FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

MEASURE C GENERAL OBLIGATION BONDS

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

AND

INDEPENDENT AUDITOR’S REPORT
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INDEPENDENT AUDITOR'S REPORT

Board of Trustees and Citizens' Bond
Oversight Committee for Measure C
and the Board of Trustees
Foothill-De Anza Community College District

We have audited the accompanying basic financial statements of Foothill-De Anza Community College District (the "District") Measure C General Obligation Bonds (the "Bonds"), as of and for the year ended June 30, 2010, as listed in the Table of Contents. These basic financial statements are the responsibility of Foothill-De Anza Community College District's management. Our responsibility is to express an opinion on these basic 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements of the Bonds are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Measure C General Obligation Bonds of the District as of June 30, 2010, and the changes in financial position 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 report dated December 2, 2010 on our consideration of the District's internal control over financial reporting and on our tests of the District's compliance with certain provisions of laws, regulations, contracts and grants, as they relate to the Bond's basic financial statements. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

December 2, 2010
FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT
MEASURE C GENERAL OBLIGATION BONDS
BALANCE SHEET
June 30, 2010

ASSETS
Cash and cash equivalents (Note 2) $191,018,080
Accounts receivable 971,019
Prepaid expenses 411,824
Total assets $192,400,923

LIABILITIES AND FUND BALANCE
Liabilities:
Accounts payable $7,219,285
Restricted fund balance 185,181,638
Total liabilities and fund balance $192,400,923

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 CHANGE IN FUND BALANCE

For the Year Ended June 30, 2010

<table>
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<tr>
<th>Revenues:</th>
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<tbody>
<tr>
<td>Interest income</td>
<td>$ 6,079,910</td>
</tr>
<tr>
<td>Unrealized loss on investment</td>
<td>(3,329,622)</td>
</tr>
<tr>
<td>Total revenues</td>
<td>2,750,288</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenditures:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and benefits</td>
<td>1,691,282</td>
</tr>
<tr>
<td>Supplies</td>
<td>550</td>
</tr>
<tr>
<td>Contract services</td>
<td>16,532,003</td>
</tr>
<tr>
<td>Capital outlay</td>
<td>26,483,342</td>
</tr>
<tr>
<td>Total expenditures</td>
<td>44,707,177</td>
</tr>
</tbody>
</table>

Other outgo                        | 22,583 |

Deficiency of revenues under expenditures | (41,979,472) |

Restricted fund balance, June 30, 2009 | 227,161,110 |

Restricted fund balance, June 30, 2010 | $ 185,181,638 |

The accompanying notes are an integral part of these financial statements.
1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Foothill-De Anza Community College District conform to accounting principles generally accepted in the United States of America as applicable to governments. The District accounts for its financial transactions in accordance with policies and procedures of the Chancellor's Office's California Community Colleges Budget and Accounting Manual. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies:

Basis of Accounting

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

The basic financial statements represent the Capital Projects Fund Type 44 of the District and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

Cash and Cash Equivalents

For the purpose 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.

The Funds in the Santa Clara County Treasury are recorded at fair value. Changes in fair value are reported as revenue in the statement of revenues, expenditures and change in fund balance.

Restricted Fund Balance

Restricted fund balance includes resources which are legally or contractually restricted by external third parties. Fund balance is restricted for capital projects of the Capital Projects Fund.
1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Accounting Estimates**

The presentation 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 during the reporting period. Actual results could differ from those estimates.

**Encumbrances**

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30.

2. **CASH AND INVESTMENTS**

Cash and investments at June 30, 2010 consisted of the following:

**Pooled Funds:**
- Cash in County Treasury $191,018,080

**Pooled Funds**

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Santa Clara County Treasury. The County Treasurer of Santa Clara County acts as the Measure C General Obligation Bond Fiscal Agent. The County pools these funds with those of other districts in the County and invests the cash. These pooled funds are carried at fair value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pooled investment fund does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.
Pooled Funds (Continued)

In accordance with applicable State laws, the Santa Clara County Treasurer may invest in derivative securities. However, at June 30, 2010, the Santa Clara County Treasurer has represented that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of year end, the maximum average maturity of the investments contained in the County investment pool is five years.

Credit Risk

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

Concentration of Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2010, the District had no concentration of credit risk.

3. GENERAL OBLIGATION BOND ISSUE

The District, Santa Clara County, California, Election of 2006 General Obligation Bonds, Series A (the "Bonds") were authorized at an election of registered voters held on June 6, 2006 at which more than fifty-five percent of the persons voting on the proposition voted to authorize the issuance and sale of $490,800,000 principal amount of general obligation bonds of the District. The Bonds are being issued to finance the acquisition, construction, modernization and renovation of certain District facilities approved by the District's registered voters and to pay costs of issuance associated with the Bonds. Accordingly, the District sold bonds totaling $149,995,250 and $99,996,686 on May 10, 2007.
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 and Citizens' Bond
Oversight Committee for Measure C
and the Board of Trustees
Foothill-De Anza Community College District

We have audited the basic financial statements of the Foothill-De Anza Community College District (the "District") Measure C General Obligation Bonds (the "Bonds"), as of June 30, 2010, and have issued our report thereon dated December 2, 2010. 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's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Foothill-De Anza Community College District's internal control over financial reporting. Accordingly, we do not express an opinion of the effectiveness of 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 would not necessarily identify all deficiencies in internal control that might be 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 the District's basic financial statements are free of material misstatement, we performed tests of the District's 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 amounts shown on the basic 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.
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

(Continued)

This report is intended solely for the information of the Citizens' Bond Oversight Committee for Measure C, the Board of Trustees and District management, and is not intended to be and should not be used by anyone other than these specified parties.

Sacramento, California
December 2, 2010

[Signature]