FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT
SANTA CLARA COUNTY

REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
INCLUDING REPORTS ON COMPLIANCE
June 30, 2018

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, the fiduciary activities and the discretely presented component unit of the Foothill-De Anza Community College District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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 fiduciary activities, and the discretely presented component unit, of the Foothill-De Anza Community College District as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

During fiscal year ended June 30, 2018, the District adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* and No. 89 *Accounting for Interest Cost Incurred before the End of a Construction Period.* As a result of the implementation of Statement No. 75, the District reported a restatement for the change in accounting principle (see Note 18). Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information schedules as listed in the aforementioned table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the District's financial statements as a whole. The supplementary information, including the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report November 29, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
Glendora, California
November 29, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018

INTRODUCTION TO THE BASIC FINANCIAL STATEMENTS

The Foothill-De Anza Community College district continues to present its financial statements in the Business-Type Activities reporting format required by statements released by the Government Accounting Standards Board (GASB) in 1999. The format prescribed by GASB focuses on the District as a whole rather than on individual funds.

The following management's discussion and analysis provides an overview of the financial position and activities of the Foothill-De Anza Community College District's Financial Report for the year ended June 30, 2018. The previous year's financial statements that provide information on the District as a whole:

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

Each of these statements will be reviewed and significant events discussed.

STATEMENT OF NET POSITION

The Statement of Net Position presents information on the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

A significant impact on the financial statements this year is the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Other than Pensions.* The statement established standards for purposes of measuring the net other postemployment benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and expenses. The implementation of the statement required the District to adjust the beginning net OPEB liability and record the deferred outflow of resources due to change in assumptions. The impact of this change is noted in the narrative herein with additional information disclosed in Note 18.

In thousands:

	2018	2017	Net Change
Assets			
Current assets	$ 178,358	$ 198,847	$ (20,489)
Non-current assets	735,825	763,519	(27,694)
Total Assets	914,183	962,366	(48,183)
Deferred Outflows of Resources	106,865	80,357	26,508
Liabilities			
Current liabilities	93,985	87,671	6,314
Non-current liabilities	1,156,149	1,046,091	110,058
Total Liabilities	1,250,134	1,133,762	116,372
Deferred Inflows of Resources	21,191	14,977	6,214
Net Position			
Net investment in capital assets	(18,491)	3,534	(22,025)
Restricted	39,902	42,418	(2,516)
Unrestricted	(271,688)	(151,968)	(119,720)
Total Net Position	$ (250,277)	$ (106,016)	$ (144,261)

Assets

Total assets decreased approximately $48 million, a percentage increase of 10%. The major changes affecting total assets are listed below:

- The decrease of net $20.5 million in current assets is mainly due to $12 million decrease of cash associated with the expenditures on Measure C bond projects and secondarily from a reduction of approximately $8.5 million in grant and state apportionment accounts receivable.

- Non-current assets decreased by $27.7 million which is attributable to less asset capitalization of approximately $14.1 million from tapering bond project activity and also due to the implementation of GASB 89 which eliminated the capitalization of certain capital debt-related interest costs. Restricted cash decreased by $8.7 million as a result of bond project activity. The net OPEB asset value of $4.9M reflected in prior year financials is no longer reflected due to the implementation of GASB 75.

Liabilities

Total liabilities increased by approximately $116.4 million; an increase of 10%. The major changes affecting total liabilities are listed below:

- Current liabilities increased by $6.3 million of which $4.5 million is associated with restricted grant and categorical deferred revenue.

- The majority of the $109.8 million increase in non-current liabilities is due to the initial recording of the $90.7 million Net OPEB Liability under GASB 75 implementation. The net remaining portion was mainly associated with increase of pension liability for STRS and PERS.

Deferred Outflows/Deferred Inflows of Resources

In addition to assets, the District reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the District reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27,* the District recognized deferred outflows and inflows of resources related to pensions in the District-wide financial statements. Refer to Note 8 for the District's deferred outflows and inflows of resources related to pensions.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses and Changes in Net Position present information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods, such as revenues pertaining to receivables and expenses pertaining to earned, but unused, compensated balances.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018

In thousands:

Operating Revenues	2018	2017	$ Change	% Change
Net tuition & fees	$ 62,623	$ 62,328	$ 295	0%
Grants and contracts, non-capital	85,473	84,216	1,257	1%
Auxiliary enterprise, net	10,989	11,856	(867)	-7.31%
Other	4,869	5,085	(216)	-4.25%
Total Operating Revenues	163,954	163,485	469	0.29%
Operating Expenses				
Salaries	153,758	155,729	(1,971)	-1%
Benefits	65,389	54,538	10,851	20%
Supplies, materials, & other operating expenses	73,719	67,461	6,258	9%
Financial Aid	24,472	30,842	(6,370)	-21%
Utilities	3,509	3,573	(64)	-2%
Depreciation	40,839	42,095	(1,256)	-2.98%
Total Operating Expenses	361,686	354,238	7,448	2.1%
Operating Loss	(197,732)	(190,753)	(6,979)	4%
Nonoperating Revenues (Expenses)				
State apportionment, non-capital	11,220	16,631	(5,411)	-33%
Local property taxes	118,260	113,322	4,938	4%
State taxes & other revenues	6,801	6,548	253	4%
Investment income(loss) - noncapital	1,697	1,740	(43)	-2.47%
Interest expense	(38,486)	(17,513)	(20,973)	-
Other nonoperating revenue	220	710	(490)	-69.01%
Total Nonoperating Revenues (Expenses)	99,712	121,438	(21,726)	-17.89%
Gain Before Capital Revenues	(98,020)	(69,315)	(28,705)	41%
Capital Revenues	43,210	41,908	1,302	3.11%
Change in Net Position	$ (54,810)	$ (27,407)	$ (27,403)	99.99%

Operating Revenues

Total Operating Revenues remained relatively stable with the only notable decrease experienced in auxiliary services by 7.3% due to the decline in sales revenue as a result of lower enrollment.

Operating Expenses

Total Operating Expenses increased by 2.1%, approximately net $7.4 million. Items of significance affecting the changes include:

- Benefits increased by $10.3 million mainly as a result of $6.2 million in OPEB expense, employer contribution rate increase for District STRS and PERS employees with the remaining increase a result of the pension expense recognition.

- The $6.3 million increase in supplies, materials and other operating expense was due to increased spending of $5.5 million in other operating expenses related to the Online Education Initiative project grant.

- The $6.4 million decrease in Financial Aid was a result of lower student demand from the 5.7% enrollment decline.

Non-Operating Revenues (Expenses)

Non-Operating Revenues (Expenses) decreased by $21.7 million or 18% due to the net effect of the following:

- The State apportionment $5.4 million decrease is a direct result of the local property taxes increase and the inverse relationship of these two sources that are part of the State's calculation model of base apportionment revenue.

- The $20.7 million increase in interest expense is predominately caused by the early implementation of GASB 89 which calls for interest costs incurred before the end of a construction period to be expensed and not capitalized.

Capital Revenues

No significant change in this area

District's Fiduciary Responsibility

The District is the trustee, or fiduciary, for certain amounts held on behalf of students, clubs, and donors for student loans and scholarships. The District's fiduciary activities are reported in a separate statement of fiduciary net position. These activities are excluded from the District's other financial statements because these assets cannot be used to finance operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2018, the District had approximately $1.2 billion invested in capital assets. These assets have an accumulated depreciation of $487.5 million leaving the net capital asset value at $691.8 million which consists of land, construction in progress, buildings and improvements, vehicles, data processing equipment, and other office equipment. In fiscal year 2018, there were a combined fewer net capital asset and additions than accumulated depreciation which is the result of winding down the bond funded capital program. Depreciation expense of $40.8 million was recorded for fiscal year 2018.

Note 4 to the financial statements provides additional information on capital assets. A comparison of capital assets net of depreciation is summarized herein.

In thousands:

	2018	2017	Net Change
Land and construction in progress	$ 181,981	$ 157,290	$ 24,691
Buildings and equipment	997,349	995,270	2,079
Accumulated depreciation	(487,543)	(446,710)	(40,833)
Total Capital Assets	$ 691,787	$ 705,850	$ (14,063)

Debt

At June 30, 2018, the District had $1.2 billion in debt. Notes 10 through 13 provides additional information on long-term liabilities with the most notable change due to the implementation of GASB 75 reflecting the OPEB Liability. A comparison is summarized herein.

In thousands:

	2018	2017	Net Change
Compensated absences	$ 5,555	$ 5,298	$ 257
Claims liability	6,185	4,671	1,514
Capital leases	2,814	3,906	(1,092)
Bonds and Notes Payable	845,668	851,676	(6,008)
OPEB Liability	90,742	-	90,742
Medicare Premium Program	526	-	526
Net pension liability	224,249	200,843	23,406
Total Long-Term Liabilities	$ 1,175,739	$ 1,066,394	$ 109,345

ECONOMIC OUTLOOK AND FACTORS AFFECTING NEXT YEAR'S BUDGET

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), a stable overall state economy resulting in strong tax (property and income) revenues, and the implementation of the "hold-harmless" provision of the new Student Centered Funding Formula (SCFF) included as a part of the 2018-19 state Budget Act, we are experiencing a fourth year of solid-state funding.

The new SCFF in the 2018-19 budget includes a three-year phase-in component that guarantees all districts will receive the greater of the new funding formula calculation against the newly established enrollment metrics **or** the fully funded level of apportionment received in the 2017-18 fiscal year, plus the addition of a 2.71% COLA. Because of the FTES decline in 2017-18, FHDA will receive $7.5 million more in 2018-19 (using the hold-harmless clause) than we would be funded with the new formula metrics applied to our funding calculation. It is important to note that even without the hold-harmless provision applied to the District's 2018-19 revenue calculation, FHDA would have received approximately $4 million more in funding using the new formula metrics than if the former SB 361 FTES model were still in place. For the sixth year in a row, the budget is based on conservative state revenue assumptions by the governor, for which, the Legislative Analyst's Office (LAO) and the Department of Finance (DOF) both agree creates a more stable budget that will stay balanced through the end of the fiscal year. State revenue for fiscal year 2017-18 has exceeded projections by $1.5 billion dollars adding to the confidence level at both the state and local levels.

The District's 2018-19 adopted budget has a modest projected $1.9 million structural budget deficit due to the temporary additional funding provided by the hold-harmless clause in the SCFF. The District projects an unrestricted general fund balance of approximately $37.1 million which includes the 5% catastrophic reserve, $4.2 million in the stability fund, and $12.9 million in other college/district designated reserves. The stability fund year-end balance will be impacted by the planned spend down of a 5%, one-time compensation payout to all employee groups (approximate cost of $8 million) recently approved by the Board of Trustees. Due to the 1,484 drop in resident FTES or 5.7% in fiscal year 2017-18, the Board has also approved an increased target to the management recommended strategy to close the projected ongoing structural budget deficit over the next three years. Ongoing spending categories will be reduced by a total of $17.6 million (prior year reductions were planned at $10 million) by the adoption of the 2019-20 budget. These planned spending cuts are subject to modification contingent upon future enrollments and funding levels from the state.

In light of a fourth consecutive year of a sustained economic recovery and the enhanced funding provided by the SCFF hold-harmless provision, 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 a loss of 1,484 FTES enrollment in 2017-18, management continues to monitor enrollment for 2018-19 very closely. As of census for the summer and fall quarters, resident enrollments are down an estimated 448 FTES. Our funding for 2018-19 is protected due to the SCFF hold-harmless provision, but if the trend in enrollment decline continues, the District will be forced to consider additional budget cuts to align expenses with earned revenue.

Because the SCFF includes the hold-harmless provision through the 2020-21 budget year, the District can reasonably rely on the same level of funding next year in 2019-20, as long as state revenues stay relatively consistent. However, if the FTES decline is not abated, the district will be facing a significant budget "cliff" in 2021-22 based on the new SCFF.

If the hold-harmless provision is fully funded and implemented through the 2020-21 year as designed in the SCFF, the District will have the opportunity to retain significant one-time funds that could be used to help transition into reduced expenditures over a multi-year strategy. This will require prudent fiscal management of the enhanced temporary funding provided in the SCFF.

The District continues to be committed to addressing long-term liabilities, specifically Other Post-Employment Benefits (OPEB). The most recent OPEB actuarial study for the District's unfunded retiree medical liability was completed on March 5, 2018, with a measurement date of June 30, 2018, calculating the District's Total OPEB Liability at $107.7 million. Consistent with prior years, the adopted budget for fiscal year 2018-19 planned for a $1.5 million contribution to the CalPERS California Employers' Retiree Benefit Trust (CERBT), an irrevocable trust to fund the OPEB liability. At June 30, 2018, the CERBT assets market value was $19,793,097.

REQUEST FOR INFORMATION

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

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

BASIC FINANCIAL STATEMENTS

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION
June 30, 2018

	Primary Government	Component Unit
Assets		
Current Assets:		
Cash and cash equivalents	$ 153,957,338	$ 896,809
Accounts receivable, net	17,270,565	741,432
Inventory	1,412,841	-
Prepaid expenses	3,935,716	-
Due from Fiduciary funds	378,281	-
Due from Foundations	1,402,646	-
Total Current Assets	178,357,387	1,638,241
Non-Current Assets:		
Restricted cash and cash equivalents	44,038,140	-
Investments	-	42,810,800
Capital assets, net of accumulated depreciation	691,786,936	-
Total Non-Current Assets	735,825,076	42,810,800
Total Assets	914,182,463	44,449,041
Deferred Outflows of Resources		
Deferred charge on refunding	35,425,203	-
Deferred outflows - pensions	64,170,694	-
Deferred outlflows - OPEB	7,268,956	-
Total Deferred Outflows of Resources	106,864,853	-
Total Assets and Deferred Outflows of Resources	$ 1,021,047,316	$ 44,449,041

See accompanying notes to the financial statements.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION
June 30, 2018

	Primary Government	Component Unit
Liabilities		
Current Liabilities:		
Accounts payable	$ 29,616,920	$ 841,116
Accrued liabilities	5,199,349	454,687
Accrued interest	12,675,550	-
Unearned revenue	26,903,499	-
Current portion of long term liabilities	19,590,082	-
Total Current Liabilities	93,985,400	1,295,803
Non-Current Liabilities		
Non-current portion of long term liabilities	1,156,148,465	-
Total Non-Current Liabilities	1,156,148,465	-
Total Liabilities	1,250,133,865	1,295,803
Deferred Inflows of Resources		
Deferred inflows - pensions	21,190,546	-
Net Position		
Net investment in capital assets	(18,490,592)	-
Restricted for:		
Debt service	30,645,778	-
Scholarship and loans	27,219	16,337,096
Other special purposes	9,228,791	-
Permanently restricted	-	18,092,857
Unrestricted	(271,688,291)	8,723,285
Total Net Position	(250,277,095)	43,153,238
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 1,021,047,316	$ 44,449,041

See accompanying notes to the financial statements.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2018

	Primary Government	Component Unit
Operating Revenues		
Tuition and fees (gross)	$ 74,293,906	$ -
Less: Scholarship discounts and allowances	(11,670,909)	-
Net tuition and fees	62,622,997	-
Grants and contracts, noncapital		
Federal	22,011,149	-
State	62,349,565	-
Local	1,112,550	5,205,956
Auxiliary	10,989,363	-
Other	4,868,986	-
Total Operating Revenues	163,954,610	5,205,956
Operating Expenses		
Salaries	153,758,370	2,244,305
Employee benefits	65,389,111	394,899
Supplies, materials, and other operating expenses and services	73,718,999	2,652,142
Financial aid	24,471,949	772,611
Utilities	3,508,523	-
Depreciation	40,839,198	-
Total Operating Expenses	361,686,150	6,063,957
Operating Income (Loss)	(197,731,540)	(858,001)
Non-Operating Revenues (Expenses)		
State apportionments, non-capital	11,220,057	-
Local property taxes	118,259,531	-
State taxes and other revenues	6,800,708	-
Investment income	1,697,305	2,717,730
Interest expense	(38,485,727)	-
Other nonoperating revenue	219,927	-
Total Non-Operating Revenues (Expenses)	99,711,801	2,717,730
Loss Before Other Revenues, Expenses, Gains and Losses	(98,019,739)	1,859,729
Other Revenues, Expenses, Gains and Losses		
State apportionments, capital	3,515,213	-
Local property taxes	36,927,086	-
Interest and investment income, capital	640,262	-
Local revenue, grants and gifts, capital	2,127,300	-
Total Other Revenues, Expenses, Gains and Losses	43,209,861	-
Changes in Net Position	(54,809,878)	1,859,729
Net Position, Beginning of Year Before Restatement	(106,016,202)	37,157,207
Cumulative effect of change in accounting principle (Note 18)	(89,451,015)	-
Net Position, Beginning of Year After Restatement	(195,467,217)	37,157,207
Net Position, End of Year	$ (250,277,095)	$ 39,016,936

See accompanying notes to the financial statements.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2018

	Primary Government	Component Unit
Cash Flows From Operating Activities		
Tuition and fees	$ 62,894,148	$ -
Federal grants and contracts	29,377,434	-
State grants and contracts	67,065,559	-
Local grants and contracts	1,323,693	4,649,485
Sales	11,046,395	-
Payments to suppliers	(74,610,693)	(766,278)
Payments to/on-behalf of employees	(211,185,785)	(2,762,451)
Payments to/on-behalf of students	(24,471,949)	(1,885,816)
Other miscellaneous payments	4,159,632	-
Net cash provided (used) by operating activities	(134,401,566)	(765,060)
Cash Flows From Non-Capital Financing Activities		
State apportionments and receipts	12,207,219	-
Property taxes	118,259,531	-
Grants and gifts for other than capital purposes	7,955,944	-
State tax and other revenues	219,952	-
Net cash provided (used) by non-capital financing activities	138,642,646	-
Cash Flows From Capital and Related Financing Activities		
State apportionment for capital purposes	3,515,213	-
Net purchases of capital assets	(25,624,717)	-
Proceeds from capital debt	640,262	-
Local revenue for capital purposes	39,054,386	-
Principal paid on capital debt	(16,017,786)	-
Interest paid on capital debt	(27,459,131)	-
Net cash provided (used) by capital and financing activities	(25,891,773)	-
Cash Flows from Investing Activities		
Interest on investments	1,697,281	-
Purchase of investments	-	751,433
Proceeds from sale of investments	-	(201,405)
Net cash provided (used) by investing activities	1,697,281	550,028
Net Change in Cash and Cash Equivalents	(19,953,412)	(215,032)
Cash Balance - Beginning of Year	217,948,890	1,111,841
Cash Balance - End of Year	$ 197,995,478	$ 896,809

See accompanying notes to the financial statements.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2018

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	Primary Government	Component Unit
Operating income (loss)	$ (197,731,540)	$ (858,001)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	40,839,198	-
Realized and unrealized gain on investments		-
Changes in assets and liabilities:		
Receivables, net	7,866,452	(394,044)
Inventory	36,000	-
Prepaid expenses	(128,971)	567
Due from fiduciary funds	(670,194)	-
Deferred outflows of resources - pensions and OPEB	(28,478,145)	-
Accounts payable	1,559,180	486,418
Accrued liabilities	(537,927)	-
Unearned revenue	4,715,993	-
Compensated absences	1,771,725	-
Net OPEB Liability	6,738,530	-
Deferred inflows of resources - pensions	6,213,369	-
Net pension liability	23,404,764	-
Net cash provided (used) by operating activities	$ (134,401,566)	$ (765,060)

See accompanying notes to the financial statements.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
June 30, 2018

		Associated Student Government Custodial Funds
Assets		
Cash and cash equivalents	$	1,998,619
Due from others		75,318
Accounts receivable		6,465
Prepaid expenses		29,347
Total Assets	$	2,109,749
Liabilities		
Accounts payable	$	84,594
Due to primary government		378,281
Deferred revenue		124,715
Total Liabilities		587,590
Net Position		
Unrestricted		1,522,159
Total Liabilities and Net Position	$	2,109,749

See accompanying notes to the financial statements.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Fiscal Year Ended June 30, 2018

	Associated Student Government Custodial Funds
Additions	
Sales and other local revenues	1,830,348
Interest income	29,403
Total Additions	1,859,751
Deductions	
Services and operating expenditures	1,345,671
Salaries	681,005
Student financial aid	15,700
Total Deductions	2,042,376
Net Changes in Net Position	(182,625)
Net Position, Beginning of Year	1,704,784
Net Position, End of Year	$ 1,522,159

See accompanying notes to the financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Foothill-De Anza Community College District (District) is the level of government primarily accountable for activities related to public education. The governing authority consists of elected officials who, together, constitute the Board of Trustees.

The District considered its financial and operational relationships with potential component units under the reporting entity definition of Governmental Accounting Standards Board (GASB). The basic, but not the only, criterion for including another organization in the District's reporting entity for financial reports is the ability of the District's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one entity is dependent on another and a financial benefit or burden relationship is present and that the dependent unit should be reported as part of the other.

Oversight responsibility is derived from the District's power and includes, but is not limited to: financial interdependency; selection of governing authority; designation of management; ability to significantly influence operations; and accountability for fiscal matters.

Due to the nature and significance of their relationship with the District, including ongoing financial support of the District or its other component units, certain organizations warrant inclusion as part of the financial reporting entity. A legally separate, tax-exempt organization should be reported as a component unit of the District if all of the following criteria are met:

- The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the District, its component units, or its constituents.
- The District, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
- The economic resources received or held by an individual organization that the District, or its component units, is entitled to, or has the ability to otherwise access, are significant to the District.

Based upon the application of the criteria listed above, the Facilities Corporation 2011 of the Foothill-De Anza Community College District (Corporation) has been included in the District's reporting entity as a blended component unit.

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

The Foothill-De Anza Community Colleges Foundation (the Foundation) is a legally separate, tax-exempt component unit of the District. The Foundation acts primarily as a fundraising organization to provide grants and scholarships to students and support to employees, programs,

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

and departments of the District. The twenty member board of the Foundation consists of community members, alumni, and other supporters of the Foundation. Although the District does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests are restricted to the activities of the District by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the District, the Foundation is considered a component unit of the District with the inclusion of the statements as a discretely presented component unit. The Foundation is reported in separate financial statements because of the difference in its reporting model, as further described below. The Foundation is a not-for-profit organization under Internal Revenue Code (IRC) Section 501(c)(3) that reports its financial results in accordance with Financial Accounting Standards Codifications. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the District's financial reporting entity for these differences.

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

The Foothill-De Anza Community College District Financing Corporation (the Corporation) is a legally separate organization and a component unit of the District. The Corporation was formed to issue debt specifically for the acquisition and construction of capital assets for the District. The Board of Trustees of the Corporation 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.

Financial Statement Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the GASB. The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of the District’s financial activities. The entity-wide perspective replaces the fund-group perspective previously required. Fiduciary activities, with the exception of the Student Financial Aid Fund, are excluded from the basic financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

For financial reporting purposes, the District is considered a special-purpose government engaged in business-type activities. Accordingly, the District's basic financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

For internal accounting purposes, the budgetary and financial accounts of the District have been recorded and maintained in accordance with the Chancellor's Office of the California Community College's *Budget and Accounting Manual*. The financial resources of the District are divided into separate funds for which separate accounts are maintained for recording cash, other resources and all related liabilities, obligations and equities.

By state law, the District's Governing Board must approve a budget no later than September 15. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements. Budgets for all governmental funds were adopted on a basis consistent with generally accepted accounting principles (GAAP). These budgets are revised by the District's Governing Board during the year to give consideration to unanticipated income and expenditures. Formal budgetary integration was employed as a management control device during the year for all budgeted funds. Expenditures cannot legally exceed appropriations by major object account.

Cash and Cash Equivalents

The District's cash and cash equivalents, are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash in the County Treasury is recorded at cost, which approximates fair value, in accordance with the requirements of GASB.

Investments

Investments are reported at fair value, which is determined by the most recent bid and asking price as obtained from dealers that make markets in such securities.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounts Receivables

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

Inventories

Inventories are presented at the lower of cost or market on an average basis and are expensed when used. Inventory consists of expendable instructional, custodial, health and other supplies held for consumption.

Prepaid Expenses

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2018, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which goods or services are consumed.

Restricted Cash and Cash Equivalents

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

Capital Assets

Capital assets are long-lived assets of the District as a whole and include land, construction-in-progress, buildings, leasehold improvements, and equipment. The District maintains an initial unit cost capitalization threshold of $5,000 for furniture and equipment and $150,000 for other capital expenditures including land, building and improvements with an estimated useful life greater than one year. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. The District does not possess any infrastructure assets as defined in GASB Statement No. 34. Donated capital assets are recorded at estimated acquisition value at the date of donation. Improvements to buildings and land that significantly increase the value or extend the useful life of the asset are capitalized; the costs of routine maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged as an

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The District has the following deferred outflows:

Deferred Charge on Refunding: A deferred charge on refunding results from the difference in carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

Accounts Payable and Accrued Liabilities

Accounts payable consists of amounts due to vendors for goods and services received prior to June 30. Accrued liabilities consist of salaries and benefits payable and other accrued expenses.

Unearned Revenue

Cash received for Federal and state special projects, and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Unearned revenue is recorded to the extent cash received on specific projects and programs exceeds qualified expenditures. Unearned revenue also includes summer enrollment fees received but not earned.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as a liability in the statement of net position when incurred.

Sick leave benefits are accumulated without limit for each employee. The employees do not gain a vested right to accumulated sick leave; therefore, accumulated employee sick leave benefits are not recognized as a liability of the District. The District's policy is to record sick leave as an operating expense in the period taken; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

Long-Term Obligations

Long-term debt and other obligations financed by proprietary funds are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. General obligation bonds are reported net of the applicable bond premium or discount.

Medicare Premium Liability

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

Net Pension Liability

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers’ Retirement System (CalSTRS) and the California Public Employees’ Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net assets by the District that is applicable to a future reporting period. The deferred inflows of resources related to pensions resulted from the effects of actuarially-determined changes to the pension plan. These amounts are deferred and amortized as detailed in Note 8 to the financial statements.

Net Position

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

Restricted Net Position – Expendable: Restricted expendable net position includes resources in which the District is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties or by enabling legislation adopted by the District. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Restricted Net Position – Nonexpendable: Nonexpendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The District has no Restricted Net Position – Nonexpendable net assets.

Unrestricted Net Position: Unrestricted net position represents resources available to be used for transactions relating to the general operations of the District, and may be used at the discretion of the governing board, as designated, to meet current expenses for specific future purposes.

State Apportionments

Certain current year apportionments from the state are based upon various financial and statistical information of the previous year. The California Community College Chancellor's Office recalculates apportionment on a statewide basis each February of the subsequent year; any difference in computational revenue or state aid will be recorded in the year computed by the State.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District also receives state apportionments for categorical programs. These allocations are based on various financial and statistical information from the current and previous years.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31 and become delinquent after August 31.

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

Classification of Revenues

The District has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating Revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as student fees, net of scholarship discounts and allowances, and Federal and most state and local grants and contracts.

Nonoperating Revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as State apportionments, taxes, and other revenue sources that are defined as nonoperating revenues by GASB.

Scholarships, Discounts and Allowances

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Classification of Revenues – Proprietary Funds

Proprietary funds distinguish operating revenues from non-operating revenues. Operating revenues include activities that have the characteristics of exchange transactions, such as bookstore and food service sales, Federal and most State and local grants and contracts, and self-insurance premiums. Non-operating revenues include activities that have the characteristics of non-exchange transactions that are defined as nonoperating revenues by GASB.

Estimates

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

NOTE 2: DEPOSITS

Deposits - Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial risk. As of June 30, 2018, $3,726,306 of the District's bank balance of $4,408,750 was exposed to credit risk as uninsured and uncollateralized.

Cash in County Treasury

In accordance with the *Budget and Accounting Manual*, the District maintains substantially all of its cash in the Santa Clara County Treasury as part of the common investment pool. The District is considered an involuntary participant in the investment pool. These pooled funds are recorded at amortized cost which approximates fair value. Fair value of the pooled investments at June 30, 2018 is measured at 99.20% of amortized cost. The District's investments in the fund are considered to be highly liquid and reflected in the financial statements as cash and cash equivalents in the statement of net position.

The County is authorized to deposit cash and invest excess funds by California Government Code Sections 53534, 53601, 53635 and 53648. The County is restricted to invest time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and

NOTE 2: DEPOSITS

repurchase or reverse repurchase agreements. The funds maintained by the County are either secured by federal depository insurance or are collateralized. The County investment pool is not required to be rated. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

Cash and cash equivalents as of June 30, 2018 are as shown herein.

Primary Government	June 30, 2018
Cash on hand and in banks	$ 4,472,989
Cash in revolving accounts	14,162
Cash with fiscal agent	1,163,797
Cash in County Treasury	192,344,530
Total cash and cash equivalents	$ 197,995,478

Fiduciary Funds	June 30, 2018
Cash in County Treasury	$ 1,998,619
Total cash and cash equivalents	$ 1,998,619

Investments

Policies

Under provisions of California Government Code Sections 16430, 53601 and 53602 and District Board Policy Section 3130, the District may invest in the types of investments shown herein. The District did not violate any provisions of the California Government Code or District Board policy during the year ended June 30, 2018.

- State of California Local Agency Investment Fund (LAIF)
- County Treasurer's Investment Pools
- U.S. Treasury notes, bonds, bills or certificates of indebtedness
- U.S. Government Agency guaranteed instruments
- Fully insured or collateralized certificates of deposit
- Fully insured and collateralized credit union accounts

Investment Valuation

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB require or permit in the statement of net position at the end of each

NOTE 2: DEPOSITS

reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Credit risk is the risk an issuer of an investment will not fulfill its obligations. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. The District follows Government Code to reduce exposure to investment credit risk.

Concentration of Credit Risk

The District places no limit on the amount that may be invested in one issuer.

Custodial Credit Risk

Custodial Credit Risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments that are in possession of an outside party. The District does not have a policy limiting the amount of securities that can be held by counterparties.

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2018 consists of the balances shown herein.

Primary Government	June 30, 2018
Federal and state	$ 8,867,787
Student	8,878,469
Less allowance for bad debt	(2,232,520)
Miscellaneous	1,756,829
Total accounts receivable	$ 17,270,565

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.

NOTE 4: CAPITAL ASSETS AND DEPRECIATION

A summary of changes for the District in capital assets for the year ended June 30, 2018 is shown herein.

	Balance July 1, 2017	Additions	Retirements and Transfers	Balance June 30, 2018
Capital assets not being depreciated:				
Land	$ 2,489,777	$ -	$ -	$ 2,489,777
Construction in progress	154,800,185	27,253,506	2,562,826	179,490,865
Total capital assets not being depreciated	157,289,962	27,253,506	2,562,826	181,980,642
Capital assets being depreciated:				
Site improvements	143,654,145	-	-	143,654,145
Buildings and improvements	786,279,205	174,631	-	786,453,836
Equipment and software	65,337,133	1,897,474	(6,276)	67,240,883
Total capital assets being depreciated	995,270,483	2,072,105	(6,276)	997,348,864
Less accumulated depreciation for:				
Site improvements	(86,135,782)	(8,856,499)	-	(94,992,281)
Buildings	(309,848,624)	(28,154,415)	-	(338,003,039)
Equipment	(50,725,242)	(3,828,284)	(6,276)	(54,547,250)
Total accumulated depreciation	(446,709,648)	(40,839,198)	(6,276)	(487,542,570)
Depreciable assets, net	548,560,835	(38,767,093)	(12,552)	509,806,294
Capital assets, net	$ 705,850,797	$ (11,513,587)	$ 2,550,274	$ 691,786,936

Depreciation expense of $40,839,198 was recorded during the year.

NOTE 5: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2018 consists of the amounts shown herein.

Primary Government	June 30, 2018
Vendors	$ 22,000,487
Retention	1,352,528
Categorical programs	6,263,905
Total accounts payable	29,616,920
Payroll and benefits	1,866,739
Accrued expenses	3,332,610
Total accrued liabilities	5,199,349
Total accounts payable and accrued liabilities	$ 34,816,269

Fiduciary Funds	June 30, 2018
Vendors	$ 84,594
Total accounts payable	$ 84,594

NOTE 6: UNEARNED REVENUE

Unearned revenue at June 30, 2018 consists of the amounts shown herein.

Primary Government	June 30, 2018
Federal financial assistance	$ 72,861
State categorical aid	12,193,309
Other state	3,989,199
Enrollment fees	7,067,372
Other local	3,580,758
Total unearned revenue	$ 26,903,499

NOTE 7: INTERFUND TRANSACTIONS

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended. Interfund receivables and payables result when the interfund transfer is transacted after the close of the fiscal year. Interfund activity within funds has been eliminated in the basic financial statements.

NOTE 8: EMPLOYEE RETIREMENT PLANS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

As of June 30, 2018, the District's proportionate share of the net pension liabilities, pension expense, and deferred inflows of resources and deferred outflows of resources for each of the retirement plans is as follows:

The details of each plan are as follows:

Pension Plan	Proportionate Share of Net Pension Liability	Deferred Outflows of Resources	Proportionate Share of Deferred Inflows of Resources	Proportionate Share of Pension Expense
CalSTRS - STRP	$ 122,073,600	$ 33,396,430	$ 17,640,526	$ 10,004,082
CalPERS - Schools Pool Plan	102,174,896	30,774,264	3,550,020	17,111,177
Total	$ 224,248,496	$ 64,170,694	$ 21,190,546	$ 27,115,259

<u>California State Teachers' Retirement System (CalSTRS)</u>

Plan Description

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

NOTE 8: EMPLOYEE RETIREMENT PLANS

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 to the STRP Defined Benefit Program and STRP Defined Benefit Supplement Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2018 , are summarized as follows:

Provisions and Benefits	CalSTRS-STRP Defined Benefit Program and Supplement Program	
Hire date	On or Before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0%-2.4%	2.0%-2.4%
Required employee contribution rate	10.25%	9.21%
Required employer contribution rate	14.43%	14.43%
Required state contribution rate	9.328%	9.328%

Contributions

Required member, District and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. The contribution rates for each plan for the year ended June 30, 2018 are presented above and the total District contributions were $10,329,430.

NOTE 8: EMPLOYEE RETIREMENT PLANS

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

At June 30, 2018 , 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:

Proportionate Share of Net Pension Liability	Balance June 30, 2018
District proportionate share of net pension liability	$ 122,073,600
State's proportionate share of the net pension liability associated with the District	72,218,299
Total	$ 194,291,899

The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2017, the District's proportion was 0.1320%.

For the year ended June 30, 2018, the District recognized pension expense of $10,004,082 and revenue of $7,269,465 for support provided by the state. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Pension Deferred Outflows and Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 10,329,430	$ -
Difference between expected and actual experience	451,440	2,129,160
Change in assumptions	22,615,560	
Change in proportion		12,260,206
Net differences between projected and actual earnings on plan investments	-	3,251,160
Total	$ 33,396,430	$ 17,640,526

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. The net difference between projected and actual earnings on plan investments is amortized over a five year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and remaining amount is deferred and will be amortized over the remaining four-year period. The remaining net differences

NOTE 8: EMPLOYEE RETIREMENT PLANS

between projected and actual earnings on plan investments shown above represents the unamortized balance relating to the current measurement period and the prior measurement periods on a net basis.

All other deferred outflows of resources and deferred inflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the STRP for the June 30, 2017 measurement date is seven years. The first year of amortization is recognized in pension expense for the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods not to exceed six years.

The remaining amount will be recognized to pension expense as follows:

Year Ending June 30,	Amortization
2019	$ (1,617,440)
2020	3,130,600
2021	1,380,280
2022	(1,803,121)
2023	1,474,251
2024	2,861,904
Total	$ 5,426,474

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, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016 used the following methods and assumptions, applied to all prior periods included in the measurement:

Actuarial Methods and Assumptions	
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.10%
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are

NOTE 8: EMPLOYEE RETIREMENT PLANS

CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.
The long-term expected rate of return on pension plan investments was determined using a building-block method 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 and adopted by the CalSTRS Board in February 2017. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2017, the date the current experience study was approved by the board. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	6.30%
Private equity	13%	9.30%
Real estate	13%	5.20%
Absolute return risk mitigating strageties	9%	2.90%
Inflation sensitive	4%	3.80%
Fixed income	12%	0.30%
Cash/liquidity	2%	-1.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed 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 (7.10%) and assuming that contributions, benefit payments, and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

NOTE 8: EMPLOYEE RETIREMENT PLANS

Discount rate	Net Pension Liability
1% decrease (6.10%)	$ 179,242,800
Current discount rate (7.10%)	122,073,600
1% increase (8.10%)	75,676,920

Plan Fiduciary Net Position

Detailed information about the STRP's plan fiduciary net position is available in a separate comprehensive annual financial report for CalSTRS. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7667 Folsom Boulevard, Sacramento, CA 95826.

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the Schools Pool Plan under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least 5 years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

NOTE 8: EMPLOYEE RETIREMENT PLANS

The CalPERS provisions and benefits in effect at June 30, 2018, are summarized as follows:

Provisions and Benefits	CalPERS-Schools Pool Plan	
Hire date	On or Before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1%-2.5%	1.0%-2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	15.531%	15.531%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are determined through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018 are as presented above and the total District contributions were $8,654,851.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $102,174,896. The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2017, the District's proportion was 0.4280%.

For the year ended June 30, 2018, the District recognized pension expense of $17,111,177. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 8: EMPLOYEE RETIREMENT PLANS

Pension Deferred Outflows and Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 8,654,851	$ -
Difference between expected and actual experience	3,660,505	
Changes of assumptions	14,924,251	1,202,983
Changes in proportion		2,347,037
Net differences between projected and actual earnings on plan investments	3,534,657	
Total	$ 30,774,264	$ 3,550,020

The deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. The remaining amounts will be recognized to pension expense as follows:

Year Ending June 30,	Amortization
2019	$ 4,434,649
2020	9,510,923
2021	6,559,236
2022	(1,935,415)
Total	$ 18,569,393

Actuarial Methods and Assumptions

Total pension liability for the Schools Pool Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2015 used the following methods and assumptions, applied to all prior periods included in the measurement:

Actuarial Methods and Assumptions	
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Experience Study	July 1, 1997 through June 30, 2011
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.15%
Investment Rate of Return	7.50%
Consumer Price Inflation	2.75%
Wage Growth	2.75%

NOTE 8: EMPLOYEE RETIREMENT PLANS

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include 20 years of projected ongoing mortality improvement using Scale BB published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	5.38%
Fixed income	19%	2.27%
Private equity	12%	6.63%
Real estate	11%	5.21%
Infrastructure and Forestland	3%	5.39%
Inflation assets	6%	1.39%
Liquidity	2%	-0.90%

Discount Rate

The discount rate used to measure the total pension liability was 7.15% and reflects the long-term expected rate of return for the Schools Pool Plan net of investment expenses and without reduction for administrative expenses. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the Schools Pool Plan fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

NOTE 8: EMPLOYEE RETIREMENT PLANS

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 (6.15%)	$ 150,332,014
Current discount rate (7.15%)	102,174,896
1% increase (8.15%)	62,224,534

Plan Fiduciary Net Position

Detailed information about CalPERS Schools Pool Plan fiduciary net position is available in a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

Deferred Compensation

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

NOTE 9: POST EMPLOYMENT HEALTHCARE BENEFITS

The District provides postemployment health care benefits for retired employees.

Plan Description and Eligibility

The District established an Other Post Employment Benefit Plan (the Plan) which is an agent multiple-employer defined benefit healthcare plan administered by the California Employers Retirement Benefit Trust (CERBT). CERBT serves as an irrevocable trust, ensuring that funds contributed into its Investment Trust are dedicated to serving the needs of member districts, and their employees and retirees. The Plan provides medical and dental insurance benefits to eligible

NOTE 9: POST EMPLOYMENT HEALTHCARE BENEFITS

retirees and their spouses. Separate financial statements are prepared for the CERBT and can be found at https://www.calpers.ca.gov. The District provides retirees, hired before July 1, 1997, their dependents, and domestic partners with health and hospital benefits, prescription drug benefits, vision care benefits, and dental care benefits, subject to eligibility requirements. Employees hired on or after July 1, 1997, are eligible for a health benefits bridge program to cover the period of time between retirement eligibility and Medicare coverage.

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

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually through agreements between the District and the bargaining units. The District contributed $8,547,542 to the plan, including the implicit rate subsidy, for fiscal year ended June 30, 2018.

Net OPEB Liability

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

	Balance June 30, 2018
Total OPEB liability	$ 107,693,348
Plan fiduciary net position	16,950,906
District's net OPEB liability	$ 90,742,442
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	16%

Investments

At June 30, 2017, all Plan investments are held in the California Employers' Retiree Benefit Trust Program (CERBT) through CalPERS.

NOTE 9: POST EMPLOYMENT HEALTHCARE BENEFITS

Actuarial Methods and Assumptions

The District's net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. Liabilities in this report were calculated as of the valuation date.

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018, using the actuarial assumptions shown herein, applied to all periods included in the measurement, unless otherwise specified.

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net	Net OPEB Liability
Balances at June 30, 2016	$ 107,066,702	$ 13,989,363	$ 93,077,339
Changes for the year:			
Service cost	412,154		412,154
Interest	7,262,034		7,262,034
Employer contributions		8,547,542	(8,547,542)
Net investment income		1,474,081	(1,474,081)
Benefit payments	(7,047,542)	(7,047,542)	-
Administrative expenses		(12,538)	12,538
Net changes	626,646	2,961,543	(2,334,897)
Balances at June 30, 2017	$ 107,693,348	$ 16,950,906	$ 90,742,442

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

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Shown herein is the assumed asset allocation and assumed rate of return for each asset class.

NOTE 9: POST EMPLOYMENT HEALTHCARE BENEFITS

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

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

Changes in the Net OPEB Liability

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

Discount rate	Net OPEB Liability
1% decrease (6.0%)	$ 101,344,826
Current discount rate (7.0%)	90,742,442
1% increase (8.0%)	81,728,093

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

Healthcare trend rate	Net OPEB Liability (Asset)
1% decrease 3.0%)	$ 81,466,815
Current healthcare trend rate (4.0%)	90,742,442
1% increase (5.0%)	101,470,601

NOTE 9: POST EMPLOYMENT HEALTHCARE BENEFITS

OPEB Expense

For the year ended June 30, 2018, the District recognized OPEB expense of $6,212,645. The District reported $7,268,956 as deferred outflows of resources related to contributions made subsequent to the June 30, 2017 measurement date of which will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2019.

NOTE 10: LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2018 is shown herein.

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Amount Due in One Year
General Obligation bonds	$ 765,533,718	$ 12,208,270	$ 13,991,117	$ 763,750,871	$ 12,984,093
Premiums, net of amortization	57,658,712	-	3,224,449	54,434,263	3,487,385
Certificates of participation	26,925,000	-	935,000	25,990,000	970,000
Premiums, net of amortization	1,559,139	-	66,346	1,492,793	66,346
Total Bonds and Notes Payable	851,676,569	12,208,270	18,216,912	845,667,927	17,507,824
Compensated absences	5,297,661	258,822	-	5,555,479	145,905
Capital leases	3,905,528	-	1,091,669	2,813,859	1,110,857
Claims liability	4,670,552	1,513,907	-	6,184,459	825,496
OPEB liability	-	90,742,442	-	90,742,442	-
Medicare Premium Program	-	525,885	-	525,885	-
Net pension liability	200,843,732	23,404,764	-	224,248,496	-
Total Other Liabilities	214,717,473	116,445,820	1,091,669	330,070,620	2,082,258
Total Long Term Debt	$ 1,066,394,042	$ 128,654,090	$ 19,308,581	$1,175,738,547	$ 19,590,082

The District participates in the Medicare Premium Payment (MPP) Program of the California State Teachers' Retirement Plan (the STRP). The District's proportionate share of the liability is 0.125%. As the plan activity and the District's proportionate share of the total OPEB liability is not significant, additional disclosures regarding the plan are not included in these financial statements

NOTE 11: GENERAL OBLIGATIONS BONDS

Liabilities are liquidated by the General Fund for governmental activities, including capital leases, certificates of participation, compensated absences, other postemployment healthcare benefits, and net pension liability. General obligation bond liabilities are liquidated through property tax collections as administered by the County Auditor-Controller's Office through the Bond Interest and Redemption Fund.

General Obligation Bonds	Date of Issue	Date of Maturity	Interest Rate %	Amount of Original Issue	Outstanding June 30, 2018
Measure E General Obligation Bonds					
Series A	5/3/2000	8/1/2030	4.30 - 6.26%	$ 99,995,036	$ 16,098,726
Series B	9/9/2003	8/1/2036	2.00 - 5.79%	90,100,063	49,990,063
Series C	9/20/2005	8/1/2036	3.00 - 5.03%	57,904,900	21,007,253
2002 General Obligation Refunding Bonds	10/02/02	08/01/30	2.00 - 5.00%	67,475,000	-
2005 General Obligation Refunding Bonds	9/20/2005	8/1/2021	3.00 - 5.25%	22,165,000	16,650,000
2012 General Obligation Refunding Bonds	5/3/2012	8/1/2030	0.25 - 5.00%	70,735,000	55,420,000
2014 General Obligation Refunding Bonds	7/1/2014	8/1/2036	2.00 - 5.00%	17,615,000	17,615,000
Accreted Interest					105,814,350
Total 1999 Election Bonds					282,595,392
Measure C General Obligation Bonds					
Series A	4/18/2007	8/1/2036	4.00 - 5.00%	149,995,250	21,455,250
Series B	5/3/2007	8/1/2036	4.00 - 5.00%	99,996,686	13,381,687
Series C	5/19/2011	8/1/2040	4.73 - 4.78%	184,000,000	-
Series D	10/19/2016	8/1/2038	3.00 - 4.00%	26,040,000	26,040,000
Series E	10/19/2016	8/1/2040	2.50 - 3.22%	30,765,000	30,765,000
2014 General Obligation Refunding Bonds	7/1/2014	8/1/2036	2.00 - 5.00%	85,400,000	85,400,000
2015 General Obligation Refunding Bonds	8/15/2015	8/1/2031	1.00 - 5.00%	83,100,000	82,565,000
2016 General Obligation Refunding Bonds	10/19/2016	8/1/2040	2.00 - 4.00%	201,735,000	198,700,000
Accreted Interest					22,848,542
Total 2006 Election Bonds					481,155,479
Total					$ 763,750,871

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 Fund.

NOTE 11: GENERAL OBLIGATIONS BONDS

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 Measure E Series C General Obligation Bonds ($17,615,000), and Measure C Series A and B General Obligation Bonds ($85,400,000). The economic gain on the bond refunding was $9,845,042.

Measure C

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

NOTE 11: GENERAL OBLIGATIONS BONDS

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

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

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

Series D was sold on October 19, 2016, for a total of $26,040,000.

Series E was sold on October 19, 2016, for a total of $30,765,000.

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.

On October 19, 2016, the District issued General Obligation Refunding Bonds in the amount of $201,735,000 for the purpose of refunding $184,000,000 of the Measure C Series C General Obligation Bonds. The economic gain on the bond refunding was approximately $22.9 million. The balance in the refunding escrow was approximately $220 million at June 30, 2017.

Debt Maturity

General Obligation Bonds

The bonds mature through the fiscal years ending June 30, 2031 are as shown herein.

Measure E, Series A

	Principal	Interest
2019	$ 1,894,093	$ 3,740,907
2020	1,893,296	4,131,704
2021	1,893,447	4,531,553
2022	973,817	2,551,184
2023	994,571	2,855,430
2024-2028	5,202,213	19,382,787
2029-2031	3,247,289	16,412,711
Total	16,098,726	$ 53,606,276
Accreted Interest	40,286,159	
Total	$ 56,384,885	

NOTE 11: GENERAL OBLIGATIONS BONDS

Measure E, Series B

Year Ending June 30,	Principal	Interest
2019	$ -	$ 712,500
2020	-	712,500
2021	-	712,500
2022	-	712,500
2023	5,590,000	544,800
2024-2028	14,962,482	22,161,068
2029-2033	14,147,330	52,637,670
2034-2037	15,290,251	76,479,749
Total	49,990,063	$ 154,673,287
Accreted Interest	48,070,039	
Total	$ 98,060,102	

Measure E, Series C

Year Ending June 30,	Principal	Interest
2019	$ -	$ -
2020	-	-
2021	-	-
2022	-	-
2023	-	-
2024-2028	6,891,280	11,153,720
2029-2033	10,558,536	26,331,464
2034-2035	3,557,437	10,817,563
Total	21,007,253	$ 48,302,747
Accreted Interest	17,458,155	
Total	$ 38,465,408	

NOTE 11: GENERAL OBLIGATIONS BONDS

2005 Refunding Bond

Year Ending June 30,	Principal	Interest
2019	$ 3,440,000	$ 783,826
2020	3,890,000	591,413
2021	4,390,000	374,063
2022	4,930,000	129,413
Total	$ 16,650,000	$ 1,878,715

2012 Refunding Bond

Year Ending June 30,	Principal	Interest
2019	$ 1,595,000	$ 2,670,875
2020	1,845,000	2,594,100
2021	2,090,000	2,525,850
2022	5,660,000	2,353,000
2023	6,180,000	2,057,000
2024-2028	21,405,000	6,985,875
2029-2031	16,645,000	1,282,375
Total	$ 55,420,000	$ 20,469,075

2014 Refunding Bond

Year Ending June 30,	Principal	Interest
2019	$ -	$ 880,750
2020	-	880,750
2021	-	880,750
2022	-	880,750
2023	-	880,750
2024-2028	-	4,403,750
2029-2033	-	4,403,750
2034-2037	17,615,000	2,237,375
Total	$ 17,615,000	$ 15,448,625

NOTE 11: GENERAL OBLIGATIONS BONDS

Measure C, Series A

Year Ending June 30,	Principal	Interest
2019	$ -	$ -
2020	-	-
2021	-	-
2022	-	-
2023	-	-
2024-2028	-	-
2029-2033	4,372,563	9,952,437
2034-2037	17,082,687	46,187,313
Total	21,455,250	$ 56,139,750
Accreted Interest	14,123,445	
Total	$ 35,578,695	

Measure C, Series B

Year Ending June 30,	Principal	Interest
2019	$ -	$ -
2020	-	-
2021	-	-
2022	-	-
2023	-	-
2024-2028	-	-
2029-2033	2,901,263	6,533,738
2034-2037	10,480,424	27,984,576
Total	13,381,687	$ 34,518,314
Accreted Interest	8,725,097	
Total	$ 22,106,784	

NOTE 11: GENERAL OBLIGATIONS BONDS

Measure C, Series D

Year Ending June 30,	Principal	Interest
2019	$ -	$ 875,300
2020	-	875,300
2021	-	875,300
2022	-	875,300
2023	-	875,300
2024-2028	3,630,000	3,273,100
2029-2033	2,220,000	3,141,500
2034-2038	-	3,028,500
2039-2041	20,190,000	1,036,800
Total	$ 26,040,000	$ 14,856,400

Measure C, Series E

Year Ending June 30,	Principal	Interest
2019	$ -	$ 955,535
2020	-	955,535
2021	-	955,535
2022	-	955,535
2023	-	955,535
2024-2028	1,090,000	4,764,071
2029-2033	8,170,000	4,159,918
2034-2038	18,520,000	2,248,043
2039	2,985,000	48,103
Total	$ 30,765,000	$ 15,997,810

NOTE 11: GENERAL OBLIGATIONS BONDS

2014 Refunding Bond

Year Ending June 30,	Principal	Interest
2019	$ 5,175,000	$ 3,935,825
2020	5,880,000	3,754,400
2021	6,665,000	3,517,300
2022	7,530,000	3,195,750
2023	8,530,000	2,794,250
2024-2028	51,620,000	6,214,750
Total	$ 85,400,000	$ 23,412,275

2015 Refunding Bond

Year Ending June 30,	Principal	Interest
2019	$ -	$ 3,650,525
2020	-	3,650,525
2021	-	3,650,525
2022	-	3,650,525
2023	-	3,650,525
2024-2028	8,050,000	18,051,375
2029-2032	74,515,000	6,733,388
Total	$ 82,565,000	$ 43,037,388

2016 Refunding Bond

Year Ending June 30,	Principal	Interest
2019	$ 880,000	$ 6,806,700
2020	635,000	6,862,050
2021	825,000	6,914,100
2022	1,205,000	6,873,500
2023	1,610,000	6,817,200
2024-2028	10,635,000	33,815,500
2029-2033	15,730,000	34,378,000
2034-2038	53,250,000	32,372,575
2039-2041	113,930,000	7,873,975
Total	$198,700,000	$ 142,713,600

NOTE 12: CERTIFICATES OF PARTICIPATION

On November 1, 2006, the Financing Corporation issued Certificates of Participation (2006 Certificates) in the amount of $11,335,000 for the construction and renovation of certain District facilities and the acquisition and installation of equipment, pay capitalized interest with respect to the 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.

On December 21, 2016, the Financing Corporation issued Certificates of Participation (Refunding Certificates) in the amount of $27,765,000 to refund $4,745,000 in principal outstanding on the 2006 Certificates, to refund $786,993 in outstanding principal on a capital lease issued on April 5, 2005 and for the construction and renovation of certain District facilities and the acquisition and installation of equipment, pay capitalized interest with respect to the Certificates and pay costs related to the execution and delivery of the Certificates. The COPs bear effective interest rates ranging from 2.0 percent to 5.0 percent and mature through 2041.

Certificates of Participation, Refunding

Year Ending June 30,	Principal	Interest
2019	$ 970,000	$ 1,144,750
2020	1,500,000	1,087,850
2021	1,435,000	1,014,475
2022	705,000	964,500
2023	735,000	935,700
2024-2028	4,180,000	4,141,300
2029-2033	5,205,000	3,094,175
2034-2038	6,590,000	1,675,475
2039-2041	4,670,000	285,200
Total	$ 25,990,000	$ 14,343,425

NOTE 13: CAPITAL LEASES

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

NOTE 13: CAPITAL LEASES

On August 19, 2013, the district entered into a capital lease agreement with Capital One Public Funding, LLC, to refinance the 2003 Certificate of Participation of $18.2 million. The refinanced lease amount of $7,580,000 constitutes the remainder of the refinanced $18.2 million 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 herein.

Year Ending June 30,	Principal	Interest
2019	$ 1,111,861	$ 44,403
2020	1,129,378	24,878
2021	572,620	5,010
Total	$ 2,813,859	$ 74,291

NOTE 14: RISK MANAGEMENT

Property and Liability Insurance Coverages

During fiscal year ending June 30, 2018, 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, 2018 were $825,491 and $5,358,968 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 2018 Plan Year, the PEPM was $1,011 or $12,132 for the year.

NOTE 14: RISK MANAGEMENT

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

Insurance Coverages

Insurance Program / Company Name	Type of Coverage	Limits
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 elated claim adjustment expenses.

Reported Liability	Beginning Fiscal Year Liability	Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
Worker's compensation	$ 4,670,552	$ 1,513,907	$ -	$ 6,184,459

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

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

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

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

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

During the year ended June 30, 2018, the District made payments of $385,824 to the South Bay Regional Public Safety Training Consortium and $118,650 to SELF.

NOTE 16: FUNCTIONAL EXPENSE

Operating expenses are reported by natural classification in the statement of revenues, expenses and change in net position. A schedule of expenses by function is shown herein.

Functional Expense	Salaries	Benefits	Supplies, materials, and other operating expenses and services	Utilities	Financial Aid	Depreciation	Total
Instructional activities	$ 85,347,281	$ 32,789,883	$ 1,426,559	$ 2,538	$ -	$ -	$119,566,261
Academic support	14,813,532	5,579,634	1,742,070	6,158	-	-	22,141,394
Student services	16,828,411	6,725,854	2,797,058	21,625	-	-	26,372,949
Operation and maintenance of plant	6,516,173	3,259,310	1,671,192	3,391,602	-	-	14,838,277
Instructional support services	22,263,458	14,387,549	30,347,162	82,829	-	-	67,080,998
Community services and economic development	2,016,292	515,601	1,534,985	2,769			4,069,647
Ancillary services and auxiliary operations	5,377,900	1,872,406	2,298,954	1,002	-	-	9,550,262
Physical property and related acquisitions	595,323	258,873	31,901,019	-	-	-	32,755,215
Transfers, student aid and other outgo	-	-	-	-	24,471,949		24,471,949
Depreciation expense	-	-	-	-	-	40,839,198	40,839,198
Total	$153,758,370	$ 65,389,111	$ 73,718,999	$ 3,508,523	$ 24,471,949	$ 40,839,198	$361,686,150

NOTE 17: COMMITMENTS AND CONTINGENCIES

The District is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have A material adverse effect on the District's financial statements.

State and Federal Allowances, Awards, and Grants

The District has received state and Federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believe that any required reimbursement will not be material.

Accreditation

The District's two Colleges maintain their accreditation by fulfilling criteria that are determined by the Accrediting Commission of Community Junior Colleges (ACCJC). Throughout its continuous seven-year review cycle, each College conducts and publishes several review

NOTE 17: COMMITMENTS AND CONTINGENCIES

completed their accreditation comprehensive visits in Fall 2017. The ACCJC reaffirmed both Colleges' accreditation for the full seven-year cycle through 2024.

Operating Leases

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

Future minimum lease payments under these agreements are as follows:

Year Ending June 30,	Lease Payment
2019	$ 124,184
2020	124,184
2021	124,184
2022	124,184
2023	124,184
Total	$ 620,920

Purchase Commitments

As of June 30, 2018, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately $10.9 million. Projects will be funded through state funds and general obligation bonds.

NOTE 18: CUMULATIVE EFFECT FOR CHANGE IN ACCOUNTING PRINCIPLES

Effective July 1, 2017, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Other than Pensions.* The statement established standards for purposes of measuring the net other postemployment benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and expenses. The implementation of the statement required the District to adjust the beginning net OPEB liability and record the deferred outflow of resources due to change in assumptions.

The beginning net position has been restated by a reduction of $89,451,015. The beginning OPEB liability of $93,077,339 plus a reduction of the asset recorded at June 30, 2017 of

NOTE 18: CUMULATIVE EFFECT FOR CHANGE IN ACCOUNTING PRINCIPLES

$4,921,218 under the previous standard, offset by the deferred outflow at July 1, 2017 of $8,547,542 resulted in the net cumulative effect of the implementation of GASB Statement No. 75 (See Note 9).

Statement of Financial Position	As Previously Reported	Adjustments	As Restated
Unrestricted net position	$ (106,016,202)	$ (89,451,015)	$ (195,467,217)

NOTE 19: DONATED SERVICES AND FACILITIES

Donated services and facilities to the Foothill-De Anza Community Colleges Foundation totaling $70,013 for the year ended June 30, 2018 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 20: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS ISSUED, NOT YET EFFECTIVE

The Governmental Accounting Standards Board (GASB) has issued pronouncements prior to June 30, 2018, that have effective dates that impact future financial presentations; however, the impact of the implementation of each of the statements below to the District's financial statements has not been assessed at this time.

Statement No. 83 – *Certain Asset Retirement Obligations*

This statement addresses accounting and financial reporting for certain asset retirement obligations when a legally enforceable liability is associated with the retirement of a tangible capital asset. The statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources. The statement is effective for the fiscal year 2018-19.

Statement No. 87 – *Leases*

The objective of the statement is to improve the accounting and financial reporting for leases by requiring recognition of certain lease assets and liabilities for leases that previously were

NOTE 20: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS ISSUED, NOT YET EFFECTIVE

classified as operating leases. Inflows of resources or outflows of resources will be recognized based on the payment provisions of the contract. The statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The statement is effective for the fiscal year 2020-21.

Statement No. 88 – *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Replacements*

The statement defines debt for purposes of disclosure in the notes to the financial statements. The statement requires additional disclosures related to debt obligations, including direct borrowings and direct placements. Amounts of unused lines of credit, assets pledged as collateral for debt and terms specified in debt agreements related to significant 1) events or default with finance-related consequences; 2) termination events with finance-related consequences and) subjective acceleration clauses are also required to be disclosed. The statement is effective for the fiscal year 2018-19.

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

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

REQUIRED SUPPLEMENTARY INFORMATION

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
For the Fiscal Year Ended June 30, 2018

California State Teachers' Retirement System - State Teachers' Retirement Plan	2015	2016	2017	2018
District's proportion of the net pension liability (assets)	0.1536%	0.1502%	0.1410%	0.1320%
District's proportionate share of the net pension liability (asset)	$ 89,739,321	$ 102,319,350	$ 114,042,210	$ 122,073,600
State's proportionate share of the net pension liability (asset) associated with the District	54,188,476	54,115,656	64,931,754	72,218,299
Total	$ 143,927,797	$ 156,435,006	$ 178,973,964	$ 194,291,899
District's covered payroll	$ 62,500,000	$ 64,900,000	$ 67,100,000	$ 72,200,000
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	143.58%	157.66%	169.96%	169.08%
Plan fiduciary net position as a percentage of the total pension liability	77.00%	74.00%	70.04%	69.46%

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

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

The amounts for covered payroll are reported as of the previous fiscal year to align with the measurement date of the net pension liability.

See the accompanying notes to the required supplementary information.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS
For the Fiscal Year Ended June 30, 2018

California State Teachers' Retirement System - State Teachers' Retirement Plan	2015	2016	2017	2018
Contractually required contribution	$ 5,770,723	$ 7,276,038	$ 9,099,696	$ 10,329,430
Contributions in relation to the contractually required contribution	5,770,723	7,276,038	9,099,696	10,329,430
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 64,900,000	$ 67,100,000	$ 72,200,000	$ 71,735,000
Contributions as a percentage of covered payroll	8.89%	10.84%	12.60%	14.40%

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

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

The amounts for covered payroll are reported as of the previous fiscal year to align with the measurement date of the net pension liability.

See the accompanying notes to the required supplementary information.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY
For the Fiscal Year Ended June 30, 2018

Total OPEB Liability	2018
Service Cost	$ 412,154
Interest	7,262,034
Benefit Payments	(7,047,542)
Net Change in Total OPEB Liability	626,646
Total OPEB Liability - beginning	107,066,702
Total OPEB Liability - ending (a)	$ 107,693,348

Plan Fiduciary Net Position	2018
Contributions - Employer	$ 8,547,542
Net Investment Income	1,474,081
Benefit Payments	(7,047,542)
Administrative Expense	(12,538)
Net Change in Plan Fiduciary Net Position	2,961,543
Plan Fiduciary Net Position - beginning	13,989,363
Plan Fiduciary Net Position - ending (b)	$ 16,950,906
Net OPEB Liability - ending (a) - (b)	$ 90,742,442
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	15.74%
Covered-employee payroll	$ 100,791,042
Net OPEB liability as a percentage of covered-employee payroll	90.03%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

The amounts for covered payroll are reported as of the previous fiscal year to align with the measurement date of the net OPEB liability.

See the accompanying notes to the required supplementary information.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2018

NOTE 1: PURPOSE OF SCHEDULES

Schedules of District's Proportionate Share of the Net Pension Liability – CalSTRS-STRP and CalPERS-Schools Pool Plan

The schedule presents information on the District's proportionate share of the net pension liability, the plans' fiduciary net position and, when applicable, the State's proportionate share of the net pension liability associated with the District. In the future, as data becomes available, 10 years of information will be presented.

Schedules of District Contributions – CalSTRS-STRP and CalPERS-Schools Pool Plan

The schedule presents information on the District's required contribution, the amounts actually contributed and any excess or deficiency related to the required contribution. In the future, as data becomes available, 10 years of information will be presented.

Schedule of Postemployment Healthcare Benefits Funding Progress

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

SUPPLEMENTARY INFORMATION

HISTORY AND ORGANIZATION
For the Fiscal Year Ended June 30, 2018

The Board of Trustees and the District Administrators for the fiscal year ended June 30, 2018 were as follows:

BOARD OF TRUSTEES

Member	Office	Term Expires
Bruce Swenson	President	2014-2018
Pearl Cheng	Vice President	2014-2018
Laura Casas	Member	2016-2020
Peter Landsberger	Member	2016-2020
Gilbert Wong	Member	2016-2020

DISTRICT ADMINISTRATORS

Judy Miner	Chancellor
Kevin McElroy	Vice Chancellor, Business Services
Dorene Novotny	Vice Chancellor, Human Resources
Joseph Moreau	Vice Chancellor, Technology
Thuy Nguyen	President, Foothill College
Brian Murphy	President, De Anza College

FISCAL ADMINISTRATION

Kevin McElroy	Vice Chancellor, Business Services
Raquel Puentes-Griffith	Executive Director, Fiscal Services
Sirisha Pingali	Director, Budget Operations
Edith Aiwaz	Manager, Accounting

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2018

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
U.S. Department of Education:			
Student Financial Aid Cluster			
Federal Pell Grant Programs (PELL)	84.063	(1)	$ 19,794,602
Federal Pell Administrative Allowance	84.063	(1)	29,520
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	(1)	507,562
Federal Direct Student Loan	84.268	(1)	6,879,295
Federal College Work Study (FWS)	84.033	(1)	394,918
Total Student Financial Aid Cluster			27,605,897
Strengthening Minority Serving Institutions - Asian American	84.382B	(1)	79,414
Pass through California Community College Chancellor's Office:			
Career Technical Education Act			
Basic Grants To States (Perkins Title I-C)	84.048	14-112-016	691,258
Basic Grants To States (CTE Transitions)	84.048	14-C01-016	48,488
Total U.S. Department of Education			28,425,057
National Science Foundation:			
National Science Foundation - S-STEM	47.076	(1)	102,491
National Science Foundation - Stemway	47.076	(1)	99,169
Total National Science Foundation			201,660
Corporation for National and Community Service			
AmeriCorps State and National	94.006	(1)	44,919
Total Corporation for national and Community Service			44,919

See the accompanying notes to the supplementary information.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2018

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program 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)	36,543
Medical Assistance Program (MAA)	93.778	10011	66,235
Total U.S. Department of Health and Human Services			102,778
U.S. Department of Labor:			
Veteran's Employment Program	17.802	(1)	7,301
Pass through West-Valley Mission Community College District			
American Apprenticeship Initiative	17.268	(2)	18,290
Workforce Investment Act Cluster			
Pass through Employment Development Department State of California			
Occupational Training Institute (OTI) - General Grants	17.258	03573	153
Pass through City of San Jose			
WIA - Adult Program	17.258	03573	22,243
Total Workforce Investment Act Cluster			22,396
Total U.S. Department of Labor			47,987
U.S. Department of Justice:			
Body Worn Camera Policy Implementation	16.835	(1)	23,581
Total U.S. Department of Justice			23,581
U.S. Department of Agriculture			
Pass through State of California Department of Education			
Child and Adult Care Food Program	10.558	03628	44,463
Total U.S. Department of Agriculture			44,463
Total Expenditures Federal Programs			$ 28,890,444
Reconciliation to Federal Revenue			
Total Expenditures Federal Programs			$ 28,890,444
Federal Direct Student Loan	84.268		(6,879,295)
Total Federal Program Revenue			$ 22,011,149

(1) Pass-through entity identifying number not applicable, direct funded
(2) Pass-through entity identifying number not applicable

See the accompanying notes to the supplementary information.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL ASSISTANCE - GRANTS
For the Fiscal Year Ended June 30, 2018

Program Name	Cash Received	Accounts Receivable	Accounts Payable	Unearned Revenue	Total Revenue	Program Expenditures
General Fund						
Extended Opportunity Program & Services	$ 2,094,914	$ -	$ -	$ 4,063	$ 2,090,851	$ 2,090,851
Cooperative Agencies Resources for Education	157,953	-	-	45,828	112,125	112,125
Disabled Student Services and Programs	2,943,844	-	-	-	2,943,844	2,965,441
Student Success - Student Equity	3,058,976	-	-	1,554,257	1,504,719	1,504,719
Student Success - Credit	9,059,189	-	-	2,513,222	6,545,967	6,545,967
Student Success - Non Credit	188,167	-	-	-	188,167	188,167
Faculty & Staff Dev Restr CS	42,604	-	-	40,786	1,818	1,818
Equal Employment Opportunity	100,377	-	-	54,222	46,155	46,155
Economic Development	199,143	58,528	-	-	257,671	257,671
Basic Skills	1,448,810	-	-	1,004,895	443,915	443,915
Basic Skills Transformational Grant	263,704	77,597	-	-	341,301	341,301
BFAP Administration	932,652	-	-	-	932,652	932,652
Career Technical Education	4,917,507	384,708	-	3,046,852	2,255,363	2,255,363
Prop. 39 Clean Energy	10,160	114,975	-	-	125,136	125,136
Child Development Center Bailout	433,632	-	-	-	433,632	433,632
High Tech Center Training Unit	1,028,571	153,573	-	-	1,182,143	1,182,143
TANF	27,773	8,771	-	-	36,544	36,544
Adult Education Block Grant	787,262	-	-	343,775	443,488	443,488
TTIP Telecom & Technology	64,272	-	-	51,192	13,080	13,080
Instructional Equipment	1,831,462	-	-	1,015,896	815,567	815,567
Scheduled Maintenance	5,054,596	-	-	3,543,695	1,510,901	1,806,743
Lottery Instructional Materials	1,162,595	610,028	-	-	1,772,623	1,202,310
CalGrant B & C	1,760,460	13,386	-	880	1,772,966	1,772,966
CalWorks	359,929	-	-	2,671	357,258	357,258
CalWorks TSE	162,843	14,141	-	18,092	158,893	158,893
CalWorks SSA	126,924	20,893	-	-	147,817	147,817
Online Education Initiative (OEI)	24,399,494	5,266,602	6,263,905	-	29,666,096	29,666,096
Full Time Student Success Grant	1,058,329	5,867	-	199,439	864,757	864,757
First CDC	-	2,353	-	-	2,353	2,353
Miscellaneous State Assistance						
Child Development Training Consortium	3,052	10,250	-	13,154	148	148
Early Childhood Education	35,916	4,300	-	32,660	7,556	7,556
FH-Institutional Effectiveness & Technical Assistance	39,000	13,000	-	-	52,000	52,000
FH-SVETP/CTPP-STEM	58,192	72,286	-	-	130,478	130,478
Common Assessment Initiative Grant	37	-	-	-	37	37
Butte-Glen OER	11,013	-	-	11,013	-	-
California College Completion Grant	553,500	-	-	207,500	346,000	346,000
CalWorks EC Works	38,005	9,481	-	-	47,486	474,856
Campus Safety and Sexual Assault	55,172	-	-	54,419	753	753
Emergency Aid	228,542	-	-	37,686	190,856	190,856
FH- Veterans Resource Center	24,647	-	-	24,647	-	-
Guided Pathways	590,937	-	-	589,511	1,426	1,426
Hunger Free Campus	67,298	-	-	57,905	9,393	9,393
Innovation in Higher Education	1,710,000	-	-	1,710,000	-	-
Makerspace	137,122	121,858	-	-	258,979	258,979
Mandatory Cost Elimination Fee	-	-	-	-	-	60,895
TTIP- CCC TechConnect	267,750	254,785	-	-	522,535	522,535
CDC -State Contracts	284,634	132,429	-	-	417,063	417,063
CDC -State Meal Reimbursement	1,144	466	-	-	1,610	1,610
	$ 67,782,100	$ 7,350,278	$ 6,263,905	$ 16,178,258	$ 58,954,120	$ 59,189,513

Note : Certain programs use resources from the prior year ending balance and/or carry over balances into the subsequent fiscal year beginning fund balance; for these situations, total revenue will not equal total expenditures.

See the accompanying notes to the supplementary information.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT
For the Fiscal Year Ended June 30, 2018

	Annual - Factored			
Categories	Reported Data	District Adjustments	Audit Adjustments	Revised Data
A. Summer Intersession (Summer 2017 only)				
1. Noncredit[1]	50.05	-	-	50.05
2. Credit[1]	2,922.07	-	-	2,922.07
B. Summer Intersession (Summer 2018 - Prior to July 1, 2018				
1. Noncredit[1]	-	-	-	-
2. Credit[1]	-	-	-	-
C. Primary Terms (Exclusive of Summer Intersession)				
1. Census Procedure Courses				
(a) Weekly Census Contact Hours	12,774.12	-	-	12,774.12
(b) Daily Census Contact Hours	295.13	-	-	295.13
2. Actual Hours of Attendance Procedure Courses				
(a) Noncredit[1]	471.80	-	-	471.80
(b) Credit[1]	446.42	-	-	446.42
3. Independent Study/Work Experience				
(a) Weekly Census Contact Hours	7,088.47	-	-	7,088.47
(b) Daily Census Contact Hours	435.66	-	-	435.66
(c) Noncredit Independent Study/Distance Education Courses	-	-	-	-
D. Total FTES	24,483.72	-	-	24,483.72
Supplemental Information (subset of above information)				
E. In-service Training Courses (FTES)	-	-	-	-
H. Basic Skills courses and Immigrant Education				
(a) Noncredit[1]	303.98	-	-	303.98
(b) Credit[1]	2,202.77	-	-	2,202.77
CCFS 320 Addendum				
CDCP Noncredit FTES	283.28	-	-	283.28
Centers FTES				
(a) Noncredit[1]	69.22	-	-	69.22
(b) Credit[1]	1,382.94	-	-	1,382.94

1 Including Career Development and College Preparation (CDCP) FTES

See the accompanying notes to the supplementary information.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH FUND FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

The audit resulted in no adjustments to the fund balances reported on the June 30, 2018 Annual Financial and Budget Report (CCFS-311) based upon governmental accounting principles. In accordance with Governmental Accounting Standards Board Statements No. 34 and No. 35, the financial statements have been prepared under the full accrual basis of accounting which requires that revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Additional entries were made to comply with the governmental reporting requirements. These entries are not considered audit adjustments for purposes of this reconciliation.

A reconciliation between the fund balances reported on the June 30, 2018 Annual Financial and Budget Report (CCFS-311), based upon the modified accrual basis of accounting, and total net position recorded on the full accrual basis of accounting is shown below and on the following page:

Unrestricted Fund Balance	$	48,495,270
Restricted Fund Balance		8,615,650
Debt Service Funds		30,645,778
Child Development Fund		613,141
Capital Outlay Funds Balance		57,336,300
Enterprise Funds Balance		6,011,440
Self Insurance Fund Balance		8,434,361
All Other Funds		27,219
Total fund balances as reported on the Annual Financial and Budget Report (CCFS-311)	$	160,179,159

See the accompanying notes to the supplementary information.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH FUND FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

Total fund balances as reported on the Annual Financial and Budget Report (CCFS-311)	$ 160,179,159
Capital assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Net capital assets of $474,796 are already recorded in other governmental funds. Capital assets, net of accumulated depreciation are added to total net assets.	691,312,140
Deferred charges associated with debt refundings are capitalized. These amounts will be amortized to interest expense over the life of the refunded debt.	35,425,203
Deferred outflows associated with pension (PERS and STRS) and OPEB costs result from pension and OPEB contributions made during the fiscal year and from actuarially determined adjustments. These amounts will be recognized as a reduction of the net pension liability or amortized to pension expense, as applicable, in subsequent periods.	71,439,650
Compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds. The short term portion of compensated absences of $145,905 is already recorded in the General Fund.	(5,409,574)
Claims payable on self-insured programs are not due and payable in the current period and therefore are not reported in the government funds. The short term portion of claims payable of $825,491 is already recorded in the governmental funds.	(5,358,968)
Long term liability related to general obligation bonds, certificates of participation and capital leases are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Long term obligations are added to the statement of net position which reduces the total net assets reported.	(848,481,786)
The liability of employers and nonemployers contributing to employees for benefits provided through a defined benefit pension plan (PERS and STRS) and OPEB is recorded as net pension and OPEB liabilities. The proportionate share of STRS Medicare Premium Program is also recorded as a liability.	(315,516,823)
Interest related to bonds incurred through June 30, 2018 is accrued as a current liability on the statement of net position which reduces the total net assets reported.	(12,675,550)
Deferred inflows associated with pension (PERS and STRS) and OPEB costs represent an acquisition of net assets by the District that is applicable to a future reporting period. The deferred inflows of resources results from the difference between the expended and actual experience, the difference in proportion and changes in assumptions. These amounts are deferred and amortized.	(21,190,546)
Total net position	$ (250,277,095)

See the accompanying notes to the supplementary information.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF 50 PERCENT LAW CALCULATION
For the Fiscal Year Ended June 30, 2018

	Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110 Reported Data	Audit Adjustments	Revised Data	Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799 Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional Salaries - Contract or Regular	1100	35,814,729		35,814,729	35,814,729		35,814,729
Instructional Salaries - Other	1300	38,050,535		38,050,535	38,050,535		38,050,535
Total Instructional Salaries		73,865,264		73,865,264	73,865,264	-	73,865,264
Non-Instructional Salaries - Contract or Regular	1200			-	13,023,033		13,023,033
Non-Instructional Salaries - Other	1400			-	783,742		783,742
Total Non-Instructional Salaries		-	-	-	13,806,775	-	13,806,775
Total Academic Salaries		73,865,264	-	73,865,264	87,672,039	-	87,672,039
Classified Salaries							
Non-Instructional Salaries - Regular Status	2100			-	32,336,218		32,336,218
Non-Instructional Salaries - Other	2300			-	2,707,256		2,707,256
Total Non-Instructional Salaries		-	-	-	35,043,474	-	35,043,474
Instructional Aides - Regular Status	2200	2,007,031		2,007,031	2,007,031		2,007,031
Instructional Aides - Other	2400	284,631		284,631	284,631		284,631
Total Instructional Aides		2,291,662	-	2,291,662	2,291,662		2,291,662
Total Classified Salaries		2,291,662	-	2,291,662	37,335,136	-	37,335,136
Employee Benefits	3000	25,308,746	-	25,308,746	47,417,229		47,417,229
Supplies and Materials	4000	-	-	-	2,489,890		2,489,890
Other Operating Expenses	5000	-	-	-	24,036,728		24,036,728
Equipment Replacement	6420			-			-
Total Expenditures Prior to Exclusions		101,465,672	-	101,465,672	198,951,022	-	198,951,022
Exclusions							
Activities to Exclude							
Instructional Staff–Retirees' Benefits & Retirement Incentives	5900	4,105,308		4,105,308	4,105,308		4,105,308
Student Health Services Above Amount Collected	6441			-	-		-
Student Transportation	6491			-	-		-
Non-instructional Staff-Retirees' Benefits & Retirement Incentives	6740			-	3,518,750		3,518,750
Objects to Exclude							
Rents and Leases	5060			-	192,456		192,456
Lottery Expenditures							
Academic Salaries	1000			-			-
Classified Salaries	2000			-	-		-
Employee Benefits	3000			-	-		-
Software	4100			-			-
Books, Magazines, & Periodicals	4200			-			-
Instructional Supplies & Materials	4300			-			-
Noninstructional, Supplies & Materials	4400			-	-		-
Other Operating Expenses and Services	5000			-	4,579,233		4,579,233
Capital Outlay	6000			-			-
Library Books	6300			-			-
Equipment - Additional	6410			-			-
Equipment - Replacement	6420			-			-
Other Outgo	7000			-			-
Total Exclusions		4,105,308	-	4,105,308	12,395,747	-	12,395,747
Total for ECS 84362, 50% Law		97,360,364	-	97,360,364	186,555,275	-	186,555,275
Percent of CEE (Instructional Salary Cost/Total CEE)		52.19%	0%	52.19%	100%	0%	100%
50% of Current Expense of Education					93,277,638	-	93,277,638

See the accompanying notes to the supplementary information.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

EDUCATION PROTECTION ACCOUNT EXPENDITURE REPORT
For the Fiscal Year Ended June 30, 2018

Activity Classification	Object Code				Unrestricted
EPA Proceeds:	8630				$ 5,673,912
Activity Classification	**Object Code**	**Salaries and Benefits (1000-3000)**	**Operating Expenses (4000-5000)**	**Capital Outlay (6000)**	**Total**
Instructional Activities	0100-5900	$ 2,686,158	$ -	$ -	$ 2,686,158
Library	6120	976,511			976,511
Counseling and Guidance	6310	2,011,243			2,011,243
Total Expenditures for EPA*		$ 5,673,912	$ -	$ -	5,673,912
Revenue less Expenditures					

*Total Expenditures for EPA may not include Administrator Salaries and Benefits or other administrative costs.

See the accompanying notes to the supplementary information.

NOTE 1: PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the District under programs of the federal governmental for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the full accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District did not use the 10-percent de minimus indirect cost rate as allowed under the Uniform Guidance.

Schedule of State Financial Assistance – Grants

The Schedule of State Financial Assistance was prepared on the full accrual basis of accounting.

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

The Schedule of Workload Measures for State General Apportionment represents the basis of apportionment of the District's annual source of funding.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule reports any audit adjustments made to the fund balances reported on the June 30, 2017 Annual Financial and Budget Report (CCFS- 311). This schedule is prepared to show a reconciliation between the governmental fund balances reported on the June 30, 2018 Annual Financial and Budget Report (CCFS- 311), based upon the modified accrual basis of accounting, and total net position recorded on the full accrual basis of accounting is shown.

NOTE 1: PURPOSE OF SCHEDULES

Reconciliation of 50 Percent Law Calculation

This schedule reports any audit adjustments made to the 50 percent law calculation (Education Code Section 84362).

Education Protection Account Expenditure Report

This schedule reports how funds received from the passage of Proposition 55 Education Protection Act were expended.

OTHER INDEPENDENT AUDITOR'S REPORT

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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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of Foothill-De Anza Community College District (the District), as of and for the year ended June 30, 2018, 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 29, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
Glendora, California
November 29, 2018

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

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

Report on Compliance for Each Major Federal Program

We have audited Foothill-De Anza Community College District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

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, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-002. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-002 that we consider to be significant deficiencies.

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

Purpose of this Report

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
Glendora, California
November 29, 2018

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

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

We have audited the Foothill-De Anza Community College District's (the District) compliance with the types of compliance requirements described in the *2017-18 Contracted District Audit Manual,* published by the California Community Colleges Chancellor's Office for the year ended June 30, 2018. The District's state compliance requirements are identified in the table provided.

Management's Responsibility

Management is responsible for compliance with the state laws and regulations as identified below.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance based on our audit of the types of compliance requirements referred to below.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2017-18 Contracted District Audit Manual,* published by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on state compliance. However, our audit does not provide a legal determination of the District's compliance.

Compliance Requirements Tested

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

Section	Description	Procedures Performed
421	Salaries of Classroom Instructors (50 Percent Law)	Yes
423	Apportionment for Instructional Service Agreements/Contracts	Yes
424	State General Apportionment Funding System	Yes
425	Residency Determination for Credit Courses	Yes
426	Students Actively Enrolled	Yes
427	Dual Enrollment of K-12 Students in Community College Credit Courses	Yes
428	Student Equity	Yes
429	Student Success and Support Program (SSSP)	Yes
430	Scheduled Maintenance Program	Yes
431	Gann Limit Calculation	Yes
435	Open Enrollment	Yes
439	Proposition 39 Clean Energy Funds	Yes
440	Intersession Extension Program	Not applicable
444	Apprenticeship Related and Supplemental Instruction Funds (RSI)	Yes
475	Disabled Student Programs and Services (DSPS)	Yes
479	To Be Arranged Hours (TBA)	Not applicable
490	Proposition 1D State Bond Funded Projects	Not applicable
491	Education Protection Account Funds	Yes

Opinion on State Compliance

In our opinion, the District complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2018.

Purpose of this Report

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2017-18 Contracted District Audit Manual.* Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
Glendora, California
November 29, 2018

FINDINGS AND QUESTIONED COSTS

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS
June 30, 2018

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:				*Unmodified*
Internal control over financial reporting:				
Material weakness(es) identified?	____	*Yes*	X	*No*
Significant deficiency(ies) identified?	____	*Yes*	X	*None Reported*
Noncompliance material to financial statements noted?	____	*Yes*	X	*No*

Federal Awards

Internal control over major federal awards:				
Material weakness(es) identified?	____	*Yes*	X	*No*
Significant deficiency(ies) identified?	X	*Yes*	____	*None Reported*
Type of auditor's report issued on compliance for major federal programs:				*Unmodified*
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	X	*Yes*	____	*No*

Identification of Major Federal Programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.007, 84.033, 84.063, and 84.268	Student Financial Aid Cluster

Dollar threshold used to distinguish between type A and type B programs:				$866,713
Auditee qualified as low-risk auditee?	X	*Yes*	____	*No*

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO THE FINANCIAL STATEMENTS
June 30, 2018

There were no findings and questioned costs related to basic financial statements for the year ended June 30, 2018.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS
June 30, 2018

Finding 2018-001: Special Tests and Provisions: Enrollment Reporting

Federal agency: Department of Education
Federal program title: Student Financial Aid Cluster

Award Period: July 1, 2017 through June 30, 2018

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

Criteria or specific requirement:
Federal regulation requires enrollment status for each student to be reported accurately to NSLDS. In addition, regulations require that an institution make necessary corrections and return the records within 10 days for any roster files that don't pass the NSLDS enrollment reporting edits.

Condition:
During our testing, we noted that the National Student Loan Data Systems (NSLDS) rosters returned yielded error reports that were not corrected and resubmitted within the required 10 days. The District utilizes the National Student Clearinghouse (NSC) as a third party provider in order to submit student information to NSLDS. However, it is possible for college to create an Enrollment Reporting.

Summary Report after reporting student status changes on NSLDS, which would have detected these types of errors.

Questioned costs:
None

Context:
The District utilizes the National Student Clearinghouse (NSC) as a third-party provider in order to submit student information to NSLDS.

Cause:
The District relied on NSC in order to submit student information to NSLDS.

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

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

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

The system should include understanding if and when the NSC third-party servicer has corrected the failed software programming.

Views of Responsible Officials and Planned Corrective Actions and Conclusion:
Please refer to the accompanying management's corrective action plan.

Finding 2018-002: Special Tests and Provisions: Return of Title IV Funds:

Federal agency:	Department of Education
Federal program title:	Student Financial Aid Cluster

Award Period: July 1, 2017 through June 30, 2018

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

Criteria or specific requirement:
The amount of earned Title IV grant or loan assistance is calculated by determining the percentage of Title IV grant or loan assistance that has been earned by the student and applying that percentage to the total amount of Title IV grant or loan assistance that was or could have been disbursed to the student for the payment period or period of enrollment as of the student's withdrawal date. Returns of Title IV funds are required to be deposited or transferred into the SFA account or electronic fund transfers initiated to Department of Education or the appropriate FFEL lender as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check is issued more than 45 days after the institution determined the student withdrew or the date on the canceled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew (34 CFR section 668.173(b)).

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

Questioned Costs:
None.

Context:
For 4 of 40 students selected for refund calculation testing, the required refund was not made to the Department of Education within the required time frame.

Effect:
The District was not compliant with the Return of Title IV Funds compliance requirements.

Cause:
Lack of sufficient administrative oversight with respect to return of Title IV funds requirements.

Repeat Finding:
This is not repeat finding from prior year.

Auditor's Recommendation:
We recommend that the District put a process in place to ensure refund calculations are performed accurately and refunds (if necessary) are remitted timely to the Department of Education.

Views of Responsible Officials and Planned Corrective Actions and Conclusion:
Please refer to the accompanying management's corrective action plan.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS RELATED TO STATE AWARDS June 30, 2018

There were no findings and questioned costs related to state awards for the year ended June 30, 2018.

2017-001 SECTION 479 – STATE COMPLIANCE - TO BE ARRANGED (TBA) HOURS

Criteria: The Contracted District Audit Manual (CDAM) defines TBA as "Some courses with regularly scheduled hours of instruction have – hours to be arranged (TBA) as part of the total contact hours for the course. The TBA portion of the course uses an alternate method for regularly scheduling a credit course for purposes of applying either the Weekly or Daily Census Attendance Accounting Procedures pursuant to CCR, Title 5, §58003.1(b) and (c), respectively." TBA hours are only an option for credit courses that apply the Weekly or Daily Attendance Accounting Procedures and not to those that apply the Alternative Attendance Accounting Procedure pursuant to Title 5, section 58003.1(f). The guidance provided by the Chancellor's Office further requires Student participation must be carefully tracked to ensure TBA hours are not claimed for apportionment for students who have documented zero hours as of the census date for the course.

In addition, Second TBA hours follow-up memorandum, June 10, 2009 indicates that "regularly scheduled" has been administratively redefined to mean that within the format of weekly census courses, students must participate for the required number of TBA hours each week of the primary term for the duration of the course, and documentation must demonstrate weekly student participation. Districts have the flexibility to individually schedule these regular weekly TBA hours or may allow students to fulfill their weekly TBA obligation at a time of their choosing each week of the term. The key factor here is the students must participate for the same number of TBA hours each week of the primary term so that the course in question continues to qualify for the Weekly Census attendance accounting procedure.

Condition: When auditing TBA courses we noted the following exceptions:

- TBA hours were claimed for Students who had zero hours as of the census date for the course.
- Student participation documentation in TBA hours was not provided for students.
- Students did not participate for the required number of TBA each week of the primary term for the duration of the course. Students participated in TBA course with different hours each week and did not follow the course outline; TBA hours were claimed for apportionment for these students.

Questioned Costs/FTES: 5.59 FTES which is 100% of population.

Context: The District claimed five Weekly TBA courses during 2016-17. Our review tested all five of these courses.

Effect: An overstatement of contact hours on the CCFS-320 annual report. The District filed the CCFS-320 Annual Revised (Recal) report and removed the entire TBA population from the weekly courses contact hours.

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: For courses that require TBA hours, implement procedures to ensure all state and Chancellor's Office requirements are met. Consult with the Student Attendance Accounting Manual (SAAM) and various Memorandums published by the Chancellor's Office as authoritative guidance.

Current Status: Implemented.

FOOTHILL-DE ANZA
Community College District
12345 El Monte Road
Los Altos Hills, CA 94022

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2018

U.S. Department of Education

Foothill De-Anza Community College District respectfully submits the following corrective action plan for the year ended June 30, 2018.

Audit period: 2017-18

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

FINDINGS—FEDERAL AWARD PROGRAMS AUDITS

2018-001 Federal agency: Department of Education

Program Name: Student Financial Aid Cluster

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

The system should include understanding if and when the NSC third-party servicer has corrected the failed software programming.

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

Action taken in response to finding: The two college's financial aid directors are the responsible officials assigned to oversee and implement the corrective action plan. They will closely coordinate with the respective college admissions and records office staff who have primary access and responsibility of each college's enrollment data.

The colleges will develop a new process that will include one point of contact to ensure that enrollment related errors, corrections and/or updates are made timely to meet the required 10-day window within the National Student Loan Data System (NSLDS). Documentation of errors, corrections and/or updates will be maintained in a shared repository for audit purposes. Each college will review the current NSLDS user access and notification setup. The review will ensure that appropriate staff members receive the email notifications and understand the general reporting schedule to anticipate email notifications after key reporting dates in the primary and summer terms. Admission and records office staff who are involved in the enrollment reporting process will attend training offered by the National Student Clearinghouse to gain a better understanding of the current compliance and reporting requirements as well as any upcoming and/or anticipated changes to the existing compliance regulations.

Names of the contact persons responsible for corrective action: Kevin Harral, Director of Financial Aid at Foothill College; and Lisa Mandy, Director of Financial Aid at De Anza College.

Planned completion date for corrective action plan: June 30, 2019

Finding 2018-002: Special Tests and Provisions: Return of Title IV Funds:

Federal agency: Department of Education

Program Name: Student Financial Aid Cluster

Recommendation: We recommend that the District put a process in place to ensure that refunds are remitted timely to the Department of Education.

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

Action taken in response to finding: The college Director, Financial Aid is the responsible official assigned to oversee and implement the corrective action plan. The Director, Financial Aid will closely coordinate with the respective college staff who have primary access and day-to-day responsibility over the Return to Title IV (R2T4) process.

In fiscal year 2017-18, the errors occurred during a time when there was a key personnel change in the department. For example, the financial aid coordinator position who performed the R2T4 duties was replaced. During the transition, some of the duties related to Return to Title IV processes were not performed in a timely manner.

Foothill College's review process includes check-in benchmarks by financial aid staff at intervals well before the regulated time limit. The department will run R2T4 reports after the census date (after the second week of classes) of the academic term and will run the reports every other week throughout the term. Prior to running the next report, department staff will complete the R2T4 process for students who withdrew from classes from the last report. This will allow for time periods no longer than two-weeks between the determination of a student's complete withdrawal and calculation of R2T4. The Director, Financial Aid will be responsible for ensuring that the schedule is maintained and the R2T4 process is being followed throughout the terms.

As an added measure of accountability, the Director, Financial Aid will provide a monthly status report for Return to Title IV to the Associate Vice President of Student Services who will sign the report to ensure compliance with the regulations.

Name of the contact person responsible for corrective action: Kevin Harral, Director of Financial Aid at Foothill College

If the Department of Education has questions regarding this plan, please call Kevin McElroy, Vice Chancellor, Business Services at 650.949.6201.