FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS

June 30, 2023

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
June 30, 2023

CONTENTS

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
June 30, 2023
(Continued)

CONTENTS

Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type 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, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the Foothill-De Anza Community College District, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (*Government Auditing Standards*), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 12 and the Schedule of Changes in the District's Net OPEB Liability, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 50 to 54 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by 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.

(Continued)

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and, except for that portion marked "unaudited," was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, that information is fairly stated in all material respects in relation to the basic financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated December 4, 2023 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 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.

Crowe LLP

Crowe LLP

Sacramento, California
December 4, 2023

INTRODUCTION TO THE FINANCIAL STATEMENTS

The Foothill-De Anza Community College District (the 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, 2023. 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 summarized Statement of Net Position is presented below.

Net position in thousands as of June 30:

	2023	2022	Net Change
ASSETS			
Current Assets	$ 218,431	$ 148,264	$ 70,167
Noncurrent Assets	637,393	682,993	(45,600)
Total Assets	855,824	831,257	24,567
DEFERRED OUTFLOWS OF RESOURCES	92,996	88,032	4,964
LIABILITIES			
Current Liabilities	160,491	141,354	19,137
Noncurrent Liabilities	1,071,964	1,043,975	27,989
Total Liabilities	1,232,455	1,185,329	47,126
DEFERRED INFLOWS OF RESOURCES	65,992	106,999	(41,007)
NET POSITION			
Net Investment in Capital Assets	(52,431)	(72,361)	19,930
Restricted	97,015	89,350	7,665
Unrestricted	(394,211)	(390,028)	(4,183)
Total Net Position	$ (349,627)	$ (373,039)	$ 23,412

(Continued)

STATEMENT OF NET POSITION (CONTINUED)

Assets

Total assets changed over last year by a net increase of $24.6 million as a result of a net $70.1 million increase in current assets combined with a net $45.6 million decrease of noncurrent assets. The major changes affecting total assets are listed below:

- The net $70.1 million increase in current assets is mainly due to a $63.2 million increase in cash and $5.7 million increase in accounts receivable with other categories resulting in the minor changes.

    - $63.2 million in increase of cash is predominately connected to $21.6 million claimed in allowable lost revenue to fully expend the balance of the COVID-19 Higher Education Emergency Relief Funds (HEERF) / Coronavirus Aid, Relief and Economic Security Act (CARES Act) grant funding. Additionally, $16.1 million for the state COVID-19 Block Grant was recognized, an increase due to unspent allocations of $15.0 million received in state Scheduled Maintenance and Instructional Materials program, $4.5 million in increased Student Success Completion grants, $3.2 million for a new Learning Aligned Employment state program, and the remaining difference a net result of other minor changes.

    - Accounts Receivable increase of $5.7 million is mostly attributable to increase in state apportionment and student accounts receivable.

- Noncurrent assets decreased by a net $45.6 million which is largely due to a $35 million decrease in capital assets made up of routine depreciation and asset retirement/transfers and a $28.5 million decrease in restricted cash from increased levels of spending in capital and debt service areas which was offset by a $9.2 million increase in capital assets not being depreciated or classed as construction-in-progress from the start of the planning and foundational programmatic phases and project expenses under the new Measure G Bond program's capital construction activity. The decrease was further offset by the implementation of GASB Statement No. 96 and the addition of $8.8 million in subscription right-to-use assets.

Liabilities

Total liabilities increased by a net $47.1 million over prior year. The major changes affecting total liabilities are listed below:

- Current liabilities increased by a net $19.1 million due to a $29.3 million increase in unearned revenue which was offset by a decrease of $12.6 million in accrued liabilities and a $1.7 million increase in the current portion of long-term debt liabilities with other minor increases in accounts payable and accrued interest comprising the remaining change.

    - Unearned revenue increases were due to higher unspent state grant allocations such as the $10.5 million in Scheduled Maintenance, $4.6 million in Instructional Equipment, $4.5 million in increased Student Success Completion grants, $3.2 million for a new Learning Aligned Employment state program, $2.0 million in Student Retention and Enrollment, $1.6 million Next Up and other net changes in deferred revenue balances.

(Continued)

STATEMENT OF NET POSITION (CONTINUED)

- Accrued liabilities decreases were primarily attributed to $11.7 million in final completion of payouts for retroactive classification and compensation study costs, the payout of the previously accrued 2021-22 retroactive COLA (cost-of-living) and other salary and benefit accruals associated with labor negotiations.

- Noncurrent liabilities experienced a $28.0 million increase with the largest change due to a combined $63 million pension liability increase offset by a net $43.3 million decrease in bonds payable with the changes in other claims and liabilities, as well as an $8.8 million increase due to the implementation of GASB No. 96.

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.

(Continued)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CONTINUED)

Revenues, expenses, and changes in net position in thousands as of June 30:

	2023	2022	$ Change	% Change
OPERATING REVENUES				
Net Tuition and Fees	$ 39,322	$ 40,151	$ (829)	-2.1%
Grants and Contracts, Noncapital	96,801	69,724	27,077	38.8%
Auxiliary Sales, Net	927	(409)	1,336	326.7%
Other	1,918	1,691	227	13.4%
Total Operating Revenues	138,968	111,157	27,811	25.0%
OPERATING EXPENSES				
Salaries	162,148	158,128	4,020	2.5%
Benefits	83,286	37,597	45,689	121.5%
Supplies, Materials, and Other Operating			-	
Expenses	52,942	52,651	291	0.6%
Financial Aid	41,513	39,293	2,220	5.6%
Utilities	5,413	4,053	1,360	33.6%
Depreciation	45,193	45,000	193	0.4%
Total Operating Expenses	390,495	336,722	53,773	16.0%
OPERATING LOSS	(251,527)	(225,565)	(25,962)	-11.5%
NONOPERATING REVENUES AND EXPENSES				
State Apportionments, Noncapital	39,388	44,144	(4,756)	-10.8%
Federal Grants and Contracts	51,092	40,812	10,280	25.2%
Local Property Taxes	132,469	112,981	19,488	17.2%
State Taxes and Other Revenues	8,005	7,554	451	6.0%
Interest and Investment Income	4,533	1,179	3,354	284.5%
Transfer to OPEB Trust	(1,500)	(1,500)	-	0.0%
Other Nonoperating Revenue	-	1,116	(1,116)	-100.0%
Total Nonoperating Revenues	233,987	206,286	27,701	13.4%
LOSS BEFORE OTHER REVENUES, EXPENSES, GAINS AND LOSSES	(17,540)	(19,279)	1,739	9.0%
OTHER REVENUES, EXPENSES, GAINS AND LOSSES	40,952	45,004	(4,052)	-9.0%
CHANGE IN NET POSITION	$ 23,412	$ 25,725	$ (2,313)	-9.0%

Operating Revenues

Total Operating Revenues increased over last year by a net $27.8 million or 25.0% mainly due to the influx of increases in activity in state grants which comprised $21.9 million from the recognition of $16.1 million for the state COVID-19 Block Grant, an increase of $2.6 million in increased Student Success Completion grants, with the remaining $3.2 million across other state programs, Instructional Equipment, Lottery, DSP&S, Student Enrollment and Retention, Student Equity and Achievement, and Career Technical Education programs.

The nominal Tuition and Fees loss of $829 thousand or 2.1% is a mixed result of Full-Time Equivalent (FTES) Student enrollments. Resident enrollment fell by 421 FTES or 2.0%, but nonresident enrollments grew by 97 FTES or 4.9%, netting an overall drop of 324 FTES or 1.4%. In auxiliary enterprise operations, dining services, posted the largest component of the sales increase at $622 thousand with other minor operation increased sales activity due to more in-person classes and student presence on campus post pandemic.

(Continued)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CONTINUED)

Operating Expenses

Total Operating Expenses increased $53.8 million year-over-year overall at 16.0%. Items of significance resulting in the net changes include:

- Salaries experienced a 2.5% rise at a net $4.0 million mainly due to a 5.56% increase in cost-of-living adjustment (COLA) and other negotiated ongoing and one-time compensation increases. However, benefits reflected a marked net $45.7 million or 121.5% increase over prior year. The primary increases related to recognized pension expense, OPEB expense, and net resulting deferred inflows/outflows. The remaining change was related to employer payroll related benefits and health benefits.

- Financial Aid's increase in expense of $2.2 million or 5.6% was due to $900k in increased direct loans, $683 thousand for a new SB85 Emergency Financial Assistance program, and $300 thousand additional support provided in Career Technical Education.

- Utilities increased by $1.4 million or 33.6% which correlates to a staffing and student return to more activity and onsite presence during the fiscal year.

- The $0.2 million or 0.4% increase in depreciation and amortization expense was associated with normal use of assets during the fiscal year.

Nonoperating Revenues

Nonoperating Revenues increased by $27.7 million over prior year or 13.4% as a result of the following net effect:

- The District received $10.8 million in new revenue for the 6.56% cost-of-living increase provided by the state on the base apportionment revenue. This increase comprised the majority of the $14.7 million net increase between the State Apportionments and Local Property Taxes categories. They are analyzed together because the state funding model calls for the District's state apportionment entitlement to be funded first by local sources, enrollment fees and property taxes, and lastly by state general apportionment. Since more net local revenue was received, there was a net decrease in state apportionment revenue which is captured in the net total increase of $14.7 million from the $19.5 million increase in Local Property Taxes and the decrease of $4.7 million State Apportionment, noncapital.

- Federal grants and contracts increased by a net $10.3 million and comprised of $8 million in increased revenues for the final year of the COVID-19 Higher Education Emergency Relief Funds (HEERF) / Coronavirus Aid, Relief and Economic Security Act (CARES Act) grants combined with an increase of $1.8 million in higher awards in PELL grants.

(Continued)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CONTINUED)

- Interest and Investment Income posted a $3.4 million increase due to higher interest rate earnings.

Other Revenues, Expenses, Gains and Losses

The decrease of the net $4.1 million is connected with $3.6 millions of lower county property tax revenue collections for current and advanced debt service obligations, $3.3 million in reduced interest expense for capital debt that is offset by a net increase of $2.8 million in capital related state apportionment revenues and investment income.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2023, the District had approximately $1.2 billion invested in capital assets. These assets had an accumulated depreciation of $756.8 million leaving the net capital asset value at $487 million which consists of land, construction in progress, buildings and improvements, vehicles, technology infrastructure, equipment, subscription assets and other office equipment. There are $13.1 million in assets not being depreciated or work-in-progress which is a $9.2 million increase over prior year due to the increased planning of capital construction and technology improvements activity associated with the Measure G Bond program. In the current year, the District implemented GASB Statement No. 96 which for the first time recognized subscription based information technology agreements as capital assets. This implementation increased the District net capital assets by $8.8 million. Depreciation and amortization expense of $45.2 million was recorded for fiscal year 2022-23.

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

Capital assets in thousands as of June 30:

	2023	2022	Net Change
Land and Construction in Progress	$ 15,610	$ 6,413	$ 9,197
Buildings and Equipment	1,214,768	1,209,720	5,048
Subscriptions	13,174	-	13,174
Accumulated Depreciation	(756,774)	(712,295)	(44,479)
Total Capital Assets	$ 486,778	$ 503,838	$ (17,060)

Debt

At June 30, 2023, the District had $1.1 billion in debt with a net increase of $29.7 million over prior year. Net pension liability had a $63 million increase and OPEB Liability a $3.1 million increase which were offset by a net $43.3 million decrease in bonds payable. Subscription liabilities increased by $8.8 million with the implementation of GASB Statement No. 96. A decrease of $1.2 million in the Supplementary Employee Retirement Plan signified another annual payment of this obligation which is moving into its final year. These changes were offset by minor increases in other areas. Notes 8 through 14 provide additional information on long-term liabilities. A comparison is summarized herein.

(Continued)

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Debt in thousands as of June 30:

	2023	2022	Net Change
Compensated Absences	$ 8,196	$ 7,961	$ 235
Leases Payable	-	45	(45)
Subscription liabilities	8,820	-	8,820
Claims Liability	5,381	5,381	-
Supplemental Employee Retirement Plan	1,217	2,435	(1,218)
Bonds and Notes Payable	840,138	883,480	(43,342)
OPEB Liability	71,382	68,278	3,104
Medicare Premium Program	15	832	(817)
Net Pension Liability	195,763	132,798	62,965
Total Long-Term Liabilities	$ 1,130,912	$ 1,101,210	$ 29,702

ECONOMIC OUTLOOK AND FACTORS AFFECTING NEXT YEAR'S BUDGET

The Adopted Budget for fiscal year 2023-24 reflects the rather mixed economic conditions being experienced in California. Despite an initial $31.5 billion state deficit, the K-12 and community college systems received an 8.22% cost of living adjustment (COLA) for most of their state funding. This was in part due to the protections provided by Proposition 98. In spite of this significant COLA, several measures were required to close the large state budget gap. It is worth noting that budget reductions were only one part of the approach to balance the budget: deferring funding, moving expenses to other sources and most concerning, reducing the previous year's budget allocations were all part of the strategies used to balance the budget.

The final revenue picture is still uncertain. The fact that personal and corporate income tax revenue receipts, the state's largest revenue source, have been delayed until November 2023 provides further uncertainty about the estimates used to develop the current state budget. Once the final revenue results are known, a budget shortfall could develop that might necessitate a midyear correction, including deferrals or cuts. Looking to the future, there could also be an effect on the 2024-25 state funding. Without additional information, the District is moving forward on the revenue assumptions set forth in the budget while identifying areas of savings or revenue that exceeds budget that could be used to shore up the stability fund and provide immediate relief from unexpected revenue shortfalls.

The 2023-24 8.22% COLA resulted in $14.4 million in additional resources to the District. Due to its Hold Harmless status, the District is not currently operating under the Student Centered Funding Formula (SCFF) metrics. As part of being under the Hold Harmless provision, the District will receive an estimated $15.0 million in funding that is not supported by its enrollment levels, which is important to note considering the imminent plateau due to no COLA being applied to the Hold Harmless provision to increase annual revenue starting in 2025-26.

Under current legislation, beginning in 2025-26, each year the District would receive the greater of the three following calculated amounts:

1. SCFF Calculated Revenue;
2. Prior Year Total Computational Revenue (TCR) or stability funding; or
3. Minimum Revenue Commitment of 2024-25 TCR.

(Continued)

ECONOMIC OUTLOOK AND FACTORS AFFECTING NEXT YEAR'S BUDGET (CONTINUED)

For the last five years, the District has benefited from increased annual COLA applied to its 2017-18 TCR under the Hold Harmless protection. As a result, revenue growth has been compounded despite the District posting SCFF metrics and enrollment totals that are less than the 2017-18 levels and do not support the current amount of revenue received. As a result, the 2024-25 TCR is anticipated to be the highest calculated amount of the three options and will likely set the funding floor for 2025-26 moving forward.

Under this assumption, to achieve revenue growth under the SCFF the District would need to either improve its SCFF metric performance or wait until COLA growth on its existing metrics is large enough to exceed the 2024-25 funding floor, both of which are expected to take at least a few years to achieve. In the interim, the District will need to operate without an additional ongoing revenue source to support mandated annual increases that have already been negotiated, as well as any new operational costs. Careful planning, such as building up the Stability Fund and evaluating programs and services, will help the District navigate this circumstance with minimal impact to our students.

As previously noted, the District is carefully reviewing its financial reserve levels. The State Chancellor's Office recommends that districts maintain two months of average operating expenses as a reserve in lieu of the traditional 5%. For the District, this would change the current 5% reserve from approximately $11.5 million to closer to $34 million. While this total would include the balances in the carryforwards and the stability fund, it is still a significant increase.

Enrollment for both resident and nonresident students continues to be monitored closely. The final resident enrollment result for 2022-23 was 20,325 FTES, a loss of 2% or 421 resident FTES from the prior fiscal year. However, 2023-24 enrollments are showing an increase, particularly in the Fall at almost 8%. The number of units being taken by nonresident students has also increased, resulting in a first quarter increase to the projected revenue levels. We will continue to evaluate enrollment trends as we move through the fiscal year.

The Adopted Budget has a deficit operating result of $2.1 million and an ending fund balance of $29.3 million. The District's Stability Fund balance is intended to offset shortfalls at the end of the year and has done so for many of the last few fiscal years. In the past, it has also provided for strategic deficit spending during budget reductions, allowing a longer planning time to minimize layoffs and other impacts. The Stability Fund balance at June 30, 2024, is estimated at $5.6 million, a low amount in any circumstance, but especially concerning given the possible economic challenges and ending of COLA on the Hold Harmless. It is critical that the District continues to prioritize keeping a healthy stability fund to weather any economic downturns or other challenges. As shown by the past volatility in nonresident revenue, having a stability fund to compensate for short-term unexpected shortfalls and allow for long-term planning is essential in keeping the finances of the District stable and allowing for the continued support of our students as we adjust to any upcoming changes.

(Continued)

ECONOMIC OUTLOOK AND FACTORS AFFECTING NEXT YEAR'S BUDGET (CONTINUED)

Looking Beyond 2023-24

Since the pandemic, the world has faced significant economic challenges. At the community college level, the system as a whole has been insulated from many of these challenges due to the Hold Harmless provision of the SCFF, which has ensured continued revenue growth in spite of decreasing enrollment. In addition, federal and state COVID-related funding allowed districts to address pandemic related concerns with minimal impact to their general fund revenues. The 8.22% state COLA, especially considering the initial projected state deficit, is another gift that should not be underestimated as it's unlikely there will be such a generous increase in the next few years.

Moving forward, it's essential that the District plans to strategically to address the upcoming plateau years. While the possibility of community support status is appealing, the District still needs to plan for the plateau years by building its stability fund and taking steps to address its structural deficit.

Another issue that will need to be addressed, regardless of the District's funding status, is the continued challenge of meeting the 50% Law. While it makes sense that 50% of a district's costs should be related to direct instruction, many of the services that our students need – counseling, librarian services, basic needs assistance and mental health services to name a few – are considered non-instructional. Meeting the 50% Law requirements while also meeting our students needs will require strategic and creative thinking.

Despite the challenges, the District continues to meet its mission of student success. At the core, our decisions need to reflect the needs of our students and be focused on helping them to achieve their goals as they move through their educational journey.

The District also continues to be committed to addressing long-term liabilities, specifically Other Postemployment Benefits (OPEB). Consistent with prior years, the adopted budget for fiscal year 2023-24 planned for a $1.5 million contribution to the CalPERS California Employers' Retiree Benefit Trust (CERBT), an irrevocable trust to fund the OPEB liability. During the 2022-23 fiscal year, a full actuarial study was prepared under the GASB 74/75 accounting standard to revise the liability. The report dated May 24, 2023, with a valuation date of June 30, 2021, and measurement date of June 30, 2022, calculated the District's Total OPEB Liability at $101,629,864. Per CalPERS CERBT, the market value of the asset funds held within the irrevocable trust as of June 30, 2023, was $33,831,781.

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, Susan Cheu, 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.

ASSETS	
Current assets:	
Cash and cash equivalents	$ 191,633,897
Receivables, net	19,608,548
Inventory	16,710
Prepaid expenses	5,712,264
Due from Foundations	1,459,513
Total current assets	218,430,932
Noncurrent assets:	
Restricted cash and cash equivalents	150,614,289
Non-depreciable capital assets	15,609,672
Capital assets, net of accumulated depreciation and amortization	471,168,738
Total noncurrent assets	637,392,699
Total assets	855,823,631
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - refunding	31,884,690
Deferred outflows of resources - pensions	46,194,393
Deferred outflows or resources- OPEB	14,917,233
Total deferred outflows resources	92,996,316
Total assets and deferred outflows of resources	$ 948,819,947
LIABILITIES	
Current liabilities:	
Accounts payable and other liabilities	$ 16,642,333
Accrued liabilities	5,224,152
Accrued interest	8,724,182
Unearned revenue	70,952,998
Long-term liabilities - current portion	58,947,192
Total current liabilities	160,490,857
Noncurrent liabilities:	
Long-term liabilities - noncurrent portion	1,071,964,525
Total liabilities	1,232,455,382
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions	60,474,000
Deferred inflows of resources - OPEB	5,517,824
Total deferred inflows of resources	65,991,824
NET POSITION	
Net investment in capital assets	(52,430,833)
Restricted for:	
Debt service	67,665,584
Scholarship and loans	15,026
Other special purposes	29,334,185
Unrestricted	(394,211,221)
Total net position	(349,627,259)
Total liabilities, deferred inflows of resources, and net position	$ 948,819,947

See accompanying notes to financial statements.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT
DISCRETELY PRESENTED COMPONENT UNIT
FOOTHILL-DE ANZA COMMUNITY COLLEGES FOUNDATION
STATEMENT OF NET POSITION
June 30, 2023

ASSETS	
Current assets:	
Cash and cash equivalents	$ 870,054
Receivables, net	16,439
Grants receivables, net	40,000
Prepaid expenses	2,399
Total current assets	928,892
Noncurrent assets:	
Investments	51,358,737
Total assets	$ 52,287,629
LIABILITIES	
Current liabilities:	
Accounts payable and other liabilities	$ 50,161
Accounts payable - due to District	723,387
Accrued liabilities - due to District	194,512
Total current liabilities	968,060
Net assets:	
Without donor restrictions	9,807,453
With donor restrictions	41,512,116
Total net assets	51,319,569
Total liabilities and net assets	$ 52,287,629

See accompanying notes to financial statements.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
Year ended June 30, 2023

Operating revenues:	
Tuition and fees	$ 48,467,471
Less: scholarship discounts and allowances	(9,145,418)
Net tuition and fees	39,322,053
Grants and contracts, non-capital:	
Federal	3,452,226
State	88,854,514
Local	4,493,962
Auxiliary sales, net	926,901
Other	1,917,699
Total operating revenues	138,967,355
Operating expenses:	
Salaries	162,148,089
Employee benefits	83,286,306
Supplies, materials and other operating expenses	52,941,333
Student financial aid and scholarship	41,512,874
Utilities	5,413,198
Depreciation and amortization	45,193,211
Total operating expenses	390,495,011
Loss from operations	(251,527,656)
Non-operating revenues (expenses):	
State apportionment, non-capital	39,388,334
Federal grants and contracts, non-capital	51,092,239
Local property taxes	132,468,467
State taxes and other revenues	8,005,207
Interest and investment income, net	4,532,690
Transfer out to OPEB Trust	(1,500,000)
Total non-operating revenues (expenses)	233,986,937
Loss before other revenues, expenses, gains and losses	(17,540,719)
Other revenues, expenses, gains and losses	
State apportionment, capital	1,237,118
Local property taxes and revenues, capital	68,751,845
Interest and investment income, capital	2,172,637
Interest expense and cost of issuing capital asset-related debt	(33,038,774)
Local revenue, grants and gifts, capital	1,829,557
Total other revenues, expenses, gains and losses	40,952,383
Changes in net position	23,411,664
Net position, July 1, 2022	(373,038,923)
Net position, June 30, 2023	$ (349,627,259)

See accompanying notes to financial statements.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT
DISCRETELY PRESENTED COMPONENT UNIT
FOOTHILL-DE ANZA COMMUNITY COLLEGES FOUNDATION
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
Year ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue			
Support and revenue:			
Contributions	$ 323,337	$ 2,432,265	$ 2,755,602
Contributions - stock donations	-	120,337	120,337
Contributions - other special programs	-	1,004,495	1,004,495
Special events	140,178	-	140,178
Program service fees	249,840	-	249,840
Donated facilities	81,167	-	81,167
Administrative fee	85,094	-	85,094
Total support	879,616	3,557,097	4,436,713
Other income:			
Interest and dividends, net of expenses	464,468	494,648	959,116
Realized (loss) gain on investments	(46,047)	7,774	(38,273)
Unrealized gain on investments	2,039,390	2,363,791	4,403,181
Total other income	2,457,811	2,866,213	5,324,024
Total revenues before net assets released from restriction	3,337,427	6,423,310	9,760,737
Net assets released from restrictions	3,731,508	(3,731,508)	-
Total revenue	7,068,935	2,691,802	9,760,737
Operating expenses			
Program services:			
Student and colleges support	3,651,158	-	3,651,158
Other special programs	1,581,141	-	1,581,141
Supporting services:			
Management and general	339,692	-	339,692
Fundraising	589,757	-	589,757
Total expenses	6,161,748	-	6,161,748
Change in net assets	907,187	2,691,802	3,598,989
Net assets, beginning of year	8,900,266	38,820,314	47,720,580
Net assets, end of year	$ 9,807,453	$ 41,512,116	$ 51,319,569

See accompanying notes to financial statements.

Cash flows from operating activities:	
Tuition and fees	$ 38,162,860
Federal, grants and contracts	4,883,458
State grants and contracts	119,367,858
Local grants and contracts	6,167,990
Sales	387,805
Payments to suppliers and vendors	(54,387,627)
Payments to and on behalf of employees	(240,621,129)
Payments to and on behalf of students	(41,512,874)
Net cash used in operating activities	(167,551,659)
Cash flows from noncapital financing activities:	
State apportionments and receipts	34,515,482
Property taxes	132,468,467
Grants and gifts for other than capital purposes	8,005,207
Local, nonoperating	70,581,402
State taxes and other revenues	1,237,118
Federal grants	51,092,239
Due to/from Foundations	(360,397)
Other non-operating revenues	3,144,459
Net cash provided by noncapital financing activities	300,683,977
Cash flows from capital and related financing activities:	
Purchase of capital assets, net	(28,133,215)
Transfer Out to OPEB Trust	(1,500,000)
Interest on investments, capital funds	2,172,637
Principal paid on capital debt	(57,524,964)
Interest paid on capital debt, net	(16,171,760)
Net cash used in capital and related financing activities	(101,157,302)
Cash flows from investing activities:	
Interest on investments	2,720,909
Net change in cash and cash equivalents	34,695,925
Cash and cash equivalents, July 1, 2022	307,552,261
Cash and cash equivalents, June 30, 2023	$ 342,248,186
Reconciliation of cash and cash equivalents, end of year to amounts in the statement of net position:	
Cash and cash equivalents	$ 191,633,897
Restricted cash and cash equivalents	150,614,289
Total cash	$ 342,248,186

(Continued)

Reconciliation of loss from operations to net cash used in operating activities:	
Loss from operations	$ (251,527,656)
Adjustments to reconcile loss from operations to net cash used in operating activities:	
Depreciation expense	45,193,211
Changes in assets and liabilities:	
Receivables, net	910,403
Inventory	(1,357)
Prepaid expenses	(893,378)
Deferred outflows of resources - pensions and OPEB	(7,285,563)
Accounts payable	(15,121,255)
Subscription liabilities	8,819,605
Unearned revenue	29,092,213
Compensated absences payable	234,798
Supplemental early retirement incentive	(1,217,383)
Medical premium program	(816,735)
OPEB liability, net	3,103,674
Deferred inflows of resources - pensions and OPEB	(41,006,912)
Net pension liability	62,964,676
Net cash used in operating activities	$ (167,551,659)
Supplementary disclosure of non-cash transactions:	
Amortization of premiums on debt	$ 3,300,393
Amortization of loss on refunding debt	$ 2,320,858
Accretion of interest	$ 14,183,190

See accompanying notes to financial statements.

STATEMENT OF CASH FLOWS
Year Ended June 30, 2023

Cash flows from operating activities		
Cash received from donations and fundraising	$	3,108,419
Cash received from grants		(40,000)
Cash received from program service revenue		249,840
Cash paid for student scholarships and campus programs		(1,999,891)
Cash paid to employees for salaries and benefits		(2,889,298)
Cash paid for operating expenses and fundraising		(925,774)
Net cash used by operating activities		(2,496,704)
Cash flows from investing activities		
Purchase of investments		(1,203,802)
Sale of investments		1,619,334
Reinvested investment income, net of expenses		959,116
Net cash provided by investing activities		1,374,648
Cash flows from financing activities		
Cash received from endowed and quasi-endowed donations		839,700
Net cash provided by financing activities		839,700
Net decrease in cash and cash equivalents		(282,356)
Cash and cash equivalents - beginning of year		1,152,410
Cash and cash equivalents - end of year	$	870,054
Reconciliation of changes in net assets to net cash used by operating activities		
Change in net assets	$	3,598,989
Adjustment to reconcile change in net assets to net cash used by operating activities		
Change in value of investments		(5,324,024)
Contributions – endowed and quasi-endowed		(839,700)
Contributions – stock donations		(120,337)
(Increase) decrease in operating assets		
Accounts receivable		47,844
Grants receivable		(40,000)
Prepaid expense		11,888
Increase (decrease) in operating liabilities		
Accounts payable		(2,430)
Accounts payable - due to district		128,607
Accrued liabilities - due to district		42,459
Net cash used by operating activities	$	(2,496,704)

See accompanying notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: Foothill-De Anza Community College District (the "District") is a political subdivision of the State of California and provides educational services to the local residents of the surrounding area. While the District is a political subdivision of the State, it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board ("GASB") Codification Section (Cod. Sec) 2100.101. The District is classified as a state instrumentality under Internal Revenue Code Section 115.

The decision to include potential component units in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America (GAAP) and GASB Cod. Sec. 2100.101. The three criteria for requiring a legally separate, tax-exempt organization to be presented as a component unit are the "direct benefit" criterion, the "entitlement/ability to access" criterion, and the "significance" criterion. The District identified the Foothill-De Anza Community College District Financing Corporation and the Foothill-De Anza Community Colleges Foundation as its potential component units.

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 and the District are the same. The financial activity has been "blended" or consolidated within the financial statements of 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; individual financial statements are not prepared. The Financing Corporation had no activity for the year ended June 30, 2023 as the certificates of participation issued by the Corporation were fully repaid in a prior fiscal year.

The Foothill-De Anza Community Colleges Foundation (the Foundation) is a legally separate, tax-exempt component unit of the District. The Foundation acts primarily as a fundraising organization to provide grants and scholarships to students and support to employees, programs, and departments of the District. The 20 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 nonprofit 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.

Basis of Presentation and Accounting: The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) 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 are included from the entity-wide statements.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of accounting refers to when revenues and expenditures or expense 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 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 U.S. 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.

The Foundation's financial statements are prepared on the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recognized when they are incurred in accordance with accounting principles generally accepted in the United States of America. Recognition of contributions is dependent upon whether the contribution is restricted or unrestricted. Net assets are classified on the Statement of Financial Position as net assets without donor restriction or net assets with donor restriction based on the absence or existence of donor-imposed restrictions. The Foundation's statements were prepared in accordance with the pronouncements of the Financial Accounting Standards Board ("FASB"). 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 report for these differences.

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

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

Fair Value of Investments and Investment Pools: The District records its investment in Santa Clara County Treasury at fair value. Changes in fair value are reported as revenue in the Statement of Revenues, Expenses and Change in Net Position. The fair value of investments, including the Santa Clara County Treasury external investment pool, at June 30, 2023 approximated their carrying value. Foundation investments in debt and equity securities are carried at fair value. Realized gains and losses and unrealized appreciation (depreciation) of those investments are reflected in the Statement of Activities. Fair values of investments in county and State investment pools are determined by the pool sponsor.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2023.

- 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

Receivables: Receivable consists primarily of amounts due from the Federal government, state and local governments, students or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grant and contracts. Bad debts 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, merchandise held for resale by the enterprise operations, 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, 2023, 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 expense is reported in the year in which goods or services are consumed.

Capital Assets: Capital assets are recorded at cost at the date of acquisition. Donated capital assets are recorded at their acquisition value at the date of donation. For equipment, the District's capitalization policy includes all items with a unit cost of $5,000 or more and an estimated useful life of greater than one year. Buildings valued at $150,000 or more as well as renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized.

Prior to June 30, 2017, interest costs were capitalized as part of the historical cost of acquiring certain assets. To qualify for interest capitalization, assets must require a period of time before they are ready for their intended purpose. In determining the amount to be capitalized, interest costs were offset by interest earned on proceeds of the District's tax exempt debt restricted to the acquisition of qualifying assets. During the fiscal year ending June 30, 2018, accounting standards determined this is no longer required and the interest cost incurred before the end of a construction period will no longer be included in the historical cost of a capital asset reported, prospectively.

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
Building Improvements	10 Years
Land Improvements	10 Years
Equipment and Vehicles	8 to 10 Years
Technology Equipment	3 to 10 Years

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unearned Revenue: Cash received for federal and state special projects, and programs is recognized as revenue to the extent that eligibility requirements have been met. 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.

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.

Net Position: The District's net position is classified as follows:

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 position.

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 meet current expenses for specific future purposes.

State Apportionments: Certain current year apportionments from the state under the Student Centered Funding Formula 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 total computational revenue or state aid will be recorded in the year computed by the state.

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.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of Revenue: The District has classified its revenues as either operating or nonoperating revenues. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues, as defined by GASB Cod. Sec. Co5.101 including State appropriations, local property taxes, and investment income. Nearly all the District's expenses are from exchange transactions. Revenues and expenses are classified according to the following criteria:

Operating revenues and expenses: Operating revenues and expenses include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of fee waivers and allowances, (2) sales and services of auxiliary enterprises, and (3) most Federal, State and local grants and contracts and Federal appropriations. All expenses are considered operating expenses except for interest expense on capital asset related debt.

Nonoperating revenues and expenses: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as Pell grants, gifts and contributions, and other revenue sources described in GASB Cod. Sec. Co5.101, such as State appropriations and investment income. Interest expense on capital related debt is the only non-operating expense.

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 with minor year-end accruals at the fund level. 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 financial statements.

Fee Waivers: Student tuition and fee revenue are reported net of the Board of Governors fee waivers in the Statement of Revenues, Expenses and Change in Net Position. Certain governmental grants, and other federal, state and nongovernmental programs are recorded as operating revenues, while Federal Pell Grants are classified as non-operating revenues in the District's financial statements.

Postemployment Benefits Other Than Pensions (OPEB): The District's OPEB liability, deferred outflows, and deferred inflows of resources related to OPEB, OPEB expense, and information about the fiduciary net position have been determined on the same basis as they are reported by the California Employers' Retiree Benefit Trust Program (CERBT). For this purpose, the CERBT recognizes benefit payments when due and payable in accordance with the benefit terms. The CERBT reports its investments at fair value, except for money market investments and participating interest earning investment contracts that have a maturity of purchase of one year or less, which are reported at cost.

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 significant 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources: In addition to assets, the Statement of Net Position includes 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(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized a deferred loss on refunding reported in the Statement of Net Position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter life of the refunded or refunding debt. Additionally, the District has recognized a deferred outflow of resources related to the recognition of the pension liability and OPEB liability reported in the Statement of Net Position. In addition to liabilities, the Statement of Net Position 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(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The District has recognized a deferred inflow of resources related to the recognition of the pension liability and OPEB liability reported which is in the Statement of Net Position.

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

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

	STRP	PERF B	Total
Deferred outflows of resources	$ 18,409,450	$ 27,784,943	$ 46,194,393
Deferred inflows of resources	$ 29,818,000	$ 30,656,000	$ 60,474,000
Net pension liability	$ 67,666,000	$ 128,097,000	$ 195,763,000
Pension expense	$ 5,235,421	$ 53,410,398	$ 58,645,819

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

New Accounting Pronouncements: In May 2020, the GASB issued GASB Statement No. 96, Subscription-Based Information Technology Arrangements. GASB Statement No. 96 defines a subscription-based information technology arrangement and requires the recognition of a right to use subscription asset and corresponding subscription liability. This statement was effective for fiscal years beginning after June 15, 2022. The District implemented GASB Statement No. 96, and there was no impact to the District's July 1, 2022 net position as a result of the implementation.

(Continued)

NOTE 2 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents at June 30, 2023, consisted of the following:

Cash in County Treasury	$ 187,651,475
Cash on hand and in banks	3,925,246
Cash in revolving accounts	57,176
Subtotal unrestricted cash and cash equivalents	191,633,897
Restricted cash and cash equivalents	150,614,289
Total cash and cash equivalents	$ 342,248,186

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, 2023 is measured at 0.97% 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 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.

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 e amount of securities that can be held by counterparties.

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, 2023, $3,656,403 of the District's bank balance of $3,906,403 was exposed to credit risk as uninsured and uncollateralized.

Interest Rate Risk: 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's investment policy places no limits on the amount it may invest in any one issuer. At June 30, 2023, the District had no concentration of credit risk.

(Continued)

NOTE 3 - RECEIVABLES

District receivables at June 30, 2023 are summarized as follows:

Federal and state	$ 8,999,214
Student	9,560,239
Miscellaneous	3,413,587
	21,973,040
Less allowance for doubtful accounts	(2,364,492)
Total accounts receivable, net	$ 19,608,548

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% for balances up for 31-60 days, 20% for 61-90 days, and 50% for amounts over 90 days.

NOTE 4 - CAPITAL ASSETS

A summary of changes for the District in capital assets for the year ended June 30, 2023 is shown as follows:

	Balance July 1, 2022	Additions	Deductions	Transfers	Balance June 30, 2023
Non-depreciable:					
Land	$ 2,489,777	$ -	$ -	$ -	$ 2,489,777
Construction in progress	3,923,150	9,598,229	-	(401,484)	13,119,895
Depreciable:					
Land improvements	227,009,861	-	-	-	227,009,861
Buildings and improvements	906,830,225	-	-	-	906,830,225
Furniture and equipment	75,880,107	5,361,413	(714,407)	401,484	80,928,597
Total	1,216,133,120	14,959,642	(714,407)	-	1,230,378,355
Less accumulated depreciation:					
Land improvements	(165,732,599)	(11,359,755)	-	-	(177,092,354)
Buildings and improvements	(479,075,333)	(26,596,506)	-	-	(505,671,839)
Furniture and equipment	(67,486,782)	(2,882,982)	714,407	-	(69,655,357)
Total	(712,294,714)	(40,839,243)	714,407	-	(752,419,550)
Subscription assets:					
Software	-	13,173,573	-	-	13,173,573
Accumulated subsctription amortization:					
Software	-	(4,353,968)	-	-	(4,353,968)
Capital assets, net	$ 503,838,406	$ (17,059,996)	$ -	$ -	$ 486,778,410

Depreciation and amortization expense of $45,193,211 was recorded during the year.

(Continued)

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities for the District consisted of the following:

Accounts payable:	
Vendors	$ 16,509,194
Retention	133,139
Total accounts payable	16,642,333
Accrued liabilities:	
Payroll and benefits	2,224,152
Accrued expenses	3,000,000
Total accrued liabilities	5,224,152
Total accounts payable and accrued liabilities	$ 21,866,485

NOTE 6 - UNEARNED REVENUE

Unearned revenue for the District consisted of the following:

Unearned federal and state revenue	$ 62,569,109
Unearned tuition and student fees	7,022,208
Unearned local grant revenue and other	1,361,681
Total unearned revenue	$ 70,952,998

NOTE 7 - LONG-TERM LIABILITIES

General Obligation Bonds

Measure E (1999): 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 were 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.
- General Obligation Refunding Bonds were issued on October 2, 2002 in the amount of $67,475,000 for the purpose of refunding a portion of the Measure E (1999), Series A General Obligation Bonds.
- 2005 General Obligation Refunding Bonds were issued on September 20, 2005 in the amount of $22,165,000 for the purpose of refunding a portion of the Measure E (1999), Series B General Obligation Bonds.
- 2012 General Obligation Refunding Bonds were issued on May 3, 2012 in the amount of $70,735,000 for the purpose of refunding portions of the Measure E (1999), Series B, Series C General Obligation Bonds, and the 2002 Refunding Obligation Bonds.

(Continued)

NOTE 7 - LONG-TERM LIABILITIES (Continued)

Measure E (1999) (Continued):

- 2014 General Obligation Refunding Bonds were issued on August 19, 2014 in the amount of $17,615,000 for the purpose of refunding portions of Measure E (1999),Series C General Obligation Bonds.
- 2021 General Obligation Refunding Bonds were issued on April 21, 2021 in the amount of $61,735,000 for the purpose of refunding portions of Measure E (1999) 2012 Refunding Bonds and 2014 Refunding Bonds.

Measure C (2006): 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 55% 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 were issued to finance the acquisition, construction, modernization, and renovation of certain District facilities approved by the District's registered voters and to pay costs of issuance associated with the Bonds.

- Series A was sold on May 10, 2007 for a total of $149,995,250.
- Series B was sold on May 10, 2007 for a total of $99,996,686.
- Series C was sold on May 19, 2011 for a total of $184,000,000.
- 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.
- 2014 General Obligation Refunding Bonds were issued on August 19, 2014 in the amount of $85,400,000 for the purpose of refunding portions of Measure C (2006),Series A and B General Obligation Bonds.
- 2015 General Obligation Refunding Bonds were issued on September 1, 2015 in the amount of $83,100,000 for the purpose of refunding portions of the Measure C (2006). Series A and B General Obligation Bonds.
- 2016 General Obligation Refunding Bonds were issued on October 19, 2016 in the amount of $201,735,000 for the purpose of refunding $184,000,000 of the Measure C(2006) Series C General Obligation Bonds.
- 2021 General Obligation Refunding Bonds were issued on April 21, 2021 in the amount of $96,025,000 for the purpose of refunding portions of Measure C (2006) 2014 Refunding Bonds and 2016 Refunding Bonds.

Measure G (2020): On March 3, 2020, a general obligation bond proposition (Measure G) of the District was approved by the voters of the District. Measure G authorized the District to issue up to $898,000,000 of general obligation bonds to finance various capital projects and related costs as specified in the bond measure provisions. The bylaws of the Independent Citizens Bond Oversight Committee have been revised to expand their duties to include oversight of the expenditures of bond proceeds for both Measure C (2006) and Measure G (2020)projects.

- Series A was sold on April 21, 2021 for a total of $20,000,000.
- Series B was sold on April 21, 2021 for a total of $90,000,000.

NOTE 7 - LONG-TERM LIABILITIES (Continued)

The annual requirements to amortize the District's General Obligation Bonds outstanding at June 30, 2023 are as follows:

Year Ending June 30,	Principal	Interest	Total Debt Service
2024	$ 48,474,308	$ 20,425,838	$ 68,900,146
2025	24,708,868	24,965,154	49,674,022
2026	26,637,271	25,481,319	52,118,590
2027	28,253,207	26,201,714	54,454,921
2028	29,362,322	26,735,500	56,097,822
2029-2033	159,626,981	162,672,221	322,299,202
2034-2038	143,560,797	196,114,490	339,675,287
2039-2042	143,030,000	7,645,253	150,675,253
	603,653,754	490,241,489	1,093,895,243
Accreted interest	195,192,626	-	195,192,626
Total	$ 798,846,380	$ 490,241,489	$ 1,289,087,869

NOTE 7 - LONG-TERM LIABILITIES (Continued)

The following table summarizes the Outstanding General Obligation Bonds at June 30, 2023:

	Date of Issue	Date of Maturity	Interest Rate %	Amount of Original Issue	Outstanding June 30, 2023
Measure E (1999) General Obligation Bonds					
Series A	5/3/2000	8/1/2030	4.30 - 6.26%	$ 99,995,036	$ 8,449,502
Series B	9/9/2003	8/1/2036	2.00 - 5.79%	90,100,063	44,400,063
Series C	9/20/2005	8/1/2034	3.00 - 5.03%	57,904,900	21,007,253
2002 General Obligation Refunding Bonds	10/2/2002	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	-
2012 General Obligation Refunding Bonds	5/3/2012	8/1/2030	0.25 - 5.00%	70,735,000	-
2014 General Obligation Refunding Bonds	8/19/2014	8/1/2036	2.00 - 5.00%	17,615,000	-
2021 General Obligation Refunding Bonds	4/21/2021	8/1/2036	3.00%	61,735,000	59,590,000
Accreted Interest					157,053,961
Total Measure E (1999)					290,500,779
Measure C (2006) General Obligation Bonds					
Series A	5/10/2007	8/1/2036	4.00 - 5.00%	149,995,250	21,455,250
Series B	5/10/2007	8/1/2036	4.00 - 5.00%	99,996,686	13,381,686
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	8/19/2014	8/1/2027	2.00 - 5.00%	85,400,000	20,360,000
2015 General Obligation Refunding Bonds	9/1/2015	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	128,545,000
2021 General Obligation Refunding Bonds	4/21/2021	8/1/2036	0.15 - 2.51%	96,025,000	94,380,000
Accreted Interest					38,138,665
Total Measure C (2006)					455,630,601
Measure G (2020) General Obligation Bonds					
Series A	4/21/2021	8/1/2041	2.13 - 3.00%	20,000,000	20,000,000
Series B	4/21/2021	8/1/2033	0.15 - 2.26%	90,000,000	32,715,000
Total Measure G (2020)					52,715,000
Total General Obligation Bonds					$ 798,846,380

(Continued)

NOTE 7 - LONG-TERM LIABILITIES (Continued)

Changes in Long-Term Debt: A schedule of changes in long-term debt for the year ended June 30, 2023 is as follows:

	Balance July 1 2022	Additions	Deductions	Balance June 30, 2023	Amounts Due Within One Year
Debt					
General Obligation Bonds	$ 657,878,325	$ -	$ 54,224,571	$ 603,653,754	$ 48,474,308
Accreted Interest	181,009,436	14,183,190	-	195,192,626	-
General Obligation Bonds Premium, net	44,591,839	-	3,300,393	41,291,446	3,300,393
	883,479,600	14,183,190	57,524,964	840,137,826	51,774,701
Other long-term liabilities					
Net pension liability (Notes 8 and 9)	132,798,324	62,964,676	-	195,763,000	-
Leases payable	44,774	-	44,774	-	-
Net OPEB liability (Note 10)	68,278,276	3,103,674	-	71,381,950	-
Claims liability	5,380,616	-	-	5,380,616	1,534,446
Supplemental employee retirement plan (Note 7)	2,434,766	-	1,217,383	1,217,383	1,217,383
Medicare Premium Program (MPP)	832,294	-	816,735	15,559	-
Subscription liabilities	-	13,173,573	4,353,968	8,819,605	4,172,436
Compensated absences	7,960,980	234,798	-	8,195,778	248,226
	$ 1,101,209,630	$ 93,659,911	$ 63,957,824	$ 1,130,911,717	$ 58,947,192

Liabilities are liquidated for governmental activities by the fund for which the employee worked, including 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. Payments on the claims liabilities will be paid by the Self-Insurance Fund.

NOTE 8 - SUPPLEMENTAL EMPLOYEE RETIREMENT PLAN

In August 2018, the board of trustees approved the implementation of the District's Supplemental Employee Retirement Plan for classified and faculty employees. A total of 88 employees, 52 classified and 36 faculty employees participate in the plan. The total cost to the District is approximately $5.85 million. The District will pay benefits of $1,170,561 and administrative costs of $46,822 annually through 2023-2024. The accumulated future liability for the District at June 30, 2023 is $1,217,383.

NOTE 9 - NET PENSION LIABILITY - STATE TEACHERS' RETIREMENT PLAN

General Information about the State Teachers' Retirement Plan

Plan Description: Teaching-certified employees of the District are provided with pensions through the State Teachers' Retirement Plan (STRP) – a cost-sharing multiple-employer defined benefit pension plan administered by the California State Teachers' Retirement System (CalSTRS). The Teachers' Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature, established this plan and CalSTRS as the administrator. The benefit terms of the plans may be amended through legislation. CalSTRS issues a publicly available financial report that can be obtained at http://www.calstrs.com/annualcomprehensive-financial-report.

Benefits Provided: The STRP Defined Benefit Program has two benefit formulas:

- CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS.
- CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS.

The Defined Benefit (DB) Program provides retirement benefits based on members' final compensation, age and years of service credit. In addition, the retirement program provides benefits to members upon disability and to survivors/beneficiaries upon the death of eligible members. There are several differences between the two benefit formulas which are noted below.

CalSTRS 2% at 60 - CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, up to the 2.4 percent maximum.

CalSTRS calculates retirement benefits based on a one-year final compensation for members who retired on or after January 1, 2001, with 25 or more years of credited service, or for classroom teachers with less than 25 years of credited service if the employer elected to pay the additional benefit cost prior to January 1, 2014. One-year final compensation means a member's highest average annual compensation earnable for 12 consecutive months calculated by taking the creditable compensation that a member could earn in a school year while employed on a fulltime basis, for a position in which the person worked. For members with less than 25 years of credited service, final compensation is the highest average annual compensation earnable for any 36 consecutive months of credited service.

CalSTRS 2% at 62 - CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

All CalSTRS 2% at 62 members have their final compensation based on their highest average annual compensation earnable for 36 consecutive months of credited service.

Contributions: Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Current contribution rates were established by California Assembly Bill 1469 (CalSTRS Funding Plan), which was passed into law in June 2014, and various subsequent legislation.

(Continued)

NOTE 9 - NET PENSION LIABILITY - STATE TEACHERS' RETIREMENT PLAN (Continued)

The CalSTRS Funding Plan established a schedule of contribution rate increases shared among members, employers, and the State of California to bring CalSTRS toward full funding by fiscal year 2046. California Senate Bill 90 and California Assembly Bill 84 (collectively the “Special Legislation”), were signed into law in June 2019 and June 2020, respectively, and provided supplemental contributions to the DB Program along with supplemental contribution rate relief to employers through fiscal year 2022-23.

A summary of statutory contribution rates and other sources of contributions to the DB Program pursuant to the CalSTRS Funding Plan, and the Special Legislation, are as follows:

Members - Under CalSTRS 2% at 60, the member contribution rate was 10.250 percent of applicable member earnings for fiscal year 2021-22. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 10.205 percent of applicable member earnings for fiscal year 2021-22.

Under CalSTRS 2% at 62, members pay 9% toward the normal cost and an additional 1.205 percent as per the CalSTRS Funding Plan for a total member contribution rate of 10.205 percent. The contribution rate for CalSTRS 2% at 62 members is adjusted if the normal cost increases or decreases by more than 1% since the last time the member contribution rate was set. Based on the June 30, 2021, valuation adopted by the CalSTRS board in May 2022, the increase in normal cost was less than 1 percent. Therefore, the contribution rate for CalSTRS 2% at 62 members did not change effective July 1, 2022.

Employers – Employers are required to contribute a base contribution rate set in statute at 8.25%. Pursuant to the CalSTRS Funding Plan, employers also have a supplemental contribution rate to eliminate their share of the CalSTRS unfunded actuarial obligation by 2046.

Beginning in fiscal year 2021–22, the CalSTRS Funding Plan authorized the CalSTRS board to adjust the employer supplemental contribution rate up or down by a maximum of 1% for a total rate of no higher than 20.25% and no lower than 8.25%. In May 2022, the CalSTRS board voted to keep the employer supplemental contribution rate at 10.85% for fiscal year 2022–23 for a total employer contribution rate of 19.10%.

The CalSTRS employer contribution rate increases effective for fiscal year 2022-23 through fiscal year 2046-47 are summarized in the table below:

Effective Date	Base Rate	Supplemental Rate Per CalSTRS Funding Plan	Total
July 1, 2022	8.250%	10.850%	19.100%
July 1, 2023 to June 30, 2046	8.250%	(1)	(1)
July 1, 2046	8.250%	Increase from AB 1469 rate ends in 2046-47	

(1) The CalSTRS Funding Plan authorizes the board to adjust the employer contribution rate up or down by up to 1% each year, but no higher than 20.250% total and no lower than 8.250%.

The District contributed $14,997,450 to the plan for the fiscal year ended June 30, 2023.

State – 10.828 percent of the members’ calculated based on creditable compensation from two fiscal years prior.

(Continued)

NOTE 9 - NET PENSION LIABILITY - STATE TEACHERS' RETIREMENT PLAN (Continued)

The state is required to contribute a base contribution rate set in statute at 2.017%. Pursuant to the CalSTRS Funding Plan, the state also has a supplemental contribution rate, which the board can increase by up to 0.5% each fiscal year to help eliminate the state's share of the CalSTRS unfunded actuarial obligation by 2046. In May 2022, the CalSTRS board voted to keep the state supplemental contribution rate at 6.311% for fiscal year 2022–23 for a total contribution rate of 10.828%.

Special legislation appropriated supplemental state contributions to reduce the state's portion of the unfunded actuarial obligation of the DB Program in fiscal years 2019-20 through 2021-22. These contributions are funded from future excess General Fund revenues, pursuant to the requirements of California Proposition 2, the "Rainy-Day Budget Stabilization Fund Act", which passed in 2014. Accordingly, the contribution amounts are subject to change each year based on the availability of funding. For fiscal year 2021–22, CalSTRS received $410.0 million in supplemental state contributions from Proposition 2 funds. Additionally, CalSTRS received a one-time supplemental payment of $173.7 million from the General Fund in fiscal year 2021–22 to offset forgone contributions due to the suspension of the 0.5% increase to the state supplemental contribution rate in fiscal year 2020–21.

The CalSTRS state contribution rates effective for fiscal year 2022-2023 and beyond are summarized in the table below.

Effective Date	Base Rate	Supplemental Rate Per CalSTRS Funding Plan	SBMA Funding(1)	Total
July 01, 2022	2.017%	6.311%	2.50%	10.828%
July 01, 2023 to June 30, 2046	2.017%	(2)	2.50%	(2)
July 01, 2046	2.017%	(3)	2.50%	(3)

(1) The SBMA contribution rate excludes the $72 million that is reduced from the required contribution in accordance with Education Code section 22954.
(2) The CalSTRS board has limited authority to adjust the state contribution rate annually through June 2046 in order to eliminate the remaining unfunded actuarial obligation. The board cannot increase the supplemental rate by more than 0.5% in a fiscal year, and if there is no unfunded actuarial obligation, the supplemental contribution rate imposed would be reduced to 0%.
(3) From July 1, 2046, and thereafter, the rates in effect prior to July 1, 2014, are reinstated, if necessary, to address any remaining unfunded actuarial obligation.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2023, 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:

District's proportionate share of the net pension liability	$ 67,666,000
State's proportionate share of the net pension liability associated with the District	38,247,000
Total	$ 105,913,000

(Continued)

NOTE 9 - NET PENSION LIABILITY - STATE TEACHERS' RETIREMENT PLAN (Continued)

The net pension liability was measured as of June 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school districts and the State. At June 30, 2022, the District's proportion was 0.10 percent, which was a decrease of 0.02 percent in proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the District recognized pension expense of $5,235,421. In addition, the District recognized revenue and corresponding expense of $6,097,042 for support provided by the State. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 56,000	$ 5,074,000
Changes of assumptions	3,356,000	-
Net differences between projected and actual earnings on investments	-	3,309,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	21,435,000
Contributions made subsequent to measurement date	14,997,450	-
Total	$ 18,409,450	$ 29,818,000

$14,997,450 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2024	$ (5,733,083)
2025	$ (8,756,083)
2026	$ (9,197,084)
2027	$ 1,615,250
2028	$ (3,300,500)
2029	$ (1,034,500)

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of the June 30, 2022 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

(Continued)

NOTE 9 - NET PENSION LIABILITY - STATE TEACHERS' RETIREMENT PLAN (Continued)

Actuarial Methods and Assumptions: The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2021, and rolling forward the total pension liability to June 30, 2022. The financial reporting actuarial valuation as of June 30, 2021, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2021
Experience Study	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Post-retirement Benefit Increases	2.00% simple for DB, maintain 85% Purchasing power level for DB, not applicable for DBS/CBB

Discount Rate: The discount rate used to measure the total pension liability was 7.10 percent, which was unchanged from the prior fiscal year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those 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 the total pension liability.

Mortality: 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 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-2019) 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 investment staff and investment consultants as inputs to the process.

The actuarial investment rate of return assumption was adopted by the CalSTRS board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions. 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:

(Continued)

NOTE 9 - NET PENSION LIABILITY - STATE TEACHERS' RETIREMENT PLAN (Continued)

Asset Class	Assumed Asset Allocation	Long-Term* Expected Real Rate of Return
Public Equity	42%	4.8%
Real Estate	15	3.6
Private Equity	13	6.3
Fixed Income	12	1.3
Risk Mitigating Strategies	10	1.8
Inflation Sensitive	6	3.3
Cash / Liquidity	2	(0.4)

* 20-year geometric average

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	$ 114,922,000	$ 67,666,000	$ 28,429,000

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS financial report.

NOTE 10 - NET PENSION LIABILITY - PUBLIC EMPLOYER'S RETIREMENT FUND B

General Information about the Public Employer's Retirement Fund B

Plan Description: The schools cost-sharing multiple-employer defined benefit pension plan Public Employer's Retirement Fund B (PERF B) is administered by the California Public Employees' Retirement System (CalPERS). Plan membership consists of non-teaching and non-certified employees of public schools (K-12), community college districts, offices of education, charter and private schools (elective) in the State of California.

The Plan was established to provide retirement, death and disability benefits to non-teaching and non-certified employees in schools. The benefit provisions for Plan employees are established by statute. CalPERS issues a publicly available financial report that can be obtained at: https://www.calpers.ca.gov/docs/forms-publications/acfr- 2022.pdf.

Benefits Provided: The benefits for the defined benefit plans are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years (10 years for State Second Tier members) of credited service.

NOTE 10 - NET PENSION LIABILITY - PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

Contributions*:* The benefits for the defined benefit pension plans are funded by contributions from members and employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer's benefit formulas. Employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Employer contributions, including lump sum contributions made when agencies first join the PERF B, are credited with a market value adjustment in determining contribution rates.

The required contribution rates of most active plan members are based on a percentage of salary in excess of a base compensation amount ranging from zero dollars to $863 monthly.

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2023 were as follows:

Members - The member contribution rate was 7.00 percent of applicable member earnings for fiscal year 2022-23.

Employers - The employer contribution rate was 25.37 percent of applicable member earnings.

The District contributed $16,732,943 to the plan for the fiscal year ended June 30, 2023.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2023, the District reported a liability of $128,097,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school districts. At June 30, 2022 the District's proportion was 0.37 percent, which was a decrease of 0.01 percent from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the District recognized a pension expense of $53,410,398. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 579,000	$ 3,187,000
Changes of assumptions	9,476,000	-
Net differences between projected and actual earnings on investments	-	24,239,000
Changes in proportion and differences between District contributions and proportionate share of contributions	997,000	3,230,000
Contributions made subsequent to measurement date	16,732,943	-
Total	$ 27,784,943	$ 30,656,000

(Continued)

NOTE 10 - NET PENSION LIABILITY - PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

$16,732,943 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2024	$	(8,446,250)
2025	$	(6,158,250)
2026	$	(5,661,250)
2027	$	661,750

Differences between expected and actual experience, changes in assumptions and changes in proportion and differences between District contributions and proportionate share of contributions are amortized over a closed period equal to the average remaining service life of plan members, which is 3.9 years as of the June 30, 2022 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

Actuarial Methods and Assumptions: The total pension liability for the Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2021 , and rolling forward the total pension liability to June 30, 2022. The financial reporting actuarial valuation as of June 30, 2021, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2021
Experience Study	June 30, 2000 through June 30, 2019
Actuarial Cost Method	Entry age normal
Investment Rate of Return	6.90%
Consumer Price Inflation	2.30%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power Applies, 2.30% thereafter

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 80% of scale MP2020. For more details on this table, please refer to the 2021 experience study report.

All other actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from 2000 to 2019, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS' website.

During the 2021-22 measurement period, the financial reporting discount rate for PERF B was lowered from 7.15 percent to 6.90 percent. In addition, the inflation assumption was reduced from 2.50 percent to 2.30 percent. Lastly, demographic assumptions for mortality rates were updated.

(Continued)

NOTE 10 - NET PENSION LIABILITY - PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class	Assumed Asset Allocation	Expected Real Rates of Return Years 1-10 (1, 2)
Global Equity – cap-weighted	30.00%	4.45%
Global Equity non-cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	.27%
Mortgage-backed Securities	5.00%	.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	(5.00%)	(0.59%)

(1) An expected inflation rate of 2.30% used for this period
(2) Figures are based on the 2021-22 CalPERS Asset Liability Management Study

Discount Rate: The discount rate used to measure the total pension liability was 6.90 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained at CalPERS' website.

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.

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.90 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.90 percent) or 1-percentage-point higher (7.90 percent) than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
District's proportionate share of the net pension liability	$ 185,043,000	$ 128,097,000	$ 81,034,000

(Continued)

NOTE 10 - NET PENSION LIABILITY - PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS

General Information Other Postemployment Benefits Plan (OPEB)

Plan Description: In addition to the pension benefits described in Notes 7, 8 and 9, the District established an Other Postemployment Benefit Plan (the Plan) which is an agent multiemployer defined benefit healthcare plan administered by the California Employers Retirement Benefit Trust (CERBT). CERBT serves as an irrevocable trust, ensuring that funds contributed into its Investment Trust are dedicated to serving the needs of member districts, and their employees and retirees. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. 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.

Contributions*:* 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.

Employees Covered by Benefit Terms: The following is a table of plan participants at June 30, 2023:

	Number of Participants
Inactive Plan members receiving benefits	787
Inactive employees/dependents entitled to but not yet receiving benefits	-
Active employees	872
	1,659

Benefits Provided*:* The following is a description of the current retiree benefit plan:

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

The following is a description of the current retiree benefit plan:

	Faculty	Classified	Management
Benefit Types Provided	Medical, Dental, Vision, Part B Medicare	Medical, Dental, Vision, Part B Medicare	Medical, Dental, Vision, Part B Medicare
Duration of Benefits	Lifetime	Lifetime	Lifetime
Required Service	10 years	10 years*	10 years*
Minimum Age	55	55*	55*
Dependent Coverage	Yes**	Yes**	Yes**
District Contribution	100%***	100%***	100%***
District Cap	Based on active benefit	Based on active benefit	Based on active benefit

*Certain employees with 20+ years' service may receive District-paid retiree health benefits earlier than age 55.
**The District's medical plan is secondary to other coverage the dependent may have.
***Retirees must contribute an amount that depends on the plan elected and the number of dependents covered.

The following is a description of the current retiree benefit plan available to employees hired after July 1, 1997:

	Faculty	Classified	Management
Benefit Types Provided	Medical	Medical	Medical,
Duration of Benefits	To Medicare age	To Medicare age	To Medicare age
Required Service	15 years	15 years	15 years
Minimum Age	55	55	55
Dependent Coverage	Yes*	Yes*	Yes*
District Contribution	100%	100%	100%
District Cap	Single: $400 per month Two Party: $800 per month	Single: $400 per month Two Party: $800 per month	Single: $400 per month Two Party: $800 per month

*The District's medical plan is secondary to other coverage the dependent may have.

Contributions to the Plan from the District were $8,903,973 for the year ended June 30, 2023. Employees are not required to contribute to the OPEB plan.

OPEB Plan Investments: All Plan investments are held in the California Employers' Retiree Benefit Trust Program (CERBT) through CalPERS. The plan discount rate of 6.75% was determined using the following asset allocation and assumed rate of return:

Asset Class	Percentage of Portfolio	Rate of Return*
Equities	59.0%	7.55%
Fixed Income	25.0%	4.25%
Real estate investment trusts	8.0%	7.25%
All commodities	3.0%	7.55%
Treasury inflation protected securities (TIPS)	5.0%	3.00%

(Continued)

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Rolling periods of time for all asset classes in combination were used to appropriately reflect correlation between asset classes. This means that the average returns for any asset class do not necessarily reflect the averages over time individually but reflect the return for the asset class for the portfolio average. Additionally, the historic 16-year real rates of return for each asset class along with the assumed long-term inflation assumption was used to set the discount rate. The investment return was offset by assumed investment expenses of 50 basis points. It was further assumed that contributions to the plan would be sufficient to fully fund the obligation over a period not to exceed 16 years.

Net OPEB Liability

Actuarial Assumptions: The District's net OPEB liability for fiscal year ending June 30, 2023, was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. The total OPEB liability was determined using the actuarial assumptions shown as follows, applied to all periods included in the measurement, unless otherwise specified.

Valuation date	June 30, 2021
Census data	The census was provided by the District as of June 30, 2021
Actuarial cost method	Entry age actuarial cost method
Inflation rate	2.50%
Investment rate of return	6.75%
Discount rate	6.75%
Health care cost trend rate	4.00%
Payroll increase	2.75%
Participation rates	100% for certificated and classified employees.
Mortality	For certificated employees the 2020 CalSTRS mortality tables were used.
	For classified employees the 2017 CalPERS active mortality for miscellaneous employees were used.
Spouse prevalence	To the extent not provided and when needed to calculate benefit liabilities, 80% of retirees assumed to be married at retirement. After retirement, the percentage married is adjusted to reflect mortality.

(Continued)

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Spouse ages	To the extent spouse dates of birth are not provided and when needed to calculate benefit liabilities, female spouse assumed to be three years younger than male.
Turnover	For certificated employees the 2020 CalSTRS termination rates were used. For classified employees the 2017 CalPERS termination rates for school employees were used.
Retirement rates	For certificated employees the 2020 CalSTRS retirement rates were used. For classified employees the 2017 CalPERS retirement rates for school employees were used.

Changes in Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Total Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2022	$ 101,774,285	$ 33,496,009	$ 68,278,276
Changes for the year:			
Service cost	610,020	-	610,020
Interest	6,640,764	(4,739,390)	11,380,154
Employer contributions	-	8,903,972	(8,903,972)
Benefit payments	(7,403,972)	(7,403,972)	-
Differences between actual and expected experience	8,767	-	8,767
Administrative expenses	-	(8,705)	8,705
Net change	(144,421)	(3,248,095)	3,103,674
Balance at June 30, 2023	$ 101,629,864	$ 30,247,914	$ 71,381,950

Fiduciary Net Position as a % of the Total OPEB Liability at June 30, 2023: 29.8%

Sensitivity of the Net OPEB Liability to changes in the Discount Rate: The following presents the Net OPEB Liability of the District, as well as what the District's Net OPEB Liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net OPEB liability	$ 80,168,138	$ 71,381,950	$ 63,782,083

(Continued)

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Sensitivity of the Net OPEB Liability to changes in the Healthcare Cost Trend Rates: The following presents the Net OPEB Liability of the District, as well as what the District's Net OPEB Liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (3.0%)	Healthcare Cost Trend Rates Rate (4.00%)	1% Increase (5.0%)
Net OPEB liability	$ 62,311,287	$ 71,381,950	$ 81,836,964

OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2023, the District recognized OPEB expense of $4,429,748. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 16,917	$ 5,517,824
Changes of assumptions	2,950,474	-
Net differences between projected and actual earnings on investments	2,805,238	-
Contributions made subsequent to measurement date	9,144,604	-
Total	$ 14,917,233	$ 5,517,824

Amounts reported as deferred outflows of revenues related to OPEB will be recognized in pension expense as follows:

2024	$ (495,522)
2025	$ (522,168)
2026	$ (247,657)
2027	$ 1,474,084
2028	$ 45,155
Thereafter	$ 913

(Continued)

NOTE 12 – FUNCTIONAL EXPENSES

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

	Salaries	Benefits	Supplies, Materials, and Other Operating Expenses and Services	Financial Aid	Depreciation	Total
Instructional activities	$ 83,088,954	$ 37,021,554	$ 2,549,057	$ -	$ -	$ 122,659,565
Academic support	27,221,907	12,943,914	2,178,306	-	-	42,344,127
Student services	6,493,038	3,150,133	6,020,932	-	-	15,664,103
Operation and maintenance of plant	5,843,613	3,736,237	7,578,002	-	-	17,157,852
Instructional support services	30,241,505	22,064,447	37,217,581	-	-	89,523,533
Community services and economic development	5,822,792	2,738,738	1,313,711	-	-	9,875,241
Ancillary services and auxiliary operations	3,436,280	1,631,283	1,496,942	-	-	6,564,505
Transfers, student aid, and other outgo	-	-	-	41,512,874	-	41,512,874
Depreciation and amortization expense	-	-	-	-	45,193,211	45,193,211
	$ 162,148,089	$ 83,286,306	$ 58,354,531	$ 41,512,874	$ 45,193,211	$ 390,495,011

NOTE 13 - 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 believed 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 instruments, including an annual report, annual fiscal report, midterm report, comprehensive institutional self-study, and an evaluation review by a team of peers. The ACCJC reaffirmed both Colleges' accreditation for the full seven-year cycle through 2024. The District's two Colleges are currently developing their Institutional Self-Evaluation Report in preparation of their upcoming Fall 2024 comprehensive visit.

Purchase Commitments: As of June 30, 2023, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately $20.0 million. Projects will be funded through unrestricted local, state funds and general obligation bonds.

(Continued)

NOTE 14 – RISK MANAGEMENT

Worker's Compensation: Effective March 1, 2003, the District is self-insured for certain risks and employee benefits. Workers' compensation claims are self-insured to $750,000. Excess insurance has been purchased which covers worker's compensation claims between $250,000 and $750,000. 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 worker's compensation losses as of June 30,2023 were $1,534,446 and $3,846,167 respectively.

Claims Liabilities: The District establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses.

Reported Liability	Beginning Fiscal Year Liability	Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
Worker's Compensation	$ 5,380,616	$ 366,623	$ (366,623)	$ 5,380,616

NOTE 15 - JOINT POWERS AGREEMENTS

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the 2022-23 fiscal year the District participates in the Statewide Association of Community Colleges joint powers authority (JPA) insurance pool for property and liability. The JPA is administered through Keenan & Associates, a public agency insurance pool administrator.

Statewide Association of Community Colleges (SWACC) provides liability and property insurance for fifty-seven of the seventy-three California community college districts. SWACC is governed by a board comprised of a representative for each of the participating members. The board controls the operations of SWACC, including selection of management and approval of members beyond their representation on the board. Each member shares surpluses and deficits proportionately to its participation in SWACC. The SWACC JPA includes the following: Standard insurance pool program; and Schools Association for Excess Risk (SAFER) excess liability program. This consideration of loss exposure leverages the market and further spreads the risk of loss.

The most current condensed financial information derived from the SWACC JPA financial statement for the fiscal year ended June 30, 2022, the more recent financial statement available, is as follows:

	SWACC June 30,2022
Total assets	$ 50,281,881
Total liabilities	$ 34,250,259
Net position	$ 16,031,622
Total revenues	$ 29,662,499
Total expenses	$ 30,906,840
Change in net position	$ (1,244,341)

NOTE 16 – DONATED SERVICES AND FACILITIES

Donated facilities to the Foothill-De Anza Community Colleges Foundation totaling $81,167 for the year ended June 30, 2023 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 signific related costs are recognized and reported annually.

REQUIRED SUPPLEMENTARY INFORMATION

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY
Year ended June 30, 2023

Last 10 Fiscal Years

	2018	2019	2020	2021	2022	2023
Total OPEB liability						
Service cost	$ 412,154	$ 423,488	$ 435,134	$ 477,705	$ 490,842	$ 610,020
Interest	7,262,034	7,298,943	7,324,225	6,846,312	7,102,496	6,640,764
Actuarial experience	-	-	(7,204,559)	-	(3,786,328)	-
Actual minus Expected Benefit Payments	-	37,284	(59,869)	-	-	8,767
Change in assumptions	-	-	-	-	4,205,996	-
Benefit payments	(7,047,542)	(7,306,240)	(7,405,332)	(7,341,633)	(7,457,527)	(7,403,972)
Net change in total OPEB liability	626,646	453,475	(6,910,401)	(17,616)	555,479	(144,421)
Total OPEB liability, beginning of year	107,066,702	107,693,348	108,146,823	101,236,422	101,218,806	101,774,285
Total OPEB liability, end of year	$ 107,693,348	$ 108,146,823	$ 101,236,422	$ 101,218,806	$ 101,774,285	$ 101,629,864
Plan fiduciary net position						
Employer contributions	$ 8,547,542	$ 8,768,956	$ 8,905,332	$ 8,841,633	$ 8,957,527	$ 8,903,972
Actual investment income	1,474,081	1,364,217	1,437,170	1,633,470	7,102,132	2,311,312
Investment gains (losses)	-	-	(124,874)	(809,334)	-	(7,050,702)
Benefits payment	(7,047,542)	(7,306,240)	(7,405,332)	(7,341,633)	(7,457,527)	(7,403,972)
Actual Minus Expected Benefit Payments	-	37,284	-	-	-	-
Administrative Expense	(12,538)	(31,884)	(4,471)	(11,546)	(9,777)	(8,705)
Change in plan fiduciary net position	2,961,543	2,832,333	2,807,825	2,312,590	8,592,355	(3,248,095)
Fiduciary trust net position, beginning of year	13,989,363	16,950,906	19,783,239	22,591,064	24,903,654	33,496,009
Fiduciary trust net position, end of year	$ 16,950,906	$ 19,783,239	$ 22,591,064	$ 24,903,654	$ 33,496,009	$ 30,247,914
Net OPEB liability, ending	$ 90,742,442	$ 88,363,584	$ 78,645,358	$ 76,315,152	$ 68,278,276	$ 71,381,950
Covered employee payroll	$ 101,240,000	$ 100,791,000	$ 102,699,000	$ 100,174,000	$ 101,564,000	$ 109,246,000
Total OPEB liability as a percentage of covered-employee payroll	89.63%	87.67%	76.58%	76.18%	67.23%	93.03%

This is a 10-year schedule, however the information in this schedule is not required to be presented retrospectively. The schedule of changes in Net OPEB Liability reports prior year covered-employee payroll as of the measurement date. All years prior to 2018 are not available.

See accompanying note to required supplementary information.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
Year ended June 30, 2023

State Teacher's Retirement Plan
Last 10 Fiscal Years

	2015	2016	2017	2018	2019	2020	2021	2022	2023
District's proportion of the net pension liability	0.15%	0.15%	0.14%	0.13%	0.13%	0.12%	0.13%	0.12%	0.10%
District's proportionate share of the net pension liability	$ 89,739,321	$ 102,319,350	$ 114,042,210	$ 122,073,600	$ 115,802,820	$ 108,379,200	$ 122,105,340	$ 55,974,840	$ 67,666,000
State's proportionate share of the net pension liability associated with the District	54,188,476	54,115,656	64,931,754	72,218,299	66,302,855	59,128,566	62,944,808	28,164,955	38,247,000
Total net pension liability	$ 143,927,797	$ 156,435,006	$ 178,973,964	$ 194,291,899	$ 182,105,675	$ 167,507,766	$ 185,050,148	$ 84,139,795	$ 105,913,000
District's covered payroll	$ 62,500,000	$ 64,900,000	$ 67,100,000	$ 73,400,000	$ 71,700,000	$ 71,200,000	$ 70,400,000	$ 70,300,000	$ 68,100,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	144%	158%	170%	169%	162%	152%	173%	80%	99%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.00%	70.00%	69.00%	71.00%	73.00%	72.00%	87.00%	81.20%

The schedule of changes in Net Pension Liability reports prior year covered-employee payroll as of the measurement date.
All years prior to 2015 are not available.

(Continued)

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
Year ended June 30, 2023

Public Employers Retirement Fund B
Last 10 Fiscal Years

	2015	2016	2017	2018	2019	2020	2021	2022	2023
District's proportion of the net pension liability	0.45%	0.44%	0.44%	0.43%	0.42%	0.40%	0.37%	0.38%	0.37%
District's proportionate share of the net pension liability	$ 50,508,676	$ 64,924,007	$ 86,801,522	$ 102,174,896	$ 112,571,812	$ 117,480,477	$ 113,772,846	$ 76,823,484	$ 128,097,000
District's covered payroll	$ 46,700,000	$ 48,600,000	$ 52,800,000	$ 54,700,000	$ 55,800,000	$ 55,900,000	$ 53,200,000	$ 54,600,000	$ 61,600,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	108%	134%	164%	186%	202%	210%	214%	141%	208%
Plan fiduciary net position as a percentage of the total pension liability	83.00%	83.00%	74.00%	72.00%	71.00%	70.00%	70.00%	81.00%	69.76%

The schedule of changes in Net Pension Liability reports prior year covered-employee payroll as of the measurement date.
All years prior to 2015 are not available.

See accompanying note to required supplementary information.

State Teachers' Retirement Plan
Last 10 Fiscal Years

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Contractually required contribution	$ 5,770,723	$ 7,276,038	$ 9,099,696	$ 10,329,430	$ 11,460,643	$ 11,935,159	$ 11,321,984	$ 11,480,264	$ 14,997,450
Contributions in relation to the contractually required contribution	$ 5,770,723	$ 7,276,038	$ 9,099,696	$ 10,329,430	$ 11,460,643	$ 11,935,159	$ 11,321,984	$ 11,480,264	$ 14,997,450
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 64,900,000	$ 67,100,000	$ 73,400,000	$ 71,700,000	$ 71,200,000	$ 70,400,000	$ 70,300,000	$ 68,100,000	$ 79,376,693
Contributions as a percentage of covered payroll	8.88%	10.73%	12.58%	14.43%	16.28%	17.10%	16.15%	16.92%	19.10%

All years prior to 2015 are not available.

(Continued)

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
Year ended June 30, 2023

Public Employers Retirement Fund B
Last 10 Fiscal Years

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Contractually required contribution	$ 5,722,845	$ 6,255,896	$ 7,593,407	$ 8,654,851	$ 10,093,326	$ 10,487,637	$ 11,269,837	$ 13,827,325	$ 16,732,943
Contributions in relation to the contractually required contribution	$ 5,722,845	$ 6,255,896	$ 7,593,407	$ 8,654,851	$ 10,093,326	$ 10,487,637	$ 11,269,837	$ 13,827,325	$ 16,732,943
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 48,600,000	$ 52,800,000	$ 54,700,000	$ 55,800,000	$ 55,900,000	$ 53,200,000	$ 54,600,000	$ 61,600,000	$ 67,686,380
Contributions as a percentage of covered payroll	11.77%	11.85%	13.89%	15.53%	18.09%	19.72%	20.70%	22.91%	25.37%

All years prior to 2015 are not available.

See accompanying note to required supplementary information.

NOTE 1 - PURPOSE OF SCHEDULE

Schedule of Changes in Net Other Postemployment Benefits (OPEB) Liability: The Schedule of Changes in Net OPEB liability is presented to illustrate the elements of the District's Net OPEB liability. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

Schedule of the District's Proportionate Share of the Net Pension Liability: The schedule is intended to show trends about the rate of return on plan assets.

Schedule of the District's Contributions: The Schedule of the District's contributions is presented to illustrate the District's required contributions relating to the pensions. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

Changes of Benefit Terms: There are no changes in benefit terms reported in the Required Supplementary Information.

Changes of Assumptions: The discount rate used for the Public Employer's Retirement Fund B (PERF B) plan was 7.50, 7.65, 7.65, 7.15, 7.15, 7.15, 7.15, 7.15 and 6.90 percent in the June 30, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, and 2021 actuarial reports, respectively.

The inflation rate used for the PERF B plan was 2.50, 2.50, 2.50, 2.50, 2.50, 2.50, 2.50, 2.50, and 2.30 percent in the June 30, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, and 2021 actuarial reports, respectively.

The following are the assumptions for State Teachers' Retirement Plan:

	Measurement Period							
Assumption	As of June 30, 2022	As of June 30, 2021	As of June 30, 2020	As of June 30, 2019	As of June 30, 2018	As of June 30, 2017	As of June 30, 2016	As of June 30, 2015
Consumer price inflation	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	3.00%	3.00%
Investment rate of return	7.10%	7.10%	7.10%	7.10%	7.10%	7.10%	7.60%	7.60%
Wage growth	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.75%	3.75%

SUPPLEMENTARY INFORMATION

The Board of Trustees and the District Administrators for the fiscal year ended June 30, 2023 were as follows:

BOARD OF TRUSTEES

Members	Office	Term Expires
Patrick J. Ahrens	President	Dec 2022-Nov 2026
Laura Casas	Vice President	Dec 2020-Nov 2024
Pearl Cheng	Member	Dec 2022-Nov 2026
Peter Landsberger	Member	Dec 2020-Nov 2024
Gilbert Wong	Member	Dec 2020-Nov 2024

DISTRICT ADMINISTRATION

Judy Miner
Chancellor (until 7/30/2023, retired)

Lee Lambert
Chancellor (effective 7/31/2023)

Susan Cheu
Vice Chancellor, Business Services

Ray Quan
Vice Chancellor, Human Resources

Jory Hadsell
Vice Chancellor, Technology

Kristina Whalen
President, Foothill College

Lloyd Holmes
President, De Anza College

Fiscal Administration

Susan Cheu
Vice Chancellor, Business Services

Raquel Puentes-Griffith
Executive Director, Fiscal Services

Sirisha Pingali
Director, Budget Operations

Edith Aiwaz
Manager, Accounting

(Continued)

AUXILIARY ORGANIZATIONS IN GOOD STANDING

Foothill-De Anza Community Colleges Foundation, established in 1996
Master Agreement signed 1998
Dennis Cima, Director

California History Center, established in 1987
Master Agreement signed in 1987
Lori Clinchard, Director

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Direct Programs:			
Student Financial Assistance Cluster:			
Federal Pell Grants (PELL)	84.063	-	$ 18,970,918
Federal Pell Administrative Allowance	84.063	-	40,245
Federal Supplemental Educational Opportunity Program (FSEOG)	84.007	-	541,106
Federal Work Study (FWS)	84.033	-	454,701
Federal Direct Student Loans	84.268	-	5,174,407
Subtotal Financial Assistance Cluster			25,181,377
Education Stabilization Fund:			
COVID-19 HEERF Student Portion	84.425E	-	8,737,010
COVID-19 HEERF Institutional Portion	84.425F	-	23,250,274
COVID-19 HEERF Minority Serving Institution	84.425L	-	93,612
Subtotal Education Stabilization Fund			32,080,896
Strengthening Institutions Program	84.031	-	449,309
Passed through California Community College Chancellor's Office:			
Career Technical Education - Basic Grants to States	84.048	14-112-016	1,114,641
Total U.S. Department of Education			58,826,223
U.S. Department of Agriculture			
Passed through California Department of Education:			
Child and Adult Care Food Program	10.558	03628	23,269
Total U.S. Department of Agriculture			23,269
U.S. Department of Labor			
Passed through Employment Development Department State of California:			
Occupational Training Institute (OTI) - General Grants	17.258	03573	803
Pass through City of San Jose:			
DA-WIA NOVA	17.258	03573	430
DA-WIA Work 2 Future	17.258	03573	6,753
Direct Programs:			
Veterans' Employment Program	17.802		1,585
Total U.S. Department of Labor			9,571

(Continued)

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2023

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal 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	-	$ 33,905
Pass through San Francisco State University:			
National Institutes of Health (NIH)	93.859	-	26,133
Substance Abuse Block Grant	93.959	-	4,999
Total U.S. Department of Health and Human Services			65,037
Corporation for National and Community Service			
AmeriCorps State and National	94.006	-	34,735
Total Corporation for National and Community Service			34,735
U.S. National Science Foundation (R&D Cluster)			
National Science Foundation - Advanced Technological Education	47.076	-	72,603
Total U.S. National Science Foundation Programs (R&D Cluster)			72,603
U.S. Department of Treasury			
Passed through California Community College Chancellor's Office:			
SB85 Emergency Financial Assistance	21.027	-	682,590
Total U.S. Department of Treasury			682,590
Total Federal Programs			$ 59,714,028

Reconciliation to Federal Revenue	
Total Expenditures Federal Programs	$ 59,714,028
Federal Pell Administrative Allowance	(40,245)
Federal Direct Student Loans	(5,174,407)
Total Federal Program Revenue	$ 54,499,376

See accompanying note to supplementary information.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF STATE FINANCIAL AWARDS
Year ended June 30, 2023

	Program Revenues				Total
	Cash Received	Accounts Receivable	Unearned Revenue	Total	Program Expenditures
Adult Education Block Grant	$ 933,316	$ -	$ 283,284	$ 650,032	$ 650,032
AB185 Rate Supplement	19,904	-	19,904	-	-
Basic Needs Center	1,231,518	-	723,177	508,341	508,341
BFAP Administration	1,031,190	-	19,297	1,011,893	1,011,893
Butte-Glenn OER	11,013	-	11,013	-	-
Cal Fresh Outreach	3,024	-	2,941	83	83
Cal Grant	2,237,772	56,102	-	2,293,874	2,293,874
Cal Works	366,739	-	13,393	353,346	353,346
Cal Works SSA	144,087	21,886	2	165,971	165,971
California Apprenticeship Initiative	-	262,168	-	262,168	262,168
California Education Learning Lab	94,176	346,800	-	440,976	440,976
Career Technical Education	8,294,940	1,166,609	3,306,324	6,155,225	6,155,225
CCAP Instructional Materials	57,765	-	57,765	-	-
CDC-State Contracts	872,276	-	-	872,276	872,276
CHAFEE	3,332	-	-	3,332	3,332
Child Development Center Bailout	522,124	-	-	522,124	522,124
Child Development Training Consortium	33,086	-	18,964	14,122	14,122
Classified Professional Development	107,361	-	107,361	-	-
Cooperative Agencies Resources for Education	232,407	-	107,758	124,649	124,649
COVID Recovery Block Grant	16,102,805	-	-	16,102,805	-
Culturally Competent Faculty PD	250,870	-	250,870	-	-
CVC/OEI	24,310,150	-	824,804	23,485,346	23,485,346
CYCL VIDA	61,460	-	-	61,460	61,460
Disabled Student Services and Programs	4,188,502	-	130,693	4,057,809	4,057,809
Disaster Relief Emergency	12,669	-	12,488	181	181
Dream Resource Liaisons	317,977	-	95,776	222,201	222,201
Early Childhood Education	3,486	-	3,486	-	-
Economic Development	98,133	-	-	98,133	98,133
Emergency Financial Assistance Supplemental	608,090	-	595,590	12,500	12,500
Equal Employment Opportunity	527,593	-	526,991	602	602
Extended Opportunity Programs and Services	2,693,675	-	97,226	2,596,449	2,596,449
Financial Aid Technology	98,601	-	-	98,601	98,601
First 5 CDC	96,647	-	96,647	-	-
Guided Pathways	1,383,883	-	745,130	638,753	638,753
I3 Pilot	110,000	15,000	-	125,000	125,000
Instructional Equipment	11,182,633	-	9,758,313	1,424,320	1,424,320
Learning Aligned Employment Program	3,287,514	-	3,274,304	13,210	13,210
LGBTQ+	220,750	-	209,735	11,015	11,015
Library Services Platform	24,830	-	24,830	-	-
Lottery-Instructional Materials	1,649,753	672,369	-	2,322,122	1,314,323
Mandatory Cost Elimination Fee	-	-	-	-	76,821
Mathematics, Engineering, Science Achievement (MESA)	-	2,785	-	2,785	2,785
Mental Health Services Grant	69,857	-	-	69,857	69,857
Mental Health Support	1,176,289	-	375,079	801,210	801,210
Next Up	1,584,711	-	1,579,666	5,045	5,045
Nursing Education	236,800	-	151,534	85,266	85,266
P-98 COVID-19 Response Block Grant	13,037	-	-	13,037	13,037
Promise Grants (AB19)	3,986,441	-	438,465	3,547,976	3,547,976
Retention and Enrollment	2,717,717	-	2,533,515	184,202	184,202
Rising Scholars	118,000	-	68,784	49,216	49,216

(Continued)

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF STATE FINANCIAL AWARDS
Year ended June 30, 2023

	Program Revenues				Total
	Cash Received	Accounts Receivable	Unearned Revenue	Total	Total Program Expenditures
State Meal Reimbursement	$ 253	$ 103	$ -	$ 356	$ 356
Student Equity and Achievement (SEA)	18,356,439	-	6,943,728	11,412,711	11,412,711
Student Food and Housing Support	1,084,005	-	994,437	89,568	89,568
Student Housing Planning	264,000	-	172,785	91,215	91,215
Student Retention and Enrollment	958,691	-	501,911	456,780	456,780
Student Success Completion Grants	9,608,707	-	4,868,822	4,739,885	4,739,885
TANF	25,767	8,138	-	33,905	33,905
Technology and Data Security	599,000	-	507,735	91,265	91,265
TTIP Telecom & Technology	46,885	-	46,885	-	-
UMOJA	23,033	-	7,399	15,634	15,634
Veteran Resource Center	472,190	-	459,361	12,829	12,829
Veterans Resource Center One-Time	67,642	-	67,642	-	-
Zero Textbook Cost Program	400,000	-	380,653	19,347	19,347
Scheduled Maintenance	20,455,449	-	19,218,331	1,237,118	1,237,119
Total State Programs	$ 145,690,964	$ 2,551,960	$ 60,634,798	$ 87,608,126	$ 70,574,344

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT
SCHEDULE OF WORKLOAD MEASURES FOR
STATE GENERAL APPORTIONMENT
Annual Attendance as of June 30, 2023

Categories	Reported Data	Audit Adjustments	Revised Data
A. Summer Intersession (Summer 2022 only)			
1. Noncredit	71	-	71
2. Credit	2,600	-	2,600
B. Summer Intersession (Summer 2023) - Prior to July 1, 2023)			
1. Noncredit	-	-	-
2. Credit	-	-	-
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
a. Weekly Census Contact Hours	4,588	-	4,588
b. Daily Census Contact Hours	248	-	248
2. Actual Hours of Attendance Procedure Courses			
a. Noncredit	241	-	241
b. Credit	322	-	322
3. Independent Study/Work Experience			
a. Weekly Census Contact Hours	11,203	-	11,203
b. Daily Census Contact Hours	871	-	871
c. Noncredit Independent Study/ Distance Education Courses	181	-	181
D. Total FTES	20,325	-	20,325
Supplemental Information:			
E. In-Service Training Courses (FTES)	-	-	-
F. Basic Skills Courses and Immigrant Education			
a. Noncredit	239	-	239
b. Credit	546	-	546
CCFS 320 Addendum			
CDCP	310	-	310
Centers FTES			
a. Noncredit	30	-	30
b. Credit	1,105	-	1,105

See accompanying note to supplementary information.

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

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2023

Unrestricted Fund	$ 50,171,539	
Restricted Fund	30,851,769	
Debt Service Fund	67,665,585	
Child Development Fund	3,243,969	
Cafeteria Fund	1,954,322	
Capital Outlay Funds	106,806,765	
Enterprise Fund	1,801,399	
Self Insurance Fund	5,345,599	
Associated Students & Student Representation Funds	2,740,918	
All Other Funds	15,026	
Total Audited Fund Balances as reported on the Annual Financial and Budget Report (CCFS-311)		270,596,891
Amounts reported for governmental activities in the statement of net position are different because:		
Capital and leased assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. However, capital assets, net of accumulated depreciation are added to total net assets.		486,778,410
Losses on refunding of debt are categorized as deferred outflows and are amortized over the shortened life of the refunded or refunding of the debt.		31,884,690
In government funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported (Notes 8, 9 & 10):		
Deferred outflows of resources relating to pensions	46,194,393	
Deferred inflows of resources relating to pensions	(60,474,000)	
Deferred outflows of resources relating to OPEB	14,917,233	
Deferred inflows of resources relating to OPEB	(5,517,824)	
		(4,880,198)
Unmatured interest on long-term liabilities is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred.		(8,724,184)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.The short term portion of compensated absences of $248,233 is already recorded in the General Fund. Long-term liabilities at June 30, 2023 consisted of (Note 6):		
General Obligation Bonds	(603,653,754)	
Accreted interest	(195,192,626)	
Bond premiums	(41,291,446)	
Net pension liability	(195,763,000)	
OPEB liability	(71,381,950)	
Supplemental employee retirement plan	(1,217,383)	
MPPP liability	(15,559)	
Subscription liabilities	(8,819,605)	
Compensated absences	(7,947,545)	
		(1,125,282,868)
Total net position - business-type activities		$ (349,627,259)

See accompanying note to supplementary information.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION
Year Ended June 30, 2023

		Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional salaries:							
Contract or regular	1100	$ 33,072,095	$ -	$ 33,072,095	$ 33,070,080	$ -	$ 33,070,080
Other	1300	35,539,434	-	35,539,434	35,539,434	-	35,539,434
Total instructional salaries		68,611,529	-	68,611,529	68,609,514	-	68,609,514
Non-instructional salaries:							
Contract or regular	1200	-	-	-	17,055,247	-	17,055,247
Other	1400	-	-	-	1,116,398	-	1,116,398
Total non-instructional salaries		-	-	-	18,171,645	-	18,171,645
Total academic salaries		68,611,529	-	68,611,529	86,781,159	-	86,781,159
Classified Salaries							
Non-instructional salaries:							
Regular status	2100	-	-	-	29,837,337	-	29,837,337
Other	2300	-	-	-	3,563,816	-	3,563,816
Total non-instructional salaries		-	-	-	33,401,153	-	33,401,153
Instructional aides:							
Regular status	2200	2,213,133	-	2,213,133	2,210,159	-	2,210,159
Other	2400	86,458	-	86,458	86,458	-	86,458
Total instructional aides		2,299,591	-	2,299,591	2,296,617	-	2,296,617
Total classified salaries		2,299,591	-	2,299,591	35,697,770	-	35,697,770
Employee benefits	3000	28,783,203	-	28,783,203	54,544,604	-	54,544,604
Supplies and materials	4000	-	-	-	2,927,923	-	2,927,923
Other operating expenses	5000	-	-	-	21,293,609	-	21,293,609
Equipment replacement	6420	-	-	-	-	-	-
Total expenditures prior to exclusions		99,694,323	-	99,694,323	201,245,065	-	201,245,065

(Continued)

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION
Year ended June 30, 2023

		Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Exclusions							
Activities to exclude:							
Instructional staff-retirees' benefits and retirement incentives	5900	$ 4,257,227	$ -	$ 4,257,227	$ 4,257,227	$ -	$ 4,257,227
Student health services above amount collected	6441	-	-	-	-	-	-
Student transportation	6491	-	-	-	-	-	-
Noninstructional staff-retirees' benefits and retirement incentives	6740	-	-	-	4,423,221	-	- 4,423,221
Objects to exclude:							
Rents and leases	5060	-	-	-	278,596	-	278,596
Lottery expenditures		-	-	-	-	-	-
Academic salaries	1000	-	-	-	-	-	-
Classified salaries	2000	-	-	-	-	-	-
Employee benefits	3000	-	-	-	-	-	-
Supplies and materials:							
Software	4100	-	-	-	-	-	-
Books, magazines and periodicals	4200	-	-	-	-	-	-
Instructional supplies and materials	4300	-	-	-	-	-	-
Noninstructional supplies and materials	4400	-	-	-	-	-	-
Total supplies and materials		-	-	-	-	-	-
Other operating expenses and services	5000	-	-	-	4,511,008	-	4,511,008
Capital outlay	6000	-	-	-	-	-	-
Library books	6300	-	-	-	-	-	-
Equipment:							
Equipment - additional	6410	-	-	-	-	-	-
Equipment - replacement	6420	-	-	-	-	-	-
Total equipment		-	-	-	-	-	-
Total capital outlay		-	-	-	-	-	-
Other outgo	7000	-	-	-	-	-	-
Total exclusions		4,257,227	-	4,257,227	13,470,052	-	13,470,052
Total for ECS 84362, 50% Law		$ 95,437,096	$ -	$ 95,437,096	$ 187,775,013	$ -	$ 187,775,013
Percent of CEE (instructional salary cost /Total CEE)		50.83%	0.00%	50.83%	100%	0%	100%
50% of current expense of education					$ 93,887,507	$ -	$ 93,887,507

See accompanying note to supplementary information.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT
PROPOSITION 55 EDUCATION PROTECTION ACCOUNT (EPA) EXPENDITURE REPORT
Year Ended June 30, 2023

EPA Proceeds: $ 21,989,835

Activity Classification	Activity Code (0100-5900)	Salaries and Benefits (1000-3000)	Operating Expenses (4000-5000)	Capital Outlay (6000)	Total
Instructional Activities	$ -	$ 21,989,835	$ -	$ -	$ 21,989,835

See accompanying note to supplementary information.

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards: The Schedule of Expenditures of Federal Awards includes the federal award activity of Foothill-De Anza Community College District, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. 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 has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Schedule of State Financial Awards: The accompanying Schedule of Expenditures of State Awards includes State grant activity of the District and is presented on the accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The information in this schedule is presented to comply with reporting requirements of the California Community Colleges Chancellor's Office.

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

Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Financial Statements: This schedule provides the information necessary to reconcile the fund balance of all funds reported on the CCFS-311 to the audited financial statements.

Reconciliation of Governmental Funds to the Statement of Net Position: This schedule provides the information necessary to reconcile the fund balances to the audited financial statements.

Reconciliation of ECS 84362 (50 Percent Law) Calculation: This schedule provides the information necessary to reconcile the 50 Percent Law Calculation reported on the CCFS-311 to the audited data.

Proposition 55 Education Protection Account (EPA) Expenditure Report: This schedule provides information about the District's EPA proceeds and summarizes how the EPA proceeds were spent.

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

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

Report on Compliance with State Laws and Regulations

Opinion on Compliance with State Laws and Regulations

We have audited Foothill-De Anza Community College District's (the "District") compliance with the types of compliance requirements described in Section 400 of the *California State Chancellor's Office's California Community College Contracted District Audit Manual (CDAM)* applicable to community colleges in the State of California for the year ended June 30, 2023:

Description

SCFF Data Management Control Environment
SCFF Supplemental Allocation Metrics
SCFF Success Allocation Metrics
Salaries of Classroom Instructors (50 Percent Law)
Apportionment for Activities Funded From Other Sources
Student Centered Funding Formula Base Allocations: FTES
Residency Determination for Credit Courses
Students Actively Enrolled
Dual Enrollment (CCAP)
Scheduled Maintenance Program
Gann Limit Calculation
Apprenticeship Related and Supplemental Instruction (RSI) Funds
Disabled Student Programs and Services (DSPS)
Proposition 1D and 51 State Bond Funded Projects
Education Protection Account Funds
Student Representation Fee
COVID-19 Response Block Grant Expenditures

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the state laws and regulations referred to above for the year ended June 30, 2023.

(Continued)

Basis for Opinion on Compliance with State Laws and Regulations

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of the *Contracted District Audit Manual*. Our responsibilities under those standards and the *Contracted District Audit Manual* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's government programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *Contracted District Audit Manual* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the government program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *Contracted District Audit Manual*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *Contracted District Audit Manual*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

(Continued)

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *Contracted District Audit Manual*. Accordingly, this report is not suitable for any other purpose.

Crowe LLP

Crowe LLP

Sacramento, California
December 4, 2023

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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the business-type activities and the discretely presented component unit of Foothill-De Anza Community College District (the "District") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon date December 4, 2023. The financial statements of Foothill-De Anza Community Colleges Foundation were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Foothill-De Anza Community Colleges Foundation.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

(Continued)

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Crowe LLP

Crowe LLP

Sacramento, California
December 4, 2023

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AS 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

Opinion on Each Major Federal Program

We have audited Foothill-De Anza Community College District's (the "District") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on Foothill-De Anza Community College District's major federal programs for the year ended June 30, 2023. Foothill-De Anza Community College District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Foothill-De Anza Community College District complied, in all material respects, with the 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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

(Continued)

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

(Continued)

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Crowe LLP

Crowe LLP

Sacramento, California
December 4, 2023

FINDINGS AND RECOMMENDATIONS

SECTION I – SUMMARY OF AUDITOR'S REPORT

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified			
Internal control over financial reporting:				
Material weakness(es) identified?		Yes	X	No
Significant deficiency(ies) identified not considered to be material weakness(es)?		Yes	X	None reported
Noncompliance material to financial statements noted?		Yes	X	No

FEDERAL AWARDS

Internal control over major programs:				
Material weakness(es) identified?		Yes	X	No
Significant deficiency(ies) identified not considered to be material weakness(es)?		Yes	X	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?		Yes	X	No

Identification of major programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
84.063, 84.007, 84.033, 84.268	Student Financial Assistance Cluster
84.425E, 84.425F, 84.425L	COVID-19: CARES - Higher Education Emergency Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs:			$ 1,791,421	
Auditee qualified as low-risk auditee?	X	Yes		No

STATE AWARDS

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

(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

(Continued)

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(Continued)

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

Finding 2022-001- Major Federal Programs - Enrollment Reporting

Condition Foothill College: Testing of twenty students from a statistically valid sample identified the following conditions for 6 students:

- The enrollment effective date reported to NSLDS did not match the College's record - 6 students
- The student's enrollment status did not match the College's Record - 1 student

Condition De Anza College: Testing of twenty students from a statistically valid sample identified 5 students where the change in enrollment status reporting was not received by the NSLDS within the 60 days requirement.

Recommendation: We recommend that each College review their existing procedures and controls and identify necessary changes needed to ensure timely reporting of student status changes to NSLDS as required by regulations.

Current Status: Implemented.

District Explanation if Not Implemented: Not applicable.

Finding 2022-002 - State Awards - State Compliance - Section 424 Student Center Funding Formula Base Allocation: FTES: Contact Hours

Condition: Our review of census dates, identified an independent study daily student contract hour course at Foothill College, where the census date was the same as the start date on the apportionment detail report.

Recommendation: Submit a revised Form CCFS-320 Annual Report. Implement procedures to ensure controls are in place to identify input errors in courses built in the student information system are identified timely and ensure the accuracy of the Form CCFS-320.

Current Status: Implemented.

District Explanation if Not Implemented: Not applicable.