

**FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT**

**COUNTY OF SANTA CLARA**

**LOS ALTOS HILLS, CALIFORNIA**

**FINANCIAL STATEMENTS**

**WITH SUPPLEMENTAL INFORMATION**

**FOR THE YEAR ENDED JUNE 30, 2007**

**AND**

**INDEPENDENT AUDITOR'S REPORT**

**FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT**

**FINANCIAL STATEMENTS  
WITH SUPPLEMENTAL INFORMATION**

**For the Year Ended June 30, 2007**

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-8
Basic Financial Statements:	
Statements of Net Assets	9-10
Statements of Revenues, Expenses and Changes in Net Assets	11-13
Statements of Cash Flows	14-16
Notes to Financial Statements	17-44
Supplemental Information:	
Independent Auditor's Report on Supplemental Information	45-46
Organization	47
Schedule of Federal Financial Awards	48-49
Schedule of State Financial Awards	50
Schedule of Workload Measures for State General Apportionment	51
Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Basic Financial Statements	52
Notes to Supplemental Information	53
Independent Auditor's Report on State Compliance Requirements	54-55
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	56-57

**FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT**

**FINANCIAL STATEMENTS  
WITH SUPPLEMENTAL INFORMATION**

**For the Year Ended June 30, 2007**

**TABLE OF CONTENTS**

(Continued)

	<b><u>Page</u></b>
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	58-59
Findings and Recommendations:	
Schedule of Audit Findings and Questioned Costs	60
Summary of Findings and Recommendations	61-63
Summary Schedule of Prior Audit Findings	64-65

## **INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Foothill-De Anza Community College District as of and for the year ended June 30, 2007, which comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the basic financial statements listed in the aforementioned table of contents present fairly, in all material respects, the financial position of Foothill-De Anza Community College District as of June 30, 2007, and the results of its operations, changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 9, 2007, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

**INDEPENDENT AUDITOR'S REPORT**  
(Continued)

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

*Perry-Smith LLP*

Sacramento, California  
November 9, 2007

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Fiscal Year Ending June 30, 2007**

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

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

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

Each one of these statements will be discussed.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Fiscal Year Ending June 30, 2007

## Statement of Net Assets

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

### Condensed Statement of Net Assets (in thousands)

<b>ASSETS</b>	<b>2007</b>	<b>2006</b>	<b>Year to Year Change</b>	<b>Dollar Change</b>
Current assets:				
Cash and cash equivalents	\$ 75,441	\$ 58,321	29.3%	\$ 17,120
Short-term investments	79	77	2.6%	2
Receivables	17,769	16,955	4.8%	814
Inventory and other assets	3,649	3,432	6.3%	217
Total current assets	<u>96,938</u>	<u>78,785</u>	23.0%	<u>18,153</u>
Noncurrent assets:				
Restricted cash and cash equivalents	326,114	110,371	195.5%	215,743
Receivables	2,021	2,010	0.5%	11
Capital assets, net	<u>312,397</u>	<u>265,927</u>	17.5%	<u>46,470</u>
Total noncurrent assets	<u>640,532</u>	<u>378,308</u>	69.3%	<u>262,224</u>
Total assets	<u>\$ 737,470</u>	<u>\$ 457,093</u>	61.3%	<u>\$ 280,377</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 25,792	\$ 25,128	2.6%	\$ 664
Deferred revenue	14,299	11,054	29.4%	3,245
Amounts held in trust	2,725	2,573	5.9%	152
Long-term liabilities-current portion	<u>4,478</u>	<u>6,433</u>	-30.4%	<u>(1,955)</u>
Total current liabilities	<u>47,294</u>	<u>45,188</u>	4.7%	<u>2,106</u>
Noncurrent liabilities:				
Long-term liabilities, noncurrent portion	4,848	3,991	21.5%	857
Long-term debt, noncurrent portion	<u>517,063</u>	<u>260,121</u>	98.8%	<u>256,942</u>
Total noncurrent liabilities	<u>521,911</u>	<u>264,112</u>	97.6%	<u>257,799</u>
Total liabilities	<u>569,205</u>	<u>309,300</u>	84.0%	<u>259,905</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	86,808	84,499	2.7%	2,309
Restricted	54,305	38,534	40.9%	15,771
Unrestricted	<u>27,152</u>	<u>24,760</u>	9.7%	<u>2,392</u>
Total net assets	<u>168,265</u>	<u>147,793</u>	13.9%	<u>20,472</u>
Total liabilities and net assets	<u>\$ 737,470</u>	<u>\$ 457,093</u>	61.3%	<u>\$ 280,377</u>

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

(Continued)

**Fiscal Year Ending June 30, 2007**

### **Statement of Net Assets (Continued)**

- Capital assets increased by 17.5%, or approximately \$46 million, in connection with the construction of numerous Measure E capital projects that began in 2001 and Measure C capital projects that began in 2007. We anticipate continued growth in capital assets in future years as Measure E and C projects are completed.
- Restricted cash increased by approximately \$216 million, as a result of the issuance of the Election of 2006 General Obligation Bonds, Series A and B and the Certificates of Participation 2006 Financing Project.
- Deferred revenue increased by 29.4%, or approximately \$3 million, as a result of the unspent one-time funds from the state for basic skills, scheduled maintenance and instructional equipment.
- The current portion of long-term liabilities decreased by approximately \$2 million because the principal payment for the election of 1999 General Obligation Bonds, Series B in 2007/08 is about \$2 million less than in 2006/07. The long-term debt increased by approximately \$257 million due to the District's issuance of the Election of 2006 General Obligation Bonds, Series A and B and the Certificates of Participation 2006 Financing Project.

### **Statement of Revenues, Expenses and Changes in Net Assets**

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



# MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Fiscal Year Ending June 30, 2007

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

	<u>2007</u>	<u>2006</u>	<u>Year to Year Change</u>	<u>Dollar Change</u>
Revenues:				
Operating revenues:				
Net tuition and fees	\$ 32,386	\$ 30,813	5.1%	\$ 1,573
Grants and contracts, non-capital	34,990	26,721	30.9%	8,269
Auxiliary enterprise, net	13,131	13,253	-0.9%	(122)
Other	<u>10,983</u>	<u>10,766</u>	2.0%	<u>217</u>
Total operating revenues	<u>91,490</u>	<u>81,553</u>	12.2%	<u>9,937</u>
Total operating expense	<u>242,166</u>	<u>220,534</u>	9.8%	<u>21,632</u>
Loss from operations	<u>(150,676)</u>	<u>(138,981)</u>	8.4%	<u>(11,695)</u>
Non-operating revenues (expenses):				
State apportionments, non-capital	86,925	65,663	32.4%	21,262
Local property taxes	60,843	68,519	-11.2%	(7,676)
State taxes and other revenues	5,906	5,389	9.6%	517
Investment income	128	(893)	-114.3%	1,021
Interest expense	<u>(14,013)</u>	<u>(8,660)</u>	61.8%	<u>(5,353)</u>
Total non-operating revenues (expenses)	<u>139,789</u>	<u>130,018</u>	7.5%	<u>9,771</u>
Loss before capital revenues	<u>(10,887)</u>	<u>(8,963)</u>	21.5%	<u>(1,924)</u>
Capital revenues	<u>31,359</u>	<u>32,479</u>	-3.4%	<u>(1,120)</u>
Increase in net assets	20,472	23,516	-12.9%	(3,044)
Net assets-beginning of year	<u>147,793</u>	<u>124,277</u>	18.9%	<u>23,516</u>
Net assets-end of year	<u>\$ 168,265</u>	<u>\$ 147,793</u>	13.9%	<u>\$ 20,472</u>

Operating revenues increased by 12.2%, or approximately \$10 million. The increase is due to an increase in non-resident tuition revenue, increased State funding for categorical programs, receipt of one time funds from the State and increased funding from local grants and contracts.

Non-operating revenue increased by 7.5%, or approximately \$9.8 million. The increase of the State apportionment is due to the increase of base revenue and one time funds from the State. The reduction in property tax revenue (including ERAF) is caused by the State's realignment of local finances to balance the State budget, and was offset by a corresponding increase in State General Fund revenues. The increase of the investment income is due to the increase in interest income in the Debt Service Fund and the decrease in unrealized loss from the County's commingled investment pool. The increase of interest expense is due to the issuance of the Election of 2006 General Obligation Bonds, Series A and B and the Certificates of Participation 2006 Financing Project.

Capital revenues decreased by approximately \$1.1 million due to the completion of the State funded capital outlay projects.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Fiscal Year Ending June 30, 2007

## Operating Expenses (by natural classification) (in thousands)

	<u>2007</u>	<u>2006</u>	<u>Year to Year Change</u>	<u>Dollar Change</u>
Salaries	\$ 128,445	\$ 117,306	9.5%	\$ 11,139
Benefits	<u>41,686</u>	<u>38,150</u>	9.3%	<u>3,536</u>
Total salaries and benefits	<u>170,131</u>	<u>155,456</u>	9.4%	<u>14,675</u>
Supplies, materials, and other operating expenses and services	51,081	47,170	8.3%	3,911
Utilities	3,733	3,792	-1.6%	(59)
Depreciation	<u>17,221</u>	<u>14,116</u>	22.0%	<u>3,105</u>
Total operating expenses	<u>\$ 242,166</u>	<u>\$ 220,534</u>	9.8%	<u>\$ 21,632</u>

- Total compensation and benefits increased by 9.4% or approximately \$14.7 million. This is a result of the cost of living adjustment for salaries, increases in the number of non-instructional positions, and inflationary increases to medical benefits.
- Supplies, materials, and other operating expenses and services increased by 8.3%, or approximately \$3.9 million, due to increased expenses in categorical programs, contract services, student financial aid disbursements and foreign student insurance expense.
- Depreciation increased by 22%, or approximately \$3.1 million, consistent with the increase in capital assets.

## Statement of Cash Flows (in thousands)

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

	<u>2007</u>	<u>2006</u>	<u>Year to Year Change</u>	<u>Dollar Change</u>
Cash provided by (used in):				
Operating activities	\$ (139,146)	\$ (129,069)	7.8%	\$ (10,077)
Non-capital financing activities	155,023	137,217	13.0%	17,806
Capital and related financing activities	211,216	17,689	1094.1%	193,527
Investing activities	<u>5,769</u>	<u>(652)</u>	-984.8%	<u>6,421</u>
Net increase in cash	232,862	25,185	824.6%	207,677
Cash-beginning of the fiscal year	<u>168,692</u>	<u>143,507</u>	17.5%	<u>25,185</u>
Cash-end of the fiscal year	<u>\$ 401,554</u>	<u>\$ 168,692</u>	138.0%	<u>\$ 232,862</u>

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

(Continued)

**Fiscal Year Ending June 30, 2007**

### **Economic Factors That May Affect the Future**

#### 2007-2008 Fiscal Year

The State controls most of the Foothill-De Anza Community College District's operating income through the apportionment process, growth allowances, Cost of Living Adjustments (COLA) and categorical allocations. The 2007-2008 Adopted Budget reflected recovery from a moderate enrollment decline in the 2006-2007 year. The Fall Quarter census data reflects not only recovery of prior year enrollment decline, but also net growth. Despite the downturn in the housing industry, the strength of the state budget is such that budgeted growth and COLA are fully funded.

The District received a two-year allocation of one-time funds in excess of \$7 million in the 2006-2007 year. These funds are geared toward strategic growth initiatives and will be drawn down over a three to four year period to augment programs, supplies and services. The 2007-2008 budget is "structurally balanced" without the use of these one-time funds.

At the June 6, 2006 election, the voters of the District overwhelmingly approved Measure C, a \$490.8 million bond. This funding will be used for new construction, renovation and equipment purchases for the next 15 years. Series "A", in the amount of \$150 million, and Series "B", in the amount of \$100 million, were both issued in May 2007.

Measure E, the 1999 General Obligation bond measure, is beginning to wrap up. The Campus Center at Foothill College opened with the commencement of the fall 2007 term. The last major project in the Measure E program, the Visual and Performing Arts Center at De Anza College broke ground in October 2007.

The District completed an updated actuarial analysis of its unfunded retiree medical liability in August 2006. The District will commission an updated study this fall. The "Annual Required Contribution" (ARC) for the 2007-2008 fiscal year is calculated to be \$9 million. The additional cost of compliance with GASB 43/45 is \$1 million, which will be funded through an irrevocable trust.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET ASSETS

June 30, 2007

**ASSETS**

Current assets:

Cash and cash equivalents (Note 2)	\$ 75,441,029
Short term investments (Note 2)	78,977
Accounts receivable, net (Note 3)	17,199,933
Student loans receivable, net – current portion	569,617
Stores inventories	1,486,197
Prepaid expenses	<u>2,162,412</u>

Total current assets 96,938,165

Noncurrent assets:

Restricted cash and cash equivalents (Note 2)	326,113,308
Student loans receivable, net – noncurrent portion	2,021,089
Capital assets, net (Note 4)	<u>312,397,197</u>

Total noncurrent assets 640,531,594

Total assets \$ 737,469,759

**LIABILITIES**

Current Liabilities:

Accounts and claims payable (Note 8)	\$ 22,498,130
Deferred revenue (Note 5)	14,299,180
Compensated absences payable – current portion	3,293,393
Amounts held in trust	2,725,371
Long-term debt – current portion (Note 6)	<u>4,478,011</u>

Total current liabilities 47,294,085

Noncurrent liabilities:

Compensated absences payable – noncurrent portion (Note 6)	1,425,950
Unpaid claims and claim adjustment expenses (Notes 6 and 8)	3,421,745
Long-term debt – noncurrent portion (Note 6)	<u>517,062,881</u>

Total noncurrent liabilities 521,910,576

Total liabilities 569,204,661

Commitments and contingencies (Note 11)

**NET ASSETS**

Invested in capital assets, net of related debt 86,807,584

Restricted for:

Scholarships and loans	2,782,198
Capital projects	5,954,861
Debt services	27,475,912
Other special purposes	18,092,096

Unrestricted 27,152,447

Total net assets 168,265,098

Total liabilities and net assets \$ 737,469,759

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

**FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT**  
**FOOTHILL-DE ANZA COMMUNITY COLLEGES FOUNDATION**  
**(A Nonprofit Organization)**

**STATEMENT OF NET ASSETS**

**June 30, 2007**

		<u>Restricted</u>			<u>Total (Memoran- dum Only)</u>
	<u>Unrestricted</u>	<u>General</u>	<u>Kaider</u>	<u>Total</u>	
<b>ASSETS</b>					
Cash in County Treasury (Note 2)	\$ 1,113,621	\$ 1,657,112	\$ 13,424	\$ 1,670,536	\$ 2,784,157
Investments (Note 2)		22,685,096	2,154,192	24,839,288	24,839,288
Contribution receivable, net (Note 3)		1,790,404		1,790,404	1,790,404
Accounts receivable (Note 3)		3,538		3,538	3,538
Accrued interest receivable		33,697		33,697	33,697
Prepaid expenses		2,970		2,970	2,970
Total assets	<u>\$ 1,113,621</u>	<u>\$ 26,172,817</u>	<u>\$ 2,167,616</u>	<u>\$ 28,340,433</u>	<u>\$ 29,454,054</u>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities		\$ 6,694		\$ 6,694	\$ 6,694
Due to other funds of the District		729,717		729,717	729,717
Total liabilities		<u>736,411</u>		<u>736,411</u>	<u>736,411</u>
<b>NET ASSETS</b>					
Unrestricted	\$ 1,113,621				1,113,621
Temporarily restricted		10,201,616		10,201,616	10,201,616
Permanently restricted		15,234,790	\$ 2,167,616	17,402,406	17,402,406
Total net assets	<u>1,113,621</u>	<u>25,436,406</u>	<u>2,167,616</u>	<u>27,604,022</u>	<u>28,717,643</u>
Total liabilities and net assets	<u>\$ 1,113,621</u>	<u>\$ 26,172,817</u>	<u>\$ 2,167,616</u>	<u>\$ 28,340,433</u>	<u>\$ 29,454,054</u>

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

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2007

Operating revenues:	
Tuition and fees	\$ 35,962,663
Less: scholarship discounts and allowances	<u>(3,577,149)</u>
Net tuition and fees	<u>32,385,514</u>
Grants and contracts, non-capital:	
Federal	11,673,481
State	19,713,611
Local	3,602,600
Auxiliary enterprise sales and charges	13,131,081
Interest on student loans	27,650
Other operating revenues	<u>10,955,757</u>
Total operating revenues	<u>91,489,694</u>
Operating expenses (Note 13):	
Salaries	128,444,639
Benefits (Notes 9 and 10)	41,686,457
Supplies, materials, and other operating expenses and services	51,081,336
Utilities	3,732,662
Depreciation (Note 4)	<u>17,221,046</u>
Total operating expenses	<u>242,166,140</u>
Loss from operations	<u>(150,676,446)</u>
Non-operating revenues (expenses):	
State apportionments, non-capital	86,924,768
Local property taxes (Note 7)	60,842,926
State taxes and other revenues	5,906,679
Investment income, noncapital	51,190
Investment income, capital	76,784
Interest expense on capital asset-related debt, net	<u>(14,013,326)</u>
Total non-operating revenues (expenses)	<u>139,789,021</u>

(Continued)

**FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
(Continued)  
**For the Year Ended June 30, 2007**

Loss before capital revenues	<u>\$ (10,887,425)</u>
Capital revenues:	
State apportionment	1,202,703
Local property taxes and revenues	<u>30,156,516</u>
Total capital revenues	<u>31,359,219</u>
Increase in net assets	20,471,794
Net assets, beginning of year	<u>147,793,304</u>
Net assets, end of year	<u>\$ 168,265,098</u>

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

**FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT**

**FOOTHILL-DE ANZA COMMUNITY COLLEGES FOUNDATION  
(A Nonprofit Organization)**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

**For the Year Ended June 30, 2007**

		<u>Restricted</u>			<u>Total (Memoran- dum Only)</u>
	<u>Unrestricted</u>	<u>General</u>	<u>Kaider</u>	<u>Total</u>	
Revenues:					
Contributions	\$ 38,419	\$ 4,748,168	\$ 25	\$ 4,748,193	\$ 4,786,612
Donated services and facilities (Note 14)	32,724				32,724
Interest and dividend income	136,696	457,474	40,935	498,409	635,105
Change in fair value of investments (Note 2)		2,960,742	319,247	3,279,989	3,279,989
Other revenues	16,694	356,589		356,589	373,283
Net assets released from restrictions by payments	3,173,454	(3,015,031)	(158,423)	(3,173,454)	
Transfers	<u>58,209</u>	<u>(55,830)</u>	<u>(2,379)</u>	<u>(58,209)</u>	
Total revenues	<u>3,456,196</u>	<u>5,452,112</u>	<u>199,405</u>	<u>5,651,517</u>	<u>9,107,713</u>
Expenses:					
Grants and related activities	3,205,464				3,205,464
Donated services and facilities (Note 14)	<u>32,724</u>				<u>32,724</u>
Total expenses	<u>3,238,188</u>				<u>3,238,188</u>
Changes in net assets	218,008	5,452,112	199,405	5,651,517	5,869,525
Net assets, beginning of year	<u>895,613</u>	<u>19,984,294</u>	<u>1,968,211</u>	<u>21,952,505</u>	<u>22,848,118</u>
Net assets, end of year	<u>\$ 1,113,621</u>	<u>\$ 25,436,406</u>	<u>\$ 2,167,616</u>	<u>\$ 27,604,022</u>	<u>\$ 28,717,643</u>

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



**FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF CASH FLOWS**

**For the Year Ended June 30, 2007**

Cash flows from operating activities:	
Tuition and fees	\$ 31,870,699
Federal grants and contracts	11,940,662
State grants and contracts	20,252,749
Local grants and contracts	2,893,283
Payments to suppliers	(41,210,530)
Payments to utilities	(3,666,355)
Payment to employees	(127,839,689)
Payment for benefits	(40,643,464)
Payment to students	(10,254,207)
Loans to students	(36,654)
Auxiliary enterprises sales and charges	13,194,772
Other receipts, net	<u>4,352,394</u>
Net cash used in operating activities	<u>(139,146,340)</u>
Cash flows from noncapital financing activities:	
State appropriations	89,524,727
Local property taxes	60,842,926
State taxes and other revenues	4,503,508
Scholarship and trust receipts	577,130
Scholarship and trust disbursements	(579,561)
Student organization agency receipts	1,406,067
Student organization agency disbursements	<u>(1,251,231)</u>
Net cash provided by noncapital financing activities	<u>155,023,566</u>
Cash flows from capital and related financing activities:	
State appropriations for capital purposes	3,698,743
Local revenue for capital purposes	30,233,595
Proceeds from capital debt	261,468,919
Purchase of capital assets	(63,690,697)
Principal paid on capital debt	(6,481,621)
Interest paid on capital debt, net	<u>(14,013,326)</u>
Net cash provided by capital and related financing activities	<u>211,215,613</u>
Cash flows from investing activities:	
Interest income (expense)	5,771,214
Short-term investments	<u>(1,907)</u>
Net cash provided by investing activities	<u>5,769,307</u>
Net increase in cash and cash equivalents	232,862,146
Cash and cash equivalents balance, beginning of year	<u>168,692,191</u>
Cash and cash equivalents balance, end of year	<u>\$ 401,554,337</u>

(Continued)

**FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF CASH FLOWS**  
(Continued)  
**For the Year Ended June 30, 2007**

Reconciliation of loss from operations to net cash used in operating activities:	
Loss from operations	\$(150,676,446)
Adjustments to reconcile loss from operations to net cash used in operating activities:	
Depreciation expense	17,221,046
Changes in assets and liabilities:	
Receivables, net	(585,274)
Inventories	120,064
Prepaid expenses	(336,914)
Accounts payable	464,537
Deferred revenue	521,092
Compensated absences	453,191
Claims liability	602,345
Interest on investments	<u>(6,929,981)</u>
Net cash used in operating activities	<u>\$(139,146,340)</u>

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

**FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT**  
**FOOTHILL DE-ANZA COMMUNITY COLLEGES FOUNDATION**  
**(Nonprofit Organization)**

**STATEMENT OF CASH FLOWS**

**For the Year Ended June 30, 2007**

Cash flows from operating activities:

Increase in net assets	\$ 5,869,525
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Increase in contributions receivable	(1,790,404)
Decrease in accounts receivable	88,459
Increase in accrued interest receivable	(8,814)
Decrease in prepaid expenses	1,820
Decrease in accounts payable and accrued liabilities	(28,473)
Increase in due to other funds	160,773
Decrease in amounts held in trust	<u>(60,174)</u>
Net cash provided by operating activities	<u>4,232,712</u>

Cash flows used in investing activities:

Investment purchases	<u>(3,309,498)</u>
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Net increase in cash and cash equivalents	923,214
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Cash and cash equivalents, July 1, 2006	<u>1,860,943</u>
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Cash and cash equivalents, June 30, 2007	<u><u>\$ 2,784,157</u></u>
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Supplemental information:

Noncash investing activities:	
Change in fair value of investments	\$ 3,279,989

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

# FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Reporting Entity

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

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

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

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

# FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

(Continued)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Basis of Presentation

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

#### Financial Presentation

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

#### Basis of Accounting

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

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

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

#### Cash and Cash Equivalents

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

# FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

(Continued)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Restricted Cash and Cash Equivalents

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

#### Fair Value of Investments

The District records its investment in Santa Clara County Treasury at fair value. Changes in fair value are reported as revenue in the statement of revenues, expenses and changes in net assets. The fair value of investments, including the Santa Clara County Treasury external investment pool, at June 30, 2007 approximated their carrying value.

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

#### Accounts Receivable

Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff, the majority of each residing in the State of California. Accounts receivable also include amounts due from the Federal Government, State and Local Governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts.

#### Contributions

Contributions receivable consist of unconditional promises to give. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. An allowance for uncollectible contributions receivable is established based upon estimated losses related to specific amounts and is recorded through a provision for bad debt which is charged to expense. Unconditional promises to give that are expected to be collected with future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable in the years in which those promises are received. As of June 30, 2007, the Foundation has applied a discount rate of 5.0% to all contributions expected to be received in future years greater than one year. At June 30, 2007, an allowance for uncollectible contributions is not considered necessary and has not been recorded.

#### Inventory

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

# FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

(Continued)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Capital Assets

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

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

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

#### Compensated Absences

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

#### Accumulated Sick Leave

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

#### Deferred Revenue

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

#### Net Assets

The District's net assets are classified as follows:

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

# FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

(Continued)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Net Assets (Continued)

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

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

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

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

The Foundation's net assets are classified as follows:

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

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

*Permanently restricted:* Permanently restricted net assets are nonexpendable net assets consisting of endowment and similar type funds in which the donor has stipulated as condition of the gift, that the principal be maintained in perpetuity. The Foundation maintains the Kaider Fund of which the principal is permanently restricted and the earned interest may be used to fund scholarships to support the education of women in their re-entry into health care related positions.

#### State Apportionments

Certain current year apportionments from the State are based on various financial and statistical information of the previous year. Prior year corrections due to the recalculation in February 2007 will be recorded in the year computed by the State.



# FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

(Continued)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### On-Behalf Payments

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

#### Risk Management

As more fully described in Note 8, the District is partially self-insured with regard to workers' compensation and medical claims and certain other risks. The amount of the outstanding liability at June 30, 2007 for workers' compensation and medical claims includes estimates of future claim payments for known cases as well as provisions for incurred but not reported claims and adverse development on known cases which occurred through that date and is based on information provided by an outside actuary. Outstanding claims which are expected to become due and payable within the subsequent fiscal year are reflected as an accounts and claims payable liability and the balance of the estimated liability is reflected as a long-term liability.

#### Classification of Revenue

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

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

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

# FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

(Continued)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Scholarship Discounts and Allowances

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

#### Estimates

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

### 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

District cash, cash equivalents and investments at June 30, 2007, consisted of the following:

Pooled Funds:	
Cash in County Treasury	\$ 76,768,262
Deposits:	
Cash on hand and in banks	1,398,138
Cash held by Fiscal Agents	<u>323,387,937</u>
Total cash and cash equivalents	<u>401,554,337</u>
Less: restricted cash and cash equivalents:	
Cash held by Fiscal Agents	323,387,937
Cash held in trust	<u>2,725,371</u>
Total restricted cash and cash equivalents	<u>326,113,308</u>
Net cash and cash equivalents	<u>\$ 75,441,029</u>
Investments:	
Certificates of deposit	<u>\$ 78,977</u>

# FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

(Continued)

### 2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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

In accordance with applicable State laws, the Santa Clara County Treasurer may invest in derivative securities. However, at June 30, 2007, the Santa Clara County Treasurer has indicated that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

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

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

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

Cash balances held in banks are insured up to \$100,000 by the Federal Depository Insurance Corporation (FDIC). At June 30, 2007, the carrying amount of the District's cash on hand and in banks (including certificates of deposit) was \$1,477,115 and the bank balance was \$1,382,197. The bank balance amount insured by the FDIC was \$275,471.

Foundation cash and cash equivalents at June 30, 2007, consisted of the following:

Cash in County Treasury:	
Unrestricted	\$ 1,113,621
Restricted	<u>1,670,536</u>
Total cash and cash equivalents	<u>\$ 2,784,157</u>

## FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS

(Continued)

#### 2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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

##### Interest Rate Risk

The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2007, the District had no significant interest rate risk related to cash and investments held.

##### Credit Risk

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

##### Concentration of Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2007, the District had no concentration of credit risk.

##### District Investments

At June 30, 2007, the District's investments, with a carrying value of \$78,977, which equals market value, consist of certificates of deposit. The certificates of deposit are collateralized as required by California State law for any amount exceeding FDIC coverage. Collateral is held in trust by the institutions and monitored by the State Superintendent of Banking.

**FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

Foundation Investments

The Foundation investments consist of the Common Fund mutual funds and zero coupon collateralized mortgage obligations, backed by the Government National Mortgage Association. The Foundation investments are pooled and are valued at their fair market value based upon quoted market prices, when available, or estimates of fair value in the balance sheet and unrealized and realized gains and losses are included in the Foundation Statement of Revenues, Expenses and Changes in Net Assets. At June 30, 2007, the Foundation's investments consisted of the following:

Common Fund:	
Multi-strategy Equity Fund	\$ 17,568,333
Multi-strategy Bond Fund	5,047,862
Real estate	<u>2,218,347</u>
Total Common Fund	24,834,542
Collateralized mortgage obligations	<u>4,746</u>
	<u><u>\$ 24,839,288</u></u>

**3. ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2007 are summarized as follows:

Federal	\$ 1,076,388
State	7,974,260
Local and other	<u>8,724,367</u>
	17,775,015
Less allowance for doubtful accounts	<u>(575,082)</u>
	<u><u>\$ 17,199,933</u></u>

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

At June 30, 2007 the Foundation had \$3,538 in accounts receivable due from local sources.

**FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**3. ACCOUNTS RECEIVABLE (Continued)**

Contributions Receivable

Contributions receivable with the Foundation as of June 30, 2007 consist of the following:

Due within one year	\$ 544,456
Due within one to five years	1,459,034
Discount	<u>(213,086)</u>
Contributions receivable, net	<u>\$ 1,790,404</u>

**4. CAPITAL ASSETS**

Capital asset activity consists of the following:

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007
Land	\$ 2,489,776			\$ 2,489,776
Land improvements	33,391,245	\$ 1,856,230		35,247,475
Building improvements	96,090,093	21,262,130		117,352,223
Portable buildings	5,237,527	35,533		5,273,060
Buildings	138,343,518	3,243,621		141,587,139
Equipment	19,980,649	2,059,194		22,039,843
Software	1,484,707	265,724		1,750,431
Construction work in progress	<u>77,901,049</u>	<u>61,827,497</u>	\$ (26,859,232)	<u>112,869,314</u>
Total	<u>374,918,564</u>	<u>90,549,929</u>	<u>(26,859,232)</u>	<u>438,609,261</u>
Less accumulated depreciation:				
Land improvements	8,492,855	3,145,410		11,638,265
Building improvements	45,521,799	9,663,232		55,185,031
Portable buildings	1,476,369	350,353		1,826,722
Buildings	35,934,581	2,799,307		38,733,888
Equipment	16,269,026	1,120,654		17,389,680
Software	<u>1,296,388</u>	<u>142,090</u>		<u>1,438,478</u>
Total	<u>108,991,018</u>	<u>17,221,046</u>		<u>126,212,064</u>
Capital assets, net	<u>\$ 265,927,546</u>	<u>\$ 73,328,883</u>	<u>\$ (26,859,232)</u>	<u>\$ 312,397,197</u>

**FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**5. DEFERRED REVENUE**

Deferred revenue consisted of the following:

Deferred Federal and State revenue	\$ 6,959,440
Deferred student fees	2,900,223
Deferred tuition and other student enrollment fees	2,582,541
Deferred Celebrity Forum ticket sales	1,640,040
Deferred event sales	<u>216,936</u>
Total deferred revenue	<u>\$ 14,299,180</u>

**FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**6. LONG-TERM DEBT**

Long-term debt at June 30, 2007 consisted of the following:

<u>Description</u>	<u>Year of Issue</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Original Amount</u>	<u>Balance June 30, 2007</u>
General Obligation Bonds, Series A	2000	4.30%-6.26%	2030	\$ 99,995,036	\$ 30,470,036
General Obligation Bonds, Series B	2004	2.00%-5.79%	2036	\$ 90,100,063	62,875,063
General Obligation Bonds, Series C	2005	3.00%-5.03%	2036	\$ 57,904,900	57,904,900
General Obligation Refunding Bonds, Series A	2003	2.00%-5.00%	2030	\$ 67,475,000	63,435,000
General Obligation Refunding Bonds, Series B	2005	3.00%-5.25%	2021	\$ 22,165,000	22,010,000
2006 General Obligation Bonds, Series A	2006	4.00%-5.00%	2036	\$ 149,995,250	149,995,250
2006 General Obligation Bonds, Series B	2006	4.00%-5.00%	2036	\$ 99,996,686	99,996,686
Financing Corporation Certificates of Participation	1997	3.80%-5.05%	2012	\$ 12,520,000	3,260,000
Refunding Certificates of Participation	2003	1.00%-4.375%	2021	\$ 18,275,000	15,105,000
2006 Financing COPs	2006	3.50%-4.00%	2021	\$ 11,335,000	11,335,000
Capitalized lease obligations	1999-2005	3.67%-5.978%	2009-2020	\$ 9,005,573	5,153,957
Student Center revenue bonds	1968	3.00%	2007	\$ 600,000	-
Total long-term debt					521,540,892
Less current portion of long-term debt					<u>(4,478,011)</u>
					<u>517,062,881</u>
Compensated absences payable - noncurrent					1,425,950
Unpaid claims and claim adjustment expenses (Note 8)					<u>3,421,745</u>
Total noncurrent liabilities					<u>\$ 521,910,576</u>



# FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS (Continued)

### 6. LONG-TERM DEBT (Continued)

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

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

	General Obligation Bonds Series A	General Obligation Bonds Series B	General Obligation Bonds Series C	General Obligation Refunding Bonds Series A	General Obligation Refunding Bonds Series B	2006 General Obligation Bonds Series A
Balance, July 1, 2006	\$ 31,055,036	\$ 65,480,063	\$ 57,904,900	\$ 63,655,000	\$ 22,165,000	
New issuance						\$ 149,995,250
Principal payments	<u>585,000</u>	<u>2,605,000</u>		<u>220,000</u>	<u>155,000</u>	
Balance, June 30, 2007	<u>\$ 30,470,036</u>	<u>\$ 62,875,063</u>	<u>\$ 57,904,900</u>	<u>\$ 63,435,000</u>	<u>\$ 22,010,000</u>	<u>\$ 149,995,250</u>

  

	2006 General Obligation Bonds Series B	2006 Financing COPs	Capitalized Lease Obligations	Student Center Revenue Bonds	Total
Balance, July 1, 2006	\$ 4,560,000	\$ 15,880,000	\$ 5,833,595	\$ 20,000	\$ 266,553,594
New issuance	\$ 99,996,686		141,983		261,468,919
Principal payments	<u>1,300,000</u>	<u>775,000</u>	<u>821,621</u>	<u>20,000</u>	<u>6,481,621</u>
Balance, June 30, 2007	<u>\$ 99,996,686</u>	<u>\$ 15,105,000</u>	<u>\$ 5,153,957</u>	<u>\$ -</u>	<u>\$ 521,540,892</u>

**FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**6. LONG-TERM DEBT (Continued)**

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>1999 General Obligation Bonds, Series A</u>			
2008	\$ 900,000	\$ 434,450	\$ 1,334,450
2009	1,425,000	379,100	1,804,100
2010	2,000,000	294,900	2,294,900
2011	2,000,000	194,900	2,194,900
2012	2,415,000	72,450	2,487,450
2013-2017	3,740,194	5,659,806	9,400,000
2018-2022	8,545,769	18,319,231	26,865,000
2023-2027	5,132,011	17,622,990	22,755,001
2028-2031	<u>4,312,062</u>	<u>21,027,938</u>	<u>25,340,000</u>
	<u>\$ 30,470,036</u>	<u>\$ 64,005,765</u>	<u>\$ 94,475,801</u>
<u>1999 General Obligation Bonds, Series B</u>			
2008	\$ 695,000	\$ 1,214,010	\$ 1,909,010
2009	720,000	1,197,005	1,917,005
2010	750,000	1,176,395	1,926,395
2011	1,150,000	1,142,145	2,292,145
2012	1,350,000	1,090,458	2,440,458
2013-2017	8,220,000	4,454,965	12,674,965
2018-2022		3,562,500	3,562,500
2023-2027	18,395,689	16,542,661	34,938,350
2028-2032	12,465,068	42,764,932	55,230,000
2033-2037	<u>19,129,306</u>	<u>92,515,694</u>	<u>111,645,000</u>
	<u>\$ 62,875,063</u>	<u>\$ 165,660,765</u>	<u>\$ 228,535,828</u>

**FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**6. LONG-TERM DEBT (Continued)**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>1999 General Obligation Bonds, Series C</u>			
2008	\$ 52,647	\$ 1,815,852	\$ 1,868,499
2009	90,000	1,813,713	1,903,713
2010	85,000	1,811,088	1,896,088
2011	340,000	1,804,713	2,144,713
2012	445,000	1,792,381	2,237,381
2013-2017	4,320,000	8,507,700	12,827,700
2018-2022	9,725,000	6,807,375	16,532,375
2023-2027	8,220,524	13,274,601	21,495,125
2028-2032	9,023,550	25,587,700	34,611,250
2033-2037	<u>25,603,179</u>	<u>22,429,696</u>	<u>48,032,875</u>
	<u>\$ 57,904,900</u>	<u>\$ 85,644,819</u>	<u>\$ 143,549,719</u>
<u>General Obligation Refunding Bonds, Series A</u>			
2008	\$ 225,000	\$ 3,128,839	\$ 3,353,839
2009	230,000	3,123,886	3,353,886
2010	235,000	3,118,129	3,353,129
2011	245,000	3,111,521	3,356,521
2012	250,000	3,104,219	3,354,219
2013-2017	11,410,000	13,516,275	24,926,275
2018-2022	4,590,000	12,343,491	16,933,491
2023-2027	22,365,000	8,862,938	31,227,938
2028-2031	<u>23,885,000</u>	<u>2,478,875</u>	<u>26,363,875</u>
	<u>\$ 63,435,000</u>	<u>\$ 52,788,173</u>	<u>\$ 116,223,173</u>

**FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**6. LONG-TERM DEBT (Continued)**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>General Obligation Refunding Bonds, Series B</u>			
2008		\$ 1,155,525	\$ 1,155,525
2009		1,155,525	1,155,525
2010		1,155,525	1,155,525
2011		1,155,525	1,155,525
2012		1,155,525	1,155,525
2013-2017	\$ 2,330,000	5,594,138	7,924,138
2018-2022	<u>19,680,000</u>	<u>2,832,375</u>	<u>22,512,375</u>
	<u>\$ 22,010,000</u>	<u>\$ 14,204,138</u>	<u>\$ 36,214,138</u>
<u>2006 General Obligation Bonds, Series A</u>			
2008		\$ 6,785,926	\$ 6,785,926
2009		6,156,434	6,156,434
2010		6,043,125	6,043,125
2011	\$ 5,395,000	5,845,308	11,240,308
2012	6,070,000	5,604,758	11,674,758
2013-2017	8,135,000	26,911,021	35,046,021
2018-2022	18,830,000	21,370,267	40,200,267
2023-2027	34,310,000	26,420,625	60,730,625
2028-2032	55,800,000	20,941,829	76,741,829
2033-2037	<u>21,455,250</u>	<u>25,832,333</u>	<u>47,287,584</u>
	<u>\$ 149,995,250</u>	<u>\$ 151,911,626</u>	<u>\$ 301,906,876</u>
<u>2006 General Obligation Bonds, Series B</u>			
2008		\$ 4,586,020	\$ 4,586,020
2009		4,160,600	4,160,600
2010		4,084,025	4,084,025
2011	\$ 3,925,000	3,940,108	7,865,108
2012	4,400,000	3,765,692	8,165,692
2013-2017	5,410,000	18,083,417	23,493,417
2018-2022	12,565,000	15,741,729	28,306,729
2023-2027	22,930,000	11,163,417	34,093,417
2028-2032	37,385,000	9,793,057	47,178,057
2033-2037	<u>13,381,686</u>	<u>28,529,054</u>	<u>41,910,740</u>
	<u>\$ 99,996,686</u>	<u>\$ 103,847,119</u>	<u>\$ 203,843,805</u>

**FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**6. LONG-TERM DEBT (Continued)**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>Financing COPs</u>			
2008	\$ 595,000	\$ 156,780	\$ 751,780
2009	620,000	129,410	749,410
2010	650,000	100,270	750,270
2011	680,000	69,070	749,070
2012	<u>715,000</u>	<u>35,750</u>	<u>750,750</u>
	<u>\$ 3,260,000</u>	<u>\$ 491,280</u>	<u>\$ 3,751,280</u>
<u>Refunding COPs</u>			
2008	\$ 790,000	\$ 560,000	\$ 1,350,000
2009	805,000	542,239	1,347,239
2010	830,000	520,965	1,350,965
2011	850,000	496,378	1,346,378
2012	880,000	468,903	1,348,903
2013-2017	4,895,000	1,850,251	6,745,251
2018-2022	<u>6,055,000</u>	<u>687,325</u>	<u>6,742,325</u>
	<u>\$ 15,105,000</u>	<u>\$ 5,126,061</u>	<u>\$ 20,231,061</u>
<u>2006 Financing COPs</u>			
2008	\$ 630,000	\$ 423,698	\$ 1,053,698
2009	655,000	401,356	1,056,356
2010	675,000	378,198	1,053,198
2011	705,000	354,223	1,059,223
2012	730,000	329,256	1,059,256
2013-2017	4,075,000	1,200,443	5,275,443
2018-2022	<u>3,865,000</u>	<u>338,758</u>	<u>4,203,758</u>
	<u>\$ 11,335,000</u>	<u>\$ 3,425,932</u>	<u>\$ 14,760,932</u>
<u>Capitalized Lease Obligations</u>			
2008	\$ 590,364	\$ 225,334	\$ 815,698
2009	618,410	197,288	815,698
2010	597,085	167,876	764,961
2011	465,453	141,204	606,657
2012	488,025	118,632	606,657
2013-2017	1,607,626	315,258	1,922,884
2018-2020	<u>786,994</u>	<u>57,971</u>	<u>844,965</u>
	<u>\$ 5,153,957</u>	<u>\$ 1,223,563</u>	<u>\$ 6,377,520</u>

## FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS

(Continued)

#### 6. LONG-TERM DEBT (Continued)

##### Certificates of Participation

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

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

On November 1, 2006, the Financing Corporation issued Certificates of Participation (COPs) in the amount of \$11,335,000 for the construction and renovation of certain District facilities and the acquisition and installation of equipment, pay capitalized interest with respect to the Certificates through approximately June 30, 2007 and pay costs related to the execution and delivery of the Certificates. The COPs bear effective interest rates ranging from 3.5% to 4.0% and mature through 2021.

##### General Obligation Bonds

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

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

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

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

# FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

(Continued)

### 6. LONG-TERM DEBT (Continued)

#### General Obligation Bonds (Continued)

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

### 7. PROPERTY TAXES

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

### 8. SELF-INSURANCE PROGRAM

Effective March 1, 2003, the District is self-insured for certain risks and employee benefits. Workers' compensation claims are self-insured to \$250,000. Excess insurance has been purchased which covers workers' compensation claims between \$250,000 and \$10,000,000. The estimate of incurred but not reported and reported claims was actuarially determined based upon historical experience and actuarial assumptions. The current and long-term portions of the liability for the unpaid claims for workers' compensation losses as of June 30, 2007 were \$1,049,125 and \$3,376,270, respectively.

The District is also self-insured for health care claims of employees participating in the District's health care plans. The District carries stop loss insurance to limit its aggregate liability to 125% of the expected paid claims and its individual claim liability limit to \$100,000 per care year. The current and long-term portions of the liability for health care claims at June 30, 2007 were \$2,249,702 and \$45,475, respectively.

**FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**8. SELF-INSURANCE PROGRAM (Continued)**

The claims reserve activity for the year ended June 30, 2007 is as follows:

Unpaid claims and claim adjustment expenses, beginning of year	\$ 5,962,190
Incurred claims and claim adjustment expenses:	
Provision for covered events of the current year	13,392,903
Provision for covered events of prior years	<u>758,382</u>
Total incurred claims and claims adjustment expenses	<u>14,151,285</u>
Payments	
Claims and claim adjustment expenses	<u>13,392,903</u>
Total unpaid claims and claim adjustment expenses, end of year	6,720,572
Less current portion included in accounts and claims payable	<u>3,298,827</u>
Total non-current unpaid claims and claim adjustment expenses, end of year	<u>\$ 3,421,745</u>

**9. EMPLOYEE RETIREMENT SYSTEMS**

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

State Teachers' Retirement System (STRS)

Plan Description

All certificated employees and those employees meeting minimum standards adopted by the Board of Governors of the California Community Colleges and employed 50 percent or more of a full-time equivalent position participate in the Defined Benefit Plan (DB Plan). Part-time educators hired under a contract of less than 50 percent or on an hourly or daily basis without contract may elect membership in the Cash Balance Benefit Program (CB Benefit Program). The State Teachers' Retirement Law (Part 13 of the *California Education Code*, Section 22000 et seq.) established benefit provisions for STRS. Copies of the STRS annual financial report may be obtained from the STRS Executive Office, 7667 Folsom Boulevard, Sacramento, California 95851.



## FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS

(Continued)

#### 9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

##### State Teachers' Retirement System (STRS) (Continued)

###### Plan Description (Continued)

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

###### Funding Policy

Active members of the DB Plan are required to contribute 8% of their salary while the district is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2006-07 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The CB Benefit Program is an alternative STRS contribution plan for instructors. Instructors who choose not to sign up for the DB Plan or FICA may participate in the CB Benefit Program. The district contribution rate for the CB Benefit Program is always a minimum of 4% with the sum of the district and employee contribution always being equal or greater than 8%.

# FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

(Continued)

### 9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

#### State Teachers' Retirement System (STRS) (Continued)

##### Annual Pension Cost

The District's total contributions to STRS for the fiscal years ended June 30, 2007, 2006, and 2005 were \$4,887,679, \$4,848,403 and \$4,662,893, respectively and equal 100% of the required contributions for each year. The State of California may make additional direct payments for retirement benefits to the STRS on behalf of all community colleges in the State. The revenue and expenditures associated with these payments, if any, have not been included in these financial statements. In their most recent actuarial valuation of the DB Plan as of June 30, 2001, the independent actuaries for STRS determined that, at June 30, 2001, the actuarial value of the DB program's actuarial accrued liabilities exceeded the program's actuarial value of assets by \$2.2 billion. Based on this valuation, the current statutory contributions are sufficient to fund normal cost and amortize the actuarial unfunded obligation of \$2.2 billion by 2030. However, future estimates of the actuarial unfunded obligation may change due to market performance, legislative actions and other membership related factors. In their most recent actuarial valuation of the CB Plan as of June 30, 2001, the independent actuaries for STRS determined that, at June 30, 2001, the actuarial value of the CB program's actuarial accrued liabilities exceeded the program's actuarial value of assets by \$1.2 million. The STRS management is continually evaluating the impact of market fluctuations on the assets of the CB Program. However, future estimates of the actuarial unfunded obligation may change due to market performance, legislative actions and other membership related factors.

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

##### Plan Description

All full-time classified employees participate in the CalPERS, an agent multiple employer contributory public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. Employees are eligible for retirement as early as age 50 with five years of service. At age 55, the employee is entitled to a monthly benefit of 2.0 percent of final compensation for each year of service credit. Retirement compensation is less if the plan is coordinated with Social Security. Retirement after age 55 increases the monthly benefit percentage rate to a maximum of 2.5 percent at age 63. The plan also provides death and disability benefits. Retirement benefits fully vest after five years of credited service. Upon separation from the Fund, members' accumulated contributions are refundable with interest credited through the date of separation. The Public Employees' Retirement Law (Part 3 of the *California Government Code*, Section 20000 et seq.) establishes benefit provisions for CalPERS. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

## FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS

(Continued)

#### 9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

###### Funding Policy

Active plan members are required to contribute 7% of their salary and the district is required to contribute an actuarially determined rate. The district's contribution rate to CalPERS for fiscal year 2002-03 was 2.894% beginning with the first pay period ending in July 2002; CalPERS then lowered the rate to 2.771% beginning with the first pay period ending in February 2003. On May 16, 2003, CalPERS approved a school employer contribution rate of 10.42% beginning with the first pay period that ended in July 2003. The required employer contribution rate for fiscal year 2006-2007 was 8.73% of annual payroll.

###### Annual Pension Cost

The District's contributions to CalPERS for fiscal years ending June 30, 2007, 2006 and 2005 were \$4,201,827, \$3,818,468 and \$4,086,954, respectively, and equaled 100 percent of the required contributions for each year. The actuarial assumptions used as part of the June 30, 2001, actuarial valuation (the most recent actuarial information available) included (a) an 8.25% investment rate of return (net of administrative expense); (b) an overall growth in payroll of 3.75% annually; and (c) an inflation component of 3.5% compounded annually that is a component of assumed wage growth, and assumed future post-retirement cost of living increases. The actuarial value of pension fund assets was determined by using a technique to smooth the effect of short-term volatility in the market value of investments.

#### 10. OTHER POST-RETIREMENT BENEFITS

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

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

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

## FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS

(Continued)

#### 10. OTHER POST-RETIREMENT BENEFITS (Continued)

The District had an actuarial valuation performed for the plan year ended June 30, 2007. The actuarial valuation date was June 1, 2006. There were 1,052 eligible active employees and 713 eligible retirees. The actuarial cost method used was "entry age normal." The interest rate assumption is 6.75%. The projected salary increase assumption is 3%. The health inflation assumption is 4%. The actuarial accrued liability is \$153,676,330. The District used a 30-year amortization period. The percentage of payroll method was used to allocate amortization cost by year. The normal cost was \$256,760. The annual required contribution (ARC) was \$8,760,369 and the pay-as-you-go amount was estimated at \$7,784,464. The additional cost of compliance with GASB 43 and 45, in the amount of \$975,905 (the difference between the ARC and pay-as-you-go), was deposited in the JPA irrevocable trust in November 2006. The District transferred an additional \$1,140,000 in November 2006 from funds previously designated for this purpose in fiscal years ended June 30, 2005 and June 30, 2006. The fair market value of the funds held in trust with the JPA, including interest earnings and realized and unrealized gains or losses, at June 30, 2007 was \$2,413,912.

#### 11. COMMITMENTS AND CONTINGENCIES

##### State Controller's Office Audit

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

District management is aggressively pursuing the appeals process. However, there can be no assurance that management will be successful in their appeal. The District estimated its ultimate liability to be approximately \$1,129,000.

##### Contingent Liabilities

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

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

# FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

(Continued)

### 11. COMMITMENTS AND CONTINGENCIES (Continued)

#### Operating Leases

Future minimum rental payments under all noncancelable operating leases with initial or remaining lease terms in excess of one year as of June 30, 2007, are as follows:

<u>Years Ending June 30,</u>	
2008	\$ 1,312,453
2009	1,551,980
2010	1,846,598
2011	<u>2,208,979</u>
	<u>\$ 6,920,010</u>

#### Construction Commitments

As of June 30, 2007, the District has approximately \$11 million in outstanding commitments on construction contracts.

### 12. JOINT POWERS AGREEMENTS

#### Schools Excess Liability Fund

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

The Agency is governed by an Executive Board consisting of representatives from member districts. The Executive Board controls the operations of SELF, including selections of management and approval of operating budgets. The following is a summary of financial information for SELF at June 30, 2007:

Total assets	\$ 215,903,000
Total liabilities	\$ 185,793,000
Total net assets	\$ 30,110,000
Total revenues	\$ 47,931,000
Total expenses	\$ 45,867,000
Change in net assets	\$ 2,064,000

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

# FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

(Continued)

### 12. JOINT POWERS AGREEMENTS (Continued)

#### South Bay Regional Public Safety Training Consortium

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

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

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

The following is a summary of financial information for SBRPSTC at June 30, 2007:

Total assets	\$ 6,339,613
Total liabilities	\$ 1,824,621
Total net assets	\$ 4,514,992
Total revenues	\$ 8,553,910
Total expenses	\$ 7,537,387

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

### 13. OPERATING EXPENSES

The following schedule details the functional classifications of the operating expenses reported in the statement of revenues, expenses and changes in net assets for the year ended June 30, 2007.

Functional Classifications	Salaries	Benefits	Supplies, Materials and Other Operating Expenses	Utilities	Depreciation	Total
Instruction	\$ 73,748,417	\$ 16,781,487	\$ 2,241,582	\$ 7,603		\$ 92,779,089
Academic Support	11,162,124	3,764,877	2,737,728	17,473		17,682,202
Student Services	11,911,718	4,248,830	2,815,626	19,185		18,995,359
Operation and Maintenance of Plant	6,617,526	2,636,921	1,113,416	3,478,851		13,846,714
Institution Support	15,032,674	11,721,322	18,826,404	52,300		45,632,700
Community Services & Economic Development	1,412,532	413,910	3,236,255	13,093		5,075,790
Auxiliary Operations	8,074,377	2,118,707	10,658,570	144,157		20,995,811
Student Aid	485,271	403	9,451,755			9,937,429
Depreciation (Note 4)					\$ 17,221,046	17,221,046
	<u>\$ 128,444,639</u>	<u>\$ 41,686,457</u>	<u>\$ 51,081,336</u>	<u>\$ 3,732,662</u>	<u>\$ 17,221,046</u>	<u>\$ 242,166,140</u>

**FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**14. DONATED SERVICES AND FACILITIES**

Donated services and facilities to the Foothill-De Anza Community Colleges Foundation totaling \$32,724 for the year ended June 30, 2007 consisted of accounting and management support, comprehensive insurance, office space, and other miscellaneous internal services as provided by the District.

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

## **SUPPLEMENTAL INFORMATION**



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

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

We have audited the basic financial statements of Foothill-De Anza Community College District as of and for the year ended June 30, 2007, and have issued our report thereon dated November 9, 2007. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

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

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

**INDEPENDENT AUDITOR'S REPORT ON  
SUPPLEMENTAL INFORMATION**  
(Continued)

The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Perry Smith LLP*

Sacramento, California  
November 9, 2007

# **FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT**

## **ORGANIZATION**

**June 30, 2007**

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

The Board of Trustees and District Administration for the fiscal year ended June 30, 2007 were composed of the following members:

### **BOARD OF TRUSTEES**

<u>Members</u>	<u>Office</u>	<u>Term Expires</u>
Hal Plotkin	President	November 2011
Bruce Swenson	Vice President	November 2009
Betsy Bechtel	Trustee	November 2011
Paul Fong	Trustee	November 2009
Laura Casas Frier	Trustee	November 2011
Jordon Eldridge	Student Trustee	May 2008
Sarah Snow	Student Trustee	May 2008

### **DISTRICT ADMINISTRATION**

Martha Kanter, Ed.D.  
Chancellor

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

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

### **DISTRICT FISCAL ADMINISTRATION**

Mike Brandy \*  
Vice Chancellor, Business Services

Hector Quinonez  
District Controller

Bernata Slater  
Director, Budget Operations

\* Effective July 2007 – Andy Dunn

**FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF FEDERAL FINANCIAL AWARDS**

**For the Year Ended June 30, 2007**

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education</u>			
Student Financial Aid Cluster:			
Federal College Work Study	84.033		\$ 401,236
Federal Pell Grant Program – Grants	84.063		7,753,241
Federal Pell Grant Program – Administration	84.063		16,005
Federal Supplemental Education Opportunity Grant	84.007		410,084
Fund for the Improvement of Post- secondary Education	84.116		54,268
Academic Competitiveness Grant	84.375		<u>63,031</u>
Total Student Financial Aid Cluster			<u>8,697,865</u>
Vocational Education	84.048	03577	790,613
Workforce Investment Act	84.048		<u>164,497</u>
Subtotal U.S. Department of Education			<u>9,652,975</u>
<u>U.S. National Science Foundation</u>			
National Science Foundation DEEP	47.076		50,066
National Science Foundation	47.076		345,089
National Science Foundation Animation	47.076		<u>165,607</u>
Subtotal U.S. National Science Foundation			<u>560,762</u>
<u>U.S. Department of Health and Human Services</u>			
Temporary Assistance for Needy Families (TANF)	93.558		62,751
Medical Assistance Program (MAA)	93.778		<u>274,817</u>
Subtotal U.S. Department of Health and Human Services			<u>337,568</u>
<u>U.S. Small Business Administration</u>			
Small Business Development Center	59.037		<u>68,732</u>
<u>U.S. Department of Agriculture</u>			
Child Care Program	10.558		<u>24,813</u>

(Continued)

**FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF FEDERAL FINANCIAL AWARDS**

(Continued)

**For the Year Ended June 30, 2007**

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Corporation for National and Community Service</u>			
Americorps	94.006		\$ <u>62,654</u>
NASA/Ames Internship Program	NGT2-1001		944,675
TAA/NAFTA	NGT2-1001		<u>21,302</u>
Total Federal Categorical Awards and Allowances			\$ <u>11,673,481</u>

See accompanying notes to  
supplemental information.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL AWARDS

For the Year Ended June 30, 2007

	Program Entitlements			Program Revenues				Program Expenditures
	Prior Year Carry-forward	Current Entitlement	Total Entitlement	Cash Received	Accounts Receivable	Deferred Revenue/Accounts Payable	Total	
Extended Opportunity Programs and Services	\$ 2,578	\$ 1,863,275	\$ 1,865,853	\$ 1,865,853			\$ 1,865,853	\$ 1,865,853
Cooperative Agencies Resources for Education	2,991	184,817	187,808	187,808			187,808	187,808
Disabled Student Programs & Services	269,005	3,305,193	3,574,198	3,240,491			3,240,491	3,217,961
Deferred Maintenance Costs		1,752,367	1,752,367	1,752,367		\$ 1,748,145	4,222	4,222
Matriculation	1	2,290,322	2,290,323	2,290,322			2,290,322	2,290,322
Matriculation (non-credit)		96,100	96,100	96,100		3,867	92,233	92,233
AB 1725 Staff Development	44,530	147,119	191,649	187,371		135,085	52,286	52,286
AB 1725 Staff Diversity	82,249	29,937	112,186	112,186		84,674	27,512	27,512
Economic Development	4,415	655,000	659,415	560,514	\$ 56,800	49,945	567,369	567,369
Child Development Tax Bailout		791,639	791,639	791,639			791,639	791,639
Child Development Center		272,892	272,892	272,892			272,892	272,892
Child Care Pre-K Resource		528	528	528			528	528
Child Care Infant/Toddler Resource		2,346	2,346	590	1,756		2,346	2,346
High Tech Center Training Unit	61,041	998,826	1,059,867	1,059,867		28,789	1,031,078	1,031,078
Child Care Food Program		1,190	1,190	1,145	45		1,190	1,190
Child Care Instructional Materials		927	927	927			927	927
BFAP Administration		932,829	932,829	932,829			932,829	932,829
TANF		62,751	62,751	53,271	9,480		62,751	62,745
Transfer Ed and Articulation	6,128	10,000	16,128	16,128		4,153	11,975	11,975
TTIP Telecom & Technology	247,483	93,916	341,399	341,399		199,352	142,047	142,047
Instructional Equipment	2,870,443	1,752,333	4,622,776	4,622,776		3,293,107	1,329,669	1,329,669
Lottery Instructional Materials	1,237,541	881,740	2,119,281	117,732	764,008		881,740	1,069,785
CalGrant B & C		1,073,507	1,073,507	1,021,775	51,732		1,073,507	1,073,507
Calworks	1	501,042	501,043	501,043		15,490	485,553	485,553
Child Development Renovation Grant		1,388	1,388	1,388		1,388		
Basic Skills		518,142	518,142	518,142		310,243	207,899	207,899
Career Tech Education		1,170,713	1,170,713	1,170,713		181,379	989,334	989,334
Miscellaneous State Assistance	193,473	151,436	344,909	306,836	20,302	82,024	245,114	245,114
Total State categorical awards and allowances			\$ 22,024,632	\$ 22,024,632	\$ 904,123	\$ 6,137,641	\$ 16,791,114	\$ 16,956,622

See accompanying notes to supplemental information.

**FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT**

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

**Annualized Attendance as of June 30, 2007**

<u>Categories</u>	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Revised Data</u>
A. Summer Intersession			
1. Noncredit	68		68
2. Credit	4,628		4,628
B. Summer Intersession			
1. Noncredit	-		-
2. Credit	-		-
C. Primary Terms			
1. Census Procedure Courses			
a. Weekly Census Contact Hours	20,005		20,005
b. Daily Census Contact Hours	755		755
2. Actual Hours of Attendance Procedure Courses			
a. Noncredit	357		357
b. Credit	4,001		4,001
3. Independent Study/Work Experience			
a. Weekly Census Contact Hours	2,046		2,046
b. Daily Census Contact Hours	351		351
c. Noncredit Independent Study/Distance Education Courses	-		-
D. Total FTES	<u>32,211</u>	<u>-</u>	<u>32,211</u>

Supplemental Information:

E. In-Service Training Courses (FTES)	-		-
H. Basic Skills Courses and Immigrant Education			
a. Noncredit	-		-
b. Credit	766		766

CCFS 320 Addendum

CDCP Noncredit FTES	-		-
Centers FTES			
a. Noncredit	-		-
b. Credit	1,365		1,365

See accompanying notes to supplemental information.

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

**For the Year Ended June 30, 2007**

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

See accompanying notes to  
supplemental information.



# FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

## NOTES TO SUPPLEMENTAL INFORMATION

### 1. PURPOSE OF SCHEDULES

#### A - Schedule of Federal and State Financial Assistance

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

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

#### B - Schedule of Workload Measures for State General Apportionment

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

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

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

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

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

We have audited the basic financial statements of Foothill-De Anza Community College District for the year ended June 30, 2007, and have issued our report thereon dated November 9, 2007.

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

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

**General Directives**

Management Information System Implementation – State General Apportionment  
Required Data Elements

**Administration**

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

**Student Services**

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

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

**Special Programs**

Allocation of Costs (DSPS & EOPS)

**Facilities**

Scheduled Maintenance Program

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

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

In our opinion, the Foothill-De Anza Community College District complied, in all material respects with the aforementioned requirements, except as described in the Schedule of Audit Findings and Questioned Costs section of this report, for the year ended June 30, 2007.

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

*Perry. Smith LLP*

Sacramento, California  
November 9, 2007

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

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

We have audited the basic financial statements of Foothill-De Anza Community College District as of and for the year ended June 30, 2007, and have issued our report thereon dated November 9, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

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

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

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

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(Continued)

Compliance and Other Matters

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

This report is intended for the information of the Audit and Finance Committee, District management, Board of Trustees, and the Federal and State awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Perry-Smith LLP*

Sacramento, California  
November 9, 2007

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

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

Compliance

We have audited the compliance of Foothill-De Anza Community College District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2007. Foothill-De Anza Community College District's major Federal programs are identified in the accompanying schedule of Federal financial assistance. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of Foothill-De Anza Community College District's management. Our responsibility is to express an opinion on Foothill-De Anza Community College District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Foothill-De Anza Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Foothill-De Anza Community College District's compliance with those requirements.

In our opinion, Foothill-De Anza Community College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2007.

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

(Continued)

Internal Control Over Compliance

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

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

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

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

This report is intended for the information of the Audit and Finance Committee. District management, Board of Trustees, and the Federal and State awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Perry-Smith LLP*

Sacramento, California  
November 9, 2007

## **FINDINGS AND RECOMMENDATIONS**



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

June 30, 2007

**FINANCIAL STATEMENTS**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ Yes      X   No

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

Noncompliance material to financial statements  
noted? \_\_\_\_\_ Yes      X   No

**FEDERAL AWARDS**

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ Yes      X   No

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.063, 84.033, 84.007, 84.116, 84.375	Student Financial Aid Cluster
84.048	Vocational Education
47.076	National Science Foundation

Dollar threshold used to distinguish between Type A  
and Type B programs: \$ 350,204

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes      X   No

**STATE AWARDS**

Internal control over State programs:

Material weakness identified \_\_\_\_\_ Yes      X   No

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

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

# FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

## SUMMARY OF FINDINGS AND RECOMMENDATIONS

June 30, 2007

### 1. FOOTHILL ASSOCIATED STUDENT BODY

#### Criteria

Internal Controls – Safeguarding of Assets

#### Condition

Sub-receipt books for student clubs/organizations that perform fundraisers are not submitted to the student accounts office.

#### Effect

The student accounts office is not able to ensure all funds collected by student organizations are actually submitted for deposit.

#### Cause

The methods used by the clubs/organizations to track the collection of funds are not consistent throughout the student body as some organizations do not follow procedures including the completion of receipts for funds received.

#### Fiscal Impact

Not applicable.

#### Recommendation

Sub-receipt books should be issued and utilized by the individual student clubs/organizations. Further, the process utilized for the collection of funds should be standardized to require receipts and fundraising summaries which detail how the funds were generated.

#### Corrective Action Plan

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

### 2. BOOKSTORE

#### Criteria

Internal Controls – Safeguarding of Assets

#### Condition

Periodic audits of the "return and void" processes are not being documented by the Senior Accountant, Supervisor.

**FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT**

**SUMMARY OF FINDINGS AND RECOMMENDATIONS**

(Continued)  
**June 30, 2007**

**2. BOOKSTORE (Continued)**

Effect

Potential misappropriation of assets.

Cause

District personnel may not have adequate training and/or enough personnel.

Fiscal Impact

Not applicable.

Recommendation

The District should ensure the bookstore has the necessary personnel and is given sufficient oversight to implement and follow documented internal control procedures.

Corrective Action Plan

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

**3. STATE COMPLIANCE – 50% LAW – SALARIES OF CLASSROOM INSTRUCTORS**

Criteria

Education Code 84362, commonly known as the 50 Percent Law, requires that a minimum of 50% of the District's Current Expense of Education (CEE) be expended during each fiscal year for "Salaries of Classroom Instructors."

Condition

A portion of salaries allocated to reassigned time were not properly charged to the Non-Instructional Salary Object Code, and thus were included in the Salaries of Classroom Instructors (SCI).

Effect

While still in compliance with the 50% threshold requirements, the District did not comply with the inclusion of the proper elements in the initial calculation of 50% law requirements.

Cause

The condition was caused by a failure to report reassignments by the campuses to the District's Human Resources Department.

**FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT**

**SUMMARY OF FINDINGS AND RECOMMENDATIONS**

(Continued)

**June 30, 2007**

**3. STATE COMPLIANCE – 50% LAW – SALARIES OF CLASSROOM INSTRUCTORS**  
(Continued)

Fiscal Impact

Not applicable.

Recommendation

The District should implement procedures for the individual campuses to report reassignments to the District's Human Resource Department to ensure budget allocations are made appropriately and in accordance with the 50% law compliance calculation.

Corrective Action Plan

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

**SUMMARY SCHEDULE OF  
PRIOR AUDIT FINDINGS**

**FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**June 30, 2007**

<b>Finding</b>	<b>Recommendation</b>	<b>Current Status</b>	<b>District Explanation if Not Fully Implemented</b>
<b>1. De Ana Associated Student Body</b>			
Sub-Receipt books for student clubs / organizations that perform fundraisers are not submitted to the student accounts office.	Sub-receipt books should be issued and utilized by the individual student clubs / organizations. Further, the process utilized for the collection of funds should be standardized to require receipts and fundraising summaries which detail how the funds were generated.	Implemented.	
The student accounts office does not receive a listing of planned student fund raising activities on a consistent basis.	We recommend that the Associated Student Body cashier's office require the ICC Fundraising Form be submitted prior to any fundraiser.	Implemented.	
<b>2. Bookstore</b>			
Return logs are not consistently being approved by a supervisor or other bookstore employees.	All returns should be reviewed and approved by another employee who is not processing the transaction.	Implemented.	
Periodic audits of the "return and void" processes are not being performed by the Senior Accountant, Supervisor.	The District should ensure the bookstore has the necessary personnel and is given sufficient oversight to implement and follow documented internal control procedures.	Not implemented.	See current year finding.
<b>3. Foundation</b>			
Deposits are not consistently made in a timely manner.	All checks should be forwarded to the Assistant Director in a timely manner so they can be recorded and processed.	Implemented.	
<b>4. Child Development Center</b>			
Deposits are not consistently made in a timely manner.	Alternative procedures should be implemented for when the Administrative Assistant is out of the office and unavailable to make deposits.	Implemented.	

**FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

(Continued)  
June 30, 2007

Finding	Recommendation	Current Status	District Explanation if Not Fully Implemented
<b>4. District Self-Insurance Activities</b>			
A recent actuarial study has not been performed for the District's workers' compensation program to support the District's liability for outstanding claims.	The District should contract for the performance of an actuarial valuation of workers' compensation claims liability.	Implemented.	
<b>6. Flint Center Suite Sales</b>			
The Flint Center is processing the sales of theater suites through the Foothill-De Anza Community Colleges Foundation's general fund.	The District had established procedures several years ago related to suite sales to provide Flint Center patrons with potential tax benefits for unused suite tickets; however, the process incorrectly records revenue in the Foundation Fund instead of in the Flint Center Fund.	Implemented.	
<b>7. Non-Credit Courses</b>			
The District did not complete the required self-assessment checklists for Noncredit Courses.	We recommend the District ensure all required self-assessment checklists are completed for all Noncredit Courses.	Implemented.	
<b>8. 50% Law – Salaries of Classroom Instructors</b>			
A portion of salaries allocated to reassigned time were not properly charged to the Non-Instructional Salary Object Code, and thus included in the Salaries of Classroom Instructors (SCI).	The District should implement procedures for the individual campuses to report reassignments to the District's Human Resource Department to ensure budget allocations are made appropriately and in accordance with the 50% law compliance calculation.	Not implemented.	See current year finding.