# FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

**JUNE 30, 2015**

# FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

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## JUNE 30, 2015

# *FINANCIAL SECTION*

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants



# INDEPENDENT AUDITOR'S REPORT

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

## Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, the aggregate discretely presented component unit (Foothill-De Anza Community College Foundation, and the aggregate remaining fund information of Foothill-De Anza Community College District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

## Management's Responsibility for the Financial Statements

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

## Auditor's Responsibility

Our responsibility is to express 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 from material misstatement.

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

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



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## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component unit, and the aggregate determining fund information of the District as of June 30, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter - Change in Accounting Principles

As discussed in Notes1 and 16 to the financial statements, in 2015, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68.* Our opinion is not modified with respect to these matters.

## Other Matters

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis, the Schedule of Other Postemployment Benefits (OPEB) Funding Progress, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, as required by (U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated Foothill-De Anza Community College District, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 31, 2015

The Management Discussion and Analysis provides an overview of the District's financial activities for the year. The District has prepared the accompanying financial statements in accordance with the Governmental Accounting Standards Board's (GASB) Codification Section 2200.101 and GASB Codification Sections 2200.190-191. The statements are prepared using the Business Type Activity (BTA) model; this is in compliance with the California Community College Chancellor's Office recommendation to report in a manner consistent with other community college districts.

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

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

Each one of these statements will be discussed.

**Condensed Statement of Net Position (in thousands)**

| ASSETS | 2015 | Restated 2014 | Percentage Change | Dollar Change |
|---|---|---|---|---|
| Current assets | | | | |
| Cash & cash equivalents | $ 123,733 | $ 107,336 | 15.3% | $ 16,397 |
| Investments | 1,151 | 82 | 1303.7% | 1,069 |
| Receivables, current portion | 18,693 | 34,004 | -45.0% | (15,311) |
| Inventory and other assets | 6,272 | 5,572 | 12.6% | 700 |
| Total current assets | 149,849 | 146,994 | 1.9% | 2,855 |
| Noncurrent assets | | | | |
| Restricted cash and cash equivalents | 106,958 | 131,314 | -18.5% | (24,356) |
| Receivables and other assets, noncurrent portion | 3,103 | 5,935 | -47.7% | (2,832) |
| Capital assets, net | 650,896 | 631,437 | 3.1% | 19,459 |
| Total noncurrent assets | 760,957 | 768,686 | -1.0% | (7,729) |
| Total assets | 910,806 | 915,680 | -0.5% | (4,874) |
| Deferred Outflows of Resources | 11,410 | 10,982 | 3.9% | 428 |
| **LIABILITIES** | | | | |
| Current liabilities | | | | |
| Accounts payable & accrued liabilities | 37,395 | 36,874 | 1.4% | 521 |
| Unearned revenue | 28,424 | 29,613 | -4.0% | (1,189) |
| Long-term debt, current portion | 10,660 | 13,042 | -18.3% | (2,382) |
| Total current liabilities | 76,479 | 79,529 | -3.8% | (3,050) |
| Noncurrent liabilities | | | | |
| Long-term liabilities, noncurrent portion | 4,007 | 5,407 | -25.9% | (1,400) |
| Long-term debt, noncurrent portion | 872,608 | 898,235 | -2.9% | (25,627) |
| Total noncurrent liabilities | 876,615 | 903,642 | -3.0% | (27,027) |
| Total liabilities | 953,094 | 983,171 | -3.1% | (30,077) |
| Deferred Inflows of Resources | 43,777 | - | 100.0% | 43,777 |
| NET POSITION | | | | |
| Net investment in capital assets | 11,802 | 5,551 | 112.6% | 6,251 |
| Restricted | 28,297 | 42,826 | -33.9% | (14,529) |
| Unrestricted | (114,754) | (104,886) | 9.4% | (9,868) |
| Total net position | $ (74,655) | $ (56,509) | 32.1% | $ (18,146) |

**Statement of Net Position (Continued)**

- Current receivables decreased by 45%, or approximately $15 million, as a result of the decrease in state apportionment receivable since funding was received within the fiscal year.

- Restricted cash decreased by 18.5%, or approximately $24.4 million, as a result of spending on capital projects.

- Capital assets increased by 3.1%, or approximately $19.5 million, in connection with the completion of numerous Measure C capital projects at both colleges, including the De Anza pool tile and plaster replacement and renovation, combined site improvements, elevator upgrades, and the renovation and improvement of various buildings. Work in process continues on large capital construction projects including the new Foothill-De Anza Education Center in Sunnyvale and design and drawings for the new District Office building. We anticipate continued growth in capital assets in future years as Measure C projects are completed.

- Unearned revenue decreased by 4.0%, or approximately $1.2 million, due primarily to the elimination of state funding deferrals and the recognition of Prop 39 carry-over funding recognition.

- The current portion of long-term debt decreased by 18.3%, or approximately $2.4 million, in alignment with the debt payment schedules. See Note 8 for the long-term debt discussion.

- The noncurrent portion of long-term debt changes resulted due to implementation of GASB 68 reporting requirements, which caused a number of restatements to accounts for pension liabilities. See Note 11.

- Net investments in capital assets increased by 112.6%, or approximately $6.3 million as a result of the addition of various completed bond related capital projects and decreases in the premiums associated with the Measure E and C refunded bonds.

**Note:**
The District implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions, which required the District to recognize its proportionate share of the unfunded pension liabilities for CalSTRS and CalPERS. See Note 11. As a result, the fiscal year 2014 numbers have been restated to provide a more clear comparison with fiscal year 2015.

**Statement of Revenues, Expenses and Changes in Net Position**

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

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

| | 2015 | Restated 2014 | Percentage Change | Dollar Change |
|---|---|---|---|---|
| Operating revenues | | | | |
| Net tuition and fees | $ 60,955 | $ 59,671 | 2.2% | $ 1,284 |
| Auxiliary enterprise, net | 12,488 | 12,510 | -0.2% | (22) |
| Other | 5,524 | 6,913 | -20.1% | (1,389) |
| Total operating revenues | 78,967 | 79,094 | -0.2% | (127) |
| Operating expenses | 310,748 | 287,430 | 8.1% | 23,318 |
| Loss from operations | (231,781) | (208,336) | 11.3% | (23,445) |
| Non-operating revenues (expenses) | | | | |
| State apportionment, non-capital | 37,998 | 39,650 | -4.2% | (1,652) |
| Local property taxes | 80,994 | 77,689 | 4.3% | 3,305 |
| Grants and contracts, non-capital | 54,294 | 41,611 | 30.5% | 12,683 |
| State taxes and other revenues | 11,903 | 5,548 | 114.5% | 6,355 |
| Investment gain/(loss) | 470 | 200 | 135.0% | 270 |
| Interest expense | (18,054) | (11,182) | 61.5% | (6,872) |
| Total non-operating revenues (expenses) | 167,605 | 153,516 | 9.2% | 14,089 |
| Loss before capital revenues | (64,176) | (54,820) | 17.1% | (9,356) |
| Capital revenues | 46,031 | 39,963 | 15.2% | 6,068 |
| Change in net position | $ (18,145) | $ (14,857) | 22.1% | $ (3,288) |

**Revenues**

- Operating revenues remained relatively flat in comparison to the previous year, with no significant changes.

- The changes in non-operating revenue increased by 9.2%, or approximately $14 million, due primarily to inclusion of the CalSTRS "on-behalf" state contribution related to GASB 68, which is reflected under state taxes and other revenue; an increase in grants and contracts, noncapital due to funding from the Online Education Initiative (OEI); and an increase in the Higher Education Act funding.

- Capital revenues increased by 15.2%, or approximately $6.07 million due primarily to Proposition 39 energy efficiency funding and state funding directed toward scheduled maintenance.

- The Interest expense increased primarily due to a change in the amount included in capital assets from the issuance of the 2014 Refunding Bond.

**Operating Expenses**

- The overall operating expenses increased by 8.1%, or approximately $23.3 million, primarily due to the Cost-of-Living-Adjustment (COLA) paid in salaries and the implementation of GASB 68, which resulted in an increase in net pension expense. See Note 11.

**Economic Factors that may affect the Future**

2015/16 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. Due to continued funding from Proposition 30, the Education Protection Act (EPA) and a stronger overall state economy resulting in higher tax (property and income) revenues, we are experiencing a second year of solid state funding. The 2015-16 budget allocation includes 3.00% in FTES restoration/growth funding, a modest 1.02% COLA, partial restoration of existing categorical program funding and full restoration of EOP&S funding to pre-recession levels, additional categorical funding in the Student Support and Success and Equity programs, new general operating funding, a significant one-time allocation for deferred maintenance and instructional equipment and library materials, and a large lump sum payment for past mandated cost claims. The governor's 2015/156 budget continues a trend of investing in the community college education system that benefits the state economy in the long run. For the third year in a row, the budget is based on conservative state revenue assumptions by the governor, for which both the Legislative Analyst's Office (LAO) and the Department of Finance (DOF) agree creates a more stable budget that will stay balanced through the end of the fiscal year.

The district's 2015-16 budget has a projected $3.3 million structural budget surplus and a projected general fund balance of over $67.4 million which includes the 5% catastrophic reserve, $23 million in the Stability Fund, and $25.6 million in other college/district designated reserves. The final year-end budget balance will likely be impacted by the outcome of ongoing bargaining unit negotiations, expected to be concluded sometime in spring 2016.

Due to the on-going strong state economy, we are not facing ambiguity in budgeted state revenue and can anticipate receiving our full apportionment allocation over the course of the year. Additionally, to this point in 2015-16, the colleges have largely stabilized the past reduction in FTES reported to the state and are trending toward minimal to modest growth in 2016-17.

Early communications from the state chancellor's office indicate that the 2016-17 budget for community colleges will experience another positive budget allocation due to strong state tax revenues being reported in 2015-16. Although the chancellor's office is not predicting we will receive the same level of one-time revenue windfalls and new on-going apportionment funding as we did in 2015-16, they do anticipate we will receive another modest COLA allocation and potentially some combination of new one-time funds and ongoing apportionment increases.

Based on the districts strong fund balances, the trend of stabilized FTES reported, and and the reasonable expectation of modest funding increases in the 2016-17 state budget allocation, the district is well positioned for a fiscally sound 2016-17 academic year.

The most recent actuarial analysis for the district's unfunded retiree medical liability was completed on August 29, 2013. The study listed the Actuarial Accrued Liability (AAL) at $120.2 million. The Adopted Budget for fiscal year 2014-15 includes a contribution to the CalPERS California Employers' Retiree Benefit Trust (CERBT), an irrevocable trust, in the amount of $2,500,000 to fully fund the Annual Required Contribution (ARC) for the year. We expect the next actuarial study to be completed by February 29, 2016, effective for fiscal years 2015-16 and 2016-17.

## *CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT*

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

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

## FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

## STATEMENT OF NET POSITION - PRIMARY GOVERNMENT
## JUNE 30, 2015

| | |
|---|---|
| **ASSETS** | |
| **Current Assets** | |
| Cash and cash equivalents | $ 123,733,211 |
| Investments | 1,150,595 |
| Accounts receivable, net | 18,139,734 |
| Student loans receivable - current portion | 553,349 |
| Stores inventories | 1,803,555 |
| Prepaid expenses | 4,287,398 |
| Due from fiduciary funds | 181,347 |
| **Total Current Assets** | 149,849,189 |
| **Noncurrent Assets** | |
| Restricted cash and cash equivalents | 106,958,100 |
| Net OPEB assets | 3,103,332 |
| Capital assets, nondepreciable | 138,970,574 |
| Capital assets, net of depreciation | 511,925,445 |
| **Total Noncurrent Assets** | 760,957,451 |
| **TOTAL ASSETS** | 910,806,640 |
| **DEFERRED OUTFLOWS OF RESOURCES** | |
| Current year pension contribution | 11,409,952 |
| **LIABILITIES** | |
| **Current Liabilities** | |
| Accounts payable and accrued liabilities | 25,371,437 |
| Interest payable | 12,023,599 |
| Unearned revenue | 28,424,507 |
| Compensated absences payable - current portion | 79,502 |
| Long term debt - current portion | 10,580,419 |
| **Total Current Liabilities** | 76,479,464 |
| **Noncurrent Liabilities** | |
| Compensated absences payable - noncurrent portion | 5,229,890 |
| Bonds payable - noncurrent portion | 683,197,722 |
| Notes payable - noncurrent portion | 4,745,000 |
| Capital lease obligations - noncurrent portion | 6,034,407 |
| Aggregate net pension obligation | 140,247,997 |
| Other long-term liabilities - noncurrent portion | 33,152,806 |
| Unpaid claims and claims adjustment expenses | 4,006,893 |
| **Total Noncurrent Liabilities** | 876,614,715 |
| **TOTAL LIABILITIES** | 953,094,179 |
| **DEFERRED INFLOWS OF RESOURCES** | |
| Difference between actual and expected rate of investment | 43,776,841 |
| **NET POSITION** | |
| Net investment in capital assets | 11,802,035 |
| Restricted for: | |
| Debt service | 15,159,712 |
| Scholarships and loans | 437,305 |
| Other special purposes | 12,700,196 |
| Unrestricted | (114,753,676) |
| **TOTAL NET POSITION** | $ (74,654,428) |

## FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PRIMARY GOVERNMENT FOR THE YEAR ENDED JUNE 30, 2015

| | |
|---|---|
| **OPERATING REVENUES** | |
| Tuition and fees | $ 75,898,258 |
| Less: Scholarship discounts and allowance | (14,943,057) |
| Net tuition and fees | 60,955,201 |
| Auxiliary enterprise sales and charges | 12,487,943 |
| Other operating revenues | 5,523,799 |
| **TOTAL OPERATING REVENUES** | 78,966,943 |
| **OPERATING EXPENSES** | |
| Salaries | 137,776,417 |
| Benefits | 52,443,494 |
| Supplies, materials, and other operating expenses and services | 51,220,948 |
| Student financial aid | 27,035,028 |
| Utilities | 3,365,729 |
| Depreciation | 38,906,236 |
| **TOTAL OPERATING EXPENSES** | 310,747,852 |
| **LOSS FROM OPERATIONS** | (231,780,909) |
| **NONOPERATING REVENUES (EXPENSES)** | |
| State apportionments, noncapital | 37,997,614 |
| Local property taxes | 80,993,565 |
| Grants and contracts, noncapital | |
| Federal | 26,712,346 |
| State | 25,346,007 |
| Local | 2,236,379 |
| State taxes and other revenues | 10,473,615 |
| Investment income (loss), noncapital | 54,520 |
| Investment income (loss), capital | 416,448 |
| Interest expense on capital asset-related debt, net | (18,053,971) |
| Other nonoperating revenue | 1,428,932 |
| **TOTAL NONOPERATING REVENUES (EXPENSES)** | 167,605,455 |
| **LOSS BEFORE CAPITAL REVENUES AND EXPENSES** | (64,175,454) |
| **CAPITAL REVENUES** | |
| State apportionment, capital | 4,900,207 |
| Local property taxes and revenues | 41,130,185 |
| **TOTAL INCOME BEFORE OTHER REVENUES AND EXPENSES** | 46,030,392 |
| **CHANGE IN NET POSITION** | (18,145,062) |
| **NET POSITION, BEGINNING OF YEAR, RESTATED** | (56,509,366) |
| **NET POSITION, END OF YEAR** | $ (74,654,428) |

# FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

## STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT
## FOR THE YEAR ENDED JUNE 30, 2015

| | |
|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | |
| Tuition and fees | $ 59,952,258 |
| Payments to suppliers | (47,271,158) |
| Payments to utilities | (3,365,729) |
| Payments to employees | (135,711,859) |
| Payments for benefits | (27,807,486) |
| Payments to students for scholarships and grants | (27,035,028) |
| Auxiliary enterprise sales and charges | 12,487,943 |
| Other operating receipts (payments) | 5,523,799 |
| **Net Cash Flows From Operating Activities** | (163,227,260) |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | |
| State apportionments | 52,732,059 |
| Property taxes - nondebt related | 80,993,565 |
| Federal grants and contracts | 30,126,518 |
| State grants and contracts | 20,324,326 |
| Local grants and contracts | 1,106,182 |
| State taxes and other apportionments | 10,742,082 |
| Other nonoperating | 3,528,723 |
| **Net Cash Flows From Noncapital Financing Activities** | 199,553,455 |
| **CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES** | |
| Local revenue, capital projects | 41,130,185 |
| Purchase of capital assets | (58,250,033) |
| State appropriations for capital purposes | 4,900,207 |
| Principal paid on capital debt | (11,798,619) |
| Interest paid on capital debt | (21,048,012) |
| Interest received on capital asset-related debt | 726,325 |
| **Net Cash Flows From Capital Financing Activities** | (44,339,947) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | |
| Interest received from investments | 54,520 |
| **Net Cash Flows From Investing Activities** | 54,520 |
| | |
| **NET CHANGE IN CASH AND CASH EQUIVALENTS** | (7,959,232) |
| **CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR** | 238,650,543 |
| **CASH AND CASH EQUIVALENTS, END OF YEAR** | $ 230,691,311 |

## FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

## STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT, Continued
## FOR THE YEAR ENDED JUNE 30, 2015

| | |
|---|---|
| **RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES** | |
| Operating Loss | $ (231,780,909) |
| Adjustments to Reconcile Operating Loss to Net Cash Flows from Operating Activities: | |
| Depreciation and amortization expense | 38,906,236 |
| Changes in Assets and Liabilities: | |
| Receivables | 263,129 |
| Accounts payable and accrued liabilities | 2,341,119 |
| Unearned revenue | (1,266,072) |
| Pension liabilities and compensated absences | 28,309,237 |
| Total Adjustments | 68,553,649 |
| **Net Cash Flows From Operating Activities** | $ (163,227,260) |

| | |
|---|---|
| **NON CASH TRANSACTIONS** | |
| On behalf payments for benefits | $ 4,678,215 |

**FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF FIDUCIARY NET POSITION**
**JUNE 30, 2015**

| | Agency Funds |
|---|---|
| **ASSETS** | |
| Cash and cash equivalents | $ 2,166,222 |
| Accounts receivable, net | 1,931 |
| Prepaid expenses | 7,692 |
| **Total Assets** | 2,175,845 |
| **LIABILITIES** | |
| Accounts payable | 115,104 |
| Due to primary government | 181,347 |
| Unearned revenue | 74,224 |
| Due to others | 1,805,170 |
| **Total Liabilities** | $ 2,175,845 |

## FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

## DISCRETELY PRESENTED COMPONENT UNIT
## FOOTHILL-DE ANZA COMMUNITY COLLEGES FOUNDATION
## STATEMENT OF FINANCIAL POSITION
## JUNE 30, 2015

| | |
|---|---|
| **ASSETS** | |
| **CURRENT ASSETS** | |
| Cash and cash equivalents | $ 945,538 |
| Accounts receivable, net | 82,449 |
| Promises to give | 315,698 |
| Prepaid expenses | 21,162 |
| **Total Current Assets** | 1,364,847 |
| **NONCURRENT ASSETS** | |
| Investments | 36,930,386 |
| **TOTAL ASSETS** | $ 38,295,233 |
| **LIABILITIES AND NET ASSETS** | |
| **CURRENT LIABILITIES** | |
| Accounts payable | $ 606,230 |
| Accrued payroll expenses | 259,561 |
| **Total Current Liabilities** | 865,791 |
| **NET ASSETS** | |
| Unrestricted | 6,312,992 |
| Temporarily restricted | 13,355,273 |
| Permanently restricted | 17,761,177 |
| **Total Net Assets** | 37,429,442 |
| **Total Liabilities and Net Assets** | $ 38,295,233 |

## DISCRETELY PRESENTED COMPONENT UNIT
## FOOTHILL-DE ANZA COMMUNITY COLLEGES FOUNDATION
## STATEMENT OF ACTIVITIES
## FOR THE YEAR ENDED JUNE 30, 2015

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Contributions | $ 706,978 | $ 2,865,675 | $ 87,210 | $ 3,659,863 |
| Donated services and facilities | 64,007 | - | - | 64,007 |
| Investment income, net of investment expenses | 374,838 | 583,902 | - | 958,740 |
| Event revenue | 15,540 | - | - | 15,540 |
| Other revenue | 188,446 | - | - | 188,446 |
| Assets released from restrictions | 3,687,571 | (3,700,263) | 12,692 | - |
| **Total Revenues** | 5,037,380 | (250,686) | 99,902 | 4,886,596 |
| **EXPENSES** | | | | |
| Grants and scholarships | 2,972,769 | - | - | 2,972,769 |
| Management and general | 648,715 | - | - | 648,715 |
| Fundraising expenses | 174,911 | - | - | 174,911 |
| Donated services and facilities | 64,007 | - | - | 64,007 |
| **Total Expenses** | 3,860,402 | - | - | 3,860,402 |
| **CHANGE IN NET ASSETS** | 1,176,978 | (250,686) | 99,902 | 1,026,194 |
| **NET ASSETS, BEGINNING OF YEAR** | 5,136,014 | 13,605,959 | 17,661,275 | 36,403,248 |
| **NET ASSETS, END OF YEAR** | $ 6,312,992 | $ 13,355,273 | $ 17,761,177 | $ 37,429,442 |

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

## FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

## DISCRETELY PRESENTED COMPONENT UNIT
## FOOTHILL-DE ANZA COMMUNITY COLLEGES FOUNDATION
## STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED JUNE 30, 2015

| | | |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Change in Net Position | $ | 1,026,194 |
| Adjustments to Reconcile Changes in Net Position to Net Cash From Operating Activities | | |
| Change in fair value of investments | | 186,772 |
| Changes in Assets and Liabilities | | |
| Contributions receivable | | 23,263 |
| Accounts receivable | | (81,307) |
| Prepaid expenses | | (6,417) |
| Accounts payable | | (1,210) |
| Accrued payroll | | 87,415 |
| **Net Cash Flows From Operating Activities** | | 1,234,710 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchase of investments | | (1,311,571) |
| **NET CHANGE IN CASH AND CASH EQUIVALENTS** | | (76,861) |
| **CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR** | | 1,022,399 |
| **CASH AND CASH EQUIVALENTS, END OF YEAR** | $ | 945,538 |

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

## *NOTE 1 - ORGANIZATION*

Foothill-De Anza Community College District (the District) was established in 1957 as a political subdivision of the State of California and is a comprehensive, public, two-year institution offering educational services to residents of the surrounding area. The District operates under a locally elected five-member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund, special revenue funds, and capital project funds, but these budgets are managed at the department level. Currently, the District operates two colleges located within Santa Clara County, California. While the District is a political subdivision of the State of California, it is legally separate and is independent of other State and local governments, and it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Codification Section (Cod Sec) 2100.101.

## *NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

### Financial Reporting Entity

The District follows the criteria in GASB Cod Sec 2100.101 as amended by GASB Cod Sec 2100.138 to provide guidance on the determination of whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District. The three components used to determine the presentation are: providing a "direct benefit," the "environment and ability to access/influence reporting," and the "significance" criterion. As defined by accounting principles generally accepted in the United States of America and established by the Governmental Accounting Standards Board, the financial reporting entity consists of the primary government, the District, and the following component units:

- Foothill-De Anza Community Colleges Foundation

  The Foothill-De Anza Community Colleges Foundation (the Foundation) is a legally separate, tax-exempt component unit of the District. The Foundation acts primarily as a fundraising organization to provide grants and scholarships to students and support to employees, programs, and departments of the District. The twenty member board of the Foundation consists of community members, alumni, and other supporters of the Foundation. Although the District does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests are restricted to the activities of the District by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the District, the Foundation is considered a component unit of the District with the inclusion of the statements as a discretely presented component unit. The Foundation is reported in separate financial statements because of the difference in its reporting model, as further described below.

  The Foundation is a not-for-profit organization under Internal Revenue Code (IRC) Section 501(c)(3) that reports its financial results in accordance with Financial Accounting Standards Codifications. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the District's financial reporting entity for these differences; however, significant note disclosures to the Foundation's financial statements have been incorporated into the District's notes to the financial statements.

Complete financial statements for the Foundation can be obtained from the Foundation's Business Office at 12345 El Monte Road, Los Altos Hills California 94022.

The following entity meets the criterion for inclusion as a "blended" component unit and is consolidated within the financial statements of the District:

- Foothill-De Anza Community College District Financing Corporation

  The Foothill-De Anza Community College District Financing Corporation (the Corporation) is a legally separate organization and a component unit of the District. The Corporation was formed to issue debt specifically for the acquisition and construction of capital assets for the District. The Board of Trustees of the Corporation is the same as the Board of Trustees of the District. The financial activity has been "blended" or consolidated within the financial statements as the District as if the activity was the District's. Certificates of participation issued by the Corporation are included as long-term liabilities of the District. Individually-prepared financial statements are not prepared for the Foothill-De Anza Community College District Financing Corporation.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37, No. 38, and No. 39. This presentation provides a comprehensive entity-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office *Budget and Accounting Manual*. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are classified as operating revenues. These transactions are recorded on the accrual basis when the exchange takes place. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, operating revenues consist primarily of student fees and auxiliary activities through the bookstore and cafeteria.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, certain Federal and State grants, entitlements, and donations. Property tax revenue is recognized in the fiscal year received. State apportionment revenue is earned based upon criteria set forth from the Community Colleges Chancellor's Office and includes reporting of full-time equivalent students (FTES) attendance. The corresponding apportionment revenue is recognized in the period the FTES are generated. Revenue from Federal and State grants and entitlements are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements may include time and/or purpose requirements.

Operating expenses are costs incurred to provide instructional services including support costs, auxiliary services, and depreciation of capital assets. All other expenses not meeting this definition are reported as nonoperating. Expenses are recorded on the accrual basis as they are incurred, when goods are received, or services are rendered.

The District reports are based on all applicable GASB pronouncements, as well as applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. The District has not elected to apply FASB pronouncements after that date.

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's 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,* as amended by GASB Statements No. 37, No. 38, and No. 39. The business-type activities model followed by the District requires the following components of the District's financial statements:

- Management's Discussion and Analysis
- Basic Financial Statements for the District as a whole including:
  - Statements of Net Position - Primary Government
  - Statements of Revenues, Expenses, and Changes in Net Position - Primary Government
  - Statements of Cash Flows - Primary Government
  - Financial Statements for the Fiduciary Funds including:
    - Statements of Fiduciary Net Position
    - Statements of Changes in Fiduciary Net Position
- Notes to the Financial Statements

### Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be unrestricted cash on hand, demand deposits, and short-term unrestricted investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include unrestricted cash with county treasury balances for purposes of the statement of cash flows. Restricted cash and cash equivalents represent balances restricted by external sources such as grants and contracts or specifically restricted for the repayment of capital debt.

### Investments

Investments held at June 30, 2015, are stated at fair value. Fair value is estimated based on quoted market prices at year-end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

### Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets represent investments required by debt covenants to be set aside by the District for the purpose of satisfying certain requirements of the bonded debt issuance or to purchase capital assets.

**Accounts Receivable**

Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. This allowance is based upon management's estimates and analysis. The allowance was estimated at $1,044,039 for the year ended June 30, 2015.

**Prepaid Expenses**

Prepaid expenses represent payments made to vendors and others for services that will benefit periods beyond June 30.

**Inventories**

Inventories consist primarily of bookstore merchandise and cafeteria food and supplies held for resale to the students and faculty of the colleges. Except for bookstore inventories, which are valued using the retail method, inventories are stated at cost, using the lower of cost or market method. The cost is recorded as an expense as the inventory is consumed.

**Capital Assets and Depreciation**

Capital assets are long-lived assets of the District as a whole and include land, construction-in-progress, buildings, leasehold improvements, and equipment. The District maintains an initial unit cost capitalization threshold of $5,000 for furniture and equipment and $150,000 for other capital expenditures including land, building and improvements with an estimated useful life greater than one year. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. The District does not possess any infrastructure. Donated capital assets are recorded at estimated fair market value at the date of donation. Improvements to buildings and land that significantly increase the value or extend the useful life of the asset are capitalized; the costs of routine maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged as an operating expense in the year in which the expense was incurred. Major outlays for capital improvements are capitalized as construction-in-progress as the projects are constructed.

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

**Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the entity-wide financial statements.

**Debt Issuance Costs, Premiums, and Discounts**

Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs, are amortized over the life of the bonds using the straight-line method.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Financial Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for the current year pension contributions.

In addition to liabilities, the Statement of Financial Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for the difference between actual and expected rate of return on investments specific to the net pension liability.

**Pensions**

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

**Compensated Absences**

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the entity-wide financial statements. The amounts have been recorded in the fund from which the employees, who have accumulated the leave, are paid. Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, retirement credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Retirement credit for unused sick leave is applicable to all academic employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full time.

**Unearned Revenue**

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized. Unearned revenue includes (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year and (2) amounts received from Federal and State grants received before the eligibility requirements are met.

**Noncurrent Liabilities**

Noncurrent liabilities include bonds and notes payable, compensated absences, claims payable, capital lease obligations with maturities greater than one year.

**Net Position**

Net Position represents the difference between assets and liabilities. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available. The net position is classified according to imposed restrictions or availability of assets for satisfaction of District obligations according to the following net asset categories:

**Net Investment in Capital Assets** consists of capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. To the extent debt has been incurred, but not yet expended for capital assets, such accounts are not included as a component invested in capital assets – net of related debt.

Net position is reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the District, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. None of the District's restricted net position has resulted from enabling legislation adopted by the District.

**Unrestricted**: Net position that is not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

**State Apportionments**

Certain current year apportionments from the State are based on financial and statistical information of the previous year. Any corrections due to the recalculation of the apportionment are made in February of the subsequent year. When known and measurable, these recalculations and corrections are accrued in the year in which the FTES are generated.

**Property Taxes**

Secured property taxes attach as an enforceable lien on property as of January 1. The County Assessor is responsible for assessment of all taxable real property. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Santa Clara bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

The voters of the District passed General Obligation Bonds in 2002 and 2006 for the acquisition, construction, and remodeling of certain District property. As a result of the passage of the Bond, property taxes are assessed on the property within the District specifically for the repayment of the debt incurred. The taxes are billed and collected as noted above and remitted to the District when collected.

**Board of Governors Grant (BOGG) and Fee Waivers**

Student tuition and fee revenue is reported net of allowances and fee waivers approved by the Board of Governors through BOGG fee waivers in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payments on the students-behalf. To the extent that fee waivers have been used to satisfy tuition and fee charges, the District has recorded a scholarship discount and allowance.

**Federal Financial Assistance Programs**

The District participates in federally funded Pell Grants, SEOG Grants, and Federal Work-Study programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to students in the form of reduced tuition. These programs are audited in accordance with the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget's revised Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the related *Compliance Supplement*.

**Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Foundation Financial Statement Presentation**

The Foothill-De Anza Community Colleges Foundation presents its financial statements in accordance with Statement of Financial Accounting Codifications. Under these reporting requirements, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by the codification, the Foundation does not use fund accounting.

**Permanently Restricted Net Assets**: Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

**Temporarily Restricted Net Assets**: Net assets subject to donor-imposed stipulations that will be met by actions of the Foundation and/or the passage of time.

**Unrestricted Net Assets**: Net assets not subject to donor-imposed restrictions.

Revenues and expenses are recorded when incurred in accordance with the accrual basis of accounting. Revenues are reported as increases in the unrestricted net assets classification unless use of the related assets is limited by donor-imposed restrictions. Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met. Contributions for in-kind gifts from outside sources are recorded at their fair market value on the date of the donation.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Investments are reported at fair value in accordance with FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*.

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and related California Franchise Tax Codes.

**Change in Accounting Principles**

In June 2012, the GASB issued Statement No. 68*, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by State and local governments for pensions. It also improves information provided by State and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of State and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

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

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

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

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

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

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a State or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement No. 68 requires a State or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a State or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a State or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

As the result of implementing GASB Statement No. 68, the District has restated the beginning net position in the government-wide Statement of Net Position, effectively decreasing net position as of July 1, 2014, by $167,447,955. The decrease results from recognizing the net pension liability, net of related deferred outflows of resources.

**New Accounting Pronouncements**

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of State and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes.

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement No. 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement No. 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

This Statement also clarifies the application of certain provisions of Statements No. 67 and No. 68 with regard to the following issues:

- Information that is required to be presented as notes to the ten-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported.

- Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions.

- Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of State and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. The primary objective of this Statement is to improve accounting and financial reporting by State and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by State and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of State and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of State and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier implementation is permitted.

***NOTE 3 – CASH AND INVESTMENTS***

**Policies and Practices**

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

**Investment in County Treasury -** The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section (ESC) 41001). The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

**General Authorizations**

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

| Authorized Investment Type | Maximum Remaining Maturity | Maximum Percentage of Portfolio | Maximum Investment in One Issuer |
|---|---|---|---|
| Local Agency Bonds, Notes, Warrants | 5 years | None | None |
| Registered State Bonds, Notes, Warrants | 5 years | None | None |
| U.S. Treasury Obligations | 5 years | None | None |
| U.S. Agency Securities | 5 years | None | None |
| Banker's Acceptance | 180 days | 40% | 30% |
| Commercial Paper | 270 days | 25% | 10% |
| Negotiable Certificates of Deposit | 5 years | 30% | None |
| Repurchase Agreements | 1 year | None | None |
| Reverse Repurchase Agreements | 92 days | 20% of base | None |
| Medium-term Corporate Notes | 5 years | 30% | None |
| Mutual Funds | N/A | 20% | 10% |
| Money Market Mutual Funds | N/A | 20% | 10% |
| Mortgage Pass-Through Securities | 5 years | 20% | None |
| County Pooled Investment Funds | N/A | None | None |
| Local Agency Investment Fund (LAIF) | N/A | None | None |
| Joint Powers Authority Pools | N/A | None | None |

**Summary of Cash and Investments**

Cash and investments as of June 30, 2015, consist of the following:

| **Primary Government** | |
|---|---|
| Cash on hand and in banks | $ 4,239,966 |
| Cash in revolving accounts | 25,000 |
| Investments, short term - county cash | 81,544,471 |
| Investments, short term - other | 1,150,595 |
| Total Cash and Cash Equivalents | 86,960,032 |
| Investments - restricted county cash | 144,881,874 |
| Total Cash and Investments | $ 231,841,906 |

| **Fiduciary Funds** | |
|---|---|
| Investments, short term - county cash | $ 2,166,222 |
| Total Cash and Investments | $ 2,166,222 |

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County pool and/or by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

**Weighted Average Maturity**

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is presented in the following schedule:

| Investment Type | Fair Value | Weighted Average Maturity in Years |
|---|---|---|
| Money Market Accounts | $ 1,150,595 | 0.09 |
| County Pool | 226,426,345 | 1.28 |
| Total | $ 227,576,940 | |

**Credit Risk**

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

**Custodial Credit Risk - Deposits**

Cash balances held in the bank are insured up to $250,000 by the Federal Depository Insurance Corporation (FDIC). At June 30, 2015, the carrying amount of the District's cash on hand and in banks (including certificates of deposit) was approximately $1,800,000, and the bank balance was $1,250,000. At June 30, 2015, the approximately $750,000 was not covered by FDIC.

## *NOTE 4 - ACCOUNTS RECEIVABLE*

Accounts receivable consisted primarily of intergovernmental grants, entitlements, interest, and other local sources.

The accounts receivable are as follows:

| | |
|---|---|
| **Primary Government** | |
| Federal Government | |
| Categorical aid | $ 821,078 |
| State Government | |
| Categorical aid | 4,987,324 |
| Lottery | 1,658,805 |
| Local Sources | |
| Interest | 622,301 |
| Tuition and fees | 6,838,876 |
| Grants and contracts - local | 458,309 |
| Other local sources | 4,041,071 |
| Less allowance for bad debt | (1,288,030) |
| Total | $ 18,139,734 |

The allowance for doubtful accounts is maintained at an amount which management considers sufficient to fully reserve and provide for the possible uncollectability of other receivable balances. The allowance is calculated based on a sliding scale of student receivable balances and provides for 4 percent for balances up to 30 days old, 7 percent for 31-60 days, 20 percent for 61-90 days, and 50 percent for amounts over 90 days.

**Discretely Presented Component Unit**

The Foundation's accounts receivable consist primarily of short-term donations expected to be received within one year, and therefore no discount has been recorded. In the opinion of management, all amounts have been deemed to be fully collectable.

### *NOTE 5 - CAPITAL ASSETS*

Capital asset activity for the District for the fiscal year ended June 30, 2015, was as follows:

| | Balance Beginning of Year | Additions | Deductions | Balance End of Year |
|---|---|---|---|---|
| Capital Assets Not Being Depreciated | | | | |
| Land | $ 2,489,776 | $ - | $ - | $ 2,489,776 |
| Construction in progress | 94,302,304 | 56,307,990 | 14,129,496 | 136,480,798 |
| Total Capital Assets Not Being Depreciated | 96,792,080 | 56,307,990 | 14,129,496 | 138,970,574 |
| Capital Assets Being Depreciated | | | | |
| Land improvements | 121,946,512 | 6,619,158 | - | 128,565,670 |
| Building improvements | 254,418,455 | 5,921,219 | - | 260,339,674 |
| Buildings | 425,632,338 | - | - | 425,632,338 |
| Portable buildings | 6,160,869 | - | - | 6,160,869 |
| Equipment | 47,047,993 | 3,448,171 | 139,265 | 50,356,899 |
| Software | 5,456,147 | 82,991 | - | 5,539,138 |
| Total Capital Assets Being Depreciated | 860,662,314 | 16,071,539 | 139,265 | 876,594,588 |
| Total Capital Assets | 957,454,394 | 72,379,529 | 14,268,761 | 1,015,565,162 |
| Less Accumulated Depreciation | | | | |
| Land improvements | 57,480,031 | 9,725,204 | - | 67,205,235 |
| Buildings improvements | 144,386,729 | 16,970,952 | - | 161,357,681 |
| Buildings | 80,506,342 | 7,967,768 | - | 88,474,110 |
| Portable buildings | 4,442,214 | 396,661 | - | 4,838,875 |
| Equipment | 33,792,634 | 3,698,157 | 139,265 | 37,351,526 |
| Software | 5,409,224 | 32,493 | - | 5,441,717 |
| Total Accumulated Depreciation | 326,017,174 | 38,791,235 | 139,265 | 364,669,144 |
| Depreciable Capital Assets, Net of Depreciation | 534,645,140 | (22,719,696) | - | 511,925,444 |
| Net Capital Assets | $ 631,437,220 | $ 33,588,294 | $ 14,129,496 | $ 650,896,018 |

Depreciation expense for the year was $38,791,235.

Interest expense before reductions for premiums associated with refunded bonds of $4,844,179, was $24,138,155. Of this amount, $23,810,330 was capitalized during the year.

Assets consisting of the De Anza Science Center and Campus Center in the amount of $30.5 million have been pledged as collateral for notes payable described in Note 8.

**Discretely Presented Component Unit**

Capital asset activity for the Foundation for the fiscal year ended June 30, 2015, was as follows

| | Balance Beginning of Year | Additions | Deductions | Balance End of Year |
|---|---|---|---|---|
| Equipment | $ 335,000 | $ - | $ - | $ 335,000 |
| Furniture and Fixtures | 5,350 | - | - | 5,350 |
| Total Assets Being Depreciated | 340,350 | - | - | 340,350 |
| Accumulated depreciation | 340,350 | - | - | 340,350 |
| Net Capital Assets | $ - | $ - | $ - | $ - |

## *NOTE 6 - ACCOUNTS PAYABLE*

Accounts payable consisted of the following:

| | |
|---|---|
| **Primary Government** | |
| Vendors | $ 23,358,640 |
| Payroll | 2,012,797 |
| Subtotal | 25,371,437 |
| Workers compensation reserves | 4,006,893 |
| Total | $ 29,378,330 |
| | |
| **Fiduciary Funds** | |
| Vendors | $ 115,104 |
| Total | $ 115,104 |

## *NOTE 7 - UNEARNED REVENUE*

Unearned revenue consisted of the following:

| | |
|---|---|
| **Primary Government** | |
| Federal financial assistance | $ 70,052 |
| State categorical aid | 16,038,904 |
| Other state | 1,200,690 |
| Enrollment fees | 5,994,362 |
| Other local | 5,120,499 |
| Total | $ 28,424,507 |

***NOTE 8 - LONG-TERM OBLIGATIONS***

**Summary**

The changes in the District's long-term obligations during the 2015 fiscal year consisted of the following:

| **2015** | Balance Beginning of Year (as restated) | Additions | Deductions | Balance End of Year | Due in One Year |
|---|---|---|---|---|---|
| Bonds and Notes Payable | | | | | |
| General obligation bonds | $ 695,287,681 | $ 114,020,041 | $ 119,460,000 | $ 689,847,722 | $ 6,650,000 |
| Premiums, net of amortization | 22,607,732 | 19,052,853 | 6,675,979 | 34,984,606 | 1,831,800 |
| Certificates of participation | 6,400,000 | - | 815,000 | 5,585,000 | 840,000 |
| Total Bonds and Notes Payable | 724,295,413 | 133,072,894 | 126,950,979 | 730,417,328 | 9,321,800 |
| Other Liabilities | | | | | |
| Compensated absences | 1,556,661 | 3,673,229 | - | 5,229,890 | - |
| Capital leases | 8,551,645 | - | 1,258,619 | 7,293,026 | 1,258,619 |
| Claims liability | 3,850,575 | 156,318 | - | 4,006,893 | - |
| Pension liability | 178,430,368 | - | 38,182,371 | 140,247,997 | - |
| Total Other Liabilities | 192,389,249 | 3,829,547 | 39,440,990 | 156,777,806 | 1,258,619 |
| Total Long-Term Debt | $ 916,684,662 | $ 136,902,441 | $ 166,391,969 | $ 887,195,134 | $ 10,580,419 |

| Description | Issue Date | Maturity Date | Interest Rate | Original Issue | Bonds Outstanding July 1, 2014 | Issued | Accreted | Principal Payments | Bonds Outstanding June 30, 2015 |
|---|---|---|---|---|---|---|---|---|---|
| Measure E, General Obligation Bond, Series A | 5/3/2000 | 8/1/2030 | 4.30%-6.26% | $ 99,995,036 | $ 49,734,569 | $ - | $ 3,098,422 | $ - | $ 52,832,991 |
| Measure E, General Obligation Bond, Series B | 9/9/2003 | 8/1/2036 | 2.00%-5.79% | 90,100,063 | 80,534,314 | - | 4,015,399 | - | 84,549,713 |
| Measure E, General Obligation Bond, Series C | 9/20/2005 | 8/1/2036 | 3.00%-5.03% | 57,904,900 | 52,583,935 | - | 1,590,100 | 19,920,000 | 34,254,035 |
| 2005 General Obligation Refunding Bond | 9/20/2005 | 8/1/2021 | 3.00%-5.25% | 22,165,000 | 22,010,000 | - | - | - | 22,010,000 |
| 2012 General Obligation Refunding Bond | 5/03/2012 | 8/1/2030 | 0.25-5.00% | 70,735,000 | 66,955,000 | | - | 6,225,000 | 60,730,000 |
| Measure C, General Obligation Bond, Series A | 4/18/2007 | 8/1/2036 | 4.00%-5.00% | 149,995,250 | 144,317,578 | - | 1,422,643 | 53,915,000 | 91,825,221 |
| Measure C, General Obligation Bond, Series B | 5/3/2007 | 8/1/2036 | 4.00%-5.00% | 99,996,686 | 95,152,285 | - | 878,477 | 39,400,000 | 56,630,762 |
| Measure C, General Obligation Bond, Series C | 5/19/2011 | 8/1/2040 | 4.73%-4.78% | 184,000,000 | 184,000,000 | | - | - | 184,000,000 |
| 2014 General Obligation Refunding Bond | 7/1/2014 | 8/1/2036 | 2.00%-5.00% | 103,015,000 | - | 103,015,000 | - | - | 103,015,000 |
| | | | | | $ 695,287,681 | $ 103,015,000 | $ 11,005,041 | $119,460,000 | $ 689,847,722 |

**Description of Debt**

Payments on the certificates of participation are paid through the Debt Service Fund. Payments on the general obligation bonds are made by the bond interest and redemption fund with local property tax revenues. Payments on the capital leases are paid through the Debt Service Fund. The accrued vacation will be paid by the fund for which the employee worked. Payments on the claims liabilities will be paid by the self insurance funds.

**Certificates of Participation**

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 percent to 4.0 percent and mature through 2021.

**General Obligation Bonds**

***Measure E***

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

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

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

Series C was sold on September 20, 2005 for a total of $57,904,900.

On October 2, 2002, the District issued General Obligation Refunding Bonds in the amount of $67,475,000 for the purpose of refunding a portion of the Measure E, Series A General Obligations Bonds.

On September 20, 2005, the District issued General Obligation Refunding Bonds in the amount of $22,165,000 for the purpose of refunding a portion of the Measure E, Series B General Obligation Bonds.

On May 3, 2012, the District issued General Obligation Refunding Bonds in the amount of $70,735,000 for the purpose of refunding portions of the Measure E, Series B, Series C General Obligation Bonds, and the 2002 Refunding Obligation Bonds.

On July 16, 2014, the District issued General Obligation Refunding Bonds in the amount of $103,015,000 for the purpose of refunding portions of the Measure E, Series C, and Measure C Series A and B General Obligation Bonds. The economic gain on the bond refunding was $9,845,042. The balance in the refunding escrow was approximately $119,500,000 at June 30, 2015.

***Measure C***

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

Series A was sold on May 10, 2007 for a total of $149,995,250.

Series B was sold on May 10, 2007, for a total of $99,996,686.

Series C was sold on May 19, 2011 for a total of $184,000,000.

**Debt Maturity**

**General Obligation Bonds**

The bonds mature through the fiscal years ending June 30, 2031 are as follows:

| Measure E, General Obligation Bond, Series A | | | |
|---|---|---|---|
| Fiscal Year | Principal | Interest to Maturity | Total |
| 2016 | $ 1,861,833 | $ 2,658,167 | $ 4,520,000 |
| 2017 | 1,878,361 | 3,001,639 | 4,880,000 |
| 2018 | 1,891,117 | 3,363,883 | 5,255,000 |
| 2019 | 1,894,093 | 3,740,907 | 5,635,000 |
| 2020 | 1,893,296 | 4,131,704 | 6,025,000 |
| 2021-2025 | 5,899,453 | 16,610,547 | 22,510,000 |
| 2026-2030 | 5,323,306 | 23,206,694 | 28,530,000 |
| 2030-2031 | 1,088,577 | 5,916,423 | 7,005,000 |
| Total | 21,730,036 | $ 62,629,964 | $ 84,360,000 |
| Accreted Interest | 31,102,955 | | |
| | $ 52,832,991 | | |

Measure E, General Obligation Bond, Series B

| Fiscal Year | Principal | Interest to Maturity | Total |
|---|---|---|---|
| 2016 | $ - | $ 712,500 | $ 712,500 |
| 2017 | - | 712,500 | 712,500 |
| 2018 | - | 712,500 | 712,500 |
| 2019 | - | 712,500 | 712,500 |
| 2020 | - | 712,500 | 712,500 |
| 2021-2025 | 14,062,604 | 7,005,746 | 21,068,350 |
| 2026-2030 | 10,787,081 | 30,947,919 | 41,735,000 |
| 2031-2035 | 17,422,170 | 74,017,830 | 91,440,000 |
| 2036-2037 | 7,718,208 | 41,276,792 | 48,995,000 |
| Total | 49,990,063 | $ 156,810,787 | $ 206,800,850 |
| Accreted Interest | 34,559,650 | | |
| | $ 84,549,713 | | |

Measure E, General Obligation Bond, Series C

| Fiscal Year | Principal | Interest to Maturity | Total |
|---|---|---|---|
| 2016 | $ 1,055,000 | $ 26,375 | $ 1,081,375 |
| 2017 | - | - | - |
| 2018 | - | - | - |
| 2019 | - | - | - |
| 2020 | - | - | - |
| 2021-2025 | 2,687,953 | 3,762,047 | 6,450,000 |
| 2026-2030 | 7,127,217 | 13,672,782 | 20,799,999 |
| 2031-2035 | 11,192,083 | 30,867,917 | 42,060,000 |
| Total | 22,062,253 | $ 48,329,121 | $ 70,391,374 |
| Accreted Interest | 12,191,782 | | |
| | $ 34,254,035 | | |

General Obligation, 2005 Refunding Bond

| Fiscal Year | Principal | Interest to Maturity | Total |
|---|---|---|---|
| 2016 | $ 2,330,000 | $ 1,094,363 | $ 3,424,363 |
| 2017 | - | 1,033,200 | 1,033,200 |
| 2018 | 3,030,000 | 953,663 | 3,983,663 |
| 2019 | 3,440,000 | 783,826 | 4,223,826 |
| 2020 | 3,890,000 | 591,413 | 4,481,413 |
| 2021-2022 | 9,320,000 | 503,475 | 9,823,475 |
| Total | $ 22,010,000 | $ 4,959,940 | $ 26,969,940 |

General Obligation, 2012 Refunding Bond

| Fiscal Year | Principal | Interest to Maturity | Total |
|---|---|---|---|
| 2016 | $ - | $ 2,895,050 | $ 2,895,050 |
| 2017 | 3,905,000 | 2,816,950 | 6,721,950 |
| 2018 | 1,405,000 | 2,724,800 | 4,129,800 |
| 2019 | 1,595,000 | 2,670,875 | 4,265,875 |
| 2020 | 1,845,000 | 2,594,100 | 4,439,100 |
| 2021-2025 | 21,605,000 | 10,364,225 | 31,969,225 |
| 2026-2030 | 24,485,000 | 4,692,625 | 29,177,625 |
| 2031 | 5,890,000 | 147,250 | 6,037,250 |
| Total | $ 60,730,000 | $ 28,905,875 | $ 89,635,875 |

Measure C, General Obligation Bond, Series A

| Fiscal Year | Principal | Interest to Maturity | Total |
|---|---|---|---|
| 2016 | $ 1,960,000 | $ 2,728,775 | $ 4,688,775 |
| 2017 | 2,355,000 | 2,620,900 | 4,975,900 |
| 2018 | 2,780,000 | 2,492,525 | 5,272,525 |
| 2019 | - | 2,423,025 | 2,423,025 |
| 2020 | - | 2,423,025 | 2,423,025 |
| 2021-2025 | - | 12,115,125 | 12,115,125 |
| 2026-2030 | 28,550,000 | 10,359,000 | 38,909,000 |
| 2031-2035 | 38,300,101 | 32,877,361 | 71,177,462 |
| 2036-2037 | 8,450,149 | 24,424,880 | 32,875,029 |
| Total | 82,395,250 | $ 92,464,616 | $ 174,859,866 |
| Accreted Interest | 9,429,971 | | |
| | $ 91,825,221 | | |

Measure C, General Obligation Bond, Series B

| Fiscal Year | Principal | Interest to Maturity | Total |
|---|---|---|---|
| 2016 | $ 1,305,000 | $ 1,674,900 | $ 2,979,900 |
| 2017 | 1,570,000 | 1,603,025 | 3,173,025 |
| 2018 | 1,850,000 | 1,517,525 | 3,367,525 |
| 2019 | - | 1,471,275 | 1,471,275 |
| 2020 | - | 1,471,275 | 1,471,275 |
| 2021-2025 | - | 7,356,375 | 7,356,375 |
| 2026-2030 | 15,745,000 | 6,560,888 | 22,305,888 |
| 2031-2035 | 25,104,836 | 20,399,113 | 45,503,949 |
| 2036-2037 | 5,226,850 | 14,898,150 | 20,125,000 |
| Total | 50,801,686 | $ 56,952,526 | $ 107,754,212 |
| Accreted Interest | 5,829,077 | | |
| | $ 56,630,763 | | |

Measure C, General Obligation Bond, Series C

| Fiscal Year | Principal | Interest to Maturity | Total |
|---|---|---|---|
| 2016 | $ - | $ 9,200,000 | $ 9,200,000 |
| 2017 | - | 9,200,000 | 9,200,000 |
| 2018 | - | 9,200,000 | 9,200,000 |
| 2019 | - | 9,200,000 | 9,200,000 |
| 2020 | - | 9,200,000 | 9,200,000 |
| 2021-2025 | - | 46,000,000 | 46,000,000 |
| 2026-2030 | 1,140,000 | 45,954,250 | 47,094,250 |
| 2031-2035 | 13,730,000 | 44,425,500 | 58,155,500 |
| 2036-2040 | 124,070,000 | 31,966,750 | 156,036,750 |
| 2041 | 45,060,000 | 1,126,500 | 46,186,500 |
| Total | $ 184,000,000 | $ 215,473,000 | $ 399,473,000 |

General Obligation, 2014 Refunding Bond

| Fiscal Year | Principal | Interest to Maturity | Total |
|---|---|---|---|
| 2016 | $ - | $ 4,894,200 | $ 4,894,200 |
| 2017 | - | 4,894,200 | 4,894,200 |
| 2018 | - | 4,894,200 | 4,894,200 |
| 2019 | 5,175,000 | 4,816,575 | 9,991,575 |
| 2020 | 5,880,000 | 4,635,150 | 10,515,150 |
| 2021-2025 | 43,085,000 | 18,083,800 | 61,168,800 |
| 2026-2030 | 31,260,000 | 6,445,750 | 37,705,750 |
| 2031-2035 | 4,535,000 | 4,290,375 | 8,825,375 |
| 2036 | 13,080,000 | 589,250 | 13,669,250 |
| Total | $ 103,015,000 | $ 53,543,500 | $ 156,558,500 |

**Certificates of Participation**

| Fiscal Year | Principal | Interest to Maturity | Total |
|---|---|---|---|
| 2016 | $ 840,000 | $ 221,773 | $ 1,061,773 |
| 2017 | 880,000 | 183,922 | 1,063,922 |
| 2018 | 915,000 | 151,363 | 1,066,363 |
| 2019 | 950,000 | 117,050 | 1,067,050 |
| 2020 | 980,000 | 80,000 | 1,060,000 |
| 2021 | 1,020,000 | 40,800 | 1,060,800 |
| Total | $ 5,585,000 | $ 794,908 | $ 6,379,908 |

**Capital Leases**

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

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

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

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

| Fiscal Year Ending June 30, | Lease Payment |
|---|---|
| 2016 | $ 1,436,922 |
| 2017 | 1,436,922 |
| 2018 | 1,436,922 |
| 2019 | 1,436,921 |
| 2020 | 1,436,922 |
| 2021-2022 | 577,630 |
| Total | 7,762,239 |
| Less: Amount Representing Interest | 469,213 |
| Present Value of Minimum Lease Payments | $ 7,293,026 |

### *NOTE 9 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATION*

The District provides postemployment health care benefits for retired employees in accordance with negotiated contracts with the various bargaining units of the District.

**Plan Description**

The District established an Other Post Employment Benefit Plan (the Plan) which is a single-employer defined benefit healthcare plan administered by the California Employers Retirement Benefit Trust (CERBT). CERBT serves as an irrevocable trust, ensuring that funds contributed into its Investment Trust are dedicated to serving the needs of member districts, and their employees and retirees. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. As of the most recent actuarial study completed, membership of the Plan consisted of approximately 750 retirees and beneficiaries currently receiving benefits, and 900 active plan members. Separate financial statements are not prepared for the Trust.

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

**Contribution Information**

The contribution requirements of plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually through agreements between the District and the bargaining units. For fiscal year 2014-2015, the District contributed $6,764,995 to the Plan through payment of current premiums (100% of premiums required) and $1,500,000 into the irrevocable trust.

### Annual OPEB Cost and Net OPEB Asset

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the requirements of *Other Post Employment Benefits* guidance. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding costs) over a period not to exceed 30 years. 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 asset/obligation based on the most recent actuary study prepared in August 29, 2013 with an effective date of July 1, 2013.

| | |
|---|---|
| Annual required contribution | $ 9,254,460 |
| Adjustment to annual required contribution | - |
| Annual OPEB cost (expense) | 9,254,460 |
| Contributions made | 8,264,995 |
| Decrease in net OPEB asset | (989,465) |
| Net OPEB asset, July 1, 2014 | 4,092,797 |
| Net OPEB asset, June 30, 2015 | $ 3,103,332 |

### Trend Information

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

| Year's Ended June 30, | Annual OPEB Cost | Actual Contribution | Percentage Contributed | Net OPEB Asset/Obligation |
|---|---|---|---|---|
| 2013 | $ 8,613,577 | $ 7,667,076 | 89% | $ 5,046,598 |
| 2014 | $ 9,006,774 | $ 8,052,973 | 89% | $ 4,092,797 |
| 2015 | $ 9,254,460 | $ 8,264,995 | 89% | $ 3,103,332 |

### Funding Status and Funding Progress

The funded status of the OPEB Plan as of July 1, 2013, the date of the most recent actuarial study, is as follows:

| | |
|---|---|
| Actuarial Accrued Liability (AAL) | $ 120,204,435 |
| Actuarial Value of Plan Assets | (8,146,391) |
| Unfunded Actuarial Accrued Liability (UAAL) | $ 112,058,044 |
| | |
| Funded Ratio (Value of Plan Assets/AAL) | 6.8% |
| Covered Payroll | 95,419,663 |
| UAAL as Percentage of Covered Payroll | 117.44% |

The above noted actuarial value of plan assets was based on the July 1, 2013, actuarial valuation. The market value of the Plan Assets as of June 30, 2015 is $12,380,006. Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, follows the notes to the financial statements and presents multi-year trend information about whether the value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions**

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

In the July 1, 2013, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 7.25 percent investment rate of return (net of administrative expenses), based on the Plan being funded in an irrevocable employee benefit trust fund invested in a long-term fixed income portfolio. Healthcare cost trend rate of 4 percent. Both rates included a 2.75 percent salary increase assumption. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at July 1, 2013, was 30 years. The actuarial value of assets was determined using actuarial techniques that spread the effects of short-term volatility in the market value of investments over a fifteen-year period. At July 1, 2013, the most recent actuarial study date, the study indicated the Trust held net assets with an actuarial value of $8,146,391, which consisted of amounts on deposit with CERBT.

## *NOTE 10 - RISK MANAGEMENT*

**Property and Liability**

During fiscal year ending June 30, 2015, the District contracted with commercial insurers for property coverage and the Schools Excess Liability Fund Joint Powers Authority (SELF) for excess liability insurance coverage.

**Workers' Compensation**

Effective March 1, 2003, the District is self-insured for certain risks and employee benefits. Workers' compensation claims are self insured to $250,000. Excess insurance has been purchased which covers worker's compensation claims between $250,000 and $10,000,000. The estimate of incurred but not reported and reported claims was actuarially determined based upon historical experience and actuarial assumptions. The current and long term portions of the liability for the unpaid claims for workers' compensation losses as of June 30, 2015 were $4,006,893, and $0, respectively.

### Health Care

The District is also self insured for health care claims of employees participating in the District's health care plans. The District carries stop loss insurance to limit its aggregate liability to 125 percent of the expected paid claims and its individual claim liability limit to $100,000 per care year.

### Insurance Coverages

| Insurance Program / Company Name | Type of Coverage | Limits |
|---|---|---|
| Travelers Property Casualty Company | Property Insurance | $25,000-$50,000,000 |
| Everest National | Excess Liability | $5,000,000-$10,000,000 |
| Schools Excess Liability Fund (SELF) | Excess Liability | $5,000,000-$20,000,000 |

### Claims Liabilities

The District establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2013 to June 30 2015.

| | Health Care | Workers' Compensation | Total |
|---|---|---|---|
| Liability Balance, July 1, 2013 | $ 1,038,186 | $ 7,272,251 | $ 8,310,437 |
| Claims and changes in estimates | (265,945) | 1,184,092 | 918,147 |
| Claims payments | (772,241) | (3,512,842) | (4,285,083) |
| Liability Balance, June 30, 2014 | - | 4,943,501 | 4,943,501 |
| Claims and changes in estimates | - | 1,189,508 | 1,189,508 |
| Claims payments | - | (1,033,190) | (1,033,190) |
| Liability Balance, June 30, 2015 | - | 5,099,819 | 5,099,819 |
| Less current portion in accounts payable | - | 1,092,926 | 1,092,926 |
| Total noncurrent, end of year | $ - | $ 4,006,893 | $ 4,006,893 |

## *NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS*

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of CalSTRS and classified employees are members of CalPERS.

The District implemented GASB Statements No. 68 and No. 71 for the fiscal year ended June 30, 2015. As a result, the District reported its proportionate share of the net pension liabilities, pension expense, and deferred inflow of resources for each of the above plans and a deferred outflow of resources for each of the above plans as follows:

| Pension Plan | Proportionate Share of Net Pension Liability | Deferred Outflow of Resources | Proportionate Share of Deferred Inflow of Resources | Proportionate Share of Pension Expense |
|---|---|---|---|---|
| CalSTRS | $ 89,739,321 | $ 5,687,107 | $ 22,098,137 | $ 7,747,401 |
| CalPERS | 50,508,676 | 5,722,845 | 21,678,704 | 4,489,190 |
| Total | $ 140,247,997 | $ 11,409,952 | $ 43,776,841 | $ 12,236,591 |

The details of each plan are as follows:

**California State Teachers' Retirement System (CalSTRS)**

**Plan Description**

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

**Benefits Provided**

The STRP provides retirement, disability, and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and nonemployer contributing entity to the STRP.

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

The STRP provisions and benefits in effect at June 30, 2015, are summarized as follows:

| | STRP Defined Benefit Program | |
|---|---|---|
| Hire date | On or before December 31, 2012 | On or after January 1, 2013 |
| Benefit formula | 2% at 60 | 2% at 62 |
| Benefit vesting schedule | 5 years of service | 5 years of service |
| Benefit payments | Monthly for life | Monthly for life |
| Retirement age | 60 | 62 |
| Monthly benefits as a percentage of eligible compensation | 2.0% - 2.4% | 2.0% - 2.4% |
| Required employee contribution rate | 8.15% | 8.15% |
| Required employer contribution rate | 8.88% | 8.88% |
| Required State contribution rate | 5.95% | 5.95% |

**Contributions**

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2015, are presented above, and the District's total contributions were $5,687,107.

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

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:

| | |
|---|---|
| District's proportionate share of net pension liability | $ 89,739,321 |
| State's proportionate share of net pension liability associated with the District | 54,188,476 |
| Total | $ 143,927,797 |

The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts and the State, actuarially determined. At June 30, 2015, the District's proportion was 0.1536 percent.

For the year ended June 30, 2015, the District recognized pension expense of $7,747,401 and revenue of $4,678,215 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Pension contributions subsequent to measurement date | $ 5,687,107 | $ - |
| Differences between projected and actual earnings on plan investments | - | 22,098,137 |
| Total | $ 5,687,107 | $ 22,098,137 |

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

| Year Ended June 30, | Amortization |
|---|---|
| 2016 | $ 5,524,534 |
| 2017 | 5,524,534 |
| 2018 | 5,524,534 |
| 2019 | 5,524,535 |
| Total | $ 22,098,137 |

**Actuarial Methods and Assumptions**

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

| | |
|---|---|
| Valuation date | June 30, 2013 |
| Measurement date | June 30, 2014 |
| Experience study | July 1, 2006 through June 30, 2010 |
| Actuarial cost method | Entry age normal |
| Discount rate | 7.60% |
| Investment rate of return | 7.60% |
| Consumer price inflation | 3.00% |
| Wage growth | 3.75% |

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary investment practice, a best estimate range was determined assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentile for the long-term distribution of annualized returns. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

| Asset Class | Assumed Asset Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Global equity | 47% | 4.50% |
| Private equity | 12% | 6.20% |
| Real estate | 15% | 4.35% |
| Inflation sensitive | 5% | 3.20% |
| Fixed income | 20% | 0.20% |
| Cash/liquidity | 1% | 0.00% |

**Discount Rate**

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

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

| Discount Rate | Net Pension Liability |
|---|---|
| 1% decrease (6.60%) | $ 139,880,132 |
| Current discount rate (7.60%) | $ 89,739,321 |
| 1% increase (8.60%) | $ 47,930,997 |

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

**Plan Description**

Qualified employees are eligible to participate in the School Employer Pool (SEP) and the Safety Risk Pool under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plans regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013, annual actuarial valuation reports, Schools Pool Actuarial Valuation, and the Risk Pool Actuarial Valuation Report, Safety, 2013. These reports and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

**Benefits Provided**

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

The CalPERS provisions and benefits in effect at June 30, 2015, are summarized as follows:

| | School Employer Pool (CalPERS) | |
|---|---|---|
| | On or before | On or after |
| Hire date | December 31, 2012 | January 1, 2013 |
| Benefit formula | 2% at 55 | 2% at 62 |
| Benefit vesting schedule | 5 years of service | 5 years of service |
| Benefit payments | Monthly for life | Monthly for life |
| Retirement age | 55 | 62 |
| Monthly benefits as a percentage of eligible compensation | 1.1% - 2.5% | 1.0% - 2.5% |
| Required employee contribution rate | 7.000% | 6.000% |
| Required employer contribution rate | 11.771% | 11.771% |

**Contributions**

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2015, are presented above, and the total District contributions were $5,722,845.

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

As of June 30, 2015, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $50,508,676. The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts, actuarially determined. At June 30, 2015, the District's proportion was 0.4449 percent.

For the year ended June 30, 2015, the District recognized pension expense of $4,489,190. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Pension contributions subsequent to measurement date | $ 5,722,845 | $ - |
| Differences between projected and actual earnings on plan investments | - | 21,678,704 |
| Total | $ 5,722,845 | $ 21,678,704 |

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

| Year Ended June 30, | Amortization |
|---|---|
| 2016 | $ 5,419,676 |
| 2017 | 5,419,676 |
| 2018 | 5,419,676 |
| 2019 | 5,419,676 |
| Total | $ 21,678,704 |

**Actuarial Methods and Assumptions**

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

| | |
|---|---|
| Valuation date | June 30, 2013 |
| Measurement date | June 30, 2014 |
| Experience study | July 1, 1997 through June 30, 2011 |
| Actuarial cost method | Entry age normal |
| Discount rate | 7.50% |
| Investment rate of return | 7.50% |
| Consumer price inflation | 2.75% |
| Wage growth | 3.00% |

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations, as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class | Assumed Asset Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Global equity | 47% | 5.25% |
| Global fixed income | 19% | 0.99% |
| Private equity | 12% | 6.83% |
| Real estate | 11% | 4.50% |
| Inflation sensitive | 6% | 0.45% |
| Infrastructure and Forestland | 3% | 4.50% |
| Liquidity | 2% | -0.55% |

**Discount Rate**

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

| Discount Rate | Net Pension Liability |
|---|---|
| 1% decrease (6.50%) | $ 88,603,749 |
| Current discount rate (7.50%) | $ 50,508,676 |
| 1% increase (8.50%) | $ 18,676,404 |

**On-Behalf Payments**

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS which amounted to $4,678,215 (5.679 percent) of salaries subject to CalSTRS. The contributions for fiscal years ending June 30, 2015, 2014, and 2013 were $4,678,215, $3,512,954, and $3,335,805, respectively. Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS for the years ended June 30, 2015, 2014, and 2013. These amounts have not been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

**Deferred Compensation**

The District offers its employees a Tax Sheltered Annuity Plan under Internal Revenue Code (IRC) 403(b) and a Deferred Compensation Plan under IRC 457(b). The two plans are available to all permanent employees and permits them to defer a portion of pre-tax salary into investments of an individual's own choosing until future years. The compensation deferred is not available to the employees or their beneficiaries until termination, retirement, death, or an unforeseeable emergency. The District also offers a governmental plan under IRC 414(d) for the benefit of certain designated employees in the positions of Chancellor, Vice Chancellor(s), and College President(s). The plan provides for employer contributions to a trust for the payment of definitely determinable benefits in accordance with IRC 401(a) compensation limitations and minimum required distribution rules.

## *NOTE 12 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES*

The District is a member of the Schools Excess Liability Fund (SELF) Joint Powers Authority (JPA), a statewide JPA established as a program to pool excess liability and workers' compensation coverage for participating California agencies, and the South Bay Regional Public Safety Training Consortium Joint Powers Authority (JPA) established as a program to provide training and educational programs that will be responsive to the needs of the participating California Community College Districts.

The relationship between the District and the JPAs is such that they are not component units of the District for financial reporting purposes.

The JPAs have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, transactions between the JPAs and the District are included in these statements. Audited financial statements are available from the respective entities. The District's share of year-end assets, liabilities, or fund equity has not been calculated.

During the year ended June 30, 2015, the District made payments of $404,310 to the South Bay Regional Public Safety Training Consortium and $62,915 to SELF.

## *NOTE 13 - COMMITMENTS AND CONTINGENCIES*

### Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2015.

### Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2015.

### Operating Leases

The District has entered into various operating leases for buildings and equipment with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration date. Future minimum lease payments under these agreements are as follows:

| Year's Ending June 30, | Lease Payment |
|---|---|
| 2016 | $ 1,401,824 |
| 2017 | 1,433,319 |
| 2018 | 1,465,743 |
| Total | $ 4,300,886 |

**Construction Commitments**

As of June 30, 2015, the District had the following commitments with respect to the unfinished capital projects: The projects are funded through a combination of general obligation bonds and capital project apportionments from the California State Chancellor's Office.

| CAPITAL PROJECT | Remaining Construction Commitment | Expected Date of Completion |
|---|---|---|
| Total Measure C | $ 41,059,915 | through 04/01/2017 |
| Total Measure E | 154,750 | through 06/30/2016 |
| Total | $ 41,214,665 | |

## *NOTE 14 – OPERATING EXPENSES*

The following schedule details the functional classifications of the operating expenses reported in the statement of revenues, expenses, and changes net assets for the year ended June 30, 2015.

| | Salaries | Employee Benefits | Supplies Material, and Other Expenses | Financial Aid | Utilities | Depreciation | Total |
|---|---|---|---|---|---|---|---|
| Instruction | $ 81,303,979 | $ 25,294,534 | $ 3,140,054 | $ - | $ 80 | $ - | $ 109,738,647 |
| Academic Support | 13,842,173 | 5,202,258 | 2,114,746 | - | 10,548 | - | 21,169,725 |
| Student Services | 14,958,071 | 5,891,017 | 2,583,220 | - | 22,790 | - | 23,455,098 |
| Operation and Maintenance of Plant | 5,743,740 | 2,418,144 | 1,564,020 | - | 3,243,843 | - | 12,969,747 |
| Institution support | 15,206,394 | 11,845,764 | 33,758,019 | - | 84,795 | - | 60,894,972 |
| Community Services & Economic Development | 1,377,741 | 338,804 | 3,495,005 | - | 1,130 | - | 5,212,680 |
| Auxiliary Operations | 5,344,319 | 1,452,973 | 4,565,884 | - | 2,543 | - | 11,365,719 |
| Student Aid | - | | - | 27,035,028 | - | - | 27,035,028 |
| Depreciation | - | - | - | - | - | 38,906,236 | 38,906,236 |
| | $137,776,417 | $ 52,443,494 | $ 51,220,948 | $ 27,035,028 | $ 3,365,729 | $ 38,906,236 | $ 310,747,852 |

## *NOTE 15 – DONATED SERVICES AND FACILITIES*

Donated services and facilities to the Foothill-De Anza Community Colleges Foundation totaling $64,007, for the year ended June 30, 2015, consisted of accounting and management support, comprehensive insurance, office space, and other miscellaneous internal services provided by the District.

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

***NOTE 16 – RESTATEMENT***

The District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68* in the current year. The effect on the current fiscal year for the beginning balances of net pension liabilities, and pension related deferred outflows and deferred inflows is as follows:

| | |
|---|---|
| Net position at beginning of year | $ 110,938,589 |
| GASB 68 and 71 - net pension liability | (167,447,955) |
| Net position, restated | $ (56,509,366) |

# *REQUIRED SUPPLEMENTARY INFORMATION*

## FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS
## FOR THE YEAR ENDED JUNE 30, 2015

| Fiscal Year Ended | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) - Entry Age Normal Method | Unfunded AAL (UAAL) (b - a) | Funded Ratio (a / b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ([b - a] / c) |
|---|---|---|---|---|---|---|
| 6/30/2013 | 6,430,877 | 117,564,565 | 111,133,688 | 5.5% | 93,948,323 | 118% |
| 6/30/2014 | 8,146,391 | 120,204,435 | 112,058,044 | 6.8% | 90,386,363 | 124% |
| 6/30/2015 | 8,146,391 | 120,204,435 | 112,058,044 | 6.8% | 95,419,663 | 117% |

# FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2015

**CalSTRS**

| | |
|---|---|
| District's proportion of the net pension liability | 0.1536% |
| District's proportionate share of the net pension liability | $ 89,739,321 |
| State's proportionate share of the net pension liability associated with the District | 54,188,476 |
| Total | $ 143,927,797 |
| District's covered - employee payroll | $ 62,501,837 |
| District's proportionate share of the net pension liability as a percentage of its covered - employee payroll | 143.58% |
| Plan fiduciary net position as a percentage of the total pension liability | 77% |

**CalPERS**

| | |
|---|---|
| District's proportion of the net pension liability | 0.4449% |
| District's proportionate share of the net pension liability | $ 46,708,004 |
| District's covered - employee payroll | 48,618,169 |
| District's proportionate share of the net pension liability as a percentage of its covered - employee payroll | 96.07% |
| Plan fiduciary net position as a percentage of the total pension liability | 83% |

*Note*: In the future, as data become available, ten years of information will be presented.

# FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF THE DISTRICT CONTRIBUTIONS
## FOR THE YEAR ENDED JUNE 30, 2015

| | | |
|---|---|---|
| Contractually required contribution | $ | 5,687,107 |
| Contributions in relation to the contractually required contribution | | (5,687,107) |
| Contribution deficiency (excess) | $ | - |
| District's covered - employee payroll | $ | 64,045,748 |
| Contributions as a percentage of covered - employee payroll | | 8.88% |

**CalPERS**

| | | |
|---|---|---|
| Contractually required contribution | $ | 5,722,845 |
| Contributions in relation to the contractually required contribution | | (5,722,845) |
| Contribution deficiency (excess) | $ | - |
| District's covered - employee payroll | $ | 48,618,169 |
| Contributions as a percentage of covered - employee payroll | | 11.77% |

*Note*: In the future, as data become available, ten years of information will be presented.

# *SUPPLEMENTARY INFORMATION*

## DISTRICT ORGANIZATION
## JUNE 30, 2015

Foothill-De Anza Community College District was established on January 15, 1957, and is comprised of an area of approximately 105 square miles located in Santa Clara County. There were no changes in the boundaries of the District during the current year. The District's colleges are accredited by the Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges, which is one of six regional associations that accredit public and private schools, colleges, and universities in the United States.

### BOARD OF TRUSTEES

| MEMBER | OFFICE | TERM EXPIRES |
|---|---|---|
| Pearl Cheng | President | 2018 |
| Joan Barram | Vice President | 2016 |
| Betsy Bechtel | Member | 2016 |
| Laura Casas | Member | 2016 |
| Bruce Swenson | Member | 2018 |
| Arjun Gadkari | Student Trustee | May 2016 |
| Alexander Park | Student Trustee | May 2016 |

### ADMINISTRATION

| | |
|---|---|
| Linda M. Thor, Ed. D. | Chancellor |
| Judy C. Miner, Ed. D. | President, Foothill College |
| M. Brian Murphy, Ph. D. | President, De Anza College |

### FISCAL ADMINISTRATION

| | |
|---|---|
| Kevin McElroy | Vice Chancellor, Business Services |
| Hector Quinonez | Executive Director, Fiscal Services |
| Joni Hayes | Director, Budget Operations |

See accompanying note to supplementary information.

# FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
## FOR THE YEAR ENDED JUNE 30, 2015

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Total Expenditures |
|---|---|---|---|
| **U.S. DEPARTMENT OF EDUCATION** | | | |
| **STUDENT FINANCIAL AID CLUSTER** | | | |
| Federal Pell Grant Programs (PELL) | 84.063 | [1] | $24,152,887 |
| Federal Pell Administrative Allowance | 84.063 | [1] | 3,239 |
| Federal Supplemental Educational Opportunity Grants (FSEOG) | 84.007 | [1] | 468,883 |
| Federal Direct Student Loans | 84.268 | [1] | 11,054,097 |
| Federal College Work Study (FWS) | 84.033 | [1] | 414,498 |
| Total Student Financial Aid Cluster | | | 36,093,604 |
| Strengthening Minority Serving Institutions - Asian American | 84.382SB | [1] | 542,618 |
| **PASS THROUGH FUNDS** | | | |
| Career Technical Education Act - Basic Grants To States (CTE Transitions) | 84.048 | 14-112-016 | 86,538 |
| Career Technical Education Act - Basic Grants To States (Perkins Title I-C) | 84.048 | 14-C01-016 | 652,726 |
| Total U.S. Department of Education | | | 37,375,486 |
| | | | |
| **NATIONAL SCIENCE FOUNDATION** | | | |
| **PASS THROUGH FUNDS** | | | |
| National Science Foundation - Nano Technology | 47.076 | 03797 | 447 |
| National Science Foundation - CCB FEST | 47.076 | 03797 | 6,279 |
| National Science Foundation - S-STEM | 47.076 | 03797 | 78,533 |
| National Science Foundation - Stemway | 47.076 | 03797 | 101,949 |
| Total National Science Foundation | | | 187,208 |
| | | | |
| **CORPORATION FOR NATIONAL AND COMMUNITY SERVICE** | | | |
| AmeriCorps State and National | 94.006 | [1] | 77,841 |
| Total Corporation for National and Community Service | | | 77,841 |
| | | | |
| **NATIONAL AERONAUTICS AND SPACE ADMINISTRATION** | | | |
| Trade Adjustment Assistance (TAA)/ North American Free Trade Agreement (NAFTA) | 43.007 | [1] | 390 |
| Total National Aeronautics and Space Administration | | | 390 |

[1] Pass-Through Entity Identifying Number not applicable, direct funded

[2] Pass-Through Entity Identifying Number not available

See accompanying note to supplementary information.

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
## FOR THE YEAR ENDED JUNE 30, 2015

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Total Expenditures |
|---|---|---|---|
| **U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES** | | | |
| **PASS THROUGH FUNDS** | | | |
| Temporary Assistance for Needy Families (TANF) | 93.558 | [2] | 41,692 |
| Medical Assistance Program (MAA) | 93.778 | 10011 | 86,016 |
| Total U.S. Department of Health and Human Services | | | 127,708 |
| **U.S. DEPARTMENT OF LABOR** | | | |
| **PASS THROUGH FUNDS** | | | |
| **WORKFORCE INVESTMENT ACT CLUSTER** | | | |
| WIA Adult Program | 17.258 | 03573 | 69,791 |
| Veterans' Administrative Reporting Fee | 17.802 | [2] | 1,111 |
| Total U.S. Department of Labor | | | 70,902 |
| **U.S. DEPARTMENT OF AGRICULTURE** | | | |
| **PASS THROUGH FUNDS** | | | |
| Child and Adult Care Food Program | 10.558 | 03628 | 38,279 |
| Total Expenditures of Federal Awards | | | $37,877,814 |

See accompanying note to supplementary information.

## FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF EXPENDITURES OF STATE AWARDS
## FOR THE YEAR ENDED JUNE 30, 2015

| | Program Entitlements | | | Program Revenues | | | | |
|---|---|---|---|---|---|---|---|---|
| Program | Current Year | Prior Year | Total Entitlement | Cash Received | Accounts Receivable | Unearned Revenue | Total Revenue | Program Expenditures |
| GENERAL FUND | | | | | | | | |
| Extended Opportunity Programs & Services | $ 1,595,131 | $ - | $ 1,595,131 | $ 1,594,678 | $ 453 | $ - | $ 1,595,131 | $ 1,595,131 |
| Cooperative Agencies Resources for Education | 109,312 | - | 109,312 | 109,312 | - | - | 109,312 | 109,312 |
| Disabled Student Programs & Services | 2,895,863 | 848,669 | 3,744,532 | 2,895,863 | - | - | 2,895,863 | 2,953,014 |
| Student Success - Student Equity | 1,115,620 | - | 1,115,620 | 1,115,620 | - | 696,371 | 419,249 | 419,249 |
| Student Success - Credit | 4,981,392 | - | 4,981,392 | 4,981,392 | - | 823,756 | 4,157,636 | 4,157,636 |
| Student Success - Non Credit | 74,773 | - | 74,773 | 74,773 | - | - | 74,773 | 74,773 |
| AB 1725 Staff Development | 53,345 | - | 53,345 | 53,345 | - | 51,962 | 1,383 | 1,383 |
| AB 1725 Staff Diversity | 46,175 | 11,813 | 57,988 | 57,988 | - | 38,881 | 19,107 | 19,107 |
| Economic Development | 397,774 | 23,244 | 421,018 | 241,152 | 179,865 | - | 421,017 | 421,017 |
| Basic Skills | 936,764 | 426,225 | 1,362,989 | 1,362,989 | - | 399,308 | 963,681 | 963,681 |
| Career Tech Education | 885,617 | 151,606 | 1,037,223 | 917,218 | 120,000 | 608,282 | 428,936 | 428,936 |
| Prop. 39 Clean Energy | 294,500 | - | 294,500 | - | 294,500 | - | 294,500 | 294,500 |
| Child Dev Tax Bailout | 405,503 | - | 405,503 | 405,503 | - | - | 405,503 | 405,503 |
| Child Development Center | 251,543 | 4,997 | 256,540 | 218,499 | 38,041 | - | 256,540 | 256,540 |
| High Tech Center Training Unit | 1,100,000 | 132,896 | 1,232,896 | 1,232,896 | - | 279,190 | 953,706 | 953,706 |
| BFAP Administration | 869,712 | - | 869,712 | 869,712 | - | - | 869,712 | 869,712 |
| TANF | 41,692 | - | 41,692 | 41,692 | - | - | 41,692 | 41,692 |
| TTIP Telecom & Technology | - | 127,990 | 127,990 | 127,990 | - | 96,625 | 31,365 | 31,365 |
| Instructional Equipment | 200,000 | 1,632,793 | 1,832,793 | 1,832,793 | - | 1,460,606 | 372,187 | 372,187 |
| Lottery Instructional Materials | 1,193,031 | 2,724,588 | 3,917,619 | 111,774 | 1,081,257 | - | 1,193,031 | 905,256 |
| Mandated Cost Reimbursement | - | 1,531,774 | 1,531,774 | - | - | - | - | 14,933 |
| CalGrant B & C | 1,584,173 | - | 1,584,173 | 1,290,450 | 293,723 | - | 1,584,173 | 1,584,173 |
| Calworks | 365,066 | 5,883 | 370,949 | 363,870 | 7,079 | - | 370,949 | 370,949 |
| Calworks TSE | 327,985 | - | 327,985 | 291,878 | 36,107 | 40,660 | 287,325 | 287,325 |
| Calworks SSA | 198,355 | - | 198,355 | 182,759 | 15,596 | - | 198,355 | 198,355 |
| Online Education Initiative (OEI) | 4,000,000 | 13,959,487 | 17,959,487 | 13,957,528 | 4,001,960 | 11,504,779 | 6,454,709 | 6,454,709 |
| Miscellaneous State Assistance | | | | | | | | |
| Child Care Food Program | 1,398 | - | 1,398 | 1,130 | 268 | - | 1,398 | 1,398 |
| AB86 Consortium 13-328-017 | 28,065 | - | 28,065 | 24,232 | 6,789 | 2,956 | 28,065 | 28,065 |
| Career Tech Ed Equipment | - | 229 | 229 | 229 | - | - | 229 | 229 |
| CAPP | | 1,748 | 1,748 | 1,748 | - | 1,534 | 214 | 214 |
| Early Childhood Education | | 36,547 | 36,547 | 23,484 | 1,500 | 18,054 | 6,930 | 6,930 |
| FH Institutional Effectiveness & Tech Asst. | 25,710 | - | 25,710 | 6,934 | 10,401 | 15,940 | 1,395 | 1,395 |
| Subtotal | $ 23,978,499 | $ 21,620,489 | $ 45,598,988 | $ 34,389,431 | $ 6,068,581 | $ 16,038,904 | $ 24,438,066 | $ 24,222,375 |

See accompanying note to supplementary information.

# FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

# SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT AS OF JUNE 30, 2015

| CATEGORIES | Annual Reported Data | Audit Adjustments | Audited Data |
|---|---|---|---|
| **A. Summer Intersession (Summer 2014 only)** | | | |
| 1. Noncredit ** | 44.18 | - | 44.18 |
| 2. Credit | 3,201.04 | - | 3,201.04 |
| **B. Summer Intersession (Summer 2015 - Prior to July 1, 2015)** | | | |
| 1. Noncredit ** | - | - | - |
| 2. Credit | 321.21 | - | 321.21 |
| **C. Primary Terms (Exclusive of Summer Intersession)** | | | |
| 1. Census Procedure Courses | | | |
| (a) Weekly Census Contact Hours | 16,664.89 | - | 16,664.89 |
| (b) Daily Census Contact Hours | 277.50 | - | 277.50 |
| 2. Actual Hours of Attendance Procedure Courses | | | |
| (a) Noncredit ** | 310.16 | - | 310.16 |
| (b) Credit | 729.39 | - | 729.39 |
| 3. Independent Study/Work Experience | | | |
| (a) Weekly Census Contact Hours | 5,704.03 | - | 5,704.03 |
| (b) Daily Census Contact Hours | 100.56 | - | 100.56 |
| (c) Noncredit Independent Study/Distance Education Courses | | | |
| **D. Total FTES** | 27,352.96 | - | 27,352.96 |
| **SUPPLEMENTAL INFORMATION (Subset of Above Information)** | | | |
| **E. In-Service Training Courses (FTES)** | 3.61 | - | 3.61 |
| **H. Basic Skills courses and Immigrant Education** | | | |
| 1. Noncredit ** | 218.00 | - | 218.00 |
| 2. Credit | 2,416.43 | - | 2,416.43 |
| **CCFS-320 Addendum** | | | |
| CDCP Noncredit FTES | 154.99 | - | 154.99 |
| **Centers FTES** | | | |
| 1 Noncredit ** | 1,416.29 | - | 1,416.29 |
| 2 Credit | 37.92 | - | 37.92 |
| | 4,247.24 | - | 4,247.24 |

Information as of annual report.
** Including Career Development and College Preparation (CDCP) FTES.

See accompanying note to supplementary information.

**FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF EDUCATION CODE SECTION 84362**
**50 PERCENT LAW CALCULATION**
**FOR THE YEAR ENDED JUNE 30, 2015**

| | | ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110 | | | ECS 84362 B Total CEE AC 0100 - 6799 | | |
|---|---|---|---|---|---|---|---|
| | Object/TOP Codes | Reported Data | Audit Adjustments | Revised Data | Reported Data | Audit Adjustments | Revised Data |
| **Academic Salaries** | | | | | | | |
| **Instructional Salaries** | | | | | | | |
| Contract or Regular | 1100 | $ 34,495,936 | $ - | $ 34,495,936 | $ 34,495,936 | $ - | $ 34,495,936 |
| Other | 1300 | 34,664,975 | - | 34,664,975 | 34,664,975 | - | 34,664,975 |
| **Total Instructional Salaries** | | 69,160,911 | - | 69,160,911 | 69,160,911 | - | 69,160,911 |
| **Noninstructional Salaries** | | | | | | | |
| Contract or Regular | 1200 | - | - | - | 11,934,468 | - | 11,934,468 |
| Other | 1400 | - | - | - | 1,712,154 | - | 1,712,154 |
| **Total Noninstructional Salaries** | | - | - | - | 13,646,622 | - | 13,646,622 |
| **Total Academic Salaries** | | 69,160,911 | - | 69,160,911 | 82,807,533 | - | 82,807,533 |
| **Classified Salaries** | | | | | | | |
| **Noninstructional Salaries** | | | | | | | |
| Regular Status | 2100 | - | - | - | 28,230,834 | - | 28,230,834 |
| Other | 2300 | - | - | - | (1,006,300) | - | (1,006,300) |
| **Total Noninstructional Salaries** | | - | - | - | 27,224,534 | - | 27,224,534 |
| **Instructional Aides** | | | | | | | |
| Regular Status | 2200 | 1,807,858 | - | 1,807,858 | 1,807,858 | - | 1,807,858 |
| Other | 2400 | 209,834 | - | 209,834 | 209,834 | - | 209,834 |
| **Total Instructional Aides** | | 2,017,692 | - | 2,017,692 | 2,017,692 | - | 2,017,692 |
| **Total Classified Salaries** | | 2,017,692 | - | 2,017,692 | 29,242,226 | - | 29,242,226 |
| Employee Benefits | 3000 | 17,934,752 | - | 17,934,752 | 34,035,062 | - | 34,035,062 |
| Supplies and Material | 4000 | - | - | - | 2,367,827 | - | 2,367,827 |
| Other Operating Expenses | 5000 | - | - | - | 20,886,065 | - | 20,886,065 |
| Equipment Replacement | 6420 | - | - | - | 2,797 | - | 2,797 |
| **Total Expenditures Prior to Exclusions** | | 89,113,355 | - | 89,113,355 | 169,341,510 | - | 169,341,510 |

See accompanying note to supplementary information.

## FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

## RECONCILIATION OF EDUCATION CODE SECTION 84362
## 50 PERCENT LAW CALCULATION (CONTINUED)
## FOR THE YEAR ENDED JUNE 30, 2015

| | | ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110 | | | ECS 84362 B Total CEE AC 0100 - 6799 | | |
|---|---|---|---|---|---|---|---|
| | Object/TOP Codes | Reported Data | Audit Adjustments | Revised Data | Reported Data | Audit Adjustments | Revised Data |
| **Exclusions** | | | | | | | |
| **Activities to Exclude** | | | | | | | |
| Instructional Staff - Retirees' Benefits and Retirement Incentives | 5900 | $ 4,220,037 | $ - | $ 4,220,037 | $ 4,220,037 | $ - | $ 4,220,037 |
| Student Health Services Above Amount Collected | 6441 | - | - | - | - | - | - |
| Student Transportation | 6491 | - | - | - | - | - | - |
| Noninstructional Staff - Retirees' Benefits and Retirement Incentives | 6740 | - | - | - | 2,544,958 | - | 2,544,958 |
| **Objects to Exclude** | | | | | | | |
| Rents and Leases | 5060 | - | - | - | 1,678,406 | - | 1,678,406 |
| Lottery Expenditures | | | | | | | - |
| Academic Salaries | 1000 | - | - | - | 1,834,596 | - | 1,834,596 |
| Classified Salaries | 2000 | - | - | - | 682,754 | - | 682,754 |
| Employee Benefits | 3000 | - | - | - | 762,634 | - | 762,634 |
| Supplies and Materials | 4000 | - | - | - | - | - | - |
| Software | 4100 | - | - | - | 1,016 | - | 1,016 |
| Books, Magazines, and Periodicals | 4200 | - | - | - | 322 | - | 322 |
| Instructional Supplies and Materials | 4300 | - | - | - | 705 | - | 705 |
| Noninstructional Supplies and Materials | 4400 | - | - | - | 57,290 | - | 57,290 |
| **Total Supplies and Materials** | | - | - | - | 59,333 | - | 59,333 |

See accompanying note to supplementary information.

## FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

## RECONCILIATION OF EDUCATION CODE SECTION 84362
## 50 PERCENT LAW CALCULATION (CONTINUED)
## FOR THE YEAR ENDED JUNE 30, 2015

| | | ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110 | | | ECS 84362 B Total CEE AC 0100 - 6799 | | |
|---|---|---|---|---|---|---|---|
| | Object/TOP Codes | Reported Data | Audit Adjustments | Revised Data | Reported Data | Audit Adjustments | Revised Data |
| Other Operating Expenses and Services | 5000 | $ - | $ - | $ - | $ 523,666 | $ - | $ 523,666 |
| Capital Outlay | | | | | | | |
| Library Books | 6000 | - | - | - | - | - | - |
| Equipment | 6300 | - | - | - | - | - | - |
| Equipment - Additional | 6410 | - | - | - | 12,095 | - | 12,095 |
| Equipment - Replacement | 6420 | - | - | - | 62 | - | 62 |
| **Total Equipment** | | - | - | - | 12,157 | - | 12,157 |
| **Total Capital Outlay** | | | | | | | |
| Other Outgo | 7000 | - | - | - | 265,571 | - | 265,571 |
| **Total Exclusions** | | 4,220,037 | - | 4,220,037 | 12,584,112 | - | 12,584,112 |
| **Total for ECS 84362, 50 Percent Law** | | $ 84,893,318 | $ - | $ 84,893,318 | $ 156,757,398 | $ - | $ 156,757,398 |
| **Percent of CEE (Instructional Salary Cost/Total CEE)** | | 54.16% | | 54.16% | 100.00% | | 100.00% |
| **50% of Current Expense of Education** | | | | | $ 78,378,699 | | $ 78,378,699 |

See accompanying note to supplementary information.

## FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

## PROPOSITION 30 EDUCATION PROTECTION ACT (EPA) EXPENDITURE REPORT
## FOR THE YEAR ENDED JUNE 30, 2015

| **Activity Classification** | **Object Code** | | | | **Unrestricted** |
|---|---|---|---|---|---|
| EPA Proceeds: | 8630 | | | | $ 22,382,026 |
| **Activity Classification** | **Activity Code** | **Salaries and Benefits (Obj 1000-3000)** | **Operating Expenses (Obj 4000-5000)** | **Capital Outlay (Obj 6000)** | **Total** |
| Instructional Activities | 1000-5900 | $ 19,475,814 | | | $ 19,475,814 |
| | | | | | - |
| Other Support Activities | | | | | - |
| Library | 6120 | 1,096,945 | | | 1,096,945 |
| Counseling and Guidance | 6310 | 1,809,267 | | | 1,809,267 |
| **Total Expenditures for EPA** | | $ 22,382,026 | - | - | $ 22,382,026 |
| **Revenues Less Expenditures** | | | | | $ - |

See accompanying note to supplementary information.

## FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

## RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH FUND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2015.

See accompanying note to supplementary information.

## *NOTE 1 - PURPOSE OF SCHEDULES*

**District Organization**

This schedule provides information about the District's governing board members and administration members.

**Schedule of Expenditures of Federal Awards**

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenses, and Changes in Net Position - Primary Government and the related expenditures reported on the Schedule of Federal Awards. The reconciling amounts consist primarily of funds that in the previous period were recorded as revenues but were unspent. These unspent balances have been expended in the current period. In addition, funds have been recorded in the current period as revenues that have not been expended as of June 30, 2015. These unspent balances are reported as legally restricted ending balances within the Statement of Net Position - Primary Government.

| Description | CFDA Number | Amount |
|---|---|---|
| Total Federal Revenues per Statement of Revenues, Expenditures, and Changes in Fund Balance: | | $ 26,712,346 |
| Federal Direct Student Loans | 84.268 | 11,054,097 |
| Federal Pell Administrative Allowance | 84.038 | 5,830 |
| Federal Supplemental Educational Opportunity Grants (FSEOG) | 84.007 | 21,249 |
| Medical Assistance Program (MAA) | 93.778 | 86,016 |
| Career Technical Education Act - Basic Grants To States (CTE Transitions) | 84.048 | (1,724) |
| Total Expenditures of Federal Awards | | $ 37,877,814 |

**Schedule of Expenditures of State Awards**

The accompanying schedule of expenditures of State awards includes the State grant activity of the District and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The information in this schedule is presented to comply with reporting requirements of the California State Chancellor's Office.

## *NOTE 1 - PURPOSE OF SCHEDULES (CONTINUED)*

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

Full-Time Equivalent Students (FTES) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds, including restricted categorical funding, are made to community college districts. This schedule provides information regarding the annual attendance measurements of students throughout the District.

### Proposition 30 Education Protection Act (EPA) Expenditure Report

This schedule provides the District's summary of receipts and uses of the monies received through the EPA.

### Reconciliation of Education Code Section 84362 (50 Percent Law) Calculation

ECS 84362 requires the District to expend a minimum of 50 percent of the unrestricted General Fund monies on salaries of classroom instructors. This is reported annually to the State Controller’s Office and the impact of any audit adjustments and/or corrections noted during the audit.

## *INDEPENDENT AUDITOR'S REPORTS*

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the business-type activities, the aggregate discretely presented component unit, and the aggregate remaining fund information of Foothill-De Anza Community College District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 31, 2015.

## Emphasis of Matter - Change in Accounting Principles

As discussed in Notes 1 and 16 to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* and GASB Statement No. 71*, Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68*. Our opinion is not modified with respect to these matters.

## Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



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

**Compliance and Other Matters**

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

**Purpose of This Report**

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

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 31, 2015

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

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

**Report on Compliance for Each Major Federal Program**

We have audited Foothill-De Anza Community College District's (the District) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2015. The District's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

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



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**Opinion on Each Major Federal Program**

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2015.

**Report on Internal Control Over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 31, 2015

# INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

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

**Report on State Compliance**

We have audited Foothill-De Anza Community College District's (the District) compliance with the types of compliance requirements as identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in August 2014 that could have a direct and material effect on each of the District's programs as noted below for the year ended June 30, 2015.

**Management's Responsibility**

Management is responsible for compliance with the requirements identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in August 2014.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance of each of the District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the standards and procedures identified in the California Community Colleges Chancellor's Office *District Audit Manual*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the applicable programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

**Unmodified Opinion**

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the programs noted below that were audited for the year ended June 30, 2015.



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

| | |
|---|---|
| Section 421 | Salaries of Classroom Instructors (50 Percent Law) |
| Section 423 | Apportionment for Instructional Service Agreements/Contracts |
| Section 424 | State General Apportionment Funding System |
| Section 425 | Residency Determination for Credit Courses |
| Section 426 | Students Actively Enrolled |
| Section 427 | Concurrent Enrollment of K-12 Students in Community College Credit Courses |
| Section 430 | Schedule Maintenance Program |
| Section 431 | Gann Limit Calculation |
| Section 435 | Open Enrollment |
| Section 438 | Student Fees – Health Fees and Use of Health Fee Funds |
| Section 439 | Proposition 39 Clean Energy |
| Section 440 | Intersession Extension Programs |
| Section 474 | Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE) |
| Section 475 | Disabled Student Programs and Services (DSPS) |
| Section 479 | To Be Arranged (TBA) Hours |
| Section 490 | Proposition 1D State Bond Funded Projects |
| Section 491 | Proposition 30 Education Protection Account Funds |

The District did not operate an Intersession Extension Program, therefore, the compliance tests within this section were not applicable.

The District had no Proposition 1D State Bond Funded Projects, therefore, the compliance tests within this section were not applicable.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 31, 2015

# *SCHEDULE OF FINDINGS AND QUESTIONED COSTS*

## FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

## SUMMARY OF AUDITOR'S RESULTS
## FOR THE YEAR ENDED JUNE 30, 2015

**FINANCIAL STATEMENTS**

| | |
|---|---|
| Type of auditor's report issued: | Unmodified |
| Internal control over financial reporting: | |
| Material weaknesses identified? | No |
| Significant deficiencies identified? | None reported |
| Noncompliance material to financial statements noted? | No |

**FEDERAL AWARDS**

| | |
|---|---|
| Internal control over major Federal programs: | |
| Material weaknesses identified? | No |
| Significant deficiencies identified? | None reported |
| Type of auditor's report issued on compliance for major Federal programs: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? | No |
| Identification of major Federal programs: | |

| CFDA Number(s) | Name of Federal Program or Cluster |
|---|---|
| 84.033, 84.063, 84.007, 84.268 | Student Financial Aid Cluster |
| 84.048 | Career and Technical Education |

| | |
|---|---|
| Dollar threshold used to distinguish between Type A and Type B programs: | $ 300,000 |
| Auditee qualified as low-risk auditee? | Yes |

**STATE AWARDS**

| | |
|---|---|
| Type of auditor's report issued on compliance for State programs: | Unmodified |

## FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
## FOR THE YEAR ENDED JUNE 30, 2015

None noted

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
## FOR THE YEAR ENDED JUNE 30, 2015

None noted.

## STATE AWARDS FINDINGS AND QUESTIONED COSTS
## FOR THE YEAR ENDED JUNE 30, 2015

None noted.

# SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
# FOR THE YEAR ENDED JUNE 30, 2015

None reported.