information.

In June 2011, the 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 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 District has implemented the provisions of this Statement for the year ended June 30, 2013.

New Accounting Pronouncements

In March 2012, the 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, *Elements of Financial Statements*, 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. 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 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. Early implementation is encouraged.

In June 2012, the GASB issued Statement No. 68*, Accounting and Financial Reporting for Pensions—an amendment of GASB 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 Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of 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.

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 non-employer 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, non-employer 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.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).

- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes, but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.

- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

This Statement is effective for fiscal years beginning after June 15, 2014. Early 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, 2013, consist of the following:

Primary Government	
Cash on hand and in banks	$ 1,033,527
Cash in revolving accounts	14,500
Investments, short term - county cash	90,235,948
Investments, short term - other	81,767
Total Cash and Cash Equivalents	91,365,742
Investments - restricted county cash	177,807,591
Total Cash and Investments	$ 269,173,333
Fiduciary Funds	
Investments, short term - county cash	$ 2,822,705
Total Cash and Investments	$ 2,822,705

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	$ 81,767	0.15
County Pool	268,043,539	1.02
Total	$ 268,125,306	

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 or unlimited by the Federal Depository Insurance Corporation (FDIC). At June 30, 2013, the carrying amount of the District's cash on hand and in banks (including certificates of deposit) was approximately $1,048,000, and the bank balance was $18,000,000. At June 30, 2013, 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	$ 902,985
State Government	
Apportionment	7,892,430
Categorical aid	1,592,443
Other State sources	1,759,701
Local Sources	
Interest	1,201,605
Tuition and fees	8,524,504
Grants and contracts - local	1,157,308
Other local sources	2,190,164
Less allowance for bad debt	(914,012)
Total	$ 24,307,128

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, 2013, was as follows:

	Balance Beginning of Year	Restatement	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated					
Land	$ 2,489,776	$ -	$ -	$ -	$ 2,489,776
Construction in progress	152,267,760	-	54,671,460	138,161,538	68,777,682
Total Capital Assets Not Being Depreciated	154,757,536	-	54,671,460	138,161,538	71,267,458
Capital Assets Being Depreciated					
Land improvements	88,505,711	-	11,548,548	-	100,054,259
Building improvements	181,329,188	-	18,236,003	-	199,565,191
Buildings	251,304,186	94,142,359	128,666,291	-	474,112,836
Portable buildings	5,273,060	-	-	-	5,273,060
Equipment	37,829,277	-	6,234,114	-	44,063,391
Software	5,399,838	-	-	-	5,399,838
Total Capital Assets Being Depreciated	569,641,260	94,142,359	164,684,956	-	828,468,575
Total Capital Assets	724,398,796	94,142,359	219,356,416	138,161,538	899,736,033
Less Accumulated Depreciation					
Land improvements	37,434,773	-	8,847,834	-	46,282,607
Buildings improvements	109,618,715	-	14,395,187	-	124,013,902
Buildings	62,221,488	7,286,519	8,297,969	-	77,805,976
Portable buildings	3,581,993	-	346,703	-	3,928,696
Equipment	27,315,544	-	3,038,394	-	30,353,938
Software	3,648,743	-	1,167,505	-	4,816,248
Total Accumulated Depreciation	243,821,256	7,286,519	36,093,592	-	287,201,367
Depreciable Capital Assets, Net of Depreciation	325,820,004	86,855,840	128,591,364	-	541,267,208
Net Capital Assets	$ 480,577,540	$ 86,855,840	$ 183,262,824	$138,161,538	$ 612,534,666

Depreciation expense for the year was $36,093,592.

Interest expense for the year was $24,644,306. Of this amount, $21,245,474 was capitalized during the year.

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, 2013, 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	$ 19,399,531
Payroll	4,240,900
Subtotal	23,640,431
Workers compensation and medical claims reserves	4,815,470
Total	$ 28,455,901
Fiduciary Funds	
Vendors	$ (646)
Total	$ (646)

NOTE 7 - DEFERRED REVENUE

Deferred revenue consisted of the following:

Primary Government	
Federal financial assistance	$ 46,025
State categorical aid	3,145,850
Enrollment fees	7,301,196
Other local	1,277,616
Total	$ 11,770,687

NOTE 8 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2013 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	$ 690,247,915	$ 9,865,513	$ 6,860,000	$ 693,253,428	$ 8,385,000
Premiums, net of amortization	25,093,926	-	1,243,097	23,850,829	1,243,097
Certificates of participation	18,890,000	-	1,665,000	17,225,000	1,725,000
Total Bonds and Notes Payable	734,231,841	9,865,513	9,768,097	734,329,257	11,353,097
Other Liabilities					
Compensated absences	1,781,775	-	355,950	1,425,825	-
Capital leases	2,394,619	-	511,706	1,882,913	399,963
Claims liability	5,019,146	-	203,676	4,815,470	-
Total Other Liabilities	9,195,540	-	1,071,332	8,124,208	399,963
Total Long-Term Debt	$ 743,427,381	$ 9,865,513	$ 10,839,429	$ 742,453,465	$ 11,753,060

Description	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2012	Accreted	Principal Payments	Bonds Outstanding June 30, 2013
Measure E, General Obligation Bond, Series A	5/3/2000	8/1/2030	4.30%-6.26%	$ 99,995,036	$ 44,072,375	$ 2,745,643	$ -	$ 46,818,018
2002 General Obligation Refunding Bond	10/02/2002	8/1/2030	2.00%-5.00%	67,475,000	3,140,000	-	3,140,000	-
Measure E, General Obligation Bond, Series B	9/9/2003	8/1/2036	2.00%-5.79%	90,100,063	76,547,107	3,583,840	1,575,000	78,555,947
Measure E, General Obligation Bond, Series C	9/20/2005	8/1/2036	3.00%-5.03%	57,904,900	50,873,677	1,441,452	560,000	51,755,129
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	143,885,748	1,294,601	955,000	144,225,349
Measure C, General Obligation Bond, Series B	5/3/2007	8/1/2036	4.00%-5.00%	99,996,686	94,984,008	799,977	630,000	95,153,985
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
					$ 690,247,915	$ 9,865,513	$ 6,860,000	$ 693,253,428

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.

Certificates of Participation

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

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
2014	$ -	$ -	$ -
2015	-	-	-
2016	1,861,833	2,658,167	4,520,000
2017	1,878,361	3,001,639	4,880,000
2018	1,891,117	3,363,883	5,255,000
2019-2023	7,649,223	17,810,777	25,460,000
2024-2028	5,202,213	19,382,787	24,585,000
2029-2031	3,247,289	16,412,711	19,660,000
Total	21,730,036	$ 62,629,964	$ 84,360,000
Accreted Interest	25,087,982		
	$ 46,818,018		

Measure E, General Obligation Bond, Series B

Fiscal Year	Principal	Interest to Maturity	Total
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	-	712,500	712,500
2019-2023	5,590,000	3,394,800	8,984,800
2024-2028	14,962,483	22,161,067	37,123,550
2029-2033	14,147,330	52,637,670	66,785,000
2034-2037	15,290,250	76,479,750	91,770,000
Total	51,805,063	$ 158,281,162	$ 210,086,225
Accreted Interest	26,750,884		
	$ 78,555,947		

Measure E, General Obligation Bond, Series C

Fiscal Year	Principal	Interest to Maturity	Total
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	-	954,250	954,250
2019-2023	-	4,771,250	4,771,250
2024-2028	6,891,281	15,924,969	22,816,250
2029-2033	10,558,537	31,102,713	41,661,250
2034-2037	22,642,436	13,241,189	35,883,625
Total	42,667,254	$ 70,022,996	$ 112,690,250
Accreted Interest	9,087,875		
	$ 51,755,129		

General Obligation, 2005 Refunding Bond

Fiscal Year	Principal	Interest to Maturity	Total
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	3,030,000	953,663	3,983,663
2019-2022	16,650,000	1,878,414	18,528,414
Total	$ 22,010,000	$ 7,270,690	$ 29,280,690

General Obligation, 2012 Refunding Bond

Fiscal Year	Principal	Interest to Maturity	Total
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	1,405,000	2,724,800	4,129,800
2019-2023	17,370,000	12,200,825	29,570,825
2024-2028	21,405,000	6,985,875	28,390,875
2029-2031	16,645,000	1,282,375	17,927,375
Total	70,735,000	$ 34,863,375	$ 105,598,375

Measure C, General Obligation Bond, Series A

Fiscal Year	Principal	Interest to Maturity	Total
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	2,780,000	5,108,275	7,888,275
2019-2023	21,495,000	22,783,250	44,278,250
2024-2028	38,120,000	14,467,625	52,587,625
2029-2033	50,917,563	14,369,075	65,286,638
2034-2037	17,082,687	46,187,313	63,270,000
Total	137,575,250	$ 124,435,388	$ 262,010,638
Accreted Interest	6,650,099		
	$ 144,225,349		

Measure C, General Obligation Bond, Series B

Fiscal Year	Principal	Interest to Maturity	Total
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	1,850,000	3,434,275	5,284,275
2019-2023	14,350,000	15,330,625	29,680,625
2024-2028	25,485,000	10,434,500	35,919,500
2029-2033	34,096,262	9,493,501	43,589,763
2034-2037	10,480,425	27,984,575	38,465,000
Total	91,041,687	$ 81,138,326	$ 172,180,013
Accreted Interest	4,112,298		
	$ 95,153,985		

Measure C, General Obligation Bond, Series C

Fiscal Year	Principal	Interest to Maturity	Total
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	-	9,200,000	9,200,000
2019-2023	-	46,000,000	46,000,000
2024-2028	-	46,000,000	46,000,000
2029-2033	6,675,000	45,428,875	52,103,875
2034-2038	53,225,000	40,770,875	93,995,875
2039-2041	124,100,000	9,673,250	133,773,250
Total	$ 184,000,000	$ 233,873,000	$ 417,873,000

Certificates of Participation

Fiscal Year	Principal	Interest to Maturity	Total
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	2,015,000	398,287	2,413,287
2019-2022	7,905,000	678,250	8,583,250
Total	$ 17,225,000	$ 3,429,496	$ 20,654,496

Capital Leases

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

Fiscal Year Ending June 30,	Lease Payment
2014	$ 471,241
2015	281,661
2016	281,661
2017	281,661
2018	281,661
2019-2020	563,325
Total	2,161,210
Less: Amount Representing Interest	278,297
Present Value of Minimum Lease Payments	$ 1,882,913

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 2012-2013, the District contributed $7,667,076 to the Plan, all of which was used for current premiums (99 percent of total premiums).

Annual OPEB Cost and Net OPEB Asset

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 assets 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	7,667,076
Decrease in net OPEB asset	(946,501)
Net OPEB asset, July 1, 2012	5,993,099
Net OPEB asset, June 30, 2013	$ 5,046,598

Trend Information

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

Year's Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Asset
2011	$ 7,280,595	$ 9,588,716	132%	$ 6,096,721
2012	$ 8,613,577	$ 8,509,955	99%	$ 5,993,099
2013	$ 8,613,577	$ 7,667,076	89%	$ 5,046,598

Funding Status and Funding Progress

The funded status of the OPEB Plan as of June 30, 2011, the date of the most recent actuarial study, 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	93,948,323
UAAL as Percentage of Covered Payroll	118.29%

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, 2013 is $7,818,072. 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 June 30, 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, 2013, 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, 2013 were $2,747,501, and $4,815,470, 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, 2013 were $1,038,186, 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, 2011 to June 30, 2013.

	Health Care	Workers' Compensation	Total
Liability Balance, July 1, 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
Claims and changes in estimates	-	1,927,956	1,927,956
Claims payments	(985,857)	(1,046,014)	(2,031,871)
Liability Balance, June 30, 2013	1,038,186	7,272,251	8,310,437
Less current portion in accounts payable	1,038,186	2,456,781	3,494,967
Total noncurrent, end of year	$ -	$ 4,815,470	$ 4,815,470

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 2012-2013 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, 2013, 2012, and 2011, were $5,242,757, $5,332,848, and $5,433,697, 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 2012-2013 was 10.923 percent of covered payroll. The District's contributions to CalPERS for fiscal years ending June 30, 2013, 2012, and 2011, were $5,505,372, $5,511,264, and $5,442,173, 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 $3,335,805 (5.175 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, 2013, the District made payments of $410,301 to the South Bay Regional Public Safety Training Consortium and $67,204 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, 2013.

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, 2013.

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
2014	$ 1,360,751
2015	1,390,801
2016	1,421,736
Total	$ 4,173,288

Construction Commitments

As of June 30, 2013, 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	$ 869,953	01/07/13
Central campus site improvements	32,553	07/04/13
Stadium and track	11,039	02/28/13
Parking and circulation	4,252,368	12/20/13
Corporation yard	53,682	03/31/13
Media & Learning Center	235,330	08/15/12
Construction management / Design management	1,976,873	06/30/13
Photovoltaic arrays	629,598	10/19/12
Fire alarm system replacements	81,556	07/31/14
Scheduled maintenance	71,088	thru 6/30/21
Modernization of Learning Support Center, Biology and General Classrooms	9,835,130	09/19/14
Flint parking structure	290,515	09/30/14
Advanced Technology Center	1,512,071	09/30/15
Construction overhead	404,307	06/30/13
Tile roofs	419,148	09/23/13
Smithwick theater	63,116	07/31/13
Property acquisition	2,274,842	03/31/16
Baldwin Winery & East Cottage "Historic Renovation"	19,986	09/28/11
Fine arts scene shop	418,149	03/21/16
Print shop and plant services facility	76,099	08/11/15
Library and ISC	1,564,148	12/31/15
Physical education lab space	5,494	04/08/13
Swing space	79,096	12/31/15
Combined site improvements	1,399,102	12/30/13
Other projects	455,445	thru 6/30/22
Subtotal Measure C	27,030,688	
Measure E		
ETS Building board room / Chancellor's office	404,639	2/10/2012
Renovation of district office building	107,829	3/31/2015
Overhead	235,786	6/30/2013
Data Center E	80,352	3/31/2013
Swing space	39,231	3/9/2015
Minor improvements	8,800	12/31/2013
Other projects	9,075	thru 12/31/14
Subtotal Measure E	885,712	
Total Construction Commitments	$ 27,916,400	

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, 2013.

	Salaries	Employee Benefits	Supplies Material, and Other Expenses	Financial Aid	Utilities	Depreciation	Total
Instruction	$ 76,175,855	$ 15,806,234	$ 491,111	$ -	$ 1,159	$ -	$ 92,474,359
Academic Support	12,079,465	3,523,301	1,460,442	-	15,630	-	17,078,838
Student Services	12,124,452	4,036,570	2,346,241	-	16,923	-	18,524,186
Operation and Maintenance of Plant	5,864,797	2,482,435	1,816,933	-	3,387,434	-	13,551,599
Institution support	15,132,928	13,547,152	18,381,178	-	100,647	-	47,161,905
Community Services & Economic Development	1,600,146	411,978	3,049,224	-	856	-	5,062,204
Auxiliary Operations	7,562,232	2,053,561	10,819,723	-	127,119	-	20,562,635
Student Aid	470,974		-	22,099,541	-	-	22,570,515
Depreciation	-	-	-	-	-	36,093,592	36,093,592
	$ 131,010,849	$ 41,861,231	$ 38,364,852	$ 22,099,541	$ 3,649,768	$ 36,093,592	$ 273,079,833

NOTE 15 – DONATED SERVICES AND FACILITIES

Donated services and facilities to the Foothill-De Anza Community Colleges Foundation totaling $60,232, for the year ended June 30, 2013, 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.

NOTE 16 - RESTATEMENT OF PRIOR YEAR FUND BALANCES

The District's prior year beginning net position has been restated as of June 30, 2013.

Effective in fiscal year 2012-2013, the District was required to capitalize interest as part of the historical cost of constructing certain business-type activity assets. The implementation of this standard required a change in accounting principle and restatement of the beginning net position of the District by $86,855,840.

NOTE 17 - SUBSEQUENT EVENT

In August 19, 2013, the Financing Corporation issued a refunding lease of $7,580,000 to refinance the outstanding 2003 Certificate of Participation of $18.2 million. The notes mature on September 1, 2020 with an effective interest rate of 1.75%.

REQUIRED SUPPLEMENTARY INFORMATION

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2013

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)
6/30/2011	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%
6/30/2013	6,430,877	117,564,565	111,133,688	5.5%	93,948,323	118%

SUPPLEMENTARY INFORMATION

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION
JUNE 30, 2013

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
Betsy Bechtel	President	November 2016
Bruce Swenson	Vice President	November 2014
Pearl Chang	Member	November 2014
Joan Barram	Member	November 2016
Laura Casas	Member	November 2016
Alex Baker	Student Trustee	May 2014
Anita Adams	Student Trustee	May 2014

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
Joni Hayes	Interim 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, 2013

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]	$20,010,046
Federal Pell Administrative Allowance	84.063	[1]	12,028
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	[1]	430,475
Federal Direct Student Loans	84.268	[1]	11,108,521
Federal College Work Study (FWS)	84.033	[1]	382,037
Total Student Financial Aid Cluster			31,943,107
Strengthening Minority Serving Institutions - Asian American	84.382S	[1]	386,416
Title III Higher Educational Institutional Aid	84.031S	[1]	79,995
PASS THROUGH FUNDS			
Career Technical Education Act - Basic Grants To States (Perkins IV)	84.048	03303	746,353
Total U.S. Department of Education			33,155,871
NATIONAL SCIENCE FOUNDATION			
National Science Foundation - Nano Technology	47.076	03797	189,066
National Science Foundation - CCB FEST	47.076	03797	1,941
National Science Foundation - Stemway	47.076	03797	203,805
Total National Science Foundation			394,812
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
AmeriCorps State and National	94.006	[1]	62,650
Total Corporation for National and Community Service			62,650
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			
Trade Adjustment Assistance (TAA)/ North American Free Trade Agreement (NAFTA)	43.007	[1]	19,468
Total National Aeronautics and Space Administration			19,468

[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, 2013

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	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]	51,500
Total U.S. Department of Health and Human Services			51,500
U.S. DEPARTMENT OF LABOR			
PASS THROUGH FUNDS			
WORKFORCE INVESTMENT ACT CLUSTER			
WIA Adult Program	17.258	03573	55,574
Program of Competitive Grants for Worker Training	17.275	03239	26,845
Veterans' Administrative Reporting Fee	17.802	[2]	1,749
Total U.S. Department of Labor			84,168
U.S. DEPARTMENT OF AGRICULTURE			
PASS THROUGH FUNDS			
Child and Adult Care Food Program	10.558	03628	31,387
Total Expenditures of Federal Awards			$33,799,856

See accompanying note to supplementary information.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

	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	$ 1,292,410	$ -	$ 1,292,410	$ 1,292,410	$ -	$ -	$ 1,292,410	$ 1,292,410
Cooperative Agencies Resources for Education	109,312	-	109,312	109,312	-	-	109,312	109,312
Disabled Student Programs & Services	2,142,780	158,003	2,300,783	2,146,564	-	-	2,146,564	1,943,417
Matriculation	1,199,429	-	1,199,429	1,199,429	-	-	1,199,429	1,199,429
Matriculation Non-Credit	56,564	-	56,564	56,564	-	-	56,564	56,564
AB 1725 Staff Development	-	49,293	49,293	49,293	-	49,293	-	-
AB 1725 Staff Diversity	12,937	67,283	80,220	80,219	-	33,800	46,419	46,419
Economic Development	1,080,610	-	1,080,610	572,119	312,335	50,815	833,639	833,639
Basic Skills	488,932	788,583	1,277,515	1,258,295	19,220	773,218	504,297	504,297
Career Tech Education	348,000	519,991	867,991	905,305	-	446,287	459,018	459,018
Child Development Center	219,589	-	219,589	202,267	17,322	-	219,589	219,589
Child Dev Tax Bailout	405,503	-	405,503	405,503	-	-	405,503	405,503
Child Care Food Program	1,037	-	1,037	756	281	-	1,037	1,037
High Tech Center Training Unit	1,100,000	-	1,100,000	1,100,000	-	25,446	1,074,554	1,074,554
BFAP Administration	919,531	-	919,531	919,531	-	-	919,531	919,531
TANF	51,462	39	51,501	51,501	-	-	51,501	51,501
Transfer-Ed and Articulation	-	-	-	-	-	-	-	-
TTIP Telecom & Technology	-	146,042	146,042	146,042	-	145,517	525	525
Instructional Equipment	-	1,850,553	1,850,553	1,850,553	-	1,564,476	286,077	286,077
Lottery Instructional Materials	1,021,335	1,903,168	2,924,503	191,890	829,445	-	1,021,335	519,484
Mandated Cost Reimbursement	-	1,564,365	1,564,365	-	-	-	-	8,500
CalGrant B & C	1,117,603	-	1,117,603	901,736	215,867	-	1,117,603	1,117,603
Calworks	318,590	-	318,590	318,590	-	353	318,237	318,237
Calworks TSE	345,432	70,925	416,357	266,366	168,212	18,221	416,357	416,357
Calworks SSA	123,512	-	123,512	93,752	29,760	-	123,512	123,512
Miscellaneous State Assistance	40,098	58,888	98,986	84,265	-	38,423	45,842	45,842
Subtotal	$ 12,394,666	$ 7,177,133	$ 19,571,799	$ 14,202,262	$ 1,592,442	$ 3,145,849	$ 12,648,855	$ 11,952,357

See accompanying note to supplementary information.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT
AS OF JUNE 30, 2013

CATEGORIES	Annual Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2012 only)			
1. Noncredit **	24.68	-	24.68
2. Credit	3,122.30	-	3,122.30
B. Summer Intersession (Summer 2013 - Prior to July 1, 2013)			
1. Noncredit **	-	-	-
2. Credit	318.15	-	318.15
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	18,055.98	-	18,055.98
(b) Daily Census Contact Hours	294.80	-	294.80
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit **	194.36	-	194.36
(b) Credit	806.48	-	806.48
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	4,803.21	-	4,803.21
(b) Daily Census Contact Hours	55.96	-	55.96
(c) Noncredit Independent Study/Distance Education Courses			
D. Total FTES	27,675.92	-	27,675.92
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	5.77	-	5.77
H. Basic Skills courses and Immigrant Education			
1. Noncredit **	79.87	-	79.87
2. Credit	2,357.64	-	2,357.64
CCFS-320 Addendum			
CDCP Noncredit FTES	18.00	-	18.00
Centers FTES			
1 Noncredit **	1.51	-	1.51
2 Credit	629.59	-	629.59
	3,092.38	-	3,092.38

** 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, 2013

		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
Academic Salaries							
Instructional Salaries							
Contract or Regular	1100	$ 33,619,842	$ -	$ 33,619,842	$ 33,619,842	$ -	$ 33,619,842
Other	1300	31,275,263	-	31,275,263	31,275,263	-	31,275,263
Total Instructional Salaries		64,895,105	-	64,895,105	64,895,105	-	64,895,105
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	12,288,323	-	12,288,323
Other	1400	-	-	-	1,486,997	-	1,486,997
Total Noninstructional Salaries		-	-	-	13,775,320	-	13,775,320
Total Academic Salaries		64,895,105	-	64,895,105	78,670,425	-	78,670,425
Classified Salaries							
Noninstructional Salaries							
Regular Status	2100	-	-	-	28,819,984	-	28,819,984
Other	2300	-	-	-	2,012,270	-	2,012,270
Total Noninstructional Salaries		-	-	-	30,832,254	-	30,832,254
Instructional Aides							
Regular Status	2200	1,864,781	-	1,864,781	1,864,781	-	1,864,781
Other	2400	284,104	-	284,104	284,104	-	284,104
Total Instructional Aides		2,148,885	-	2,148,885	2,148,885	-	2,148,885
Total Classified Salaries		2,148,885	-	2,148,885	32,981,139	-	32,981,139
Employee Benefits	3000	17,519,390	-	17,519,390	35,620,208	-	35,620,208
Supplies and Material	4000	-	-	-	2,468,289	-	2,468,289
Other Operating Expenses	5000	-	-	-	19,052,115	-	19,052,115
Equipment Replacement	6420	-	-	-	8,505	-	8,505
Total Expenditures Prior to Exclusions		84,563,380	-	84,563,380	168,800,681	-	168,800,681

See accompanying note to supplementary information.

RECONCILIATION OF EDUCATION CODE SECTION 84362 50 PERCENT LAW CALCULATION (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2013

		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	$ 3,980,333	$ -	$ 3,980,333	$ 3,980,333	$ -	$ 3,980,333
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	2,770,185	-	2,770,185
Objects to Exclude							
Rents and Leases	5060	-	-	-	1,308,400	-	1,308,400
Lottery Expenditures							-
Academic Salaries	1000	-	-	-	1,718,711	-	1,718,711
Classified Salaries	2000	-	-	-	884,022	-	884,022
Employee Benefits	3000	-	-	-	818,415	-	818,415
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	4,678	-	4,678
Instructional Supplies and Materials	4300	-	-	-	8,455	-	8,455
Noninstructional Supplies and Materials	4400	-	-	-	72,729	-	72,729
Total Supplies and Materials		-	-	-	85,862	-	85,862

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, 2013

	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
Other Operating Expenses and Services	5000	$ -	$ -	$ -	$ 417,695	$ -	$ 417,695
Capital Outlay							
Library Books	6000	-	-	-	-	-	-
Equipment	6300	-	-	-	-	-	-
Equipment - Additional	6400	-	-	-	-	-	-
Equipment - Replacement	6410	-	-	-	7,732	-	7,732
Total Equipment		-	-	-	7,732	-	7,732
Total Capital Outlay							
Other Outgo	7000	-	-	-	192,825	-	192,825
Total Exclusions		3,980,333	-	3,980,333	12,184,180	-	12,184,180
Total for ECS 84362, 50 Percent Law		$ 80,583,047	$ -	$ 80,583,047	$ 156,616,501	$ -	$ 156,616,501
Percent of CEE (Instructional Salary Cost/Total CEE)		51.45%		51.45%	100.00%		100.00%
50% of Current Expense of Education					$ 78,308,251		$ 78,308,251

See accompanying note to supplementary information.

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH FUND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2013.

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, 2013. 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:		$ 22,708,133
Federal Direct Student Loans	84.268	11,108,521
Federal Pell Administrative Allowance	84.038	(17,607)
Veterans Reporting Fee	17.802	809
Total Expenditures of Federal Awards		$ 33,799,856

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

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

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

We have audited the basic financial statements and the discretely presented component unit of Foothill-De Anza Community College District (the District) for the year ended June 30, 2013, and have issued our report thereon dated November 25, 2013. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as previously defined. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as item 2013-1 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.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2013-1.

We noted certain matters that we reported to management of Foothill-De Anza Community College District in a separate letter dated November 25, 2013.

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 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 25, 2013

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

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited Foothill-De Anza Community College District's (the District) compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2013. The District's major Federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. 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 State, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of 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, 2013.

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Other Matters

The results of our auditing procedures disclosed instances of noncompliance, 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 items 2013-1. Our opinion on each major Federal program is not modified with respect to these matters.

The District's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program 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 the 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 a 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2013-1 that we consider to be significant deficiencies.

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
November 25, 2013

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

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REPORT ON STATE COMPLIANCE

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

Report on State Compliance

We have audited Foothill-De Anza Community College District's (the District) compliance with the types of compliance requirements as identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in April 2013 that could have a direct and material effect on each of the District's programs as noted below for the year ended June 30, 2013.

Management's Responsibility

Management is responsible for compliance with the requirements identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in April 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the District's programs based on our audit of the types of compliance requirements referred to above. 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. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the applicable programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such procedures as we consider 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 the District's compliance with those requirements.

Unmodified Opinion for Each of the Programs

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the programs noted below that were audited for the year ended June 30, 2013.

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Other Matters

We noted certain matters that we reported to management of the District in a separate letter dated November 25, 2013.

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with State laws and regulations applicable to the following:

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	CalWORKS
Section 435	Open Enrollment
Section 437	Student Fees – Instructional and Other Materials
Section 438	Student Fees – Health Fees and Use of Health Fee Funds
Section 474	Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged (TBA) Hours
Section 490	Proposition 1D State Bond Funded Projects
Section 491	Proposition 30 Education Protection Account Funds

The District did not receive Proposition 1D State Bond Funded Projects; therefore, the compliance tests within this section were not applicable.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
November 25, 2013

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2013

FINANCIAL STATEMENTS	
Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
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:	Unmodified
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, 84.063, 84.007, 84.268	Student Financial Aid Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 300,000
Auditee qualified as low-risk auditee?	Yes
STATE AWARDS	
Internal control over State programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Type of auditors' report issued on compliance for State programs:	Unmodified

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2013

None noted.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

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.

2013-1 Finding - Student Financial Aid Cluster, Pell Grants - CFDA #84.063

Significant Deficiency, Internal Control Over Compliance

Criteria or Specific Requirement

Within 30 days of determining that a student has withdrawn and must repay all or part of a Title IV grant, a school must notify the student that he or she must repay the overpayment, or make satisfactory arrangements to repay (34 CFR section 668.22(h)(4)(ii)).

Condition

Letters notifying the student of their requirement to repay the overpayment, or make arrangements for such, were not sent within 30 days of the determination of the withdrawal date.

Questioned Costs

None, as the process was completed accurately, but was not timely.

Context

We reviewed the reporting of 35 of approximately 150 Return to Title IV students. We noted two students who were not notified of the requirement to make arrangements for repayment within the required 30 day timeline.

Effect

The District did not comply with the required timelines for the notification letters to be sent to students 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.

Corrective Action Plan

In fiscal year 2012-13 we were compliant in returning all Title IV funds. However, we missed the thirty-day deadline for notifying students of their obligation to either repay in full or make payment arrangements for a percentage of the funds disbursed to them.

The error occurred during a staff transition period that involved the search for a permanent Director of Financial Aid and Financial Aid Coordinator. The latter position was primarily responsible for "Return to Title IV" processing.

A new Director of Financial Aid was hired in July of 2013 and the director recently hired a Financial Aid Coordinator. The Financial Aid Coordinator reviews, on a weekly basis, files of students who have withdrawn from the college. In accordance with the Department of Education timelines, the Financial Aid Coordinator will notify students by email about their obligation to repay their financial aid. Also, the Director of Financial Aid will ensure that students are notified in a timely manner about their repayment obligation. An added measure of accountability will be the Financial Aid Director's monthly Return to Title IV status report provided to the college Vice President of Student Services. The Vice President of Student Services will initial the monthly reports to ensure the office is in compliance with Return to Title IV regulations.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

None noted.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013

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 Findings and Questioned Costs.

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.

Status

Implemented

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.

Status
Implemented