

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, 2008

AND

INDEPENDENT AUDITOR'S REPORT

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION**

For the Year Ended June 30, 2008

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-8
Basic Financial Statements:	
Statement of Net Assets	9
Discretely Presented Component Unit – Foothill-De Anza Community Colleges Foundation – Statement of Net Assets	10
Statement of Revenues, Expenses and Changes in Net Assets	11-12
Discretely Presented Component Unit – Foothill-De Anza Community Colleges Foundation – Statement of Revenues, Expenses and Changes in Net Assets	13
Statement of Cash Flows	14-15
Discretely Presented Component Unit – Foothill-De Anza Community Colleges Foundation – Statement of Cash Flows	16
Notes to Financial Statements	17-46
Supplemental Information:	
Independent Auditor's Report on Supplemental Information	47-48
Organization	49
Schedule of Federal Financial Awards	50-51
Schedule of State Financial Awards	52
Schedule of Workload Measures for State General Apportionment	53
Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Basic Financial Statements	54
Notes to Supplemental Information	55

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION**

For the Year Ended June 30, 2008

TABLE OF CONTENTS

(Continued)

	<u>Page</u>
Independent Auditor's Report on State Compliance Requirements	56-57
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>	58-59
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	60-61
Findings and Recommendations:	
Schedule of Audit Findings and Questioned Costs	62
Summary of Findings and Recommendations	63-64
Summary Schedule of Prior Audit Findings	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, 2008, 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, 2008, 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 3, 2008, 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 Federal Financial 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 3, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ending June 30, 2008

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, 2008

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)

ASSETS	2008	2007	Year to Year Change	Dollar Change
Current assets:				
Cash and cash equivalents	\$ 72,706	\$ 75,441	(3.6)%	\$ (2,735)
Short-term investments	81	79	2.6 %	2
Receivables	21,454	17,769	20.7 %	3,685
Inventory and other assets	<u>3,714</u>	<u>3,649</u>	1.8 %	<u>65</u>
Total current assets	<u>97,955</u>	<u>96,938</u>	1.0 %	<u>1,017</u>
Noncurrent assets:				
Restricted cash and cash equivalents	299,075	326,114	(8.3)%	(27,039)
Receivables	1,955	2,021	(3.3)%	(66)
Capital assets, net	<u>334,258</u>	<u>312,397</u>	7.0 %	<u>21,861</u>
Total noncurrent assets	<u>635,288</u>	<u>640,532</u>	(0.8)%	<u>(5,244)</u>
Total assets	<u>\$ 733,243</u>	<u>\$ 737,470</u>	(0.6)%	<u>\$ (4,227)</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 27,405	\$ 25,792	6.3 %	\$ 1,613
Deferred revenue	12,846	14,299	(10.2)%	(1,453)
Amounts held in trust	2,735	2,725	0.4 %	10
Long-term liabilities-current portion	<u>5,164</u>	<u>4,478</u>	15.3 %	<u>686</u>
Total current liabilities	<u>48,150</u>	<u>47,294</u>	1.8 %	<u>856</u>
Noncurrent liabilities:				
Long-term liabilities, noncurrent portion	9,322	4,848	92.3 %	4,474
Long-term debt, noncurrent portion	<u>538,619</u>	<u>517,063</u>	4.2 %	<u>21,556</u>
Total noncurrent liabilities	<u>547,941</u>	<u>521,911</u>	5.0 %	<u>26,030</u>
Total liabilities	<u>596,091</u>	<u>569,205</u>	4.7 %	<u>26,886</u>
NET ASSETS				
Invested in capital assets, net of related debt	63,947	86,808	(26.3)%	(22,861)
Restricted	44,303	54,305	(18.4)%	(10,002)
Unrestricted	<u>28,902</u>	<u>27,152</u>	6.4 %	<u>1,750</u>
Total net assets	<u>137,152</u>	<u>168,265</u>	(18.5)%	<u>(31,113)</u>
Total liabilities and net assets	<u>\$ 733,243</u>	<u>\$ 737,470</u>	(0.6)%	<u>\$ (4,227)</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Fiscal Year Ending June 30, 2008

Statement of Net Assets (Continued)

- Receivables increased by 20.7%, or approximately \$3.7 million, as a result of the increase of receivables from state construction projects.
- Capital assets increased by 7.0%, or approximately \$22 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 decreased by 8.3%, or approximately \$27 million, consistent with the increase in capital assets described above.
- Deferred revenue decreased by 10.2%, or approximately \$1.5 million, as a result of unspent one-time funds from the state from 2006-07 being expended in 2007-08.
- The noncurrent portion of long-term liabilities increased by 92.3%, or approximately \$4.5 million, due to an increase of the compensated absences and workers' compensation reserve. Long-term debt increased by approximately \$21.6 million due to the restatement of accreted interest on Capital Appreciation Bonds outstanding.

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, 2008

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

	<u>2008</u>	<u>2007</u>	<u>Year to Year Change</u>	<u>Dollar Change</u>
Revenues:				
Operating revenues:				
Net tuition and fees	\$ 33,591	\$ 32,386	3.7 %	\$ 1,205
Grants and contracts, non-capital	32,802	34,990	(6.3)%	(2,188)
Auxiliary enterprise, net	14,442	13,131	10.0 %	1,311
Other	<u>19,728</u>	<u>10,983</u>	79.6 %	<u>8,745</u>
Total operating revenues	<u>100,563</u>	<u>91,490</u>	9.9 %	<u>9,073</u>
Total operating expense	<u>275,423</u>	<u>242,166</u>	13.7 %	<u>33,257</u>
Loss from operations	<u>(174,860)</u>	<u>(150,676)</u>	(16.1)%	<u>(24,184)</u>
Non-operating revenues (expenses):				
State apportionments, non-capital	84,655	86,925	(2.6)%	(2,270)
Local property taxes	65,697	60,843	8.0 %	4,854
State taxes and other revenues	5,256	5,906	(11.0)%	(650)
Investment income	8,735	128	6724.2 %	8,607
Interest expense	<u>(23,443)</u>	<u>(14,013)</u>	(67.3)%	<u>(9,430)</u>
Total non-operating revenues (expenses)	<u>140,900</u>	<u>139,789</u>	0.8 %	<u>1,111</u>
Loss before capital revenues	<u>(33,960)</u>	<u>(10,887)</u>	(211.9)%	<u>(23,073)</u>
Capital revenues	<u>22,602</u>	<u>31,359</u>	(27.9)%	<u>(8,757)</u>
(Decrease) increase in net assets	<u>(11,358)</u>	<u>20,472</u>	(155.5)%	<u>(31,830)</u>
Net assets – beginning of year, as previously stated	168,265	147,793	13.9 %	20,472
Restatement	<u>(19,755)</u>		(100.0)%	<u>(19,755)</u>
Net assets – beginning of year, as restated	<u>148,510</u>		100.0 %	<u>148,510</u>
Net assets – end of year	<u>\$ 137,152</u>	<u>\$ 168,265</u>	(18.5)%	<u>\$ (31,113)</u>

Operating revenues increased by 9.9%, or approximately \$9.1 million, as a result of an increase of nonresident tuition revenue, sales from bookstores and dining services, and interest income from the election of 2006 General Obligation Bond proceeds. The decrease in grants and contract revenue is due to the receipt of one-time funds from the state in 2006-07.

Non-operating revenue increased by 0.8%, or approximately \$1.1 million, as a result of the unrealized gain from the investments of the election of 2006 General Obligation Bond proceeds and an increase of property tax revenue. The decrease of state apportionment revenue is due to the deficit factor that the state applied to the general apportionment allocation.

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 \$8.8 million, due to the decrease of the property tax revenue in the Debt Service Fund.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Fiscal Year Ending June 30, 2008

Operating Expenses (by natural classification) (in thousands)

	<u>2008</u>	<u>2007</u>	<u>Year to Year Change</u>	<u>Dollar Change</u>
Salaries	\$ 142,056	\$ 128,445	10.6 %	\$ 13,611
Benefits	<u>48,954</u>	<u>41,686</u>	17.4 %	<u>7,268</u>
Total salaries and benefits	<u>191,010</u>	<u>170,131</u>	12.3 %	<u>20,879</u>
Supplies, materials, and other operating expenses and services	60,336	51,081	18.1 %	9,255
Utilities	4,297	3,733	15.1 %	564
Depreciation	<u>19,780</u>	<u>17,221</u>	14.9 %	<u>2,559</u>
Total operating expenses	<u>\$ 275,423</u>	<u>\$ 242,166</u>	13.7 %	<u>\$ 33,257</u>

- Total compensation and benefits increased by 12.3%, or approximately \$20.9 million. This is a result of the cost of living adjustment for salaries, increases in the number of employees, and inflationary increases to medical benefits.
- Supplies, materials, and other operating expenses and services increased by 18.1%, or approximately \$9.3 million, due to increased expenses in categorical programs, Enterprise Fund, Capital Project Fund, student financial aid disbursements and foreign student insurance expense.
- Depreciation increased by 14.9%, or approximately \$2.6 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>2008</u>	<u>2007</u>	<u>Year to Year Change</u>	<u>Dollar Change</u>
Cash provided by (used in):				
Operating activities	\$ (164,454)	\$ (139,146)	(18.2)%	\$ (25,308)
Non-capital financing activities	155,927	155,023	0.6 %	904
Capital and related financing activities	(46,981)	211,216	(122.2)%	(258,197)
Investing activities	<u>25,735</u>	<u>5,769</u>	346.1 %	<u>19,966</u>
Net (decrease) increase in cash	(29,773)	232,862	(112.8)%	(262,635)
Cash-beginning of the fiscal year	<u>401,554</u>	<u>168,692</u>	138.0 %	<u>232,862</u>
Cash-end of the fiscal year	<u>\$ 371,781</u>	<u>\$ 401,554</u>	(7.4)%	<u>\$ (29,773)</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Fiscal Year Ending June 30, 2008

Economic Factors That May Affect the Future

2008-2009 Fiscal Year

The State of California controls most of the Foothill-De Anza Community College District's operating income through the apportionment process, growth allowances, Cost of Living Adjustments (COLA) and categorical allocations. The fiscal year 2007-2008 Adopted Budget reflected recovery from a moderate enrollment decline in the 2006-2007 year. The Fall 2007 Quarter census data reflects not only recovery of prior year enrollment decline, but also net growth. The latter part of fiscal year 2007-2008 saw the emergence of a budget crisis and the California Community College System experienced a mid-year budget reduction of nearly \$100 million. This resulted in a District budget cut of more than \$2.5 million. With the adoption of the 2008-2009 state budget, approximately \$2 million of this shortfall was restored.

At the June 6, 2006 election, the voters of the District overwhelmingly approved Measure C, a \$490.8 million bond measure. This funding is 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. Early in calendar year 2008 the Measure C litigation was resolved in the District's favor clearing the way to move beyond the previously limited spending plan.

Measure E, the 1999 General Obligation Bond measure, is continuing 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 its most recent update of the actuarial analysis of its unfunded retiree medical liability in April 2008. This study identified the total liability as \$144 million. Action was taken to transfer \$1 million budgeted for fiscal year 2007-2008 to the irrevocable trust in order to fully fund the Annual Required Contribution (ARC). The District has made contributions totaling \$3.1 million to the irrevocable trust as of June 30, 2008.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET ASSETS

June 30, 2008

ASSETS

Current assets:

Cash and cash equivalents (Note 2)	\$ 72,706,180
Short term investments (Note 2)	80,648
Accounts receivable, net (Note 3)	20,930,157
Student loans receivable, net – current portion	523,469
Stores inventories	1,550,190
Prepaid expenses	<u>2,164,259</u>

Total current assets 97,954,903

Noncurrent assets:

Restricted cash and cash equivalents (Note 2)	299,075,063
Student loans receivable, net – noncurrent portion	1,954,532
Capital assets, net (Note 4)	<u>334,258,389</u>

Total noncurrent assets 635,287,984

Total assets \$ 733,242,887

LIABILITIES

Current Liabilities:

Accounts and claims payable (Note 8)	\$ 24,052,471
Deferred revenue (Note 5)	12,845,948
Compensated absences payable – current portion	3,352,934
Amounts held in trust	2,735,235
Long-term debt – current portion (Note 6)	<u>5,163,410</u>

Total current liabilities 48,149,998

Noncurrent liabilities:

Compensated absences payable – noncurrent portion (Note 6)	1,890,500
Unpaid claims and claim adjustment expenses (Notes 6 and 8)	7,431,785
Long-term debt – noncurrent portion (Note 6)	<u>538,618,339</u>

Total noncurrent liabilities 547,940,624

Total liabilities 596,090,622

Commitments and contingencies (Note 11)

NET ASSETS

Invested in capital assets, net of related debt	63,946,800
Restricted for:	
Scholarships and loans	2,679,123
Capital projects	1,525,335
Debt services	23,016,175
Other special purposes	17,082,357
Unrestricted	<u>28,902,475</u>

Total net assets 137,152,265

Total liabilities and net assets \$ 733,242,887

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

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT
DISCRETELY PRESENTED COMPONENT UNIT –
FOOTHILL-DE ANZA COMMUNITY COLLEGES FOUNDATION
(A Nonprofit Organization)

STATEMENT OF NET ASSETS

June 30, 2008

		<u>Restricted</u>			<u>Total</u>
	<u>Unrestricted</u>	<u>General</u>	<u>Kaider</u>	<u>Total</u>	<u>(Memoran- dum Only)</u>
ASSETS					
Cash in County Treasury (Note 2)	\$ 3,666,335	\$ 381,136	\$ 12,815	\$ 393,951	\$ 4,060,286
Investments (Note 2)		21,830,080	1,968,097	23,798,177	23,798,177
Contribution receivable, net (Note 3)		1,239,484		1,239,484	1,239,484
Accounts receivable (Note 3)		685,218		685,218	685,218
Accrued interest receivable		40,127		40,127	40,127
Prepaid expenses		49,647		49,647	49,647
Total assets	<u>\$ 3,666,335</u>	<u>\$ 24,225,692</u>	<u>\$ 1,980,912</u>	<u>\$ 26,206,604</u>	<u>\$ 28,872,939</u>
LIABILITIES					
Accounts payable and accrued liabilities		\$ 49,190		\$ 49,190	\$ 49,190
Due to other funds of the District		514,897		514,897	514,897
Total liabilities		<u>564,087</u>		<u>564,087</u>	<u>564,087</u>
NET ASSETS					
Unrestricted	\$ 3,666,335				3,666,335
Temporarily restricted		7,604,930		7,604,930	7,604,930
Permanently restricted		16,056,675	\$ 1,980,912	18,037,587	18,037,587
Total net assets	<u>3,666,335</u>	<u>23,661,605</u>	<u>1,980,912</u>	<u>25,642,517</u>	<u>29,308,852</u>
Total liabilities and net assets	<u>\$ 3,666,335</u>	<u>\$ 24,225,692</u>	<u>\$ 1,980,912</u>	<u>\$ 26,206,604</u>	<u>\$ 29,872,939</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, 2008

Operating revenues:	
Tuition and fees	\$ 36,770,274
Less: scholarship discounts and allowances	<u>(3,179,314)</u>
Net tuition and fees	<u>33,590,960</u>
Grants and contracts, non-capital:	
Federal	13,005,322
State	16,324,985
Local	3,471,759
Auxiliary enterprise sales and charges	14,441,355
Interest on student loans	72,504
Other operating revenues	<u>19,655,755</u>
Total operating revenues	<u>100,562,640</u>
Operating expenses (Note 13):	
Salaries	142,055,364
Benefits (Notes 9 and 10)	48,954,148
Supplies, materials, and other operating expenses and services	60,336,311
Utilities	4,297,312
Depreciation (Note 4)	<u>19,779,955</u>
Total operating expenses	<u>275,423,090</u>
Loss from operations	<u>(174,860,450)</u>
Non-operating revenues (expenses):	
State apportionments, non-capital	84,655,658
Local property taxes (Note 7)	65,696,738
State taxes and other revenues	5,256,462
Investment income, noncapital	7,611,000
Investment income, capital	1,123,755
Interest expense on capital asset-related debt, net	<u>(23,443,101)</u>
Total non-operating revenues (expenses)	<u>140,900,512</u>

(Continued)

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
(Continued)
For the Year Ended June 30, 2008

Loss before capital revenues	<u>\$ (33,959,938)</u>
Capital revenues:	
State apportionment	7,649,690
Local property taxes and revenues	<u>14,952,336</u>
Total capital revenues	<u>22,602,026</u>
Decrease in net assets	<u>(11,357,912)</u>
Net assets, beginning of year, as previously stated	168,265,098
Restatement (Note 15)	<u>(19,754,921)</u>
Net assets, beginning of year, as restated	<u>148,510,177</u>
Net assets, end of year	<u>\$ 137,152,265</u>

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

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT
DISCRETELY PRESENTED COMPONENT UNIT –
FOOTHILL-DE ANZA COMMUNITY COLLEGES FOUNDATION
(A Nonprofit Organization)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2008

		<u>Restricted</u>			<u>Total</u>
	<u>Unrestricted</u>	<u>General</u>	<u>Kaider</u>	<u>Total</u>	<u>(Memoran- dum Only)</u>
Revenues:					
Contributions	\$ 604,163	\$ 3,540,051		\$ 3,540,051	\$ 4,144,214
Donated services and facilities (Note 14)	148,214				148,214
Interest and dividend income	148,214	584,408	\$ 43,018	627,426	775,640
Change in fair value of investments (Note 2)		(893,088)	(115,468)	(1,008,556)	(1,008,556)
Other revenues	4,520	272,994		272,994	277,514
Net assets released from restrictions by payments	5,375,684	(5,196,330)	(179,354)	(5,375,684)	
Transfers	<u>17,736</u>	<u>(82,836)</u>	<u>65,100</u>	<u>(17,736)</u>	
Total revenues	<u>6,298,531</u>	<u>(1,774,801)</u>	<u>(186,704)</u>	<u>(1,961,505)</u>	<u>4,337,026</u>
Expenses:					
Grants and related activities	3,597,603				3,597,603
Donated services and facilities (Note 14)	<u>148,214</u>				<u>148,214</u>
Total expenses	<u>3,745,817</u>				<u>3,745,817</u>
Changes in net assets	2,552,714	(1,774,801)	(186,704)	(1,961,505)	591,209
Net assets, beginning 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>
Net assets, end of year	<u>\$ 3,666,335</u>	<u>\$ 23,661,605</u>	<u>\$ 1,980,912</u>	<u>\$ 25,642,517</u>	<u>\$ 29,308,852</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, 2008

Cash flows from operating activities:	
Tuition and fees	\$ 34,098,567
Federal grants and contracts	13,007,269
State grants and contracts	15,382,079
Local grants and contracts	3,790,418
Payments to suppliers	(48,227,231)
Payments to utilities	(4,307,082)
Payment to employees	(141,392,961)
Payment for benefits	(44,315,369)
Payment to students	(11,376,854)
Loans to students	112,705
Auxiliary enterprises sales and charges	14,349,929
Other receipts, net	<u>4,424,839</u>
Net cash used in operating activities	<u>(164,453,691)</u>
Cash flows from noncapital financing activities:	
State appropriations	84,594,522
Local property taxes	65,696,738
State taxes and other revenues	5,625,929
Scholarship and trust receipts	702,343
Scholarship and trust disbursements	(729,286)
Student organization agency receipts	1,369,959
Student organization agency disbursements	<u>(1,333,153)</u>
Net cash provided by noncapital financing activities	<u>155,927,052</u>
Cash flows from capital and related financing activities:	
State appropriations for capital purposes	650,704
Local revenue for capital purposes	14,966,470
Purchase of capital assets	(41,641,147)
Principal paid on capital debt	(4,478,011)
Interest paid on capital debt, net	<u>(16,479,155)</u>
Net cash used in capital and related financing activities	<u>(46,981,139)</u>
Cash flows from investing activities:	
Interest income	25,736,355
Short-term investments	<u>(1,671)</u>
Net cash provided by investing activities	<u>25,734,684</u>
Net decrease in cash and cash equivalents	(29,773,094)
Cash and cash equivalents balance, beginning of year	<u>401,554,337</u>
Cash and cash equivalents balance, end of year	<u>\$ 371,781,243</u>

(Continued)

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS

(Continued)

For the Year Ended June 30, 2008

Reconciliation of loss from operations to net cash used in operating activities:	
Loss from operations	\$(174,860,450)
Adjustments to reconcile loss from operations to net cash used in operating activities:	
Depreciation expense	19,779,955
Changes in assets and liabilities:	
Receivables, net	(37,072)
Inventories	(63,993)
Prepaid expenses	(1,847)
Accounts payable	1,554,341
Deferred revenue	(50,392)
Compensated absences	524,091
Claims liability	4,010,040
Interest on investments	<u>(15,308,364)</u>
Net cash used in operating activities	<u>\$(164,453,691)</u>
Noncash capital and related financing activities:	
Accretion of interest	\$ 6,963,947

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

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT
DISCRETELY PRESENTED COMPONENT UNIT –
FOOTHILL DE-ANZA COMMUNITY COLLEGES FOUNDATION
(Nonprofit Organization)

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2008

Cash flows from operating activities:

Increase in net assets	\$ 591,209
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Change in fair value of investments	1,008,556
Effect of changes in:	
Decrease in contributions receivable	550,920
Increase in accounts receivable	(681,680)
Increase in accrued interest receivable	(6,430)
Increase in prepaid expenses	(46,677)
Increase in accounts payable and accrued liabilities	42,496
Decrease in due to other funds	<u>(214,820)</u>
Net cash provided by operating activities	<u>1,243,574</u>

Cash flows provided by investing activities:

Sale of investments	<u>32,555</u>
---------------------	---------------

Net increase in cash and cash equivalents	1,276,129
---	-----------

Cash and cash equivalents, July 1, 2007	<u>2,784,157</u>
---	------------------

Cash and cash equivalents, June 30, 2008	<u><u>\$ 4,060,286</u></u>
--	----------------------------

Supplemental information:

Noncash investing activities:

Change in fair value of investments	\$ (1,008,556)
-------------------------------------	----------------

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, 2008 approximated their carrying value.

Because the Foundation's deposits are maintained in a recognized pooled investment fund under the care of a third party and the Foundation's share of the pool does not consist of specific, identifiable investment securities owned by the Foundation, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

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, 2008, 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, 2008, an allowance for uncollectible contributions is not considered necessary and has not been recorded.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2008 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.

New Financial Accounting Pronouncements

Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions

In June 2004, the Governmental Accounting Standards Board ("GASB") issued Statement of Governmental Accounting Standard No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, ("GASB No. 45"). GASB No. 45 addresses how state and local governments should account for and report their costs and obligations related to postemployment healthcare and other nonpension benefits. Collectively, these benefits are commonly referred to as other postemployment benefits, or OPEB. GASB No. 45 generally requires that state and local governmental employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. The provisions of Statement 45 may be applied prospectively and do not require governments to fund their OPEB plans. An employer may establish its OPEB liability at zero as of the beginning of the initial year of implementation; however, the unfunded actuarial liability is required to be amortized over future periods. GASB No.45 also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and, for certain employers, the extent to which the plan has been funded over time. GASB No. 45 is effective in three phases based on a government's total annual revenues. The District implemented GASB No. 45 effective fiscal year June 30, 2007.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Financial Accounting Pronouncements (Continued)

Pension Disclosures, an Amendment of GASB Statements No. 25 and 27

In May 2007, the GASB issued Statement of Governmental Accounting Standard No. 50, *Pension Disclosures, an Amendment of GASB Statements No. 25 and 27*, ("GASB No. 50"). GASB No. 50 amends GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 27, *Accounting for Pensions by State and Local Governmental Employers*, by requiring:

- Disclosure in the notes to the financial statements of pension plans and certain employer governments of the current funded status of the plan—in other words, the degree to which the actuarial accrued liabilities for benefits are covered by assets that have been set aside to pay the benefits—as of the most recent actuarial valuation date.
- Governments that use the aggregate actuarial cost method to disclose the funded status and present a multi-year schedule of funding progress using the entry age actuarial cost method as a surrogate; these governments previously were not required to provide this information.
- Disclosure by governments participating in multi-employer cost-sharing pension plans of how the contractually required contribution rate is determined.

GASB No. 50 generally is effective for periods beginning after June 15, 2007, with early implementation encouraged. The requirements relating to governments using the aggregate actuarial cost method are effective for financial statements and required supplementary information that contains information from actuarial valuations as of June 15, 2007, or later.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

District cash, cash equivalents and investments at June 30, 2008, consisted of the following:

Pooled Funds:	
Cash in County Treasury	\$ 74,105,693
Deposits:	
Cash on hand and in banks	1,335,722
Cash held by Fiscal Agents	<u>296,339,828</u>
Total cash and cash equivalents	<u>371,781,243</u>
Less: restricted cash and cash equivalents:	
Cash held by Fiscal Agents	296,339,828
Cash held in trust	<u>2,735,235</u>
Total restricted cash and cash equivalents	<u>299,075,063</u>
Net cash and cash equivalents	<u>\$ 72,706,180</u>
Investments:	
Certificates of deposit	<u>\$ 80,648</u>

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, 2008, 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.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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, 2008, the carrying amount of the District's cash on hand and in banks (including certificates of deposit) was \$1,416,370 and the bank balance was \$1,206,132. The bank balance amount insured by the FDIC was \$281,225.

Foundation cash and cash equivalents at June 30, 2008, consisted of the following:

Cash in County Treasury:	
Unrestricted	\$ 3,666,335
Restricted	<u>393,951</u>
Total cash and cash equivalents	<u>\$ 4,060,286</u>

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, 2008, 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.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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, 2008, the District's investments, with a carrying value of \$80,648, 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.

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, 2008, the Foundation's investments consisted of the following:

Common Fund:	
Multi-strategy Equity Fund	\$ 9,230,666
Multi-strategy Bond Fund	12,278,151
Real estate	<u>2,284,836</u>
Total Common Fund	23,793,653
Collateralized mortgage obligations	<u>4,524</u>
	<u>\$ 23,798,177</u>

3. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2008 are summarized as follows:

Federal	\$ 1,059,807
State	14,084,743
Local and other	<u>6,338,234</u>
	21,482,784
Less allowance for doubtful accounts	<u>(552,627)</u>
	<u>\$ 20,930,157</u>

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. ACCOUNTS RECEIVABLE (Continued)

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, 2008 the Foundation had \$685,218 in accounts receivable due from local sources.

Contributions Receivable

Contributions receivable with the Foundation as of June 30, 2008 consist of the following:

Due within one year	\$ 533,891
Due within one to five years	886,141
Discount	<u>(180,548)</u>
Contributions receivable, net	<u>\$ 1,239,484</u>

4. CAPITAL ASSETS

Capital asset activity consists of the following:

	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008
Land	\$ 2,489,776			\$ 2,489,776
Land improvements	35,247,475	\$ 9,279,035		44,526,510
Building improvements	117,352,223	19,209,056	\$ (19,319)	136,541,960
Portable buildings	5,273,060			5,273,060
Buildings	141,587,139	90,690,641		232,277,780
Equipment	22,039,843	4,685,235	(150,721)	26,574,357
Software	1,750,431	36,935		1,787,366
Construction work in progress	<u>112,869,314</u>	<u>38,294,378</u>	<u>(120,543,375)</u>	<u>30,620,317</u>
Total	<u>438,609,261</u>	<u>162,195,280</u>	<u>(120,713,415)</u>	<u>480,091,126</u>
Less accumulated depreciation:				
Land improvements	11,638,265	3,688,319		15,326,584
Building improvements	55,185,031	10,410,518	(8,561)	65,586,988
Portable buildings	1,826,722	351,537		2,178,259
Buildings	38,733,888	3,738,649		42,472,537
Equipment	17,389,680	1,429,388	(150,721)	18,668,347
Software	<u>1,438,478</u>	<u>161,544</u>		<u>1,600,022</u>
Total	<u>126,212,064</u>	<u>19,779,955</u>	<u>(159,282)</u>	<u>145,832,737</u>
Capital assets, net	<u>\$ 312,397,197</u>	<u>\$ 142,415,325</u>	<u>\$(120,554,133)</u>	<u>\$ 334,258,389</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	\$ 7,105,342
Deferred student fees	1,259,931
Deferred tuition and other student enrollment fees	2,551,120
Deferred Celebrity Forum ticket sales	1,843,720
Deferred event sales	<u>85,835</u>
Total deferred revenue	<u>\$ 12,845,948</u>

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM DEBT

Long-term debt at June 30, 2008 consisted of the following:

Description	Year of Issue	Interest Rate	Final Maturity	Original Amount	Balance June 30, 2008
General Obligation Bonds, Series A	2000	4.30%-6.26%	2030	\$ 99,995,036	\$ 29,570,036
General Obligation Bonds, Series B	2004	2.00%-5.79%	2036	\$ 90,100,063	62,180,063
General Obligation Bonds, Series C	2005	3.00%-5.03%	2036	\$ 57,904,900	57,852,253
General Obligation Refunding Bonds, Series A	2003	2.00%-5.00%	2030	\$ 67,475,000	63,210,000
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
Accreted interest on Capital Appreciation Bonds					26,718,868
Financing Corporation Certificates of Participation	1997	3.80%-5.05%	2012	\$ 12,520,000	2,665,000
Refunding Certificates of Participation	2003	1.00%-4.375%	2021	\$ 18,275,000	14,315,000
2006 Financing COPs	2006	3.50%-4.00%	2021	\$ 11,335,000	10,705,000
Capitalized lease obligations	1999-2005	3.67%-5.978%	2009-2020	\$ 9,005,573	<u>4,563,593</u>
Total long-term debt					543,781,749
Less current portion of long-term debt					<u>(5,163,410)</u>
					<u>538,618,339</u>
Compensated absences payable - noncurrent					1,890,500
Unpaid claims and claim adjustment expenses (Note 8)					<u>7,431,785</u>
Total noncurrent liabilities					<u>\$ 547,940,624</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, 2007	\$ 30,470,036	\$ 62,875,063	\$ 57,904,900	\$ 63,435,000	\$ 22,010,000	\$ 149,995,250
Restatement (Note 15)						
New issuance						
Principal payments	900,000	695,000	52,647	225,000		
Balance, June 30, 2008	<u>\$ 29,570,036</u>	<u>\$ 62,180,063</u>	<u>\$ 57,852,253</u>	<u>\$ 63,210,000</u>	<u>\$ 22,010,000</u>	<u>\$ 149,995,250</u>
	2006 General Obligation Bonds Series B	Accreted Interest on Capital Appreciation Bonds	2006 Financing COPs	Refunding COPs	Capitalized Lease Obligations	Total
Balance, July 1, 2007	\$ 99,996,686	\$ 3,260,000	\$ 15,105,000	\$ 11,335,000	\$ 5,153,957	\$ 521,540,892
Restatement (Note 15)	\$ 19,754,921					19,754,921
New issuance	6,963,947					6,963,947
Principal payments		595,000	790,000	630,000	590,364	4,478,011
Balance, June 30, 2008	<u>\$ 99,996,686</u>	<u>\$ 26,718,868</u>	<u>\$ 14,315,000</u>	<u>\$ 10,705,000</u>	<u>\$ 4,563,593</u>	<u>\$ 543,781,749</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>			
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			
2014-2018	5,631,311	9,023,689	14,655,000
2019-2023	7,649,223	17,810,777	25,460,000
2024-2028	5,202,213	19,382,787	24,585,000
2029-2031	<u>3,247,289</u>	<u>16,412,711</u>	<u>19,660,000</u>
	<u>\$ 29,570,036</u>	<u>\$ 63,571,314</u>	<u>\$ 93,141,350</u>
<u>1999 General Obligation Bonds, Series B</u>			
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	1,575,000	1,031,845	2,606,845
2014-2018	6,645,000	4,135,620	10,780,620
2019-2023	5,590,000	3,394,800	8,984,800
2024-2028	14,962,482	22,161,068	37,123,550
2029-2033	14,147,330	52,637,670	66,785,000
2034-2037	<u>15,290,251</u>	<u>76,479,749</u>	<u>91,770,000</u>
	<u>\$ 62,180,063</u>	<u>\$ 164,446,755</u>	<u>\$ 226,626,818</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>			
2009	\$ 90,000	\$ 1,813,712	\$ 1,903,712
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	560,000	1,775,700	2,335,700
2014-2018	5,200,000	8,274,250	13,474,250
2019-2023	11,040,000	6,288,250	17,328,250
2024-2028	6,891,280	15,924,970	22,816,250
2029-2033	10,558,536	31,102,714	41,661,250
2034-2037	<u>22,642,437</u>	<u>13,241,188</u>	<u>35,883,625</u>
	<u>\$ 57,852,253</u>	<u>\$ 83,828,966</u>	<u>\$ 141,681,219</u>
<u>General Obligation Refunding Bonds, Series A</u>			
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	3,140,000	3,014,119	6,154,119
2014-2018	8,505,000	13,008,063	21,513,063
2019-2023	8,225,000	12,030,959	20,255,959
2024-2028	23,930,000	7,727,937	31,657,937
2029-2031	<u>18,450,000</u>	<u>1,420,500</u>	<u>19,870,500</u>
	<u>\$ 63,210,000</u>	<u>\$ 49,659,333</u>	<u>\$ 112,869,333</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>			
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		1,155,525	1,155,525
2014-2018	\$ 5,360,000	5,594,138	10,954,138
2019-2022	<u>16,650,000</u>	<u>2,832,375</u>	<u>19,482,375</u>
	<u>\$ 22,010,000</u>	<u>\$ 14,204,138</u>	<u>\$ 36,214,138</u>
<u>2006 General Obligation Bonds, Series A</u>			
2009		\$ 6,043,125	\$ 6,043,125
2010		6,043,125	6,043,125
2011	\$ 5,395,000	5,935,225	11,330,225
2012	6,070,000	5,705,925	11,775,925
2013	955,000	5,560,650	6,515,650
2014-2018	9,960,000	26,628,125	36,588,125
2019-2023	21,495,000	22,783,250	44,278,250
2024-2028	38,120,000	15,467,625	53,587,625
2029-2033	50,917,563	19,649,560	70,567,123
2034-2037	<u>17,082,687</u>	<u>40,906,827</u>	<u>57,989,514</u>
	<u>\$ 149,995,250</u>	<u>\$ 154,723,437</u>	<u>\$ 304,718,687</u>
<u>2006 General Obligation Bonds, Series B</u>			
2009		\$ 4,084,025	\$ 4,084,025
2010		4,084,025	4,084,025
2011	\$ 3,925,000	4,005,525	7,930,525
2012	4,400,000	3,839,025	8,239,025
2013	630,000	3,735,275	4,365,275
2014-2018	6,630,000	17,895,125	24,525,125
2019-2023	14,350,000	15,330,625	29,680,625
2024-2028	25,485,000	10,434,500	35,919,500
2029-2033	34,096,262	12,764,780	46,861,042
2034-2037	<u>10,480,424</u>	<u>24,713,296</u>	<u>35,193,720</u>
	<u>\$ 99,996,686</u>	<u>\$ 100,886,201</u>	<u>\$ 200,882,887</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>			
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>\$ 2,665,000</u>	<u>\$ 334,500</u>	<u>\$ 2,999,500</u>
<u>Refunding COPs</u>			
2009	\$ 805,000	\$ 542,239	\$ 1,347,239
2010	830,000	520,965	1,350,965
2011	850,000	496,377	1,346,377
2012	880,000	468,902	1,348,902
2013	910,000	439,133	1,349,133
2014-2018	5,085,000	1,658,044	6,743,044
2019-2021	<u>4,955,000</u>	<u>440,400</u>	<u>5,395,400</u>
	<u>\$ 14,315,000</u>	<u>\$ 4,566,060</u>	<u>\$ 18,881,060</u>
<u>2006 Financing COPs</u>			
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	755,000	302,739	1,057,739
2014-2018	4,235,000	1,037,628	5,272,628
2019-2021	<u>2,950,000</u>	<u>198,833</u>	<u>3,148,833</u>
	<u>\$ 10,705,000</u>	<u>\$ 3,002,233</u>	<u>\$ 13,707,233</u>
<u>Capitalized Lease Obligations</u>			
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	511,706	94,951	606,657
2014-2018	1,347,577	250,311	1,597,888
2019-2020	<u>535,337</u>	<u>27,967</u>	<u>563,304</u>
	<u>\$ 4,563,593</u>	<u>\$ 998,229</u>	<u>\$ 5,561,822</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, 2008 and pay costs related to the execution and delivery of the Certificates. The COPs bear effective interest rates ranging from 3.5% to 4.0% and mature through 2021.

General Obligation Bonds

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, 2008 were \$1,908,875 and \$7,407,385, 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, 2008 were \$2,036,468 and \$24,400, respectively.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

8. SELF-INSURANCE PROGRAM (Continued)

The claims reserve activity for the years ended June 30, 2008 and 2007 is as follows:

	<u>2008</u>	<u>2007</u>
Unpaid claims and claim adjustment expenses, beginning of year	\$ <u>6,720,572</u>	\$ <u>5,962,190</u>
Incurred claims and claim adjustment expenses:		
Provision for covered events of the current year	15,581,756	13,392,903
Provision for covered events of prior years	<u>4,656,556</u>	<u>758,382</u>
Total incurred claims and claims adjustment expenses	<u>20,238,312</u>	<u>14,151,285</u>
Payments		
Claims and claim adjustment expenses	<u>15,581,756</u>	<u>13,392,903</u>
Total unpaid claims and claim adjustment expenses, end of year	11,377,128	6,720,572
Less current portion included in accounts and claims payable	<u>3,945,343</u>	<u>3,298,827</u>
Total non-current unpaid claims and claim adjustment expenses, end of year	<u>\$ 7,431,785</u>	<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), Public Agency Retirement System (PARS) or Social Security (FICA). 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 2007-08 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, PARS 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, 2008, 2007, and 2006 were \$5,541,987, \$4,887,679 and \$4,848,403, 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 2007-2008 was 9.31% of annual payroll.

Annual Pension Cost

The District's contributions to CalPERS for fiscal years ending June 30, 2008, 2007 and 2006 were \$4,794,665, \$4,201,827 and \$3,818,468, 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's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB (assets) obligation:

Annual required contribution	\$ 8,760,369
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>(372,280)</u>
Annual OPEB cost	8,388,089
Contributions made	<u>(8,886,229)</u>
Increase in net OPEB asset	(498,140)
Net OPEB asset – beginning of year	<u>(1,140,000)</u>
Net OPEB asset – end of year	<u><u>\$ (1,638,140)</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset for 2008 and the preceding year was as follows (dollar amounts in thousands):

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Asset</u>
June 30, 2007	\$ 8,760,369	100%	\$ 1,140,000
June 30, 2008	\$ 8,388,089	100%	\$ 1,638,140

As of December 1, 2007, the most recent actuarial valuation date, the plan was 1.5 percent funded. The actuarial accrued liability for benefits was \$144.2 million, and the actuarial value of assets was \$2.2 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$142 million. The covered payroll (annual payroll of active employees covered by the plan) was \$83.3 million, and the ratio of the UAAL to the covered payroll was 170 percent.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

10. OTHER POST-RETIREMENT BENEFITS (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

In the December 1, 2007 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 6.75 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 4.0 percent. Both rates included a 3.0 percent salary increase assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a fifteen-year period. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2008, was twenty-eight years.

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. The State has offset mandated costs claims for years subsequent to June 30, 2002 in the amount of \$582,398. As a result, the potential outstanding liability is \$546,602 at June 30, 2008.

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.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

11. COMMITMENTS AND CONTINGENCIES (Continued)

Contingent Liabilities (Continued)

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.

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, 2008, are as follows:

<u>Years Ending</u> <u>June 30,</u>	
2009	\$ 1,347,375
2010	1,594,934
2011	1,899,432
2012	<u>2,273,964</u>
	<u>\$ 7,115,705</u>

Construction Commitments

As of June 30, 2008, the District has approximately \$10.5 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, 2008 (in thousands):

Total assets	\$ 238,680
Total liabilities	\$ 189,962
Total net assets	\$ 48,718
Total revenues	\$ 47,599
Total expenses	\$ 28,991
Change in net assets	\$ 18,608

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

12. JOINT POWERS AGREEMENTS (Continued)

Schools Excess Liability Fund (Continued)

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.

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, 2008:

Total assets	\$ 6,457,092
Total liabilities	\$ 1,768,491
Total net assets	\$ 4,688,601
Total revenues	\$ 8,846,082
Total expenses	\$ 8,672,473

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.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

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, 2008.

Functional Classifications	Salaries	Benefits	Supplies, Materials and Other Operating Expenses	Utilities	Depreciation	Total
Instruction	\$ 79,688,613	\$ 17,742,080	\$ 2,442,852	\$ 7,956		\$ 99,881,501
Academic Support	12,725,826	4,024,976	2,929,273	15,954		19,696,029
Student Services	13,482,493	4,577,858	3,488,419	26,517		21,575,287
Operation and Maintenance of Plant	7,211,287	2,850,328	2,017,567	4,039,567		16,118,749
Institution Support	17,890,203	17,034,969	22,504,242	66,183		57,495,597
Community Services & Economic Development	1,452,717	403,588	3,344,423	7,589		5,208,317
Auxiliary Operations	9,117,085	2,320,179	13,009,572	133,546		24,580,382
Student Aid	487,140	170	10,599,963			11,087,273
Depreciation (Note 4)					\$ 19,779,955	19,779,955
	<u>\$ 142,055,364</u>	<u>\$ 48,954,148</u>	<u>\$ 60,336,311</u>	<u>\$ 4,297,312</u>	<u>\$ 19,779,955</u>	<u>\$ 275,423,090</u>

14. DONATED SERVICES AND FACILITIES

Donated services and facilities to the Foothill-De Anza Community Colleges Foundation totaling \$148,214 for the year ended June 30, 2008 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.

15. RESTATEMENT

It was determined that accreted interest on General Obligation Bonds (Note 6) was not recorded in the prior period resulting in an understatement of long-term liabilities. The beginning net assets have been adjusted to account for the actual long-term liability for accreted interest as of July 1, 2007.

	Restated Balance July 1, 2007
Capital Appreciation Bonds, General Obligation Bonds, Series A	\$ 10,335,214
Capital Appreciation Bonds, General Obligation Bonds, Series B	8,008,234
Capital Appreciation Bonds, General Obligation Bonds, Series C	<u>1,411,473</u>
	<u>\$ 19,754,921</u>

SUPPLEMENTAL INFORMATION

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

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, 2008, and have issued our report thereon dated November 3, 2008. 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 3, 2008

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

ORGANIZATION

June 30, 2008

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, 2008 were composed of the following members:

BOARD OF TRUSTEES

<u>Members</u>	<u>Office</u>	<u>Term Expires</u>
Bruce Swenson	President	November 2009
Paul Fong	Vice President	November 2009
Hal Plotkin	Trustee	November 2011
Betsy Bechtel	Trustee	November 2011
Laura Casas Frier	Trustee	November 2011
Confiance DuKunde	Student Trustee	May 2009
Patrick Ahrens	Student Trustee	May 2009

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

Andy Dunn
Vice Chancellor, Business Services

Hector Quinonez
District Controller

Bernata Slater
Director, Budget Operations

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FEDERAL FINANCIAL AWARDS

For the Year Ended June 30, 2008

<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		\$ 382,365
Federal Pell Grant Program – Grants	84.063		8,757,212
Federal Pell Grant Program – Administration	84.063		16,510
Federal Supplemental Education Opportunity Grant	84.007		405,568
Fund for the Improvement of Post- secondary Education	84.116		158,116
Academic Competitiveness Grant	84.375		<u>112,956</u>
Total Student Financial Aid Cluster			<u>9,832,727</u>
Vocational Education	84.048	03577	643,961
Workforce Investment Act	84.048		108,214
Title III	84.031A		<u>178,862</u>
Subtotal U.S. Department of Education			<u>10,763,764</u>
<u>U.S. National Science Foundation</u>			
National Science Foundation DEEP	47.076		87,001
National Science Foundation	47.076		750,472
National Science Foundation Animation	47.076		<u>90,247</u>
Subtotal U.S. National Science Foundation			<u>927,720</u>
<u>U.S. Department of Health and Human Services</u>			
Temporary Assistance for Needy Families (TANF)	93.558		49,762
Medical Assistance Program (MAA)	93.778		<u>161,862</u>
Subtotal U.S. Department of Health and Human Services			<u>211,624</u>
<u>U.S. Department of Agriculture</u>			
Child Care Program	10.558		<u>21,665</u>

(Continued)

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FEDERAL FINANCIAL AWARDS

(Continued)

For the Year Ended June 30, 2008

<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		\$ 43,399
SFSU-CACC	94.005		<u>1,806</u>
Subtotal U.S. Corporation for National and Community Service			<u>45,205</u>
NASA/Ames Internship Program	NGT2-1001		1,011,528
TAA/NAFTA	NGT2-1001		<u>23,816</u>
Total Federal Categorical Awards and Allowances			<u>\$ 13,005,322</u>

See accompanying notes to
supplemental information.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF STATE FINANCIAL AWARDS

For the Year Ended June 30, 2008

	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		\$ 1,915,600	\$ 1,915,600	\$ 1,974,631	\$ 7,009	\$ 66,040	\$ 1,915,600	\$ 1,915,600
Cooperative Agencies Resources for Education		190,893	190,893	190,893			190,893	190,893
Disabled Student Programs & Services	\$ 356,237	3,241,359	3,597,596	3,241,359			3,241,359	3,402,945
Deferred Maintenance Costs	1,748,145	353,416	2,101,561	2,101,561		353,416	1,748,145	1,748,145
Matriculation	1	2,406,436	2,406,437	2,406,436			2,406,436	2,406,436
Matriculation (non-credit)	3,867	98,843	102,710	102,710			102,710	102,710
AB 1725 Staff Development	139,363		139,363	135,085		89,272	45,813	45,813
AB 1725 Staff Diversity	84,674	29,735	114,409	115,029		52,189	62,840	62,840
Economic Development	44,046	758,572	802,618	756,731	78,611	32,724	802,618	802,618
Child Development Tax Bailout		827,468	827,468	827,468			827,468	827,468
Child Development Center		285,254	285,254	285,254		10,727	274,527	274,527
Child Care Pre-K Resource		2,000	2,000	500	1,500		2,000	2,000
Child Care Infant/Toddler Resource		2,365	2,365	591	1,774		2,365	2,365
High Tech Center Training Unit		1,007,861	1,036,650	1,036,650		829	1,035,821	1,035,821
Child Care Food Program	28,789	701	701	577	124		701	701
Child Care Instructional Materials		988	988	988			988	988
BFAP Administration		961,953	961,953	961,953		36,987	924,966	924,966
TANF		49,762	49,762	40,607	10,602	1,447	49,762	49,750
Transfer Ed and Articulation	4,153	10,000	14,153	14,153		4,062	10,091	10,091
TTIP Telecom & Technology	199,352	90,366	289,718	289,718		169,734	119,984	119,984
Instructional Equipment	3,293,107	545,738	3,838,845	3,838,845		2,977,023	861,822	861,822
Lottery Instructional Materials	1,060,073	665,038	1,725,111	84,129	580,910		665,039	911,899
CalGrant B & C		1,107,318	1,107,318	1,025,183	82,135		1,107,318	1,107,318
Calworks	15,490	492,991	508,481	497,794	10,687		508,481	508,481
Child Development Renovation Grant	1,388	6,083	7,471	7,350	121		7,471	7,471
Basic Skills	310,243	1,267,470	1,577,713	728,236	849,477	365,224	1,212,489	1,212,489
Career Tech Education		218,378	218,378	218,378		218,378		
Miscellaneous State Assistance	277,158	278,393	555,551	541,188	607	151,023	390,772	390,772
Total State categorical awards and allowances				\$ 21,423,997	\$ 1,623,557	\$ 4,529,075	\$ 18,518,479	\$ 18,926,913

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, 2008

<u>Categories</u>	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Revised Data</u>
A. Summer Intersession			
1. Noncredit	98		98
2. Credit	4,546		4,546
B. Summer Intersession			
1. Noncredit	-		-
2. Credit	-		-
C. Primary Terms			
1. Census Procedure Courses			
a. Weekly Census Contact Hours	22,860		22,860
b. Daily Census Contact Hours	1,047		1,047
2. Actual Hours of Attendance Procedure Courses			
a. Noncredit	374		374
b. Credit	3,688		3,688
3. Independent Study/Work Experience			
a. Weekly Census Contact Hours	83		83
b. Daily Census Contact Hours	245		245
c. Noncredit Independent Study/Distance Education Courses	-		-
D. Total FTES	<u>32,941</u>	<u>-</u>	<u>32,941</u>
Supplemental Information:			
E. In-Service Training Courses (FTES)	-		-
H. Basic Skills Courses and Immigrant Education			
a. Noncredit	227		227
b. Credit	766		766
<u>CCFS 320 Addendum</u>			
CDCP Noncredit FTES	-		-
Centers FTES			
a. Noncredit	-		-
b. Credit	1,487		1,487

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, 2008

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, 2008, and have issued our report thereon dated November 3, 2008.

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
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)

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, 2008.

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 3, 2008

**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, 2008, and have issued our report thereon dated November 3, 2008. 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**

(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 3, 2008

**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**

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, 2008. 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, 2008.

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.

**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 (Continued)

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 3, 2008

FINDINGS AND RECOMMENDATIONS

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

June 30, 2008

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 NGT2-1001	Student Financial Aid Cluster NASA/Ames Internship Program

Dollar threshold used to distinguish between Type A
and Type B programs: \$ 390,160

Auditee qualified as low-risk auditee? X Yes _____ 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, 2008

1. BOOKSTORE

Criteria

Internal Controls – Safeguarding of Assets

Condition

Procedures to complete the annual inventory count of the De Anza College bookstore were not properly conducted. This resulted in several instances of individual inventory items being improperly counted and recorded in the bookstore's inventory tracking system.

Effect

The effect of the condition is the bookstore's inventory balance could be misstated.

Cause

District policies and procedures over the annual inventory counts are not clearly documented, nor were they communicated to the District personnel performing the inventory count. Differences found during the inventory observation were not sufficiently resolved by bookstore personnel.

Fiscal Impact

The total impact of this condition is immaterial to the District's financial statements.

Recommendation

The District should ensure personnel involved in the inventory counting procedures have sufficient knowledge and training to properly conduct the inventory count. Policies and procedures should clearly document processes for employees to follow to resolve counting differences, including the resolution of those differences in the bookstore's inventory tracking system.

Corrective Action Plan

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

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

SUMMARY OF FINDINGS AND RECOMMENDATIONS

(Continued)

June 30, 2008

2. STATE COMPLIANCE

Concurrent Enrollment of K-12 Students in Community College Credit Courses

Criteria

Education Code 76300, Concurrent Enrollment, requires enrollment fees be assessed for all special full-time students once 15 quarter units are exceeded.

Condition

The District did not assess enrollment fees for special full-time students who exceeded 15 quarter units.

Effect

The District was not in compliance with State compliance guidelines.

Cause

The District operates a Middle College program solely for special full-time students concurrently enrolled and did not assess enrollment fees when those students exceeded 15 quarter units.

Fiscal Impact

Not applicable.

Recommendation

The District should assess enrollment fees when special full-time students exceed 15 quarter units.

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, 2008

Finding	Recommendation	Current Status	District Explanation if Not Fully Implemented
<hr/>			
1. Foothill Associated Student Body			
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 fund-raising summaries which detail how the funds were generated.	Implemented.	
2. Bookstore			
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.	Implemented.	
3. State Compliance – 50% Law - Salaries of Classroom Instructors			
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).	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.	Implemented.	