FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2016

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

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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-DeAnza Community College District 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, 2016, 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, and the 2015-2016 *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office. 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.

5000 Hopyard Road, Suite 335 Pleasanton, CA 94588 Tel: 925.734.6600 www.vtdcpa.com Fax: 925.734.6611

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 remaining fund information of the District as of June 30, 2016, 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 Note 1 to the financial statements, in 2016, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*; GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*; GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Our opinion is not modified with respect to this matter.

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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary information 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 November 22, 2016, 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
November 22, 2016

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ending June 30, 2016

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ending June 30, 2016

ASSETS	2016	2015	Percentage Change	Dollar Change
Current assets				
Cash & cash equivalents	$ 136,087	$ 123,733	10.0%	$ 12,354
Investments	1,151	1,151	0.0%	-
Receivables, current portion	17,744	18,693	-5.1%	(949)
Inventory and other assets	6,621	6,272	5.6%	349
Total current assets	161,603	149,849	7.8%	11,754
Noncurrent assets				
Restricted cash and cash equivalents	50,802	106,958	-52.5%	(56,156)
Receivables and other assets, noncurrent portion	4,244	3,103	36.8%	1,141
Capital assets, net	682,618	650,896	4.9%	31,722
Total noncurrent assets	737,664	760,957	-3.1%	(23,293)
Total assets	899,267	910,806	-1.3%	(11,539)
Deferred Outflows of Resources	42,145	11,410	269.4%	30,735
LIABILITIES				
Current liabilities				
Accounts payable & accrued liabilities	45,347	37,395	21.3%	7,952
Unearned revenue	15,634	28,424	-45.0%	(12,790)
Long-term debt, current portion	15,226	10,660	42.8%	4,566
Total current liabilities	76,207	76,479	-0.4%	(272)
Noncurrent liabilities				
Long-term liabilities, noncurrent portion	4,592	4,007	14.6%	585
Long-term debt, noncurrent portion	899,525	872,608	3.1%	26,917
Total noncurrent liabilities	904,117	876,615	3.1%	27,502
Total liabilities	980,324	953,094	2.9%	27,230
Deferred Inflows of Resources	39,697	43,777	100.0%	(4,080)
NET POSITION				
Net investment in capital assets	(1,494)	11,802	-112.7%	(13,296)
Restricted	29,533	28,297	4.4%	1,236
Unrestricted	(106,648)	(114,754)	-7.1%	8,106
Total net position	$ (78,609)	$ (74,655)	5.3%	$ (3,954)

Statement of Net Position (Continued)

- Current receivables decreased by 5.1%, or approximately $1 million, as a result of the decrease in state apportionment receivable since funding was received within the fiscal year.

- Restricted cash decreased by 52.5%, or approximately $56.2 million, as a result of spending on capital projects.

- Capital assets increased by 4.9%, or approximately $31.7 million, in connection with the completion of numerous Measure C capital projects at both colleges, including renovation of the library, campus drive and information kiosks at De Anza as well as improvements to the modernization of the learning support center, biology & general classrooms, and the resurfacing of the loop road at Foothill. Work in process continues on repairs of the Flint parking structure and design and procurement of 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 45.0%, or approximately $13 million, primarily because the recognition of $11 million in Online Education Initiative (OEI) Grant activity that was recorded as deferred revenue in the prior year.

- Accounts Payable increased by 21.3% mainly due to a $6.3 million in OEI grant funds that are extended beyond their state appropriation period.

- The current portion of long-term debt increased by 42.8%, or approximately $4.6 million, in alignment with the debt payment schedules. See Note 9 for the long-term debt discussion.

- The noncurrent portion of long-term debt increase of 14.6% was a combination of the increased value of leave balances due to salary increases and higher leave balance levels.

- Net investments in capital assets decreased by 112.7%, or approximately $13.3 million as a result of the addition of various completed bond related capital projects, bond refunding, and decreases in the premiums associated with the Measure E and C refunded bonds.

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)

	2016	2015	Percentage Change	Dollar Change
Operating revenues				
Net tuition and fees	$ 61,311	$ 60,955	0.6%	$ 356
Auxiliary enterprise, net	11,871	12,488	-4.9%	(617)
Other	5,840	5,524	5.7%	316
Total operating revenues	79,022	78,967	0.1%	55
Operating expenses				
Salaries	147,079	137,776	6.8%	9,303
Benefits	49,230	52,443	-6.1%	(3,213)
Supplies, materials, other expenses	65,611	51,221	28.1%	14,390
Student financial aid	24,457	27,035	-9.5%	(2,578)
Utilities	3,001	3,366	-10.8%	(365)
Depreciation	39,918	38,906	2.6%	1,012
Total operating expenses	329,296	310,747		
Loss from operations	(250,274)	(231,780)	8.0%	(18,494)
Non-operating revenues (expenses)				
State apportionment, non-capital	35,903	37,998	-5.5%	(2,095)
Local property taxes	91,860	80,994	13.4%	10,866
Grants and contracts, non-capital	72,091	54,294	32.8%	17,797
State taxes and other revenues	12,486	11,903	4.9%	583
Investment gain/(loss)	335	470	-28.7%	(135)
Interest expense	(8,299)	(18,054)	-54.0%	9,755
Total non-operating revenues (expenses)	204,376	167,605	21.9%	36,771
Loss before capital revenues	(45,898)	(64,175)	-28.5%	18,277
Capital revenues	41,942	46,031	-8.9%	(4,089)
Change in net position	$ (3,956)	$ (18,144)	-78.2%	$ 14,188

Revenues

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

- The changes in non-operating revenue increased by 21.9%, or approximately $36.8 million, due mainly to an increase in property tax revenue and in grants and contracts from the Online Education Initiative (OEI) state grant.

- Capital revenues decreased by 8.9%, or approximately $4.1 million due to decrease in the state scheduled maintenance and energy efficiency project allocation coupled with lower tax revenue required to service the debt service obligation from the 2014 and 2015 Refunding Bonds.

- Interest expense decreased primarily due to a change in the amount included in capital assets from the issuance of the 2014 and 2015 Refunding Bonds.

Operating Expenses

- The overall operating expenses increased by 6%, or approximately $18.5 million, a net result of increases and decreases across categories:

    - The $9.3 million increase in salaries was a result of a $5 million increase in spending for certificated part-time faculty, a Cost-of-Living-Adjustment (COLA) and other negotiated increases that affected both certificated and certificated salaries.

    - The net $3.2 million benefit decrease is predominately due to GASB 68 pension related expense deferred outflows for deferred recognition of gains and losses that were greater than other benefit related cost increases. Those increased benefit expenses include the proportional share pension expense and the increase in active and retiree employee health benefits costs.

    - The $14.3 million increase in supplies, materials and operating expenses is made up of approximately $8 million in additional spending in non-capitalized expenses related to the bond program, an estimated $3 million related OEI grant activity and other operational increases.

    - Student Financial Aid decreased by $2.6 million due to less student awards from lower enrollment.

Economic Factors that may affect the Future

2016-17 Fiscal Year

The State of California controls most of Foothill-De Anza Community College District's operating income through the apportionment process, growth allowances, Cost of Living Adjustments (COLA), and categorical allocations. Due to continued funding from Proposition 30, the Education Protection Act (EPA), and a stable overall state economy resulting in strong tax (property and income) revenues, we are experiencing a third year of solid state funding. The 2016-17 budget allocation includes 2% in FTES restoration/growth funding but no new COLA funding based on the federal formula the state uses. Full restoration of EOP&S funding to pre-recession levels continues, and continued categorical funding in the Student Support and Success and Equity programs was provided. For the second consecutive year, new general operating funding was added to our base ($1.77 million); additionally, a significant one-time allocation for deferred maintenance and instructional equipment and library materials of approximately $4.36 million was included, as well as a modest lump sum payment for past mandated cost claims ($2.49 million). The governor's 2016-17 budget continues a trend of investing in the community college education system that benefits the state economy in the long run. For the fourth 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 2016-17 adopted budget has a projected $6.3 million structural budget deficit. However, the district still projects a General Purpose Fund balance of over $57.9 million which includes the 5% catastrophic reserve, $26.1 million in the Stability Fund, and $15.6 million in other college/district designated reserves. The final year-end budget balance will be impacted by the planned spend-down of fund balance as projected by the structural deficit. But due to the accumulation of budgeted salary savings and past conservative spending patterns, management does not anticipate that the fund balance will be lowered by the full deficit projected.

Because the state economy continues a sustained recovery for the second consecutive year, we are not facing ambiguity in budgeted state revenue; therefore, we anticipate receiving our full apportionment allocation over the course of the year. However, due to early reports of a 500 FTES or more decline in projected 2016-17 enrollment, the district will potentially face an approximate $2.5 million decline in base funding for 2017-18.

Early communications from the state chancellor's office indicate that the 2017-18 budget for community colleges will experience a reasonably positive budget allocation due to ongoing state tax revenues being reported in 2016-17 and the recent voter-approved renewal of the majority of EPA funding through Proposition 55. However, the chancellor's office is not predicting we will receive anywhere near the same levels of one-time revenue windfalls and new ongoing apportionment funding as we have the past two years. We are hoping to receive a modest COLA allocation and potentially some combination of new one-time funds and ongoing apportionment increases.

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

The most recent actuarial analysis for the district's unfunded retiree medical liability was completed on April 16, 2016 for the period as of July 1, 2015. The study listed the Actuarial Accrued Liability (AAL) at $104.4 million. The Adopted Budget for fiscal year 2016-17 includes a recommended contribution of $1.5 million to fully fund the Annual Required Contribution (ARC) for the year. On November 7, 2016 a transfer in the amount of $1.5 million was approved by the Board of Trustees to the CalPERS California Employers' Retiree Benefit Trust (CERBT), an irrevocable trust. This transfer amount is in addition to the pay-as-you-go amount of $6.8 million, which will be paid in fiscal year 2016-17 for total contributions toward the liability of $8.3 million.

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, 2016

ASSETS	
Current Assets	
Cash and cash equivalents	$ 136,086,774
Investments	1,150,620
Accounts receivable, net	17,480,119
Student loans receivable - current portion	264,408
Stores inventories	1,503,112
Prepaid expenses	4,922,014
Due from fiduciary funds	195,801
Total Current Assets	161,602,848
Noncurrent Assets	
Restricted cash and cash equivalents	50,801,668
Net OPEB assets	4,244,419
Capital assets, nondepreciable	159,319,399
Capital assets, net of depreciation	523,298,167
Total Noncurrent Assets	737,663,653
TOTAL ASSETS	899,266,501
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	6,507,920
Deferred outflows of resources related to pensions	35,637,411
Total Deferred Outflows of Resources	42,145,331
LIABILITIES	
Current Liabilities	
Accounts payable and accrued liabilities	34,326,183
Interest payable	11,021,024
Unearned revenue	15,633,974
Compensated absences payable - current portion	191,015
Long term debt - current portion	15,035,255
Total Current Liabilities	76,207,451
Noncurrent Liabilities	
Compensated absences payable - noncurrent portion	4,592,188
Bonds payable - noncurrent portion	679,141,804
Certificates of participation - noncurrent portion	3,865,000
Capital lease obligations - noncurrent portion	4,692,521
Aggregate net pension obligation	167,243,357
Other long-term liabilities - noncurrent portion	40,736,874
Unpaid claims and claims adjustment expenses	3,845,253
Total Noncurrent Liabilities	904,116,997
TOTAL LIABILITIES	980,324,448
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	39,697,458
NET POSITION	
Net investment in capital assets	(1,493,588)
Restricted for:	
Debt service	17,147,959
Scholarships and loans	72,056
Other special purposes	12,312,467
Unrestricted	(106,648,968)
TOTAL NET POSITION	$ (78,610,074)

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

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PRIMARY GOVERNMENT FOR THE YEAR ENDED JUNE 30, 2016

OPERATING REVENUES	
Tuition and fees	$ 75,912,058
Less: Scholarship discounts and allowance	(14,601,074)
Net tuition and fees	61,310,984
Auxiliary enterprise sales and charges	11,870,489
Other operating revenues	5,840,128
TOTAL OPERATING REVENUES	79,021,601
OPERATING EXPENSES	
Salaries	147,078,668
Benefits	49,229,735
Supplies, materials, and other operating expenses and services	65,610,982
Student financial aid	24,457,237
Utilities	3,000,558
Depreciation	39,918,469
TOTAL OPERATING EXPENSES	329,295,649
LOSS FROM OPERATIONS	(250,274,048)
NONOPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	35,902,805
Local property taxes	91,860,249
Grants and contracts, noncapital	
Federal	23,467,282
State	46,530,509
Local	2,093,102
State taxes and other revenues	11,234,396
Investment income (loss), capital	334,886
Interest expense on capital asset-related debt, net	(8,299,547)
Other nonoperating revenue	1,252,202
TOTAL NONOPERATING REVENUES (EXPENSES)	204,375,884
LOSS BEFORE CAPITAL REVENUES AND EXPENSES	(45,898,164)
CAPITAL REVENUES	
State apportionment, capital	1,989,657
Local property taxes and revenues	39,952,861
TOTAL CAPITAL REVENUES	41,942,518
CHANGE IN NET POSITION	(3,955,646)
NET POSITION, BEGINNING OF YEAR	(74,654,428)
NET POSITION, END OF YEAR	$ (78,610,074)

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

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	$ 57,721,661
Payments to suppliers	(56,447,754)
Payments to utilities	(3,000,558)
Payments to employees	(147,460,252)
Payments for benefits	(47,576,404)
Payments to students for scholarships and grants	(24,457,237)
Auxiliary enterprise sales and charges	11,870,489
Other operating receipts (payments)	5,840,128
Net Cash Flows From Operating Activities	(203,509,927)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State apportionments	35,902,805
Property taxes - nondebt related	91,860,249
Federal grants and contracts	23,484,425
State grants and contracts	39,248,718
Local grants and contracts	1,576,323
State taxes and other apportionments	11,234,396
Other nonoperating	5,158,067
Net Cash Flows From Noncapital Financing Activities	208,464,983
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Local revenue, capital projects	39,952,861
Purchase of capital assets	(71,635,349)
State appropriations for capital purposes	1,989,657
Local revenue for capital purposes	105,536,598
Principal paid on capital debt	(97,177,971)
Interest paid on capital debt	(27,892,773)
Interest received on capital asset-related debt	455,510
Net Cash Flows From Capital Financing Activities	(48,771,467)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received from investments	14,542
Net Cash Flows From Investing Activities	14,542
NET CHANGE IN CASH AND CASH EQUIVALENTS	(43,801,869)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	230,690,311
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 186,888,442

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

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT, Continued
FOR THE YEAR ENDED JUNE 30, 2016

RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating Loss	$ (250,274,048)
Adjustments to Reconcile Operating Loss to Net Cash Flows from Operating Activities:	
Depreciation and amortization expense	39,918,469
Changes in Assets and Liabilities:	
Receivables	(65,201)
Accounts payable and accrued liabilities	8,620,004
Unearned revenue	(3,524,122)
Pension liabilities and compensated absences	1,814,971
Total Adjustments	46,764,121
Net Cash Flows From Operating Activities	$ (203,509,927)

NON CASH TRANSACTIONS	
On behalf payments for benefits	$ 4,537,708

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

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2016

	Agency Funds	Trust
ASSETS		
Cash and cash equivalents	$ 1,922,749	$ 13,989,362
Accounts receivable, net	3,809	-
Prepaid expenses	6,726	-
Total Assets	1,933,284	13,989,362
LIABILITIES		
Accounts payable	60,866	-
Due to primary government	195,801	-
Unearned revenue	70,990	-
Due to others	1,605,627	-
Total Liabilities	$ 1,933,284	-
NET POSITION		
Restricted		13,989,362
Total Net Position	$ -	$ 13,989,362

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

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
JUNE 30, 2016

	Trust
ADDITIONS	
Local revenues	$ 119,591
Total Additions	119,591
DEDUCTIONS	
Services and operating expenditures	10,235
Total Deductions	10,235
OTHER FINANCING SOURCES (USES)	
Transfer in retiree benefit trust	1,500,000
Total Other Financing Sources (Uses)	1,500,000
Change in Net Position	1,609,356
Net Position - Beginning	12,380,006
Net Position - Ending	$ 13,989,362

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

DISCRETELY PRESENTED COMPONENT UNIT
FOOTHILL-DE ANZA COMMUNITY COLLEGES FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 2,226,741
Accounts receivable, net	320,978
Promises to give	16,550
Prepaid expenses	5,360
Total Current Assets	2,569,629
NONCURRENT ASSETS	
Investments	35,855,523
TOTAL ASSETS	$ 38,425,152
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	$ 811,435
Accrued payroll expenses	456,510
Total Current Liabilities	1,267,945
NET ASSETS	
Unrestricted	5,347,831
Temporarily restricted	13,977,441
Permanently restricted	17,831,935
Total Net Assets	37,157,207
Total Liabilities and Net Assets	$ 38,425,152

The accompany 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 ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES				
Contributions	$ -	$ 4,724,589	$ 71,450	$ 4,796,039
Donated services and facilities	65,894	-	-	65,894
Investment income, net of investment expenses	(183,005)	(133,515)	-	(316,520)
Event revenue	10,531	-	-	10,531
Other revenue	174,904	-	-	174,904
Assets released from restrictions	3,969,598	(3,968,906)	(692)	-
Total Revenues	4,037,922	622,168	70,758	4,730,848
EXPENSES				
Grants and scholarships	3,931,744	-	-	3,931,744
Management and general	714,705	-	-	714,705
Fundraising expenses	290,740	-	-	290,740
Donated services and facilities	65,894	-	-	65,894
Total Expenses	5,003,083	-	-	5,003,083
CHANGE IN NET ASSETS	(965,161)	622,168	70,758	(272,235)
NET ASSETS, BEGINNING OF YEAR	6,312,992	13,355,273	17,761,177	37,429,442
NET ASSETS, END OF YEAR	$ 5,347,831	$ 13,977,441	$ 17,831,935	$ 37,157,207

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, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Position	$ (272,235)
Adjustments to Reconcile Changes in Net Position to Net Cash From Operating Activities	
Change in fair value of investments	(995,564)
Changes in Assets and Liabilities	
Contributions receivable	299,148
Accounts receivable	(238,529)
Prepaid expenses	15,802
Accounts payable	205,205
Accrued payroll	196,949
Net Cash Flows Used by Operating Activities	(789,224)
CASH FLOWS FROM INVESTING ACTIVITIES	
Sale of investments	2,070,427
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,281,203
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	945,538
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,226,741

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. The District is classified as a Public Educational Institution under Internal Revenue Code Section 115 and is, therefore, exempt from Federal taxes.

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, 2016, 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 $1,339,349 for the year ended June 30, 2016.

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 deferred charges on refundings of debt and for pension related items.

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 pension related items.

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 current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignation and retirements that occur prior to year end that have not yet been paid within the fund from which the employees who have accumulated the leave are paid. The District also participates in "load banking" with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period. The liability for this benefit is reported on the entity-wide financial statements.

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.

Scholarships, Discounts, and Allowances

Student tuition and fee revenue is reported net of scholarships, discounts, and allowances. Fee waivers approved by the Board of Governors are included within the scholarships, discounts, and allowances 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.

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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

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 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 District has implemented the provisions of this Statement as of June 30, 2016.

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 68, and Amendments to Certain Provisions of GASB Statements 67 and 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—an amendment to GASB Statement No. 27*, 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 GASB Statement No. 68. It also amends certain provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment to GASB Statement No. 25*, and GASB Statement No. 68 for pension plans and pensions that are within their respective scopes.

The provisions in this Statement, effective as of June 30, 2016, include the provisions for assets accumulated for purposes of providing pensions through defined benefit plans and the amended provisions of GASB Statements No. 67 and No. 68. The District has implemented these provisions as of June 30, 2016. The provisions in this Statement related to defined benefit pensions that are not within the scope of GASB Statement No. 68 are effective for periods beginning after June 15, 2016.

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

The District has implemented the provisions of this Statement as of June 30, 2016.

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants.* This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in this Statement, the pool's participants should measure their investments in that pool at fair value, as provided in paragraph 11 of GASB Statement No. 31, as amended.

This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures, for both the qualifying external investment pools and their participants, include information about any limitations or restrictions on participant withdrawals.

The District has implemented the provisions of this Statement as of June 30, 2016.

New Accounting Pronouncements

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 GASB 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 GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, No. 43, and No. 50, *Pension Disclosures*.

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 GASB 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. GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The requirements of this Statement are effective for financial statements for periods beginning after June 30, 2017. Early implementation is encouraged.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures.* This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement

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

In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment to GASB Statement No. 27*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to State or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of GASB Statement No. 68 applied to the financial statements of all State and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

This Statement amends the scope and applicability of GASB Statement No. 68 to exclude pensions provided to employees of State or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a State or local governmental pension plan; (2) is used to provide defined benefit pensions both to employees of State or local governmental employers and to employees of employers that are not State or local governmental employers; and (3) has no predominant State or local governmental employer (either individually or collectively with other State or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Early implementation is encouraged.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units—an amendment to GASB Statement No. 14.* The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of GASB Statement No. 14, *The Financial Reporting Entity*. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units—an amendment to GASB Statement No. 14*.

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

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements.* The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Early implementation is encouraged.

In March 2016, the GASB issued Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73.* The objective of this Statement is to address certain issues that have been raised with respect to GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment to GASB Statement No. 25*, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment to GASB Statement No. 27*, and GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information; (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes; and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Early implementation is encouraged.

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, 2016, consist of the following:

Primary Government	
Cash on hand and in banks	$ 4,312,750
Cash in revolving accounts	36,539
Investments, short term - county cash	86,196,840
Investments, short term - other	1,150,620
Total Cash and Cash Equivalents	91,696,749
Investments - restricted county cash	96,342,313
Total Cash and Investments	$ 188,039,062

Fiduciary Funds	
Investments, short term - county cash	$ 1,922,749
California Employers' Retiree Benefit Trust	13,989,362
Total Cash and Investments	$ 15,912,111

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	$ 1,150,620	0.07
California Employers' Retiree Benefit Trust	13,989,362	N/A
County Pool	182,539,153	1.20
Total	$ 197,679,135	

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, 2016, the carrying amount of the District’s cash on hand and in banks (including certificates of deposit) was approximately $4,300,000, and the bank balance was $24,800,000. At June 30, 2016, the approximately $23,800,000 was not covered by FDIC.

NOTE 4 - FAIR VALUE MEASUREMENTS

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs, other than Level 1 prices, such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Santa Clara County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share.

The District's fair value measurements are as follows at June 30, 2016:

		Fair Value Measurements Using			
Investment Type	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Uncategorized
U.S. Treasuries	$ 1,150,620	$ 1,150,620	$ -	$ -	$ -
California Employers' Retiree Ben	13,989,362	-	-	-	13,989,362
County Pool	182,539,153	-	-	-	182,539,153
Total	$ 197,679,135	$ 1,150,620	$ -	$ -	$ 196,528,515

All assets have been valued using a market approach, with quoted market prices.

NOTE 5 - 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	$ 768,365
State Government	
Categorical aid	3,276,975
Lottery	1,555,310
Local Sources	
Interest	487,135
Tuition and fees	6,955,396
Grants and contracts - local	975,088
Other local sources	4,801,199
Less allowance for bad debt	(1,339,349)
Total	$ 17,480,119

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 6 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2016, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	$ 2,489,776	$ 1	$ -	$ 2,489,777
Construction in progress	136,480,798	78,051,919	57,703,095	156,829,622
Total Capital Assets Not Being Depreciated	138,970,574	78,051,920	57,703,095	159,319,399
Capital Assets Being Depreciated				
Land improvements	128,565,670	12,023,614	-	140,589,284
Building improvements	260,339,674	35,757,402	-	296,097,076
Buildings	425,632,338	-	-	425,632,338
Portable buildings	6,160,869	-	-	6,160,869
Equipment	50,356,899	3,283,797	-	53,640,696
Software	5,539,138	226,379	-	5,765,517
Total Capital Assets Being Depreciated	876,594,588	51,291,192	-	927,885,780
Total Capital Assets	1,015,565,162	129,343,112	57,703,095	1,087,205,179
Less Accumulated Depreciation				
Land improvements	67,205,235	9,670,528	-	76,875,763
Buildings improvements	161,357,681	17,889,977	-	179,247,658
Buildings	88,474,110	8,093,519	-	96,567,629
Portable buildings	4,838,875	346,889	-	5,185,764
Equipment	37,351,526	3,833,393	-	41,184,919
Software	5,441,717	84,163	-	5,525,880
Total Accumulated Depreciation	364,669,144	39,918,469	-	404,587,613
Depreciable Capital Assets, Net of Depreciation	511,925,444	11,372,723	-	523,298,167
Net Capital Assets	$ 650,896,018	$ 89,424,643	$ 57,703,095	$ 682,617,566

Depreciation expense for the year was $39,918,469.

Interest expense was $26,392,773. Of this amount, $25,496,366 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 certificates of participation described in Note 9.

The District was granted land in Sunnyvale from the United States Department of Education through a Public Benefit Conveyance Agreement in exchange for a payment of $1. The land is required to be used by the District for higher educational instructional purposes for 30 years after which time unencumbered title will be transferred to the District.

Discretely Presented Component Unit

Capital asset activity for the Foundation for the fiscal year ended June 30, 2016, 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 7 - ACCOUNTS PAYABLE

Accounts payable consisted of the following:

Primary Government	
Vendors	$ 26,431,065
Payroll	1,631,213
State categorical aid	6,263,905
Subtotal	34,326,183
Workers compensation reserves	3,845,253
Total	$ 38,171,436
Fiduciary Funds	
Vendors	$ 60,866
Total	$ 60,866

NOTE 8 - UNEARNED REVENUE

Unearned revenue consisted of the following:

Primary Government	
Federal financial assistance	$ 34,482
State categorical aid	5,440,197
Other state	2,703,762
Enrollment fees	2,470,240
Other local	4,985,293
Total	$ 15,633,974

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2016 fiscal year consisted of the following:

	Balance Beginning of Year (as restated)	Additions	Deductions	Balance End of Year	Due in One Year
Bonds and Notes Payable					
General obligation bonds	$ 689,847,722	$ 94,589,276	$ 95,051,833	$ 689,385,165	$ 10,243,361
Premiums, net of amortization	34,984,606	10,947,322	2,597,527	43,334,401	2,597,527
Certificates of participation	5,585,000	-	840,000	4,745,000	880,000
Total Bonds and Notes Payable	730,417,328	105,536,598	98,489,360	737,464,566	13,720,888
Other Liabilities					
Compensated absences	5,229,890	-	637,702	4,592,188	-
Capital leases	7,293,026	-	1,286,138	6,006,888	1,314,367
Claims liability	4,006,893	-	161,640	3,845,253	-
Aggregate net pension obligation	140,247,997	26,995,360	-	167,243,357	-
Total Other Liabilities	156,777,806	26,995,360	2,085,480	181,687,686	1,314,367
Total Long-Term Debt	$ 887,195,134	$ 132,531,958	$ 100,574,840	$ 919,152,252	$ 15,035,255

Description	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2015	Issued	Accreted	Principal Payments	Bonds Outstanding June 30, 2016
Measure E, General Obligation Bond, Series A	5/3/2000	8/1/2030	4.30%-6.26%	$ 99,995,036	$ 52,832,991	$ -	$ 3,157,553	$ 1,861,833	$ 54,128,711
Measure E, General Obligation Bond, Series B	9/9/2003	8/1/2036	2.00%-5.79%	90,100,063	84,549,713	-	4,249,769	-	88,799,482
Measure E, General Obligation Bond, Series C	9/20/2005	8/1/2036	3.00%-5.03%	57,904,900	34,254,035	-	1,670,047	1,055,000	34,869,082
2005 General Obligation Refunding Bond	9/20/2005	8/1/2021	3.00%-5.25%	22,165,000	22,010,000	-	-	2,330,000	19,680,000
2012 General Obligation Refunding Bond	5/03/2012	8/1/2030	0.25-5.00%	70,735,000	60,730,000		-	-	60,730,000
Measure C, General Obligation Bond, Series A	4/18/2007	8/1/2036	4.00%-5.00%	149,995,250	91,825,221	-	1,491,292	55,805,000	37,511,513
Measure C, General Obligation Bond, Series B	5/3/2007	8/1/2036	4.00%-5.00%	99,996,686	56,630,762	-	920,615	34,000,000	23,551,377
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
2015 General Obligation Refunding Bond	8/15/2015	8/1/2031	1.00%-5.00%	83,100,000	-	83,100,000	-	-	83,100,000
					$ 689,847,722	$83,100,000	$ 11,489,276	$ 95,051,833	$ 689,385,165

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, 2016.

On August 5, 2015, the District issued General Obligation Refunding Bonds in the amount of $83,100,000 for the purpose of refunding portions of the Measure C Series A and B General Obligation Bonds. The economic gain on the bond refunding was $5,391,724. The balance in the refunding escrow was $91,670,389 at June 30, 2016.

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
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	1,893,447	4,531,553	6,425,000
2022-2026	5,048,515	15,941,485	20,990,000
2027-2031	5,369,374	25,260,626	30,630,000
Total	19,868,203	$ 59,971,797	$ 79,840,000
Accreted Interest	34,260,508		
	$ 54,128,711		

Measure E, General Obligation Bond, Series B

Fiscal Year	Principal	Interest to Maturity	Total
2017	$ -	$ 712,500	$ 712,500
2018	-	712,500	712,500
2019	-	712,500	712,500
2020	-	712,500	712,500
2021	-	712,500	712,500
2022-2026	16,234,739	1,156,111	17,390,850
2027-2031	10,756,046	33,408,954	44,165,000
2032-2036	19,015,011	85,564,989	104,580,000
2037	3,984,267	22,005,733	25,990,000
Total	49,990,063	$ 145,698,287	$ 195,688,350
Accreted Interest	38,809,419		
	$ 88,799,482		

Measure E, General Obligation Bond, Series C

Fiscal Year	Principal	Interest to Maturity	Total
2017	$ -	$ -	$ -
2018	-	-	-
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022-2026	4,065,580	5,974,420	10,040,000
2027-2031	7,252,800	15,067,200	22,320,000
2032-2036	9,688,874	27,261,126	36,950,000
Total	21,007,254	$ 48,302,746	$ 69,310,000
Accreted Interest	13,861,828		
	$ 34,869,082		

General Obligation, 2005 Refunding Bond

Fiscal Year	Principal	Interest to Maturity	Total
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	4,390,000	374,062	4,764,062
2022	4,930,000	129,413	5,059,413
Total	$ 19,680,000	$ 3,865,577	$ 23,545,577

General Obligation, 2012 Refunding Bond

Fiscal Year	Principal	Interest to Maturity	Total
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	2,090,000	2,525,850	4,615,850
2022-2026	23,785,000	9,250,375	33,035,375
2027-2031	26,105,000	3,427,875	29,532,875
Total	$ 60,730,000	$ 26,010,825	$ 86,740,825

Measure C, General Obligation Bond, Series A

Fiscal Year	Principal	Interest to Maturity	Total
2017	$ 2,355,000	$ 2,620,900	$ 4,975,900
2018	2,780,000	2,492,525	5,272,525
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022-2026	-	-	-
2027-2031	-	-	-
2032-2036	17,253,015	43,581,985	60,835,000
2037	4,202,235	12,557,765	16,760,000
Total	26,590,250	$ 61,253,175	$ 87,843,425
Accreted Interest	10,921,263		
	$ 37,511,513		

Measure C, General Obligation Bond, Series B

Fiscal Year	Principal	Interest to Maturity	Total
2017	$ 1,570,000	$ 1,603,026	$ 3,173,026
2018	1,850,000	781,888	2,631,888
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022-2026	-	-	-
2027-2031	-	-	-
2032-2036	10,524,289	26,140,711	36,665,000
2037	2,857,398	8,377,602	11,235,000
Total	16,801,687	$ 36,903,227	$ 53,704,914
Accreted Interest	6,749,690		
	$ 23,551,377		

Measure C, General Obligation Bond, Series C			
Fiscal Year	Principal	Interest to Maturity	Total
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	-	9,200,000	9,200,000
2022-2026	-	46,000,000	46,000,000
2027-2031	2,415,000	45,865,375	48,280,375
2032-2036	18,355,000	43,623,375	61,978,375
2037-2041	163,230,000	27,784,250	191,014,250
Total	$ 184,000,000	$ 209,273,000	$ 393,273,000

General Obligation, 2014 Refunding Bond			
Fiscal Year	Principal	Interest to Maturity	Total
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	6,665,000	4,398,050	11,063,050
2022-2026	48,415,000	15,829,625	64,244,625
2027-2031	19,265,000	5,182,625	24,447,625
2032-2036	12,370,000	3,867,750	16,237,750
2037	5,245,000	131,125	5,376,125
Total	$ 103,015,000	$ 48,649,300	$ 151,664,300

Certificates of Participation

Fiscal Year	Principal	Interest to Maturity	Total
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	$ 4,745,000	$ 573,135	$ 5,318,135

General Obligation, 2015 Refunding Bond

Fiscal Year	Principal	Interest to Maturity	Total
2017	$ 535,000	$ 3,500,872	$ 4,035,872
2018	-	3,650,525	3,650,525
2019	-	3,650,525	3,650,525
2020	-	3,650,525	3,650,525
2021	-	3,650,525	3,650,525
2022-2026	-	18,252,625	18,252,625
2027-2031	61,500,000	13,359,225	74,859,225
2032	21,065,000	473,963	21,538,963
Total	$ 83,100,000	$ 50,188,785	$ 133,288,785

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
2017	$ 1,436,922
2018	1,436,922
2019	1,436,922
2020	1,436,921
2021	572,620
Total	6,320,307
Less: Amount Representing Interest	313,419
Present Value of Minimum Lease Payments	$ 6,006,888

Compensated Absences

At June 30, 2016, the liability for compensated absences was $4,592,188.

Aggregate Net Pension Obligation

At June 30, 2016, the liability for the aggregate net pension obligation amounted to $167,243,357. See Note 12 for additional information.

NOTE 10 - 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 775 retirees and beneficiaries currently receiving benefits, and 900 active plan members. Separate financial statements are not prepared for the Trust.

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

Contribution Information

The contribution requirements of plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually through agreements between the District and the bargaining units. For fiscal year 2015-2016, the District contributed $6,841,734 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 based on the most recent actuary study prepared April 16, 2016 with an effective date of July 1, 2015.

Annual required contribution	$ 7,200,647
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	7,200,647
Contributions made	8,341,734
Increase in net OPEB asset	1,141,087
Net OPEB asset, July 1, 2015	3,103,332
Net OPEB asset, June 30, 2016	$ 4,244,419

Trend Information

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

Year's Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Asset
2014	$ 9,006,774	$ 8,052,973	89%	$ 4,092,797
2015	$ 9,254,460	$ 8,264,995	89%	$ 3,103,332
2016	$ 7,200,647	$ 8,341,734	116%	$ 4,244,419

Funding Status and Funding Progress

The funded status of the OPEB Plan as of July 1, 2015, the date of the most recent actuarial study, is as follows:

Actuarial Accrued Liability (AAL)	$ 104,386,944
Actuarial Value of Plan Assets	12,551,451
Unfunded Actuarial Accrued Liability (UAAL)	$ 91,835,493
Funded Ratio (Value of Plan Assets/AAL)	-12%
Covered Payroll	98,154,759
UAAL as Percentage of Covered Payroll	93.56%

The above noted actuarial value of plan assets was based on the July 1, 2015, actuarial valuation. The market value of the Plan Assets as of June 30, 2016 is $13,989,362. Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, follows the notes to the financial statements and presents multi-year trend information about whether the value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the July 1, 2015, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 7.00 percent investment rate of return (net of administrative expenses), based on the Plan being funded in an irrevocable employee benefit trust fund invested in a long-term fixed income portfolio. Healthcare cost trend rate of 4 percent. Both rates included a 2.75 percent salary increase assumption. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at July 1, 2015, was 21 years. The actuarial value of assets was determined using actuarial techniques that spread the effects of short-term volatility in the market value of investments over a fifteen-year period. At July 1, 2015, the most recent actuarial study date, the study indicated the Trust held net assets with an actuarial value of $12,551,451, which consisted of amounts on deposit with CERBT.

NOTE 11 - RISK MANAGEMENT

Property and Liability Insurance Coverages

During fiscal year ending June 30, 2016, 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, 2016 were $798,888 and $3,845,253, respectively.

Health Care

The District is self insured for dental and vision coverage and has contracted with CalPERS to provide health care coverage. Participating eligible full-time employees are provided a negotiated average per employee per month (PEPM) contribution for health, dental and vision plan premium costs. For the 2016 Plan Year, the PEPM was $1,011 or $12,132 for the year. Actual PEPM contributions for each individual is based on the plan and tier selected.

Insurance Coverages

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

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, 2014 to June 30 2016.

	Workers' Compensation
Liability Balance, July 1, 2014	$ 4,943,501
Claims and changes in estimates	1,189,508
Claims payments	(1,033,190)
Liability Balance, June 30, 2015	5,099,819
Claims and changes in estimates	939,815
Claims payments	(1,395,493)
Liability Balance, June 30, 2016	4,644,141
Less current portion in accounts payable	798,888
Total noncurrent, end of year	$ 3,845,253

NOTE 12 - 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.

For the fiscal year ended June 30, 2016, the District reported the net pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 102,319,350	$ 15,145,931	$ 19,101,950	$ 7,209,145
CalPERS	64,924,007	20,491,480	20,595,508	4,681,400
Total	$ 167,243,357	$ 35,637,411	$ 39,697,458	$ 11,890,545

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, 2014, 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, 2016, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	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	9.20%	8.56%
Required employer contribution rate	10.73%	10.73%
Required State contribution rate	7.12589%	7.12589%

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, 2016, are presented above, and the District's total contributions were $7,276,038.

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

At June 30, 2016, 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	$ 102,319,350
State's proportionate share of net pension liability associated with the District	54,115,656
Total	$ 156,435,006

The net pension liability was measured as of June 30, 2015. 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. The District's proportionate share for the measurement periods of June 30, 2015 and June 30, 2014 was 0.1520 percent and 0.1536 percent, respectively, resulting in a net decrease in the proportionate share of .0016 percent.

For the year ended June 30, 2016, the District recognized pension expense of $7,209,145. In addition, the District recognized pension expense and revenue of $4,537,708 for support provided by the State. At June 30, 2016, 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	$ 7,084,231	$ -
Net change in proportionate share of net pension liability	-	989,675
Difference between projected and actual earnings on pension plan investments	8,061,700	16,402,494
Differences between expected and actual experience in the measurement of the total pension liability		1,709,781
Total	$ 15,145,931	$ 19,101,950

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 subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earning on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	$ (3,452,047)
2018	(3,452,047)
2019	(3,452,047)
2020	2,015,347
Total	$ (8,340,794)

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the EARSL of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2014-2015 measurement period is 7 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	$ (449,909)
2018	(449,909)
2019	(449,909)
2020	(449,909)
2021	(449,909)
Thereafter	(449,911)
Total	$ (2,699,456)

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, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
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 the Teachers Retirement Board of the California State Teachers Retirement System 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%)	$ 154,494,255
Current discount rate (7.60%)	$ 102,319,350
1% increase (8.60%)	$ 58,957,794

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, 2014, annual actuarial valuation reports, Schools Pool Actuarial Valuation, and the Risk Pool Actuarial Valuation Report, Safety, 2014. 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, 2016, 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	11.847%	11.847%

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, 2016, are presented above, and the total District contributions were $6,255,896.

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

As of June 30, 2016, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $64,924,007. The net pension liability was measured as of June 30, 2015. 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. The District's proportionate share for the measurement periods of June 30, 2015 and June 30, 2014, was 0.4405 percent and 0.4455 percent, respectively, resulting in a net decrease in the proportionate share of 0.005 percent.

For the year ended June 30, 2016, the District recognized pension expense of $4,681,400. At June 30, 2016, 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	$ 6,117,900	$ -
Net change in proportionate share of net pension liability	-	3,720,267
Differences between projected and actual earnings on pension plan investments	10,663,077	12,886,130
Differences between expected and actual experience in the measurement of the total pension liability	3,710,503	
Changes of assumptions	-	$ 3,989,111
Total	$ 20,491,480	$ 20,595,508

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 subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	$ (1,629,607)
2018	(1,629,607)
2019	(1,629,607)
2020	2,665,768
Total	$ (2,223,053)

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the EARSL of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2014-2015 measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	$ (1,378,923)
2018	(1,378,923)
2019	(1,241,029)
Total	$ (3,998,875)

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, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and services

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	51%	5.25%
Global fixed income	19%	0.99%
Private equity	10%	6.83%
Real estate	10%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	2%	4.50%
Liquidity	2%	-0.55%

Discount Rate

The discount rate used to measure the total pension liability was 7.65 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 (6.65%)	$ 105,669,229
Current discount rate (7.65%)	$ 64,924,007
1% increase (8.65%)	$ 31,041,631

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 $4,537,708 (7.12589 percent) of salaries subject to CalSTRS. The contributions for fiscal years ending June 30, 2016, 2015, and 2014 were $4,537,708, $4,678,215, and $3,512,954, 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, 2016, 2015, and 2014. 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 13 - 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, 2016, the District made payments of $545,955 to the South Bay Regional Public Safety Training Consortium and $62,735 to SELF.

NOTE 14 - 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, 2016.

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, 2016.

Accreditation

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

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
2017	$ 1,433,319
2018	1,465,743
Total	$ 2,899,062

Construction Commitments

As of June 30, 2016, 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
Measure C		
Scheduled Maintenance	$ 195,711	02/01/18
Modernization of Learning Support Center, Biology and General Classroc	16,548	12/31/16
Storage Bldg at Swim Pool Area	49,707	12/31/16
Library & ISC	1,720,998	06/30/17
Utility and Technology Infrastructure	35,481	04/01/17
Exterior Painting & Bird Remediation	62,534	03/07/18
Parking and Circulation	7,982	12/31/16
Repair and Upgrade Miscellaneous Projects	903	02/26/18
L-7	197,728	07/31/16
Library	1,709	08/31/16
Signage and Wayfinding	4,500	09/30/16
Campuswide Electronic Locks	86,816	08/31/16
Repair Tile Roofs	1,287,356	09/30/17
Flint Parking Structure Repairs	5,058,272	12/31/17
Install Photovoltaic Arrays - Campus Wide	17,774	12/31/16
Media and Learning Center	5,880	12/31/16
Swing Space	29,820	12/31/16
L-7 Phase II	336,877	06/01/17
New District Offices	706,492	06/30/18
ETS Facilities	73,670	08/06/18
Overhead- Construction	13,499	08/01/16
Foothill-DeAnza Education Center	3,643,851	05/05/20
Total Measure C	$ 13,554,108	

Other Sources		
Flint Parking Structure Repairs	$ 18,459,077	07/04/17
Other Capital Projects	822,291	06/30/17
Repair Tile Roofs	213,922	11/23/16
State Scheduled Maintenance Projects	99,024	12/31/16
State Proposition Clean Energy Projects	89,414	06/30/17
Exterior Painting & Bird Remediation	34,563	09/30/16
Modernization of Learning Support Center, Biology and General Classrooms	33,000	07/31/16
Total Other Sources	$ 19,751,291	

NOTE 15 – 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, 2016.

	Salaries	Employee Benefits	Supplies Material, and Other Expenses	Financial Aid	Utilities	Depreciation	Total
Instruction	$ 85,145,555	$ 21,617,326	$ 4,743,301	$ -	$ 28	$ -	$ 111,506,210
Academic Support	13,875,851	4,471,898	2,074,464	-	9,689	-	20,431,902
Student Services	14,778,016	5,029,073	4,551,413	-	26,000	-	24,384,502
Operation and Maintenance of Plant	7,257,064	2,865,345	2,049,328	-	2,880,961	-	15,052,698
Institution support	18,745,762	13,219,212	46,672,876	-	80,556	-	78,718,406
Community Services & Economic Development	1,706,327	370,362	2,645,613	-	2,651	-	4,724,953
Auxiliary Operations	5,570,093	1,656,519	2,873,987	-	673	-	10,101,272
Student Aid	-		-	24,457,237	-	-	24,457,237
Depreciation	-	-	-	-	-	39,918,469	39,918,469
	$147,078,668	$ 49,229,735	$ 65,610,982	$ 24,457,237	$ 3,000,558	$ 39,918,469	$ 329,295,649

NOTE 16 – DONATED SERVICES AND FACILITIES

Donated services and facilities to the Foothill-De Anza Community Colleges Foundation totaling $65,494, for the year ended June 30, 2016, 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 17 – SUBSEQUENT EVENTS

On October 19, 2016, the District issued General Obligation Bonds 2006 Election Series D for $26,040,000; 2006 Election Series E for $30,765,000; and a 2016 Refunding Bond for $201,735,000 to refund portions of the District's 2006 Election Series C General Obligation Bonds. The bonds mature through August 2040, with effective interest rates from 2.125% to 5%.

REQUIRED SUPPLEMENTARY INFORMATION

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2016

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)
6/30/2014	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%
6/30/2016	12,551,451	104,386,944	91,835,493	12.0%	98,154,759	94%

See accompanying note to required supplementary information.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
CalSTRS	Measurement year 2015 for 2016	Measurement year 2014 for 2015
District's proportion of the net pension liability	0.1520%	0.1536%
District's proportionate share of the net pension liability	$ 102,319,350	$ 89,739,321
State's proportionate share of the net pension liability associated with the District	54,115,656	54,188,476
Total	$ 156,435,006	$ 143,927,797
District's covered - employee payroll	$ 64,869,447	$ 62,501,837
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	157.73%	143.58%
Plan fiduciary net position as a percentage of the total pension liability	74%	77%
CalPERS		
District's proportion of the net pension liability	0.4405%	0.4455%
District's proportionate share of the net pension liability	$ 64,924,007	$ 50,508,676
District's covered - employee payroll	$ 48,618,169	$ 46,708,004
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	133.54%	108.14%
Plan fiduciary net position as a percentage of the total pension liability	79%	83%

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

See accompanying note to required supplementary information.

SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2016

CalSTRS	2016	2015
Contractually required contribution	$ 7,276,038	$ 5,770,723
Contributions in relation to the contractually required contribution	(7,276,038)	(5,770,723)
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 67,114,588	$ 64,869,447
Contributions as a percentage of covered - employee payroll	10.84%	8.90%

CalPERS		
Contractually required contribution	$ 6,255,896	$ 5,722,845
Contributions in relation to the contractually required contribution	(6,255,896)	(5,722,845)
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 52,806,996	$ 48,618,169
Contributions as a percentage of covered - employee payroll	11.85%	11.77%

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

See accompanying note to required supplementary information.

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Other Postemployment Benefits (OPEB) Funding Progress

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

Schedule of the District's Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net positions and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

Schedule of District Contributions

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

Changes in Benefit Terms

There were no changes in benefit terms since the previous valuation for either CalSTRS or CalPERS.

Changes in Assumptions

The CalSTRS plan rate of investment return assumption was not changed from the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.50 percent to 7.65 percent since the previous valuation.

SUPPLEMENTARY INFORMATION

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION
JUNE 30, 2016

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
Elias Kamal	Student Trustee	May 2017
Courtney L. Cooper	Student Trustee	May 2017

ADMINISTRATION

Judy C. Miner, Ed. D.	Chancellor
Kimberlee S. Messina, Ed. D.	President, Foothill College
M. Brian Murphy, Ph. D.	President, De Anza College

FISCAL ADMINISTRATION

Kevin McElroy	Vice Chancellor, Business Services
Hector Quinonez (through 6/30/16)	Executive Director, Fiscal Services
Raquel Puentes-Griffith (as of 7/1/16)	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, 2016

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]	$ 20,807,605
Federal Pell Administrative Allowance	84.063	[1]	31,155
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	[1]	516,281
Federal Direct Student Loans	84.268	[1]	8,319,212
Federal College Work Study (FWS)	84.033	[1]	475,506
Total Student Financial Aid Cluster			30,149,759
Strengthening Minority Serving Institutions - Asian American	84.382SB	[1]	326,301
PASS THROUGH FUNDS			
Career Technical Education Act - Basic Grants To States (Perkins Title I-C)	84.048	14-112-016	667,302
Career Technical Education Act - Basic Grants To States (CTE Transitions)	84.048	14-C01-016	69,768
Total U.S. Department of Education			31,213,130
NATIONAL SCIENCE FOUNDATION			
PASS THROUGH FUNDS			
National Science Foundation - Nano Technology	47.076	03797	221
National Science Foundation - CCB FEST	47.076	03797	15,295
National Science Foundation - S-STEM	47.076	03797	75,256
National Science Foundation - Stemway	47.076	03797	129,173
Total National Science Foundation			219,945
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
AmeriCorps State and National	94.006	[1]	55,485
Total Corporation for National and Community Service			55,485
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			
Trade Adjustment Assistance (TAA)/ North American Free Trade Agreement (NAFTA)	43.007	[1]	12,664
Total National Aeronautics and Space Administration			12,664

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

See accompanying note to supplementary information.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

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 California Community College Chancellor's Office			
Temporary Assistance for Needy Families (TANF)	93.558	[2]	39,867
Medical Assistance Program (MAA)	93.778	10011	165,610
Total U.S. Department of Health and Human Services			205,477
U.S. DEPARTMENT OF LABOR			
American Apprenticeship Initiative	17.268	[2]	9,587
WORKFORCE INVESTMENT ACT CLUSTER			
Occupational Training Institute (OTI) - General	17.258	03573	50
WIA - Work 2 Future	17.258	03573	50,365
WIA - NOVA	17.258	03573	36,832
Total Workforce Investment Act Cluster			87,247
Total U.S. Department of Labor			96,834
U.S. DEPARTMENT OF AGRICULTURE			
PASS THROUGH FUNDS			
Child and Adult Care Food Program	10.558	03628	37,120
Total Expenditures of Federal Awards			$ 31,840,655

See accompanying note to supplementary information.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

	Program Entitlements			Program Revenues					
Program	Current Year	Prior Year	Total Entitlement	Cash Received	Accounts Receivable	Accounts Payable	Unearned Revenue	Total Revenue	Program Expenditures
GENERAL FUND									
Extended Opportunity Programs & Services	$ 2,164,198	$ -	$ 2,164,198	$ 2,164,198	$ -	$ -	$ 4,063	$ 2,160,135	$ 2,160,135
Cooperative Agencies Resources for Education	182,839	-	182,839	182,839	-	-	45,828	137,011	137,011
Disabled Student Programs & Services	2,751,607	791,518	3,543,125	2,751,607	-	-	-	2,751,607	3,508,026
Student Success - Student Equity	2,205,697	696,371	2,902,068	2,902,068	-	-	1,138,305	1,763,763	1,763,763
Student Success - Credit	5,556,934	823,756	6,380,690	6,380,690	-	-	1,309,932	5,070,758	5,070,758
Student Success - Non Credit	149,543	-	149,543	149,543	-	-	-	149,543	149,543
AB 1725 Staff Development	-	51,962	51,962	47,683	-	-	45,883	1,800	1,800
AB 1725 Staff Diversity	11,813	38,881	50,694	50,694	-	-	43,649	7,045	7,045
Economic Development	294,443	-	294,443	-	294,443	-	-	294,443	294,443
Basic Skills	227,931	399,308	627,239	627,239	-	-	150,111	477,128	477,128
Career Tech Education	176,800	608,282	785,082	785,082	-	-	270,979	514,103	514,103
Prop. 39 Clean Energy	89,250	-	89,250	-	89,250	-	-	89,250	89,250
Child Dev Tax Bailout	424,227	-	424,227	424,227	-	-	-	424,227	424,227
Child Development Center	277,529	-	277,529	228,900	48,629	-	-	277,529	277,529
High Tech Center Training Unit	1,000,000	279,190	1,279,190	1,279,190	-	-	395,193	883,997	883,997
BFAP Administration	1,005,940	-	1,005,940	1,005,940	-	-	-	1,005,940	1,005,940
TANF	39,867	-	39,867	39,867	-	-	-	39,867	39,867
Adult Education Block Grant	464,145	-	464,145	464,145	-	-	317,938	146,207	146,207
TTIP Telecom & Technology	-	96,625	96,625	96,625	-	-	78,892	17,733	17,733
Instructional Equipment	876,607	1,460,606	2,337,213	2,337,213	-	-	1,468,740	868,473	868,473
Lottery Instructional Materials	1,658,645	3,012,362	4,671,007	103,335	1,555,310	-	-	1,658,645	1,037,309
Mandated Cost Reimbursement	-	1,516,841	1,516,841	-	-	-	-	-	47,653
CalGrant B & C	1,537,222	-	1,537,222	1,423,770	113,452	-	-	1,537,222	1,537,222
Calworks	352,482	-	352,482	349,396	3,086	-	-	352,482	352,482
Calworks TSE	250,133	40,660	290,793	211,688	79,105	-	48,662	242,131	242,131
Calworks SSA	203,387	-	203,387	137,186	66,201	-	-	203,387	203,387
Online Education Initiative (OEI)	4,003,428	11,504,779	15,508,207	6,930,874	2,313,428	6,263,905	-	9,244,302	9,244,302
Full Time Student Success Grant	490,382	-	490,382	490,382	-	-	49,982	440,400	440,400
Child Care Food Program	1,320	-	1,320	1,191	129	-	-	1,320	1,320
CTE Enhancement	816,754	-	816,754	584,556	232,198	-	-	816,754	816,754
Miscellaneous State Assistance									
FH-MetroEd Dual Enrollment	40,050	-	40,050	16,171	23,879	-	-	40,050	40,050
CAPP 01/02	-	1,534	1,534	1,534	-	-	1,534	-	-
CAPP 07/08	-	3,103	3,103	3,103	-	-	3,103	-	-
Child Development Training Consortium	600	18,170	18,770	18,770	-	-	18,770	-	-
DA - CCC eTranscripts	-	3,800	3,800	3,800	-	-	3,800	-	-
DA - First 5 - CDC 2016-117-026	22,636	-	22,636	22,636	-	-	5,535	17,101	17,101
Early Childhood Education	7,275	37,992	45,267	28,285	-	-	28,285	-	7,479
FH-Institutional Effectiveness & Technical Assistance	52,000	15,940	67,940	54,940	13,000	-	-	67,940	67,940
FH-SVETP/CTPP-STEM	175	-	175	-	175	-	-	175	175
First 5 Santa Clara CDC 15/16	13,813	-	13,813	13,813	-	-	-	13,813	13,813
Butte-Glenn OER	-	11,015	11,015	11,013	-	-	11,013	-	-
OTI General	50	-	50	50	-	-	-	50	50
Subtotal	$ 27,349,722	$ 21,412,695	$ 48,762,417	$ 32,324,243	$ 4,832,285	$ 6,263,905	$ 5,440,197	$ 31,716,331	$ 31,906,546

See accompanying note to supplementary information.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT FOR THE YEAR ENDED JUNE 30, 2016

CATEGORIES	Annual Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2015 only)			
1. Noncredit **	40.66	-	40.66
2. Credit	3,165.35	-	3,165.35
B. Summer Intersession (Summer 2016 - Prior to July 1, 2016)			
1. Noncredit **	-	-	-
2. Credit	349.88	-	349.88
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	16,080.49	(1.59)	16,078.90
(b) Daily Census Contact Hours	268.30	-	268.30
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit **	344.66	-	344.66
(b) Credit	696.35	-	696.35
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	6,024.69	-	6,024.69
(b) Daily Census Contact Hours	172.53	-	172.53
(c) Noncredit Independent Study/Distance Education Courses			
D. Total FTES	27,142.91	(1.59)	27,141.32
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	2.87	-	2.87
H. Basic Skills courses and Immigrant Education			
1. Noncredit **	245.02	-	245.02
2. Credit	2,285.87	-	2,285.87
CCFS-320 Addendum			
CDCP Noncredit FTES	169.43	-	169.43
Centers FTES			
1 Noncredit **	49.55	-	49.55
2 Credit	1,312.74	-	1,312.74
	4,065.48	-	4,065.48

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, 2016

		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	$ 35,950,838	$ -	$ 35,950,838	$ 35,950,838	$ -	$ 35,950,838
Other	1300	39,675,065	-	39,675,065	39,675,065	-	39,675,065
Total Instructional Salaries		75,625,903	-	75,625,903	75,625,903	-	75,625,903
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	12,513,192	-	12,513,192
Other	1400	-	-	-	572,123	-	572,123
Total Noninstructional Salaries		-	-	-	13,085,315	-	13,085,315
Total Academic Salaries		75,625,903	-	75,625,903	88,711,218	-	88,711,218
Classified Salaries							
Noninstructional Salaries							
Regular Status	2100	-	-	-	30,258,932	-	30,258,932
Other	2300	-	-	-	2,283,930	-	2,283,930
Total Noninstructional Salaries		-	-	-	32,542,862	-	32,542,862
Instructional Aides							
Regular Status	2200	1,820,662	-	1,820,662	1,820,662	-	1,820,662
Other	2400	234,652	-	234,652	234,652	-	234,652
Total Instructional Aides		2,055,314	-	2,055,314	2,055,314	-	2,055,314
Total Classified Salaries		2,055,314	-	2,055,314	34,598,176	-	34,598,176
Employee Benefits	3000	23,576,311	-	23,576,311	41,142,160	-	41,142,160
Supplies and Material	4000	-	-	-	2,697,096	-	2,697,096
Other Operating Expenses	5000	1,668,354	-	1,668,354	23,323,273	-	23,323,273
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		102,925,882	-	102,925,882	190,471,923	-	190,471,923

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, 2016

		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	$ 4,414,472	$ -	$ 4,414,472	$ 4,414,471	$ -	$ 4,414,471
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	2,720,188	-	2,720,188
Objects to Exclude							
Rents and Leases	5060	-	-	-	1,337,888	-	1,337,888
Lottery Expenditures							-
Academic Salaries	1000	-	-	-	2,049,585	-	2,049,585
Classified Salaries	2000	-	-	-	389,817	-	389,817
Employee Benefits	3000	-	-	-	960,807	-	960,807
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	1,089	-	1,089
Books, Magazines, and Periodicals	4200	-	-	-	194	-	194
Instructional Supplies and Materials	4300	-	-	-	225,932	-	225,932
Noninstructional Supplies and Materials	4400	-	-	-	67,049	-	67,049
Total Supplies and Materials		-	-	-	294,264	-	294,264

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, 2016

		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	$ -	$ -	$ -	$ 595,327	$ -	$ 595,327
Capital Outlay							
Library Books	6000	-	-	-	-	-	-
Equipment	6300	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay							
Other Outgo	7000	-	-	-	275,608	-	275,608
Total Exclusions		4,414,472	-	4,414,472	13,037,955	-	13,037,955
Total for ECS 84362, 50 Percent Law		$ 98,511,410	$ -	$ 98,511,410	$ 177,433,968	$ -	$ 177,433,968
Percent of CEE (Instructional Salary Cost/Total CEE)		55.52%		55.52%	100.00%		100.00%
50% of Current Expense of Education					$ 88,716,984		$ 88,716,984

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, 2016

Activity Classification	**Object Code**				**Unrestricted**
EPA Proceeds:	8630				$ 20,287,285
Activity Classification	**Activity Code**	**Salaries and Benefits (Obj 1000-3000)**	**Operating Expenses (Obj 4000-5000)**	**Capital Outlay (Obj 6000)**	**Total**
Instructional Activities	1000-5900	$ 17,401,759			$ 17,401,759
					-
Other Support Activities					-
Library	6120	1,017,334			1,017,334
Counseling and Guidance	6310	1,868,192			1,868,192
Total Expenditures for EPA		$ 20,287,285	-	-	$ 20,287,285
Revenues Less Expenditures					$ -

See accompanying note to supplementary information.

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH FUND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2016.

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 Title 2 U.S. Code of Federal Regulations (Part 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

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, 2016. 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:		$ 23,467,282
Federal Direct Student Loans	84.268	8,319,212
Federal Pell Administrative Allowance	84.038	(1,025)
Medical Assistance Program (MAA)	93.778	55,154
Career Technical Education Act - Basic Grants To States (CTE Transitions)	84.048	32
Total Expenditures of Federal Awards		$ 31,840,655

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

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

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 the 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 financial statements of the business-type activities, the aggregate discretely presented component units, and the aggregate remaining fund information of Foothill-De Anza Community College District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 22, 2016.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 to the financial statements, in 2016, the District adopted new accounting guidance, GASB Statement No. 72, *Fair Value Measurement and Application*; GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*; GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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.

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

5000 Hopyard Road, Suite 335 Pleasanton, CA 94588-3351 Tel: 925.734.6600 www.vtdcpa.com Fax: 925.734.6611

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*.

We noted certain matters that we reported to management of Foothill-De Anza Community College District in a separate letter dated November 22, 2016.

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
November 22, 2016

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

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, 2016. 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 Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2016.

5000 Hopyard Road, Suite 335 Pleasanton, CA 94588-3351 Tel: 925.734.6600 www.vtdcpa.com Fax: 925.734.6611

Report on Internal Control Over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
November 22, 2016

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 November 2015 that could have a direct and material effect on each of the District's programs as noted below for the year ended June 30, 2016.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws and regulations, and the terms and conditions identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in November 2015.

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* issued in November 2015. 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, 2016, except as described in the State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

5000 Hopyard Road, Suite 335 Pleasanton, CA 94588-3351 Tel: 925.734.6600 www.vtdcpa.com Fax: 925.734.6611

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 429	Student Success and Support Program (SSSP)
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 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 participate in Intersession Extension Programs and had no Proposition 1D State Bond Funded Projects, therefore, the compliance tests within theses sections were not applicable.

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the District's response and, accordingly, we express no opinion on the response.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
November 22, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2016

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 200.516(a) of the Uniform Guidance?	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

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000
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, 2016

None noted

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

None noted.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

The following findings represent instances of noncompliance and/or questioned costs relating to State program laws and regulations.

2016-001 Finding – To Be Arranged Courses

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

Title 5, Section 55002(a)(3), 55002(b)(2) 58050(5), and 58051(a)(1) require that specific instruction activities, including those conducted during TBA hours, expected of all students enrolled in the course be included in the official course outline. In addition, Title 5, Section 5810 an d58108 requires that a clear description of the course, including the number of TBA hours required by published in the official general catalog or addendum thereto and in the official schedule of classes or addendum thereto.

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

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

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

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

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

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

Management's Response and Corrective Action Plan

The admissions and records office has developed a process and corrective action plan for collecting attendance documentation for TBA Courses. The corrective action plan consists of email notifications being sent to faculty at the beginning of the term to remind them to review the requirements for TBA attendance documentation. A standard attendance documentation template has been created to use when submitting attendance documentation, and training sessions have been offered and are available by request to faculty who teach positive attendance courses. The admissions and records office has created a specific email address where all TBA attendance documentation is reviewed for accuracy and compliance.

The admissions and records office will ensure compliance moving forward by:

- Ensuring TBA hours for Weekly Census classes are required each week, not as a total number of hours for the term.
- Ensuring TBA hours for Daily Census classes are required each day, not as a total number of hours per week or duration of the class.
- Ensuring attendance records are kept electronically in the admissions and records office and that no TBA hours are reported for Weekly Census and Daily Census classes for students who have documented zero hours as of the census point.
- Ensuring all documentation will be reviewed by Dean and senior enrollment services supervisor and if the documentation is not in compliance the TBA hours will be removed from apportionment and not be included in the 320 report.
- All documentation that is deemed not in compliance will be reported to the VP of Instruction and the VP of Finance and College Operations that apportionment has been removed for that class and not be included in the 320 report.

The VP of Instruction and Dean of Enrollment Services are working closely to make sure all required documentation is submitted in a timely manner and in compliance.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

None reported.