FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT
SANTA CLARA COUNTY

REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
INCLUDING REPORTS ON COMPLIANCE
June 30, 2017

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INDEPENDENT AUDITOR'S 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, the fiduciary activities and the discretely presented component unit of the Foothill-De Anza Community College District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the entity'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 misstatement, whether due to fraud or error.

Auditors' 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 auditors' 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 entity'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 entity'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.

We believe that 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 respective financial position of the business-type activities, the fiduciary activities, and the discretely presented component unit, of the Foothill-De Anza Community College District as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

During fiscal year ended June 30, 2017, the District adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 84 *Fiduciary Activities.* As a result of the implementation of these standards, the District reported a restatement for the change in accounting principle (see Note 18). Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information schedules as listed in the aforementioned 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 an opinion on the District's financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary section, 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 section, including the schedule of expenditures of federal awards, 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 November 30, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the District's 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
Glendora, California
November 15, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2017

INTRODUCTION TO THE BASIC FINANCIAL STATEMENTS

The Foothill-De Anza Community College district continues to present its financial statements in the Business-Type Activities reporting format required by statements released by the Government Accounting Standards Board (GASB) in 1999. The format prescribed by GASB focuses on the District as a whole rather than on individual funds.

The following management's discussion and analysis provides an overview of the financial position and activities of the Foothill-De Anza Community College District's Financial Report for the year ended June 30, 2017. The previous year's 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 of these statements will be reviewed and significant events discussed.

STATEMENT OF NET POSITION

The Statement of Net Position presents information on the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

A significant impact on the financial statements this year is the implementation of GASB 84 which eliminated the inclusion of the OPEB Trust on the District's financial statements. The impact of this changes is noted in the narrative herein.

In thousands:

	2017	2016	Net Change
Assets			
Current assets	$ 198,847	$ 161,603	$ 37,244
Non-current assets	763,519	737,664	25,855
Total Assets	962,366	899,267	63,099
Deferred Outflows of Resources	80,357	42,145	38,212
Liabilities			
Current liabilities	87,671	76,207	11,464
Non-current liabilities	1,046,091	904,117	141,974
Total Liabilities	1,133,762	980,324	153,438
Deferred Inflows of Resources	14,977	39,697	(24,720)
Net Position			
Net investment in capital assets	3,534	(1,494)	5,028
Restricted	42,418	29,533	12,885
Unrestricted	(151,968)	(106,648)	(45,320)
Total Net Position	$ (106,016)	$ (78,609)	$ (27,407)

Assets

Total assets increased approximately $63 million, a percentage increase of 7%. The major changes affecting total assets are listed below:

- The net $37 million in current assets increase is mainly due to cash associated with the issuance the Measure C, Series D and E bond issuance and secondarily from an increase in grant, student and state apportionment accounts receivable.

- Non-current assets increased by $25.8 million which is mostly attributable to an increase of capital assets.

Liabilities

Total liabilities increased by approximately $153.4 million; an increase of 16%. The major changes affecting total liabilities are listed below:

- Current liabilities increased by $11 million of which $6.5 million is associated with scheduled maintenance, grant and state apportionment deferred revenue.

- The $141.9 million increase in non-current liabilities is due to $89 million in accreted capital interest and $15 million in premiums/discounts related to the bonds issued under the Measure C refunding of Series C and the issuance of Series D and E. Another $33.6 million was due to an increase of pension liability as reported by STRS and PERS.

Deferred Outflows/Deferred Inflows of Resources

In addition to assets, the District reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the District reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27,* the District recognized deferred outflows and inflows of resources related to pensions in the District-wide financial statements. Refer to Note 8 for the District's deferred outflows and inflows of resources related to pensions.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses and Changes in Net Position present information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods, such as revenues pertaining to receivables and expenses pertaining to earned, but unused, compensated balances.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2017

In thousands:

Operating Revenues	2017	2016	$ Change	% Change
Net tuition & fees	$ 62,328	$ 61,311	$ 1,017	2%
Grants and contracts, non-capital	84,216	78,061	6,155	8%
Auxiliary enterprise, net	11,856	11,871	(15)	-0.13%
Other	5,085	5,840	(755)	-12.93%
Total Operating Revenues	163,485	157,083	6,402	4.08%
Operating Expenses				
Salaries	155,729	147,079	8,650	6%
Benefits	54,538	49,230	5,308	11%
Supplies, materials, & other operating expenses	84,974	73,910	11,064	15%
Financial Aid	30,842	24,457	6,385	26%
Utilities	3,573	3,001	572	19%
Depreciation	42,095	39,918	2,177	5.45%
Total Operating Expenses	371,751	337,595	34,156	10.12%
Operating Loss	(208,265)	(180,512)	(27,753)	15%
Nonoperating Revenues (Expenses)				
State apportionment, non-capital	16,631	35,903	(19,272)	-54%
Local property taxes	113,322	91,860	21,462	23%
State taxes & other revenues	6,548	5,264	1,284	24%
Investment income(loss) - noncapital	1,740	335	1,405	419.4%
Other nonoperating revenue	710	1,252	(542)	-43.29%
Total Nonoperating Revenues (Expenses)	138,951	134,614	4,337	3.22%
Gain Before Capital Revenues	(69,314)	(45,898)	(23,416)	51%
Capital Revenues	41,908	41,942	(34)	-0.08%
Change in Net Position	$ (27,406)	$ (3,956)	$ (23,450)	592.77%

Note: Certain reclassifications to the prior year have been made to conform to the current year reporting

Operating Revenues

Total Operating Revenues increased by approximately $6 million, a percentage increase of 4.1%.

- The majority of the increase was a net result of three main items in the grants and contracts category. In addition to other minor grant and categorical changes, a $14 million increase in Online Education Initiative (OEI) Grant activity, the State provided $12.6 million less in state mandated reimbursement revenue, Student Financial Aid Direct Loans accounted for a $7.2 million increase because the amount was not included in the operating revenues in prior year.

Operating Expenses

Total Operating Expenses increased by 10%, approximately $34.1 million. Items of significance affecting the changes include:

- Salaries increased $8.6 million due Cost-of-Living and other negotiated adjustments along with planned step and column salary schedule advancement for all labor groups

- Benefits increased by $5.3 million mainly as a result of the employer contribution rate increase for district STRS and PERS employee pension expense.

- The $11 million increase in supplies, materials and other operating expense is predominately due to lower capitalization of fixed assets for the fiscal year 2016-17.

- The $6.3 million increase in Financial Aid was a net result from the previously mentioned increase of $7.2 million in Student Financial Aid Direct Loans coupled with a decrease in other programs from lower student demand from the enrollment decline.

Non-Operating Revenues (Expenses)

Non-Operating Revenues increased by $4.3 million mainly due to the net effect of the following:

- The State apportionment $19.2 million decrease is a direct result of the local property taxes increase and the inverse relationship of these two sources that are part of the State's calculation model of district's base apportionment revenue.

- Local property taxes increased by $21.4 million due to a single year anomaly that increased the educational revenue augmentation fund (ERAF) property tax type by $13 million with the remaining increase resulting from rising property values.

Capital contributions

Capital contributions - No significant change in this area

District's Fiduciary Responsibility

The District is the trustee, or fiduciary, for certain amounts held on behalf of students, clubs, and donors for student loans and scholarships. The District's fiduciary activities are reported in a separate statement of fiduciary net position. These activities are excluded from the District's other financial statements because these assets cannot be used to finance operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2017, the District had approximately $995.2 million invested in capital assets. Net capital assets of $705.8 million consist of land, construction in progress, buildings and improvements, vehicles, data processing equipment, and other office equipment. These assets have an accumulated depreciation of $446.7 million. In FY 2016-2017, there were capital asset additions in the amount of $65.3 million; the deletions of $66.7 million represent completed construction in progress moved to buildings and equipment assets. Depreciation expense of $42 million was recorded for FY 2016-2017.

Note 4 to the financial statements provides additional information on capital assets. A comparison of capital assets net of depreciation is summarized herein.

In thousands:

	2017	2016	Net Change
Land and construction in progress	$ 157,290	$ 159,319	$ (2,029)
Buildings and equipment	995,270	927,886	67,384
Accumulated depreciation	(446,710)	(404,587)	(42,123)
Total Capital Assets	$ 705,850	$ 682,618	$ 23,232

Debt

At June 30, 2017, the District had $1 billion in debt. Notes 10 through 13 provides additional information on long-term liabilities. A comparison is summarized herein.

In thousands:

	2017	2016	Net Change
Compensated absences	$ 5,298	$ 4,592	$ 706
Claims liability	4,671	3,845	826
Capital leases	3,906	6,007	(2,101)
Bonds and Notes Payable	851,676	737,465	114,211
Net pension liability	200,843	167,243	33,600
Total Long-Term Liabilities	$ 1,066,394	$ 919,152	$ 147,242

ECONOMIC OUTLOOK AND FACTORS AFFECTING NEXT YEAR'S BUDGET

The State of California controls most of Foothill-De Anza Community College District's operating income through the apportionment process, growth allowances, Cost of Living Adjustments (COLA), and categorical allocations. Due to continued funding from Propositions 30 and 55, the Education Protection Act (EPA), and a stable overall state economy resulting in strong tax (property and income) revenues, we are experiencing a third year of solid state funding.

The 2017-18 budget allocation includes 1% in FTES restoration/growth funding and COLA funding of 1.56% based on the federal formula the state uses. Full restoration of EOP&S funding to pre-recession levels continues, and continued categorical funding in the Student Support and Success and Equity programs was provided. For the third consecutive year, new general operating funding was added to our base ($4.2 million); additionally, a significant one-time allocation for deferred maintenance and instructional equipment and library materials of approximately $3 million was included (but will not be available to spend until the second half of FY 2018-19). The governor's 2017-18 budget continues a trend of investing in the community college education system that benefits the state economy in the long run. For 2017-18, new funding has been allocated for *Guided Pathways,* an initiative to assist students in completing their educational/career goals in a more timely fashion. The district allocation for FHDA is approximately $590,000 contingent upon the colleges completing required reporting tied to the funding. For the fifth year in a row, 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's 2017-18 adopted budget has a projected $10.4 million structural budget deficit. However, the district still projects an Unrestricted General Purpose Fund balance of over $48.8 million which includes the 5% catastrophic reserve, $23.1 million in the Stability Fund, and $14.5 million in other college/district designated reserves. The final year-end budget balance will be impacted by the planned spend-down of fund balance as projected by the structural deficit. Due to the accumulation of budgeted salary savings and past conservative spending patterns, management does not anticipate that the fund balance will be lowered by the full deficit projected. The Board of trustees has also approved a management recommended strategy to close the projected structural budget deficit over the next three years. Ongoing spending categories will be reduced by $2 million in 2017-18, $3 million in 2018-19, and $5 million in 2019-20. These planned spending cuts are subject to modification contingent upon future enrollments and funding levels from the state.

Because the state economy continues a sustained recovery for the third consecutive year, we are not facing ambiguity in budgeted state revenue; therefore, we anticipate receiving our full apportionment allocation over the course of the year. However, due to a loss of 1,176 FTES enrollment in 2016-17, management continues to monitor enrollment for 2017-18 very closely. As of census for the summer and fall quarters, enrollments are down an estimated 160 FTES. However, FTES for positive attendance and late-start classes in the fall quarter has not been counted. If past experience holds, we may be able to offset the slight decrease in FTES thus far this year.

Early communications from the state chancellor's office indicate that the 2018-19 budget for community colleges will experience a reasonably positive budget allocation due to ongoing state tax revenues being reported in 2017-18. The chancellor's office is not predicting we will receive the same levels of one-time revenue windfalls and new ongoing apportionment funding as we have the past three years. Based on the community college system request for 2018-19, we are hoping to receive a modest COLA allocation and potentially a modest increase to base funding.

Based on the district's strong fund balances, we will be able to make gradual adjustments to expenditures to offset any revenue decline over the next two to three years. In this way, we will have the luxury to develop strategies to stabilize/increase enrollments and balance expenses to revenues for the long term.

The district continues to be committed to addressing long-term liabilities, specifically Other Post-Employment Benefits (OPEB). The most recent OPEB actuarial analysis for the district's unfunded retiree medical liability was completed on April 16, 2016 for the period as of July 1, 2015. The study listed the Actuarial Accrued Liability (AAL) at $104.4 million. The Adopted Budget for fiscal year 2017-18 planned for a $1.5 million contribution to the CalPERS California Employers' Retiree Benefit Trust (CERBT), an irrevocable trust to fund the OPEB liability. On November 4, 2017, the transfer was approved by the Board of Trustees; the contribution will increase the June 30, 2017 irrevocable trust balance of $16,950,906.

REQUEST FOR INFORMATION

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

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

BASIC FINANCIAL STATEMENTS

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION
June 30, 2017

	Primary Government	Component Unit
Assets		
Current Assets:		
Cash and cash equivalents	$ 165,202,109	$ 1,111,841
Accounts receivable, net	27,279,415	72,388
Pledges receivable	-	275,000
Inventory	1,448,841	-
Prepaid expenses	3,806,745	567
Due from Fiduciary funds	248,723	-
Due from Foundations	862,010	-
Total Current Assets	198,847,843	1,459,796
Non-Current Assets:		
Restricted cash and cash equivalents	52,746,781	-
OPEB asset	4,921,218	-
Investments	-	40,643,098
Capital assets, net of accumulated depreciation	705,850,797	-
Total Non-Current Assets	763,518,796	40,643,098
Total Assets	962,366,639	42,102,894
Deferred Outflows of Resources		
Deferred charge on refunding	37,395,470	-
Deferred outlflows - pensions	42,961,505	-
Total Deferred Outflows of Resources	80,356,975	-
Total Assets and Deferred Outflows of Resources	$ 1,042,723,614	$ 42,102,894

See accompanying notes to the financial statements.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION
June 30, 2017

	Primary Government	Component Units
Liabilities		
Current Liabilities:		
Accounts payable	$ 26,907,120	$ 484,217
Accrued liabilities	5,737,276	325,168
Accrued interest	12,536,696	-
Unearned revenue	22,187,506	-
Current portion of long term liabilities	20,302,753	-
Total Current Liabilities	87,671,351	809,385
Non-Current Liabilities		
Non-current portion of long term liabilities	1,046,091,288	-
Total Non-Current Liabilities	1,046,091,288	-
Total Liabilities	1,133,762,639	809,385
Deferred Inflows of Resources		
Deferred inflows - pensions	14,977,177	-
Net Position		
Net investment in capital assets	3,534,330	-
Restricted for:		
Debt service	33,671,315	-
Scholarship and loans	55,867	8,633,788
Other special purposes	8,690,565	-
Permanently restricted	-	17,912,795
Unrestricted	(151,968,279)	14,746,926
Total Net Position	(106,016,202)	41,293,509
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 1,042,723,614	$ 42,102,894

See accompanying notes to the financial statements.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2017

	Primary Government	Component Unit
Operating Revenues		
Tuition and fees (gross)	$ 74,891,300	$ -
Less: Scholarship discounts and allowances	(12,562,935)	-
Net tuition and fees	62,328,365	-
Grants and contracts, noncapital		
Federal	29,474,026	-
State	53,630,317	-
Local	1,111,659	4,802,979
Auxiliary	11,855,785	-
Other	5,085,262	-
Total Operating Revenues	163,485,414	4,802,979
Operating Expenses		
Salaries	155,728,766	2,639,208
Employee benefits	54,537,670	639,489
Supplies, materials, and other operating expenses and services	84,973,908	1,389,435
Financial aid	30,841,982	591,457
Utilities	3,573,422	-
Depreciation	42,095,158	-
Total Operating Expenses	371,750,906	5,259,589
Operating Income (Loss)	(208,265,492)	(456,610)
Non-Operating Revenues (Expenses)		
State apportionments, non-capital	16,630,936	-
Local property taxes	113,322,218	-
State taxes and other revenues	6,548,743	-
Investment Income	1,740,161	4,592,912
Other nonoperating revenue	709,174	-
Total Non-Operating Revenues (Expenses)	138,951,232	4,592,912
Loss Before Other Revenues, Expenses, Gains and Losses	(69,314,260)	4,136,302
Other Revenues, Expenses, Gains and Losses		
State apportionments, capital	1,675,853	-
Interest and investment income, capital	40,232,279	-
Total Other Revenues, Expenses, Gains and Losses	41,908,132	-
Changes in Net Position	(27,406,128)	4,136,302
Net Position, Beginning of Year	(78,610,074)	37,157,207
Net Position, End of Year	$ (106,016,202)	$ 41,293,509

See accompanying notes to the financial statements.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2017

	Primary Government	Component Unit
Cash Flows From Operating Activities		
Tuition and fees	$ 60,555,210	$ -
Federal grants and contracts	20,465,350	-
State grants and contracts	60,643,350	-
Local grants and contracts	492,208	4,793,243
Sales	11,885,068	-
Payments to suppliers	(81,386,181)	(1,712,502)
Payments to/on-behalf of employees	(207,570,813)	(3,409,514)
Payments to/on-behalf of students	(30,841,982)	(591,457)
Other miscellaneous payments	6,556,520	-
Net cash provided (used) by operating activities	(159,201,270)	(920,230)
Cash Flows From Non-Capital Financing Activities		
State apportionments and receipts	14,503,772	-
Property taxes	113,322,218	-
Grants and gifts for other than capital purposes	7,402,919	
State tax and other revenues	709,189	-
Net cash provided (used) by non-capital financing activities	135,938,098	-
Cash Flows From Capital and Related Financing Activities		
State apportionment for capital purposes	1,675,837	-
Net purchases of capital assets	(39,970,866)	-
Proceeds from capital debt	84,570,000	-
Principal paid on capital debt	(11,123,362)	-
Interest paid on capital debt	(24,032,866)	-
Net cash provided (used) by capital and financing activities	11,118,743	-
Cash Flows from Investing Activities		
Interest on investments	41,972,416	747,929
Proceeds from sale of investments	1,150,620	-
Purchase of investments	-	(942,599)
Net cash provided (used) by investing activities	43,123,036	(194,670)
Net Change in Cash and Cash Equivalents	30,978,607	(1,114,900)
Cash Balance - Beginning of Year	186,970,283	2,226,741
Cash Balance - End of Year	$ 217,948,890	$ 1,111,841

See accompanying notes to the financial statements.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2017

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	Primary Government	Component Unit
Operating income (loss)	$ (208,265,492)	$ (456,610)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	42,095,158	-
Realized and unrealized gain on investments		
Changes in assets and liabilities:		
Receivables, net	(8,785,209)	(9,860)
Inventory	54,271	-
Prepaid expenses	1,115,369	4,793
Due from fiduciary funds	(52,922)	-
Deferred outflows of resources - pensions	(7,324,204)	
Accounts payable	7,167,956	(327,736)
Accrued liabilities and compensated absences	(1,127,997)	(130,817)
Unearned revenue	7,013,032	
Compensated absences	705,473	-
OPEB asset	(676,799)	
Deferred inflows of resources - pensions	(24,720,281)	
Net pension liability	33,600,375	-
Net cash provided (used) by operating activities	$ (159,201,270)	$ (920,230)

See accompanying notes to the financial statements.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
For the Fiscal Year Ended June 30, 2017

	Associated Student Government Trust Funds
Assets	
Cash and cash equivalents	$ 2,035,504
Accounts receivable	13,087
Prepaid expenses	27,559
Total Assets	$ 2,076,150
Liabilities	
Accounts payable	$ 101,409
Due to primary government	248,723
Deferred revenue	72,850
Due to others	1,653,168
Total Liabilities	2,076,150
Net Position	
Unrestricted	-
Total Liabilities and Net Position	$ 2,076,150

See accompanying notes to the financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Foothill-De Anza Community College District (District) is the level of government primarily accountable for activities related to public education. The governing authority consists of elected officials who, together, constitute the Board of Trustees.

The District considered its financial and operational relationships with potential component units under the reporting entity definition of Governmental Accounting Standards Board (GASB). The basic, but not the only, criterion for including another organization in the District's reporting entity for financial reports is the ability of the District's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one entity is dependent on another and a financial benefit or burden relationship is present and that the dependent unit should be reported as part of the other.

Oversight responsibility is derived from the District's power and includes, but is not limited to: financial interdependency; selection of governing authority; designation of management; ability to significantly influence operations; and accountability for fiscal matters.

Due to the nature and significance of their relationship with the District, including ongoing financial support of the District or its other component units, certain organizations warrant inclusion as part of the financial reporting entity. A legally separate, tax-exempt organization should be reported as a component unit of the District if all of the following criteria are met:

- The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the District, its component units, or its constituents.
- The District, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
- The economic resources received or held by an individual organization that the District, or its component units, is entitled to, or has the ability to otherwise access, are significant to the District.

Based upon the application of the criteria listed above, the Facilities Corporation 2011 of the Foothill-De Anza Community College District (Corporation) has been included in the District's reporting entity as a blended component unit.

Based upon the application of the criteria listed above, the following potential component units have been included in the District's reporting entity:

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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 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.

Financial Statement Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the GASB. The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of the District’s financial activities. The entity-wide perspective replaces the fund-group perspective previously required. Fiduciary activities, with the exception of the Student Financial Aid Fund, are excluded from the basic financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

For financial reporting purposes, the District is considered a special-purpose government engaged in business-type activities. Accordingly, the District's basic financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

For internal accounting purposes, the budgetary and financial accounts of the District have been recorded and maintained in accordance with the Chancellor's Office of the California Community College's *Budget and Accounting Manual*. The financial resources of the District are divided into separate funds for which separate accounts are maintained for recording cash, other resources and all related liabilities, obligations and equities.

By state law, the District's Governing Board must approve a budget no later than September 15. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements. Budgets for all governmental funds were adopted on a basis consistent with generally accepted accounting principles (GAAP). These budgets are revised by the District's Governing Board during the year to give consideration to unanticipated income and expenditures. Formal budgetary integration was employed as a management control device during the year for all budgeted funds. Expenditures cannot legally exceed appropriations by major object account.

Cash and Cash Equivalents

The District's cash and cash equivalents, are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash in the County Treasury is recorded at cost, which approximates fair value, in accordance with the requirements of GASB.

Investments

Investments are reported at fair value, which is determined by the most recent bid and asking price as obtained from dealers that make markets in such securities.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounts Receivables

Accounts receivable consists primarily of amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grant and contracts. Material receivables are considered fully collectible. Bad debt are accounted for by the direct write-off method for student receivables, which is not materially different from the allowance method.

Inventories

Inventories are presented at the lower of cost or market on an average basis and are expensed when used. Inventory consists of expendable instructional, custodial, health and other supplies held for consumption.

Prepaid Expenses

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2017, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which goods or services are consumed.

Restricted Cash and Cash Equivalents

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the assets. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets represent cash and cash equivalents 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

Capital Assets

Capital assets are long-lived assets of the District as a whole and include land, construction-in-progress, buildings, leasehold improvements, and equipment. The District maintains an initial unit cost capitalization threshold of $5,000 for furniture and equipment and $150,000 for other capital expenditures including land, building and improvements with 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 assets as defined in GASB Statement No. 34. 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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The District has the following deferred outflows:

Deferred Charge on Refunding: A deferred charge on refunding results from the difference in carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred Outflows – Pensions: The deferred outflows of resources related to pensions resulted from District contributions to employee pension plans subsequent to the measurement date of the actuarial valuations for the pension plans, the effect of changes in proportion, and the difference between expected and actual experience. The deferred outflows, pensions will be deferred and amortized as detailed in Note 8 to the financial statement.

Accounts Payable and Accrued Liabilities

Accounts payable consists of amounts due to vendors for goods and services received prior to June 30. Accrued liabilities consist of salaries and benefits payable and other accrued expenses.

Unearned Revenue

Cash received for Federal and state special projects, and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Unearned revenue is recorded to the extent cash received on specific projects and programs exceeds qualified expenditures. Unearned revenue also includes summer enrollment fees received but not earned.

Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as a liability in the statement of net position when incurred.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Sick leave benefits are accumulated without limit for each employee. The employees do not gain a vested right to accumulated sick leave; therefore, accumulated employee sick leave benefits are not recognized as a liability of the District. The District's policy is to record sick leave as an operating expense in the period taken; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

Long-Term Obligations

The District reports long-term debt of governmental funds at face value in the government-wide financial statements. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. General obligation bonds are reported net of the applicable bond premium or discount.

Net Pension Liability

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net assets by the District that is applicable to a future reporting period. The deferred inflows of resources related to pensions results from the differences between the estimated and actual return on pension plan investments, the effect of changes in proportion and assumptions, and the difference between expected and actual experience. These amounts are deferred and amortized as detailed in Note 8.

Net Position

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Restricted Net Position – Expendable: Restricted expendable net position includes resources in which the District is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties or by enabling legislation adopted by the District. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Restricted Net Position – Nonexpendable: Nonexpendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The District has no Restricted Net Position – Nonexpendable net assets.

Unrestricted Net Position: Unrestricted net position represents resources available to be used for transactions relating to the general operations of the District, and may be used at the discretion of the governing board, as designated, to meet current expenses for specific future purposes.

State Apportionments

Certain current year apportionments from the state are based upon various financial and statistical information of the previous year. The California Community College Chancellor's Office recalculates apportionment on a statewide basis each February of the subsequent year; any difference in computational revenue or state aid will be recorded in the year computed by the State.

The District also receives state apportionments for categorical programs. These allocations are based on various financial and statistical information from the current and previous years.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. 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 and become delinquent after August 31.

The District reports real and personal property tax on an accrual basis. A receivable has been accrued in these financial statements to reflect the amount of property taxes receivable as of June 30, 2017.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Classification of Revenues

The District has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating Revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as student fees, net of scholarship discounts and allowances, and Federal and most state and local grants and contracts.

Nonoperating Revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as State apportionments, taxes, and other revenue sources that are defined as nonoperating revenues by GASB.

Scholarships, Discounts and Allowances

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

Classification of Revenues – Proprietary Funds

Proprietary funds distinguish operating revenues from non-operating revenues. Operating revenues include activities that have the characteristics of exchange transactions, such as bookstore and food service sales, Federal and most State and local grants and contracts, and self-insurance premiums. Non-operating revenues include activities that have the characteristics of non-exchange transactions that are defined as nonoperating revenues by GASB.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reclassifications

Certain beginning balances from the 2015-16 financial statements have been reclassified to conform to the 2016-17 presentation.

NOTE 2: DEPOSITS

Deposits - Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial risk. As of June 30, 2017, $1,895,374 of the District's bank balance of $2,645,375 was exposed to credit risk as uninsured and uncollateralized.

Cash in County Treasury

In accordance with the *Budget and Accounting Manual*, the District maintains substantially all of its cash in the Santa Clara County Treasury as part of the common investment pool. The District is considered an involuntary participant in the investment pool. These pooled funds are recorded at amortized cost which approximates fair value. Fair value of the pooled investments at June 30, 2017 is measured at 99.77% of amortized cost. The District's investments in the fund are considered to be highly liquid and reflected in the financial statements as cash and cash equivalents in the statement of net position.

The County is authorized to deposit cash and invest excess funds by California Government Code Sections 53534, 53601, 53635 and 53648. The County is restricted to invest time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The funds maintained by the County are either secured by federal depository insurance or are collateralized. The County investment pool is not required to be rated. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

NOTE 2: DEPOSITS

Cash and cash equivalents as of June 30, 2017 are as shown herein.

Primary Government	June 30, 2017
Cash on hand and in banks	$ 4,095,302
Cash in revolving accounts	15,162
Cash with fiscal agent	15,468,833
Cash in County Treasury	198,369,593
Total cash and cash equivalents	$ 217,948,890

Fiduciary Funds	June 30, 2017
Cash in County Treasury	$ 2,035,504
Total cash and cash equivalents	$ 2,035,504

Investments

Policies

Under provisions of California Government Code Sections 16430, 53601 and 53602 and District Board Policy Section 3130, the District may invest in the types of investments shown herein. The District did not violate any provisions of the California Government Code or District Board policy during the year ended June 30, 2017.

- State of California Local Agency Investment Fund (LAIF)
- County Treasurer's Investment Pools
- U.S. Treasury notes, bonds, bills or certificates of indebtedness
- U.S. Government Agency guaranteed instruments
- Fully insured or collateralized certificates of deposit
- Fully insured and collateralized credit union accounts

Investment Valuation

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments' fair value measurements at June 30, 2017 are presented herein.

NOTE 2: DEPOSITS

Interest rate risk is the risk that changes in 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 does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Credit risk is the risk then on issuer of an investment will not fulfill its obligations. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. The District follows Government Code to reduce exposure to investment credit risk.

Concentration of Credit Risk

The District places no limit on the amount that may be invested in an one issuer.

Custodial Credit Risk

Custodial Credit Risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments that are in possession of an outside party. The District does not have a policy limiting the amount of securities that can be held by counterparties.

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2017 consists of the balances shown herein.

Primary Government	June 30, 2017
Federal and state	$ 18,352,816
Student	8,437,686
Less allowance for bad debt	(1,721,212)
Miscellaneous	2,210,125
Total accounts receivable	$ 27,279,415

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

NOTE 3: ACCOUNTS RECEIVABLE

balances. The allowance is calculated based on a sliding scale of student receivable balances and provides for 4 percent for balances up to 30 days old, 7 percent for 31-60 days, 20 percent for 61-90 days, and 50 percent for amounts over 90 days.

NOTE 4: CAPITAL ASSETS AND DEPRECIATION

A summary of changes for the District in capital assets for the year ended June 30, 2017 is shown herein.

	Balance July 1, 2016	Additions	Retirements and Transfers	Balance June 30, 2017
Capital assets not being depreciated:				
Land	$ 2,489,777	$ -	$ -	$ 2,489,777
Construction in progress	156,829,622	64,649,588	66,679,025	154,800,185
Total capital assets not being depreciated	159,319,399	64,649,588	66,679,025	157,289,962
Capital assets being depreciated:				
Site improvements	140,589,284	3,064,861	-	143,654,145
Buildings and improvements	727,890,283	58,388,922	-	786,279,205
Equipment and software	59,406,213	5,904,043	(26,877)	65,337,133
Total capital assets being depreciated	927,885,780	67,357,826	(26,877)	995,270,483
Less accumulated depreciation for:				
Site improvements	(76,875,763)	(9,260,019)	-	(86,135,782)
Buildings	(281,001,051)	(28,847,573)	-	(309,848,624)
Equipment	(46,710,799)	(3,987,566)	26,877	(50,725,242)
Total accumulated depreciation	(404,587,613)	(42,095,158)	26,877	(446,709,648)
Depreciable assets, net	523,298,167	25,262,668	-	548,560,835
Governmental activities capital assets, net	$ 682,617,566	$ 89,912,256	$ 66,679,025	$ 705,850,797

Depreciation expense for the year was $42,095,158 and $24,059,900 of interest cost was incurred and capitalized during the year.

NOTE 5: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2017 consists of the amounts shown herein.

NOTE 5: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Primary Government	June 30, 2017
Vendors	$ 18,680,022
Retention	1,963,193
Categorical programs	6,263,905
Total accounts payable	26,907,120
Payroll and benefits	1,734,382
Accrued expenses	4,002,894
Total accrued liabilities	5,737,276
Total accounts payable and accrued liabilities	$ 32,644,396

Fiduciary Funds	June 30, 2017
Vendors	$ 101,409
Total accounts payable	$ 101,409

NOTE 6: UNEARNED REVENUE

Unearned revenue at June 30, 2017 consists of the amounts shown herein.

Primary Government	June 30, 2017
Federal financial assistance	$ 43,967
State categorical aid	7,773,188
Other state	4,689,502
Enrollment fees	3,048,275
Other local	6,632,574
Total unearned revenue	$ 22,187,506

NOTE 7: INTERFUND TRANSACTIONS

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended. Interfund receivables and payables result when the interfund transfer is transacted after the close of the fiscal year. Interfund activity within the government funds has been eliminated in the basic financial statements.

NOTE 8: EMPLOYEE RETIREMENT PLANS

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

As of June 30, 2017, the District's proportionate share of the net pension liabilities, pension expense, and deferred inflows of resources and deferred outflows of resources for each of the retirement plans is as follows:

The details of each plan are as follows:

Pension Plan	Proportionate Share of Net Pension Liability	Deferred Outflows of Resources	Proportionate Share of Deferred Inflows of Resources	Proportionate Share of Pension Expense
CalSTRS - STRP	$ 114,042,210	$ 18,165,996	$ 10,447,774	$ 9,722,176
CalPERS - Schools Pool Plan	86,801,522	24,795,509	4,529,403	9,100,788
Total	$ 200,843,732	$ 42,961,505	$ 14,977,177	$ 18,822,964

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers' Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or

NOTE 8: EMPLOYEE RETIREMENT PLANS

before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes to the STRP Defined Benefit Program and STRP Defined Benefit Supplement Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2017, are summarized as follows:

Provisions and Benefits	CalSTRS-STRP Defined Benefit Program and Supplement Program	
Hire date	On or Before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0%-2.4%	2.0%-2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	12.58%	12.58%
Required state contribution rate	8.828%	8.828%

Contributions

Required member, District and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. The contribution rates for each plan for the year ended June 30, 2017 are presented above and the total District contributions were $9,099,696.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for state pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state

NOTE 8: EMPLOYEE RETIREMENT PLANS

support, and the total portion of the net pension liability that was associated with the District were as follows:

Proportionate Share of Net Pension Liability	Balance June 30, 2017
District proportionate share of net pension liability	$ 114,042,210
State's proportionate share of the net pension liability associated with the District	64,931,754
Total	$ 178,973,964

The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2016, the District's proportion was 0.14%.

For the year ended June 30, 2017, the District recognized pension expense of $9,722,176 and revenue of $3,976,246 for support provided by the state. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Pension Deferred Outflows and Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 9,099,696	$ -
Difference between expected and actual experience		2,781,930
Difference in proportion		7,665,844
Net differences between projected and actual earnings on plan investments	9,066,300	-
Total	$ 18,165,996	$ 10,447,774

The deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. The net differences between projected and actual earnings on plan investments is amortized over a five year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and the remaining amount is deferred and will be amortized over the remaining four-year period. The remaining amounts will be recognized to pension expense as shown herein:

NOTE 8: EMPLOYEE RETIREMENT PLANS

Year Ending June 30,	Amortization
2018	$ 501,719
2019	501,716
2020	501,716
2021	501,716
2022	(1,764,860)
2023	(1,623,481)
Total	$ (1,381,474)

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015 used the following methods and assumptions, applied to all prior periods included in the measurement:

Actuarial Methods and Assumptions	
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Experience Study	July 1, 2006 through June 30, 2010
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.60%
Investment Rate of Return	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop an expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each

NOTE 8: EMPLOYEE RETIREMENT PLANS

major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	6.30%
Private equity	13%	9.30%
Real estate	13%	5.20%
Absolute return risk mitigating strageties	9%	2.90%
Inflation sensitive	4%	3.80%
Fixed income	12%	0.30%
Cash/liquidity	2%	-1.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.60%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60%) and assuming that contributions, benefit payments, and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount rate	Net Pension Liability
1% decrease (6.60%)	$ 164,132,460
Current discount rate (7.60%)	114,042,210
1% increase (8.60%)	72,440,160

Plan Fiduciary Net Position

Detailed information about the STRP's plan fiduciary net position is available in a separate comprehensive annual financial report for CalSTRS. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7667 Folsom Boulevard, Sacramento, CA 95826.

NOTE 8: EMPLOYEE RETIREMENT PLANS

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the Schools Pool Plan under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least 5 years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2017, are summarized as follows:

Provisions and Benefits	CalPERS-Schools Pool Plan	
Hire date	On or Before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1%-2.5%	1.0%-2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	13.888%	13.888%

NOTE 8: EMPLOYEE RETIREMENT PLANS

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are determined through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2017 are as presented above and the total District contributions were $7,593,407.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $86,801,522. The net pension liability was measured as of June 30, 2016. The total pension liability for CalPERS was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015 and rolling forward the total pension liability to June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2016, the District's proportion was 0.4395%.

For the year ended June 30, 2017, the District recognized pension expense of $9,100,788. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Pension Deferred Outflows and Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 7,593,407	$ -
Difference between expected and actual experience	3,733,297	
Changes of assumptions		2,607,869
Difference in proportion		1,921,534
Net differences between projected and actual earnings on plan investments	13,468,805	
Total	$ 24,795,509	$ 4,529,403

The deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended

NOTE 8: EMPLOYEE RETIREMENT PLANS

June 30, 2018. The remaining amounts will be recognized to pension expense as follows:

Year Ending June 30,	Amortization
2018	$ 1,252,667
2019	1,357,646
2020	6,547,146
2021	3,515,240
Total	$ 12,672,699

Actuarial Methods and Assumptions

Total pension liability for the Schools Pool Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015 used the following methods and assumptions, applied to all prior periods included in the measurement:

Actuarial Methods and Assumptions	
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Experience Study	July 1, 1997 through June 30, 2011
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.65%
Investment Rate of Return	7.50%
Consumer Price Inflation	2.75%
Wage Growth	3.00%

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale BB published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the

NOTE 8: EMPLOYEE RETIREMENT PLANS

nearest one quarter of one percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	51%	5.71%
Global debt securities	20%	2.43%
Private equity	10%	6.95%
Real estate	10%	5.13%
Infrastructure and Forestland	2%	5.09%
Inflation assets	6%	3.36%
Liquidity	1%	-1.05%

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the Schools Pool Plan fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount rate	Net Pension Liability
1% decrease (6.65%)	$ 129,508,354
Current discount rate (7.65%)	86,801,522
1% increase (8.65%)	51,239,680

Plan Fiduciary Net Position

Detailed information about CalPERS Schools Pool Plan fiduciary net position is available in a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

NOTE 8: EMPLOYEE RETIREMENT PLANS

Deferred Compensation

The District offers its employees retirement plans under Internal Revenue Code (IRC) Section 414(d) that include a Tax Sheltered Annuity Plan under 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 a future year. 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 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 9: POST EMPLOYMENT HEALTHCARE BENEFITS

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 approximately 775 retirees and beneficiaries currently receiving benefits, and 900 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.

Contribution Information

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 2016-17, the District contributed $8,547,542 which was comprised of the current retiree

NOTE 9: POST EMPLOYMENT HEALTHCARE BENEFITS

premiums (100% of premiums required) payments and $1,500,000 into the irrevocable trust.

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.

Net OPEB Liability (Asset)

The table herein shows the components of the net OPEB liability (asset) of the District:

Annual OPEB Cost and Net OPEB Obligation	Balance June 30, 2017
Annual required contribution (ARC)	$ 7,200,647
Interest on net OPEB obligation	(297,109)
Adjustment to ARC	967,205
Annual OPEB cost	7,870,743
Contributions made, including implicit rate subsidy	(8,547,542)
Change in net OPEB obligation	(676,799)
Net OPEB obligation (asset) - beginning of year	(4,244,419)
Net OPEB obligation (asset) - end of year	$ (4,921,218)

Trend Information

Trend information for the annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB asset for the past three years is as shown herein.

Year Ending June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
2015	$ 9,254,460	89.30%	$ (3,103,332)
2016	7,200,647	115.80%	(4,244,419)
2017	7,870,743	108.60%	(4,921,218)

NOTE 9: POST EMPLOYMENT HEALTHCARE BENEFITS

Funding Status and Funding Progress

The above noted actuarial value of plan assets was based on the July 1, 2015, actuarial valuation. The market value of the Plan Assets as of June 30, 2016 is $12,551,451. 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 July 1, 2015, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 7.00 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 2.75 percent salary increase assumption. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at July 1, 2015, was 21 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 July 1, 2015, the most recent actuarial study date, the study indicated the Trust held net assets with an actuarial value of $12,551,451, which consisted of amounts on deposit with CERBT.

As of June 30, 2017 the District has invested $16,950,906 in the in the California Employer's Retirement Benefit Trust Program (CERBT). In accordance with GASB Statement No. 84, the fund does not meet the criteria to be considered a fiduciary fund of the District. The investment is reported within the CalPERS Comprehensive Annual Financial Report and is therefore not reflected in the District's financial statements.

NOTE 10: LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2017 is shown herein.

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Amount Due in One Year
General Obligation bonds	$ 689,385,165	$ 270,391,914	$ 194,243,361	$ 765,533,718	$ 13,991,117
Premiums, net of amortization	43,334,401	20,222,477	5,898,166	57,658,712	3,487,385
Certificates of participation	4,745,000	27,765,000	5,585,000	26,925,000	935,000
Premiums, net of amortization	-	1,592,312	33,173	1,559,139	66,346
Total Bonds and Notes Payable	737,464,566	319,971,703	205,759,700	851,676,569	18,479,848
Compensated absences	4,592,188	705,473	-	5,297,661	64,067
Capital leases	6,006,888	-	2,101,360	3,905,528	1,091,669
Claims liability	3,845,253	825,299	-	4,670,552	667,169
Net pension liability	167,243,357	33,600,375	-	200,843,732	-
Total Other Liabilities	181,687,686	35,131,147	2,101,360	214,717,473	1,822,905
Total Long Term Debt	$ 919,152,252	$ 355,102,850	$ 207,861,060	$1,066,394,042	$ 20,302,753

NOTE 11: GENERAL OBLIGATIONS BONDS

Liabilities are liquidated by the General Fund for governmental activities, including capital leases, certificates of participation, compensated absences, other postemployment healthcare benefits, and net pension liability. General obligation bond liabilities are liquidated through property tax collections as administered by the County Auditor-Controller's Office through the Bond Interest and Redemption Fund.

NOTE 11: GENERAL OBLIGATIONS BONDS

General Obligation Bonds	Date of Issue	Date of Maturity	Interest Rate %	Amount of Original Issue	Outstanding June 30, 2017
Measure E General Obligation Bonds					
Series A	5/3/2000	8/1/2030	4.30 - 6.26%	$ 99,995,036	$ 17,989,842
Series B	9/9/2003	8/1/2036	2.00 - 5.79%	90,100,063	49,990,063
Series C	9/20/2005	8/1/2036	3.00 - 5.03%	57,904,900	21,007,253
2005 General Obligation Refunding Bonds	9/20/2005	8/1/2021	3.00 - 5.25%	22,165,000	19,680,000
2012 General Obligation Refunding Bonds	5/3/2012	8/1/2030	0.25 - 5.00%	70,735,000	56,825,000
2014 General Obligation Refunding Bonds	7/1/2014	8/1/2036	2.00 - 5.00%	17,615,000	17,615,000
Accreted Interest					96,255,667
Total 1999 Election Bonds					279,362,825
Measure C General Obligation Bonds					
Series A	4/18/2007	8/1/2036	4.00 - 5.00%	149,995,250	24,235,250
Series B	5/3/2007	8/1/2036	4.00 - 5.00%	99,996,686	15,231,686
Series C	5/19/2011	8/1/2040	4.73 - 4.78%	184,000,000	-
Series D	10/19/2016	8/1/2038	3.00 - 4.00%	26,040,000	26,040,000
Series E	10/19/2016	8/1/2040	2.50 - 3.22%	30,765,000	30,765,000
2014 General Obligation Refunding Bonds	7/1/2014	8/1/2036	2.00 - 5.00%	85,400,000	85,400,000
2015 General Obligation Refunding Bonds	8/15/2015	8/1/2031	1.00 - 5.00%	83,100,000	82,565,000
2016 General Obligation Refunding Bonds	10/19/2016	8/1/2040	2.00 - 4.00%	201,735,000	201,735,000
Accreted Interest					20,198,957
Total 2006 Election Bonds					486,170,893
Total					$ 765,533,718

Description of Debt

Payments on the certificates of participation are paid through 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 through the Debt Service Fund. 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.

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

NOTE 11: GENERAL OBLIGATIONS BONDS

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.

On July 16, 2014, the District issued General Obligation Refunding Bonds in the amount of $103,015,000 for the purpose of refunding portions of Measure E Series C General Obligation Bonds ($17,615,000), and Measure C Series A and B General Obligation Bonds ($85,400,000). The economic gain on the bond refunding was $9,845,042.

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.

NOTE 11: GENERAL OBLIGATIONS BONDS

Series D was sold on October 19, 2016, for a total of $26,040,000.

Series E was sold on October 19, 2016, for a total of $30,765,000.

On August 5, 2015, the District issued General Obligation Refunding Bonds in the amount of $83,100,000 for the purpose of refunding portions of the Measure C Series A and B General Obligation Bonds. The economic gain on the bond refunding was $5,391,724.

On October 19, 2016, the District issued General Obligation Refunding Bonds in the amount of $201,735,000 for the purpose of refunding $184,000,000 of the Measure C Series C General Obligation Bonds. The economic gain on the bond refunding was approximately $22.9 million. The balance in the refunding escrow was approximately $220 million at June 30, 2017.

Debt Maturity

General Obligation Bonds

The bonds mature through the fiscal years ending June 30, 2031 are as shown herein.

Measure E, Series A

	Principal	Interest
2018	$ 1,891,117	$ 3,363,883
2019	1,894,093	3,740,907
2020	1,893,296	4,131,704
2021	1,893,447	4,531,553
2022	973,817	2,551,184
2023-2027	5,132,010	17,622,990
2028-2031	4,312,062	21,027,938
Total	17,989,842	$ 56,970,159
Accreted Interest	37,331,632	
Total	$ 55,321,474	

NOTE 11: GENERAL OBLIGATIONS BONDS

Measure E, Series B

Year Ending June 30,	Principal	Interest
2018	$ -	$ 712,500
2019	-	712,500
2020	-	712,500
2021	-	712,500
2022	-	712,500
2023-2027	18,395,689	16,542,661
2028-2032	12,465,068	42,764,932
2033-2037	19,129,306	92,515,694
Total	49,990,063	$ 155,385,787
Accreted Interest	43,308,154	
Total	$ 93,298,217	

Measure E, Series C

Year Ending June 30,	Principal	Interest
2018	$ -	$ -
2019	-	-
2020	-	-
2021	-	-
2022	-	-
2023-2027	5,465,524	8,434,476
2028-2032	9,023,550	20,816,450
2033-2035	6,518,179	19,051,821
Total	21,007,253	$ 48,302,747
Accreted Interest	15,615,881	
Total	$ 36,623,134	

NOTE 11: GENERAL OBLIGATIONS BONDS

2005 Refunding Bond

Year Ending June 30,	Principal	Interest
2018	$ 3,030,000	$ 953,663
2019	3,440,000	783,826
2020	3,890,000	591,413
2021	4,390,000	374,063
2022	4,930,000	129,413
Total	$ 19,680,000	$ 2,832,378

2012 Refunding Bond

Year Ending June 30,	Principal	Interest
2018	$ 1,405,000	$ 2,724,800
2019	1,595,000	2,670,875
2020	1,845,000	2,594,100
2021	2,090,000	2,525,850
2022	5,660,000	2,353,000
2023-2027	22,695,000	8,088,375
2028-2031	21,535,000	2,236,875
Total	$ 56,825,000	$ 23,193,875

2014 Refunding Bond

Year Ending June 30,	Principal	Interest
2018	$ -	$ 880,750
2019	-	880,750
2020	-	880,750
2021	-	880,750
2022	-	880,750
2023-2027	-	4,403,750
2028-2032	-	4,403,750
2033-2037	17,615,000	3,118,125
Total	$ 17,615,000	$ 16,329,375

NOTE 11: GENERAL OBLIGATIONS BONDS

Measure C, Series A

Year Ending June 30,	Principal	Interest
2018	$ 2,780,000	$ 69,500
2019	-	-
2020	-	-
2021	-	-
2022	-	-
2023-2027	-	-
2028-2032	-	-
2033-2037	21,455,250	56,139,750
Total	24,235,250	$ 56,209,250
Accreted Interest	12,484,619	
Total	$ 36,719,869	

Measure C, Series B

Year Ending June 30,	Principal	Interest
2018	$ 1,850,000	$ 46,250
2019	-	-
2020	-	-
2021	-	-
2022	-	-
2023-2027	-	-
2028-2032	-	-
2033-2037	13,381,686	34,518,314
Total	15,231,686	$ 34,564,564
Accreted Interest	7,714,338	
Total	$ 22,946,024	

NOTE 11: GENERAL OBLIGATIONS BONDS

Measure C, Series D

Year Ending June 30,	Principal	Interest
2018	$ -	$ 875,300
2019	-	875,300
2020	-	875,300
2021	-	875,300
2022	-	875,300
2023-2027	2,290,000	4,273,500
2028-2032	15,370,000	3,286,000
2033-2037	8,380,000	3,028,500
Total	$ 26,040,000	$ 14,964,500

Measure C, Series E

Year Ending June 30,	Principal	Interest
2018	$ -	$ 955,535
2019	-	955,535
2020	-	955,535
2021	-	955,535
2022	-	955,535
2023-2027	-	4,777,675
2028-2032	7,615,000	4,382,233
2033-2037	13,695,000	2,767,187
2038-2039	9,455,000	248,573
Total	$ 30,765,000	$ 16,953,343

2014 Refunding Bond

Year Ending June 30,	Principal	Interest
2018	$ -	$ 4,013,450
2019	5,175,000	3,935,825
2020	5,880,000	3,754,400
2021	6,665,000	3,517,300
2022	7,530,000	3,195,750
2023-2027	54,205,000	8,860,375
2028	5,945,000	148,625
Total	$ 85,400,000	$ 27,425,725

NOTE 11: GENERAL OBLIGATIONS BONDS

2015 Refunding Bond

Year Ending June 30,	Principal	Interest
2018	$ -	$ 3,650,525
2019	-	3,650,525
2020	-	3,650,525
2021	-	3,650,525
2022	-	3,650,525
2023-2027	-	18,252,625
2028-2032	82,565,000	10,182,663
Total	$ 82,565,000	$ 46,687,913

2016 Refunding Bond

Year Ending June 30,	Principal	Interest
2018	$ 3,035,000	$ 6,850,250
2019	880,000	6,806,700
2020	635,000	6,862,050
2021	825,000	6,914,100
2022	1,205,000	6,873,500
2023-2027	10,445,000	33,596,100
2028-2032	13,740,000	34,326,600
2033-2037	25,025,000	33,684,800
2038-2041	145,945,000	13,649,750
Total	$201,735,000	$ 149,563,850

NOTE 12: CERTIFICATES OF PARTICIPATION

On November 1, 2006, the Financing Corporation issued Certificates of Participation (2006 Certificates) 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 percent to 4.0 percent and mature through 2021.

On December 21, 2016, the Financing Corporation issued Certificates of Participation (Refunding Certificates) in the amount of $27,765,000 to refund $4,745,000 in principal outstanding on the 2006 Certifies, to refund $786,993 in outstanding principal on a capital lease

NOTE 12: CERTIFICATES OF PARTICIPATION

issued on April 5, 2005 and for the construction and renovation of certain District facilities and the acquisition and installation of equipment, pay capitalized interest with respect to the Certificates and pay costs related to the execution and delivery of the Certificates. The COPs bear effective interest rates ranging from 2.0 percent to 5.0 percent and mature through 2041.

Certificates of Participation, Refunding

Year Ending June 30,	Principal	Interest
2018	$ 935,000	$ 1,192,200
2019	970,000	1,164,150
2020	1,500,000	1,125,350
2021	1,435,000	1,050,350
2022	705,000	978,600
2023-2027	3,995,000	4,422,200
2028-2032	4,985,000	3,435,100
2033-2037	6,290,000	2,126,750
2038-2041	6,110,000	623,000
Total	$ 26,925,000	$ 16,117,700

NOTE 13: CAPITAL LEASES

On April 5, 2005, the district entered into a capital lease agreement with CitiMortgage, Inc., since acquired by PNCEF, LLC, to finance the purchase and installation of Photovoltaic Solar Collecting Systems at Foothill College and De Anza College. The amount of the lease is $3,188,626 with effective interest rates of 4.14% and mature through 2020.

On August 19, 2013, the district entered into a capital lease agreement with Capital One Public Funding, LLC, to refinance the 2003 Certificate of Participation of $18.2 million. The refinanced lease amount of $7,580,000 constitutes the remainder of the refinanced $18.2 million COP with effective interest rates of 1.75% and mature through 2021.

The assets associated with the Capital Leases are disclosed in the fixed assets analysis, which includes the accumulated depreciation.

The District's liability on lease agreements with option to purchase is summarized herein.

NOTE 13: CAPITAL LEASES

Year Ending June 30,	Principal	Interest
2018	$ 1,091,669	$ 63,591
2019	1,110,857	44,403
2020	1,130,382	24,878
2021	572,620	5,010
Total	$ 3,905,528	$ 137,882

NOTE 14: RISK MANAGEMENT

Property and Liability Insurance Coverages

During fiscal year ending June 30, 2017, 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, 2017 were $667,169 and $4,003,383, respectively.

Health Care

The District is self-insured for dental and vision coverage and has contracted with CalPERS to provide health care coverage. Participating eligible full-time employees are provided a negotiated average per employee per month (PEPM) contribution for health, dental and vision plan premium costs. For the 2017 Plan Year, the PEPM was $1,011 or $12,132 for the year. Actual PEPM contributions for each individual is based on the plan and tier selected.

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

NOTE 14: RISK MANAGEMENT

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.

Reported Liability	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
Worker's compensation	$ 4,644,141	$ 679,248	$ 652,837	$ 4,670,552

NOTE 15: 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, 2017, the District made payments of $374,431 to the South Bay Regional Public Safety Training Consortium and $183,332 to SELF.

NOTE 16: FUNCTIONAL EXPENSE

Operating expenses are reported by natural classification in the statement of revenues, expenses and change in net position. A schedule of expenses by function is shown herein.

NOTE 16: FUNCTIONAL EXPENSE

Functional Expense	Salaries	Benefits	Supplies, materials, and other operating expenses and services	Utilities	Financial Aid	Depreciation	Total
Instructional activities	$ 89,986,580	$ 26,851,069	$ 4,650,842	$ 959	$ -	$ -	$121,489,450
Academic support	14,298,446	4,534,375	3,007,389	7,241	-	-	21,847,450
Student services	16,189,866	5,473,703	4,837,750	24,182	-	-	26,525,501
Operation and maintenance of plant	6,223,301	2,635,382	2,518,908	3,443,787	-	-	14,821,377
Instructional support services	21,054,869	12,704,601	61,319,167	93,473	-	-	95,172,110
Community services and economic development	1,932,573	451,224	3,037,493	2,694	-	-	5,423,984
Ancillary services and auxiliary operations	4,962,004	1,488,273	3,765,080	1,086	-	-	10,216,442
Physical property and related acquisitions	-	-	580,620	-	-	-	580,620
Transfers, student aid and other outgo	1,081,127	399,044	1,256,661	-	30,841,982		33,578,813
Depreciation expense	-	-	-	-	-	42,095,158	42,095,158
Total	$155,728,766	$ 54,537,670	$ 84,973,908	$ 3,573,422	$ 30,841,982	$ 42,095,158	$371,750,906

NOTE 17: COMMITMENTS AND CONTINGENCIES

The District is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have A material adverse effect on the District's financial statements.

State and Federal Allowances, Awards, and Grants

The District has received state and Federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believe that any required reimbursement will not be material.

Accreditation

The District's two Colleges maintain their accreditation by fulfilling criteria that are determined by the Accrediting Commission of Community Junior Colleges (ACCJC). Throughout its continuous six-year review cycle, each College conducts and published several review instruments, including an annual report, annual fiscal report, midterm report, comprehensive institutional self-study, and an evaluation review by a team of peers. The District's two Colleges completed their accreditation comprehensive visits in Fall 2017 and are awaiting the results from the formal report.

NOTE 17: COMMITMENTS AND CONTINGENCIES

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.

Future minimum lease payments under these agreements are as follows:

Year Ending June 30,	Lease Payment
2018	$ 214,904
2019	214,904
2020	214,904
2021	214,904
2022	214,904
Total	$ 1,074,520

Purchase Commitments

As of June 30, 2017, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately $24.8 million. Projects will be funded through state funds and general obligation bonds.

NOTE 18: CUMULATIVE EFFECT OF ACCOUNTING CHANGE AND RESTATEMENT TO BEGINNING NET POSITION

The beginning net position of the OPEB Trust financial statements has been restated by a reduction of $13,989,362 in the fiduciary funds. In 2015-16, the OPEB Trust Fund was recognized in the fiduciary financial statements. In further review of GASB Statement No. 84, this fund does not meet the criteria to be considered a fiduciary fund.

As of June 30, 2017, the District has invested $16,950,906 in the California Employer's Retirement Benefit Trust Program (CERBT) as described in Note 9. The investment is reported within the CalPERS Comprehensive Annual Financial Report and is therefore not reflected in the District's financial statements.

NOTE 19: DONATED SERVICES AND FACILITIES

Donated services and facilities to the Foothill-De Anza Community Colleges Foundation totaling $67,954 for the year ended June 30, 2017 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 20: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS ISSUED, NOT YET EFFECTIVE

The Governmental Accounting Standards Board (GASB) has issued pronouncements prior to June 30, 2017, that have effective dates that impact future financial presentations; however, the impact of the implementation of each of the statements below to the District's financial statements has not been assessed at this time.

Statement No. 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

This statement establishes standards for governmental employer recognition, measurement, and presentation of information about OPEB. The statement also establishes requirements for reporting information about financial support provided by certain non-employer entities for OPEB that is provided to the employees of other entities. The statement is effective for the fiscal year 2017-18.

Statement No. 81 – *Irrevocable Split-Interest Agreements*

This statement establishes guidance in order to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The statement is effective for the fiscal year 2017-18.

NOTE 20: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS ISSUED, NOT YET EFFECTIVE

Statement No. 83 – *Certain Asset Retirement Obligations*

This statement addresses accounting and financial reporting for certain asset retirement obligations when a legally enforceable liability is associated with the retirement of a tangible capital asset. The statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources. The statement is effective for the fiscal year 2018-19.

Statement No. 85 – *Omnibus 2017*

The objective of the statement is to address practice issues that have been identified during implementation and application of certain GASB statements related to blended component units, goodwill, fair value measurement and application, and postemployment benefits (OPEB). The statement is effective for the fiscal year 2017-18.

Statement No. 86 – *Certain Debt Extinguishment Issues*

The objective of the statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt.

This statement also improves accounting and financial report for prepaid insurance on debt that is extinguished and notes to the financial statements for debt that is in-substance defeased. The statement is effective for the fiscal year 2017-18.

Statement No. 87 – *Leases*

The objective of the statement is to improve the accounting and financial reporting for leases by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. Inflows of resources or outflows of resources will be recognized based on the payment provisions of the contract. The statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The statement is effective for the fiscal year 2020-21.

REQUIRED SUPPLEMENTARY INFORMATION

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

SCHEDUDLE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
For the Fiscal Year Ended June 30, 2017

California State Teachers' Retirement System - State Teachers' Retirement Plan	2015	2016	2017
District's proportion of the net pension liability (assets)	0.1536%	0.1502%	0.1410%
District's proportionate share of the net pension liability (asset)	$ 89,739,321	$ 102,319,350	$ 114,042,210
State's proportionate share of the net pension liability (asset) associated with the District	54,188,476	54,115,656	64,931,754
Total	$ 143,927,797	$ 156,435,006	$ 178,973,964
District's covered payroll	$ 62,500,000	$ 64,900,000	$ 67,100,000
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	143.58%	157.66%	169.96%
Plan fiduciary net position as a percentage of the total pension liability	77.00%	74.00%	70.04%

California Public Employees' Retirement System - Schools Pool Plan	2015	2016	2017
District's proportion of the net pension liability (assets)	0.4455%	0.4405%	0.4395%
District's proportionate share of the net pension liability (asset)	$ 50,508,676	$ 64,924,007	$ 86,801,522
District's covered payroll	$ 46,700,000	$ 48,600,000	$ 52,800,000
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	108.16%	133.59%	164.40%
Plan fiduciary net position as a percentage of the total pension liability	83.00%	79.00%	73.90%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

The amounts for covered payroll are reported as of the previous fiscal year to align with the measurement date of the net pension liability.

See the accompanying notes to the required supplementary information.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
For the Fiscal Year Ended June 30, 2017

California State Teachers' Retirement System - State Teachers' Retirement Plan	2015	2016	2017
Contractually required contribution	$ 5,770,723	$ 7,276,038	$ 9,099,696
Contributions in relation to the contractually required contribution	5,770,723	7,276,038	9,099,696
Contribution deficiency (excess)	$ -	$ -	$ -
District's coveredpayroll	$ 64,900,000	$ 67,100,000	$ 72,200,000
Contributions as a percentage of covered payroll	8.89%	10.84%	12.60%

California Public Employees' Retirement System - Schools Pool Plan	2015	2016	2017
Contractually required contribution	$ 5,722,845	$ 6,255,896	$ 7,593,407
Contributions in relation to the contractually required contribution	5,722,845	6,255,896	7,593,407
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered payroll	$ 48,600,000	$ 52,800,000	$ 54,700,000
Contributions as a percentage of covered payroll	11.78%	11.85%	13.88%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

See the accompanying notes to the required supplementary information.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS
For the Fiscal Year Ended June 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (Unit Credit Cost Method) (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funding Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2011	6,430,877	117,564,565	111,133,688	5%	94,425,252	118%
7/1/2013	8,146,391	120,204,435	112,058,044	7%	95,419,663	117%
7/1/2015	12,551,451	104,386,944	91,835,493	12%	98,154,759	94%

As of June 30, 2017, the District has invested $16,950,906 in the California Employer's Retirement Benefit Trust Program (CERBT) as described in Note 9. The investment is reported within the CalPERS Comprehensive Annual Financial Report and is therefore not reflected in the District's financial statements.

See the accompanying notes to the required supplementary information.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF POSTEMPLOYMENT HEALTHCARE BENEFITS EMPLOYER CONTRIBUTIONS
For the Fiscal Year Ended June 30, 2017

Year Ending June 30,	Annual Required Contribution	Percentage Contributed
2015	$ 9,254,460	89%
2016	7,200,647	116%
2017	7,200,647	119%

See the accompanying notes to the required supplementary information.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2017

NOTE 1: PURPOSE OF SCHEDULES

Schedules of District's Proportionate Share of the Net Pension Liability – CalSTRS-STRP and CalPERS-Schools Pool Plan

The schedule presents information on the District's proportionate share of the net pension liability, the plans' fiduciary net position and, when applicable, the State's proportionate share of the net pension liability associated with the District. In the future, as data becomes available, 10 years of information will be presented.

Schedules of District Contributions – CalSTRS-STRP and CalPERS-Schools Pool Plan

The schedule presents information on the District's required contribution, the amounts actually contributed and any excess or deficiency related to the required contribution. In the future, as data becomes available, 10 years of information will be presented.

Schedule of Postemployment Healthcare Benefits Funding Progress

The schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

Schedule of Postemployment Healthcare Benefits Employer Contributions

The schedule is intended to show trends about the percentage of the annual required contribution made to the plan.

SUPPLEMENTARY INFORMATION

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

HISTORY AND ORGANIZATION
For the Fiscal Year Ended June 30, 2017

The Board of Trustees and the District Administrators for the fiscal year ended June 30, 2017 were as follows:

BOARD OF TRUSTEES

Member	Office	Term Expires
Laura Casas	President	2016-2020
Bruce Swenson	Vice President	2014-2018
Pearl Cheng	Member	2014-2018
Peter Landsberger	Member	2016-2020
Gilbert Wong	Member	2016-2020

DISTRICT ADMINISTRATORS

Judy Miner	Chancellor
Kevin McElroy	Vice Chancellor, Business Services
Dorene Novotny	Vice Chancellor, Human Resources
Joe Moreau	Vice Chancellor, Technology
Thuy Nguyen	President, Foothill College
Brian Murphy	President, De Anza College

FISCAL ADMINISTRATION

Kevin McElroy	Vice Chancellor, Business Services
Raquel Puentes-Griffith	Executive Director, Fiscal Services
Joni Hayes	Director, Budget Operations
Edith Aiwaz	Manager, Accounting

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2017

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
U.S. Department of Education:			
Student Financial Aid Cluster			
Federal Pell Grant Programs (PELL)	84.063	(1)	$ 19,636,373
Federal Pell Administrative Allowance	84.063	(1)	95,396
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	(1)	579,949
Federal Direct Student Loan	84.268	(1)	7,217,821
Federal College Work Study (FWS)	84.033	(1)	550,060
Total Student Financial Aid Cluster			28,079,599
Strengthening Minority Serving Institutions - Asian American	84.382B	(1)	185,546
Pass Through Funds			
Career Technical Education Act			
Basic Grants To States (Perkins Title I-C)	84.048	14-112-016	580,205
Basic Grants To States (CTE Transitions)	84.048	14-C01-016	85,937
Total U.S. Department of Education			28,931,287
National Science Foundation:			
Pass Through Funds			
National Science Foundation - SBIR/STTR-Koli,Inc	47.041	03797	3,500
National Science Foundation - S-STEM	47.076	03797	111,410
National Science Foundation - Stemway	47.076	03797	150,183
Total National Science Foundation			265,093
Corporation for National and Community Service			
AmeriCorps State and National	94.006	(1)	70,691
Total Corporation for national and Community Service			70,691

See the accompanying notes to the supplementary information.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2017

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
U.S. Department of Health and Human Services			
Pass through California Community College Chancellor's Office:			
Temporary Assistance for Needy Families (TANF)	93.558	(2)	36,546
Medical Assistance Program (MAA)	93.778	10011	45,148
Total U.S. Department of Health and Human Services			81,694
U.S. Department of Labor:			
American Apprenticeship Initiative	17.268	(2)	38,378
Workforce Investment Act Cluster			
Occupational Training Institute (OTI) - General Grants	17.258	03573	652
WIA - Adult Program	17.258	03573	41,861
Total Workforce Investment Act Cluster			42,513
Total U.S. Department of Labor			80,891
U.S. Department of Agriculture			
Pass through Funds			
Child and Adult Care Food Program	10.558	03628	42,499
Total U.S. Department of Agriculture			42,499
U.S. Department of Transportation			
Discover Opportunities-IT Grant	20.514	(2)	1,871
Total U.S. Department of Transportation			1,871
Total Federal Programs			$ 29,474,026

(1) Pass-through entity identifying number not applicable, direct funded
(2) Pass-through entity identifying number not applicable

See the accompanying notes to the supplementary information.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL ASSISTANCE - GRANTS
For the Fiscal Year Ended June 30, 2017

Program Name	Cash Received	Accounts Receivable	Accounts Payable	Unearned Revenue	Total Revenue	Program Expenditures
General Fund						
Extended Opportunity Program & Services	$ 2,171,108	$	$	$ 12,318	$ 2,158,790	$ 2,158,790
Cooperative Agencies Resources for Education	173,696			45,828	127,868	127,868
Disabled Student Services and Programs	2,758,099				2,758,099	2,758,099
Student Success - Student Equity	3,256,000			983,635	2,272,365	2,272,365
Student Success - Credit	8,168,305			2,223,864	5,944,441	5,944,441
Student Success - Non Credit	163,934				163,934	163,934
Faculty & Staff Dev Restr CS	45,883			42,604	3,279	3,279
Equal Employment Opportunity	104,773			50,377	54,397	54,397
Economic Development	113,547	190,857		29,999	274,405	274,405
Basic Skills	794,645			447,509	347,136	347,136
Basic Skills Transformational Grant	539,225			263,704	275,521	275,521
BFAP Administration	951,767				951,767	951,767
Career Technical Education	2,270,560	947,234		1,396,677	1,821,117	1,821,117
Prop. 39 Clean Energy		86,212			86,212	86,212
Child Dev Tax Bailout	426,945				426,945	426,945
Child Development Center	284,467	3,176			287,643	287,643
High Tech Center Training Unit	1,395,193			261,637	1,133,556	1,133,556
TANF	36,546				36,546	36,546
Adult Education Block Grant	728,590			376,612	351,978	351,978
TTIP Telecom & Technology	78,892			64,272	14,620	14,620
Instructional Equipment	1,718,740			1,331,462	387,278	387,278
Scheduled Maintenance	4,800,683			3,955,716	844,967	1,180,333
Lottery Instructional Materials	100,357	1,389,548			1,489,905	1,065,811
CalGrant B & C	1,579,184	19,775			1,598,959	1,598,959
CalWorks	366,652	6,000		1,027	371,625	371,625
CalWorks TSE	198,449	50,255		13,074	235,629	235,629
CalWorks SSA	198,934	15,157			214,090	214,090
Online Education Initiative (OEI)	11,686,197	11,600,579	6,263,905		23,286,775	23,286,775
Full Time Student Success Grant	713,832			167,832	546,000	546,000
Child Care Food Program	1,409	156			1,565	1,565
First CDC	21,350				21,350	21,350
CTE Enhancement	29,099				29,099	29,099
Miscellaneous State Assistance						
FH Marketplace	20,000			16,046	3,954	3,954
Child Development Training Consortium	33,770			1,152	32,619	32,619
DA - CCC eTranscripts	3,800				3,800	3,800
Early Childhood Education	40,785			32,547	8,238	8,238
FH-Institutional Effectiveness & Technical Assistance	52,000				52,000	52,000
FH-SVETP/CTPP-STEM	31,548	66,426			97,974	97,974
Common Assessment Initiative Grant	-	4,084			4,084	4,084
Butte-Glen OER	11,013	-	-	11,013	-	-
	$ 46,069,975	$ 14,379,457	$ 6,263,905	$ 11,728,904	$ 48,720,528	$ 48,631,800

Note : Certain programs use resources from the prior year ending balance and/or carry over balances into the subsequent fiscal year beginning fund balance; for these situations, total revenue will not equal total expenditures.

See the accompanying notes to the supplementary information.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT
For the Fiscal Year Ended June 30, 2017

	Revised Annual - Factored			
Categories	Reported Data	District Adjustments	Audit Adjustments	Revised Data
A. Summer Intersession (Summer 2016 only)				
1. Noncredit[1]	48.67			48.67
2. Credit[1]	2,911.09	0.04		2,911.13
B. Summer Intersession (Summer 2017 - Prior to July 1, 2017				
1. Noncredit[1]	-			-
2. Credit[1]	-			-
C. Primary Terms (Exclusive of Summer Intersession)				
1. Census Procedure Courses				
(a) Weekly Census Contact Hours	14,571.34	5.55	(5.59)	14,571.30
(b) Daily Census Contact Hours	290.48			290.48
2. Actual Hours of Attendance Procedure Courses				
(a) Noncredit[1]	400.07			400.07
(b) Credit[1]	711.94			711.94
3. Independent Study/Work Experience				
(a) Weekly Census Contact Hours	6,653.40	0.20		6,653.60
(b) Daily Census Contact Hours	380.36	(0.03)		380.33
(c) Noncredit Independent Study/Distance Education Courses	-			-
D. Total FTES	25,967.35	5.76	(5.59)	25,967.52
Supplemental Information (subset of above information)				
E. In-service Training Courses (FTES)	-	-	-	-
H. Basic Skills courses and Immigrant Education				
(a) Noncredit[1]	252.27	-	-	252.27
(b) Credit[1]	2,207.67	0.06	-	2,207.73
CCFS 320 Addendum				
CDCP Noncredit FTES	184.45	-	-	184.45
Centers FTES				
(a) Noncredit[1]	34.17	-	-	34.17
(b) Credit[1]	1,479.22	-	-	1,479.22

1 Including Career Development and College Preparation (CDCP) FTES

See the accompanying notes to the supplementary information.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH FUND FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

The audit resulted in no adjustments to the fund balances reported on the June 30, 2017 Annual Financial and Budget Report (CCFS-311) based upon governmental accounting principles. In accordance with Governmental Accounting Standards Board Statements No. 34 and No. 35, the financial statements have been prepared under the full accrual basis of accounting which requires that revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Additional entries were made to comply with the governmental reporting requirements. These entries are not considered audit adjustments for purposes of this reconciliation.

A reconciliation between the fund balances reported on the June 30, 2017 Annual Financial and Budget Report (CCFS-311), based upon the modified accrual basis of accounting, and total net position recorded on the full accrual basis of accounting is shown below and on the following page:

Unrestricted Fund Balance	$ 58,527,970
Restricted Fund Balance	8,169,471
Debt Service Funds	33,671,315
Child Development Fund	521,094
Capital Outlay Funds Balance	80,732,871
Enterprise Funds Balance	5,654,313
Self Insurance Fund Balance	9,180,611
All Other Funds	55,867
Total fund balances as reported on the Annual Financial and Budget Report (CCFS-311)	$ 196,513,512

See the accompanying notes to the supplementary information.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH FUND FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

Total fund balances as reported on the Annual Financial and Budget Report (CCFS-311)	$ 196,513,512
Capital assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Net capital assets of $482,025 are already recorded in other governmental funds. Capital assets, net of accumulated depreciation are added to total net assets.	705,368,772
Deferred charges associated with debt refundings are capitalized. These amounts will be amortized to interest expense over the life of the refunded debt.	37,395,470
Deferred outflows associated with pension costs result from pension contributions made during the fiscal year and from actuarially determined adjustments. These amounts will be recognized as a reduction of the net pension liability or amortized to pension expense, as applicable, in subsequent periods.	42,961,505
Compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds. The short term portion of compensated absences of $64,067 is already recorded in the General Fund.	(5,233,594)
Claims payable on self-insured programs are not due and payable in the current period and therefore are not reported in the government funds. The short term portion of claims payable of $667,169 is already recorded in the governmental funds.	(4,003,383)
Long term liability related to general obligation bonds, certificates of participation and capital leases are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Long term obligations are added to the statement of net position which reduces the total net assets reported.	(855,582,097)
The liability of employers and nonemployers contributing to employees for benefits provided through a defined benefit pension plan is recorded as net pension liabilities.	(200,843,732)
Interest related to bonds incurred through June 30, 2017 is accrued as a current liability on the statement of net position which reduces the total net assets reported.	(12,536,696)
Deferred inflows associated with pension costs represent an acquisition of net assets by the District that is applicable to a future reporting period. The deferred inflows of resources results from the difference between the expended and actual experience, the difference in proportion and changes in assumptions. These amounts are deferred and amortized.	(14,977,177)
Amounts reserved for other post employment retirement plans in excess of annual required contributions is reported total net position in the governmental funds. These amounts are recognized as assets which will apply against future required contributions.	4,921,218
Total net position	$ (106,016,202)

See the accompanying notes to the supplementary information.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF EDUCATION CODE SECTION 84362
50 PERCENT LAW CALCULATION
For the Fiscal Year Ended June 30, 2017

		Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) 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	37,064,391		37,064,391	37,064,391		37,064,391
Instructional Salaries - Other	1300	40,146,206		40,146,206	40,146,206		40,146,206
Total Instructional Salaries		77,210,597		77,210,597	77,210,597	-	77,210,597
Non-Instructional Salaries - Contract or Regular	1200			-	12,517,881		12,517,881
Non-Instructional Salaries - Other	1400			-	1,024,211		1,024,211
Total Non-Instructional Salaries		-	-	-	13,542,092	-	13,542,092
Total Academic Salaries		77,210,597	-	77,210,597	90,752,689	-	90,752,689
Classified Salaries							
Non-Instructional Salaries - Regular Status	2100			-	31,489,064		31,489,064
Non-Instructional Salaries - Other	2300			-	2,724,953		2,724,953
Total Non-Instructional Salaries		-	-	-	34,214,017	-	34,214,017
Instructional Aides - Regular Status	2200	1,959,957		1,959,957	1,959,957		1,959,957
Instructional Aides - Other	2400	678,248		678,248	678,248		678,248
Total Instructional Aides		2,638,205	-	2,638,205	2,638,205		2,638,205
Total Classified Salaries		2,638,205	-	2,638,205	36,852,222	-	36,852,222
Employee Benefits	3000	23,646,515	-	23,646,515	44,443,180		44,443,180
Supplies and Materials	4000	-	-	-	2,542,098		2,542,098
Other Operating Expenses	5000	1,115,064	-	1,115,064	24,814,356		24,814,356
Equipment Replacement	6420			-			-
Total Expenditures Prior to Exclusions		104,610,381	-	104,610,381	199,404,545	-	199,404,545
Exclusions							
Activities to Exclude							
Instructional Staff–Retirees' Benefits & Retirement Incentives	5900	4,158,799		4,158,799	4,158,799		4,158,799
Student Health Services Above Amount Collected	6441			-	-		-
Student Transportation	6491			-	-		-
Non-instructional Staff-Retirees' Benefits & Retirement Incentives	6740			-	3,408,340		3,408,340
Objects to Exclude							
Rents and Leases	5060			-	572,138		572,138
Lottery Expenditures							
Academic Salaries	1000			-			-
Classified Salaries	2000			-	-		-
Employee Benefits	3000			-	-		-
Software	4100			-			-
Books, Magazines, & Periodicals	4200			-			-
Instructional Supplies & Materials	4300			-			-
Noninstructional, Supplies & Materials	4400			-	4,606,325		4,606,325
Other Operating Expenses and Services	5000			-	-		-
Capital Outlay	6000			-			-
Library Books	6300			-			-
Equipment - Additional	6410			-			-
Equipment - Replacement	6420			-			-
Other Outgo	7000			-			-
Total Exclusions		4,158,799	-	4,158,799	12,745,602	-	12,745,602
Total for ECS 84362, 50% Law		100,451,582	-	100,451,582	186,658,943	-	186,658,943
Percent of CEE (Instructional Salary Cost/Total CEE)		53.82%	0%	53.82%	100%	0%	100%
50% of Current Expense of Education					93,329,472	-	93,329,472

See the accompanying notes to the supplementary information.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

PROPOSITION 55 EDUCATION PROTECTION ACCOUNT EXPENDITURE REPORT
For the Fiscal Year Ended June 30, 2017

Activity Classification	Object Code				Unrestricted
EPA Proceeds:	8630				$ 6,840,711
Activity Classification	**Object Code**	**Salaries and Benefits (1000-3000)**	**Operating Expenses (4000-5000)**	**Capital Outlay (6000)**	**Total**
Instructional Activities	0100-5900	$ 3,793,565	$ -	$ -	$ 3,793,565
Library	6120	1,070,799			1,070,799
Counseling and Guidance	6310	1,976,347			1,976,347
Total Expenditures for EPA*		$ 6,840,711	$ -	$ -	6,840,711
Revenue less Expenditures					

*Total Expenditures for EPA may not include Administrator Salaries and Benefits or other administrative costs.

See the accompanying notes to the supplementary information.

NOTE 1: PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the District under programs of the federal governmental for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the full accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District did not use the 10-percent de minimus indirect cost rate as allowed under the Uniform Guidance.

Schedule of State Financial Assistance – Grants

The Schedule of State Financial Assistance was prepared on the full accrual basis of accounting.

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

The Schedule of Workload Measures for State General Apportionment represents the basis of apportionment of the District's annual source of funding.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule reports any audit adjustments made to the fund balances reported on the June 30, 2017 Annual Financial and Budget Report (CCFS- 311). This schedule is prepared to show a reconciliation between the governmental fund balances reported on the June 30, 2017 Annual Financial and Budget Report (CCFS- 311), based upon the modified accrual basis of accounting, and total net position recorded on the full accrual basis of accounting is shown.

NOTES TO THE SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2017

NOTE 1: PURPOSE OF SCHEDULES

Reconciliation of 50 Percent Law Calculation

This schedule reports any audit adjustments made to the 50 percent law calculation (Education Code Section 84362).

Proposition 55 Education Protection Account Expenditure Report

This schedule reports how funds received from the passage of Proposition 55 Education Protection Act were expended.

OTHER INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of Foothill-De Anza Community College District (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 15, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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 financial statements will not be prevented or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
Glendora, California
November 15, 2017

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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 U.S. Office of Management and Budget (OMB) *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, 2017. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 considered 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, 2017.

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 of 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 the Uniform Guidance, 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 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, 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
Glendora, California
November 15, 2017

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

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

We have audited the Foothill-De Anza Community College District's (the District) compliance with the types of compliance requirements described in the *2016-17 Contracted District Audit Manual,* published by the California Community Colleges Chancellor's Office for the year ended June 30, 2017. The District's state compliance requirements are identified in the table provided.

Management's Responsibility

Management is responsible for compliance with the state laws and regulations as identified below.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance based on our audit of the types of compliance requirements referred to below.

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 the *2016-17 Contracted District Audit Manual,* published by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has 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 considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on state compliance. However, our audit does not provide a legal determination of the District's compliance.

Compliance Requirements Tested

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

Section	Description	Procedures Performed
421	Salaries of Classroom Instructors (50 Percent Law)	Yes
423	Apportionment for Instructional Service Agreements/Contracts	Yes
424	State General Apportionment Funding System	Yes
425	Residency Determination for Credit Courses	Yes
426	Students Actively Enrolled	Yes
427	Dual Enrollment of K-12 Students in Community College Credit Courses	Yes
428	Student Equity	Yes
429	Student Success and Support Program (SSSP)	Yes
430	Scheduled Maintenance Program	Yes
431	Gann Limit Calculation	Yes
435	Open Enrollment	Yes
439	Proposition 39 Clean Energy Funds	Yes
440	Intersession Extension Program	Not applicable
475	Disabled Student Programs and Services (DSPS)	Yes
479	To Be Arranged Hours (TBA)	Yes
490	Proposition 1D State Bond Funded Projects	Not applicable
491	Education Protection Account Funds	Yes

Opinion on State Compliance

In our opinion, the District complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the *2016-17 Contracted District Audit Manual* and which is described in the accompanying schedule of findings and questioned costs as item 2017-01, Our opinion on each state program is not modified with respect to this matter.

The District's response to the noncompliance finding identified in our audit is included 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.

Purpose of this Report

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2016-17 Contracted District Audit Manual.* Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
Glendora, California
November 15, 2017

FINDINGS AND QUESTIONED COSTS

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS
June 30, 2017

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:				*Unmodified*
Internal control over financial reporting:				
Material weakness(es) identified?		*Yes*	X	*No*
Significant deficiency(ies) identified?		*Yes*	X	*None Reported*
Noncompliance material to financial statements noted?		*Yes*	X	*No*

Federal Awards

Internal control over major federal awards:				
Material weakness(es) identified?		*Yes*	X	*No*
Significant deficiency(ies) identified?		*Yes*	X	*None Reported*
Type of auditor's report issued on compliance for major federal programs:				*Unmodified*
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?		*Yes*	X	*No*

Identification of Major Federal Programs:

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

Dollar threshold used to distinguish between type A and type B programs:				$884,221
Auditee qualified as low-risk auditee?	X	*Yes*		*No*

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO THE FINANCIAL STATEMENTS
June 30, 2017**

There were no findings and questioned costs related to basic financial statements for the year ended June 30, 2017.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS June 30, 2017

There were no findings and questioned costs related to federal awards for June 30, 2017.

2017-001 SECTION 479 - TO BE ARRANGED (TBA) HOURS

Criteria: The Contracted District Audit Manual (CDAM) defines TBA as "Some courses with regularly scheduled hours of instruction have – hours to be arranged (TBA) as part of the total contact hours for the course. The TBA portion of the course uses an alternate method for regularly scheduling a credit course for purposes of applying either the Weekly or Daily Census Attendance Accounting Procedures pursuant to CCR, Title 5, §58003.1(b) and (c), respectively." TBA hours are only an option for credit courses that apply the Weekly or Daily Attendance Accounting Procedures and not to those that apply the Alternative Attendance Accounting Procedure pursuant to Title 5, section 58003.1(f). The guidance provided by the Chancellor's Office further requires Student participation must be carefully tracked to ensure TBA hours are not claimed for apportionment for students who have documented zero hours as of the census date for the course.

In addition, Second TBA hours follow-up memorandum, June 10, 2009 indicates that "regularly scheduled" has been administratively redefined to mean that within the format of weekly census courses, students must participate for the required number of TBA hours each week of the primary term for the duration of the course, and documentation must demonstrate weekly student participation. Districts have the flexibility to individually schedule these regular weekly TBA hours or may allow students to fulfill their weekly TBA obligation at a time of their choosing each week of the term. The key factor here is the students must participate for the same number of TBA hours each week of the primary term so that the course in question continues to qualify for the Weekly Census attendance accounting procedure.

Condition: When auditing TBA courses we noted the following exceptions:

- TBA hours were claimed for Students who had zero hours as of the census date for the course.
- Student participation documentation in TBA hours was not provided for students.
- Students did not participate for the required number of TBA each week of the primary term for the duration of the course. Students participated in TBA course with different hours each week and did not follow the course outline; TBA hours were claimed for apportionment for these students.

Questioned Costs/FTES: 5.59 FTES which is 100% of population.

Context: The District claimed five Weekly TBA courses during 2016-17. Our review tested all five of these courses.

Effect: An overstatement of contact hours on the CCFS-320 annual report. The District filed the CCFS-320 Annual Revised (Recal) report and removed the entire TBA population from the weekly courses contact hours.

Recommendation: For courses that require TBA hours, implement procedures to ensure all state and Chancellor's Office requirements are met. Consult with the Student Attendance Accounting Manual (SAAM) and various Memorandums published by the Chancellor's Office as authoritative guidance.

Corrective Action Plan: A new procedure (including a new checklist) has been implemented to identify courses classified as requiring TBA hours, and to ensure proper controls for compliance with documentation requirements identified by the audit.

The new checklist developed by Admissions and Records ensures a thorough review of the process that faculty are reporting the required information regarding TBA hours.

Item #6 on the checklist is to ensure only students that have attended and have documented hours prior to census are reported.

Item #7 is to ensure reviewing the requirement related to weekly attendance hours.

Item #8 is to ensure the correct attendance hours for the entire course are reported.

The Admissions Office Coordinator in conjunction with either the Supervisor of Admissions & Records or the Sr. Enrollment Services Supervisor is performing these quality assurance checks.

Admissions and Records has also implemented updated email communication notifying instructors of the need to submit a copy of the course syllabus. The syllabus is required to ensure that the total number of weekly hours, along with course hours are being met.

If any discrepancies are found, the checklist requires the staff to return the information to the instructor for corrections, along with notifying the instructional dean responsible for the supervision of the faculty.

The Dean of Enrollment Services will work closely with Instructional Deans and the Vice President of Instruction to provide faculty training as needed and ensure faculty teaching courses requiring TBA hours are monitoring student attendance and meeting the documentation requirements.

The Dean of Enrollment Services (A&R) will assume overall responsibility for enforcing these procedures and ensuring proper documentation and accurate reporting of TBA hours.

The Dean of Enrollment Services will ensure that TBA hours associated with CDE off-campus practicum will be excluded from the CCFS-320 report.

To further ensure institutional oversight and as an added layer of control, the Dean of Enrollment Services, Vice President of Instruction, Vice President of Finance and College Operations, and Associate Vice President of Student Services will review institutional compliance with the reporting of TBA hours and ensuring that no audit findings occur in the future.

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2017

2016-001 SECTION 479 - TO BE ARRANGED (TBA) HOURS

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

Title 5, Section 55002(a)(3), 55002(b)(2) 58050(5), and 58051(a)(1) require that specific instruction activities, including those conducted during TBA hours, expected of all students enrolled in the course be included in the official course outline. In addition, Title 5, Section 5810 and 58108 requires that a clear description of the course, including the number of TBA hours required by published in the official general catalog or addendum thereto and in the official schedule of classes or addendum thereto.

Condition: We noted that contact hours for students where documentation of participate for at least 50 minutes of the To Be Arranged time was not available had not been removed from the 320.

Questioned Costs: 0.4668 FTES with an error rate of 47% were not supported. Extrapolated to the entire population of TBA courses there was 1.587 FTES not supported that should be removed from weekly courses to remove contact hours of students who did not demonstrate TBA activity participation.

Context: The District offered only five child development courses though the TBA method of instruction.

Effect: FTES reported on the Form 320 were overstated and the District received apportionment funding for those FTES.

Cause: The District did not manually adjust the Form 320 data to remove those students who did not participate for the minimum amount of To Be Arranged Hours.

Recommendation: We recommend the District review participation records for all To Be Arranged courses and remove contact hours for those students who do not show evidence of participation.

Current Status: Not Implemented, see finding 2017-001.