

**FOOTHILL-DE ANZA COMMUNITY COLLEGE
DISTRICT
MEASURE C
GENERAL OBLIGATION BONDS
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2011
AND INDEPENDENT AUDITORS' REPORT**

**GENERAL OBLIGATION BONDS
AUDIT REPORTS**

JUNE 30, 2011

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

**GENERAL OBLIGATION BONDS
FINANCIAL AUDIT**

JUNE 30, 2011

**FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT
MEASURE C GENERAL OBLIGATION BONDS**

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INDEPENDENT AUDITORS' REPORT

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VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

Governing Board and
Citizens Oversight Committee
Foothill-De Anza Community College District
Los Altos Hills, California

We have audited the accompanying financial statements of the Foothill-De Anza Community College District (the District), Measure C General Obligation Bonds (the Bonds), as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Building Fund specific to Measure C and are not intended to present fairly the financial position and results of operations of Foothill-De Anza Community College District in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure C General Obligation Bonds of the Foothill-De Anza Community College District at June 30, 2011, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our November 21, 2011 on our consideration of the District Measure C General Obligation Bonds 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
November 21, 2011

**FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT
MEASURE C GENERAL OBLIGATION BONDS**

**BALANCE SHEET
JUNE 30, 2011**

ASSETS

Deposits and investments	\$ 319,087,170
Accounts receivable	<u>1,129,521</u>
Total Assets	<u><u>\$ 320,216,691</u></u>

LIABILITIES AND FUND BALANCES

LIABILITIES

Accounts payable	\$ 9,694,804
Total Liabilities	<u>9,694,804</u>

FUND BALANCES

Restricted	<u>310,521,887</u>
Total Fund Balances	<u>310,521,887</u>
Total Liabilities and Fund Balances	<u><u>\$ 320,216,691</u></u>

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

**FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT
MEASURE C GENERAL OBLIGATION BONDS**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2011**

REVENUES	
Interest income	\$ 2,004,186
Unrealized loss on investments	(354,371)
Total Revenues	<u>1,649,815</u>
EXPENDITURES	
Current	
Salaries and benefits	2,758,318
Contracted services and other expenses	12,151,014
Capital outlay	43,981,664
Total Expenditures	<u>58,890,996</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(57,241,181)</u>
Other Financing Sources:	
Other sources - proceeds from bond issuance	184,000,000
Other uses - bond issuance costs	(1,418,570)
Net Financing Sources	<u>182,581,430</u>
NET CHANGE IN FUND BALANCES	<u>125,340,249</u>
FUND BALANCE - BEGINNING	<u>185,181,638</u>
FUND BALANCE - ENDING	<u><u>\$ 310,521,887</u></u>

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

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT MEASURE C GENERAL OBLIGATION BONDS

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Foothill-De Anza Community College District Building Fund (Measure C funds) conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants. The Foothill-De Anza Community College District Building Fund Measure C funds accounts for financial transactions in accordance with the policies and procedures of the California School Accounting Manual.

Financial Reporting Entity

The financial statements include only the Building Fund Measure C funds of the Foothill-De Anza Community College District used to account for Measure C projects. These funds were established to account for the expenditures of general obligation bonds issued under the General Obligation Bonds Election of 2006. These financial statements are not intended to present fairly the financial position and results of operations of the Foothill-De Anza Community College District in compliance with accounting principles generally accepted in the United States of America.

Fund Accounting

The operations of the Building Fund, Measure C funds are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Basis of Accounting

The Building Fund Measure C funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. The District's governing board adopts an operating budget no later than July 1 in accordance with State law. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements. The Board revises this budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT MEASURE C GENERAL OBLIGATION BONDS

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

Encumbrances

The Building Fund Measure C funds utilize an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid.

Fund Balance - Governmental Funds

As of June 30, 2011, fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the governing board.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Use of 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 that 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/expenses during the reporting period. Actual results could differ from those estimates.

**FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT
MEASURE C GENERAL OBLIGATION BONDS**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

New Accounting Pronouncements

In November 2010, the GASB issued GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Earlier application is encouraged.

NOTE 2 - INVESTMENTS

Policies and Practices

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

Investment in County Treasury

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

**FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT
MEASURE C GENERAL OBLIGATION BONDS**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

General Authorizations

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Pool. The District maintains a building fund investment of \$317,974,257 with the Santa Clara County Investment Pool. The fair value of this investment is approximately \$319,087,170 with an average maturity of 452 days.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2011, consisted of the following:

Interest	\$ 1,104,582
Other local sources	24,939
	<u>\$ 1,129,521</u>

**FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT
MEASURE C GENERAL OBLIGATION BONDS**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 4 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2011, consisted of the following:

Accounts payable	\$ 5,432,347
Accrued payables	2,633,707
Salaries and benefits	13,585
Retentions	1,615,165
	<u>\$ 9,694,804</u>

NOTE 5 - COMMITMENTS AND CONTINGENCIES

As of June 30, 2011, the Building Fund (Measure C funds) had approximately \$93,000,000 of commitments with respect to unfinished capital projects:

Litigation

The District and the Building Fund Measure C funds are involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2011.

INDEPENDENT AUDITORS' REPORT



VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

VALUE THE DIFFERENCE

**INDEPENDENT AUDITORS' 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 and Citizens' Bond
Oversight Committee Measure C
and the Board of Trustees
Foothill-De Anza Community College District
Los Altos Hills, California

We have audited the accompanying financial statements of the Foothill-De Anza Community College District (the District) Measure C General Obligation Bonds (the Bonds), as of and for the year ended June 30, 2011, and have issued our report thereon dated November 21, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Foothill-De Anza Community College District Measure C funds internal control over financial reporting as a basis for designing our auditing procedures 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 Foothill-De Anza Community College District's Measure C funds internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foothill-De Anza Community College District's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the governing board, audit committee, management, the California Department of Education, the State Controller's Office, and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
November 21, 2011

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT
MEASURE C GENERAL OBLIGATION BONDS**

**FINANCIAL STATEMENT FINDINGS
JUNE 30, 2011**

None noted.

**FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT
MEASURE C GENERAL OBLIGATION BONDS**

**SUMMARY OF PRIOR YEAR FINDINGS
JUNE 30, 2011**

None noted.