FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT
SANTA CLARA COUNTY

REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
INCLUDING REPORTS ON COMPLIANCE
June 30, 2019

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, 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, 2019, 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. The financial statements of Foothill-De Anza Community Colleges Foundation (the discretely presented component unit) were not audited in accordance with Government Auditing Standards.

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 opinions.

Opinions

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, 2019, 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.

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 supplementary information, including 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 presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information, including the schedule of expenditures of federal awards, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary 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 21, 2019 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
Glendora, California
November 21, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2019

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, 2019. 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 comparison is summarized herein.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2019

In thousands:

	2019	2018	Net Change
Assets			
Current assets	$ 196,741	$ 178,358	$ 18,383
Non-current assets	697,894	735,825	(37,931)
Total Assets	894,635	914,183	(19,548)
Deferred Outflows of Resources	101,838	106,865	(5,027)
Liabilities			
Current liabilities	116,193	93,985	22,208
Non-current liabilities	1,150,645	1,156,149	(5,504)
Total Liabilities	1,266,838	1,250,134	16,704
Deferred Inflows of Resources	22,081	21,191	890
Net Position			
Net investment in capital assets	(62,169)	(18,491)	(43,678)
Restricted	41,458	39,902	1,556
Unrestricted	(271,735)	(271,688)	(47)
Total Net Position	$ (292,446)	$ (250,277)	$ (42,169)

Assets

Total assets decreased by net $19.6 million or 2% over prior year due to an increase in current assets coupled with a decrease in non-current assets. The major changes affecting total assets are listed below:

- The increase of net $18.4 million in current assets is mainly due to a remaining $18 million of cash associated with the statewide California Virtual Campus Online Educational Initiative (CVC-OEI) Grant for which the District is the fiscal agent.

- Non-current assets decreased by $37.9 million which is attributable to less asset capitalization of approximately $22.1 million from tapering bond project activity. Restricted cash decreased by $15.8 million also as a result of the declining bond project activity as the program reaches completion.

Liabilities

Total liabilities increased by approximately $16.7 million; an increase of 1%. The major changes affecting total liabilities are listed below:

- Current liabilities increased by $22.2 million within the restricted grant and categorical unearned revenue area largely compromised of the previously noted $18 million in remaining year-end cash received in the CVC-OEI program.

- Non-current liabilities experienced a slight $5.5 million decrease, relatively stable in the context of $1.2 billion stated amount prior year and in current year.

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.

In thousands:

Operating Revenues	2019	2018*	$ Change	% Change
Net tuition & fees	$ 60,774	$ 62,623	$ (1,849)	-3%
Grants and contracts, non-capital	86,730	86,885	(155)	0%
Auxiliary enterprise, net	8,745	9,995	(1,250)	-12.51%
Other	4,257	4,145	112	2.7%
Total Operating Revenues	160,506	163,648	(3,142)	-1.92%
Operating Expenses				
Salaries	152,329	153,758	(1,429)	-1%
Benefits	73,745	65,389	8,356	13%
Supplies, materials, & other operating expenses	61,738	73,719	(11,981)	-16%
Financial Aid	23,468	24,472	(1,004)	-4%
Utilities	3,633	3,509	124	4%
Depreciation	41,164	40,839	325	0.8%
Total Operating Expenses	356,077	361,686	(5,609)	-1.55%
Operating Loss	(195,571)	(198,038)	2,467	-1%
Nonoperating Revenues (Expenses)				
State apportionment, non-capital	16,905	11,220	5,685	51%
Local property taxes	119,170	118,260	910	1%
State taxes & other revenues	6,955	6,801	154	2%
Investment income(loss) - noncapital	2,694	1,697	997	59%
Interest expense	(38,330)	(38,486)	156	0%
Other nonoperating revenue	453	525	(72)	-13.71%
Total Nonoperating Revenues (Expenses)	107,847	100,017	7,830	7.83%
Loss Before Capital Revenues	(87,724)	(98,021)	10,297	-11%
Capital Revenues	45,556	43,210	2,346	5.43%
Change in Net Position	$ (42,168)	$ (54,811)	$ 12,643	-23.07%

*Amounts have been reclassified to conform to current year groupings

Operating Revenues

Total Operating Revenues remained consistent in total with a minimal $3.2 million or 2% decrease. The notable decrease experienced in auxiliary enterprise from the bookstore and dining services operation of $1.3 million due to the decline in sales revenue as a result of lower enrollment.

Operating Expenses

Total Operating Expenses decreased by 1.6%, approximately net $5.6 million. Items of significance affecting the changes include:

- Benefits increased by a net $8.4 million as a result of factors that include an estimated $2.7 million increase in higher employer contribution rates for the District's STRS and PERS employees. There was a significantly greater STRS state on-behalf contributions expense of approximately $5.4 million and a newly added $3.8 million in PERS state on-behalf contributions expense related to the state's supplemental contribution at the end of 2018-19.

- The $12 million decrease in supplies, materials and other operating expense was due to a decrease in spending of $7.3 million in other operating expenses linked to the CVC-OEI program grant with the remaining amount associated with reduced discretionary spending due to budget reductions.

Non-Operating Revenues (Expenses)

Non-Operating Revenues (Expenses) increased by $7.8 million or 8% resulting in the net effect of the following:

- The state apportionment $5.7 million increase is due to a 2.71% cost of living adjustment valued as an estimated $4 million provided by the state to the base apportionment funding. The increase is offset by lower resident student enrollment fees reported under net tuition and fees and slightly higher property taxes due. This inverse revenue relationship between local sources (resident student enrollment and property taxes) and state apportionment revenue are part of the state's calculation model to arrive at the District's base apportionment funding.

- The $1 million increase in investment income is a result of higher general fund cash levels maintained during the year.

Capital Revenues

The increase of $2.3 million or 5.4% in capital revenues is primarily associated with $2.8 million in higher property tax revenue related to increased debt service that is slightly offset with lower state apportionment scheduled maintenance capital revenues.

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, 2019, the District had approximately $1.2 billion invested in capital assets. These assets have an accumulated depreciation of $528.7 million leaving the net capital asset value at $669.7 million which consists of land, construction in progress, buildings and improvements, vehicles, data processing equipment, and other office equipment. In fiscal year 2019, there were fewer combined net capital asset and additions than accumulated depreciation which is the result of winding down the bond funded capital program. Depreciation expense of $41.2 million was recorded for fiscal year 2018-19.

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:

	2019	2018	Net Change
Land and construction in progress	$ 151,252	$ 181,981	$ (30,729)
Buildings and equipment	1,047,132	997,349	49,783
Accumulated depreciation	(528,702)	(487,543)	(41,159)
Total Capital Assets	$ 669,682	$ 691,787	$ (22,105)

Debt

At June 30, 2019, the District had $1.2 billion in debt with a net decrease of $3.8 million resulting from $6.2 million in lower bond, note and capital lease carrying levels. OPEB and Medicare premium liability decreased $3.1 million largely due to an increase in OPEB plan fiduciary net position. These decreases are offset with increases in other liabilities, the most significant being $4.1 million in pension liability associated with STRS and PERS. Notes 10 through 13 provides additional information on long-term liabilities. A comparison is summarized herein.

In thousands:

	2019	2018	Net Change
Compensated absences	$ 5,752	$ 5,555	$ 197
Claims liability	6,732	6,185	547
Capital leases	1,703	2,814	(1,111)
Bonds and Notes Payable	840,560	845,668	(5,108)
OPEB Liability	88,364	90,742	(2,378)
Medicare Premium Program	450	526	(76)
Net pension liability	228,375	224,249	4,126
Total Long-Term Liabilities	$ 1,171,936	$ 1,175,739	$ (3,803)

ECONOMIC OUTLOOK AND FACTORS AFFECTING NEXT YEAR'S BUDGET

The majority of the Foothill-De Anza Community College District's operating income is received through the apportionment process, growth allowances, Cost of Living Adjustments (COLA), and categorical allocations. Overall the District continues to experience steady revenue with applicable cost-of-living increases as authorized by the state. In large part this is due to the "hold-harmless" provision of the Student Centered Funding Formula (SCFF) that was continued as part of the 2019-20 State Budget Act. Due to its persistent decline in enrollment, the District would have experienced a loss in revenue without the "hold harmless" component.

The SCFF in the 2019-20 budget continues the phase-in component that guarantees all districts will receive the greater of the new funding formula calculation or the fully funded level of apportionment received in the 2017-18 fiscal year, plus the addition of fiscal year 2018-19 and 2019-20 COLA, 2.71% and 3.26% respectively. The addition of another year of "hold-harmless" funding offers further time for districts to adjust to the new formula and position themselves to maximize revenue opportunities under the SCFF.

FHDA will receive approximately $16.35 million more in 2019-20 (using the hold-harmless clause) than would have been funded using the new formula metrics. It is important to note that without the hold-harmless provision applied to the District's 2019-20 revenue calculation, FHDA would have received less in funding versus 2018-19. In part this is due to the decline in enrollment, however ongoing changes to the SCFF are continuing to refine the metrics, in particular the Student Success allocation, making it more challenging for districts to actualize significant growth in this area.

Though the District fully implemented its $17.6 million in budget reductions with the start of the 2019-20 fiscal year, the District's 2019-20 adopted budget has a projected $3.1 million structural budget deficit, offset by the temporary additional funding provided by the hold-harmless clause in the SCFF. The District projects an unrestricted general fund balance of approximately $35.1 million which includes $10 million for the recommended 5% catastrophic reserve, $11.4 million in the stability fund, $0.8 million in the Supplemental Retirement Plan Carryover and $12.9 million in other college/district designated reserves. The projected stability fund year-end balance incorporates an estimated $11.6 in a compensation payout to all employee groups; negotiations are ongoing at this time though the Faculty Association has approved a two-year agreement with a 6% increase in the 2019-20 fiscal year with clauses that recognize the temporary nature of the hold-harmless revenue and allow for that percentage to be scaled back should the state revoke the hold-harmless revenue.

We anticipate receiving our full apportionment allocation for 2019-20. However due to a loss of 1,149 resident FTES enrollment in 2018-19, as well as continued adjustments to the SCFF that may have an effect on the hold harmless amount, management continues to monitor enrollment and revenue for 2019-20 very closely. As of census for the summer and fall quarters, resident enrollments are down an estimated 390 FTES. Our funding for 2019-20 is primarily protected due to the SCFF hold-harmless provision, but if the trend in enrollment decline continues, in the future the District may be forced to consider additional budget cuts to align expenses with earned revenue.

Because the SCFF now includes the hold-harmless provision through the 2021-22 budget year, the District can reasonably estimate its level of funding for the next two years, provided state revenues and the SCFF metrics remain relatively consistent. However, if the FTES decline does not stop, the district will be facing a significant budget "cliff" in 2022-23 when funding is based solely on the SCFF. In addition, even with the hold-harmless provision the budget is projected to dip back into a $5.6 million structural deficit by 2022-23; this amount does not include any ongoing salary increases from 2019-20 forward.

If the hold-harmless provision is fully funded and implemented through the 2021-22 year as designed in the SCFF, the District will have the opportunity to retain significant one-time funds that could be used to help transition into reduced expenditures over a multi-year strategy. This will require prudent fiscal management of the enhanced temporary funding provided in the SCFF.

The District continues to be committed to addressing long-term liabilities, specifically Other Post-Employment Benefits (OPEB). The most recent OPEB actuarial roll-forward study was prepared under the new GASB 74/75 accounting standard to revise the liability to June 30, 2019, with a valuation date of June 30, 2017, and measurement date of June 30, 2018, calculated the District's Total OPEB Liability at $108,146,823. Consistent with prior years, the adopted budget for fiscal year 2019-20 planned for a $1.5 million contribution to the CalPERS California

Employers' Retiree Benefit Trust (CERBT), an irrevocable trust to fund the OPEB liability. At June 30, 2019, the CERBT assets market value was $22,397,567.

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, Susan Cheu, 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, Assistant Director, 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, 2019

	Primary Government	Component Unit
Assets		
Current Assets:		
Cash and cash equivalents	$ 177,698,955	$ 1,526,260
Accounts receivable, net	13,500,220	9,385
Inventory	1,282,157	-
Prepaid expenses	3,438,462	2,448
Due from Fiduciary funds	188,898	-
Due from Foundations	632,181	-
Total Current Assets	196,740,873	1,538,093
Non-Current Assets:		
Restricted cash and cash equivalents	28,212,398	-
Investments	-	43,275,812
Capital assets, net of accumulated depreciation	669,681,412	-
Total Non-Current Assets	697,893,810	43,275,812
Total Assets	894,634,683	44,813,905
Deferred Outflows of Resources		
Deferred charge on refunding	33,454,946	-
Deferred outflows - pensions	59,446,286	-
Deferred outlflows - OPEB	8,937,051	-
Total Deferred Outflows of Resources	101,838,283	-
Total Assets and Deferred Outflows of Resources	$ 996,472,966	$ 44,813,905

See accompanying notes to the financial statements.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION
June 30, 2019

	Primary Government	Component Unit
Liabilities		
Current Liabilities:		
Accounts payable	$ 27,987,242	$ 45,149
Accrued liabilities	5,929,891	632,181
Accrued interest	12,839,912	-
Unearned revenue	48,144,390	-
Current portion of long term liabilities	21,291,332	-
Total Current Liabilities	116,192,767	677,330
Non-Current Liabilities		
Non-current portion of long term liabilities	1,150,645,041	-
Total Non-Current Liabilities	1,150,645,041	-
Total Liabilities	1,266,837,808	677,330
Deferred Inflows of Resources		
Deferred inflows - pensions	21,989,018	-
Deferred inflows - OPEB	91,635	-
Total Deferred Inflows of Resources	22,080,653	-
Net Position		
Net investment in capital assets	(62,169,128)	-
Restricted for:		
Debt service	31,584,116	-
Scholarship and loans	33,379	-
Other special purposes	9,841,380	-
Permanently restricted	-	-
Donor Restricted	-	8,882,070
Unrestricted	(271,735,242)	35,254,505
Total Net Position	(292,445,495)	44,136,575
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 996,472,966	$ 44,813,905

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, 2019

	Primary Government	Component Unit
Operating Revenues		
Tuition and fees (gross)	$ 71,520,377	$ -
Less: Scholarship discounts and allowances	(10,745,582)	-
Net tuition and fees	60,774,795	-
Grants and contracts, noncapital		
Federal	20,154,612	-
State	63,440,041	-
Local	3,135,378	3,569,650
Auxiliary	8,744,722	-
Other	4,257,029	-
Total Operating Revenues	160,506,577	3,569,650
Operating Expenses		
Salaries	152,329,394	2,054,482
Employee benefits	73,744,650	652,029
Supplies, materials, and other operating expenses and services	61,737,785	1,396,765
Financial aid	23,468,349	673,788
Utilities	3,633,137	-
Depreciation	41,163,695	-
Total Operating Expenses	356,077,010	4,777,064
Operating Income (Loss)	(195,570,433)	(1,207,414)
Non-Operating Revenues (Expenses)		
State apportionments, non-capital	16,905,018	-
Local property taxes	119,169,558	-
State taxes and other revenues	6,955,150	-
Investment income	2,694,170	-
Interest expense	(38,330,273)	-
Other nonoperating revenue	452,819	-
Total Non-Operating Revenues (Expenses)	107,846,442	-
Loss Before Other Revenues, Expenses, Gains and Losses	(87,723,991)	(1,207,414)
Other Revenues, Expenses, Gains and Losses		
State apportionments, capital	2,969,630	-
Local property taxes	39,754,947	-
Interest and investment income, capital	610,500	2,190,751
Local revenue, grants and gifts, capital	2,220,514	-
Total Other Revenues, Expenses, Gains and Losses	45,555,591	2,190,751
Changes in Net Position	(42,168,400)	983,337
Net Position, Beginning of Year	(250,277,095)	43,153,238
Net Position, End of Year	$ (292,445,495)	$ 44,136,575

See accompanying notes to the financial statements.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2019

	Primary Government	Component Unit
Cash Flows From Operating Activities		
Tuition and fees	$ 64,646,023	$ -
Federal grants and contracts	22,404,793	-
State grants and contracts	79,603,203	-
Local grants and contracts	4,204,563	4,150,383
Sales	8,801,754	-
Payments to suppliers	(60,141,339)	(1,066,130)
Payments to/on-behalf of employees	(219,528,854)	(2,996,769)
Payments to/on-behalf of students	(23,468,349)	(1,183,772)
Other miscellaneous payments	-	-
Net cash provided (used) by operating activities	(123,478,206)	(1,096,288)
Cash Flows From Non-Capital Financing Activities		
State apportionments and receipts	16,883,703	-
Property taxes	119,169,558	-
Grants and gifts for other than capital purposes	8,110,386	-
State tax and other revenues	452,819	-
Net cash provided (used) by non-capital financing activities	144,616,466	-
Cash Flows From Capital and Related Financing Activities		
State apportionment for capital purposes	2,969,630	-
Net purchases of capital assets	(19,058,171)	-
Proceeds from capital debt	610,500	-
Local revenue for capital purposes	41,975,461	-
Principal paid on capital debt	(15,064,950)	-
Interest paid on capital debt	(27,349,025)	-
Net cash provided (used) by capital and financing activities	(15,916,555)	-
Cash Flows from Investing Activities		
Interest on investments	2,694,170	869,718
Purchase of investments	-	(496,041)
Proceeds from sale of investments	-	1,352,062
Net cash provided (used) by investing activities	2,694,170	1,725,739
Net Change in Cash and Cash Equivalents	7,915,875	629,451
Cash Balance - Beginning of Year	197,995,478	896,809
Cash Balance - End of Year	$ 205,911,353	$ 1,526,260

See accompanying notes to the financial statements.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2019

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	Primary Government	Component Unit
Operating income (loss)	$ (195,570,433)	$ (1,207,414)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	41,163,695	-
Realized and unrealized gain on investments	-	-
Changes in assets and liabilities:		
Receivables, net	2,630,937	732,047
Inventory	130,684	-
Prepaid expenses	497,254	(2,448)
Due from fiduciary funds	944,020	-
Deferred outflows of resources - pensions and OPEB	3,056,313	-
Accounts payable	(1,007,000)	(328,215)
Accrued liabilities	1,278,461	(290,258)
Unearned revenue	20,639,528	-
Compensated absences	196,585	-
Net OPEB Liability	(2,378,858)	-
Deferred inflows of resources - pensions	890,107	-
Net pension liability	4,050,501	-
Net cash provided (used) by operating activities	$ (123,478,206)	$ (1,096,288)

See accompanying notes to the financial statements.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
June 30, 2019

		Associated Student Government Custodial Funds
Assets		
Cash and cash equivalents	$	1,891,610
Due from others		91,726
Accounts receivable		7,674
Prepaid expenses		22,620
Total Assets	$	2,013,630
Liabilities		
Accounts payable	$	88,118
Due to primary government		188,898
Deferred revenue		125,045
Total Liabilities		402,061
Net Position		
Unrestricted		1,611,569
Total Liabilities and Net Position	$	2,013,630

See accompanying notes to the financial statements.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Fiscal Year Ended June 30, 2019

		Associated Student Government Custodial Funds
Additions		
Sales and other local revenues	$	1,674,943
Interest income		43,228
Total Additions		1,718,171
Deductions		
Services and operating expenditures		868,452
Salaries and benefits		726,774
Student financial aid		33,535
Total Deductions		1,628,761
Net Changes in Net Position		89,410
Net Position, Beginning of Year		1,522,159
Net Position, End of Year	$	1,611,569

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. The Corporation had no activity for fiscal year 2018-19.

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 and the District are the same. 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; individual financial statements are not prepared.

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.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Accounts Receivables

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, merchandise held for resale by the enterprise operations, 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, 2019, 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 acquisition value at the date of donation. Improvements to buildings and land that significantly increase the value or extend the useful life of the asset are capitalized; the costs of routine maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged as an operating expense in the year in which the expense was incurred. Major outlays for capital improvements are capitalized as construction-in-progress as the projects are constructed.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 and OPEB: Deferred outflows of resources represent a consumption of net position by the District that is applicable to a future reporting period. The deferred outflows of resources related to pensions and OPEB resulted from District contributions to employee plans subsequent to the measurement date of the actuarial valuations for the plans. Deferred outflows are also recorded for the effects of actuarially-determined changes to the pension plan. These amounts are deferred and amortized as detailed in Notes 8 and 9 to the financial statements.

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 eligibility requirements have been met. 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.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Long-Term Obligations

Long-term debt and other obligations financed by proprietary funds are reported as liabilities. 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.

Postemployment Benefits Other Than Pensions (OPEB).

The District's OPEB liability, deferred outflows and deferred inflows of resources related to OPEB, OPEB expense, and information about the fiduciary net position have been determined on the same basis as they are reported by the California Employers' Retiree Benefit Trust Program (CERBT). For this purpose, the CERBT recognizes benefit payments when due and payable in accordance with the benefit terms. The CERBT reports its investments at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Medicare Premium Liability

For purposes of measuring the District's liability related to the Medicare Premium Payment (MPP) Program, the fiduciary net position of the MPP Program and additions to/deductions from the MPP Program fiduciary net position have been determined on the same basis as they are reported by the MPP Program. There are no significant deferred outflows of resources or deferred inflows of resources related to the MPP Program or for MPP Program expenses. For this purpose, the MPP Program recognizes benefit payments when due and payable in accordance with the benefit terms. The MPP Program reports its investments at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The related liability for the District's proportionate share of the MPP Program is reported in the financial statements; as the plan is not material additional disclosures are not included.

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 Plan' 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Deferred Inflows of Resources

Deferred Inflows – Pensions and OPEB: 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 results from the effects of actuarially-determined changes to the plans. These amounts are deferred and amortized as detailed in Notes 8 and 9 to the financial statements.

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 net investment in capital assets.

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 under the Student Centered Funding Formula 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 total 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Real and personal property tax revenues are reported in the same manner in which the County auditor records and reports actual property tax receipts to the Department of Education. This is generally on a cash basis. A receivable has not been accrued in these financial statements because it is not material. Property taxes for debt service purposes cannot be estimated and have therefore not been accrued in the basic financial statements.

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-

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 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, 2019, $3,197,685 of the District's bank balance of $3,715,772 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, 2019 is measured at 100.28% 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, 2019 are as shown herein.

Primary Government	June 30, 2019
Cash on hand and in banks	$ 4,096,950
Cash in revolving accounts	12,860
Cash with fiscal agent	18,087
Cash in County Treasury	201,783,456
Total cash and cash equivalents	$ 205,911,353

Fiduciary Funds	June 30, 2019
Cash in County Treasury	$ 1,891,610
Total cash and cash equivalents	$ 1,891,610

<u>Investments</u>

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, 2019.

- 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.

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 an 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 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, 2019 consists of the balances shown herein.

Primary Government	June 30, 2019
Federal and state	$ 5,387,375
Student	7,495,253
Less allowance for bad debt	(1,725,889)
Miscellaneous	2,343,481
Total accounts receivable	$ 13,500,220

The allowance for doubtful accounts is maintained at an amount which management considers sufficient to fully reserve and provide for the possible uncollectability of other receivable balances. The allowance is calculated based on a sliding scale of student receivable balances and

NOTE 3: ACCOUNTS RECEIVABLE

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, 2019 is shown herein.

	Balance July 1, 2018	Additions	Retirements and Transfers	Balance June 30, 2019
Capital assets not being depreciated:				
Land	$ 2,489,777	$ -	$ -	$ 2,489,777
Construction in progress	179,490,865	16,565,406	47,294,306	148,761,965
Total capital assets not being depreciated	181,980,642	16,565,406	47,294,306	151,251,742
Capital assets being depreciated:				
Site improvements	143,654,145	33,131,742	-	176,785,887
Buildings and improvements	786,453,836	13,450,861	-	799,904,697
Equipment and software	67,240,883	3,204,468	3,981	70,441,370
Total capital assets being depreciated	997,348,864	49,787,071	3,981	1,047,131,954
Less accumulated depreciation for:				
Site improvements	(94,992,281)	(9,949,918)	-	(104,942,199)
Buildings	(338,003,039)	(27,562,359)	-	(365,565,398)
Equipment	(54,547,250)	(3,651,418)	(3,981)	(58,194,687)
Total accumulated depreciation	(487,542,570)	(41,163,695)	(3,981)	(528,702,284)
Depreciable assets, net	509,806,294	8,623,376	-	518,429,670
Capital assets, net	$ 691,786,936	$ 25,188,782	$ 47,294,306	$ 669,681,412

Depreciation expense of $41,163,695 was recorded during the year.

NOTE 5: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2019 consists of the amounts shown herein.

Primary Government	June 30, 2019
Vendors	$ 20,493,390
Retention	1,229,951
Categorical programs	6,263,901
Total accounts payable	$ 27,987,242

NOTE 5: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Primary Government	June 30, 2019
Payroll and benefits	$ 1,935,818
Accrued expenses	3,994,073
Total accrued liabilities	$ 5,929,891
Total accounts payable and accrued liabilities	$ 33,917,133

Fiduciary Funds	June 30, 2019
Vendors	$ 88,118
Total accounts payable	$ 88,118

NOTE 6: UNEARNED REVENUE

Unearned revenue at June 30, 2019 consists of the amounts shown herein.

Primary Government	June 30, 2019
Federal financial assistance	$ 41,359
State categorical aid	37,626,788
Other state	371,515
Enrollment fees	8,159,898
Other local	1,944,830
Total unearned revenue	$ 48,144,390

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 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. Generally, 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).

NOTE 8: EMPLOYEE RETIREMENT PLANS

As of June 30, 2019, the District's net pension liabilities, deferred outflows of resources, deferred inflows of resources and pension expense for each of the retirement plans are as shown herein.

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	$ 115,802,820	$ 29,810,023	$ 20,184,671	$ 10,642,585
CalPERS - Schools Pool Plan	112,571,812	29,636,263	1,804,347	19,970,771
Total	$ 228,374,632	$ 59,446,286	$ 21,989,018	$ 30,613,356

The details of each plan are as follows:

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 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.

NOTE 8: EMPLOYEE RETIREMENT PLANS

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, 2019, are summarized herein.

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%	10.21%
Required employer contribution rate	16.28%	16.28%
Required state contribution rate	9.828%	9.828%

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, 2019 are presented above and the total District contributions were $11,460,643.

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

At June 30, 2019, 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 support, and the total portion of the net pension liability that was associated with the District were as shown herein.

Proportionate Share of Net Pension Liability	Balance June 30, 2019
District proportionate share of net pension liability	$ 115,802,820
State's proportionate share of the net pension liability associated with the District	66,302,855
Total	$ 182,105,675

NOTE 8: EMPLOYEE RETIREMENT PLANS

The net pension liability was measured as of June 30, 2018. 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, 2018, the District's proportion was 0.1260%.

For the year ended June 30, 2019, the District recognized pension expense of $10,642,585. In addition, the District recognized revenue and corresponding expense of $10,601,149 for support provided by the state. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources herein.

Pension Deferred Outflows and Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 11,460,643	$ -
Difference between expected and actual experience	359,100	1,682,100
Change in assumptions	17,990,280	-
Change in proportion	-	14,043,431
Net differences between projected and actual earnings on plan investments	-	4,459,140
Total	$ 29,810,023	$ 20,184,671

The deferred outflows of resources related to pensions 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, 2020. The net difference 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 remaining amount is deferred and will be amortized over the remaining four-year period. The remaining net differences between projected and actual earnings on plan investments shown above represents the unamortized balance relating to the current measurement period and the prior measurement periods on a net basis.

All other deferred outflows of resources and deferred inflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the STRP for the June 30, 2018 measurement date is seven years. The first year of amortization is recognized in pension expense for the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods not to exceed six years.

The remaining amount will be recognized to pension expense as shown herein.

NOTE 8: EMPLOYEE RETIREMENT PLANS

Year Ending June 30,	Amortization
2020	$ 1,205,206
2021	(465,554)
2022	(3,504,045)
2023	(368,483)
2024	1,992,433
2025	(694,848)
Total	$ (1,835,291)

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, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017 used the following methods and assumptions, applied to all prior periods included in the measurement:

Actuarial Methods and Assumptions	
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.10%
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method using 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. Best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant and adopted by the CalSTRS Board in February 2017. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2017, 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 major asset class used as input to develop the actuarial investment rate of return are summarized herein.

NOTE 8: EMPLOYEE RETIREMENT PLANS

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%
Fixed income	12%	0.30%
Risk mitigating strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that 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 (7.10%) 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 the 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 (6.10%)	$ 169,637,580
Current discount rate (7.10%)	115,802,820
1% increase (8.10%)	71,168,580

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, 2019, are summarized herein.

Provisions and Benefits	Schools Pool Plan (CalPERS)	
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	7.00%	7.00%
Required employer contribution rate	18.062%	18.062%

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, 2019 are as presented above and the total District contributions were $10,093,326.

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $112,571,812. The net pension liability was measured as of June 30, 2018. 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, 2018, the District's proportion was 0.4222%.

For the year ended June 30, 2019, the District recognized pension expense of $19,970,771. In addition, the District recognized revenue and corresponding expense of $3,816,236 for support provided by the state. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources herein.

Pension Deferred Outflows and Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 10,093,326	$ -
Difference between expected and actual experience	7,379,796	-
Changes of assumptions	11,239,799	-
Changes in proportion	-	1,804,347
Net differences between projected and actual earnings on plan investments	923,342	
Total	$ 29,636,263	$ 1,804,347

NOTE 8: EMPLOYEE RETIREMENT PLANS

The deferred outflows of resources related to pensions 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, 2020. The net difference 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 remaining amount is deferred and will be amortized over the remaining four-year period. The remaining net differences between projected and actual earnings on plan investments shown above represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

All other deferred outflows of resources and deferred inflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the CalPERS Schools Pool Plan for the June 30, 2018 measurement date is four years. The first year of amortization is recognized in pension expense for the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods not to exceed three years. The remaining amounts will be recognized to pension expense as shown herein.

Year Ending June 30,	Amortization
2020	$ 10,866,244
2021	7,955,016
2022	(418,223)
2023	(664,447)
Total	$ 17,738,590

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, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017 used the methods and assumptions herein, applied to all prior periods included in the measurement:

Actuarial Methods and Assumptions	
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Experience Study	July 1, 1997 through June 30, 2015
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.15%
Investment Rate of Return	7.50%
Consumer Price Inflation	2.50%
Wage Growth	Varies by entry age and service

NOTE 8: EMPLOYEE RETIREMENT PLANS

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 15 years of mortality improvements using 90 percent of scale MP 2016 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 adjusted to account for assumed administrative expenses. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the table herein.

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	50%	5.98%
Fixed income	28%	2.62%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

Discount Rate

The discount rate used to measure the total pension liability was 7.15% and reflects the long-term expected rate of return for the Schools Pool Plan net of investment expenses and without reduction for administrative expenses. 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:

NOTE 8: EMPLOYEE RETIREMENT PLANS

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 163,899,175
Current discount rate (7.15%)	112,571,812
1% increase (8.15%)	69,988,417

Changes of Assumptions

During the fiscal year of the measurement date of June 30, 2018, the CalPERS Board adopted new mortality assumptions for the plan. The new mortality table was developed from the December 2017 experience study and includes 15 years of projected ongoing mortality improvement using 90 percent of scale MP 2016 published by the Society of Actuaries. The inflation assumption is reduced from 2.75% to 2.50%. The assumptions for individual salary increases and overall payroll growth are reduced from 3.00% to 2.75%. Deferred outflows of resources for changes of assumptions represents the unamortized portion of this assumption change.

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.

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.

NOTE 9: POST EMPLOYMENT HEALTHCARE BENEFITS

Plan Description and Eligibility

The District established an Other Post Employment Benefit Plan (the Plan) which is an agent multiple-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. Separate financial statements are prepared for the CERBT and can be found at https://www.calpers.ca.gov. 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.

Participant Type:	Number of Participants
Inactive participants currently receiving benefits	777
Inactive participants entitled to but not yet receiving benefit payments	-
Active employees	963
Total	1,740

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually through agreements between the District and the bargaining units. The District contributed $8,768,956 to the plan, including the implicit rate subsidy, for fiscal year ended June 30, 2019.

Net OPEB Liability

The table herein shows the components of the net OPEB liability of the District.

	Balance June 30, 2019
Total OPEB liability	$ 108,146,823
Plan fiduciary net position	19,783,239
District's net OPEB liability	$ 88,363,584
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	18%

NOTE 9: POST EMPLOYMENT HEALTHCARE BENEFITS

Investments

All Plan investments are held in the California Employers' Retiree Benefit Trust Program (CERBT) through CalPERS.

Actuarial Methods and Assumptions

The District's net OPEB liability for fiscal year ending June 30, 2019, was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017, using standard actuarial "roll-forward" methodology. The total OPEB liability was determined using the actuarial assumptions shown herein, applied to all periods included in the measurement, unless otherwise specified.

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net	Net OPEB Liability
Balances at June 30, 2017	$ 107,693,348	$ 16,950,906	$ 90,742,442
Changes for the year:			
Service cost	423,488		423,488
Interest	7,298,943		7,298,943
Employer contributions		8,768,956	(8,768,956)
Net investment income		1,352,491	(1,352,491)
Benefit payments	(7,268,956)	(7,268,956)	-
Other		11,726	(11,726)
Administrative expenses		(31,884)	31,884
Net changes	453,475	2,832,333	(2,378,858)
Balances at June 30, 2018	$ 108,146,823	$ 19,783,239	$ 88,363,584

Mortality rates were based on the 2014 rates used by CalPERS and the 2009 rates used by STRS for the pension valuations. Inflation rate used was 2.75 percent.

The long-term expected rate of return on 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 OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Shown herein is the assumed asset allocation and assumed rate of return for each asset class.

NOTE 9: POST EMPLOYMENT HEALTHCARE BENEFITS

Asset Class	Percentage of Portfolio	Assumed Gross Return
US Large Cap	43%	7.80%
US Small Cap	23%	7.80%
Long-Term Corporate Bonds	12%	5.30%
Long-Term Government Bonds	6%	4.50%
Treasury Inflated Protected Securities (TIPS)	5%	7.80%
US Real Estate	8%	7.80%
All Commodities	3%	7.80%

The discount rate used to measure the total OPEB liability was 7.0 percent. It is assumed that contributions would be sufficient to fully fund the obligation over a period not to exceed 30 years. Historic 30 year real rates of return for each asset class were used, along with an assumed long-term inflation assumption, to set the discount rate. The expected investment return was offset by investment expenses of 25 basis points. Rolling periods of time for all assets, in combination, were reviewed to appropriately reflect the correlation between asset classes. That means that the average returns for any asset class won't necessarily reflect the averages over time individually, but do reflect the return for the asset class for the portfolio average. Geometric means were used.

Deferred Outflows of Resources and Deferred Inflows or Resources

The deferred outflow of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Deferred outflow of resources results from experience gains and losses. A year of amortization is recognized in OPEB expense for the year the gain or loss occurs. The remaining amount is deferred and will be amortized over the remaining periods not to exceed 6.7 years. The deferred inflows of resources related to OPEB results from investment gains and losses and 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.

Deferred Outflows and Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	$ 8,905,332	$ -
Difference between gain and loss experience	31,719	-
Difference between investment gains and losses	-	91,635
Total	$ 8,937,051	$ 91,635

NOTE 9: POST EMPLOYMENT HEALTHCARE BENEFITS

At June 30, 2019, the deferred inflows and outflows will be amortized as shown herein.

Year Ending June 30,	Amortization
2020	$ (17,344)
2021	(17,344)
2022	(17,344)
2023	(17,344)
2024	5,565
2025	3,895
Total	$ (59,916)

Changes in the Net OPEB Liability

The following presents the District's net OPEB liability calculated using the discount rate of 7.0 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate:

Discount rate	Net OPEB Liability
1% decrease (6.0%)	$ 98,635,768
Current discount rate (7.0%)	88,363,584
1% increase (8.0%)	79,604,344

The following presents the District's net OPEB liability calculated using the current healthcare cost trend rate of 4.0 percent, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (3.0 percent) or 1-percentage-point higher (5.0 percent) than the current rate:

Healthcare trend rate	Net OPEB Liability (Asset)
1% decrease (3.0%)	$ 78,341,725
Current healthcare trend rate (4.0%)	88,363,584
1% increase (5.0%)	99,966,040

OPEB Expense

For the year ended June 30, 2019, the District recognized OPEB expense of $6,499,024.

NOTE 10: LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2019 is shown herein.

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Amount Due in One Year
General Obligation bonds	$ 763,750,871	$ 12,558,123	$ 12,984,093	$ 763,324,901	$ 14,143,295
Premiums, net of amortization	54,434,263		3,645,146	50,789,117	3,487,385
Certificates of participation	25,990,000		970,000	25,020,000	1,500,000
Premiums, net of amortization	1,492,793	-	66,346	1,426,447	66,346
Total Bonds and Notes Payable	845,667,927	12,558,123	17,665,585	840,560,465	19,197,026
Compensated absences	5,555,479	196,585		5,752,064	31,864
Capital leases	2,813,859		1,110,857	1,703,002	1,130,382
Claims liability	6,184,459	547,917		6,732,376	932,060
OPEB liability	90,742,442		2,378,858	88,363,584	
Medicare Premium Program	525,885		75,635	450,250	
Net pension liability	224,248,496	10,396,916	6,270,780	228,374,632	-
Total Other Liabilities	330,070,620	11,141,418	9,836,130	331,375,908	2,094,306
Total Long Term Debt	$ 1,175,738,547	$ 23,699,541	$ 27,501,715	$1,171,936,373	$ 21,291,332

Liabilities are liquidated for governmental activities by the fund for which the employee worked, including 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. Payments on the certificates of participation and capital leases are paid through the Debt Service Fund. Payments on the claims liabilities will be paid by the Self-Insurance Fund.

The District participates in the Medicare Premium Payment (MPP) Program of the California State Teachers' Retirement Plan (the STRP). The District's proportionate share of the liability is 0.199%. As the plan activity and the District's proportionate share of the total OPEB liability is not significant, additional disclosures regarding the plan are not included in these financial statements.

NOTE 11: GENERAL OBLIGATIONS BONDS

General Obligation Bonds	Date of Issue	Date of Maturity	Interest Rate %	Amount of Original Issue	Outstanding June 30, 2019
Measure E General Obligation Bonds					
Series A	5/3/2000	8/1/2030	4.30 - 6.26%	$ 99,995,036	$ 14,204,631
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
2002 General Obligation Refunding Bonds	10/02/02	08/01/30	2.00 - 5.00%	67,475,000	-
2005 General Obligation Refunding Bonds	9/20/2005	8/1/2021	3.00 - 5.25%	22,165,000	13,210,000
2012 General Obligation Refunding Bonds	5/3/2012	8/1/2030	0.25 - 5.00%	70,735,000	53,825,000
2014 General Obligation Refunding Bonds	8/19/2014	8/1/2036	2.00 - 5.00%	17,615,000	17,615,000
Accreted Interest					115,595,010
Total 1999 Election Bonds					285,446,957
Measure C General Obligation Bonds					
Series A	5/10/2007	8/1/2036	4.00 - 5.00%	149,995,250	21,455,251
Series B	5/10/2007	8/1/2036	4.00 - 5.00%	99,996,686	13,381,688
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	8/19/2014	8/1/2036	2.00 - 5.00%	85,400,000	80,225,000
2015 General Obligation Refunding Bonds	9/1/2015	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	197,820,000
Accreted Interest					25,626,005
Total 2006 Election Bonds					477,877,944
Total					$ 763,324,901

General Obligation Bonds

Measure E

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

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

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

NOTE 11: GENERAL OBLIGATIONS BONDS

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 August 19, 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.

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.

NOTE 11: GENERAL OBLIGATIONS BONDS

On September 1, 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.

Debt Maturity

General Obligation Bonds

The bonds mature through the fiscal years ending June 30, 2041 are as shown herein.

Measure E, Series A

Year Ending June 30,	Principal	Interest
2020	$ 1,893,295	$ 4,131,704
2021	1,893,446	4,531,553
2022	973,817	2,551,184
2023	994,571	2,855,430
2024	1,011,393	3,168,607
2025-2029	5,266,948	21,243,052
2030-2031	2,171,161	11,383,839
Total	14,204,631	$ 49,865,369
Accreted Interest	43,091,698	
Total	$ 57,296,329	

NOTE 11: GENERAL OBLIGATIONS BONDS

Measure E, Series B

Year Ending June 30,	Principal	Interest
2020	$ -	$ 712,500
2021	-	712,500
2022	-	712,500
2023	5,590,000	544,800
2024	6,285,000	188,550
2025-2029	10,829,160	28,625,840
2030-2034	15,802,680	63,042,320
2035-2037	11,483,223	59,421,777
Total	49,990,063	$ 153,960,787
Accreted Interest	53,110,227	
Total	$103,100,290	

Measure E, Series C

Year Ending June 30,	Principal	Interest
2020	$ -	$ -
2021	-	-
2022	-	-
2023	-	-
2024	1,332,915	1,777,085
2025-2029	7,006,249	12,368,751
2030-2034	11,673,362	30,986,638
2035	994,727	3,170,273
Total	21,007,253	$ 48,302,747
Accreted Interest	19,393,085	
Total	$ 40,400,338	

NOTE 11: GENERAL OBLIGATIONS BONDS

2005 Refunding Bond

Year Ending June 30,	Principal	Interest
2020	$ 3,890,000	$ 591,413
2021	4,390,000	374,063
2022	4,930,000	129,413
Total	$ 13,210,000	$ 1,094,889

2012 Refunding Bond

Year Ending June 30,	Principal	Interest
2020	$ 1,845,000	$ 2,594,100
2021	2,090,000	2,525,850
2022	5,660,000	2,353,000
2023	6,180,000	2,057,000
2024	3,695,000	1,810,125
2025-2029	22,920,000	5,877,750
2030-2031	11,435,000	580,375
Total	$ 53,825,000	$ 17,798,200

2014 Refunding Bond

Year Ending June 30,	Principal	Interest
2020	$ -	$ 880,750
2021	-	880,750
2022	-	880,750
2023	-	880,750
2024	-	880,750
2025-2029	-	4,403,750
2030-2034	-	4,403,750
2035-2037	17,615,000	1,356,625
Total	$ 17,615,000	$ 14,567,875

NOTE 11: GENERAL OBLIGATIONS BONDS

Measure C, Series A

Year Ending June 30,	Principal	Interest
2020	$ -	$ -
2021	-	-
2022	-	-
2023	-	-
2024	-	-
2025-2029	-	-
2030-2034	8,711,592	20,513,408
2035-2037	12,743,659	35,626,342
Total	21,455,251	$ 56,139,750
Accreted Interest	15,841,616	
Total	$ 37,296,867	

Measure C, Series B

Year Ending June 30,	Principal	Interest
2020	$ -	$ -
2021	-	-
2022	-	-
2023	-	-
2024	-	-
2025-2029	-	-
2030-2034	5,618,703	13,076,298
2035-2037	7,762,985	21,442,015
Total	13,381,688	$ 34,518,313
Accreted Interest	9,784,389	
Total	$ 23,166,077	

NOTE 11: GENERAL OBLIGATIONS BONDS

Measure C, Series D

Year Ending June 30,	Principal	Interest
2020	$ -	$ 875,300
2021	-	875,300
2022	-	875,300
2023	-	875,300
2024	-	875,300
2025-2029	4,700,000	3,963,050
2030-2034	1,150,000	3,057,250
2035-2039	4,105,000	2,966,925
2040-2041	16,085,000	492,675
Total	$ 26,040,000	$ 14,856,400

Measure C, Series E

Year Ending June 30,	Principal	Interest
2020	$ -	$ 955,535
2021	-	955,535
2022	-	955,535
2023	-	955,535
2024	-	955,535
2025-2029	1,960,000	4,725,573
2030-2034	9,795,000	3,895,781
2035-2039	19,010,000	1,643,147
Total	$ 30,765,000	$ 15,042,176

NOTE 11: GENERAL OBLIGATIONS BONDS

2014 Refunding Bond

Year Ending June 30,	Principal	Interest
2020	$ 5,880,000	$ 3,754,400
2021	6,665,000	3,517,300
2022	7,530,000	3,195,750
2023	8,530,000	2,794,250
2024	9,605,000	2,340,875
2025-2028	42,015,000	3,873,875
Total	$ 80,225,000	$ 19,476,450

2015 Refunding Bond

Year Ending June 30,	Principal	Interest
2020	$ -	$ 3,650,525
2021	-	3,650,525
2022	-	3,650,525
2023	-	3,650,525
2024	-	3,650,525
2025-2029	24,260,000	17,243,625
2030-2032	58,305,000	3,890,613
Total	$ 82,565,000	$ 39,386,863

2016 Refunding Bond

Year Ending June 30,	Principal	Interest
2020	$ 635,000	$ 6,862,050
2021	825,000	6,914,100
2022	1,205,000	6,873,500
2023	1,610,000	6,817,200
2024	2,040,000	6,744,200
2025-2029	10,795,000	34,007,900
2030-2034	17,785,000	34,368,500
2035-2039	83,855,000	29,734,225
2040-2041	79,070,000	3,585,225
Total	$197,820,000	$ 135,906,900

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 2006 Certificates through approximately June 30, 2008, and pay costs related to the execution and delivery of the Certificates. The 2006 Certificates 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 Certificates, to refund $786,993 in outstanding principal on a capital lease 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 Refunding Certificates and pay costs related to the execution and delivery of the Refunding Certificates. The Refunding Certificates 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
2020	$ 1,500,000	$ 1,087,850
2021	1,435,000	1,014,475
2022	705,000	964,500
2023	735,000	935,700
2024	760,000	905,800
2025-2029	4,375,000	3,945,200
2030-2034	5,445,000	2,842,650
2035-2039	6,890,000	1,374,200
2040-2041	3,175,000	128,300
Total	$ 25,020,000	$ 13,198,675

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.

NOTE 13: CAPITAL LEASES

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 2003 Certificates of Participation with effective interest rates of 1.75% and mature through 2021.

The assets associated with the capital leases are included in capital assets, which includes the accumulated depreciation.

The District's liability on capital leases
is summarized herein.

Year Ending June 30,	Principal	Interest
2020	$ 1,130,382	$ 24,878
2021	572,620	5,010
Total	$ 1,703,002	$ 29,888

NOTE 14: RISK MANAGEMENT

Property and Liability Insurance Coverages

During fiscal year ending June 30, 2019, 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, 2019 were $932,060 and $5,800,316 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 2019 Plan Year, the PEPM was $1,011 or $12,132 for the year.

NOTE 14: RISK MANAGEMENT

Actual PEPM contributions for each individual is based on the plan and tier selected.

Insurance Coverages

Insurance Program / Company Name	Type of Coverage	Limits
Affiliated FM	Property Insurance	$10,000-$500,000,000
Argonaut Insurance	General Liability Insurance	$250,000-$5,000,000
Schools Excess Liability Fund (SELF)	Excess Liability	$5,000,000-$50,000,000

Claims Liabilities

The District establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and elated claim adjustment expenses.

Reported Liability	Beginning Fiscal Year Liability	Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
Worker's compensation	$ 6,184,459	$ 578,508	$ 30,591	$ 6,732,376

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.

NOTE 15: PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

During the year ended June 30, 2019, the District made payments of $225 to the South Bay Regional Public Safety Training Consortium and $138,132 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.

Functional Expense	Salaries	Benefits	Supplies, materials, and other operating expenses and services	Utilities	Financial Aid	Depreciation	Total
Instructional activities	$ 82,579,778	$ 36,026,312	$ 1,830,802	$ 2,561	$ -	$ -	$120,439,453
Academic support	15,119,510	5,542,013	2,239,985	5,877	-	-	22,907,385
Student services	16,153,093	6,442,620	3,343,346	1,893	-	-	25,940,952
Operation and maintenance of plant	6,841,738	3,329,008	2,203,412	3,542,729	-	-	15,916,887
Instructional support services	23,480,769	19,836,451	47,511,978	76,014	-	-	90,905,212
Community services and economic development	2,163,941	578,733	2,084,031	3,423	-	-	4,830,128
Ancillary services and auxiliary operations	5,990,565	1,989,513	2,524,231	640	-	-	10,504,949
Physical property and related acquisitions	-	-	-	-	-	-	-
Transfers, student aid and other outgo	-	-	-	-	23,468,349	41,163,695	64,632,044
Depreciation expense	-	-	-	-	-	-	-
Total	$152,329,394	$ 73,744,650	$ 61,737,785	$ 3,633,137	$ 23,468,349	$ 41,163,695	$356,077,010

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 seven-year review cycle, each College conducts and publishes several review

NOTE 17: COMMITMENTS AND CONTINGENCIES

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. The ACCJC reaffirmed both Colleges' accreditation for the full seven-year cycle through 2024.

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
2020	$ 138,375
2021	138,375
2022	138,375
2023	138,375
Total	$ 553,500

Purchase Commitments

As of June 30, 2019, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately $2.8 million. Projects will be funded through unrestricted local, state funds and general obligation bonds.

NOTE 18: DONATED SERVICES AND FACILITIES

Donated services and facilities to the Foothill-De Anza Community Colleges Foundation totaling $72,072 for the year ended June 30, 2019 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 19: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS ISSUED, NOT YET EFFECTIVE

The Governmental Accounting Standards Board (GASB) has issued pronouncements prior to June 30, 2019, 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. 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.

Statement No. 90 – *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*

The statement modifies previous guidance for reporting a majority equity interest in a legally separate organization and provides guidance for reporting a component unit if 100 percent equity interest is acquired in that component unit. The statement is effective for the fiscal year 2019-20.

Statement No. 91 – *Conduit Debt Obligations*

The objective of the statement is to eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit obligations and related note disclosures. The statement clarifies the existing definition of a conduit debt obligation, establishing that a conduit debt obligation is not a liability of the user, and establishing standards for accounting and financial reporting. The statement is effective for the fiscal year 2021-22.

NOTE 20: SUBSEQUENT EVENTS

The Board of Trustees decided to permanently close the Flint Center which is located on the De Anza College campus. A Community Benefit Initiative Steering Committee has been convened to begin the process of developing an action plan leading to the development of proposals for a new facility by the end of 2020 to benefit the students and the community.

REQUIRED SUPPLEMENTARY INFORMATION

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
For the Fiscal Year Ended June 30, 2019

California State Teachers' Retirement System - State Teachers' Retirement Plan	2015	2016	2017	2018	2019
District's proportion of the net pension liability (assets)	0.1536%	0.1502%	0.1410%	0.1320%	0.1260%
District's proportionate share of the net pension liability (asset)	$ 89,739,321	$ 102,319,350	$ 114,042,210	$ 122,073,600	$ 115,802,820
State's proportionate share of the net pension liability (asset) associated with the District	54,188,476	54,115,656	64,931,754	72,218,299	66,302,855
Total	$ 143,927,797	$ 156,435,006	$ 178,973,964	$ 194,291,899	$ 182,105,675
District's prior year covered payroll	$ 62,500,000	$ 64,900,000	$ 67,100,000	$ 73,400,000	$ 71,700,000
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	143.58%	157.66%	169.96%	169.08%	161.51%
Plan fiduciary net position as a percentage of the total pension liability	77.00%	74.00%	70.04%	69.46%	71.00%

California Public Employees' Retirement System - Schools Pool Plan	2015	2016	2017	2018	2019
District's proportion of the net pension liability (assets)	0.4455%	0.4405%	0.4395%	0.4280%	0.4222%
District's proportionate share of the net pension liability (asset)	$ 50,508,676	$ 64,924,007	$ 86,801,522	$ 102,174,896	$ 112,571,812
District's prior year covered payroll	$ 46,700,000	$ 48,600,000	$ 52,800,000	$ 54,700,000	$ 55,800,000
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	108.16%	133.59%	164.40%	186.79%	201.74%
Plan fiduciary net position as a percentage of the total pension liability	83.00%	79.00%	73.90%	71.87%	71.00%

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 Proportionate Share of the Net Pension Liability reports prior year covered payroll as of the measurement date.

See the accompanying notes to the required supplementary information.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS
For the Fiscal Year Ended June 30, 2019

California State Teachers' Retirement System - State Teachers' Retirement Plan	2015	2016	2017	2018	2019
Contractually required contribution	$ 5,770,723	$ 7,276,038	$ 9,099,696	$ 10,329,430	$ 11,460,643
Contributions in relation to the contractually required contribution	5,770,723	7,276,038	9,099,696	10,329,430	11,460,643
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's current year covered payroll	$ 64,900,000	$ 67,115,000	$ 73,400,000	$ 71,700,000	$ 71,200,000
Contributions as a percentage of covered payroll	8.89%	10.84%	12.40%	14.40%	16.10%

California Public Employees' Retirement System - Schools Pool Plan	2015	2016	2017	2018	2019
Contractually required contribution	$ 5,722,845	$ 6,255,896	$ 7,593,407	$ 8,654,851	$ 10,093,326
Contributions in relation to the contractually required contribution	5,722,845	6,255,896	7,593,407	8,654,851	10,093,326
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's current year covered payroll	$ 48,600,000	$ 52,800,000	$ 54,700,000	$ 55,800,000	$ 55,900,000
Contributions as a percentage of covered payroll	11.78%	11.85%	13.88%	15.51%	18.06%

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 Schedule of District Contributions reports current year covered payroll as of the measurment date.

See the accompanying notes to the required supplementary information.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY
For the Fiscal Year Ended June 30, 2019

Total OPEB Liability	2018	2019
Service Cost	$ 412,154	$ 423,488
Interest	7,262,034	7,298,943
Actaul minus Expected Benefit Payments	-	37,284
Benefit Payments	(7,047,542)	(7,306,240)
Net Change in Total OPEB Liability	626,646	453,475
Total OPEB Liability - beginning	107,066,702	107,693,348
Total OPEB Liability - ending (a)	$ 107,693,348	$ 108,146,823

Plan Fiduciary Net Position	2018	2019
Contributions - Employer	$ 8,547,542	$ 8,768,956
Net Investment Income	1,474,081	1,364,217
Benefit Payments	(7,047,542)	(7,306,240)
Actaul minus Expected Benefit Payments	-	37,284
Administrative Expense	(12,538)	(31,884)
Net Change in Plan Fiduciary Net Position	2,961,543	2,832,333
Plan Fiduciary Net Position - beginning	13,989,363	16,950,906
Plan Fiduciary Net Position - ending (b)	$ 16,950,906	$ 19,783,239
Net OPEB Liability - ending (a) - (b)	$ 90,742,442	$ 88,363,584
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	15.74%	18.29%
Covered-employee payroll	$ 101,240,521	$ 100,791,042
Net OPEB liability as a percentage of covered-employee payroll	89.63%	87.67%

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 Schedule of Changes in Net OPEB Liability reports prior year covered-employee payroll as of the measurement date.

See the accompanying notes to the required supplementary information.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2019

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.

SUPPLEMENTARY INFORMATION

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

HISTORY AND ORGANIZATION
For the Fiscal Year Ended June 30, 2019

The Board of Trustees and the District Administrators for the fiscal year ended June 30, 2019 were as follows:

BOARD OF TRUSTEES

Member	Office	Term Expires
Pearl Cheng	President	2018-2022
Peter Landsberger	Vice President	2016-2020
Patrick J. Ahrens	Member	2018-2022
Laura Casas	Member	2016-2020
Gilbert Wong	Member	2016-2020

DISTRICT ADMINISTRATORS

Judy Miner	Chancellor
Susan Cheu	Interim Vice Chancellor, Business Services
Dorene Novotny	Vice Chancellor, Human Resources
Joseph Moreau	Vice Chancellor, Technology
Thuy Nguyen	President, Foothill College
Christina Espinosa-Pieb	Interim President, De Anza College

FISCAL ADMINISTRATION

Susan Cheu	Interim Vice Chancellor, Business Services
Raquel Puentes-Griffith	Executive Director, Fiscal Services
Sirisha Pingali	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, 2019

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures	Amounts passed through to subrecipients
U.S. Department of Education:				
Student Financial Aid Cluster				
Federal Pell Grant Programs (PELL)	84.063	(1)	$ 18,028,582	$ -
Federal Pell Administrative Allowance	84.063	(1)	33,597	-
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	(1)	580,781	-
Federal Direct Student Loan	84.268	(1)	5,640,262	-
Federal College Work Study (FWS)	84.033	(1)	408,997	-
Total Student Financial Aid Cluster			24,692,219	
Strengthening Minority Serving Institutions - Asian American	84.382B	(1)	-	
Pass through California Community College Chancellor's Office:				
Career Technical Education Act				
Basic Grants To States (Perkins Title I-C)	84.048	14-112-016	712,195	-
Basic Grants To States (CTE Transitions)	84.048	14-C01-016	68,264	-
Total Career Technical Education-Basic Grants to States			780,459	
Total U.S. Department of Education			25,472,678	
National Science Foundation:				
National Science Foundation - S-STEM	47.076	(1)	86,079	-
Total National Science Foundation			86,079	
Corporation for National and Community Service				
AmeriCorps State and National	94.006	(1)	48,792	-
Total Corporation for national and Community Service			48,792	

See the accompanying notes to the supplementary information.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2019

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures	Amounts passed through to subrecipients
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)	36,149	-
Pass through San Francisco State University:				
National Institutes of Health (NIH)	93.859	(2)	21,437	-
Total U.S. Department of Health and Human Services			57,586	
U.S. Department of Labor:				
Veteran's Employment Program	17.802	(1)	5,416	-
Workforce Investment Act Cluster				
Pass through Employment Development Department State of California				
Occupational Training Institute (OTI) - General Grants	17.258	03573	7,501	-
Pass through City of San Jose				
WIA - Adult Program	17.258	03573	72,360	-
Total Workforce Investment Act Cluster			79,861	
Total U.S. Department of Labor			85,277	
U.S. Department of Agriculture				
Pass through State of California Department of Education				
Child and Adult Care Food Program	10.558	03628	44,463	-
Total U.S. Department of Agriculture			44,463	
Total Expenditures Federal Programs			$ 25,794,874	$ -

Reconciliation to Federal Revenue		
Total Expenditures Federal Programs		$ 25,794,874
Federal Direct Student Loan	84.268	(5,640,262)
Total Federal Program Revenue		$ 20,154,612

(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, 2019

Program Name	Cash Received	Accounts Receivable	Accounts Payable	Unearned Revenue	Total Revenue	Program Expenditures
Adult Education Block Grant (CAEP)	$ 400,612	$ -	$ -	$ -	$ 400,612	$ 400,612
Basic Skills	2,110,696	-	-	1,022,505	1,088,191	1,088,191
Basic Skills Transformational Grant	728,120	-	-	-	728,120	728,120
BFAP Administration	899,713	458	-	-	900,171	900,171
Butte-Glenn OER	11,013	-	-	11,013	-	-
Calgrant B	1,103,932	342,555	-	-	1,446,487	1,446,487
Calgrant C	38,664	-	-	-	38,664	38,664
California College Promise Grant	2,580,932	-	-	2,037,716	543,216	543,216
Calworks	368,947	-	-	49	368,898	368,898
Calworks EC Works	41,000	-	-	-	41,000	41,000
Calworks SSA	128,131	19,686	-	-	147,817	147,817
Calworks TSE	17,644	448	-	52	18,039	18,039
Campus Safety&Sexual Assault	54,419	-	-	49,964	4,455	4,455
Career Technological Education	6,580,367	393,508	-	4,624,525	2,349,349	2,349,349
CDC -State Contracts	372,564	40,537	-	-	413,101	413,101
CDC -State Meal Reimbursement	1,246	273	-	-	1,519	1,519
Child Development Center Bailout	445,365	-	-	-	445,365	445,365
Child Development Training Consortium	22,879	-	-	7,215	15,663	15,663
Cooperative Agencies Resources for Education	161,761	-	-	49,295	112,466	112,466
CVC/OEI	38,733,701	2,000,000	6,263,905	17,993,291	22,740,410	22,740,410
Disabled Student Sevices and Programs	2,968,710	-	-	-	2,968,710	2,956,128
Early Childhood Education	36,560	2,350	-	34,330	4,580	4,580
Economic Development	207,952	12,279	-	-	220,230	220,230
Equal Employment Opportunity	104,222	-	-	75,607	28,615	28,615
Extended Opportunity Programs and Services	2,044,282	-	-	4,063	2,040,219	2,040,219
FA- Emergency Aid	-	-	-	24,708	12,978	12,978
Faculty & Staff Development	148,147	-	-	143,508	4,639	4,639
FH - IEPI Grant	200,000	-	-	186,102	13,898	13,898
FH - Improving Online CTE Pathways	-	3,192	-	-	3,192	3,192
FH - MetroED Career Pathways	-	81,623	-	-	81,623	81,623
FH - Umoja Grant	-	-	-	29,676	2,324	2,324
FH SVETP/CTPP-STEM	-	89,812	-	-	130,945	130,945
Financial Aid Technology	372,778	-	-	300,514	72,264	72,264
First 5 CDC	32,338	-	-	32,338	-	-
Guided Pathways	1,298,636	-	-	1,232,449	66,187	66,187
Hunger Free Campus	289,883	-	-	233,014	56,869	56,869
Innovation in Higher Education	1,900,000	-	-	1,759,346	140,654	140,654
Instructional Equipment	1,215,896	-	-	970,005	245,891	245,891
Lottery-Instructional Materials	1,299,888	650,721	-	-	1,950,609	1,298,158
Makerspace	184,772	90,228	-	-	275,000	275,000
Mandatory Cost Elimination Fee	-	-	-	-	-	77,677
Mental Health Support	230,949	-	-	199,677	31,272	31,272
Scheduled Maintainance	3,963,013	-	-	993,383	2,969,630	2,834,377
Student Success - Credit	9,375,962	-	-	3,608,410	5,767,552	5,767,552
Student Success - Non-Credit	188,922	-	-	5,065	183,857	183,857
Student Success - Student Equity	3,637,921	-	-	1,752,762	1,885,159	1,885,159
Student Success Completion Grants	2,134,899	-	-	44,436	2,090,463	2,090,463
TANF	18,798	17,352	-	-	36,150	36,150
TTIP Telecom & Technology	151,192	-	-	51,192	100,000	100,000
Veterans Resource Center	199,226	-	-	150,578	48,648	48,648
	$ 87,006,652	$ 3,745,021	$ 6,263,905	$ 37,626,788	$ 53,235,702	$ 52,513,093

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, 2019

	Annual - Factored			
Categories	Reported Data	District Adjustments	Audit Adjustments	Revised Data
A. Summer Intersession (Summer 2018 only)				
1. Noncredit[1]	50.11	-	-	50.11
2. Credit[1]	2,847.97	-	-	2,847.97
B. Summer Intersession (Summer 2019 - Prior to July 1, 2019)				
1. Noncredit[1]	-	-	-	-
2. Credit[1]	-	-	-	-
C. Primary Terms (Exclusive of Summer Intersession)				
1. Census Procedure Courses				
(a) Weekly Census Contact Hours	11,181.49	-	-	11,181.49
(b) Daily Census Contact Hours	279.05	-	-	279.05
2. Actual Hours of Attendance Procedure Courses				
(a) Noncredit[1]	384.53	-	-	384.53
(b) Credit[1]	441.21	-	-	441.21
3. Independent Study/Work Experience				
(a) Weekly Census Contact Hours	7,584.56	-	-	7,584.56
(b) Daily Census Contact Hours	565.96	-	-	565.96
(c) Noncredit Independent Study/Distance Education Courses	-	-	-	-
D. Total FTES	23,334.88	-	-	23,334.88
Supplemental Information (subset of above information)				
E. In-service Training Courses (FTES)	-	-	-	-
H. Basic Skills courses and Immigrant Education				
(a) Noncredit[1]	215.62	-	-	215.62
(b) Credit[1]	1,067.82	-	-	1,067.82
CCFS 320 Addendum				
CDCP Noncredit FTES	197.27	-	-	197.27
Centers FTES				
(a) Noncredit[1]	61.37	-	-	61.37
(b) Credit[1]	1,096.11	-	-	1,096.11

1 Including Career Development and College Preparation (CDCP) FTES

See the accompanying notes to the supplementary information.

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH FUND FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

The audit resulted in no adjustments to the fund balances reported on the June 30, 2019 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, 2019 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	$ 45,589,755
Restricted Fund Balance	9,044,323
Debt Service Funds	31,584,116
Child Development Fund	797,057
Capital Outlay Funds Balance	42,182,892
Enterprise Funds Balance	5,554,325
Self Insurance Fund Balance	7,586,219
All Other Funds	33,379
Total fund balances as reported on the Annual Financial and Budget Report (CCFS-311)	$ 142,372,066

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, 2019

Total fund balances as reported on the Annual Financial and Budget Report (CCFS-311)	$ 142,372,066
Capital assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Net capital assets of $442,242 are already recorded in other governmental funds. Capital assets, net of accumulated depreciation are added to total net assets.	669,237,170
Deferred charges associated with debt refundings are capitalized. These amounts will be amortized to interest expense over the life of the refunded debt.	33,454,946
Deferred outflows associated with pension (PERS and STRS) and OPEB costs result from pension and OPEB 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.	68,383,337
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 $31,864 is already recorded in the General Fund.	(5,720,200)
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 $932,060 is already recorded in the governmental funds.	(5,800,316)
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.	(842,263,467)
The liability of employers and nonemployers contributing to employees for benefits provided through a defined benefit pension plan (PERS and STRS) and OPEB is recorded as net pension and OPEB liabilities. The proportionate share of STRS Medicare Premium Program is also recorded as a liability.	(317,188,466)
Interest related to bonds incurred through June 30, 2018 is accrued as a current liability on the statement of net position which reduces the total net assets reported.	(12,839,912)
Deferred inflows associated with pension (PERS and STRS) and OPEB 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.	(22,080,653)
Total net position	$ (292,445,495)

See the accompanying notes to the supplementary information.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF 50 PERCENT LAW CALCULATION
For the Fiscal Year Ended June 30, 2019

		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	36,222,307		36,222,307	36,222,307		36,222,307
Instructional Salaries - Other	1300	34,029,762		34,029,762	34,029,762		34,029,762
Total Instructional Salaries		70,252,069	-	70,252,069	70,252,069	-	70,252,069
Non-Instructional Salaries - Contract or Regular	1200	-		-	13,180,367		13,180,367
Non-Instructional Salaries - Other	1400	-		-	686,057		686,057
Total Non-Instructional Salaries		-	-	-	13,866,424	-	13,866,424
Total Academic Salaries		70,252,069	-	70,252,069	84,118,493	-	84,118,493
Classified Salaries							
Non-Instructional Salaries - Regular Status	2100	-		-	32,481,128		32,481,128
Non-Instructional Salaries - Other	2300	-		-	2,657,100		2,657,100
Total Non-Instructional Salaries		-	-	-	35,138,228	-	35,138,228
Instructional Aides - Regular Status	2200	2,087,098		2,087,098	2,087,098		2,087,098
Instructional Aides - Other	2400	177,207		177,207	177,207		177,207
Total Instructional Aides		2,264,305	-	2,264,305	2,264,305	-	2,264,305
Total Classified Salaries		2,264,305	-	2,264,305	37,402,533	-	37,402,533
Employee Benefits	3000	30,885,443		30,885,443	56,244,110		56,244,110
Supplies and Materials	4000	-		-	2,050,307		2,050,307
Other Operating Expenses	5000	-		-	23,665,461		23,665,461
Equipment Replacement	6420	-		-	-		-
Total Expenditures Prior to Exclusions		103,401,817	-	103,401,817	203,480,904	-	203,480,904
Exclusions							
Activities to Exclude							
Instructional Staff–Retirees' Benefits & Retirement Incentives	5900	3,937,952		3,937,952	3,937,952		3,937,952
Student Health Services Above Amount Collected	6441	-		-	-		-
Student Transportation	6491	-		-	-		-
Non-instructional Staff-Retirees' Benefits & Retirement Incentives	6740	-		-	3,653,750		3,653,750
Objects to Exclude							
Rents and Leases	5060	-		-	251,350		251,350
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	-		-	-		-
Other Operating Expenses and Services	5000	-		-	4,557,137		4,557,137
Capital Outlay	6000	-		-	-		-
Library Books	6300	-		-	-		-
Equipment - Additional	6410	-		-	-		-
Equipment - Replacement	6420	-		-	-		-
Other Outgo	7000	-		-	-		-
Total Exclusions		3,937,952	-	3,937,952	12,400,189	-	12,400,189
Total for ECS 84362, 50% Law		99,463,865	-	99,463,865	191,080,715	-	191,080,715
Percent of CEE (Instructional Salary Cost/Total CEE)		52.05%	0%	52.05%	100%	0%	100%
50% of Current Expense of Education					95,540,358	-	95,540,358

See the accompanying notes to the supplementary information.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

EDUCATION PROTECTION ACCOUNT EXPENDITURE REPORT
For the Fiscal Year Ended June 30, 2019

Activity Classification	Object Code				Unrestricted
EPA Proceeds:	8630				$ 2,314,593
Activity Classification	**Object Code**	**Salaries and Benefits (1000-3000)**	**Operating Expenses (4000-5000)**	**Capital Outlay (6000)**	**Total**
Instructional Activities	0100-5900	$ 2,314,593	$ -	$ -	$ 2,314,593
Total Expenditures for EPA*		$ 2,314,593	$ -	$ -	2,314,593
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.

NOTES TO THE SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2019

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, 2019. 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, 2019 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, 2019 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, 2019

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).

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

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

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

We have audited, 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, 2019, 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 21, 2019. The financial statements of Foothill-De Anza Community Colleges Foundation (the discretely presented component unit) were not audited in accordance with Government Auditing Standards.

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 21, 2019

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' 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, 2019. 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.

Auditors' 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.

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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, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2019-001, 2019-002 and 2019-003. Our opinion on each major federal program is not modified with respect to these matters.

The District's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2019-001, 2019-002 and 2019-003 that we consider to be significant deficiencies.

The District's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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
Glendora, California
November 21, 2019

CliftonLarsonAllen

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INDEPENDENT AUDITORS' 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 *2018-2019 Contracted District Audit Manual*, published by the California Community Colleges Chancellor's Office for the year ended June 30, 2019. 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.

Auditors' 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 *2018-2019 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.

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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 Activities Funded From Other Sources	Not applicable
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
430	Scheduled Maintenance Program	Yes
431	Gann Limit Calculation	Yes
435	Open Enrollment	Yes
439	Proposition 39 Clean Energy Funds	Yes
444	Apprenticeship and Supplemental (RSI) Funds	Yes
475	Disabled Student Programs and Services (DSPS)	Yes
479	To Be Arranged Hours (TBA)	Not applicable
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, 2019.

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 *2018-2019 Contracted District Audit Manual.* Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
Glendora, California
November 21, 2019

FINDINGS AND QUESTIONED COSTS

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS
June 30, 2019

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?	X *Yes*	___ *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)?	X *Yes*	___ *No*

Identification of Major Federal Programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.007, 84.033, 84.063, and 84.268; 84.048	Student Financial Aid Cluster ; Perkins Title IC and CTE Transitions

Dollar threshold used to distinguish between type A and type B programs:		$750,000
Auditee qualified as low-risk auditee?	X *Yes*	___ *No*

SCHEDULE OF FINDINGS AND QUESTIONED COSTS RELATED TO THE FINANCIAL STATEMENTS June 30, 2019

There were no findings and questioned costs related to basic financial statements for the year ended June 30, 2019.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS
June 30, 2019

Finding 2019-001: Earmarking

Federal agency:	Department of Education
Federal program title:	Student Financial Aid Cluster
CFDA Numbers:	84.033 – Federal Work-Study Program
Award Period:	July 1, 2018 through June 30, 2019

Type of Finding:
Significant Deficiency in Internal Control over Compliance; Non Compliance.

Criteria:
An institution must use at least seven percent of its Federal Work Study (FWS) allocation for an award year to compensate for students employed in community service activities unless waived by the Department of Education (34 CFR 675.18).

Condition:
It was noted during audit testing that DeAnza College (the College) did not meet the community service requirement for its Federal Work Study allocation, and was unable to obtain a waiver from the Department of Education releasing it from the requirement.

Context:
The College disbursed $179,206 of federal funds relating to FWS during the fiscal year.

Questioned Costs:
None

Cause:
The College did not receive a waiver from the Department of Education to waive this requirement.

Possible Asserted Effect:
The Department of Education could reduce or eliminate the College's Work Study award.

Repeat Finding:
This was not a finding in the prior year.

Recommendation:

We recommend that the College establish procedures to ensure that at least 7% of Federal Work Study allocation is used for community service jobs, or successfully receive a waiver as had happened in previous years.

Views of responsible officials and planned corrective actions:
Please refer to the attached Corrective Action Plan.

Finding 2019-002: Special Tests and Provisions: Enrollment Reporting

Federal agency: Department of Education

Federal program title: Student Financial Aid Cluster

CFDA Numbers: Various

Award Period: July 1, 2018 through June 30, 2019

Type of Finding:
Significant Deficiency in Internal Control over Compliance; Non Compliance

Criteria:
Changes in a student's status are required to be reported to the National Student Loan Data System (NSLDS) within 30 days of the change or included in a student status confirmation report sent to NSLDS within 60 days of the status change (34 CFR Section 690.83, 34 CFR 685.309). These changes include reductions or increases in attendance levels, withdrawals, graduations, or approved leaves-of-absence.

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. Effective internal controls should include establishing procedures to ensure student enrollment status changes are accurately and timely reported to the NSLDS.

Condition:
During our testing we noted discrepancies for 10 out of 40 students tested, which is a statistically valid sample. DeAnza College (the College) did not report the changes in enrollment status, for 10 students tested.

The College utilizes the National Student Clearinghouse (NSC) as a third party provider in order to submit student information to NSLDS. However, it is possible for the college to create an Enrollment Reporting Summary Report after reporting student status changes on NSLDS, which would have detected these types of errors.

Questioned costs:
None

Context:
The College disbursed $17,067,959 in federal student financial assistance during fiscal year 2019.

Cause:
The College did not provide updated rosters to NSC on a timely basis. This resulted in a delay in submission of the student's change information to NSLDS.

Effect:
The College did not update student enrollment statuses correctly or timely to NSLDS.

Repeat Finding:
This was not a finding in the prior year.

Recommendation:
We recommend that the College put a process in place to ensure determination of all students who withdraw or graduate are accurately and timely reported to NSLDS.

Views of Responsible Officials and Planned Corrective Actions and Conclusion:
Please refer to the attached Corrective Action Plan.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS
June 30, 2019

Finding 2019-003: Entrance and Exit Counseling

Federal Agency: Department of Education

Federal Program: Title: Student Financial Assistance Cluster

CFDA Numbers: 84.268 – Federal Direct Student Loans

Award Period: July 1, 2018 through June 30, 2019

Type of Finding: Significant Deficiency in Internal Control over Compliance and Non Compliance

Criteria or Specific Requirement:

The Code of Federal Regulations, 34 CFR 685.304 require entrance counseling be performed before disbursing loan funds to the student for Direct Subsidized Loan, Direct Unsubsidized Loan and Direct PLUS Loan to a graduate or professional student . The regulations also require exit counseling for all students who ceases at least half-time study at the school.

Condition:
Entrance and Exit Counseling—10 out of 40 students selected for testing, in our statistically valid sample, did not receive exit counseling within the required 30 days of a student ceasing attendance. 4 out of the 10 students attended Foothill College and 6 out of the 10 attended DeAnza College.

Questioned Costs:
None

Context:
The College's disbursed $5,640,262 in Direct Loans during the fiscal year.

Cause:
The Colleges' processes and controls did not ensure that entrance or exit counseling was completed or did not retain proper support to indicate this process took place.

Effect:
Students are not receiving the proper loan counseling which may contribute to a higher default rate.

Repeat Finding:
No

Recommendation:
We recommend the colleges review its policies and procedures around sending entrance and exit counseling information to students to ensure students are receiving proper counseling and ensure entrance counseling is documented before loans disbursements are made.

Views of responsible officials and planned corrective actions:
Please refer to the attached Corrective Action Plan.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS RELATED TO STATE AWARDS June 30, 2019

There were no findings and questioned costs related to state awards for the year ended June 30, 2019.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2019

Please refer to the attached Summary Schedule of Prior Year Findings.

U.S. Department of Education:

Foothill-De Anza Community College District respectfully submits the following corrective action plan for the year ended June 30, 2019.

Audit period: 2018-19

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS—FEDERAL AWARD PROGRAMS AUDITS

Department of Education
2019-001 Student Financial Aid Cluster- Federal Work Study Program– CFDA No. 84.033

Recommendation: It is recommended that De Anza College establishes procedures to ensure that at least 7% of Federal Work Study allocation is used for community service jobs, or successfully receive a waiver as had happened in previous years.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: De Anza College will work closely with our Disability Support Services Division to utilize employee work study students to assist in supporting their students via tutoring and other allowable job duties as set forth by the Campus Based Aid regulations. We will also partner with Community Education to hire work study students to assist with their programs geared for the K-12 segment, including tutoring, computer lab aids and other appropriate duties. We will continue to reach out to students to gain a pool to work at our off-site partner, Garden Gate Elementary School.

Name(s) of the contact person(s) responsible for corrective action: Lisa Mandy, Director, Financial Aid and Scholarships.

Planned completion date for corrective action plan: November 30, 2019.

Department of Education
2019-002 Student Financial Aid Cluster – CFDA No. Various

Recommendation: It is recommended that De Anza College puts a process in place to ensure determination of all students who withdraw or graduate are accurately and timely reported to National Student Loan Data Systems (NSLDS).

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: The reporting schedule has been updated with the National Student Clearinghouse with the intent to more accurately report student statuses within the required timeline. We will be working with the District's Educational Technology department and/or Ellucian Banner consultant to determine best way to report students who begin later in the quarter, as they often appear as late reports.

Name(s) of the contact person(s) responsible for corrective action:
Nazy Galoyan, Dean, Enrollment Services,
Lisa Mandy, Director, Financial Aid and Scholarships
Roland Amit, Senior Enrollment Services Supervisor

Planned completion date for corrective action plan: December 15, 2019.

Department of Education
2019-003 Student Financial Aid Cluster-Federal Direct Student Loans – CFDA No. 84.268

Recommendation: It is recommended the Foothill and De Anza colleges review their policies and procedures around sending entrance and exit counseling information to students to ensure students are receiving proper counseling and ensure entrance counseling is documented before loans disbursements are made.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding:

De Anza College

Our current process ensures that those students who withdraw prior to the end of the quarter receive exit counseling information as we run weekly reports for Return to Title IV processes. Going forward we will partner with Admissions and Records to obtain a more comprehensive withdrawal report to include those students who do not return in the subsequent term. Additionally, we will work with an Ellucian Banner consultant (to be on site early December) to create/find a Banner report that will allow us to capture withdrawn students in a timely fashion. De Anza has been partnering with Educational Credit Management Corporation services to provide grace counseling for all students who have been reported to NSLDS as withdrawn since October of 2017 and to provide default prevention services as well.

Name(s) of the contact person(s) responsible for corrective action:
Lisa Mandy, Director, Financial Aid and Scholarships.

Planned completion date for corrective action plan: December 15, 2019.

Foothill College

Going forward Foothill College Financial Aid Office will partner with Admissions and Records and/or use refined baseline Banner processes to obtain a more comprehensive withdrawal report to include those students who do not return in the subsequent term. Additionally, we will work with an Ellucian Banner consultant (to be on site early December) to create/find a Banner report that will allow us to capture withdrawn students in a timely and effective fashion. Foothill College uses Borrower Connect to provide at least monthly communications with all students in a grace or repayment status on their Federal Stafford and Direct Loans; this service has been in place since 2015.

Name(s) of the contact person(s) responsible for corrective action:
Kevin Harral, Director, Financial Aid and Scholarships.

Planned completion date for corrective action plan: December 15, 2019.

If the Department of Education has questions regarding this plan, please call Susan Cheu, Interim Vice Chancellor, Business Services at (650) 949-6202.

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FOOTHILL-DE ANZA
Community College District

U.S. Department of Education:

Foothill-De Anza Community College District respectfully submits the following summary schedule of prior audit findings for the year ended June 30, 2018.

Audit period: 2017-18

The findings from the prior audit's schedule of findings and questioned costs are discussed below by individual college. The findings are numbered consistently with the numbers assigned in the prior year.

FINDINGS— FEDERAL AWARD PROGRAMS AUDITS

<u>2018 – 001 Special Tests and Provisions: Enrollment Reporting</u>

Condition: The National Student Loan Data Systems (NSLDS) rosters returned yielded error reports that were not corrected and resubmitted within the required 10 days. The District utilizes the National Student Clearinghouse (NSC) as a third-party provider in order to submit student information to NSLDS.

Status: The Corrective Action Plan was implemented by both Foothill and De Anza Colleges during the 2018-19 academic year, Winter Quarter and Spring Quarter respectively.

Foothill College

Foothill College has set times during each quarter when enrollment files are to be submitted to the National Student Clearinghouse (NSC). With oversight by the Senior Enrollment Services Supervisor, we have our Enrollment Service Specialist submit the files three times per quarter as follows:

- First of Term – typically schedule the Tuesday after census
- Subsequent of Term – typically at the midpoint of quarter
- End of Term – typically scheduled within a week of the last date of the quarter

NSC will notify via email if there are any errors that need to be cleared in order to process the enrollment file. Once the errors are resolved, the file is accepted and NSC transmits the file to NSLDS who will send an error report via NSC within a few days of receipt from NSC. We have 10 days to make corrections to the records. The corrections are made by the Enrollment Services Specialist and if absent by the Supervisor of Enrollment Services. The Director of Financial Aid and Dean of Enrollment Services receive notifications during every step of the process and can also enter in data if needed.

De Anza College

De Anza College has set dates during each quarter when enrollment files are to be submitted to the National Student Clearinghouse (NSC). The Senior Supervisor of Enrollment Services or the Director of Financial Aid will submit the files three times per quarter as follows:

- First of Term – typically schedule the Tuesday after census
- Subsequent of Term – typically at the midpoint of the quarter
- End of Term – typically scheduled within a week of the last date of the quarter

NSC will notify via email if there are any errors that need to be cleared in order to process the enrollment file. Once the errors are resolved, the file is accepted and NSC transmits the file to NSDLS who will send an error report via NSC within a few days of receipt from NSC. We have 10 days to make corrections to the records. The corrections are made by the Senior Supervisor of Enrollment Services or an Enrollment Services Specialist. The Director of Financial Aid also serves as a backup and can make corrections directly to NSLDS if required.

A shared folder has been created to house the error reports, correction files and our process. The user access list has been reviewed and updated to ensure those responsible for reporting have access to the proper screens and receive email notifications of pending and completed tasks. Staff have attended several training sessions and will continue to do so as needed.

2018 – 002 Special Tests and Provisions: Return to Title IV Funds:

Condition: The District did not refund Title IV funds within the required time frame.

Status: The Corrective Action Plan was implemented by Foothill College in the Winter Quarter during the 2018-19 academic year.

A checking system was developed for Return to Title IV status reports that includes a review by the Senior Executive Vice President of Instruction and Student Services. Each time the Financial Aid Program Coordinator II performs the Return to Title IV calculation she expresses it in an excel spreadsheet and sends to the Senior Executive Vice President of Instruction and Student Services for review and acknowledgment.

If the Department of Education has questions regarding this schedule, please call Susan Cheu, Interim Vice Chancellor, Business Services at (650) 949-6202.