

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See "TAX MATTERS" with respect to tax consequences relating to the Bonds.

\$103,015,000

**FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT
(Santa Clara County, California)
2014 General Obligation Refunding Bonds**

Dated: Date of Delivery

Due: August 1, as shown on inside front cover

This cover page contains information for general reference only. It is not a summary of this issue. Investors must read the entire official statement to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page and not otherwise defined shall have the meanings set forth herein.

The Foothill-De Anza Community College District (Santa Clara County, California) 2014 General Obligation Refunding Bonds (the "Bonds"), in the aggregate principal amount of \$103,015,000, are being issued by the Foothill-De Anza Community College District (the "District") to (i) refund portions of the District's outstanding Prior Bonds (as defined herein), and (ii) pay the costs of issuance of the Bonds.

The Bonds are general obligations of the District, payable solely from *ad valorem* property taxes. The Board of Supervisors of Santa Clara County is empowered and obligated to annually levy such *ad valorem* taxes for the payment of the principal of and interest on the Bonds upon all property subject to taxation by the District without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates).

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (collectively referred to herein as "DTC"). Purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interests in the Bonds.

The Bonds will be issued as current interest bonds, such that interest thereon will accrue from the Date of Delivery and be payable semiannually on February 1 and August 1 of each year, commencing February 1, 2015. The Bonds are issuable as fully registered Bonds in denominations of \$5,000 or any integral multiple thereof.

Payments of principal of and interest on the Bonds will be made by U.S. Bank National Association, as paying agent, bond registrar, authentication agent and transfer agent (collectively, the "Paying Agent"), to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Bonds. See "APPENDIX E – Book-Entry Only System."

The Bonds are subject to optional redemption prior to their respective stated maturity dates as described herein.

MATURITY SCHEDULE

(see inside front cover)

The Bonds are offered when, as and if issued, and received by the Underwriter subject to the approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel and Disclosure Counsel. Certain legal matters will be passed on for the Underwriter by its counsel, Nixon Peabody LLP. The Bonds, in book-entry form, will be available for delivery through the facilities of the Depository Trust Company in New York, New York, on or about August 19, 2014.

Morgan Stanley

MATURITY SCHEDULE

\$103,015,000
FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT
(Santa Clara County, California)
2014 General Obligation Refunding Bonds
Base CUSIP†: 345102

<u>Maturity (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP†</u>
2018	\$5,175,000	3.000%	0.860%	KS5
2019	2,880,000	2.000	1.210	KT3
2019	3,000,000	5.000	1.210	LF2
2020	6,665,000	4.000	1.490	KU0
2021	7,530,000	5.000	1.750	KV8
2022	8,530,000	5.000	2.020	KW6
2023	9,605,000	5.000	2.210	KX4
2024	10,755,000	5.000	2.390	KY2
2025	11,995,000	5.000	2.530 ⁽¹⁾	KZ9
2026	13,320,000	5.000	2.670 ⁽¹⁾	LA3
2027	5,945,000	5.000	2.780 ⁽¹⁾	LB1
2034	4,535,000	5.000	3.260 ⁽¹⁾	LC9
2035	7,835,000	5.000	3.310 ⁽¹⁾	LD7
2036	5,245,000	5.000	3.360 ⁽¹⁾	LE5

† CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP Services. None of the District, the Financial Advisor or the Underwriter is responsible for the selection or correctness of the CUSIP numbers set forth herein.

⁽¹⁾ Yield to call at par on August 1, 2024.

This Official Statement does not constitute an offering of any security other than the original offering of the Bonds of the District. No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than as contained in this Official Statement, and if given or made, such other information or representation not so authorized should not be relied upon as having been given or authorized by the District.

The issuance and sale of the Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Section 3(a)2 and 3(a)12, respectively, for the issuance and sale of municipal securities. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Certain information set forth herein has been obtained from sources outside of the District which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

When used in this Official Statement and in any continuing disclosure by the District in any press release and in any oral statement made with the approval of an authorized officer of the District or any other entity described or referenced in this Official Statement, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project,” “forecast,” “expect,” “intend” and similar expressions identify “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

The Underwriter has provided the following sentence for inclusion in this Official Statement:

“The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or the completeness of such information.”

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN SECURITIES DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

The District maintains a website. However, the information presented on such website is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds.

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FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

Board of Trustees

Bruce Swenson, *President*
Pearl Cheng, *Vice President*
Joan Barram, *Member*
Betsy Bechtel *Member*
Laura Casas, *Member*

District Administration

Dr. Linda M. Thor, *Chancellor*
Kevin McElroy, *Vice Chancellor, Business Services*
Hector Quiñonez, *Executive Director, Fiscal Services*
Joni Hayes, *Director, Budget Operations*

PROFESSIONAL SERVICES

Bond Counsel and Disclosure Counsel

Stradling Yocca Carlson & Rauth,
a Professional Corporation
San Francisco, California

Financial Advisor

William Euphrat Municipal Finance, Inc.
San Francisco, California

Paying Agent and Escrow Agent

U.S. Bank National Association
San Francisco, California

Verification Agent

Grant Thornton LLP
Minneapolis, Minnesota

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\$103,015,000
FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT
(Santa Clara County, California)
2014 General Obligation Refunding Bonds

INTRODUCTION

This Official Statement, which includes the cover page, inside cover page and appendices hereto, provides information in connection with the sale of Foothill-De Anza Community College District (Santa Clara County, California) 2014 General Obligation Refunding Bonds (the “Bonds”).

This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page, inside cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

The District

The Foothill-De Anza Community College District (the “District”) was established on January 15, 1957 and encompasses an area of approximately 105 square miles in Santa Clara County (the “County”). The District is located in the Town of Los Altos Hills, in the heart of the Silicon Valley, and serves local communities in Cupertino, Los Altos, Los Altos Hills, Mountain View, Palo Alto, Sunnyvale and portions of San Jose. The District operates two community colleges, Foothill College and De Anza College, which provide collegiate-level instruction across a wide spectrum of subjects for associate degrees, career and technical training, and transfer to four-year institutions. Each college is fully accredited by the Accrediting Commission for Community and Junior Colleges (“ACCJC”). For fiscal year 2014-15, the District’s projected full time equivalent student count (“FTES”) is 31,883 students. Taxable property within the District has a fiscal year 2013-14 total assessed valuation of \$113,360,457,094.

The District is governed by a five-member Board of Trustees (the “Board of Trustees”), each member of which is elected to a four-year term. Elections for positions to the Board of Trustees are held every two years, alternating between two and three available positions. The District’s administrative and financial staff includes, among others, a Chancellor, a Vice Chancellor, Business Services, and an Executive Director, Fiscal Services. Dr. Linda M. Thor is the Chancellor of the District.

For more information regarding the District’s tax base, see “TAX BASE FOR REPAYMENT OF BONDS.” See “FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA” and “FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT” for more general information regarding the District and its finances.

Security and Sources of Payment for the Bonds

The Bonds are general obligations of the District, payable solely from the proceeds of *ad valorem* property taxes. The Board of Supervisors of the County is empowered and obligated to annually levy such *ad valorem* taxes for the payment of the principal of and interest on the Bonds upon all property within the District subject to taxation by the District without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates). See “THE BONDS – Security and Sources of Payment.”

Purpose of Issue

The proceeds of the Bonds will be used to (i) refund portions of the District's outstanding Election of 1999 General Obligation Bonds, Series C (the "1999 Series C Bonds"), Election of 2006 General Obligation Bonds, Series A (the "2006 Series A Bonds") and Election of 2006 General Obligation Bonds, Series B (the "2006 Series B Bonds," and together with the 1999 Series C Bonds and 2006 Series A Bonds, the "Prior Bonds"), and (ii) pay the costs of issuance of the Bonds. The portions of the Prior Bonds to be refunded with proceeds of the Bonds are referred to herein as the "Refunded Bonds." See also "REFUNDING PLAN" and "ESTIMATED SOURCES AND USES OF FUNDS."

Description of the Bonds

Form and Registration. The Bonds will be issued in fully registered form only (without coupons), initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to actual purchasers of the Bonds (the "Beneficial Owners") in the denominations set forth on the inside cover, under the book-entry only system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. See "APPENDIX E – Book-Entry Only System." In event that the book-entry only system described below is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Resolution described herein. See "THE BONDS – Transfer and Exchange of Bonds."

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the "Owners" or "Holders" of the Bonds (other than under the caption "TAX MATTERS," and in Appendix B) will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds.

Denominations. Individual purchases of interests in the Bonds will be available to purchasers of the Bonds in the denominations of \$5,000 principal amount or any integral multiple thereof.

Redemption. The Bonds maturing on or after August 1, 2025 are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of funds, on August 1, 2024 or on any date thereafter, as a whole or in part. See "THE BONDS – Redemption."

Payments. The Bonds will be issued as current interest bonds, such that interest thereon will accrue from the initial date of delivery of the Bonds (the "Date of Delivery") and be payable semiannually on each February 1 and August 1 (each a "Bond Payment Date"), commencing February 1, 2015. Principal of the Bonds is payable on August 1 in the amounts and years as set forth on the inside cover page hereof. Payments of the principal of and interest on the Bonds will be made by U.S. Bank National Association, the designated paying agent, bond registrar, authenticating agent and transfer agent (the "Paying Agent"), to DTC for subsequent disbursement through DTC Participants to the Beneficial Owners of the Bonds. See "APPENDIX E – Book-Entry Only System."

Tax Matters

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California ("Bond Counsel"), based on existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest

(and original issue discount) on the Bonds is exempt from State of California personal income tax. In the further opinion of Bond Counsel, the difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to the Bond constitutes original issue discount. See “TAX MATTERS.”

Authority for Issuance of the Bonds

The Bonds are issued pursuant to certain provisions of the State of California Government Code and other applicable law, and pursuant to a resolution adopted by the Board of Trustees of the District. See “THE BONDS – Authority for Issuance.”

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued, subject to approval as to the validity by Bond Counsel. It is anticipated that the Bonds will be available for delivery through the facilities of DTC in New York, New York, on or about August 19, 2014.

Continuing Disclosure

The District will covenant for the benefit of Owners and Beneficial Owners to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain enumerated events, in compliance with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (collectively, the “Rule”). See “LEGAL MATTERS – Continuing Disclosure.” The specific nature of the information to be made available and of the notices of material events required to be provided are summarized in form of the Continuing Disclosure Certificate in APPENDIX C.

Professionals Involved in the Offering

Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Bonds. William Euphrat Municipal Finance, Inc., San Francisco, California is acting as financial advisor to the District with respect to the Bonds. Stradling Yocca Carlson & Rauth and William Euphrat Municipal Finance, Inc. will receive compensation from the District contingent upon the sale and delivery of the Bonds. Certain matters will be passed on for the Underwriter (defined herein) by Nixon Peabody LLP, Los Angeles, California. U.S. Bank National Association, San Francisco, California, has been appointed as Paying Agent for the Bonds, and as Escrow Agent (defined herein) with respect to the Refunded Bonds. Grant Thornton LLP, Minneapolis, Minnesota is acting as verification agent for the Bonds.

Forward Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “intend,” “project,” “budget” or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information regarding the District herein.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS,

UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to herein and information concerning the Bonds are available from the Vice Chancellor, Business Services, Foothill-De Anza Community College District, 12345 El Monte Road, Los Altos Hills, California 94022. The District may impose a charge for copying, mailing and handling.

No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than as contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the District. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The summaries and references to documents, statutes and constitutional provisions referred to herein do not purport to be comprehensive or definitive, and are qualified in their entireties by reference to each of such documents, statutes and constitutional provisions.

Certain information set forth herein, other than that provided by the District, has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

Capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Resolution (defined herein).

THE BONDS

Authority for Issuance

The Bonds are issued pursuant to the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, commencing with Section 53550 *et seq.*, and other applicable law, and pursuant to a resolution adopted by the Board of Trustees of the District on July 7, 2014 (the "Resolution").

Security and Sources of Payment

The Bonds are general obligations of the District, payable solely from the proceeds of *ad valorem* property taxes. The Board of Supervisors of the County is empowered and obligated to annually levy such *ad valorem* taxes for the payment of the principal of and interest on the Bonds upon all property subject to taxation by the District without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates). Such taxes, when collected, will be deposited by the County into the “Foothill-De Anza Community College District 2014 General Obligation Refunding Bonds Debt Service Fund” (the “Debt Service Fund”), which is segregated and maintained by the County and which has been designated for the payment of principal of and interest on the Bonds when due, and for no other purpose. Although the County is obligated to levy an *ad valorem* property tax for the payment of the Bonds, and will maintain the Debt Service Fund, the Bonds are not a debt of the County. See “TAX BASE FOR REPAYMENT OF BONDS.”

The moneys in the Debt Service Fund, to the extent necessary to pay the principal of and interest on the Bonds, as the same become due and payable, will be transferred by the Director of Finance of Santa Clara County (the “Director of Finance”) to the Paying Agent who will in turn remit such funds to DTC for subsequent disbursement to the Beneficial Owners of the Bonds.

The amount of the annual *ad valorem* property taxes levied by the County to repay the Bonds will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Bonds in any year. Fluctuations in the annual debt service on the Bonds and the assessed value of taxable property in the District may cause the annual tax rates to fluctuate. Economic and other factors beyond the District’s control, such as general market decline in land values, disruption in financial markets that may reduce the availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State of California (the “State”) and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, flood or toxic contamination, could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the respective annual tax rates. For further information regarding the District’s assessed valuation, tax rates, overlapping debt, and other matters concerning taxation, see “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIII A of the California Constitution” and “TAX BASE FOR REPAYMENT OF BONDS.”

Description of the Bonds

The Bonds will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co., as nominee for DTC. Purchasers will not receive certificates representing their interests in the Bonds.

The Bonds will be issued as current interest bonds, such that interest thereon will be payable semiannually on each Bond Payment Date, commencing February 1, 2015. Interest on the Bonds will be computed on the basis of a 360-day year of twelve 30-day months. Each Bond shall bear interest from the Bond Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month immediately preceding any Bond Payment Date to and including such Bond Payment Date, in which event it shall bear interest from such Bond Payment Date, or unless it is authenticated on or before January 15, 2015, in which event it shall bear interest from its date. The Bonds are issuable in denominations of \$5,000 principal amount or any integral multiple thereof and mature on August 1 in the years and amounts set forth on the inside cover hereof.

The principal of the Bonds will be payable in lawful money of the United States of America to the registered Owner thereof, upon the surrender thereof at the principal office of the Paying Agent. The interest on the Bonds will be payable in lawful money to the person whose name appears on the bond registration books of the Paying Agent as the registered Owner thereof as of the close of business on the 15th day of the month preceding any Bond Payment Date (a "Record Date"), whether or not such day is a business day, such interest to be paid by check mailed on such Bond Payment Date to such registered Owner at such registered Owner's address as it appears on such registration books or at such address as the registered Owner may have filed with the Paying Agent for that purpose on or before such Record Date. The interest payments on the Bonds will be made in immediately available funds (e.g., by wire transfer) to any registered Owner of at least \$1,000,000 of such outstanding Bonds who shall have requested in writing such method of payment of interest on such Bonds prior to the close of business on the Record Date immediately preceding any Bond Payment Date.

Redemption

Optional Redemption. The Bonds maturing on or before August 1, 2024 are not subject to redemption. The Bonds maturing on or after August 1, 2025 are subject to redemption prior to their stated maturity dates, at the option of the District, from any source of available funds, in whole or in part on any date on or after August 1, 2024, at a redemption price equal to the principal amount of the Bonds called for redemption, without premium, together with interest accrued thereon to the date of redemption.

Selection of Bonds for Redemption. Whenever provision is made for the redemption of Bonds and less than all Bonds are to be redeemed, the Paying Agent, upon written instruction from the District, shall select Bonds for redemption as so directed and if not directed, in inverse order of maturity. Within a maturity, the Paying Agent shall select Bonds for redemption by lot. Redemption by lot shall be in such manner as the Paying Agent shall determine; provided, however, that the portion of any Bond to be redeemed in part shall be in integral multiples of \$5,000 principal amount.

Notice of Redemption. When redemption is authorized or required pursuant to the Resolution, the Paying Agent, upon written instruction from the District, the Paying Agent will give notice (a "Redemption Notice") of the redemption of the Bonds. Each Redemption Notice will specify (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the Bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the principal amount of such Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part.

The Paying Agent will take the following actions with respect to each such Redemption Notice: (a) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice will be given to the respective Owners of Bonds designated for redemption by registered or certified mail, postage prepaid, at their addresses appearing on the bond register; (b) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice will be given by registered or certified mail, postage prepaid, telephonically confirmed facsimile transmission, or overnight delivery service, to the Securities Depository; (c) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice will be given by registered or certified mail, postage prepaid, or overnight delivery service, to one of the Information Services; and (d) to such other persons as may be required pursuant to the Continuing Disclosure Certificate.

“Information Services” means Financial Information, Inc.’s “Daily Called Bond Service,” 1 Cragwood Road, 2nd Floor, South Plainfield, New Jersey 07080, Attention: Editor; Mergent Inc., 585 Kingsley Park Drive, Fort Mill, South Carolina 29715, Attention: Called Bond Department; and Standard and Poor’s J.J. Kenny Information Services’ “Called Bond Record,” 55 Water Street, 45th Floor, New York, New York 10041.

“Securities Depository” shall mean The Depository Trust Company, 55 Water Street, New York, New York 10041, Fax (212) 855-1000 or Fax (212) 855-7320.

A certificate of the Paying Agent or the District that a Redemption Notice has been given as provided in the Resolution will be conclusive as against all parties. Neither failure to receive any Redemption Notice nor any defect in any such Redemption Notice so given will affect the sufficiency of the proceedings for the redemption of the affected Bonds. Each check issued or other transfer of funds made by the Paying Agent for the purpose of redeeming Bonds will bear or include the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

Payment of Redeemed Bonds. When notice of redemption has been given substantially as described above, and, when the amount necessary for the redemption of the Bonds called for redemption (principal, interest, and premium, if any) is irrevocably set aside in trust for that purpose, as described in “—Defeasance,” the Bonds designated for redemption in such notice will become due and payable on the date fixed for redemption thereof and upon presentation and surrender of said Bonds at the place specified in the notice of redemption, said Bonds will be redeemed and paid at the redemption price out of such funds. All unpaid interest payable at or prior to the redemption date will continue to be payable to the respective Owners, but without interest thereon.

Partial Redemption of Bonds. Upon the surrender of any Bond redeemed in part only, the Paying Agent will execute and deliver to the Owner thereof a new Bond or Bonds of like tenor and maturity and of authorized denominations equal in principal amounts to the unredeemed portion of the Bond surrendered. Such partial redemption is valid upon payment of the amount required to be paid to such Owner, and the District will be released and discharged thereupon from all liability to the extent of such payment.

Effect of Notice of Redemption. If on the applicable designated redemption date, money for the redemption of the Bonds to be redeemed, together with interest to such redemption date, is held by an independent escrow agent selected by the District so as to be available therefor on such redemption date as described in “—Defeasance,” and if notice of redemption thereof will have been given substantially as described above, then from and after such redemption date, interest on the Bonds to be redeemed shall cease to accrue and become payable.

Rescission of Notice of Redemption. With respect to any Redemption Notice in connection with the optional redemption of Bonds (or portions thereof) as described above, unless upon the giving of such notice such Bonds or portions thereof shall be deemed to have been defeased as described in “—Defeasance,” such Redemption Notice will state that such redemption will be conditional upon the receipt by an independent escrow agent selected by the District, on or prior to the date fixed for such redemption, of the moneys necessary and sufficient to pay the principal, and premium, if any, and interest on, such Bonds (or portions thereof) to be redeemed, and that if such moneys shall not have been so received said Redemption Notice will be of no force and effect, no portion of the Bonds will be subject to redemption on such date and such Bonds will not be required to be redeemed on such date. In the event that such Redemption Notice contains such a condition and such moneys are not so received, the redemption will not be made and the Paying Agent will within a reasonable time thereafter (but in no event later than the

date originally set for redemption) give notice to the persons to whom and in the manner in which the Redemption Notice was given that such moneys were not so received. In addition, the District will have the right to rescind any Redemption Notice, by written notice to the Paying Agent, on or prior to the date fixed for such redemption. In addition, the District shall have the right to rescind any Redemption Notice, by written notice to the Paying Agent, on or prior to the date fixed for such redemption. The Paying Agent will distribute a notice of such rescission in the same manner as the Redemption Notice was originally provided.

Bonds No Longer Outstanding. When any Bonds (or portions thereof), which have been duly called for redemption prior to maturity, or with respect to which irrevocable instructions to call for redemption prior to maturity at the earliest redemption date have been given to the Paying Agent, in form satisfactory to it, and sufficient moneys shall be held irrevocably in trust for the payment of the redemption price of such Bonds or portions thereof, and, accrued interest thereon to the date fixed for redemption, then such Bonds will no longer be deemed outstanding and shall be surrendered to the Paying Agent for cancellation.

Transfer and Exchange of Bonds

Any Bond may be exchanged for Bonds of like tenor, maturity and principal amount, upon presentation and surrender at the principal office of the Paying Agent, together with a request for exchange signed by the registered Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred only on the Bond Register by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the office of the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed. Upon exchange or transfer, the Paying Agent shall register, authenticate and deliver a new Bond or Bonds of like tenor and of any authorized denomination or denominations requested by the Owner equal to the principal amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

Neither the District nor the Paying Agent will be required (a) to issue or transfer any Bonds during a period beginning with the opening of business on the 16th business day next preceding any Bond Payment Date, the stated maturity of any of the Bonds or any date of selection of Bonds to be redeemed and ending with the close of business on the applicable Bond Payment Date, the close of business on the applicable stated maturity date or any day on which the applicable notice of redemption is given or (b) to transfer any Bonds which have been selected or called for redemption in whole or in part.

Defeasance

All or any portion of the outstanding maturities of the Bonds may be defeased prior to maturity in the following ways:

(a) Cash: by irrevocably depositing with an independent escrow agent selected by the District an amount of cash which, together with amounts transferred from the Debt Service Fund, if any, is sufficient to pay and discharge all Bonds outstanding and designated for defeasance (including all principal thereof, interest thereon and redemption premiums, if any), at or before their maturity date; or

(b) Government Obligations: by irrevocably depositing with an independent escrow agent selected by the District noncallable Government Obligations, together with cash and amounts transferred from the Debt Service Fund, if any, in such amount as will, together with interest to accrue thereon, in the opinion of an independent certified public accountant, be fully

sufficient to pay and discharge all Bonds outstanding and designated for defeasance (including all principal thereof, interest thereon and redemption premiums, if any) at or before their maturity date;

then, notwithstanding that any such Bonds shall not have been surrendered for payment, all obligations of the District with respect to all outstanding Bonds shall cease and terminate, except only the obligation of such escrow agent to pay or cause to be paid from funds deposited pursuant to paragraphs (a) or (b) above, to the Owners of such Bonds not so surrendered and paid all sums due with respect thereto.

“Government Obligations” means direct and general obligations of the United States of America, or obligations that are unconditionally guaranteed as to principal and interest by the United States of America (which may consist of obligations of the Resolution Funding Corporation that constitute interest strips), or “prerefunded” municipal obligations rated in the highest rating category by Moody’s Investors Service (“Moody’s”) or Standard & Poor’s Ratings Service, a Standard & Poor’s Financial Services, LLC business (“S&P”). In the case of direct and general obligations of the United States of America, Government Obligations shall include evidences of direct ownership of proportionate interests in future interest or principal payments of such obligations. Investments in such proportionate interests must be limited to circumstances where (a) a bank or trust company acts as custodian and holds the underlying United States obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States obligations; and (c) the underlying United States obligations are held in a special account, segregated from the custodian’s general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; provided that such obligations are rated or assessed at least as high as direct and general obligations of the United States of America by S&P and Moody’s.

REFUNDING PLAN

The Bonds are being issued by the District to (i) refund the Refunded Bonds, and (ii) pay the costs of issuance of the Bonds.

The net proceeds from the sale of the Bonds will be paid to U.S. Bank National Association, acting as escrow agent (the “Escrow Agent”), to the credit of an escrow fund (the “Escrow Fund”) established pursuant to an escrow agreement relating to the Refunded Bonds (the “Escrow Agreement”) by and between the District and the Escrow Agent. Pursuant to the Escrow Agreement, the amount deposited in the Escrow Fund will be used to purchase certain non-callable direct and general obligations of the United States of America, or non-callable obligations the payment of which is unconditionally guaranteed by the United States of America, the principal of and interest on which will be sufficient, together with any monies deposited in the Escrow Fund and held as cash, to enable the Escrow Agent to pay the redemption price of the Refunded Bonds on the first, respective optional redemption dates therefor, as well as the interest due thereon on and before such dates. Information regarding specific maturities of the Refunded Bonds is listed in the table on the following page.

REFUNDED BONDS
Foothill-De Anza Community College District

Election of 1999 General Obligation Bonds, Series C

<u>Maturity Date (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Redemption Date</u>	<u>Optional Redemption Price (% of Par Amount)</u>
2036	\$19,085,000	5.00%	8/1/2015	100

Election of 2006 General Obligation Bonds, Series A

<u>Maturity Date (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Redemption Date</u>	<u>Optional Redemption Price (% of Par Amount)</u>
2022	\$21,495,000	5.00%	8/1/2017	100
2027	30,820,000	5.00	8/1/2017	100

Election of 2006 General Obligation Bonds, Series B

<u>Maturity Date (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Redemption Date</u>	<u>Optional Redemption Price (% of Par Amount)</u>
2022	\$14,350,000	5.00%	8/1/2017	100
2027	23,985,000	5.00	8/1/2017	100

The sufficiency of the amounts on deposit in the Escrow Fund, together with realizable interest and earnings thereon, to pay the redemption prices of the Refunded Bonds and the accrued interest due on the Refunded Bonds, as described above, will be verified by Grant Thornton LLP (the “Verification Agent”). As a result of the deposit and application of funds so provided in the Escrow Agreement, and assuming the accuracy of the computations of the Underwriter and the Verification Agent, the Refunded Bonds will be defeased and the obligation of the County to levy *ad valorem* property taxes for payment of the Refunded Bonds will terminate.

Any accrued interest on the Bonds, when received by the District from the sale of the Bonds, any surplus moneys in the Escrow Fund, when received by the District following the redemption of the Refunded Bonds, and any other excess proceeds of the Bonds not needed for the authorized purposes for which the Bonds are being issued, shall be transferred to the Debt Service Fund and applied to the payment of principal of and interest on the Bonds. If, after payment in full of the Bonds, there remain excess proceeds, any such excess amounts shall be transferred to the general fund of the District.

Moneys in the Debt Service Fund are expected to be invested through the Santa Clara County Commingled Investment Pool. See “APPENDIX F – SANTA CLARA COUNTY COMMINGLED INVESTMENT POOL.”

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the Bonds are as follows:

Sources of Funds

Principal Amount of the Bonds	\$103,015,000.00
Net Original Issue Premium	<u>19,052,853.05</u>
Total Sources	<u>\$122,067,853.05</u>

Uses of Funds

Escrow Fund	\$121,387,122.78
Costs of Issuance ⁽¹⁾	<u>680,730.27</u>
Total Uses	<u>\$122,067,853.05</u>

⁽¹⁾ Reflects all costs of issuance, including but not limited to the Underwriter's discount, legal and financial advisory fees, printing costs, rating agency fees, and the costs and fees of the Paying Agent, Verification Agent and Escrow Agent.

DEBT SERVICE SCHEDULE

The following table shows the debt service schedule with respect to the Bonds (assuming no optional redemptions are made):

<u>Year Ending (August 1)</u>	<u>Annual Principal Payment</u>	<u>Annual Interest Payment⁽¹⁾</u>	<u>Total Annual Debt Service</u>
2015	--	\$4,649,490.00	\$4,649,490.00
2016	--	4,894,200.00	4,894,200.00
2017	--	4,894,200.00	4,894,200.00
2018	\$5,175,000.00	4,894,200.00	10,069,200.00
2019	5,880,000.00	4,738,950.00	10,618,950.00
2020	6,665,000.00	4,531,350.00	11,196,350.00
2021	7,530,000.00	4,264,750.00	11,794,750.00
2022	8,530,000.00	3,888,250.00	12,418,250.00
2023	9,605,000.00	3,461,750.00	13,066,750.00
2024	10,755,000.00	2,981,500.00	13,736,500.00
2025	11,995,000.00	2,443,750.00	14,438,750.00
2026	13,320,000.00	1,844,000.00	15,164,000.00
2027	5,945,000.00	1,178,000.00	7,123,000.00
2028	--	880,750.00	880,750.00
2029	--	880,750.00	880,750.00
2030	--	880,750.00	880,750.00
2031	--	880,750.00	880,750.00
2032	--	880,750.00	880,750.00
2033	--	880,750.00	880,750.00
2034	4,535,000.00	880,750.00	5,415,750.00
2035	7,835,000.00	654,000.00	8,489,000.00
2036	<u>5,245,000.00</u>	<u>262,250.00</u>	<u>5,507,250.00</u>
Total	<u>\$103,015,000.00</u>	<u>\$55,745,890.00</u>	<u>\$158,760,890.00</u>

⁽¹⁾ Interest payments on the Bonds will be made semiannually on February 1 and August 1 of each year, commencing February 1, 2015.

See "THE DISTRICT – District Debt Structure – General Obligation Bonds" for a schedule of the combined debt service requirements for all of the District's outstanding general obligation bonds.

TAX BASE FOR REPAYMENT OF BONDS

The information in this section describes ad valorem property taxation, assessed valuation, and other measures of the tax base of the District. The Bonds are payable solely from ad valorem property taxes levied and collected by the County on taxable property in the District. The District's general fund is not a source for the repayment of the Bonds.

Ad Valorem Property Taxation

District property taxes are assessed and collected by the County at the same time and on the same tax rolls as County, city and special district taxes. Assessed valuations are the same for both District and County taxing purposes.

Taxes are levied for each fiscal year on taxable real and personal property which is located in the District as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed public utilities property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll." A supplemental roll is developed when property changes hands or new construction is completed. Each county levies and collects all property taxes for property falling within that county's taxing boundaries.

The valuation of secured property is established as of January 1 and is subsequently equalized in August. Property taxes are payable in two installments, due November 1 and February 1 respectively and become delinquent on December 10 and April 10 respectively. A 10% penalty attaches to any delinquent installment, plus a minimum \$10 cost on the second installment, plus any additional amount determined by the County Director of Finance. Property on the secured roll with delinquent taxes is declared tax-defaulted on or about June 30 of the calendar year. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a \$15 redemption fee and a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the tax-collecting authority of the relevant county.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent if they are not paid by August 31. In the case of unsecured property taxes, a 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue beginning November 1 of the fiscal year, and a lien may be recorded against the assessee. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the assessee; (2) filing a certificate in the office of the County clerk specifying certain facts in order to obtain a judgment lien on specific property of the assessee; (3) filing a certificate of delinquency for record in the County recorder's office in order to obtain a lien on specified property of the assessee; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. See also "—Tax Levies, Collections and Delinquencies."

State law exempts from taxation \$7,000 of the full cash value of an owner-occupied dwelling, but this exemption does not result in any loss of revenue to local agencies, since the State reimburses local agencies for the value of the exemptions.

All property is assessed using full cash value as defined by Article XIII A of the State Constitution. State law provides exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, non-profit hospitals, and charitable institutions.

Future assessed valuation growth allowed under Article XIII A (new construction, certain changes of ownership, 2% inflation) will be allocated on the basis of “situs” among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies, including school districts and community college districts (collectively, “K-14 school districts”) will share the growth of “base” revenues from the tax rate area. Each year’s growth allocation becomes part of each agency’s allocation in the following year.

Assessed Valuations

The following represents the 10-year history of assessed valuations in the District.

ASSESSED VALUATIONS
Fiscal Years 2004-05 through 2013-14
Foothill-De Anza Community College District

	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>	<u>% Change</u>
2004-05	\$62,350,282,279	\$7,157,998	\$5,329,707,648	\$67,687,147,925	--
2005-06	67,138,777,355	6,951,216	5,949,427,758	73,095,156,329	7.99%
2006-07	74,020,489,225	6,441,120	5,578,833,713	79,605,764,058	8.91
2007-08	79,985,109,594	4,082,610	5,786,398,994	85,775,591,198	7.75
2008-09	87,548,070,527	4,237,376	6,162,676,227	93,714,984,130	9.26
2009-10	91,057,009,698	4,237,376	6,810,383,422	97,871,630,496	4.44
2010-11	91,313,000,200	4,237,376	6,080,958,926	97,398,196,502	(0.48)
2011-12	92,893,106,050	4,263,536	6,479,031,711	99,376,401,297	2.03
2012-13	97,301,322,005	4,263,536	7,147,704,244	104,453,289,785	5.11
2013-14	105,810,589,111	4,263,536	7,545,604,447	113,360,457,094	8.53

Source: California Municipal Statistics, Inc.

Economic and other factors beyond the District’s control, such as general market decline in property values, disruption in financial markets that may reduce availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, flood or toxic contamination, could cause a reduction in the assessed value of taxable property within the District. Any such reduction would result in a corresponding increase in the annual tax rate levied by the County to pay the debt service with respect to the Bonds. See “THE BONDS – Security and Sources of Payment.”

Appeals and Adjustments of Assessed Valuations. Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization (“SBE”), with the appropriate county board of equalization or assessment appeals board. County assessors may independently reduce assessed values as well based upon the above factors or reductions in the fair market value of the taxable property. In most cases, an appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. Such reductions are subject to yearly reappraisals and may be adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A. See “CONSTITUTIONAL AND STATUTORY

PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIII A of the California Constitution.”

A second type of assessment appeal involves a challenge to the base year value of an assessed property. Appeals for reduction in the base year value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

The District does not have information regarding pending appeals of assessed valuation of property within the District. No assurance can be given that property tax appeals currently pending or in the future will not significantly reduce the assessed valuation of property within the District.

Assessed Valuation by Jurisdiction

The following is an analysis of the assessed valuation of property within the District by jurisdiction for fiscal year 2013-14.

**ASSESSED VALUATION BY JURISDICTION
Fiscal Year 2013-14
Foothill-De Anza Community College District⁽¹⁾**

Jurisdiction:	Assessed Valuation in District	% of District	Assessed Valuation of Jurisdiction	% of Jurisdiction in District
City of Cupertino	\$15,532,039,632	13.70%	\$16,206,163,709	95.84%
City of Los Altos	11,159,691,006	9.84	11,159,691,006	100.00
City of Los Altos Hills	5,840,155,830	5.15	5,840,155,830	100.00
City of Mountain View	18,759,659,690	16.55	18,759,659,690	100.00
City of Palo Alto	25,536,058,396	22.53	25,536,058,396	100.00
City of San Jose	5,057,989,708	4.46	131,817,440,932	3.84
City of Santa Clara	1,430,129,491	1.26	27,012,697,344	5.29
City of Saratoga	1,876,388,787	1.66	11,512,016,116	16.30
City of Sunnyvale	25,291,892,908	22.31	29,247,430,214	86.48
Unincorporated Santa Clara County	<u>2,876,451,646</u>	<u>2.54</u>	13,400,604,542	21.47
Total District	\$113,360,457,094	100.00%		
Total Santa Clara County	\$113,360,457,094	100.00%	\$334,477,345,478	33.89%

⁽¹⁾ Before deduction of redevelopment incremental valuation.
Source: California Municipal Statistics, Inc.

Assessed Valuation and Parcels by Land Use

The following shows a per-parcel analysis of the distribution of taxable property within the District by principal use, and the fiscal year 2013-14 assessed valuation of such parcels (excluding utility and unsecured assessed valuations).

ASSESSSED VALUATION AND PARCELS BY LAND USE Fiscal Year 2013-14 Foothill-De Anza Community College District

	2013-14 <u>Assessed Valuation</u> ⁽¹⁾	% of <u>Total</u>	No. of <u>Parcels</u>	% of <u>Total</u>
<u>Non-Residential:</u>				
Agricultural/Forest	\$370,249,376	0.35%	255	0.23%
Commercial/Office	13,508,301,284	12.77	3,826	3.42
Industrial/Research and Development	11,076,502,989	10.47	1,249	1.12
Recreational	99,267,232	0.09	94	0.08
Government/Institutional	724,603,368	0.68	333	0.30
Miscellaneous/Utilities	<u>217,297,595</u>	<u>0.21</u>	<u>226</u>	<u>0.20</u>
Subtotal Non-Residential	\$25,996,221,844	24.57%	5,983	5.36%
<u>Residential:</u>				
Single Family Residence	\$60,566,232,988	57.24%	76,418	68.40%
Condominium/Townhouse	10,422,187,312	9.85	21,279	19.05
Mobile Home	93,590,634	0.09	1,314	1.18
2-4 Residential Units	2,189,533,243	2.07	3,810	3.41
5+ Residential Units/Apartments	<u>5,672,356,401</u>	<u>5.36</u>	<u>1,549</u>	<u>1.39</u>
Subtotal Residential	\$78,943,900,578	74.61%	104,370	93.42%
Vacant Parcels/Unknown Use	\$870,466,689	0.82%	1,372	1.23%
Total	\$105,810,599,111	100.00%	111,725	100.00%

⁽¹⁾ Reflects local secured assessed valuation.
Source: California Municipal Statistics, Inc.

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Assessed Valuation of Single Family Homes

The following table displays the per-parcel analysis of single family residences within the District, in terms of their 2013-14 assessed valuation.

ASSESSED VALUATION OF SINGLE FAMILY HOMES Fiscal Year 2013-14 Foothill-De Anza Community College District

	<u>No. of Parcels</u>	<u>2013-14 Assessed Valuation</u>	<u>Average Assessed Valuation</u>	<u>Median Assessed Valuation</u>
Single Family Residential	76,418	\$60,566,232,988	\$792,078	\$618,952

<u>2013-14 Assessed Valuation</u>	<u>No. of Parcels⁽¹⁾</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>	<u>Total Valuation</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>
\$0 - \$99,999	8,449	11.056%	11.056%	\$633,919,334	1.047%	1.047%
100,000 - 199,999	8,787	11.499	22.555	1,235,194,279	2.039	3.086
200,000 - 299,999	5,022	6.572	29.127	1,260,597,983	2.081	5.167
300,000 - 399,999	4,537	5.937	35.064	1,586,627,897	2.620	7.787
400,000 - 499,999	5,386	7.048	42.112	2,429,324,981	4.011	11.798
500,000 - 599,999	5,135	6.720	48.831	2,821,718,246	4.659	16.457
600,000 - 699,999	4,387	5.741	54.572	2,847,203,586	4.701	21.158
700,000 - 799,999	4,438	5.808	60.380	3,329,369,136	5.497	26.655
800,000 - 899,999	4,492	5.878	66.258	3,823,930,559	6.314	32.969
900,000 - 999,999	4,231	5.537	71.795	4,018,653,120	6.635	39.604
1,000,000 - 1,099,999	3,609	4.723	76.517	3,784,438,307	6.248	45.852
1,100,000 - 1,199,999	2,693	3.524	80.041	3,087,377,820	5.098	50.950
1,200,000 - 1,299,999	2,107	2.757	82.799	2,631,323,556	4.345	55.294
1,300,000 - 1,399,999	1,958	2.562	85.361	2,642,213,942	4.363	59.657
1,400,000 - 1,499,999	1,684	2.204	87.564	2,439,548,576	4.028	63.685
1,500,000 - 1,599,999	1,490	1.950	89.514	2,307,098,782	3.809	67.494
1,600,000 - 1,699,999	1,120	1.466	90.980	1,846,158,252	3.048	70.542
1,700,000 - 1,799,999	966	1.264	92.244	1,689,848,582	2.790	73.332
1,800,000 - 1,899,999	765	1.001	93.245	1,414,481,142	2.335	75.668
1,900,000 - 1,999,999	720	0.942	94.187	1,402,632,057	2.316	77.983
2,000,000 and greater	<u>4,442</u>	<u>5.813</u>	100.000	<u>13,334,572,851</u>	<u>22.017</u>	100.000
Total	76,418	100.000%		\$60,566,232,988	100.000%	

⁽¹⁾ Improved single family residential parcels. Excludes condominiums and parcels with multiple family units.
Source: California Municipal Statistics, Inc.

Alternative Method of Tax Apportionment - "Teeter Plan"

Under the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 *et seq.* of the State Revenue and Taxation Code, each participating local agency levying property taxes, including community college districts, receives from its county the amount of uncollected taxes credited to its fund, in the same manner as if the amount credited had been collected. In return, the county receives and retains delinquent payments, penalties and interest as collected that would have been due the local agency. The Teeter Plan, once adopted by a county, remains in effect unless the county board of supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year, the board of supervisors receives a petition for its discontinuance from two-thirds of the participating revenue districts in the county. A board of supervisors may, after holding a public hearing on the matter, discontinue the procedures under the Teeter Plan with respect to any tax levying agency in the county when delinquencies for taxes levied by that agency exceed 3%.

Under the Teeter Plan, as adopted by the County, the County funds the District its full tax levy allocation rather than funding only actual collections (levy less delinquencies). In exchange, the County receives the interest and penalties that accrue on delinquent payments, when the late taxes are collected. The County includes the District's general purpose secured property tax levy and the *ad valorem* property tax levy for the District's general obligation bonds under the Teeter Plan.

Tax Levies, Collections and Delinquencies

The following table shows secured tax levies within the District for its general obligation bonded debt, and amounts delinquent as of June 30, for the fiscal years shown below.

SECURED TAX LEVIES AND DELINQUENCIES Fiscal Years 2008-09 through 2012-13 Foothill-De Anza Community College District

	<u>Secured Tax Levies⁽¹⁾</u>	<u>Amount Delinquent as of June 30</u>	<u>Percentage Delinquent as of June 30</u>
2008-09	\$10,640,050.77	\$133,452.49	1.25%
2009-10	28,989,054.12	319,763.87	1.10
2010-11	29,131,054.42	271,926.65	0.96
2011-12	26,932,716.82	186,921.65	0.69
2012-13 ⁽²⁾	--	--	0.38

⁽¹⁾ Reflects secured tax charges and levies for general obligation bond debt service.

⁽²⁾ Dollar amounts of secured tax levies and delinquencies are not currently available from the County.

Source: California Municipal Statistics, Inc.

Principal Taxpayers

The following table lists the major taxpayers in the District in terms of their 2013-14 secured assessed valuations.

LARGEST 2013-14 LOCAL SECURED TAXPAYERS Foothill-De Anza Community College District

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2013-14 Assessed Valuation</u>	<u>% of Total⁽¹⁾</u>
1.	Board of Regents, Leland Stanford Jr. University ⁽²⁾	Various Land Holdings	\$4,399,093,635	4.16%
2.	Google Inc.	Research and Development	844,703,744	0.80
3.	Nertwork Appliance Inc.	Research and Development	668,555,822	0.63
4.	Lockheed Missile and Space Co. Inc.	Manufacturing	591,530,754	0.56
5.	Apple Computer Inc.	Office Building	774,875,380	0.73
6.	Yahoo Inc.	Office Building	354,451,162	0.33
7.	HCP Life Science REIT Inc.	Industrial	331,389,454	0.31
8.	Applied Materials Inc.	Manufacturing	328,862,540	0.31
9.	Intuitive Surgical Inc	Office Building	318,000,226	0.30
10.	Campus Holdings Inc.	Office Building	303,092,681	0.29
11.	SPF Mathilda LLC	Office Building	290,132,838	0.27
12.	MT SPE LLC	Office Building	275,204,090	0.26
13.	Loral Space & Communications Inc.	Research and Development	252,085,092	0.24
14.	Silicon Valley CA I LLC	Research and Development	250,043,984	0.24
15.	Agilent Technologies	Industrial	249,912,323	0.24
16.	Park Kiely REIT Inc.	Apartments	239,186,737	0.23
17.	Menlo & Jupiter Networks	Industrial	233,322,348	0.22
18.	Richard Tod and Catherine R Spieker	Apartments	186,508,351	0.18
19.	Tishman Speyer Archstone-Smith	Apartments	218,819,649	0.21
20.	Symantec Corporation	Office Building	<u>212,165,563</u>	<u>0.20</u>
			\$11,321,936,373	10.70%

⁽¹⁾ 2013-14 Local Secured Assessed Valuation: \$105,810,589,111.

⁽²⁾ Reflects only taxable property.

Source: California Municipal Statistics, Inc.

Tax Rates

A representative tax rate area (“TRA”) located within the District is TRA 6-001. The table below demonstrates the total *ad valorem* property tax rates levied by all taxing entities in this TRA, as a percentage of assessed valuation, during the five-year period from 2009-10 through 2013-14.

TYPICAL TAX RATES
Fiscal Years 2009-10 through 2013-14
(TRA 6-001)⁽¹⁾
Foothill-De Anza Community College District

	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
General	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
County Retirement Levy	.0388	.0388	.0388	.0388	.0388
County Hospital Bond	.0122	.0095	.0047	.0051	.0035
City of Palo Alto	--	.0171	.0155	.0129	.0177
Palo Alto Unified School District Bond	.0445	.0445	.0456	.0951	.0914
Foothill De-Anza Community College District Bond	<u>.0322</u>	<u>.0326</u>	<u>.0297</u>	<u>.0287</u>	<u>.0290</u>
Total All Property	1.1277%	1.1425%	1.1343%	1.1806%	1.1804%
Santa Clara Valley Water District - State Water Project (Land and Improvement)	.0071%	.0070%	.0063%	.0069%	.0070%

⁽¹⁾ 2013-14 assessed valuation of TRA 6-001 is \$20,792,366,202, representing 18.34% of the District’s total assessed valuation.
Source: *California Municipal Statistics, Inc.*

Statement of Direct and Overlapping Debt

Set forth below is a direct and overlapping debt report (the “Debt Report”) prepared by California Municipal Statistics, Inc., effective as of April 30, 2014, for debt issued as of May 1, 2014. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District in whole or in part. Such long-term obligations generally are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

The first column in the table names each public agency which has outstanding debt as of the date of the report and whose territory overlaps the District in whole or in part. Column 2 shows the percentage of each overlapping agency’s assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in column 3, which is the apportionment of each overlapping agency’s outstanding debt to taxable property in the District.

STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT
Foothill-De Anza Community College District

2013-14 Assessed Valuation: \$113,360,457,094

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 5/1/14</u>
Santa Clara County	33.892%	\$272,728,924
Foothill-De Anza Community College District	100.000	613,179,288⁽¹⁾
Palo Alto Unified School District	100.000	279,849,249
Santa Clara Unified School District	0.097	404,403
Fremont Union High School District	100.000	290,570,108
Mountain View-Los Altos Union High School District	100.000	65,436,599
Cupertino Union School District	100.000	261,223,462
Los Altos Union School District	100.000	76,158,560
Mountain View School District	100.000	21,989,363
Mountain View-Whisman School District	100.000	46,000,000
Sunnyvale School District	100.000	130,814,650
Whisman School District	100.000	23,045,269
Other School Districts	Various	164,096
City of Palo Alto	100.000	73,215,000
City of San Jose	3.837	16,168,351
City of Saratoga	16.299	1,801,854
El Camino Hospital District	97.918	137,094,992
Other Special Districts	Various	123,008
City of Sunnyvale Community Facilities District No. 1	100.000	16,985,000
Santa Clara Valley Water District Benefit Assessment District	33.892	38,991,051
City 1915 Act Bonds	100.000	<u>32,656,830</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$2,398,600,057

<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Santa Clara County General Fund Obligations	33.892%	\$262,830,535
Santa Clara County Pension Obligations	33.892	127,237,056
Santa Clara County Board of Education Certificates of Participation	33.892	3,297,692
Foothill-De Anza Community College District Certificates of Participation	100.000	13,468,695
Los Gatos-Saratoga Joint Union High School District Certificates of Participation	0.126	9,986
Mountain View-Los Altos Union High School District Certificates of Participation	100.000	4,170,000
Santa Clara Unified School District Certificates of Participation	0.097	13,027
Saratoga Union School District Certificates of Participation	0.277	14,515
City of Cupertino Certificates of Participation	95.840	40,271,968
City of Mountain View General Fund Obligations	100.000	1,925,000
City of San Jose General Fund Obligations	3.837	27,305,819
City of Sunnyvale General Fund Obligations	86.476	11,544,546
Other Cities General Fund Obligations	Various	4,431,523
Midpeninsula Regional Open Space Park District General Fund Obligations	54.602	72,735,170
Santa Clara County Vector Control District Certificates of Participation	33.892	<u>1,170,969</u>
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$570,426,501
Less: Santa Clara County supported obligations		<u>183,657,885</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$386,768,616

<u>OVERLAPPING TAX INCREMENT DEBT:</u>	\$70,720,000
GROSS COMBINED TOTAL DEBT	\$3,039,746,558⁽²⁾
NET COMBINED TOTAL DEBT	\$2,856,088,673

<u>Ratios to 2013-14 Assessed Valuation:</u>	
Direct Debt (\$613,179,288)	0.54%
Total Direct and Overlapping Tax and Assessment Debt.....	2.12%
Combined Direct Debt (\$626,647,983)	0.55%
Gross Combined Total Debt.....	2.68%
Net Combined Total Debt	2.52%

<u>Ratios to Redevelopment Incremental Valuation (\$4,584,907,200):</u>	
Total Overlapping Tax Increment Debt.....	1.54%

⁽¹⁾ Excludes the Bonds described herein, but includes the Refunded Bonds.

⁽²⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

The principal of and interest on the Bonds are payable from the proceeds of an ad valorem property tax levied by the County for the payment thereof. See “THE BONDS – Security and Sources of Payment.” Articles XIII A, XIII B, XIII C and XIII D of the Constitution, Propositions 98 and 111, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the County to levy taxes on behalf of the District and the District to spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the County to levy taxes on behalf of the District for payment of the Bonds.

Article XIII A of the California Constitution

Article XIII A (“Article XIII A”) of the State Constitution limits the amount of *ad valorem* property taxes on real property to 1% of “full cash value” as determined by the county assessor. Article XIII A defines “full cash value” to mean “the county assessor’s valuation of real property as shown on the 1975-76 bill under ‘full cash value,’ or thereafter, the appraised value of real property when purchased, newly constructed or a change in ownership has occurred after the 1975 assessment,” subject to exemptions in certain circumstances of property transfer or reconstruction. Determined in this manner, the full cash value is also referred to as the “base year value.” The full cash value is subject to annual adjustment to reflect increases, not to exceed 2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors.

Article XIII A has been amended to allow for temporary reductions of assessed value in instances where the fair market value of real property falls below the adjusted base year value described above. Proposition 8—approved by the voters in November of 1978—provides for the enrollment of the lesser of the base year value or the market value of real property, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a similar decline. In these instances, the market value is required to be reviewed annually until the market value exceeds the base year value. Reductions in assessed value could result in a corresponding increase in the annual tax rate levied by the County to pay debt service on the Bonds. See “THE BONDS – Security and Sources of Payment” and “TAX BASE FOR REPAYMENT OF BONDS – Assessed Valuations.”

Article XIII A requires a vote of two-thirds or more of the qualified electorate of a city, county, special district or other public agency to impose special taxes, while totally precluding the imposition of any additional *ad valorem*, sales or transaction tax on real property. Article XIII A exempts from the 1% tax limitation any taxes above that level required to pay debt service (a) on any indebtedness approved by the voters prior to July 1, 1978, or (b) as the result of an amendment approved by State voters on July 3, 1986, on any bonded indebtedness approved by two-thirds or more of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978, or (c) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% or more of the votes cast on the proposition, but only if certain accountability measures are included in the proposition. In addition, Article XIII A requires the approval of two-thirds of all members of the state legislature to change any state taxes for the purpose of increasing tax revenues.

Legislation Implementing Article XIII A

Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the relevant county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the annual adjustment not to exceed 2% are allocated among the various jurisdictions in the “taxing area” based upon their respective “situs.” Any such allocation made to a local agency continues as part of its allocation in future years.

All taxable property value included in this Official Statement is shown at 100% of taxable value (unless noted differently) and all tax rates reflect the \$1 per \$100 of taxable value.

Both the United States Supreme Court and the California State Supreme Court have upheld the general validity of Article XIII A.

Unitary Property

Some amount of property tax revenue of the District is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions (“unitary property”). Under the State Constitution, such property is assessed by the SBE as part of a “going concern” rather than as individual pieces of real or personal property. State-assessed unitary and certain other property is allocated to the counties by SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year.

The California electric utility industry has been undergoing significant changes in its structure and in the way in which components of the industry are regulated and owned. Sale of electric generation assets to largely unregulated, nonutility companies may affect how those assets are assessed, and which local agencies are to receive the property taxes. The District is unable to predict the impact of these changes on its utility property tax revenues, or whether legislation may be proposed or adopted in response to industry restructuring, or whether any future litigation may affect ownership of utility assets or the State’s methods of assessing utility property and the allocation of assessed value to local taxing agencies, including the District. So long as the District is not a basic aid district, taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State’s school financing formula. See “FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA – Major Revenues” and “FOOTHILL DE-ANZA COMMUNITY COLLEGE DISTRICT.”

Article XIII B of the California Constitution

Article XIII B (“Article XIII B”) of the State Constitution, as subsequently amended by Propositions 98 and 111, respectively, limits the annual appropriations of the State and of any city, county, school district, community college district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population and for transfers in the financial responsibility for providing services and for certain declared emergencies. As amended, Article XIII B defines

- (a) “change in the cost of living” with respect to K-14 districts to mean the percentage change in California per capita income from the preceding year, and
- (b) “change in population” with respect to a K-14 school district means the percentage change in the average daily attendance of such K-14 district from the preceding fiscal year.

For fiscal years beginning on or after July 1, 1990, the appropriations limit of each entity of government shall be the appropriations limit for the 1986-87 fiscal year adjusted for the changes made from that fiscal year pursuant to the provisions of Article XIII B, as amended.

The appropriations of an entity of local government subject to Article XIII B limitations include the proceeds of taxes levied by or for that entity and the proceeds of certain state subventions to that entity. “Proceeds of taxes” include, but are not limited to, all tax revenues and the proceeds to the entity from (a) regulatory licenses, user charges and user fees (but only to the extent that these proceeds exceed the reasonable costs in providing the regulation, product or service), and (b) the investment of tax revenues.

Appropriations subject to limitation do not include (a) refunds of taxes, (b) appropriations for debt service such as the Bonds, (c) appropriations required to comply with certain mandates of the courts or the federal government, (d) appropriations of certain special districts, (e) appropriations for all qualified capital outlay projects as defined by the legislature, (f) appropriations derived from certain fuel and vehicle taxes and (g) appropriations derived from certain taxes on tobacco products.

Article XIII B includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years.

Article XIII B also includes a requirement that 50% of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred and allocated to the State School Fund pursuant to Section 8.5 of Article XVI of the State Constitution. See “– Propositions 98 and 111” below.

Article XIII C and Article XIII D of the California Constitution

On November 5, 1996, the voters of the State of California approved Proposition 218, popularly known as the “Right to Vote on Taxes Act.” Proposition 218 added to the California Constitution Articles XIII C and XIII D (respectively, “Article XIII C” and “Article XIII D”), which contain a number of provisions affecting the ability of local agencies, including school districts and community college districts, to levy and collect both existing and future taxes, assessments, fees and charges.

According to the “Title and Summary” of Proposition 218 prepared by the California Attorney General, Proposition 218 limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.” Among other things, Article XIII C establishes that every tax is either a “general tax” (imposed for general governmental purposes) or a “special tax” (imposed for specific purposes), prohibits special purpose government agencies such as school districts and community college districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes,

assessments, fees and charges. Article XIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIII A of the California Constitution and special taxes approved by a two-thirds vote under Article XIII A, Section 4. Article XIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIC or XIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

The District does not impose any taxes, assessments, or property-related fees or charges which are subject to the provisions of Proposition 218. It does, however, receive a portion of the basic 1% *ad valorem* property tax levied and collected by the County pursuant to Article XIII A of the California Constitution. The provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District.

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIIC of the State Constitution to expand the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity.

Propositions 98 and 111

On November 8, 1988, voters approved Proposition 98, a combined initiative constitutional amendment and statute called the “Classroom Instructional Improvement and Accountability Act” (the “Accountability Act”). Certain provisions of the Accountability Act have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changes State funding of public education below the university level and the operation of the State’s appropriations limit. The Accountability Act guarantees State funding for K-14 school districts at a level equal to the greater of (a) the same percentage of General Fund revenues as the percentage appropriated to such districts in the 1986-87 fiscal year, and (b) the amount actually appropriated to such districts from the General Fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the Legislature to suspend this formula for a one-year period.

The Accountability Act also changes how tax revenues in excess of the State appropriations limit are distributed. Any excess State tax revenues up to a specified amount are, instead of being returned to taxpayers, transferred to K-14 school districts. Any such transfer to K-14 school districts is excluded from the appropriations limit for K-14 school districts and the K-14 school district appropriations limit for the next year are automatically be increased by the amount of such transfer. These additional moneys enter the base funding calculation for K-14 school districts for subsequent years, creating further pressure on other portions of the State budget, particularly if revenues decline in a year following an Article XIII B surplus. The maximum amount of excess tax revenues which can be transferred to K-14 school districts is 4% of the minimum State spending for education mandated by the Accountability Act.

Since the Accountability Act is unclear in some details, there can be no assurances that the Legislature or a court might not interpret the Accountability Act to require a different percentage of General Fund revenues to be allocated to K-14 school districts, or to apply the relevant percentage to the State's budgets in a different way than is proposed in the Governor's Budget.

On June 5, 1990, the voters approved Proposition 111 (Senate Constitutional Amendment No. 1) called the "Traffic Congestion Relief and Spending Limitations Act of 1990" ("Proposition 111") which further modified Article XIII B and Sections 8 and 8.5 of Article XVI of the State Constitution with respect to appropriations limitations and school funding priority and allocation.

The most significant provisions of Proposition 111 are summarized as follows:

- a. Annual Adjustments to Spending Limit. The annual adjustments to the Article XIII B spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in California per capita personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in school attendance.
- b. Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIII B are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of such district's minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into such districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.
- c. Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIII B spending limit. First, there are excluded all appropriations for "qualified capital outlay projects" as defined by the Legislature. Second, there are excluded any increases in gasoline taxes above the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the Legislature and the Governor, which expected to raise

over \$15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

- d. Recalculation of Appropriations Limit. The Article XIII B appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.
- e. School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues (“Test 1”) or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to per capita personal income) and enrollment (“Test 2”). Under Proposition 111, K-14 school districts will receive the greater of (1) Test 1, (2) Test 2, or (3) a third test (“Test 3”), which will replace Test 2 in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in California per capita personal income. Under Test 3, K-14 school districts will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If Test 3 is used in any year, the difference between Test 3 and Test 2 will become a “credit” (also referred to as a “maintenance factor”) to K-14 school districts which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 39

On November 7, 2000, California voters approved an amendment (commonly known as Proposition 39) to the California Constitution. This amendment (1) allows school facilities bond measures to be approved by 55% (rather than two-thirds) of the voters in local elections and permits property taxes to exceed the current 1% limit in order to repay the bonds and (2) changes existing statutory law regarding charter school facilities. As adopted, the constitutional amendments may be changed only with another Statewide vote of the people. The statutory provisions could be changed by a majority vote of both houses of the Legislature and approval by the Governor, but only to further the purposes of the proposition. The local school jurisdictions affected by this proposition are K-12 school districts, community college districts, and county offices of education. As noted above, the California Constitution previously limited property taxes to 1% of the value of property. Property taxes could only exceed this limit to pay for (1) any local government debts approved by the voters prior to July 1, 1978 or (2) bonds to buy or improve real property that receive two-thirds voter approval after July 1, 1978.

The 55% vote requirement applies only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 places certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that the tax rate levied as the result of any single election be no more than \$60 (for a unified school district), \$30 (for an elementary or high school district), or \$25 (for a community college district), per \$100,000 of taxable property value, when assessed valuation is projected to increase in accordance with Article XIII A of the Constitution. These requirements are not

part of this proposition and can be changed with a majority vote of both houses of the Legislature and approval by the Governor.

Jarvis v. Connell

On May 29, 2002, the California Court of Appeal for the Second District decided the case of *Howard Jarvis Taxpayers Association, et al. v. Kathleen Connell* (as Controller of the State of California). The Court of Appeal held that either a final budget bill, an emergency appropriation, a self-executing authorization pursuant to state statutes (such as continuing appropriations) or the California Constitution or a federal mandate is necessary for the State Controller to disburse funds. The foregoing requirement could apply to amounts budgeted by the District as being received from the State. To the extent the holding in such case would apply to State payments reflected in the District's budget, the requirement that there be either a final budget bill or an emergency appropriation may result in the delay of such payments to the District if such required legislative action is delayed, unless the payments are self-executing authorizations or are subject to a federal mandate. On May 1, 2003, the California Supreme Court upheld the holding of the Court of Appeal, stating that the Controller is not authorized under State law to disburse funds prior to the enactment of a budget or other proper appropriation, but under federal law, the Controller is required, notwithstanding a budget impasse and the limitations imposed by State law, to timely pay those State employees who are subject to the minimum wage and overtime compensation provisions of the federal Fair Labor Standards Act.

Proposition 1A and Proposition 22

On November 2, 2004, California voters approved Proposition 1A, which amends the State constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State cannot (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to K-14 school districts, (iii) change how property tax revenues are shared among local governments without two-third approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Proposition 1A allows the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amends the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by the voters of the State on November 2, 2010, prohibits the State from enacting new laws that require redevelopment agencies to shift funds to K-14 school districts or other agencies and eliminates the State's authority to shift property taxes temporarily during a severe financial hardship of the State. In addition, Proposition 22 restricts the State's authority to use State fuel tax revenues to pay debt service on state transportation bonds, to borrow or change the distribution of state fuel tax revenues, and to use vehicle license fee revenues to reimburse local governments for state mandated costs. Proposition 22 impacts resources in the State's General Fund and transportation funds, the State's main funding source for school districts and community college districts, as well as universities, prisons and health and social services programs. According to an analysis of Proposition 22 submitted by the State Legislative Analysts Office (the "LAO") on July 15, 2010, the expected reduction in resources available for the State to spend on these other programs as a consequence of the passage of Proposition 22 was to be approximately \$1 billion in fiscal year 2010-11, with an estimated immediate fiscal effect equal to approximately 1% of the State's total General Fund spending. The longer-term effect of Proposition 22, according to the LAO analysis, will be an increase in the State's General Fund costs by approximately \$1 billion annually for

several decades. See also “FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA – State Dissolution of Redevelopment Agencies.”

Proposition 30

On November 6, 2012, voters of the State approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as “Proposition 30”), which temporarily increases the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposes an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposes an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017, for storage, use, or other consumption in the State. This excise tax will be levied at a rate of 0.25% of the sales price of the property so purchased. For personal income taxes imposed beginning in the taxable year commencing on January 1, 2012 and ending in the taxable year commencing on December 31, 2018, Proposition 30 increases the marginal personal income tax rate by: (i) 1% for taxable income over \$250,000 but less than \$300,000 for single filers (over \$340,000 but less than \$408,000 for joint filers), (ii) 2% for taxable income over \$300,000 but less than \$500,000 for single filers (over \$408,000 but less than \$608,000 for joint filers), and (iii) 3% for taxable income over \$500,000 for single filers (over \$608,000 for joint filers).

The revenues generated from the temporary tax increases will be included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Propositions 98 and 11.” From an accounting perspective, the revenues generated from the temporary tax increases will be deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the “EPA”). Pursuant to Proposition 30, funds in the EPA will be allocated quarterly, with 89% of such funds provided to schools districts and 11% provided to community college districts. The funds will be distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district will receive less than \$200 per unit of ADA and no community college district will receive less than \$100 per full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing boards are prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C and Article XIII D of the California Constitution and Propositions 98, 39, 22, 26 and 30 were each adopted as measures that qualified for the ballot pursuant to the State’s initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District’s ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA

The information in this section concerning State funding of community colleges is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from State revenues. The Bonds are payable from the proceeds of an ad valorem property tax required to be levied by the County in an amount sufficient for the payment thereof.

Major Revenues

California community college districts (other than Basic Aid Districts, as described below) receive a majority of their funding from the State, and the balance from local and federal sources. State funds include general apportionment, categorical funds, capital construction, the lottery (which generally is less than 3 percent), and other minor sources. Local funds include property taxes, student fees, and miscellaneous sources.

A bill passed the State's legislature ("SB 361"), and signed by the Governor on September 29, 2006, established the present system of funding for community college districts. This system includes allocation of state general apportionment revenues to community college districts based on criteria developed by the Board of Governors of the California Community Colleges (the "Board of Governors") in accordance with prescribed statewide minimum requirements. In establishing these minimum requirements, the Board of Governors was required to acknowledge community college districts' need to receive an annual allocation based on the number of colleges and comprehensive centers in each respective district, plus funding received based on the number of credit and noncredit FTES in each district.

SB 361 also specified that, commencing with the 2006-07 fiscal year, the minimum funding per FTES would be: (a) not less than \$4,367 per credit FTES; (b) at a uniform rate of \$2,626 per noncredit FTES; and (c) set at \$3,092 per FTES for a new instructional category of "career development and college preparation" ("CDCP") enhanced non-credit rate. Each such minimum funding rate is subject to cost of living adjustments (each, a "COLA"), if any, funded through the State budgeting legislation in each fiscal year. Pursuant to SB 361, the State Chancellor (the "Chancellor") developed criteria for one-time grants for districts that would have received more funding under the prior system or a then-proposed rural college access grant, than under the new system.

The table on the following page shows the District's FTES figures for the last five fiscal years, along with projected FTES for the current fiscal year.

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FULL TIME EQUIVALENT STUDENTS⁽¹⁾
Fiscal Years 2009-10 through 2014-15
Foothill-De Anza Community College District

<u>Fiscal Year</u>	<u>Funded FTES</u>	<u>Unfunded FTES⁽²⁾</u>	<u>Total FTES</u>
2009-10	37,056	--	37,056
2010-11	34,646	--	34,646
2011-12	33,531	--	33,531
2012-13	32,125	--	32,125
2013-14 ⁽³⁾	31,883	--	31,883
2014-15 ⁽⁴⁾	31,883	--	31,883

⁽¹⁾ One FTES is equivalent to 525 student contact hours, which is determined based on a State formula of one student multiplied by 15 weekly contact hours multiplied by 35 weeks. Accordingly, the number of FTES in the District may not equal the number of students enrolled in the District. Includes non-resident FTES counts, which are generally excluded from State funding formula calculations and pay the full cost of tuition to the District.

⁽²⁾ In each fiscal year, the State budget will establish an enrollment cap on the maximum number of FTES, known as the “funded” FTES, for which a community college district will receive a revenue allocation, as determined by the program-based model. A district’s enrollment cap is based on the previous fiscal year’s reported FTES, plus the growth allowance provide for by the State budget, if any. All student hours in excess of the enrollment cap are considered “unfunded” FTES.

⁽³⁾ As of the second principal (P-2) reporting period, ending on April 15 of each fiscal year.

⁽⁴⁾ FTES estimate from the District’s tentative budget for fiscal year 2014-15, dated June 16, 2014. Based on the P-2 FTES for the prior year.

Source: Foothill-De Anza Community College District.

Local revenues are first used to satisfy District expenditures. The major local revenue source is local property taxes that are collected from within District boundaries. Student enrollment fees from the local community college district generally account for the remainder of local revenues for the District. Property taxes and student enrollment fees are applied towards fulfilling the District’s financial need. Once these sources are exhausted, State funds are used. State aid is subject to the appropriation of funds in the State’s annual budget. Decreases in State revenues may affect appropriations made by the legislature to the District. The sum of the property taxes, student enrollment fees, and State aid generally comprise the District’s total funding allocation.

“Basic Aid” community college districts are those districts whose local property tax and student enrollment fee collections, including EPA funds, exceed the revenue allocation determined by the program-based model. The current law in California allows these districts to keep the excess funds without penalty. Basic Aid districts do not receive any general apportionment funding from the State, though they are currently entitled to the minimum amount of Proposition 30 tax proceeds. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Proposition 30.” The implication for Basic Aid districts is that the legislatively determined annual cost of living adjustment and other politically determined factors are less significant in determining such districts’ primary funding sources. Rather, property tax growth and the local economy become the determinant factors. The District is not a Basic Aid district.

A small part of a community college district’s budget is from local sources other than property taxes and student enrollment fees, such as interest income, donations and sales of property. Every community college district receives the same amount of lottery funds per pupil from the State, however, these are not categorical funds as they are not for particular programs or students. The initiative authorizing the lottery does require the funds to be used for instructional purposes, and prohibits their use for capital purposes.

Tax Shifts and Triple Flip

Assembly Bill No. 1755 (“AB 1755”), introduced March 10, 2003 and substantially amended June 23, 2003, requires the shifting of property taxes between redevelopment agencies and K-14 school districts. On July 29, 2003, the Assembly amended Senate Bill No. 1045 to incorporate all of the

provisions of AB 1755, except that the Assembly reduced the amount of the required Education Revenue Augmentation Fund (“ERAF”) shift to \$135 million. Legislation commonly referred to as the “Triple Flip” was approved by the voters on March 2, 2004, as part of a bond initiative formally known as the “California Economic Recovery Act.” This act authorized the issuance of \$15 billion in bonds to finance the 2002-03 and 2003-04 State budget deficits, which are payable from a fund established by the redirection of tax revenues through the “Triple Flip.” Under the “Triple Flip,” one-quarter of local governments’ 1% share of the sales tax imposed on taxable transactions within their jurisdiction is redirected to the State. In an effort to eliminate the adverse impact of the sales tax revenue redirection on local government, the legislation redirects property taxes in the ERAF to local government. Because the ERAF monies were previously earmarked for K-14 school districts, the legislation provides for K-14 school districts to receive other state general fund revenues.

Budget Procedure

On or before September 15, the Board of Trustees of the District is required under Section 58305 of the California Code of Regulations, Title V, to adopt a balanced budget. Each September, every State agency, including the Chancellor’s Office of the California Community Colleges (the “Chancellor’s Office”) submits to the Department of Finance (“DOF”) proposals for changes in the State budget. These proposals are submitted in the form of Budget Change Proposals (“BCPs”), involving analyses of needs, proposed solutions and expected outcomes. Thereafter, the DOF makes recommendations to the governor, and by January 10 a proposed State budget is presented by the governor to the legislature. The Governor’s Budget is then analyzed and discussed in committees and hearings begin in the State Assembly and Senate. In May, based on the debate, analysis and changes in the economic forecasts, the governor issues a revised budget with changes he or she can support. The law requires the legislature to submit its approved budget by June 15, and by June 30 the governor should announce his or her line item reductions and sign the State budget. In response to growing concern for accountability and with enabling legislation (AB 2910, Chapter 1486, Statutes of 1986), the statewide governing board of the California community colleges (the “Board of Governors”) and the Chancellor’s Office have established expectations for sound district fiscal management and a process for monitoring and evaluating the financial condition to ensure the financial health of California’s community college districts. In accordance with statutory and regulatory provisions, the Chancellor has been given the responsibility to identify districts at risk and, when necessary, the authority to intervene to bring about improvement in their financial condition. To stabilize a district’s financial condition, the Chancellor may, as a last resort, seek an appropriation for an emergency apportionment.

The monitoring and evaluation process is designed to provide early detection and amelioration that will stabilize the financial condition of a district before an emergency apportionment is necessary. This is accomplished by (1) assessing the financial condition of districts through the use of various information sources and (2) taking appropriate and timely follow-up action to bring about improvement in a district’s financial condition, as needed. A variety of instruments and sources of information are used to provide a composite of each district’s financial condition, including quarterly financial status reports, annual financial and budget reports, attendance reports, annual district audit reports, district input and other financial records. In assessing each district’s financial condition, the Chancellor will pay special attention to each district’s general fund balance, spending pattern, and full-time equivalent student patterns. Those districts with greater financial difficulty will receive follow-up visits from the Chancellor’s Office where financial solutions to the district’s problems will be addressed and implemented.

The table on the following page shows the District’s general fund budgets for fiscal years 2010-11 through 2014-15, the District’s actual results for fiscal years 2010-11 and 2012-13 and projected totals for fiscal year 2013-14. See also “APPENDIX A – EXCERPTS FROM THE 2012-13 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT.”

COMPARISON OF GENERAL FUND BUDGETS AND ACTUAL RESULTS
Fiscal Years 2010-11 through 2014-15
Foothill-De Anza Community College District

	<u>Fiscal Year 2010-11</u>		<u>Fiscal Year 2011-12</u>		<u>Fiscal Year 2012-13</u>		<u>Fiscal Year 2013-14</u>		<u>Fiscal Year 2014-15</u>
REVENUES:	<u>Budgeted</u> ⁽¹⁾	<u>Ending</u> ⁽¹⁾	<u>Budgeted</u> ⁽¹⁾	<u>Ending</u> ⁽¹⁾	<u>Budgeted</u> ⁽¹⁾	<u>Ending</u>	<u>Budgeted</u>	<u>Projected</u> ⁽²⁾	<u>Budgeted</u> ⁽²⁾
Federal	\$5,490,746	\$5,242,644	\$2,189,316	\$2,380,196	\$2,251,886	\$2,173,575	\$1,918,745	\$2,093,968	\$2,018,789
State	78,526,158	88,300,334	76,174,702	67,689,376	58,011,938	59,762,053	51,810,372	57,570,796	63,520,321
Local	<u>127,647,571</u>	<u>123,605,341</u>	<u>123,494,704</u>	<u>132,265,751</u>	<u>123,938,220</u>	<u>147,418,079</u>	<u>143,808,366</u>	<u>146,263,929</u>	<u>150,338,918</u>
TOTAL REVENUES	211,664,475	217,148,319	201,858,722	202,335,323	184,202,044	209,353,707	197,537,483	205,928,693	215,878,028
EXPENDITURES:									
Academic Salaries	88,900,519	84,728,671	86,466,984	84,166,164	82,631,739	84,130,076	83,358,440	85,867,610	86,062,954
Classified Salaries	46,967,493	48,020,990	45,228,449	45,577,421	44,038,057	43,272,447	41,393,805	42,204,832	44,363,775
Employee Benefits	44,333,741	42,091,246	45,176,401	43,947,632	42,972,739	40,061,026	41,312,476	38,949,195	40,824,579
Books and Supplies	4,381,727	4,287,134	4,335,407	3,726,044	3,452,701	4,202,891	2,580,292	3,754,045	3,798,429
Services and Other Operating Expenditures ⁽³⁾	39,697,151	23,389,460	38,650,583	23,989,768	41,468,427	24,196,754	45,029,734	26,969,834	59,288,322
Capital Outlay	<u>610,536</u>	<u>570,993</u>	<u>897,101</u>	<u>537,299</u>	<u>723,682</u>	<u>560,877</u>	<u>496,144</u>	<u>736,465</u>	<u>578,105</u>
TOTAL EXPENDITURES	224,891,167	203,088,494	220,754,925	201,944,328	215,287,345	196,424,071	214,170,891	198,481,981	234,916,164
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(13,226,692)	14,059,825	(18,896,203)	390,995	(31,085,301)	12,929,636	(16,633,408)	7,446,712	(19,038,136)
OTHER FINANCING SOURCES/USES	6,847,976	7,053,055	5,934,840	5,845,848	5,672,715	5,913,418	4,999,876	5,296,326	(4,012,609)
OTHER OUTGO	10,038,915	11,119,853	10,184,264	11,217,617	9,417,194	9,917,509	9,633,532	11,816,653	(586,295)
NET CHANGE IN FUND BALANCE	(16,417,631)	9,993,027	(23,145,627)	(4,980,774)	(34,829,780)	8,925,545	(21,267,064)	926,385	(23,637,039)
BEGINNING FUND BALANCE	<u>47,266,797</u>	<u>47,266,797</u>	<u>57,259,824</u>	<u>57,259,824</u>	<u>52,279,050</u>	<u>52,279,050</u>	<u>61,204,595</u>	<u>61,204,594</u>	<u>62,130,978</u>
ENDING FUND BALANCE	<u>\$30,849,166</u>	<u>\$57,259,824</u>	<u>\$34,114,197</u>	<u>\$52,279,050</u>	<u>\$17,449,270</u>	<u>\$61,204,595</u>	<u>\$39,937,531</u>	<u>\$62,130,979</u>	<u>\$38,493,940</u>

⁽¹⁾ Budgeted figures for fiscal years 2010-11 through 2012-13, and ending figures for fiscal years 2010-11 and 2011-12, are drawn from the District's CCFS-311 Reports filed with the Chancellor's Office. For audited statements of revenues, expenditures and changes in fund balances for the District's governmental funds for fiscal years 2010-11 through 2012-13, see "FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT — Comparative Financial Statements."

⁽²⁾ As of the fiscal year 2014-15 tentative budget for the District, dated June 16, 2014. The tentative budget is subject to amendment to reflect changes to components of the District's funding levels, including but not limited to changes in State aid and finalization of prior-year ending balances and future FTES projections. The tentative budget is currently scheduled to be adopted by the Board on September 8, 2014.

⁽³⁾ Variance between budgeted and ending amounts for Services and Other Operating Expenditures reflects the District's budgeting practice of assuming the spend down of the carryover general balance from the prior year.

Source: Foothill-De Anza Community College District.

Minimum Funding Guarantees for California Community College Districts Under Propositions 98 and 111

General. In 1988, California voters approved Proposition 98, an initiative that amended Article XVI of the State Constitution and provided specific procedures to determine a minimum guarantee for annual K-14 funding. The constitutional provision links the K-14 funding formulas to growth factors that are also used to compute the State appropriations limit. Proposition 111 (Senate Constitutional Amendment 1), adopted in June 1990, among other things, changed some earlier school funding provisions of Proposition 98 relating to the treatment of revenues in excess of the State spending limit and added Test 3 to calculate the annual funding guarantee. This third calculation is operative in years in which general fund tax revenue growth is weak. The amendment also specified that under Test 2 (see below), the annual COLA for the minimum guarantee for annual K-14 funding would be the change in California's per-capita personal income, which is the same COLA used to make annual adjustments to the State appropriations limit (Article XIII B).

Calculating Minimum Funding Guarantee. There are currently three tests which determine the minimum level of K-14 funding. Under implementing legislation for Proposition 98 (AB 198 and SB 98 of 1989), each segment of public education (K-12 districts, community college districts, and direct elementary and secondary level instructional services provided by the State) has separately calculated amounts under the Proposition 98 tests. The base year for the separate calculations is the 1989-90 fiscal year. Each year, each segment is entitled to the greater of the amounts separately computed for each under Test 1 or 2. Should the calculated amount under Proposition 98 guarantee (K-14 aggregated) be less than the sum of the separate calculations, then the Proposition 98 guarantee amount shall be prorated to the three segments in proportion to the amount calculated for each. This statutory split has been suspended in every year beginning with 1992-93. In those years, community colleges received less than was required from the statutory split.

Test 1 guarantees that K-14 education will receive at least the same funding share of the State general fund budget it received in 1986-87. Initially, that share was just over 40%. Because of the major shifts of property tax from local government to community colleges and K-12 which began in 1992-93 and increased in 1993-94, the p

ercentage dropped to 33.0%.

Test 2 provides that K-14 education will receive as a minimum, its prior-year total funding (including State general fund and local revenues) adjusted for enrollment growth and per-capita personal income COLA.

Test 3 provides an alternative calculation of the funding base in years in which State per-capita General Fund revenues grow more slowly than per-capita personal income. When this condition exists, K-14 minimum funding is determined based on the prior-year funding level, adjusted for changes in enrollment and COLA where the COLA is measured by the annual increase in per-capita general fund revenues, instead of the higher per-capita personal income factor. The total allocation, however, is increased by an amount equal to one-half of 1% of the prior-year funding level as a funding supplement.

In order to make up for the lower funding level under Test 3, in subsequent years K-14 education receives a maintenance allowance equal to the difference between what should have been provided if the revenue conditions had not been weak and what was actually received under the Test 3 formula. This maintenance allowance is paid in subsequent years when the growth in per-capita State tax revenue outpaces the growth in per-capita personal income.

The enabling legislation to Proposition 111, Chapter 60, Statutes of 1990 (SB 98, Garamendi), further provides that K-14 education shall receive a supplemental appropriation in a Test 3 year if the annual growth rate in non-Proposition 98 per-capita appropriations exceeds the annual growth rate in per-pupil total spending.

State Dissolution of Redevelopment Agencies

On December 30, 2011, the California Supreme Court issued its decision in the case of *California Redevelopment Association v. Matosantos* (“*Matosantos*”), finding ABx1 26, a trailer bill to the 2011-12 State budget, to be constitutional. As a result, all Redevelopment Agencies in California ceased to exist as a matter of law on February 1, 2012. The Court in *Matosantos* also found that ABx1 27, a companion bill to ABx1 26, violated the California Constitution, as amended by Proposition 22. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 1A and Proposition 22.” ABx1 27 would have permitted redevelopment agencies to continue operations provided their establishing cities or counties agreed to make specified payments to K-14 school districts and county offices of education, totaling \$1.7 billion statewide.

ABx1 26 was modified by Assembly Bill No. 1484 (Chapter 26, Statutes of 2011-12) (“AB 1484”), which, together with ABx1 26, is referred to herein as the “Dissolution Act.” The Dissolution Act provides that all rights, powers, duties and obligations of a redevelopment agency under the California Community Redevelopment Law that have not been repealed, restricted or revised pursuant to ABx1 26 will be vested in a successor agency, generally the county or city that authorized the creation of the redevelopment agency (each, a “Successor Agency”). All property tax revenues that would have been allocated to a redevelopment agency, less the corresponding county auditor-controller’s cost to administer the allocation of property tax revenues, are now allocated to a corresponding Redevelopment Property Tax Trust Fund (“Trust Fund”), to be used for the payment of pass-through payments to local taxing entities, and thereafter to bonds of the former redevelopment agency and any “enforceable obligations” of the Successor Agency, as well as to pay certain administrative costs. The Dissolution Act defines “enforceable obligations” to include bonds, loans, legally required payments, judgments or settlements, legal binding and enforceable obligations, and certain other obligations.

Among the various types of enforceable obligations, the first priority for payment is tax allocation bonds issued by the former redevelopment agency; second is revenue bonds, which may have been issued by the host city, but only where the tax increment revenues were pledged for repayment and only where other pledged revenues are insufficient to make scheduled debt service payments; third is administrative costs of the Successor Agency, equal to at least \$250,000 in any year, unless the oversight board reduces such amount for any fiscal year or a lesser amount is agreed to by the Successor Agency; then, fourth tax revenues in the Trust Fund in excess of such amounts, if any, will be allocated as residual distributions to local taxing entities in the same proportions as other tax revenues. Moreover, all unencumbered cash and other assets of former redevelopment agencies will also be allocated to local taxing entities in the same proportions as tax revenues. Notwithstanding the foregoing portion of this paragraph, the order of payment is subject to modification in the event a Successor Agency timely reports to the Controller and the Department of Finance that application of the foregoing will leave the Successor Agency with amounts insufficient to make scheduled payments on enforceable obligations. If the county auditor-controller verifies that the Successor Agency will have insufficient amounts to make scheduled payments on enforceable obligations, it shall report its findings to the Controller. If the Controller agrees there are insufficient funds to pay scheduled payments on enforceable obligations, the amount of such deficiency shall be deducted from the amount remaining to be distributed to taxing agencies, as described as the fourth distribution above, then from amounts available to the Successor Agency to defray administrative costs. In addition, if a taxing agency entered into an agreement pursuant to Health and Safety Code

Section 33401 for payments from a redevelopment agency under which the payments were to be subordinated to certain obligations of the redevelopment agency, such subordination provisions shall continue to be given effect.

As noted above, the Dissolution Act expressly provides for continuation of pass-through payments to local taxing entities. Per statute, 100% of contractual and statutory two percent pass-throughs, and 56.7% of statutory pass-throughs authorized under the Community Redevelopment Law Reform Act of 1993 (AB 1290, Chapter 942, Statutes of 1993) (“AB 1290”), are restricted to educational facilities without offset against revenue limit apportionments by the State. Only 43.3% of AB 1290 pass-throughs are offset against State aid so long as the affected local taxing entity uses the moneys received for land acquisition, facility construction, reconstruction, or remodeling, or deferred maintenance as provided under Education Code Section 42238(h).

ABX1 26 states that in the future, pass-throughs shall be made in the amount “which would have been received . . . had the redevelopment agency existed at that time,” and that the county auditor-controller shall “determine the amount of property taxes that would have been allocated to each redevelopment agency had the redevelopment agency not been dissolved pursuant to the operation of [ABX1 26] using current assessed values . . . and pursuant to statutory formulas and contractual agreements with other taxing agencies.”

Successor Agencies continue to operate until all enforceable obligations have been satisfied and all remaining assets of the Successor Agency have been disposed of. AB 1484 provides that once the debt of the Successor Agency is paid off and remaining assets have been disposed of, the Successor Agency shall terminate its existence and all pass-through payment obligations shall cease.

The District can make no representations as to the extent to which its base apportionments from the State may be offset by the future receipt of residual distributions or from unencumbered cash and assets of former redevelopment agencies or any other surplus property tax revenues pursuant to the Dissolution Act.

State Assistance

California community college districts’ principal funding formulas and revenue sources are derived from the budget of the State of California. The following information concerning the State of California’s budgets has been obtained from publicly available information which the District believes to be reliable; however, none of the District, the Financial Advisor or the Underwriter take any responsibility as to the accuracy or completeness thereof and has not independently verified such information.

2014-15 Budget. On June 20, 2014, the Governor signed into law the State budget for fiscal year 2014-15 (the “2014-15 Budget”). The following information is drawn from the State Department of Finance’s summary of the 2014-15 Budget.

The 2014-15 Budget is based on revenue projections previously included in the Governor’s May revision to the proposed budget for fiscal year 2014-15. For fiscal year 2013-14, the 2014-15 Budget projects total State general fund revenues of \$102.2 billion, and total State general fund expenditures of \$100.7 billion. The 2014-15 Budget projects that the State will end the 2013-14 fiscal year with a \$2.9 billion general fund surplus. For fiscal year 2014-15, the 2014-15 Budget projects total State general fund revenues of \$109.4 billion and total State general fund expenditures of \$108 billion, leaving the State with a projected general fund surplus for fiscal year 2014-15 of approximately \$2.1 billion. This projected reserve is a combination of \$449 million in the State’s general fund traditional reserve, and an authorized

deposit of \$1.6 billion into the Budget Stabilization Account (the “BSA”) established by the California Balanced Budget Act of 2004 (also known as Proposition 58).

The 2014-15 Budget sets the Proposition 98 minimum funding guarantee for fiscal year 2014-15 at \$60.9 billion, an increase of \$5.6 billion over the amount included in the fiscal year 2013-14 State budget. When combined with increases of \$4.4 billion in fiscal years 2012-13 and 2013-14, the 2014-15 Budget provides a \$10 billion increased funding for K-14 education.

Significant features of the 2014-15 Budget related to the funding of community college districts include the following:

- The 2014-15 Budget includes a plan to reduce the \$74.4 billion unfunded STRS liability in approximately 30 years by increasing contribution rates among the State, K-14 school districts, and participating employees. For fiscal year 2014-15, these increases are expected to result in \$276 million of additional contributions from all three entities. The plan also provides the STRS Board (as defined herein) with limited authority to (i) increase State, school district and community college district contributions based on changing conditions, and (ii) reduce school district and community college district contributions if they are no longer necessary. For additional information, see “FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT – Retirement Programs.”
- *Implementing Statewide Performance Strategies* – \$1.1 million of funding and nine positions for the State Chancellor’s Office to develop leading indicators of student success and to monitor community college districts’ performance. The 2014-15 Budget also provides \$2.5 million of Proposition 98 funding to provide local technical assistance to support the implementation of effective practices across all community college districts, with a focus on underperforming districts.
- *Investing in Student Success* – \$170 million in Proposition 98 funding to improve and expand student success programs and to strengthen efforts to assist underrepresented students. This amount is allocated as follows: (i) \$100 million to increase orientation, assessment, placement, counseling and other education planning services for all matriculated students, and (ii) \$70 million to close gaps in access and achievement in underrepresented student groups, as identified in local Student Equity Plans.
- *Apportionments* – An increase of \$140.4 million in Proposition 98 funding for growth in general-purpose apportionments, which represents a 2.75% increase in enrollment. The 2014-15 Budget directs the State Board of Governors to adopt a growth formula beginning in fiscal year 2015-16 that gives first priority to the community college districts identified as having the greatest unmet need in adequately serving their community’s higher educational needs. The 2014-15 Budget also provides \$47.3 million of Proposition 98 funding for a 0.85% COLA.
- *Career Technical Education* – A one-time increase of \$50 million in Proposition 98 funding to improve career technical education. The \$50 million will support the Economic and Workforce Development program at the Chancellor’s Office. Additionally, beginning in fiscal year 2015-16, the State Budget increases the funding rate for career development and college preparation noncredit courses to equal the funding rate for credit courses.
- *Technology Infrastructure* – A \$1.4 million one-time increase in Proposition 98 funding and a \$4.6 million ongoing increase in Proposition 98 funding to upgrade bandwidth and replace technology equipment at community college districts.

- *Disabled Student Programs and Services* – \$30 million in Proposition 98 funding to provide support services to students with disabilities.
- *Eliminating Apportionment Deferrals* – \$498 million in Proposition 98 funding to buy down deferrals. The 2014-15 Budget also includes a trigger mechanism that will allow any additional funding resources attributable to fiscal years 2013-14 or 2014-15 subsequent to the enactment of the 2014-15 Budget to be appropriated for the purpose of retiring the remaining \$94 million deferral balance.
- *Mandates* – \$49.5 million in one-time Proposition 98 funding to reimburse community college districts for the cost of State-mandated programs.
- *Financial Stability for Apportionments* – An increase of \$40.5 million in fiscal year 2013-14 and \$37.8 million in fiscal year 2014-15 in Proposition 98 funding by shifting a portion of the revenues from former redevelopment agencies that are scheduled to be received in the final months of the fiscal year to the following fiscal year. Proposition 98 funding will backfill the difference between estimated total fiscal year redevelopment agency revenues and the amount the community college districts receive through April 15.
- *Investing in Deferred Maintenance and Instructional Equipment* – A one-time increase of \$148 million in Proposition 98 funding for deferred maintenance or instructional equipment purchases.

For additional information regarding the State’s budgets and revenue projections and a more detailed description of the 2014-15 Budget, see the State Department of Finance website at www.dof.ca.gov. However, the information presented on such website is not incorporated herein by reference.

Future Budgets and Actions. The District cannot predict what actions will be taken in the future by the State Legislature and the Governor to address changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the District will have no control. Certain actions could result in a significant shortfall of revenue and cash, and could impair the State’s ability to fund education. State budget shortfalls in future fiscal years could have an adverse financial impact on the State general fund budget. However, the obligation to pay *ad valorem* property taxes upon all taxable property within the District for the payment of principal of and interest on the Bonds would not be impaired.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

The information in this section concerning the operations of the District and the District’s finances is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the general fund of the District. The Bonds are payable only from the proceeds of an ad valorem property tax levied by the County for the payment thereof. See “THE BONDS – Security and Sources of Payment.”

Introduction

The Foothill-De Anza Community College District was established on January 15, 1957 and encompasses an area of approximately 105 square miles in Santa Clara County. The District is located in Los Altos Hills, in the heart of the Silicon Valley, and serves local communities in Cupertino, Los Altos, Los Altos Hills, Mountain View, Palo Alto, Sunnyvale and portions of San Jose. The District operates

two community colleges, Foothill College and De Anza College, which provide collegiate-level instruction across a wide spectrum of subjects for associate degrees, career and technical training, and transfer to four-year institutions. Each college is fully accredited by the ACCJC. For fiscal year 2014-15, the District's projected FTES count is 31,883 students. Taxable property within the District has a fiscal year 2014-15 total assessed valuation of \$113,360,457,094.

Administration

The District is governed by a five-member Board of Trustees, each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. Current members of the Board, together with their offices and the dates their terms expire, are listed below:

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Bruce Swenson	President	December 2014
Pearl Cheng	Vice President	December 2014
Joan Barram	Member	December 2016
Betsy Bechtel	Member	December 2016
Laura Casas	Member	December 2016

The Chancellor of the District is responsible for administering the affairs of the District in accordance with the policies of the Board. Dr. Linda M. Thor is the District's current Chancellor. Brief biographies of key administrators follow:

Dr. Linda M. Thor, Chancellor. Dr. Thor was appointed Chancellor of the District in February 2010. Prior to her appointment, she served as President of Rio Salado College in Arizona for 20 years. She also served as President of West Los Angeles College for four and a half years. Dr. Thor holds a Bachelor of Arts degree in journalism from Pepperdine University, a Master of Public Administration degree from California State University, Los Angeles and a Doctor of Education degree in community college administration from Pepperdine University.

Kevin McElroy, Vice Chancellor, Business Services. Mr. McElroy joined the District as Vice Chancellor, Business Services in August 2010. Prior to this appointment, he served as the Vice President of Administrative Services for Coastline College for over 21 years. Prior to his career in post-secondary education, Mr. McElroy worked in the private business sector. Mr. McElroy obtained his Bachelor of Arts degree in public administration from San Diego State University and Master of Arts degree in public policy and administration from California State University, Long Beach.

Hector Quiñonez, Executive Director, Fiscal Services. Mr. Quiñonez has been with the District for over 22 years. Prior to joining the District, Mr. Quiñonez served on the audit staff of KPMG and subsequently worked in various accounting and controllership positions within the high technology industry. Mr. Quiñonez is a Certified Public Accountant and holds a Bachelor of Science degree in accounting from San Jose State University.

Joni Hayes, Director, Budget Operations. Ms. Hayes has been with the District for over 24 years in progressively responsible positions in the college and District budget offices. Prior to joining the district, Ms. Hayes worked in the private sector. Ms. Hayes holds a Bachelor of Science degree from Arizona State University.

Labor Relations

As of April 30, 2014, the District employed 523 full-time certificated professionals and 606 full-time classified employees and managers. As of such date, the District also employed 2,154 part-time faculty and staff. District employees, except management and some part-time employees, are represented by five bargaining units as noted below:

BARGAINING UNITS Foothill-De Anza Community College District

<u>Labor Organization</u>	<u>Number of Employees In Organization</u>	<u>Contract Expiration Date</u>
Foothill-De Anza Faculty Association	1709	June 30, 2016
Association of Classified Employees	432	October 31, 2014
California School Employees Association – Local 96	91	December 31, 2015
Teamsters – Local 287	36	June 30, 2013 ⁽¹⁾
Operation Engineers – Local 3	8	December 31, 2015

⁽¹⁾ Members of Teamsters – Local 287 are working under the terms of their existing contract while a new labor contract is negotiated.

Source: Foothill-De Anza Community College District.

Retirement Programs

The information set forth below regarding the STRS and PERS programs, other than the information provided by the District regarding its annual contributions thereto, has been obtained from publicly available sources which are believed to be reliable but are not guaranteed as to accuracy or completeness, and should not to be construed as a representation by either the District or the Underwriter.

STRS. All full-time certificated employees, as well as certain classified employees, are members of the State Teachers' Retirement System ("STRS"). STRS provides retirement, disability and survivor benefits to plan members and beneficiaries under a defined benefit program (the "STRS Defined Benefit Program"). The STRS Defined Benefit Program is funded through a combination of investment earnings and statutorily set contributions from three sources: employees, employers, and the State. Benefit provisions and contribution amounts are established by State statutes, as legislatively amended from time to time.

Prior to fiscal year 2014-15, and unlike typical defined benefit programs, neither the employee, employer or State contribution rate to the STRS Defined Benefit Program varied annually to make up funding shortfalls or assess credits for actuarial surpluses. In recent years, the combined employer, employee and State contributions to the STRS Defined Benefit Program have not been sufficient to pay actuarially required amounts. As a result, and due to significant investment losses, the unfunded actuarial liability of the STRS Defined Benefit Program has increased significantly in recent fiscal years. In September 2013, STRS projected that the STRS Defined Benefit Program would be depleted in 31 years assuming existing contribution rates continued, and other significant actuarial assumptions were realized. In an effort to reduce the unfunded actuarial liability of the STRS Defined Benefit Program, the State recently passed legislation described below to increase contribution rates.

Prior to July 1, 2014, K-14 school districts were required by such statutes to contribute 8.25% of eligible salary expenditures, while participants contributed 8% of their respective salaries. On June 24, 2014, the Governor signed A.B. 1469 ("A.B. 1469") in to law as a part of the 2014-15 State Budget. A.B. 1469 seeks to fully fund the unfunded actuarial obligation with respect to service credited to members of

the STRS Defined Benefit Program before July 1, 2014 (the “2014 Liability”), within 32 years, by increasing member, K-14 school district and State contributions to STRS. Commencing on July 1, 2014, the employee contribution rates will increase over a three year phase in period in accordance with the following schedule:

**MEMBER CONTRIBUTION RATES
STRS (Defined Benefit Program)**

<u>Effective Date</u>	<u>STRS Members Hired Prior to January 1, 2013</u>	<u>STRS Members Hired After January 1, 2013</u>
July 1, 2014	8.15%	8.15%
July 1, 2015	9.20	8.56
July 1, 2016	10.25	9.205

Source: A.B. 1469.

Pursuant to A.B. 1469, K-14 school districts’ contribution rate will increase over a seven year phase in period in accordance with the following schedule:

**K-14 SCHOOL DISTRICT CONTRIBUTION RATES
STRS (Defined Benefit Program)**

<u>Effective Date</u>	<u>K-14 school districts</u>
July 1, 2014	8.88%
July 1, 2015	10.73
July 1, 2016	12.58
July 1, 2017	14.43
July 1, 2018	16.28
July 1, 2019	18.13
July 1, 2020	19.10

Source: A.B. 1469.

Based upon the recommendation from its actuary, for fiscal year 2021-22 and each fiscal year thereafter, the STRS Teachers’ Retirement Board (the “STRS Board”) is required to increase or decrease the K-14 school districts’ contribution rate to reflect the contribution required to eliminate the remaining 2014 Liability by June 30, 2046; provided that the rate cannot change in any fiscal year by more than 1% of creditable compensation upon which members’ contributions to the STRS Defined Benefit Program are based; and provided further that such contribution rate cannot exceed a maximum of 20.25%. In addition to the increased contribution rates discussed above, A.B. 1469 also requires the STRS Board to report to the State legislature every five years (commencing with a report due on or before July 1, 2019) on the fiscal health of the STRS Defined Benefit Program and the unfunded actuarial obligation with respect to service credited to members of that program before July 1, 2014. The reports are also required to identify adjustments required in contribution rates for K-14 school districts and the State in order to eliminate the 2014 Liability.

The District’s contribution to STRS was \$5,433,697 for fiscal year 2010-11, \$5,332,848 for fiscal year 2011-12, and \$5,242,757 for fiscal year 2012-13. The District has projected \$5,094,000 as its contribution to STRS for fiscal year 2013-14, and \$6,128,558 as its contribution to STRS for fiscal year 2014-15.

The State also contributes to STRS, currently in an amount equal to 3.454% of teacher payroll for fiscal year 2014-15. The State's contribution reflects a base contribution rate of 2.017%, and a supplemental contribution rate that will vary from year to year based on statutory criteria. Pursuant to A.B. 1469, the State contribution rate will increase over the next three years to a total of 6.328% in fiscal year 2016-17. Based upon the recommendation from its actuary, for fiscal year 2017-18 and each fiscal year thereafter, the STRS Board is required, with certain limitations, to increase or decrease the State's contribution rates to reflect the contribution required to eliminate the unfunded actuarial accrued liability attributed to benefits in effect before July 1, 1990. In addition, the State is currently required to make an annual general fund contribution up to 2.5% of the fiscal year covered STRS member payroll to the Supplemental Benefit Protection Account (the "SBPA"), which was established by statute to provide supplemental payments to beneficiaries whose purchasing power has fallen below 85% of the purchasing power of their initial allowance.

PERS. Classified employees working four or more hours per day are members of the Public Employees' Retirement System ("PERS"). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended from time to time. PERS operates a number of retirement plans including the Public Employees Retirement Fund ("PERF"). PERF is a multiple-employer defined benefit retirement plan. In addition to the State, employer participants at June 30, 2013 included 1,580 public agencies and schools (representing more than 2,500 entities). PERS acts as the common investment and administrative agent for the member agencies. The State and K-14 school districts (for "classified employees," which generally consist of school employees other than teachers) are required by law to participate in PERF. Employees participating in PERF generally become fully vested in their retirement benefits earned to date after five years of credited service. One of the plans operated by PERS is for K-14 school districts throughout the State (the "Schools Pool").

Contributions by employers to the PERS Schools Pool are based upon an actuarial rate determined annually and contributions by plan members vary based upon their date of hire. The District is currently required to contribute to PERS at an actuarially determined rate, which is 11.771% of eligible salary expenditures for fiscal year 2014-15. Participants enrolled in PERS prior to January 1, 2013 contribute 7% of their respective salaries, while participants enrolled after January 1, 2013 contribute at an actuarially determined rate, which is 6% of their respective salaries for fiscal year 2013-14. See "— California Public Employees' Pension Reform Act of 2013."

The District's contribution to PERS was \$5,442,173 for fiscal year 2010-11, \$5,511,264 for fiscal year 2011-12, and \$5,505,372 for fiscal year 2012-13. The District has projected \$5,324,000 as its contribution to PERS for fiscal year 2013-14, and \$3,832,788 as its contribution to PERS for fiscal year 2014-15.

State Pension Trusts. Each of STRS and PERS issues a separate comprehensive financial report that includes financial statements and required supplemental information. Copies of such financial reports may be obtained from each of STRS and PERS as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; (ii) PERS, P.O. Box 942703, Sacramento, California 94229-2703. Moreover, each of STRS and PERS maintains a website, as follows: (i) STRS: www.calstrs.com; (ii) PERS: www.calpers.ca.gov. However, the information presented in such financial reports or on such websites is not incorporated into this Official Statement by any reference.

Both STRS and PERS have substantial statewide unfunded liabilities. The amount of these unfunded liabilities will vary depending on actuarial assumptions, returns on investments, salary scales and participant contributions. The following table summarizes information regarding the actuarially-determined accrued liability for both STRS and PERS. Actuarial assessments are "forward-looking"

information that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

FUNDED STATUS
STRS (Defined Benefit Program) and PERS
(Dollar Amounts in Millions) ⁽¹⁾
Fiscal Years 2010-11 through 2012-13

Fiscal Year	STRS				PERS			
	Accrued Liability	Value of Trust Assets (MVA) ⁽²⁾	Unfunded Liability (MVA) ⁽²⁾⁽³⁾	Unfunded Liability (AVA) ⁽⁴⁾	Accrued Liability	Value of Trust Assets (MVA) ⁽²⁾	Unfunded Liability (MVA) ⁽²⁾	Unfunded Liability (AVA) ⁽⁴⁾
2010-11	\$208,405	\$147,140	\$68,365	\$64,475	\$58,358	\$45,901	\$12,457	\$6,811
2011-12	215,189	143,118	80,354	70,957	59,439	44,854	14,585	5,648
2012-13	222,281	157,176	74,374	73,667	-- ⁽⁵⁾	-- ⁽⁵⁾	-- ⁽⁵⁾	-- ⁽⁵⁾

⁽¹⁾ Amounts may not add due to rounding.

⁽²⁾ Reflects market value of assets.

⁽³⁾ Excludes SBPA reserve.

⁽⁴⁾ Reflects actuarial value of assets.

⁽⁵⁾ Actuarial valuation for fiscal year June 30, 2013 is not yet available. On April 16, 2014, the PERS Board (as defined herein) released certain actuarial information to be incorporated into the June 30, 2013 actuarial valuation to be released in late summer 2014. Based upon this information, as of June 30, 2013, the Schools Pool portion of the Public Employees Retirement Fund had an unfunded accrued actuarial liability of \$12.0 billion with a funded ratio of 80.5% based on market value of assets.

Source: PERS State & Schools Actuarial Valuation; STRS Defined Benefit Program Actuarial Valuation.

Over the past two years, the PERS Board of Administration (the “PERS Board”) has taken several steps, as described below, intended to reduce the amount of the unfunded accrued actuarial liability of its plans, including the Schools Pool.

On March 14, 2012, the PERS Board voted to lower the PERS’ rate of expected price inflation and its investment rate of return (net of administrative expenses) (the “PERS Discount Rate”) from 7.75% to 7.5%. As one consequence of such decrease, the annual contribution amounts paid by PERS member public agencies, including the District, have been increased by 1 to 2% for miscellaneous plans and by 2 to 3% for safety plans beginning in fiscal year 2013-14. On February 18, 2014, the PERS Board voted to keep the PERS Discount Rate unchanged at 7.5%.

On April 17, 2013, the PERS Board approved new actuarial policies aimed at returning PERS to fully-funded status within 30 years. The policies include a rate smoothing method with a 30-year amortization period for gains and losses, a five-year increase of public agency contribution rates, including the contribution rate at the onset of such amortization period, and a five year reduction of public agency contribution rates at the end of such amortization period. The PERS Board has delayed the implementation of the new actuarial policies until fiscal year 2015-16 for the State, K-14 school districts and all other public agencies.

Also, on February 20, 2014, the PERS Board approved new demographic assumptions reflecting (i) expected longer life spans of public agency employees and related increases in costs for the PERS system and (ii) trends of higher rates of retirement for certain public agency employee classes, including police officers and firefighters. The cost of the revised assumptions shall be amortized over a 20-year period and related increases in public agency contribution rates shall be affected over a three year period,

beginning in fiscal year 2014-15. The new demographic assumptions affect each of: the State, K-14 school districts and all other public agencies.

The District can make no representations regarding the future program liabilities of STRS, or whether the District will be required to make additional contributions to STRS in the future above those amounts required under A.B. 1469. The District can also provide no assurances that the District's required contributions to PERS will not increase in the future.

California Public Employees' Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employee's Pension Reform Act of 2013 (the "Reform Act"), which makes changes to both STRS and PERS, most substantially affecting new employees hired after January 1, 2013 (the "Implementation Date"). For STRS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor (the age factor is the percent of final compensation to which an employee is entitled to for each year of service) from age 60 to 62 and increasing the eligibility of the maximum age factor of 2.4% from age 63 to 65. Similarly, for non-safety PERS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and increases the eligibility requirement for the maximum age factor of 2.5% to age 67. Among the other changes to PERS and STRS, the Reform Act also: (i) requires all new participants enrolled in PERS and STRS after the Implementation Date to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (ii) requires STRS and PERS to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date (previously 12 months for STRS members who retire with 25 years of service), and (iii) caps "pensionable compensation" for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers) and benefit base for members participating in Social Security or 120% for members not participating in social security (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers), while excluding previously allowed forms of compensation under the formula such as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off.

Other Post-Employment Benefits

Benefit Plan. The District provides medical and dental insurance benefits (the "Post-Employment Benefits") to retirees of the District and their spouses and dependents. Retirees hired prior to July 1, 1997 are eligible for health and hospital benefits, prescription drug coverage, vision care and dental care, subject to certain additional eligibility requirements. Employees hired on or after July 1, 1997 are eligible for a health care bridge program to cover the period of time between retirement and Medicare eligibility.

Funding Policy. The District recognizes expenditures for Post-Employment Benefits on a pay-as-you-go-basis to cover the cost of benefits for current retirees, together with an additional amount to prefund the District's outstanding accrued liability for Post-Employment Benefits (as discussed herein). During fiscal year 2012-13, the District realized total expenditures of \$7,167,076 for Post-Employment Benefits for retired employees, net of a \$500,000 deposit to the OPEB Trust (as defined herein). The District has projected \$7,566,799 for such expenditures in fiscal year 2013-14, net of a deposit to the OPEB Trust of \$1,500,000. The District has projected \$7,566,799 for such expenditures in fiscal year 2014-15, net of a projected deposit to the OPEB Trust of \$1,500,000.

The District has established an irrevocable, GASB-qualifying trust (the “OPEB Trust”) to begin funding its outstanding accrued liability for Post-Employment Benefits. The balance in the OPEB Trust, as of June 30, 2013, was \$7,818,072.

Accrued Liability. The District has implemented *Governmental Accounting Standards Board Statement #45, Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans* (“GASB 45”), pursuant to which the District has commissioned and received several actuarial studies of its accrued liability with respect to the Post-Employment Benefits. The most recent of these studies, dated as of August 29, 2013, concluded that the District’s actuarial accrued liability (“AAL”) in respect of the Post-Employment Benefits, as of the July 1, 2013 valuation date, was \$120,204,435, and that the annual required contribution (the “ARC”) was \$9,006,774 beginning in fiscal year 2013-14. The ARC is the amount that would be necessary to fund the value of future benefits earned by current employees during each fiscal year (the “Normal Cost”) and the amount necessary to amortize the UAAL, in accordance with the Governmental Accounting Standards Board Statements Nos. 43 and 45.

As of June 30, 2013, the District recognized a net long-term asset of \$5,046,598 based upon its contributions towards the actuarially-determined ARC. See “APPENDIX B – EXCERPTS FROM THE FISCAL YEAR 2012-13 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT —Note 9.”

Risk Management

The District has contracted with various commercial insurers for property and liability coverage up to \$5,000,000, and carries \$20,000,000 of excess insurance through its participation as a member district of the Schools Excess Liability Fund (“SELF”). Settled claims for property and liability insurance have not exceeded commercial coverage for the past three years. The District is currently self-insured for worker’s compensation claims up to \$750,000. Excess insurance is purchased for claims between \$250,000 and \$10,000,000. The District health care plan is with PERS and is a defined contribution per employee on an annual basis. The District carries stop loss insurance to limit its aggregate liability to 125% of the expected paid claims and its individual claim liability limit to \$100,000 per year.

See also “APPENDIX B – EXCERPTS FROM THE FISCAL YEAR 2012-13 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT —Note 10.”

Accounting Practices

The accounting policies of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California Community College Budget and Accounting Manual. This manual, according to Section 84030 of the California Education Code, is to be followed by all California community college districts. GASB Statement No. 34 makes changes in the annual financial statements for all governmental agencies in the United States, especially in recording of fixed assets and their depreciation, and in the way the report itself is formatted. These requirements became effective on May 15, 2002 for the District, as well as for any other governmental agency with annual revenues of between \$10 million and \$100 million. Revenues are recognized in the period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the period in which the liability is incurred.

Comparative Financial Statements

Pursuant to applicable guidance from GASB, the District's financial statements present a comprehensive, entity-wide perspective of the District's assets, liabilities, and cash flows rather than the fund-group perspective previously required. The table on the following page displays the District's revenues, expenses and changes in net assets for fiscal years 2008-09 through 2012-13.

STATEMENT OF TOTAL REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCES – PRIMARY GOVERNMENT Fiscal Years 2008-09 through 2012-13 Foothill-De Anza Community College District

	Fiscal Year <u>2008-09</u>	Fiscal Year <u>2009-10</u>	Fiscal Year <u>2010-11</u>	Fiscal Year <u>2011-12</u>	Fiscal Year <u>2012-13</u>
OPERATING REVENUES					
Tuition and Fees (gross)	\$41,913,565	\$48,292,399	\$50,109,849	\$59,934,059	\$72,114,019
Less: Scholarship discount and allowances	<u>(3,713,665)</u>	<u>(5,893,170)</u>	<u>(7,020,454)</u>	<u>(10,511,218)</u>	<u>(14,598,723)</u>
Net tuition and fees	38,199,900	42,399,229	43,089,395	49,422,841	57,515,296
Grants and Contracts, non-capital ⁽¹⁾ :					
Federal	16,237,767	24,550,627	26,071,371	--	--
State	15,756,073	12,235,488	13,824,642	--	--
Local	2,038,146	1,879,984	1,525,796	--	--
Auxiliary enterprise sales and charges	14,904,490	14,355,650	13,206,831	12,994,440	11,319,694
Interest on student loans	41,882	30,081	--	--	--
Other operating receipts	<u>18,630,328</u>	<u>10,961,645</u>	<u>6,851,857</u>	<u>9,386,498</u>	<u>8,080,119</u>
TOTAL OPERATING REVENUES	105,808,586	106,412,704	104,569,892	71,803,779	76,915,109
OPERATING EXPENSES					
Salaries	142,637,880	137,968,184	136,859,958	133,568,875	131,010,849
Benefits	42,666,870	44,180,682	40,871,710	45,039,554	41,861,231
Supplies, materials and other operating expenses and services	59,022,274	56,793,558	41,758,337	31,594,443	38,364,852
Student financial aid	--	--	22,013,966	21,594,443	22,099,541
Utilities	4,677,095	3,962,452	3,432,666	3,305,217	3,649,768
Depreciation	<u>21,564,238</u>	<u>21,960,667</u>	<u>24,964,864</u>	<u>29,554,058</u>	<u>36,093,592</u>
TOTAL OPERATING EXPENSES	270,568,357	264,865,543	269,901,501	264,483,058	273,079,833
LOSS FROM OPERATIONS	(164,759,771)	(158,452,839)	(165,331,609)	(192,679,279)	(196,164,724)
NON-OPERATING REVENUES (EXPENSES)					
State apportionments, non-capital	82,785,879	67,599,547	71,274,649	51,823,471	42,897,095
Local property taxes	71,617,513	76,655,175	72,209,653	73,383,003	78,968,556
State taxes and other revenues	5,207,424	5,482,326	5,192,761	5,323,379	5,613,177
Grants and Contracts, non-capital ⁽¹⁾ :					
Federal	--	--	--	22,308,519	22,708,134
State	--	--	--	12,400,418	12,995,513
Local	--	--	--	1,499,013	2,274,824
Investment income (loss), non-capital	(627,395)	192,512	(54,085)	(1,650)	(211,351)
Investment income (loss), capital	303,721	(3,080,901)	(306,433)	(289,941)	(671,670)
Interest income on capital asset-related debt, net	<u>(27,646,040)</u>	<u>(27,204,184)</u>	<u>(28,472,727)</u>	<u>(58,980,196)</u>	<u>(12,760,489)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	131,641,102	119,644,475	119,843,818	107,466,016	151,813,789
LOSS BEFORE CAPITAL REVENUES	(33,118,669)	(38,808,364)	(45,487,791)	(85,213,263)	(44,350,935)
CAPITAL REVENUES					
State apportionment, capital	1,650,000	353,164	--	--	--
Local property taxes and revenues ⁽²⁾	<u>15,291,782</u>	<u>34,113,408</u>	<u>35,612,475</u>	<u>35,213,263</u>	<u>35,504,094</u>
TOTAL CAPITAL REVENUES	16,941,782	34,466,572	35,612,475	35,213,263	35,504,094
INCREASE (DECREASE) IN NET ASSETS	(16,176,887)	(4,341,792)	(9,875,316)	(49,686,952) ⁽³⁾	(8,846,841)
NET ASSETS – AS PREVIOUSLY REPORTED	137,152,265	120,975,378	109,076,834	99,201,518	49,514,566
RESTATEMENT	--	(7,556,752) ⁽⁴⁾	--	--	86,855,840 ⁽⁵⁾
NET ASSETS, – AS RESTATED	<u>137,152,265</u>	<u>113,418,626</u>	<u>109,076,834</u>	<u>99,201,518</u>	<u>136,370,406</u>
NET ASSETS - END OF YEAR	<u>\$120,975,378</u>	<u>\$109,076,834</u>	<u>\$99,201,518</u>	<u>\$49,514,566</u>	<u>\$127,523,565</u>

(Footnotes to follow on the next page).

- (1) Beginning in fiscal year 2011-12, non-capital grants and contracts are reported as non-operating revenue, reflecting a change in presentation in the statement of revenues and expenditures for the District's primary government funds.
- (2) Fiscal year 2008-09 includes a partial payment of the 2006 general obligation bond issuance; fiscal year 2009-10 and forward reflect a full payment.
- (3) Decrease in net assets due primarily to a decrease in State apportionment funding as a result of workload reductions, as well as an increase in other financing sources use due to the amortization of general obligation bond issuance costs over the life of such bonds.
- (4) Restatement reflects an adjustment to account for the actual interest expense on the District's general obligation bonds. It was determined that the District had not recorded this expense in prior periods, resulting in an overstatement of the District's net assets.
- (5) The District's net beginning position for fiscal year 2012-13 was restated as a result of GASB Statement No. 62 which required the District to capitalize interest as part of the historical cost of constructing certain business-type activity assets.

Source: *Foothill-De Anza Community College District.*

District Debt Structure

Long-Term Debt. A schedule of the District's general long-term debt as of June 30, 2013, is shown below:

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>
Bonds and Notes Payable				
General Obligation Bonds	\$690,247,915	\$9,865,513	\$6,860,000	\$693,253,428
Premiums, net of amortization	25,093,926	--	1,243,097	23,850,829
Certificates of Participation ⁽¹⁾	<u>18,890,000</u>	<u>--</u>	<u>1,665,000</u>	<u>17,225,000</u>
Total Bonds and Notes Payable	734,231,841	9,865,513	9,768,097	734,329,257
Other Liabilities				
Compensated Absences	1,781,775	--	355,950	1,425,825
Capital Leases	2,394,619	--	511,706	1,882,913
Claims Liability	<u>5,019,146</u>	<u>--</u>	<u>203,676</u>	<u>4,815,470</u>
Total Other Liabilities	<u>9,195,540</u>	<u>--</u>	<u>1,071,332</u>	<u>8,124,208</u>
Total Long-Term Debt	<u>\$743,427,381</u>	<u>\$9,865,513</u>	<u>\$10,839,429</u>	<u>\$742,453,465</u>

- (1) Does not reflect the issuance of the District's 2013 refinancing lease. See "—Certificates of Participation; Lease Obligations."

Source: *Foothill-De Anza Community College District.*

General Obligation Bonds. At an election held on November 2, 1999, the voters of the District approved the issuance of not-to-exceed \$248,000,000 of general obligation bonds of the District (the "1999 Authorization"). The District has issued the entirety of bonds authorized by the 1999 Authorization. At an election held on June 6, 2006, the voters of the District approved the issuance of not-to-exceed \$490,800,000 of general obligation bonds of the District (the "2006 Authorization"). The District has issued bonds under the 2006 Authorization totaling \$433,991,936.50 in principal amount. The District has also sold three series of refunding bonds to refinance portions of its outstanding general obligation bonded indebtedness.

The following table summarizes the outstanding prior bond issuances of the District, not including the Bonds.

SUMMARY OF OUTSTANDING BONDED DEBT
Foothill-De Anza Community College District

Issuance	Initial Principal Amount	Principal Currently Outstanding⁽¹⁾	Date of Delivery
Election of 1999, Series A	\$99,995,036.05	\$21,730,036.05	May 18, 2000
Election of 1999, Series B	90,100,062.75	49,990,062.75	September 23, 2003
Election of 1999, Series C	57,904,900.25	41,982,253.25	October 4, 2005
Election of 2006, Series A	149,995,250.35	136,310,250.35	May 10, 2007
Election of 2006, Series B	99,996,686.15	90,201,686.15	May 10, 2007
Election of 2006, Series C	184,000,000.00	184,000,000.00	June 9, 2011
2005 Refunding Bonds	22,165,000.00	22,010,000.00	October 4, 2005
2012 Refunding Bonds	<u>70,735,000.00</u>	<u>69,955,000.00</u>	May 3, 2012
Totals	\$774,891,935.55	\$616,179,288.55	

⁽¹⁾ As of June 30, 2014. Includes the principal amount of the Refunded Bonds prior to the application of proceeds of the Bonds as described under "THE REFUNDING PLAN."

The table on the following page summarizes the total debt service requirements for the District's outstanding general obligation bonded debt following the issuance of the Bonds (and assuming no further optional redemptions).

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GENERAL OBLIGATION BONDS – CONSOLIDATED DEBT SERVICE SCHEDULE
Foothill-De Anza Community College District

Period Ending (August 1)	Election of 1999 Series A	Election of 1999 Series B	Election of 1999 Series C⁽¹⁾	2005 Refunding Bonds	Election of 2006 Series A⁽¹⁾	Election of 2006 Series B⁽¹⁾	Election of 2006 Series C	2012 Refunding Bonds	The Bonds	Total Annual Debt Service
2014	--	\$712,500.00	\$929,500.00	\$1,155,525.00	\$4,457,775.00	\$2,825,775.00	\$9,200,000.00	\$9,228,500.00	--	\$28,509,575.00
2015	\$4,520,000.00	712,500.00	1,107,750.00	3,485,525.00	4,737,775.00	3,012,525.00	9,200,000.00	2,895,050.00	\$4,649,490.00	34,320,615.00
2016	4,880,000.00	712,500.00	--	1,033,200.00	5,034,775.00	3,212,275.00	9,200,000.00	6,800,050.00	4,894,200.00	35,767,000.00
2017	5,255,000.00	712,500.00	--	4,063,200.00	5,342,025.00	3,413,775.00	9,200,000.00	4,143,850.00	4,894,200.00	37,024,550.00
2018	5,635,000.00	712,500.00	--	4,314,125.00	2,423,025.00	1,471,275.00	9,200,000.00	4,305,750.00	10,069,200.00	38,130,875.00
2019	6,025,000.00	712,500.00	--	4,583,525.00	2,423,025.00	1,471,275.00	9,200,000.00	4,476,000.00	10,618,950.00	39,510,275.00
2020	6,425,000.00	712,500.00	--	4,879,300.00	2,423,025.00	1,471,275.00	9,200,000.00	4,647,200.00	11,196,350.00	40,954,650.00
2021	3,525,000.00	712,500.00	--	5,188,825.00	2,423,025.00	1,471,275.00	9,200,000.00	8,154,500.00	11,794,750.00	42,469,875.00
2022	3,850,000.00	6,302,500.00	--	--	2,423,025.00	1,471,275.00	9,200,000.00	8,391,500.00	12,418,250.00	44,056,550.00
2023	4,180,000.00	6,662,100.00	3,110,000.00	--	2,423,025.00	1,471,275.00	9,200,000.00	5,597,500.00	13,066,750.00	45,710,650.00
2024	4,530,000.00	7,035,000.00	3,340,000.00	--	2,423,025.00	1,471,275.00	9,200,000.00	5,697,750.00	13,736,500.00	47,433,550.00
2025	4,905,000.00	7,435,000.00	3,590,000.00	--	2,423,025.00	1,471,275.00	9,200,000.00	5,788,750.00	14,438,750.00	49,251,800.00
2026	5,290,000.00	7,860,000.00	3,860,000.00	--	2,423,025.00	1,471,275.00	9,200,000.00	5,875,250.00	15,164,000.00	51,143,550.00
2027	5,680,000.00	8,320,000.00	4,145,000.00	--	9,723,025.00	2,971,275.00	9,200,000.00	5,966,750.00	7,123,000.00	53,129,050.00
2028	6,105,000.00	8,805,000.00	4,440,000.00	--	12,244,525.00	8,208,775.00	9,545,000.00	6,042,250.00	880,750.00	56,271,300.00
2029	6,550,000.00	9,315,000.00	4,765,000.00	--	12,737,775.00	8,537,550.00	9,977,750.00	6,116,750.00	880,750.00	58,880,575.00
2030	7,005,000.00	9,865,000.00	5,110,000.00	--	13,248,275.00	8,877,750.00	10,418,000.00	6,184,500.00	880,750.00	61,589,275.00
2031	--	18,925,000.00	11,380,000.00	--	13,778,325.00	9,232,575.00	10,849,250.00	--	880,750.00	65,045,900.00
2032	--	19,875,000.00	11,195,000.00	--	14,325,000.00	9,435,000.00	11,480,750.00	--	880,750.00	67,191,500.00
2033	--	20,865,000.00	10,210,000.00	--	14,900,000.00	9,260,000.00	12,401,250.00	--	880,750.00	68,517,000.00
2034	--	21,910,000.00	4,165,000.00	--	15,495,000.00	9,080,000.00	13,349,500.00	--	5,415,750.00	69,415,250.00
2035	--	23,005,000.00	--	--	16,115,000.00	8,890,000.00	14,356,500.00	--	8,489,000.00	70,855,500.00
2036	--	25,990,000.00	--	--	16,760,000.00	11,235,000.00	12,836,500.00	--	5,507,250.00	72,328,750.00
2037	--	--	--	--	--	--	42,382,750.00	--	--	42,382,750.00
2038	--	--	--	--	--	--	43,950,000.00	--	--	43,950,000.00
2039	--	--	--	--	--	--	45,612,750.00	--	--	45,612,750.00
2040	--	--	--	--	--	--	47,313,000.00	--	--	47,313,000.00
Total	<u>\$84,360,000.00</u>	<u>\$207,869,600.00</u>	<u>\$71,347,250.00</u>	<u>\$28,703,225.00</u>	<u>\$180,706,500.00</u>	<u>\$111,433,750.00</u>	<u>\$413,273,000.00</u>	<u>\$100,311,900.00</u>	<u>\$158,760,890.00</u>	<u>\$1,356,766,115.00</u>

⁽¹⁾ Does not include debt service on the Refunded Bonds. See "REFUNDING PLAN."

Source: Foothill-De Anza Community College District.

Certificates of Participation; Lease Obligations. On November 15, 2006, the District caused the execution and delivery of its Certificates of Participation (2006 Financing Project) in the aggregate principal amount of \$11,335,000 (the “2006 Certificates”). The net proceeds of the sale of the 2006 Certificates were used to finance the construction and renovation of certain District facilities, including the Campus Center and the Bookstore on the District’s Foothill Campus and the Campus Center on the District’s De Anza Campus, as well as the acquisition and installation of equipment. Debt service with respect to the 2006 Certificates is payable from lease payments made pursuant to a lease-purchase agreement entered into by the District.

Remaining lease payments with respect to the 2006 Certificates are as follows:

Year Ending (March 1)	Principal	Interest	Total
2015	\$815,000.00	\$252,372.50	\$1,067,372.50
2016	840,000.00	221,772.50	1,061,772.50
2017	880,000.00	183,922.50	1,063,922.50
2018	915,000.00	151,362.50	1,066,362.50
2019	950,000.00	117,050.00	1,067,050.00
2020	980,000.00	80,000.00	1,060,000.00
2021	<u>1,020,000.00</u>	<u>40,800.00</u>	<u>1,060,800.00</u>
Total	<u>\$6,400,000.00</u>	<u>\$1,047,280.00</u>	<u>\$7,447,280.00</u>

On August 19, 2013, the District entered into a lease-purchase agreement (the “2013 Lease”), the right to receive lease payments under which were sold via a private placement for \$7,580,000. The proceeds from the 2013 Lease were used to refund then-outstanding certificates of participation.

Future lease payments under the 2013 Lease are as follows:

Period Ending	Principal	Interest	Total
9/1/2014	\$515,779.26	\$61,851.08	\$577,630.34
3/1/2015	520,292.33	57,338.01	577,630.34
9/1/2015	524,844.89	52,785.45	577,630.34
3/1/2016	529,437.28	48,193.06	577,630.34
9/1/2016	534,069.85	43,560.48	577,630.33
3/1/2017	538,742.97	38,887.37	577,630.34
9/1/2017	543,456.97	34,173.37	577,630.34
3/1/2018	548,212.21	29,418.12	577,630.33
9/1/2018	553,009.07	24,621.27	577,630.34
3/1/2019	557,847.90	19,782.44	577,630.34
9/1/2019	562,729.07	14,901.27	577,630.34
3/1/2020	567,652.95	9,977.39	577,630.34
9/1/2020	<u>572,619.91</u>	<u>5,010.42</u>	<u>577,630.33</u>
Total	<u>\$7,068,694.66</u>	<u>\$440,499.73</u>	<u>\$7,509,194.39</u>

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California (“Bond Counsel”), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. Bond Counsel notes that, with respect to corporations, interest on the Bonds may be included as an adjustment in the calculation of alternative minimum taxable income which may affect the alternative minimum tax liability of corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax.

The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of the same series and maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Bond Owner will increase the Bond Owner’s basis in the Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the owner of the Bond is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

Bond Counsel’s opinion as to the exclusion from gross income of interest (and original issue discount) on the Bonds is based upon certain representations of fact and certifications made by the District and others and is subject to the condition that the District complies with all requirements of the Internal Revenue Code of 1986, as amended (the “Code”), that must be satisfied subsequent to the issuance of the Bonds to assure that interest (and original issue discount) on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

The amount by which a Bond Owner’s original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Code; such amortizable Bond premium reduces the Bond Owner’s basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

The Internal Revenue Service (the “IRS”) has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the

Code (or interpretation thereof) subsequent to the issuance of the Bonds to the extent that it adversely affects the exclusion from gross income of interest on the Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE BONDS, THERE MIGHT BE FEDERAL, STATE OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY INTERPRETATIONS OF FEDERAL, STATE OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE OR LOCAL TAX TREATMENT OF THE INTEREST ON THE BONDS OR THE MARKET VALUE OF THE BONDS. LEGISLATIVE CHANGES HAVE BEEN PROPOSED IN CONGRESS, WHICH, IF ENACTED, WOULD RESULT IN ADDITIONAL FEDERAL INCOME TAX BEING IMPOSED ON CERTAIN OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE BONDS. THE INTRODUCTION OR ENACTMENT OF ANY OF SUCH CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE BONDS. NO ASSURANCE CAN BE GIVEN THAT, SUBSEQUENT TO THE ISSUANCE OF THE BONDS, SUCH CHANGES (OR OTHER CHANGES) WILL NOT BE INTRODUCED OR ENACTED OR INTERPRETATIONS WILL NOT OCCUR. BEFORE PURCHASING ANY OF THE BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE BONDS.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolution and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of bond counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest (and original issue discount) on the Bonds for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth.

Although Bond Counsel has rendered an opinion that interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes provided that the District continues to comply with certain requirements of the Code, the ownership of the Bonds and the accrual or receipt of interest (and original issue discount) on the Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Bonds.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as APPENDIX B.

LEGAL MATTERS

Continuing Disclosure

The District has covenanted for the benefit of Owners and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District (the "Annual Report") by not later than nine months following the end of the District's fiscal year (the District's fiscal year ends on June 30), commencing with the report for the 2013-14 fiscal year (which is due not later than April 1, 2015), and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of enumerated events will be filed in accordance with the requirements of S.E.C. Rule 15c2-12(b)(5) (the "Rule"). The specific nature of the information to be made available and to be contained in the notices of enumerated events is described in the form of Continuing Disclosure Certificate attached

hereto as Appendix C. These covenants have been made in order to assist the Underwriter in complying with the Rule.

Within the past five years, the District failed to file the annual reports for fiscal years 2008-09 and 2012-13 in a timely manner as required by its prior continuing disclosure undertaking pursuant to the Rule. The District has since filed such reports. In addition, within such five year period, certain of the District's other required annual reports were filed after the date required by the applicable continuing disclosure undertaking, but in no instance later than four days.

Legality for Investment in California

Under provisions of the California Financial Code, the Bonds are legal investments for commercial banks in California to the extent that the Bonds, in the informed opinion of the bank, are prudent for the investment of funds of depositors, and under provisions of the California Government Code, are eligible for security for deposits of public moneys in the State.

Absence of Material Litigation

No litigation is pending or threatened concerning the validity of the Bonds, and a certificate to that effect will be furnished to purchasers at the time of the original delivery of the Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the District's ability to receive *ad valorem* property taxes to collect other revenues or contesting the District's ability to issue and retire the Bonds.

Information Reporting Requirements

On May 17, 2006, the President signed the Tax Increase Prevention and Reconciliation Act of 2005 ("TIPRA"). Under Section 6049 of the Internal Revenue Code of 1986, as amended by TIPRA, interest paid on tax-exempt obligations is subject to information reporting in a manner similar to interest paid on taxable obligations. The purpose of this change was to assist in relevant information gathering for the IRS relating to other applicable tax provisions. TIPRA provides that backup withholding may apply to such interest payments to any bondholder who fails to file an accurate Form W-9 or who meets certain other criteria. The information reporting and backup withholding requirements of TIPRA do not affect the excludability of such interest from gross income for federal income tax purposes.

Legal Opinion

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, as Bond Counsel. A copy of the proposed form of such legal opinion is attached to this Official Statement as Appendix B.

Verification

Upon delivery of the Bonds, Grant Thornton LLP will deliver a report on the mathematical accuracy of certain computations based upon certain information and assertions provided to them by the Underwriter relating to the adequacy of the amounts in the Escrow Fund to pay the redemption price of and accrued interest on the Refunded Bonds.

Financial Statements

Portions of the financial statements with supplemental information for the year ended June 30, 2013, the independent auditor's report of the District, and the related statements of activities and of cash flows for the year then ended, and the report dated November 25, 2013 of Vavrinek, Trine, Day & Co. LLP (the "Auditor"), are included in this Official Statement as Appendix A. In connection with the inclusion of portions of the financial statements and the report of the Auditor thereon in Appendix A to this Official Statement, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

RATINGS

Moody's and S&P have assigned ratings of "Aaa" and "AA," respectively, to the Bonds.

Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody's Investors Service, 7 World Trade Center at 250 Greenwich, New York, New York 10007 and Standard & Poor's, 55 Water Street, New York, New York 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the respective rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price for the Bonds.

UNDERWRITING

The Bonds are being purchased by Morgan Stanley & Co. LLC as underwriter (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a price of \$121,636,876.66 (which is equal to the aggregate principal amount of the Bonds of \$103,015,000.00, plus original issue premium of \$19,052,853.05, and less an Underwriter's discount in the amount of \$430,976.39). The Purchase Contract for the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in said agreement, the approval of certain legal matters by counsel and certain other conditions.

The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover. The offering prices may be changed from time to time by the Underwriter.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, the Underwriter of the Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

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APPENDIX A

**EXCERPTS FROM THE 2012-13 AUDITED FINANCIAL
STATEMENTS OF THE DISTRICT**

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FOOTHILL-DE ANZA COMMUNITY
COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2013

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

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JUNE 30, 2013

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit Foothill-De Anza Community College District Foundation of Foothill-De Anza Community College District (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component unit of the District as of June 30, 2013, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Changes in Accounting Principles

As discussed in the Notes to the basic financial statements, the accompanying financial statements reflect certain changes required as a result of the implementation of GASB Statement No. 62 for the year ended June 30, 2013. These changes require a restatement of the beginning net position of the District as discussed in Note 16. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

VaurineK, Tine, Day & Co LLP

Pleasanton, California
November 25, 2013

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ending June 30, 2013

The Management Discussion and Analysis provides an overview of the District's financial activities for the year. The District has prepared the accompanying financial statements in accordance with the Governmental Accounting Standards Board's (GASB) Codification Section 2200.101 and GASB Codification Sections 2200.190-191. The statements are prepared using the Business Type Activity (BTA) model; this is in compliance with the California Community College Chancellor's Office recommendation to report in a manner consistent with other community college districts.

The annual report consists of three basic financial statements that provide information on the District as a whole:

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

Each one of these statements will be discussed.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 2013**

Condensed Statement of Net Position (in thousands)

ASSETS	<u>2013</u>	<u>2012</u>	<u>Percentage Change</u>	<u>Dollar Change</u>
Current assets				
Cash & cash equivalents	\$ 91,284	\$ 75,233	21.3%	\$ 16,051
Investments	82	82	0.0%	-
Receivables, current portion	24,484	36,320	-32.6%	(11,836)
Inventory and other assets	5,897	10,043	-41.3%	(4,146)
Total current assets	<u>121,747</u>	<u>121,678</u>	<u>0.1%</u>	<u>69</u>
Noncurrent assets				
Restricted cash and cash equivalents	177,808	249,302	-28.7%	(71,494)
Receivables and other assets, noncurrent portio	7,366	2,485	196.4%	4,881
Capital assets, net	612,534	480,578	27.5%	131,956
Total noncurrent assets	<u>797,708</u>	<u>732,365</u>	<u>8.9%</u>	<u>65,343</u>
 Total assets	 <u>919,455</u>	 <u>854,043</u>	 <u>7.7%</u>	 <u>65,412</u>
 LIABILITIES				
Current liabilities				
Accounts payable & accrued liabilities	37,707	44,684	-15.6%	(6,977)
Deferred revenue	11,771	13,725	-14.2%	(1,954)
Amounts held in trust	-	2,692	-100.0%	(2,692)
Long-term debt, current portion	11,753	9,862	19.2%	1,891
Total current liabilities	<u>61,231</u>	<u>70,963</u>	<u>-13.7%</u>	<u>(9,732)</u>
Noncurrent liabilities				
Long-term liabilities, noncurrent portion	6,241	6,801	-8.2%	(560)
Long-term debt, noncurrent portion	724,459	726,765	-0.3%	(2,306)
Total noncurrent liabilities	<u>730,700</u>	<u>733,566</u>	<u>-0.4%</u>	<u>(2,866)</u>
 Total liabilities	 <u>791,931</u>	 <u>804,529</u>	 <u>-1.6%</u>	 <u>(12,598)</u>
 NET POSITION				
Invested in capital assets, net of related debt	30,520	(32,804)	-193.0%	63,324
Restricted	36,608	29,944	22.3%	6,664
Unrestricted	60,396	52,374	15.3%	8,022
Total net position	<u>\$ 127,524</u>	<u>\$ 49,514</u>	<u>157.6%</u>	<u>\$ 78,010</u>

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION) JUNE 30, 2013

Statement of Net Position (Continued)

- Current receivables decreased by 32.6%, or approximately \$11.8 million, as a result of the reduced funding from the State apportionment.
- Restricted cash decreased by 28.7%, or approximately \$71.5 million, as a result of spending on capital projects.
- Inventory and other assets decreased by 41.3%, or approximately \$4.1 million, as a result of the reclassification of the OPEB asset held in trust with the CalPERS CERBT irrevocable trust to the noncurrent portion of receivables and other assets.
- Capital assets increased by 27.5%, or approximately \$132.0 million, in connection with the completion of numerous Measure C capital projects at both colleges, including construction of the media and learning center, the physical sciences and engineering center, the central campus site improvements, the stadium and track, and corporation yard. Completion of our largest capital construction efforts occurred with a substantial portion of the bond funds used for these construction projects. Work in process continues on large capital construction projects including the new Foothill-De Anza Education Center in Sunnyvale. We anticipate continued growth in capital assets in future years as Measure C projects are completed.
- Accounts payables decreased by 15.6%, or approximately \$7.0 million, due mainly to the payment process timeline of capital projects.
- The current portion of long-term debt increased by 19.2%, or approximately \$2.0 million, in alignment with the debt payment schedule. See Note 8 for long-term debt discussion.
- The noncurrent portion of long-term debt decreased by 0.3%, or approximately \$2.3 million, consistent with the scheduled repayment of debt obligations.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents the operating results of the District, as well as the non-operating revenues and expenses. State general apportionment, while budgeted for operations, is considered non-operating revenues in accordance with Generally Accepted Accounting Principles.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION) JUNE 30, 2013

Condensed Statement of Revenues, Expenses and Changes in Net Position (in thousands)

	2013	2012	Percentage Change	Dollar Change
Operating revenues				
Net tuition and fees	\$ 57,515	\$ 49,423	16.4%	\$ 8,092
Auxiliary enterprise, net	11,320	12,994	-12.9%	(1,674)
Other	8,080	9,387	-13.9%	(1,307)
Total operating revenues	76,915	71,804	7.1%	5,111
Operating expenses	273,080	264,483	3.3%	8,597
Loss from operations	(196,165)	(192,679)	1.8%	(3,486)
Non-operating revenues (expenses)				
State apportionment, non-capital	42,897	51,823	-17.2%	(8,926)
Local property taxes	78,969	73,383	7.6%	5,586
Grants and contracts, non-capital	37,978	36,208	4.9%	1,770
State taxes and other revenues	5,613	5,323	5.4%	290
Investment (loss)	(883)	(291)	203.4%	(592)
Interest expense	(12,760)	(58,980)	-78.4%	46,220
Total non-operating revenues (expense)	151,814	107,466	41.3%	44,348
Loss before capital revenues	(44,351)	(85,213)	-48.0%	40,862
Capital revenues	35,505	35,526	-0.1%	(21)
Change in net position	(8,846)	(49,687)	-82.2%	40,841
Net position-beginning of year	49,514	99,201	-50.1%	(49,687)
Restatement	86,856	-	-100.0%	86,856
Net position-end of year	\$ 127,524	\$ 49,514	157.6%	\$ 78,010

Operating revenues increased by 7.1%, or approximately \$5.1 million, due to the increase in resident and non-resident tuition fees. The decrease in auxiliary enterprise and the other operating revenue resulted from the reductions in sales and interest income.

Overall non-operating revenues (expenses) increased by 41.3%, or approximately \$44.3 million primarily due to the decrease in interest expense as a result of the implementation of GASB 62 interest capitalization, the decrease in State apportionment funding as a result of workload reduction, and the increase in local property taxes is due to the appreciation in the housing market.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION) JUNE 30, 2013

Operating Expenses (by Natural classification) (in thousands)

	2013	2012	Percentage Change	Dollar Change
Salaries	\$ 131,011	\$ 133,569	-1.9%	\$ (2,558)
Benefits	41,861	45,040	-7.1%	(3,179)
Total salaries and benefits	<u>172,872</u>	<u>178,609</u>	-3.2%	<u>(5,737)</u>
Supplies, Materials and Other Operating Expenses and Services	38,365	31,420	22.1%	6,945
Student financial aid	22,099	21,594	2.3%	505
Utilities	3,650	3,305	10.4%	345
Depreciation	<u>36,094</u>	<u>29,555</u>	22.1%	<u>6,539</u>
TOTAL OPERATING EXPENSES	<u><u>\$ 273,080</u></u>	<u><u>\$ 264,483</u></u>	3.3%	<u><u>\$ 8,597</u></u>

- Salaries decreased by 1.9%, or approximately \$2.6 million, resulting from the workload reduction and some vacant positions not being filled.
- Benefits decreased by 7.1%, or approximately \$3.2 million, due to changes in the medical benefit plans.
- Supplies, materials, other operating expenses and services increased by 22.1%, or approximately \$6.9 million, due to the increased spending in capital projects.
- Depreciation increased by 22.1%, or approximately \$6.5 million, resulting from the increase in fixed asset

Statement of Cash Flows (in thousands)

The Statement of Cash Flows provides information about cash receipts and cash payments during the fiscal year. This statement helps users assess the District's ability to generate net cash flows, its ability to meet its obligations as they come due, and its need for external financing.

	2013	2012	Percentage Change	Dollar Change
Cash provided by (used in):				
Operating activities	\$ (174,019)	\$ (160,314)	-8.55%	\$ (13,705)
Non-capital financing activities	175,638	162,423	8.14%	13,215
Capital and related financing activities	(59,379)	(124,357)	52.25%	64,978
Investing activities	<u>2,316</u>	<u>4,238</u>	-45.35%	<u>(1,922)</u>
Net decrease in cash	(55,444)	(118,010)	53.02%	62,566
Cash- beginning of the fiscal year	<u>324,535</u>	<u>442,545</u>	-26.67%	<u>(118,010)</u>
Cash- end of the fiscal year	<u><u>\$ 269,091</u></u>	<u><u>\$ 324,535</u></u>	-17.08%	<u><u>\$ (55,444)</u></u>

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION) JUNE 30, 2013

Economic Factors that may affect the Future

2013-14 Fiscal Year

The State of California controls most of the Foothill-De Anza Community College District's non-operating income through the apportionment process, growth allowances, Cost of Living Adjustments (COLA), and categorical allocations. Because Proposition 30, the Education Protection Act (EPA), passed in November of 2012, the fiscal year 2013/14 state allocation included 2% FTES restoration/growth funding, a 1.57% COLA, partial restoration of categorical program funding, and no new workload reductions to funding as in the past couple of years. The governor's 2013/14 budget is the best we have seen in several years. There is no threat of mid-year "trigger cuts" to the state budget or, ultimately, reduced funding for community colleges. Additionally, the budget is based on conservative state revenue assumptions by the governor, for which both the Legislative Analyst's Office (LAO) and the Department of Finance (DOF) agree creates a more stable budget that will stay balanced through the end of the fiscal year.

The district addressed its 2012/13 structural budget deficit of approximately \$5 million dollars through implementation of permanent budget cuts as of the end of the fiscal year. However, the district has a current 2013/14 structural budget deficit of approximately \$5.6 million due to 1) the normal increases in operating expenses, 2) the drop in apportionment revenue (1,779 drop from FTES base in 2012/13), and 3) the allocation of COLA funding from the state to salary increases.

Because, for the first time in three years, we are not facing significant ambiguity in budgeted state revenue, we are able to plan on a single scenario for 2013/14. This scenario acknowledges that our approximate \$5.6 million structural deficit will be covered with one-time dollars, leaving a Stability Fund balance of approximately \$9.2 million for 2014/15 that will be adequate to close the deficit until necessary expenditure adjustments can be implemented.

Utilizing approximately \$5.6 million of our 2013/14 \$14.8 million Stability Fund will allow the colleges and Central Services reasonable time to plan for any necessary cuts and for the district to evaluate enrollment patterns (and the corresponding apportionment payments) in the 2013/14 year.

Capital improvement expenditures made possible by the passage of General Obligation Bond Measure C have now reached \$324 million. Major accomplishments include excellent construction progress on maintenance and renovation projects, as well as on new facilities, and official possession of nine acres of land at the former Onizuka Base in Sunnyvale (through the Base Realignment and Closure (BRAC)/public benefit conveyance process) that will become the new Foothill Regional Education Center. The pace of technology and instructional equipment acquisition and installation has accelerated to outfit the newly renovated and newly constructed buildings. The district is on target with our current three-year spend plan for the bond program.

The most recent actuarial analysis for the district's unfunded retiree medical liability was completed in August 2013. The study listed the Actuarial Accrued Liability (AAL) at \$120.2 million. The district uses a "smoothing" calculation for the annual contribution to more evenly average the Annual Required Contribution (ARC) over each budget year cycle. At the March 4, 2013 Board Meeting, the Board of Trustees approved a transfer of \$500,000, budgeted for fiscal year 2012/13, into the CalPERS irrevocable trust to fully fund the ARC. This was in addition to the pay-as-you-go amount of \$7.6 million included in the actuarial analysis and estimated to be paid in fiscal year 2013/14.

Per the latest actuarial study completed in August of 2013, we will be transferring \$1.5 million into our OPEB Trust account to fully fund the ARC for the 2013/14 fiscal year.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 2013**

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

**STATEMENT OF NET POSITION - PRIMARY GOVERNMENT
JUNE 30, 2013**

ASSETS

Current Assets

Cash and cash equivalents	\$ 91,283,975
Investments	81,767
Accounts receivable, net	24,307,128
Student loans receivable - current portion	177,197
Stores inventories	1,580,867
Prepaid expenses	4,202,440
Deferred issue costs - current portion	113,160
Total Current Assets	<u>121,746,534</u>

Noncurrent Assets

Restricted cash and cash equivalents	177,807,591
Student loans receivable - noncurrent portion	364,566
Deferred issue costs, net of amortization - noncurrent portion	1,955,045
Net OPEB assets	5,046,598
Capital assets, nondepreciable	71,267,458
Capital assets, net of depreciation	541,267,208
Total Noncurrent Assets	<u>797,708,466</u>
TOTAL ASSETS	<u>919,455,000</u>

LIABILITIES

Current Liabilities

Accounts payable and accrued liabilities	23,640,431
Interest payable	10,358,261
Deferred revenue	11,770,687
Compensated absences payable - current portion	3,708,591
Long term debt - current portion	11,753,060
Total Current Liabilities	<u>61,231,030</u>

Noncurrent Liabilities

Compensated absences payable - noncurrent portion	1,425,825
Long term debt - noncurrent portion	724,459,110
Unpaid claims and claims adjustment expenses	4,815,470
Total Noncurrent Liabilities	<u>730,700,405</u>
TOTAL LIABILITIES	<u>791,931,435</u>

NET POSITION

Invested in capital assets, net of related debt	30,520,095
Restricted for:	
Debt service	13,282,704
Capital projects	9,204,199
Scholarships and loans	704,190
Other special purposes	13,416,648
Unrestricted	60,395,729
TOTAL NET POSITION	<u>\$ 127,523,565</u>

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

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION - PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2013**

OPERATING REVENUES	
Tuition and fees	\$ 72,114,019
Less: Scholarship discounts and allowance	(14,598,723)
Net tuition and fees	<u>57,515,296</u>
Auxiliary enterprise sales and charges	11,319,694
Other operating revenues	<u>8,080,119</u>
TOTAL OPERATING REVENUES	<u><u>76,915,109</u></u>
OPERATING EXPENSES	
Salaries	131,010,849
Benefits	41,861,231
Supplies, materials, and other operating expenses and services	38,364,852
Student financial aid	22,099,541
Utilities	3,649,768
Depreciation	<u>36,093,592</u>
TOTAL OPERATING EXPENSES	<u><u>273,079,833</u></u>
LOSS FROM OPERATIONS	<u><u>(196,164,724)</u></u>
NONOPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	42,897,095
Local property taxes	78,968,556
Grants and contracts, noncapital	
Federal	22,708,134
State	12,995,513
Local	2,274,824
State taxes and other revenues	5,613,177
Investment loss, noncapital	(211,351)
Interest expense on capital related debt	(12,760,489)
Investment loss, capital	<u>(671,670)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u><u>151,813,789</u></u>
LOSS BEFORE CAPITAL REVENUES AND EXPENSES	<u><u>(44,350,935)</u></u>
CAPITAL REVENUES	
Local property taxes and revenues	<u>35,504,094</u>
TOTAL INCOME BEFORE OTHER REVENUES AND EXPENSES	<u><u>35,504,094</u></u>
CHANGE IN NET POSITION	(8,846,841)
NET POSITION, BEGINNING OF YEAR	49,514,566
RESTATEMENT	86,855,840
NET POSITION, END OF YEAR	<u><u>\$ 127,523,565</u></u>

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

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2013**

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	\$ 55,666,518
Payments to suppliers and financial aid	(45,595,849)
Payments to utilities	(3,649,768)
Payments to employees	(131,487,181)
Payments for benefits	(43,098,094)
Payments to students for scholarships and grants	(22,099,541)
Loans to students, net	78,861
Auxiliary enterprise sales and charges	11,514,907
Other operating receipts (payments)	4,650,996
Net Cash Flows From Operating Activities	<u>(174,019,151)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State apportionments	51,378,543
Property taxes - nondebt related	79,146,502
Federal grants and contracts	22,789,564
State grants and contracts	12,662,863
Local grants and contracts	6,835,246
State taxes and other apportionments	5,517,635
Scholarship and trust disbursements	(2,691,980)
Net Cash Flows From Noncapital Financing Activities	<u>175,638,373</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Local revenue, capital projects	35,381,082
Purchase of capital assets	(81,194,879)
Principal paid on capital debt	(10,279,803)
Interest paid on capital debt	(3,398,832)
Deferred issue costs	113,160
Net Cash Flows From Capital Financing Activities	<u>(59,379,272)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(66)
Interest received from investments	2,316,546
Net Cash Flows From Investing Activities	<u>2,316,480</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(55,443,570)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	324,535,136
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 269,091,566</u></u>

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

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT, Continued
FOR THE YEAR ENDED JUNE 30, 2013**

**RECONCILIATION OF NET OPERATING LOSS TO NET CASH
FLOWS FROM OPERATING ACTIVITIES**

Operating Loss	<u>\$ (196,164,724)</u>
Adjustments to Reconcile Operating Loss to Net Cash Flows from Operating Activities:	
Depreciation and amortization expense	36,093,592
Interest on investments	(1,550,280)
Changes in Assets and Liabilities:	
Receivables	(2,092,692)
Stores inventories	144,438
Net OPEB asset	946,501
Prepaid expenses	(1,997,604)
Accounts payable and accrued liabilities	(7,467,903)
Deferred revenue	(1,358,145)
Compensated absences	(368,658)
Claims liability	<u>(203,676)</u>
Total Adjustments	<u>22,145,573</u>
Net Cash Flows From Operating Activities	<u><u>\$ (174,019,151)</u></u>

NON CASH TRANSACTIONS

Accretion of interest	<u><u>\$ 9,865,513</u></u>
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The accompanying notes are an integral part of these financial statements.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

**STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2013**

	Trust	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 21,129	\$ 2,801,576
Accounts receivable, net	22,883	71,552
Prepaid expenses	-	19,563
Total Assets	44,012	2,892,691
LIABILITIES		
Accounts payable	(646)	40,784
Due to other funds	-	161,572
Deferred revenue	-	178,403
Due to others	-	2,511,932
Total Liabilities	(646)	2,892,691
NET ASSETS		
Unreserved	44,658	-
Total Net Assets	\$ 44,658	\$ -

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

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013**

	Trust
ADDITIONS	
Local revenues	\$ 387,944
Total Additions	<u>387,944</u>
DEDUCTIONS	
Classified salaries	6,347
Employee benefits	76
Payments to students	1,494
Services and operating expenditures	401,206
Total Deductions	<u>409,123</u>
OTHER FINANCING SOURCES (USES)	
Operating transfers in	3,500
Capital grants and gifts	5,000
Total Other Financing Sources (Uses)	<u>8,500</u>
Change in Net Assets	(12,679)
Net Assets - Beginning	<u>57,337</u>
Net Assets - Ending	<u>\$ 44,658</u>

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

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

**DISCRETELY PRESENTED COMPONENT UNIT
FOOTHILL-DE ANZA COMMUNITY COLLEGES FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 2,056,856
Accounts receivable, net	37,022
Promises to give	1,481,912
Prepaid expenses	20,625
Total Current Assets	<u>3,596,415</u>

NONCURRENT ASSETS

Investments	29,964,538
TOTAL ASSETS	<u><u>\$ 33,560,953</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 530,440
Accrued payroll expenses	170,619
Total Current Liabilities	<u>701,059</u>

NET POSITION

Unrestricted	3,609,581
Temporarily restricted	11,391,630
Permanently restricted	17,858,683
Total Net Position	<u>32,859,894</u>
Total Liabilities and Net Position	<u><u>\$ 33,560,953</u></u>

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

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

**DISCRETELY PRESENTED COMPONENT UNIT
FOOTHILL-DE ANZA COMMUNITY COLLEGES FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES				
Contributions	\$ 293,095	\$ 3,498,039	\$ 1,079,493	\$ 4,870,627
Donated services and facilities	60,232	-	-	60,232
Investment income, net of investment expenses	823,257	1,716,888	-	2,540,145
Event revenue	41,842	-	-	41,842
Other revenue	82,883	-	-	82,883
Assets released from restrictions	2,736,689	(2,736,689)	-	-
Total Revenues	<u>4,037,998</u>	<u>2,478,238</u>	<u>1,079,493</u>	<u>7,595,729</u>
EXPENSES				
Grants and scholarships	3,167,523	-	-	3,167,523
Management and general	474,827	-	-	474,827
Fundraising expenses	370,142	-	-	370,142
Donated services and facilities	60,232	-	-	60,232
Total Expenses	<u>4,072,724</u>	<u>-</u>	<u>-</u>	<u>4,072,724</u>
CHANGE IN NET POSITION	(34,726)	2,478,238	1,079,493	3,523,005
NET POSITION, BEGINNING OF YEAR	<u>3,644,307</u>	<u>8,913,392</u>	<u>16,779,190</u>	<u>29,336,889</u>
NET POSITION, END OF YEAR	<u>\$ 3,609,581</u>	<u>\$ 11,391,630</u>	<u>\$ 17,858,683</u>	<u>\$ 32,859,894</u>

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

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

**DISCRETELY PRESENTED COMPONENT UNIT
FOOTHILL-DE ANZA COMMUNITY COLLEGES FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 3,523,005
Adjustments to Reconcile Changes in Net Assets to Net Cash From Operating Activities	
Change in fair value of investments	2,047,468
Changes in Assets and Liabilities	
Contributions receivable	(1,145,043)
Accounts receivable	141,474
Prepaid expenses	13,337
Accounts payable	(119,281)
Accrued payroll	24,245
Net Cash Flows From Operating Activities	<u>4,485,205</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	<u>(5,598,257)</u>
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NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,113,052)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,169,908</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,056,856</u>

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

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1 - ORGANIZATION

Foothill-De Anza Community College District (the District) was established in 1957 as a political subdivision of the State of California and is a comprehensive, public, two-year institution offering educational services to residents of the surrounding area. The District operates under a locally elected five-member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund, special revenue funds, and capital project funds, but these budgets are managed at the department level. Currently, the District operates two colleges located within Santa Clara County, California. While the District is a political subdivision of the State of California, it is legally separate and is independent of other State and local governments, and it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Codification Section (Cod Sec) 2100.101.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The District follows the criteria in GASB Cod Sec 2100.101 as amended by GASB Cod Sec 2100.138 to provide guidance on the determination of whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District. The three components used to determine the presentation are: providing a "direct benefit," the "environment and ability to access/influence reporting," and the "significance" criterion. As defined by accounting principles generally accepted in the United States of America and established by the Governmental Accounting Standards Board, the financial reporting entity consists of the primary government, the District, and the following component units:

- Foothill-De Anza Community Colleges Foundation

The Foothill-De Anza Community Colleges Foundation (the Foundation) is a legally separate, tax-exempt component unit of the District. The Foundation acts primarily as a fundraising organization to provide grants and scholarships to students and support to employees, programs, and departments of the District. The twenty member board of the Foundation consists of community members, alumni, and other supporters of the Foundation. Although the District does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests are restricted to the activities of the District by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the District, the Foundation is considered a component unit of the District with the inclusion of the statements as a discretely presented component unit. The Foundation is reported in separate financial statements because of the difference in its reporting model, as further described below.

The Foundation is a not-for-profit organization under Internal Revenue Code (IRC) Section 501(c)(3) that reports its financial results in accordance with Financial Accounting Standards Codifications. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the District's financial reporting entity for these differences; however, significant note disclosures to the Foundation's financial statements have been incorporated into the District's notes to the financial statements.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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

The following entity meets the criterion for inclusion as a "blended" component unit and is consolidated within the financial statements of the District:

- Foothill-De Anza Community College District Financing Corporation

The Foothill-De Anza Community College District Financing Corporation (the Corporation) is a legally separate organization and a component unit of the District. The Corporation was formed to issue debt specifically for the acquisition and construction of capital assets for the District. The Board of Trustees of the Corporation is the same as the Board of Trustees of the District. The financial activity has been "blended" or consolidated within the financial statements as the District as if the activity was the District's. Certificates of participation issued by the Corporation are included as long-term liabilities of the District. Individually-prepared financial statements are not prepared for the Foothill-De Anza Community College District Financing Corporation.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Cod Sec 2200.101 and Cod Sec Co 5.101, and amended by Cod Sec 2200 and 2300. This presentation provides a comprehensive entity-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office Budget and Accounting Manual. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

Revenue from Federal and State grants are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements may include time and/or purpose requirements. These transactions are recorded on the accrual basis when the exchange takes place. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, operating revenues consist primarily of student fees and auxiliary activities.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are classified as operating revenues. Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, Federal and State grants, property taxes, entitlements, and donations. Property tax revenue is recognized in the fiscal year received. State apportionment revenue is earned based upon criteria set forth from the Community Colleges Chancellor's Office and includes reporting of full-time equivalent student (FTES) attendance. The corresponding apportionment revenue is recognized in the period the FTES are generated.

Operating expenses are costs incurred to provide instructional services including support costs, auxiliary services, and depreciation of capital assets. All other expenses not meeting this definition are reported as nonoperating. Expenses are recorded on the accrual basis as they are incurred, when goods are received, or services are rendered.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

The District reports are based on all applicable GASB pronouncements, as well as applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. The District has not elected to apply FASB pronouncements after that date.

The financial statements are presented in accordance with the reporting model as prescribed for, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended. The business-type activities model followed by the District requires the following components of the District's financial statements:

- Management's Discussion and Analysis
- Basic Financial Statements for the District as a whole including:
 - Statement of Net Position - Primary Government
 - Statement of Revenues, Expenses, and Changes in Net Position - Primary Government
 - Statement of Cash Flows - Primary Government
- Notes to the Financial Statements

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be unrestricted cash on hand, demand deposits, and short-term unrestricted investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include unrestricted cash with county treasury balances for purposes of the statement of cash flows. Restricted cash and cash equivalents represent balances restricted by external sources such as grants and contracts or specifically restricted for the repayment of capital debt.

Investments

In accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and External Investment Pools, investments held at June 30, 2013, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end.

Restricted Assets

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

Deferred Issuance Costs, Premiums, and Discounts

In the entity-wide financial statements long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Accounts Receivable

Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. This allowance is based upon management's estimates and analysis. The allowance was estimated at \$914,012 for the year ended June 30, 2013.

Prepaid Expenses

Prepaid expenses represent payments made to vendors and others for services that will benefit periods beyond June 30.

Inventories

Inventories consist primarily of bookstore merchandise and cafeteria food and supplies held for resale to the students and faculty of the colleges. Except for bookstore inventories, which are valued using the retail method, inventories are stated at cost, using the lower of cost or market method. The cost is recorded as an expense as the inventory is consumed.

Capital Assets and Depreciation

Capital assets are long-lived assets of the District as a whole and include land, construction-in-progress, buildings, leasehold improvements, and equipment. The District maintains an initial unit cost capitalization threshold of \$5,000 and an estimated useful life greater than one year. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. The District does not possess any infrastructure. Donated capital assets are recorded at estimated fair market value at the date of donation. Improvements to buildings and land that significantly increase the value or extend the useful life of the asset are capitalized; the costs of routine maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged as an operating expense in the year in which the expense was incurred. Major outlays for capital improvements are capitalized as construction-in-progress as the projects are constructed.

Depreciation of capital assets is computed and recorded utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 50 years; portable buildings, 15 years; land improvements, 10 years; most equipment and vehicles, 8 years; and technology equipment 3 to 5 years.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the entity-wide financial statements.

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the entity-wide financial statements. The amounts have been recorded in the fund from which the employees, who have accumulated the leave, are paid.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, retirement credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Retirement credit for unused sick leave is applicable to all academic employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full time.

Deferred Revenue

Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Deferred revenues include (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year and (2) amounts received from Federal and State grants received before the eligibility requirements are met.

Noncurrent Liabilities

Noncurrent liabilities include bonds and notes payable, compensated absences, claims payable, capital lease obligations with maturities greater than one year.

Net Position

"Net Position" represents the difference between assets and liabilities. Net position is classified according to imposed restrictions or availability of assets for satisfaction of District obligations according to the following net position categories:

Invested in Capital Position, Net of Related Debt: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. To the extent debt has been incurred, but not yet expended for capital assets, such accounts are not included as a component invested in capital assets-net of related debt.

Restricted - Nonexpendable: Net position whose use by the District has been externally restricted in perpetuity such as Endowment funds where future investment earnings may be used for the donor stipulated purpose. The District has no nonexpendable net position.

Restricted - Expendable: Net position whose use by the District is subject to externally imposed constraints that can be fulfilled by actions of the District pursuant to those constraints or by the passage of time. Net position may be restricted for capital projects, debt repayment, and/or educational programs.

None of the District's restricted net position has resulted from enabling legislation adopted by the District.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Unrestricted: Net position that are not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed.

State Apportionments

Certain current year apportionments from the State are based on financial and statistical information of the previous year. Any corrections due to the recalculation of the apportionment are made in February of the subsequent year. When known and measurable, these recalculations and corrections are accrued in the year in which the FTES are generated.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. The County Assessor is responsible for assessment of all taxable real property. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Santa Clara bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

The voters of the District passed General Obligation Bonds in 2002 and 2006 for the acquisition, construction, and remodeling of certain District property. As a result of the passage of the Bond, property taxes are assessed on the property within the District specifically for the repayment of the debt incurred. The taxes are billed and collected as noted above and remitted to the District when collected.

Board of Governors Grant (BOGG) and Fee Waivers

Student tuition and fee revenue is reported net of allowances and fee waivers approved by the Board of Governors through BOGG fee waivers in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payments on the students-behalf. To the extent that fee waivers have been used to satisfy tuition and fee charges, the District has recorded a scholarship discount and allowance.

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, Federal Work-Study, and Stafford Loan programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. These programs are audited in accordance with the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget's revised Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the related *Compliance Supplement*. During the year ended June 30, 2013, the District distributed \$11,108,521 in direct lending through the U.S. Department of Education. This amount has not been included as revenues or expenses within the accompanying financial statements as the amounts were passed directly to qualifying students; however, the amounts are included on the Schedule of Expenditures of Federal Awards.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

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Estimates

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

Foundation Financial Statement Presentation

The Foothill-De Anza Community Colleges Foundation presents its financial statements in accordance with Statement of Financial Accounting Codifications. Under these reporting requirements, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by the codification, the Foundation does not use fund accounting.

Permanently Restricted Net Assets: Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

Temporarily Restricted Net Assets: Net assets subject to donor-imposed stipulations that will be met by actions of the Foundation and/or the passage of time.

Unrestricted Net Assets: Net assets not subject to donor-imposed restrictions.

Revenues and expenses are recorded when incurred in accordance with the accrual basis of accounting. Revenues are reported as increases in the unrestricted net assets classification unless use of the related assets is limited by donor-imposed restrictions. Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met. Contributions for in-kind gifts from outside sources are recorded at their fair market value on the date of the donation.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Investments are reported at fair value in accordance with FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*.

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and related California Franchise Tax Codes.

Changes in Accounting Principles

In March 2012, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre November 30, 1989 FASB and AICPA Pronouncements*. GASB Statement No. 62 establishes standards of financial accounting and reporting for capitalizing interest cost as a part of the historical cost of acquiring certain assets. For the purposes of applying this Statement, interest cost includes interest recognized on obligations having explicit interest rates and interest imputed on certain types of payables, as well as interest related to capital leases.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

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The District has implemented the provisions of this Statement for the year ended June 30, 2013. See Note 16 for more information.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

The District has implemented the provisions of this Statement for the year ended June 30, 2013.

New Accounting Pronouncements

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement No. 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement No. 4. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Early implementation is encouraged.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

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financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).
- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes, but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

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of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

This Statement is effective for fiscal years beginning after June 15, 2014. Early implementation is encouraged.

NOTE 3 – CASH AND INVESTMENTS

Policies and Practices

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

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

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

General Authorizations

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

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

Summary of Cash and Investments

Cash and investments as of June 30, 2013, consist of the following:

Primary Government

Cash on hand and in banks	\$ 1,033,527
Cash in revolving accounts	14,500
Investments, short term - county cash	90,235,948
Investments, short term - other	81,767
Total Cash and Cash Equivalents	91,365,742
Investments - restricted county cash	177,807,591
Total Cash and Investments	\$ 269,173,333

Fiduciary Funds

Investments, short term - county cash	\$ 2,822,705
Total Cash and Investments	\$ 2,822,705

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County pool and/or by purchasing a combination of shorter term and longer term investments and by timing cash flows

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Weighted Average Maturity

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is presented in the following schedule:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity in Years</u>
Money Market Accounts	\$ 81,767	0.15
County Pool	268,043,539	1.02
Total	<u>\$ 268,125,306</u>	

Credit Risk

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

Custodial Credit Risk - Deposits

Cash balances held in the bank are insured up to \$250,000 or unlimited by the Federal Depository Insurance Corporation (FDIC). At June 30, 2013, the carrying amount of the District's cash on hand and in banks (including certificates of deposit) was approximately \$1,048,000, and the bank balance was \$18,000,000. At June 30, 2013, the bank balance amount was fully insured by FDIC.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable consisted primarily of intergovernmental grants, entitlements, interest, and other local sources.

The accounts receivable are as follows:

Primary Government

Federal Government	
Categorical aid	\$ 902,985
State Government	
Apportionment	7,892,430
Categorical aid	1,592,443
Other State sources	1,759,701
Local Sources	
Interest	1,201,605
Tuition and fees	8,524,504
Grants and contracts - local	1,157,308
Other local sources	2,190,164
Less allowance for bad debt	(914,012)
Total	<u>\$ 24,307,128</u>

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 to 30 days old, 7% for 31-60 days, 20% for 61-90 days, and 50% for amounts over 90 days.

Discretely Presented Component Unit

The Foundation's accounts receivable consist primarily of short-term donations expected to be received within one year, and therefore no discount has been recorded. In the opinion of management, all amounts have been deemed to be fully collectable.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2013, was as follows:

	Balance Beginning of Year	Restatement	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated					
Land	\$ 2,489,776	\$ -	\$ -	\$ -	\$ 2,489,776
Construction in progress	152,267,760	-	54,671,460	138,161,538	68,777,682
Total Capital Assets Not Being Depreciated	154,757,536	-	54,671,460	138,161,538	71,267,458
Capital Assets Being Depreciated					
Land improvements	88,505,711	-	11,548,548	-	100,054,259
Building improvements	181,329,188	-	18,236,003	-	199,565,191
Buildings	251,304,186	94,142,359	128,666,291	-	474,112,836
Portable buildings	5,273,060	-	-	-	5,273,060
Equipment	37,829,277	-	6,234,114	-	44,063,391
Software	5,399,838	-	-	-	5,399,838
Total Capital Assets Being Depreciated	569,641,260	94,142,359	164,684,956	-	828,468,575
Total Capital Assets	724,398,796	94,142,359	219,356,416	138,161,538	899,736,033
Less Accumulated Depreciation					
Land improvements	37,434,773	-	8,847,834	-	46,282,607
Buildings improvements	109,618,715	-	14,395,187	-	124,013,902
Buildings	62,221,488	7,286,519	8,297,969	-	77,805,976
Portable buildings	3,581,993	-	346,703	-	3,928,696
Equipment	27,315,544	-	3,038,394	-	30,353,938
Software	3,648,743	-	1,167,505	-	4,816,248
Total Accumulated Depreciation	243,821,256	7,286,519	36,093,592	-	287,201,367
Depreciable Capital Assets, Net of Depreciation	325,820,004	86,855,840	128,591,364	-	541,267,208
Net Capital Assets	\$ 480,577,540	\$ 86,855,840	\$ 183,262,824	\$ 138,161,538	\$ 612,534,666

Depreciation expense for the year was \$36,093,592.

Interest expense for the year was \$24,644,306. Of this amount, \$21,245,474 was capitalized during the year.

Assets consisting of the Advance Technology Center and Science Center in the amount of \$41 million have been pledged as collateral for notes payable described in Note 8.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Discretely Presented Component Unit

Capital asset activity for the Foundation for the fiscal year ended June 30, 2013, was as follows

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Equipment	\$ 335,000	\$ -	\$ -	\$ 335,000
Furniture and Fixtures	5,350	-	-	5,350
Total Assets Being Depreciated	<u>340,350</u>	<u>-</u>	<u>-</u>	<u>340,350</u>
Accumulated depreciation	340,350	-	-	340,350
Net Capital Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable consisted of the following:

Primary Government

Vendors	\$ 19,399,531
Payroll	4,240,900
Subtotal	<u>23,640,431</u>
Workers compensation and medical claims reserves	4,815,470
Total	<u>\$ 28,455,901</u>

Fiduciary Funds

Vendors	\$ (646)
Total	<u>\$ (646)</u>

NOTE 7 - DEFERRED REVENUE

Deferred revenue consisted of the following:

Primary Government

Federal financial assistance	\$ 46,025
State categorical aid	3,145,850
Enrollment fees	7,301,196
Other local	1,277,616
Total	<u>\$ 11,770,687</u>

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 8 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2013 fiscal year consisted of the following:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
Bonds and Notes Payable					
General obligation bonds	\$ 690,247,915	\$ 9,865,513	\$ 6,860,000	\$ 693,253,428	\$ 8,385,000
Premiums, net of amortization	25,093,926	-	1,243,097	23,850,829	1,243,097
Certificates of participation	18,890,000	-	1,665,000	17,225,000	1,725,000
Total Bonds and Notes Payable	734,231,841	9,865,513	9,768,097	734,329,257	11,353,097
Other Liabilities					
Compensated absences	1,781,775	-	355,950	1,425,825	-
Capital leases	2,394,619	-	511,706	1,882,913	399,963
Claims liability	5,019,146	-	203,676	4,815,470	-
Total Other Liabilities	9,195,540	-	1,071,332	8,124,208	399,963
Total Long-Term Debt	\$ 743,427,381	\$ 9,865,513	\$ 10,839,429	\$ 742,453,465	\$ 11,753,060

Description	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds		Principal Payments	Bonds	
					Outstanding July 1, 2012	Accreted		Outstanding June 30, 2013	
Measure E, General Obligation Bond, Series A	5/3/2000	8/1/2030	4.30%-6.26%	\$ 99,995,036	\$ 44,072,375	\$ 2,745,643	\$ -	\$ 46,818,018	
2002 General Obligation Refunding Bond	10/02/2002	8/1/2030	2.00%-5.00%	67,475,000	3,140,000	-	3,140,000	-	
Measure E, General Obligation Bond, Series B	9/9/2003	8/1/2036	2.00%-5.79%	90,100,063	76,547,107	3,583,840	1,575,000	78,555,947	
Measure E, General Obligation Bond, Series C	9/20/2005	8/1/2036	3.00%-5.03%	57,904,900	50,873,677	1,441,452	560,000	51,755,129	
2005 General Obligation Refunding Bond	9/20/2005	8/1/2021	3.00%-5.25%	22,165,000	22,010,000	-	-	22,010,000	
2012 General Obligation Refunding Bond	5/3/12	8/1/2030	0.25-5.00%	70,735,000	70,735,000	-	-	70,735,000	
Measure C, General Obligation Bond, Series A	4/18/2007	8/1/2036	4.00%-5.00%	149,995,250	143,885,748	1,294,601	955,000	144,225,349	
Measure C, General Obligation Bond, Series B	5/3/2007	8/1/2036	4.00%-5.00%	99,996,686	94,984,008	799,977	630,000	95,153,985	
Measure C, General Obligation Bond, Series C	5/19/2011	8/1/2040	4.73%-4.78%	184,000,000	184,000,000	-	-	184,000,000	
					\$ 690,247,915	\$ 9,865,513	\$ 6,860,000	\$ 693,253,428	

Description of Debt

Payments on the certificates of participation are paid by the Debt Service Fund. Payments on the general obligation bonds are made by the bond interest and redemption fund with local property tax revenues. Payments on the capital leases are paid by the capital projects or general funds. The accrued vacation will be paid by the fund for which the employee worked. Payments on the claims liabilities will be paid by the self insurance funds.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Certificates of Participation

In June 2003, the Financing Corporation issued \$18,275,000 of Certificates of Participation with effective interest rates ranging from 1% to 4.375% and matures through 2021. The Certificate proceeds are being used to advance refunds to the outstanding Advanced Refunding COPs and certain debt issue costs and interest.

On November 1, 2006, the Financing Corporation issued Certificates of Participation (COPs) in the amount of \$11,335,000 for the construction and renovation of certain District facilities and the acquisition and installation of equipment, pay capitalized interest with respect to the Certificates through approximately June 30, 2008, and pay costs related to the execution and delivery of the Certificates. The COPs bear effective interest rates ranging from 3.5% to 4.0% and mature through 2021.

General Obligation Bonds

Measure E

The District, Santa Clara County, California, Election of 1999 General Obligation Bonds (the “Bonds”) were authorized at an election of registered voters held on November 2, 1999, at which two thirds of the persons voting on the proposition voted to authorize the issuance and sale of \$248,000,000 in principal amount of general obligation bonds of the District. The Bonds are being issued to construct and repair college educational facilities.

Series A was sold on May 3, 2000 for a total of \$99,995,036.

Series B was sold on September 9, 2003, for a total of \$90,100,063.

Series C was sold on September 20, 2005 for a total of \$57,904,900.

On October 2, 2002, the District issued General Obligation Refunding Bonds in the amount of \$67,475,000 for the purpose of refunding a portion of the Measure E, Series A General Obligations Bonds.

On September 20, 2005, the District issued General Obligation Refunding Bonds in the amount of \$22,165,000 for the purpose of refunding a portion of the Measure E, Series B General Obligation Bonds.

On May 3, 2012, the District issued General Obligation Refunding Bonds in the amount of \$70,735,000 for the purpose of refunding portions of the Measure E, Series B, Series C General Obligation Bonds, and the 2002 Refunding Obligation Bonds.

Measure C

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

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

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

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

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Debt Maturity

General Obligation Bonds

The bonds mature through the fiscal years ending June 30, 2041 are as follows:

Measure E, General Obligation Bond,
Series A

Fiscal Year	Principal	Interest to Maturity	Total
2014	\$ -	\$ -	\$ -
2015	-	-	-
2016	1,861,833	2,658,167	4,520,000
2017	1,878,361	3,001,639	4,880,000
2018	1,891,117	3,363,883	5,255,000
2019-2023	7,649,223	17,810,777	25,460,000
2024-2028	5,202,213	19,382,787	24,585,000
2029-2031	3,247,289	16,412,711	19,660,000
Total	21,730,036	\$ 62,629,964	\$ 84,360,000
Accreted Interest	25,087,982		
	<u>\$ 46,818,018</u>		

Measure E, General Obligation Bond,
Series B

Fiscal Year	Principal	Interest to Maturity	Total
2014	\$ 1,815,000	\$ 757,875	\$ 2,572,875
2015	-	712,500	712,500
2016	-	712,500	712,500
2017	-	712,500	712,500
2018	-	712,500	712,500
2019-2023	5,590,000	3,394,800	8,984,800
2024-2028	14,962,483	22,161,067	37,123,550
2029-2033	14,147,330	52,637,670	66,785,000
2034-2037	15,290,250	76,479,750	91,770,000
Total	51,805,063	\$ 158,281,162	\$ 210,086,225
Accreted Interest	26,750,884		
	<u>\$ 78,555,947</u>		

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Measure E, General Obligation Bond,
Series C

Fiscal Year	Principal	Interest to Maturity	Total
2014	\$ 685,000	\$ 1,065,875	\$ 1,750,875
2015	835,000	1,027,875	1,862,875
2016	1,055,000	980,625	2,035,625
2017	-	954,250	954,250
2018	-	954,250	954,250
2019-2023	-	4,771,250	4,771,250
2024-2028	6,891,281	15,924,969	22,816,250
2029-2033	10,558,537	31,102,713	41,661,250
2034-2037	22,642,436	13,241,189	35,883,625
Total	42,667,254	\$ 70,022,996	\$ 112,690,250
Accreted Interest	9,087,875		
	\$ 51,755,129		

General Obligation, 2005 Refunding
Bond

Fiscal Year	Principal	Interest to Maturity	Total
2014	\$ -	\$ 1,155,525	\$ 1,155,525
2015	-	1,155,525	1,155,525
2016	2,330,000	1,094,363	3,424,363
2017	-	1,033,200	1,033,200
2018	3,030,000	953,663	3,983,663
2019-2022	16,650,000	1,878,414	18,528,414
Total	\$ 22,010,000	\$ 7,270,690	\$ 29,280,690

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

General Obligation, 2012 Refunding
Bond

Fiscal Year	Principal	Interest to Maturity	Total
2014	\$ 3,780,000	\$ 3,008,225	\$ 6,788,225
2015	6,225,000	2,949,275	9,174,275
2016	-	2,895,050	2,895,050
2017	3,905,000	2,816,950	6,721,950
2018	1,405,000	2,724,800	4,129,800
2019-2023	17,370,000	12,200,825	29,570,825
2024-2028	21,405,000	6,985,875	28,390,875
2029-2031	16,645,000	1,282,375	17,927,375
Total	<u>70,735,000</u>	<u>\$ 34,863,375</u>	<u>\$ 105,598,375</u>

Measure C, General Obligation Bond,
Series A

Fiscal Year	Principal	Interest to Maturity	Total
2014	\$ 1,265,000	\$ 5,505,150	\$ 6,770,150
2015	1,600,000	5,433,525	7,033,525
2016	1,960,000	5,344,525	7,304,525
2017	2,355,000	5,236,650	7,591,650
2018	2,780,000	5,108,275	7,888,275
2019-2023	21,495,000	22,783,250	44,278,250
2024-2028	38,120,000	14,467,625	52,587,625
2029-2033	50,917,563	14,369,075	65,286,638
2034-2037	17,082,687	46,187,313	63,270,000
Total	<u>137,575,250</u>	<u>\$ 124,435,388</u>	<u>\$ 262,010,638</u>
Accreted Interest	6,650,099		
	<u>\$ 144,225,349</u>		

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Measure C, General Obligation Bond,
Series B

Fiscal Year	Principal	Interest to Maturity	Total
2014	\$ 840,000	\$ 3,698,525	\$ 4,538,525
2015	1,065,000	3,650,900	4,715,900
2016	1,305,000	3,591,650	4,896,650
2017	1,570,000	3,519,775	5,089,775
2018	1,850,000	3,434,275	5,284,275
2019-2023	14,350,000	15,330,625	29,680,625
2024-2028	25,485,000	10,434,500	35,919,500
2029-2033	34,096,262	9,493,501	43,589,763
2034-2037	10,480,425	27,984,575	38,465,000
Total	<u>91,041,687</u>	<u>\$ 81,138,326</u>	<u>\$ 172,180,013</u>
Accreted Interest	4,112,298		
	<u>\$ 95,153,985</u>		

Measure C, General Obligation Bond,
Series C

Fiscal Year	Principal	Interest to Maturity	Total
2014	\$ -	\$ 9,200,000	\$ 9,200,000
2015	-	9,200,000	9,200,000
2016	-	9,200,000	9,200,000
2017	-	9,200,000	9,200,000
2018	-	9,200,000	9,200,000
2019-2023	-	46,000,000	46,000,000
2024-2028	-	46,000,000	46,000,000
2029-2033	6,675,000	45,428,875	52,103,875
2034-2038	53,225,000	40,770,875	93,995,875
2039-2041	124,100,000	9,673,250	133,773,250
Total	<u>\$ 184,000,000</u>	<u>\$ 233,873,000</u>	<u>\$ 417,873,000</u>

Certificates of Participation

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Fiscal Year	Principal	Interest to Maturity	Total
2014	\$ 1,725,000	\$ 690,985	\$ 2,415,985
2015	1,790,000	625,097	2,415,097
2016	1,855,000	557,429	2,412,429
2017	1,935,000	479,448	2,414,448
2018	2,015,000	398,287	2,413,287
2019-2022	7,905,000	678,250	8,583,250
Total	<u>\$ 17,225,000</u>	<u>\$ 3,429,496</u>	<u>\$ 20,654,496</u>

Capital Leases

The District's liability on lease agreements with option to purchase is summarized below:

Fiscal Year Ending June 30,	Lease Payment
2014	\$ 471,241
2015	281,661
2016	281,661
2017	281,661
2018	281,661
2019-2020	563,325
Total	<u>2,161,210</u>
Less: Amount Representing Interest	278,297
Present Value of Minimum Lease Payments	<u>\$ 1,882,913</u>

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 9 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATION

The District provides postemployment health care benefits for retired employees in accordance with negotiated contracts with the various bargaining units of the District.

Plan Description

The District established an Other Post Employment Benefit Plan (the Plan) which is a single-employer defined benefit healthcare plan administered by the California Employers Retirement Benefit Trust (CERBT). CERBT serves as an irrevocable trust, ensuring that funds contributed into its Investment Trust are dedicated to serving the needs of member districts, and their employees and retirees. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. As of the most recent actuarial study completed, membership of the Plan consisted of 754 retirees and beneficiaries currently receiving benefits, and 944 active plan members. Separate financial statements are not prepared for the Trust.

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

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually through agreements between the District and the bargaining units. For fiscal year 2012-2013, the District contributed \$7,667,076 to the Plan, all of which was used for current premiums (99 percent of total premiums).

Annual OPEB Cost and Net OPEB Asset

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the requirements of *Other Post Employment Benefits* guidance. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding costs) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB assets based on the most recent actuary study prepared in August 2012 with an effective date of June 30, 2011.

Annual required contribution	\$ 10,778,700
Adjustment to annual required contribution	(2,165,123)
Annual OPEB cost (expense)	<u>8,613,577</u>
Contributions made	<u>7,667,076</u>
Decrease in net OPEB asset	(946,501)
Net OPEB asset, July 1, 2012	<u>5,993,099</u>
Net OPEB asset, June 30, 2013	<u><u>\$ 5,046,598</u></u>

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Trend Information

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

Year's Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Asset
2011	\$ 7,280,595	\$ 9,588,716	132%	\$ 6,096,721
2012	\$ 8,613,577	\$ 8,509,955	99%	\$ 5,993,099
2013	\$ 8,613,577	\$ 7,667,076	89%	\$ 5,046,598

Funding Status and Funding Progress

The funded status of the OPEB Plan as of June 30, 2011, the date of the most recent actuarial study, is as follows:

Actuarial Accrued Liability (AAL)	\$ 117,564,565
Actuarial Value of Plan Assets	<u>(6,430,877)</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 111,133,688</u>
Funded Ratio (Value of Plan Assets/AAL)	5.5%
Covered Payroll	<u>93,948,323</u>
UAAL as Percentage of Covered Payroll	<u>118.29%</u>

The above noted actuarial value of plan assets was based on the June 30, 2011, actuarial valuation. The market value of the Plan Assets as of June 30, 2013 is \$7,818,072. Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, follows the notes to the financial statements and presents multi-year trend information about whether the value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

In the June 30, 2011, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 7.61 percent investment rate of return (net of administrative expenses), based on the Plan being funded in an irrevocable employee benefit trust fund invested in a long-term fixed income portfolio. Healthcare cost trend rate of 4 percent. Both rates included a 3 percent salary increase assumption. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2011, was 30 years. The actuarial value of assets was determined using actuarial techniques that spread the effects of short-term volatility in the market value of investments over a fifteen-year period. At June 30, 2011, the most recent actuarial study date, the Trust held net assets in the amount of \$6,096,721, which consisted of amounts on deposit with CERBT.

NOTE 10 - RISK MANAGEMENT

Property and Liability

During fiscal year ending June 30, 2013, the District contracted with commercial insurers for property coverage and the Schools Excess Liability Fund Joint Powers Authority (SELF) for excess liability insurance coverage.

Workers' Compensation

Effective March 1, 2003, the District is self-insured for certain risks and employee benefits. Workers' compensation claims are self insured to \$250,000. Excess insurance has been purchased which covers worker's compensation claims between \$250,000 and \$10,000,000. The estimate of incurred but not reported and reported claims was actuarially determined based upon historical experience and actuarial assumptions. The current and long term portions of the liability for the unpaid claims for workers' compensation losses as of June 30, 2013 were \$2,747,501, and \$4,815,470, respectively.

Health Care

The District is also self insured for health care claims of employees participating in the District's health care plans. The District carries stop loss insurance to limit its aggregate liability to 125% of the expected paid claims and its individual claim liability limit to \$100,000 per care year. The current and long term portions of the liability for health care claims at June 30, 2013 were \$1,038,186, and \$0, respectively.

Insurance Coverages

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

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Claims Liabilities

The District establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2011 to June 30, 2013.

	Health Care	Workers' Compensation	Total
Liability Balance, July 1, 2011	\$ 2,848,605	\$ 5,812,000	\$ 8,660,605
Claims and changes in estimates	871,546	2,481,309	3,352,855
Claims payments	(1,696,108)	(1,903,000)	(3,599,108)
Liability Balance, June 30, 2012	2,024,043	6,390,309	8,414,352
Claims and changes in estimates	-	1,927,956	1,927,956
Claims payments	(985,857)	(1,046,014)	(2,031,871)
Liability Balance, June 30, 2013	1,038,186	7,272,251	8,310,437
Less current portion in accounts payable	1,038,186	2,456,781	3,494,967
Total noncurrent, end of year	\$ -	\$ 4,815,470	\$ 4,815,470

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS

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

CalSTRS

Plan Description

The District contributes to CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries who are eligible and employed more than 50 percent or more of a full time equivalent position participate in the Defined Benefit Plan (DB Plan). Part time educators hired under contract of less than 50 percent or on an hourly or daily basis without contract may elect membership in the Cash Benefit Balance Program (CB Benefit Program). Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

The State Teachers Retirement Plan (STRP), a defined benefit plan, provides retirement, disability, and death benefits, and depending on which component of the STRP the employee is in, post retirement cost-of-living adjustments may also be offered. Employees in the DB Plan attaining the age of 60 with five years credited California service (service), are eligible for "normal" retirement and are entitled to a monthly benefit of two percent of their final compensation for each year of service. Final compensation is generally defined as the average salary earnable for the highest three years of consecutive service. The plan permits early retirement options at age 55, or as early as age 50, with at least 30 years of service. After five years of credited service, members become 100 percent vested in retirement benefits earned to date. If a member's employment is terminated, the accumulated member contributions are refundable. The features of the CB Benefit Program include immediate vesting, variable contribution rates that can be bargained, guaranteed interest rates, and flexible retirement options. Participation in the CB Benefit program is optional; however if the employee selects the CB Benefit plan and their basis of employment changes to half time or more, the member will automatically become a member of the DB Plan.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, California, 95826.

Funding Policy

Active members are required to contribute 8.0 percent of their salary while the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2012-2013 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The CB Benefit Program is an alternative for STRS contribution plan for instructors. Instructors who choose not to sign up for the DB plan or FICA may participate in the CB Benefit program. The District contribution rate for the CB Benefit Program is always a minimum of 4 percent, with the sum of the District and employee contribution always being equal or greater to 8 percent.

The District's total contributions to CalSTRS for the fiscal years ended June 30, 2013, 2012, and 2011, were \$5,242,757, \$5,332,848, and \$5,433,697, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

The District contributes to the School Employer Pool under CalPERS a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The District's contribution rate to CalPERS for fiscal year 2012-2013 was 10.923 percent of covered payroll. The District's contributions to CalPERS for fiscal years ending June 30, 2013, 2012, and 2011, were \$5,505,372, \$5,511,264, and \$5,442,173, respectively, and equaled 100 percent of the required contributions for each year.

On-Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS which amounted to \$3,335,805 (5.175 percent) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. These amounts have not been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Deferred Compensation

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

NOTE 12 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

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

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

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

During the year ended June 30, 2013, the District made payments of \$410,301 to the South Bay Regional Public Safety Training Consortium and \$67,204 to SELF.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2013.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2013.

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Operating Leases

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

Year's Ending June 30,	Lease Payment
2014	\$ 1,360,751
2015	1,390,801
2016	1,421,736
Total	<u>\$ 4,173,288</u>

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Construction Commitments

As of June 30, 2013, the District had the following commitments with respect to the unfinished capital projects: The projects are funded through a combination of general obligation bonds and capital project apportionments from the California State Chancellor's Office.

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
Measure C		
Physical Science and Engineering Center	\$ 869,953	01/07/13
Central campus site improvements	32,553	07/04/13
Stadium and track	11,039	02/28/13
Parking and circulation	4,252,368	12/20/13
Corporation yard	53,682	03/31/13
Media & Learning Center	235,330	08/15/12
Construction management / Design management	1,976,873	06/30/13
Photovoltaic arrays	629,598	10/19/12
Fire alarm system replacements	81,556	07/31/14
Scheduled maintenance	71,088	thru 6/30/21
Modernization of Learning Support Center, Biology and General Classrooms	9,835,130	09/19/14
Flint parking structure	290,515	09/30/14
Advanced Technology Center	1,512,071	09/30/15
Construction overhead	404,307	06/30/13
Tile roofs	419,148	09/23/13
Smithwick theater	63,116	07/31/13
Property acquisition	2,274,842	03/31/16
Baldwin Winery & East Cottage "Historic Renovation"	19,986	09/28/11
Fine arts scene shop	418,149	03/21/16
Print shop and plant services facility	76,099	08/11/15
Library and ISC	1,564,148	12/31/15
Physical education lab space	5,494	04/08/13
Swing space	79,096	12/31/15
Combined site improvements	1,399,102	12/30/13
Other projects	455,445	thru 6/30/22
Subtotal Measure C	<u>27,030,688</u>	
Measure E		
ETS Building board room / Chancellor's office	404,639	2/10/2012
Renovation of district office building	107,829	3/31/2015
Overhead	235,786	6/30/2013
Data Center E	80,352	3/31/2013
Swing space	39,231	3/9/2015
Minor improvements	8,800	12/31/2013
Other projects	9,075	thru 12/31/14
Subtotal Measure E	<u>885,712</u>	
Total Construction Commitments	<u>\$ 27,916,400</u>	

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 14 – OPERATING EXPENSES

The following schedule details the functional classifications of the operating expenses reported in the statement of revenues, expenses, and changes net assets for the year ended June 30, 2013.

	Salaries	Employee Benefits	Supplies Material, and Other Expenses	Financial Aid	Utilities	Depreciation	Total
Instruction	\$ 76,175,855	\$ 15,806,234	\$ 491,111	\$ -	\$ 1,159	\$ -	\$ 92,474,359
Academic Support	12,079,465	3,523,301	1,460,442	-	15,630	-	17,078,838
Student Services	12,124,452	4,036,570	2,346,241	-	16,923	-	18,524,186
Operation and Maintenance of Plant	5,864,797	2,482,435	1,816,933	-	3,387,434	-	13,551,599
Institution support	15,132,928	13,547,152	18,381,178	-	100,647	-	47,161,905
Community Services & Economic Development	1,600,146	411,978	3,049,224	-	856	-	5,062,204
Auxiliary Operations	7,562,232	2,053,561	10,819,723	-	127,119	-	20,562,635
Student Aid	470,974	-	-	22,099,541	-	-	22,570,515
Depreciation	-	-	-	-	-	36,093,592	36,093,592
	<u>\$ 131,010,849</u>	<u>\$ 41,861,231</u>	<u>\$ 38,364,852</u>	<u>\$ 22,099,541</u>	<u>\$ 3,649,768</u>	<u>\$ 36,093,592</u>	<u>\$ 273,079,833</u>

NOTE 15 – DONATED SERVICES AND FACILITIES

Donated services and facilities to the Foothill-De Anza Community Colleges Foundation totaling \$60,232, for the year ended June 30, 2013, consisted of accounting and management support, comprehensive insurance, office space, and other miscellaneous internal services provided by the District.

The valuation of such services and facilities is determined based upon various factors, including employee salaries and benefits, office rent, and certain other operating expenses. All significant donated services and facilities, and related costs are recognized and reported annually.

NOTE 16 - RESTATEMENT OF PRIOR YEAR FUND BALANCES

The District's prior year beginning net position has been restated as of June 30, 2013.

Effective in fiscal year 2012-2013, the District was required to capitalize interest as part of the historical cost of constructing certain business-type activity assets. The implementation of this standard required a change in accounting principle and restatement of the beginning net position of the District by \$86,855,840.

NOTE 17 - SUBSEQUENT EVENT

In August 19, 2013, the Financing Corporation issued a refunding lease of \$7,580,000 to refinance the outstanding 2003 Certificate of Participation of \$18.2 million. The notes mature on September 1, 2020 with an effective interest rate of 1.75%.

REQUIRED SUPPLEMENTARY INFORMATION

FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
PROGRESS
FOR THE YEAR ENDED JUNE 30, 2013**

Fiscal Year Ended	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal Method	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
6/30/2011	6,305,002	107,000,000	100,694,998	5.9%	95,902,636	105%
6/30/2012	6,430,877	117,564,565	111,133,688	5.5%	94,425,252	118%
6/30/2013	6,430,877	117,564,565	111,133,688	5.5%	93,948,323	118%

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APPENDIX B

FORM OF OPINION OF BOND COUNSEL

Upon issuance of the Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, proposes to render its final approving opinion with respect to the Bonds in substantially the following form:

August 19, 2014

Board of Trustees
Foothill-De Anza Community College District

Members of the Board of Trustees:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of \$103,015,000 Foothill-De Anza Community College District (Santa Clara County, California) 2014 General Obligation Refunding Bonds (the "Bonds"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based on our examination as bond counsel of existing law, certified copies of such legal proceedings and such other proofs as we deem necessary to render this opinion, we are of the opinion, as of the date hereof and under existing law, that:

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, and a resolution (the "Resolution") of the Board of Trustees of the Foothill-De Anza Community College District (the "District").

2. The Bonds constitute valid and binding general obligations of the District, payable as to both principal and interest from the proceeds of a levy of *ad valorem* property taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.

3. Under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that, with respect to corporations, such interest may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of corporations.

4. Interest on the Bonds is exempt from State of California personal income tax.

5. The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bonds constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bondowner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bondowner will increase the Bondowner's basis in the applicable Bond. Original issue discount that accrues to the Bondowner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of

the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

6. The amount by which a Bondowner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable Bond premium reduces the Bondowner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bondowner realizing a taxable gain when a Bond is sold by the Bondowner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Bondowner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolution and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of bond counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest (and original issue discount) for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than ourselves. Other than expressly stated herein, we express no opinion regarding tax consequences with respect to the Bonds.

The opinions expressed herein as to the exclusion from gross income of interest (and original issue discount) on the Bonds are based upon certain representations of fact and certifications made by the District and others and are subject to the condition that the District complies with all requirements of the Code, that must be satisfied subsequent to the issuance of the Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

It is possible that subsequent to the issuance of the Bonds there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state, or local law) that affect the federal, state, or local tax treatment of the Bonds or the market value of the Bonds. No assurance can be given that subsequent to the issuance of the Bonds such changes or interpretations will not occur.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases, and by the limitations on legal remedies against public agencies in the State of California.

Respectfully submitted,

Stradling Yocca Carlson & Rauth

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Foothill-De Anza Community College District (the “District”) in connection with the issuance of \$103,015,000 of the District’s 2014 General Obligation Refunding Bonds (the “Bonds”). The Bonds are being issued pursuant to a Resolution of the District adopted July 7, 2014 (the “Resolution”). The District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Dissemination Agent” shall mean initially the District, or any successor Dissemination Agent designated in writing by the District (which may be the District) and which has filed with the District a written acceptance of such designation.

“Holders” shall mean registered owners of the Bonds.

“Listed Events” shall mean any of the events listed in Sections 5(a) and (b) of this Disclosure Certificate.

“Official Statement” means the Official Statement relating to the sale of the Bonds, dated as of July 16, 2014.

“Participating Underwriter” shall mean each of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Repository” shall mean the Municipal Securities Rulemaking Board, which can be found at <http://emma.msrb.org/>, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (presently ending June 30), commencing with the report for the 2013-14 Fiscal Year, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided* that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b).

(b) Not later than 30 days (nor more than 60 days) prior to said date the Dissemination Agent shall give notice to the District that the Annual Report shall be required to be filed in accordance with the terms of this Disclosure Certificate. Not later than 15 Business Days prior to said date, the District shall provide the Annual Report in a format suitable for reporting to the Repository to the Dissemination Agent (if other than the District). If the District is unable to provide to the Repository an Annual Report by the date required in subsection (a), the District shall send a notice to the Repository in substantially the form attached as Exhibit A with a copy to the Dissemination Agent. The Dissemination Agent shall not be required to file a Notice to Repository of Failure to File an Annual Report.

(c) The Dissemination Agent shall file a report with the District stating it has filed the Annual Report in accordance with its obligations hereunder, stating the date it was provided.

SECTION 4. Content and Form of Annual Reports.

(a) The District's Annual Report shall contain or include by reference the following:

1. The audited financial statements of the District for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. Material financial information and operating data with respect to the District of the type included in the Official Statement in the following categories (to the extent not included in the District's audited financial statements):

- (A) State funding received by the District for the last completed fiscal year;
- (B) Enrollment and FTES of the District for the last completed fiscal year;
- (C) Summary financial information on revenues, expenditures and fund balances for the District's general fund reflecting adopted budget for then-current fiscal year;
- (D) Assessed valuation of taxable property within the District for then-current fiscal year; and

- (E) secured *ad valorem* property tax levies and delinquencies for taxable property within the District, to the extent Santa Clara County no longer implements the Teeter Plan (as such term is defined in the Official Statement) with respect to tax levies for general obligation bonded debt of the District.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

- (b) The Annual Report shall be filed in an electronic format accompanied by identifying information prescribed by the Municipal Securities Rulemaking Board.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5(a), the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not in excess of 10 business days after the occurrence of the event:

1. principal and interest payment delinquencies.
2. tender offers.
3. defeasances.
4. rating changes.
5. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB).
6. unscheduled draws on the debt service reserves reflecting financial difficulties.
7. unscheduled draws on credit enhancement reflecting financial difficulties.
8. substitution of the credit or liquidity providers or their failure to perform.
9. bankruptcy, insolvency, receivership or similar event of the District. For the purposes of the event identified in this Section 5(a)(9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(b) Pursuant to the provisions of this Section 5(b), the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. non-payment related defaults.
2. modifications to rights of Bondholders.
3. optional, contingent or unscheduled bond calls.
4. unless described under Section 5(a)(5) above, material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.
5. release, substitution or sale of property securing repayment of the Bonds.
6. the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.
7. Appointment of a successor or additional trustee or paying agent with respect to the Bonds or the change of name of such a trustee or paying agent.

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event under Section 5(b) hereof, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) hereof would be material under applicable federal securities laws, the District shall (i) file a notice of such occurrence with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event or (ii) provide notice of such reportable event to the Dissemination Agent in format suitable for filing with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event. The Dissemination Agent shall have no duty to independently prepare or file any report of Listed Events. The Dissemination Agent may conclusively rely on the District's determination of materiality pursuant to Section 5(c).

SECTION 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(a) or Section 5(b), as applicable.

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent (or substitute Dissemination Agent) to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign upon 15 days written notice to the District. Upon such resignation, the District shall act as its own Dissemination Agent until it appoints a successor. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate and shall not be responsible to verify the accuracy, completeness or materiality of any continuing disclosure information provided by the District.

The District shall compensate the Dissemination Agent for its fees and expenses hereunder as agreed by the parties. Any entity succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the execution or filing of any paper or further act.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds; and

(d) No duties of the Dissemination Agent hereunder shall be amended without its written consent thereto.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(b), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this

Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate. The Dissemination Agent acts hereunder solely for the benefit of the District; this Disclosure Certificate shall confer no duties on the Dissemination Agent to the Participating Underwriter, the Holders and the Beneficial Owners. The District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have no liability for the failure to report any event or any financial information as to which the District has not provided an information report in format suitable for filing with the Repository. The Dissemination Agent shall not be required to monitor or enforce the District's duty to comply with its continuing disclosure requirements hereunder.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: August 19, 2014

FOOTHILL-DE ANZA COMMUNITY COLLEGE
DISTRICT

By _____

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of District: FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT

Name of Bond Issue: 2014 General Obligation Refunding Bonds

Date of Issuance: August 19, 2014

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate relating to the Bonds. The District anticipates that the Annual Report will be filed by _____.

Dated: _____

FOOTHILL-DE ANZA COMMUNITY COLLEGE
DISTRICT

By _____ [form only; no signature required]

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APPENDIX D

GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR SANTA CLARA COUNTY

The following economic data for Santa Clara County (the "County") is presented for information purposes only. The Bonds are not a debt or obligation of the County.

General

Santa Clara County is one of the nine counties in the greater metropolitan San Francisco Bay Area. As the home of "Silicon Valley," the area is the birthplace of the semiconductor and computer industries in the United States.

Population

The following table summarizes population estimates for the County and State of California.

POPULATION ESTIMATES 2001 through 2014 Santa Clara County and State of California

<u>Year⁽¹⁾</u>	<u>Santa Clara County</u>	<u>State of California</u>
2001	1,690,366	34,256,789
2002	1,693,230	34,725,516
2003	1,693,752	35,163,609
2004	1,695,602	35,570,847
2005	1,698,234	35,869,173
2006	1,706,676	36,116,202
2007	1,725,066	36,399,676
2008	1,747,912	36,704,375
2009	1,767,204	36,966,713
2010	1,781,427	37,253,956
2011	1,794,337	37,427,946
2012	1,813,702	37,668,804
2013	1,840,895	37,984,138
2014	1,868,558	38,340,074

⁽¹⁾ As of January 1.

Source: State of California, Department of Finance, *E-4 Population Estimates for Cities, Counties, and the State, 2001-2010, with 2000 & 2010 Census Counts, 2011-2014 with 2010 Census Counts.*

Income

The following tables summarize annual personal income and per capita personal income data for the County, State of California and United States from 2005 through 2012.

PERSONAL INCOME
2005 through 2012
Santa Clara County, State of California, and United States
(Dollars in Thousands)

<u>Year</u>	<u>Santa Clara County</u>	<u>State of California</u>	<u>United States</u>
2005	\$87,881,146	\$1,387,661,013	\$10,476,669,000
2006	96,092,804	1,495,533,388	11,256,516,000
2007	103,501,849	1,566,400,134	11,900,562,000
2008	104,331,553	1,610,697,843	12,451,660,000
2009	95,469,205	1,516,676,660	11,852,715,000
2010	102,589,854	1,579,148,473	12,308,496,000
2011	111,880,131	1,683,203,700	12,949,905,000
2012	122,259,021	1,768,039,281	13,729,063,000

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

PER CAPITA PERSONAL INCOME⁽¹⁾
2005 through 2012
Santa Clara County, State of California, and United States

<u>Year</u>	<u>Santa Clara County</u>	<u>State of California</u>	<u>United States</u>
2005	\$52,457	\$38,731	\$35,424
2006	56,821	41,518	37,725
2007	60,456	43,211	39,506
2008	59,927	44,003	40,947
2009	54,086	41,034	38,637
2010	57,433	41,893	39,791
2011	61,833	43,647	41,560
2012	66,535	46,477	43,735

⁽¹⁾ Per capita personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. All dollar estimates are in current dollars (not adjusted for inflation).

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Employment

The following table summarizes civilian labor force, employment and unemployment statistics for the County and State of California between years 2008 and 2013.

**CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
2008 through 2013
Santa Clara County and State of California**

<u>Year</u>	<u>Area</u>	<u>Labor Force</u>	<u>Employment</u> ⁽¹⁾	<u>Unemployment</u> ⁽²⁾	<u>Unemployment Rate (%)</u> ⁽³⁾
2008	Santa Clara County	870,300	818,300	52,000	6.0
	State of California	18,251,600	16,938,300	1,313,200	7.2
2009	Santa Clara County	875,200	780,500	94,600	10.8
	State of California	18,250,200	16,163,900	2,086,200	11.4
2010	Santa Clara County	880,800	784,100	96,700	11.0
	State of California	18,316,400	16,051,500	2,264,900	12.4
2011	Santa Clara County	896,200	809,300	86,900	9.7
	State of California	18,384,900	16,226,600	2,158,300	11.7
2012	Santa Clara County	911,000	834,400	76,600	8.4
	State of California	18,494,900	16,560,300	1,934,500	10.5
2013	Santa Clara County	932,200	860,100	63,200	6.8
	State of California	18,596,800	16,933,300	1,663,500	8.9

⁽¹⁾ Includes persons involved in labor-management trade disputes.

⁽²⁾ Includes all persons without jobs who are actively seeking work.

⁽³⁾ The unemployment rate is computed from un-rounded data; therefore, it may differ from rates computed from rounded figures in this table.

Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department.
March 2013 Benchmark.

Industry

The County is entirely within the San Jose-Santa Clara-Sunnyvale Metropolitan Statistical Area (the "MSA"). The following table summarizes the annual average industry employment in the MSA between 2008 and 2013.

INDUSTRY EMPLOYMENT & LABOR FORCE ANNUAL AVERAGES
2008 through 2013
San Jose-Santa Clara-Sunnyvale MSA

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Total Farm	6,100	5,600	5,200	4,900	4,900	5,000
Mining and Logging	300	200	200	200	200	300
Construction	44,200	34,400	32,200	33,700	34,900	37,500
Manufacturing	168,000	155,800	153,500	157,500	157,500	156,000
Wholesale Trade	39,800	35,600	34,900	34,200	34,900	36,500
Retail Trade	84,400	78,800	78,800	83,500	83,700	85,100
Transportation, Warehousing and Utilities	13,500	12,100	12,000	12,500	12,900	14,000
Information	42,300	41,600	43,900	50,000	50,200	58,700
Financial Activities	34,300	31,500	31,000	33,100	33,700	33,500
Professional and Business Services	178,900	161,400	162,000	175,900	180,700	191,200
Education and Health Services	108,200	109,300	112,700	116,900	118,500	144,500
Leisure and Hospitality	78,100	74,900	74,900	80,200	82,000	87,300
Other Services	25,400	24,500	24,300	24,400	24,600	25,400
Government	<u>97,800</u>	<u>96,500</u>	<u>94,500</u>	<u>91,700</u>	<u>91,500</u>	<u>91,900</u>
Total All Industries	921,000	862,100	860,200	898,600	910,100	961,800

Note: Items may not add to total due to independent rounding.

Source: California Employment Development Department, Labor Market Information Division. March 2013 Benchmark.

Largest Employers

The following tables list the largest employers in the County as of June 30, 2013.

LARGEST EMPLOYERS
As of June 30, 2013
Santa Clara County

<u>Employer</u>	<u># of Employees</u>
Cisco Technology	16,494
Santa Clara County	15,564
Stanford University	14,369
Kaiser Permanente	13,500
Apple Computer, Inc.	12,000
Google Inc.	11,000
Stanford Hospital & Clinics	7,936
Lockheed Martin Space Systems Co.	6,800
City of San Jose	5,495
Intel Corporation	5,400
Hewlett-Packard Co.	5,000
IBM Corp.	4,000

Source: Santa Clara County 'Comprehensive Annual Financial Report' for the year ending June 30, 2013.

Commercial Activity

The following tables summarize taxable sales in the County from 2005 through 2012.

TAXABLE SALES 2005 through 2012 Santa Clara County (Dollars in Thousands)

	<u>Retail Permits</u>	<u>Retail Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Taxable Transactions</u>
2005	20,820	\$18,903,508	48,903	\$30,193,802
2006	21,035	20,039,932	48,313	32,273,238
2007	20,480	20,790,258	47,651	33,663,448
2008	20,603	19,313,313	47,253	32,274,306
2009	26,695	16,385,238	43,396	27,427,709
2010	27,215	17,695,858	43,583	30,523,322
2011	27,252	19,419,542	43,390	33,431,217
2012	28,109	21,116,708	43,980	36,220,445

Note: In 2009, retail permits expanded to include permits for food services.

Source: "Taxable Sales in California (Sales & Use Tax)" - California State Board of Equalization.

Construction Activity

The following tables summarize new building permits and valuations in the County from 2009 through 2013.

BUILDING PERMITS AND VALUATIONS 2009 through 2013 Santa Clara County

<u>Valuation (\$000's)</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Residential	\$578,690	\$1,076,362	\$1,005,884	\$1,524,818	\$2,060,045
Non-Residential	<u>1,187,776</u>	<u>1,137,316</u>	<u>1,498,752</u>	<u>1,885,770</u>	<u>4,204,576</u>
TOTAL	\$1,766,466	\$2,213,678	\$2,504,637	\$3,410,588	\$6,264,621
<i>New Dwelling Units</i>					
Single-Family	667	815	978	1,432	1,859
Multi-Family	<u>450</u>	<u>3,617</u>	<u>2,234</u>	<u>4,245</u>	<u>6,009</u>
TOTAL	1,117	4,432	3,212	5,677	7,868

Note: Columns may not add to totals due to rounding.

Source: Construction Industry Research Board.

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APPENDIX E

BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "MMI Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in

the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this appendix concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

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APPENDIX F

SANTA CLARA COUNTY COMMINGLED INVESTMENT POOL

The following information concerning the Santa Clara County Commingled Investment Pool (the “Treasury Pool”) has been provided by the Director of Finance, and has not been confirmed or verified by the District, the Financial Advisor or the Underwriter. The District, the Financial Advisor and the Underwriter have not made an independent investigation of the investments in the Treasury Pool and have made no assessment of the current County investment policy. The value of the various investments in the Treasury Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the Director of Finance, at the direction of the County Board of Supervisors may change the County investment policy at any time. Therefore, there can be no assurance that the values of the various investments in the Treasury Pool will not vary significantly from the values described herein. Finally, none of the District, the Financial Advisor or the Underwriter make any representation as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date. Additional information regarding the Treasury Pool may be obtained from the Director of Finance at www.sccgov.org; however, the information presented on such website is not incorporated herein by any reference.

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County of Santa Clara



Finance Agency Controller-Treasurer Department

County Government Center
70 W. Hedding Street, East Wing, 2nd Floor
San Jose, California 95110-1705
(408) 299-5200 FAX (408) 288-9237

April 30, 2014

Submitted by: _____

Irene Lui, Controller- Treasurer

TO: BOARD OF TRUSTEES, SANTA CLARA COUNTY SCHOOL DISTRICTS
BOARDS OF DIRECTORS, SANTA CLARA COUNTY SPECIAL PURPOSE DISTRICTS

FROM: EMILY HARRISON, DIRECTOR OF FINANCE

SUBJECT: COUNTY OF SANTA CLARA TREASURY INVESTMENT PORTFOLIO STATUS

RECOMMENDATION

Receive and file the March 31, 2014 Detailed Investment Portfolio Listing.

DISCUSSION

In compliance with the State of California Government Code as amended by Chapters 783 and 784, Statutes of 1995 and in compliance with County Policy, the Santa Clara County Treasury Investment Portfolio Report as of March 31, 2014 is submitted for your review and acceptance.

The attached detailed investment reports list each investment of the County Treasury Pool as well as individual reports for specific investment funds that each school district or special district has in the County Treasury. The reports include the respective purchase and maturity dates, par value, amortized cost, market value, and yield to maturity for each investment.

A summary of market value versus cost is provided below for Commingled Investments of the County Pool.

	Cost	Market Value	Increase (Decrease)	Percent
Commingled Investments	\$4,567,822,449	\$4,572,241,449	\$4,419,000	0.10%

The yield of the pool on March 31, 2014 was 0.49%. As a comparison, on March 31, 2014 the yield of a 6-month Treasury Bill was 0.06%. A two-year Treasury Note was .42%. The State of California Local Agency Investment Fund (LAIF) yield was 0.24%.

Attached with the current investment strategy is a schedule that lists the average maturities and yield for the commingled funds over the past six months. A chart of investment concentration and maturity is provided for the Treasury Pool. Also included is a chart showing the one-year history of the pool and selected interest rates.

Securities are purchased with the expectation that they will be held to maturity, so unrealized gains or losses are not reflected in the yield calculations.

The market values of securities were taken from pricing services provided by Bank of New York, Bloomberg Analytics, dealer quotes, and an independent pricing service.

The investment portfolio is in compliance with the current investment policy as indicated in the attached report from the County Auditor. A combination of securities maturing, new revenues, and tax receipts will adequately cover the anticipated cash flow needs for the next six months. Cash flows are continually monitored and are considered paramount in the selection of securities purchased for the Pool.

If any Board member would like further information on this report, please let me know.

Attachments



Quarterly Investment Report

March 31, 2014



Santa Clara County Commingled Pool and Segregated Investments

March 31, 2014

Fund	Cost Value***	Market Value	Variance	% Variance
Commingled Investment Pool	\$4,567,822,449	\$4,572,241,449	\$4,419,000	0.10%
Retiree Health Fixed Income*	\$4,789,337	\$4,791,818	\$2,481	0.05%
Worker's Compensation	\$27,010,639	\$27,033,829	\$23,190	0.09%
Mountain View-Los Altos	\$2,015,034	\$2,016,277	\$1,243	0.06%
Palo Alto Unified	\$878,455	\$881,112	\$2,657	0.30%
Park Charter Fund	\$11,525,998	\$11,490,048	-\$35,950	-0.31%
San Jose-Evergreen	\$19,639,931	\$19,596,431	-\$43,500	-0.22%
West Valley Mission CCD - Building Fund	\$17,819,901	\$17,846,193	\$26,292	0.15%
Medical Malpractice Insurance Fund (1)	\$14,145,961	\$14,152,192	\$6,231	0.04%
Total	\$4,665,647,706	\$4,670,049,351	\$4,401,645	0.09%

(1) Managed by Chandler Asset Management, Inc.

Summary of Yields** for Select Santa Clara County Investment Funds

Fund	2014			2013
	<u>Jan 31</u>	<u>Feb 28</u>	<u>Mar 31</u>	<u>Mar 31</u>
Commingled Investment Pool	0.50%	0.49%	0.49%	0.49%
Retiree Health Fixed Income	0.68%	0.68%	0.63%	2.65%
Worker's Compensation	NA	NA	1.21%	NA
Weighted Yield	0.50%	0.49%	0.49%	0.65%

*These accounts reflect two components of the Retiree Health Fund. The third component is included in the Commingled Pool.

**Yield to maturity (YTM) is the rate of return paid on a bond, note, or other fixed income security if the investor buys and holds it to its maturity date and if the coupon interest paid over the life of the bond is reinvested at the same rate as the coupon rate. The calculation for YTM is based on the coupon rate, length of time to maturity, and market price at time of purchase.

Yield is a snapshot measure of the yield of the portfolio on the day it was measured based on the current portfolio holdings on that day. This is not a measure of total return, and is not intended to be, since it does not factor in unrealized capital gains and losses and reinvestment rates are dependent upon interest rate changes

***Cost Value is the amortized book value of the securities as of the date of this report.



Santa Clara County Commingled Pool and Segregated Investments

Portfolio Strategy

March 31, 2014

March's job report and refinements of the prior months showed a modest improvement in hiring and was in line with expectations. The Fed will most likely not change direction based on the data to date. All longer term rates declined after the employment report, showing a general consensus that there will be little change in Fed policy in the near term. There is little on the horizon that would indicate significant changes in the economy and the ongoing gridlock in Washington will not provide any meaningful legislation to stimulate growth. There may be a topping of the equity markets as new quarterly earnings reports may not show enough improvement to support the robust market of the past year. If this is correct, then there will be little reason to expect rates to rise in the next few months.

The County's investment program continues to face a challenge in this low interest rate environment to provide meaningful earnings for the funds that are being managed. Overnight rates generally are 5 basis points or less and longer term agency discount notes are about 10 basis points. Much of the new tax revenues will be placed in fairly short-term maturities based on cash flow needs of the program, but when high quality corporate notes become available, some longer term purchases will be made to support the yield of the pool. Asset back securities also offer the opportunity to enhance portfolio yield. At this time they only represent about 2% of the portfolio. The Investment Unit will consider the merits of increasing the amount invested in this type of security. We will only purchase the highest rated securities, and in addition to reviewing the rating agency classifications, will limit purchases to well-known issuers who have stable forecasts. This area represents an opportunity to enhance portfolio yield with very little risk. As always cash flows and safety are paramount in investment decisions.

It appears unlikely that we will get out of this low rate environment for some time and efforts to provide significant earnings will remain a difficult challenge in the months ahead.

As discussed in last quarter's report the Retiree Health Specific Investments has been reduced to two fixed income securities and the pages in this report have been removed since there is no change in activity.



Santa Clara County Commingled Pool and Segregated Investments

Portfolio Compliance, Review, and Monitoring

March 31, 2014

Yield and Weighted Average Maturity

The yield of the Commingled Pool is 0.49% and the weighted average life is 426 days.

Compliance

Investment transactions were executed in accordance with the California State Government Code and the County's Investment Policy, as indicated in the attached report from the County Internal Audit Division. The County Treasurer believes the Commingled Pool contains sufficient cash flow liquidity to meet the next six months of expected expenditures.

Review and Monitoring

FTN Financial Main Street Advisors, the County's investment advisor, currently monitors the Treasury Department's investment activities.

Additional Information

Securities are purchased with the expectation that they will be held to maturity, so unrealized gains or losses are not reflected in the yield calculations.

The market values of securities were taken from pricing services provided by the Bank of New York Mellon, Bloomberg Analytics, dealer quotes, and an independent pricing service.

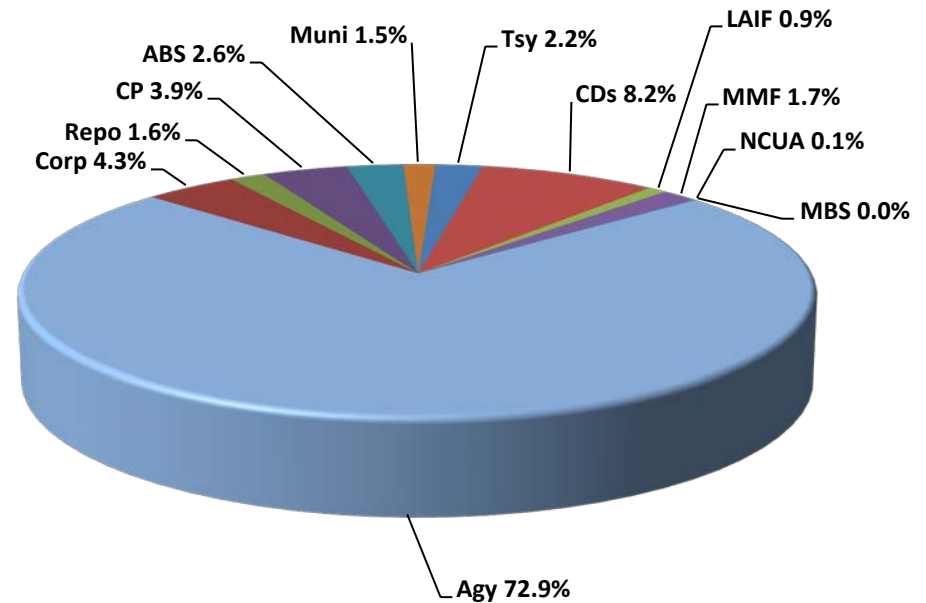


Santa Clara County Commingled Pool

Allocation by Security Types

March 31, 2014

Sector	3/31/2014	12/31/2013	% Chng
Federal Agencies	72.90%	71.62%	1.3%
Corporate Bonds	4.34%	3.53%	0.8%
Repurchase Agreements	1.64%	2.49%	-0.8%
Commercial Paper	3.94%	4.15%	-0.2%
Asset-Backed Securities	2.60%	2.25%	0.4%
Municipal Securities	1.47%	1.26%	0.2%
U.S. Treasuries	2.19%	1.85%	0.3%
Negotiable CDs	8.21%	7.10%	1.1%
LAIF	0.88%	0.74%	0.1%
Money Market Funds	1.72%	4.92%	-3.2%
NCUA Corporate Bonds**	0.11%	0.09%	0.0%
Mortgage-Backed Securities	0.00%	0.00%	0.0%
Total	100.00%	100.00%	



Sector	3/31/2014	12/31/2013
Federal Agencies	3,330,050,371	3,881,002,961
Corporate Bonds	198,448,397	191,423,586
Repurchase Agreements	75,000,000	135,000,000
Commercial Paper	179,909,403	224,903,664
Asset-Backed Securities	118,787,367	121,749,179
Municipal Securities	66,942,384	68,198,682
U.S. Treasuries	100,029,933	100,025,928
Negotiable CDs	375,002,515	385,001,231
LAIF	40,000,000	40,000,000
Money Market Funds	78,654,165	266,774,590
NCUA Corporate Bonds**	4,997,914	4,997,478
Mortgage-Backed Securities	-	-
Total	4,567,822,449	5,419,077,301

* Amounts are in base upon book value

**Bonds are guaranteed by the NCUA (National Credit Union Association)

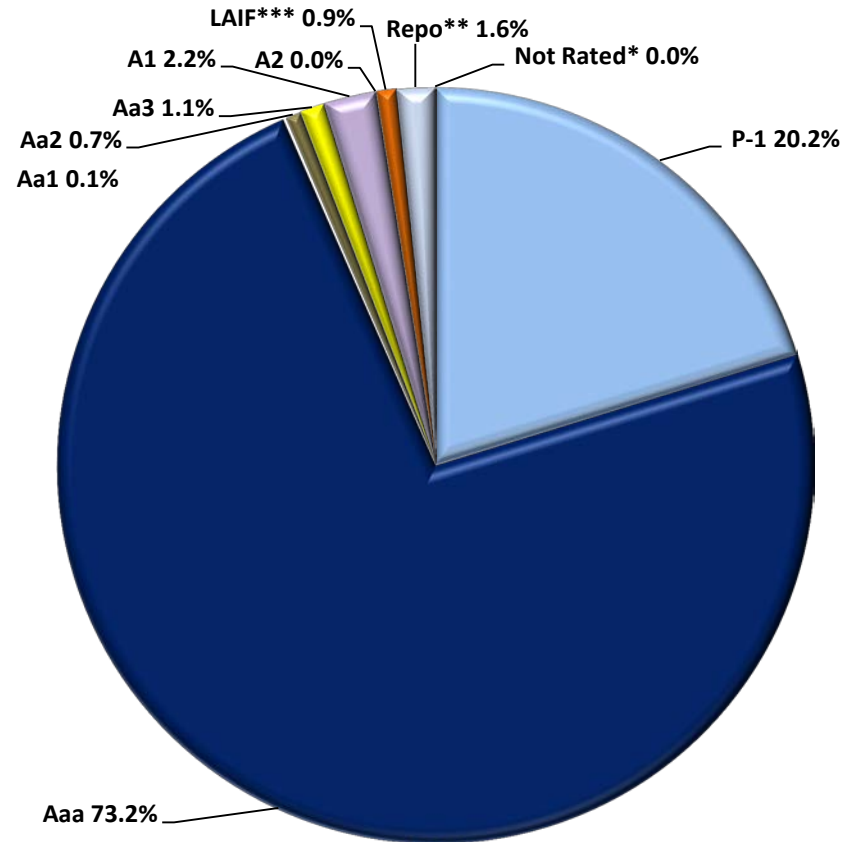


Santa Clara County Commingled Pool

Allocation by Ratings

March 31, 2014

Moody's Rating	Portfolio \$	Portfolio %
P-1	924,741,017	20.2%
Aaa	3,341,660,207	73.2%
Aa1	5,000,000	0.1%
Aa2	30,015,576	0.7%
Aa3	48,464,470	1.1%
A1	101,860,655	2.2%
A2	-	0.0%
A3	-	0.0%
LAIF***	40,000,000	0.9%
Repo**	75,000,000	1.6%
Not Rated*	1,080,525	0.0%
Total	4,567,822,449	100.0%



*Not Rated by Moody's but A-1+ by S&P

**Repurchase Agreements are not rated, but are collateralized by U.S. Treasury securities

***LAIF is not rated, but is comprised of State Code allowable securities

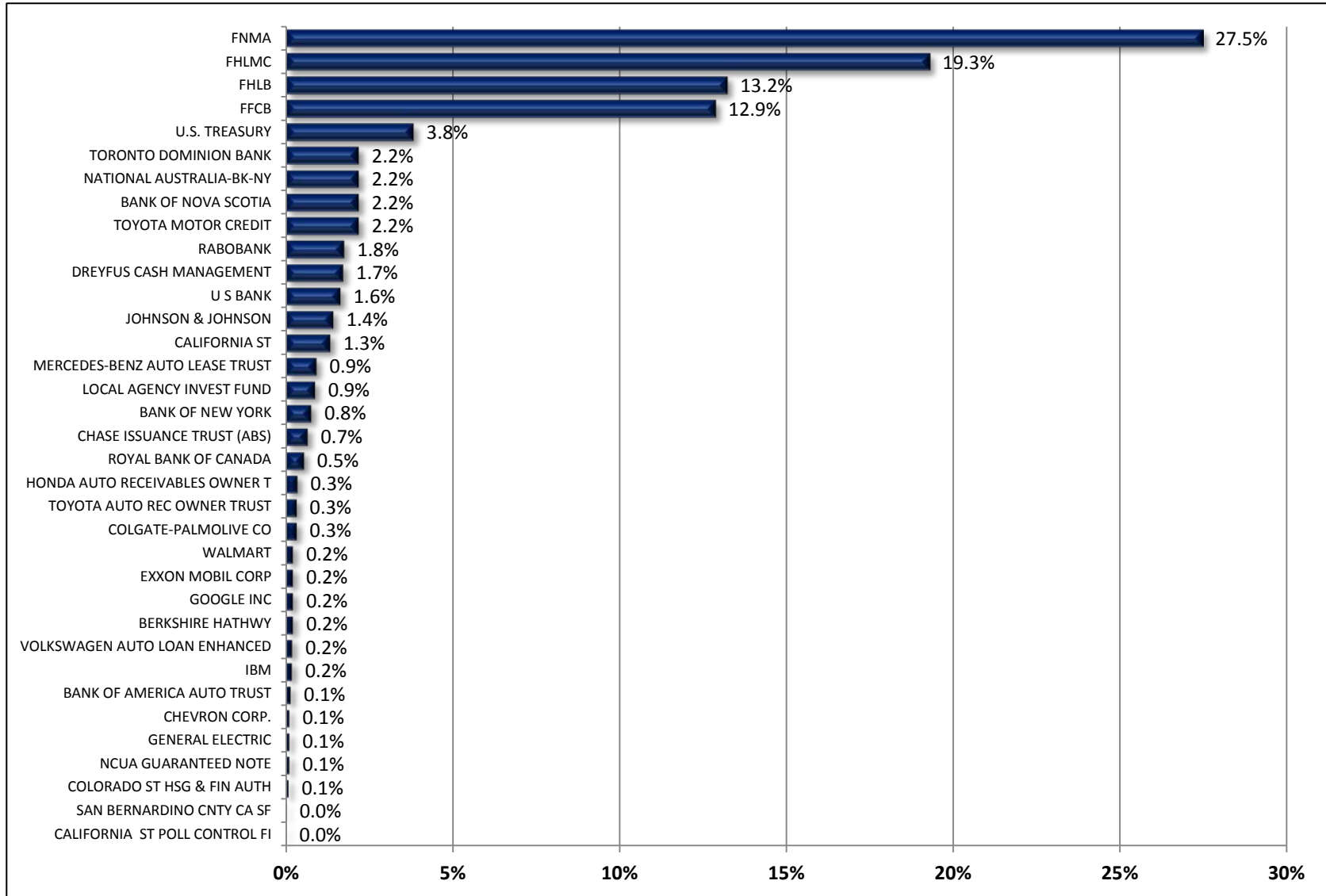
Amounts are based on book values



Santa Clara County Commingled Pool

Holdings by Issuer - Percent of Commingled Pool

March 31, 2014



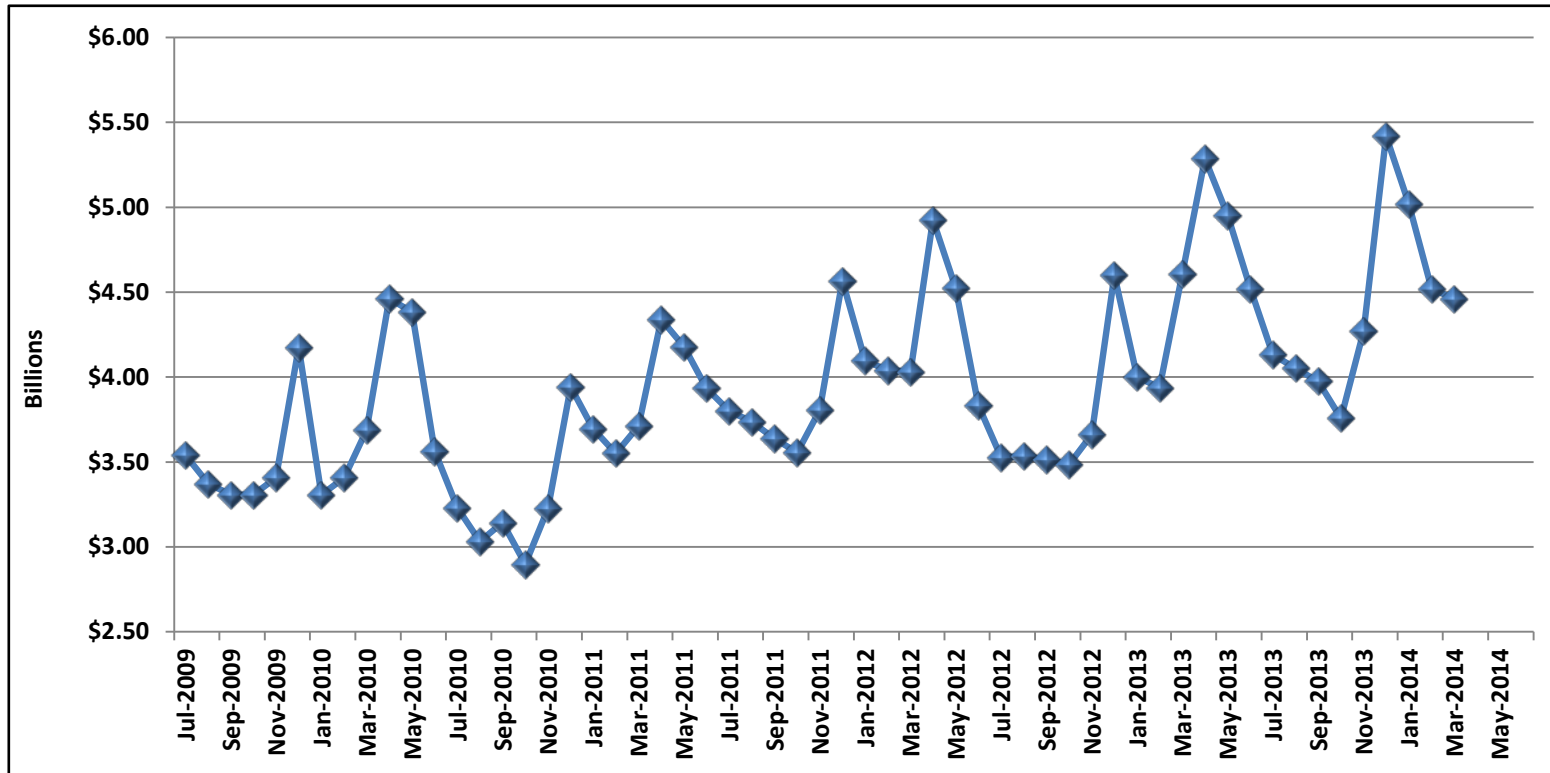
Amounts are based upon book values



Santa Clara County Commingled Pool

Historical Month End Book Values

March 31, 2014



Fiscal Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
FY 2010	\$3.541	\$3.373	\$3.307	\$3.307	\$3.408	\$4.175	\$3.307	\$3.408	\$3.687	\$4.463	\$4.384	\$3.536
FY 2011	\$3.230	\$3.032	\$3.143	\$2.898	\$3.227	\$3.943	\$3.695	\$3.551	\$3.712	\$4.339	\$4.179	\$3.935
FY 2012	\$3.801	\$3.736	\$3.637	\$3.555	\$3.805	\$4.567	\$4.097	\$4.040	\$4.032	\$4.926	\$4.525	\$3.833
FY 2013	\$3.508	\$3.517	\$3.515	\$3.469	\$3.645	\$4.600	\$3.918	\$3.982	\$4.606	\$5.286	\$4.952	\$4.521
FY 2014	\$4.133	\$4.052	\$3.975	\$3.758	\$4.271	\$5.419	\$5.019	\$4.520	\$4.461			

Amounts in billions

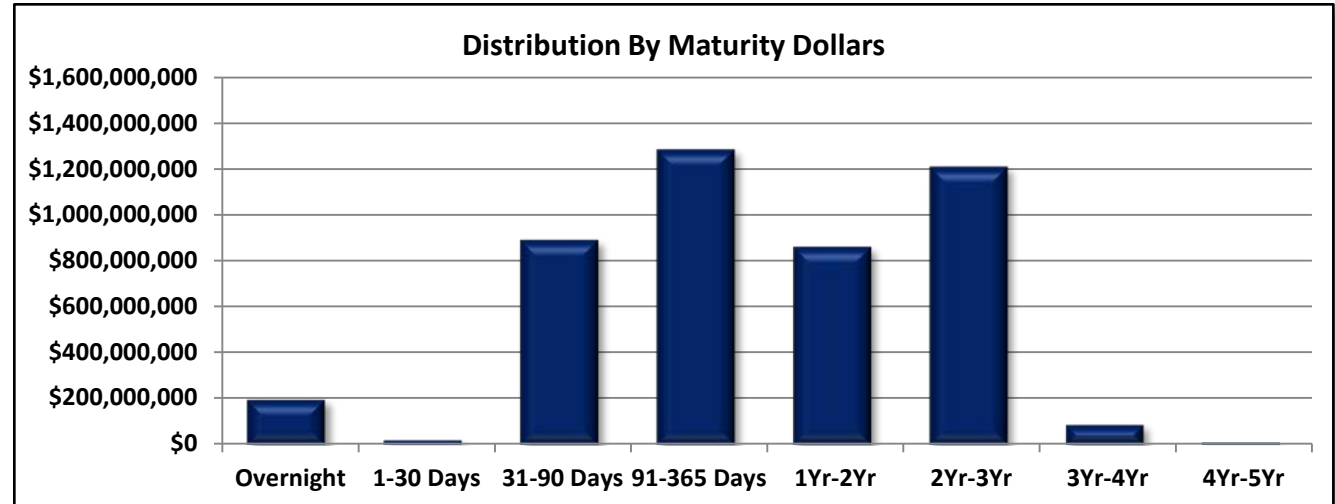


Santa Clara County Commingled Pool

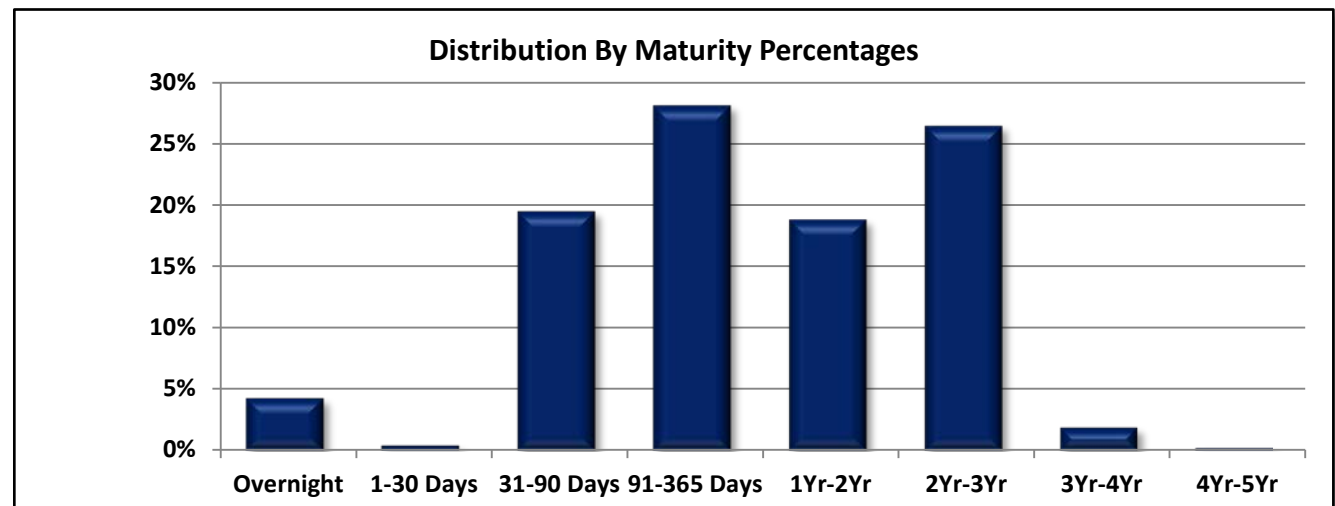
Distribution by Maturity

March 31, 2014

Maturity	Amount*
Overnight	196,754,165
1-30 Days	19,750,606
31-90 Days	892,136,612
91-365 Days	1,287,394,692
1Yr-2Yr	862,327,659
2Yr-3Yr	1,211,825,754
3Yr-4Yr	87,370,593
4Yr-5Yr	10,262,367
	4,567,822,449



Maturity	Amount*
Overnight	4.31%
1-30 Days	0.43%
31-90 Days	19.53%
91-365 Days	28.18%
1Yr-2Yr	18.88%
2Yr-3Yr	26.53%
3Yr-4Yr	1.91%
4Yr-5Yr	0.22%
	100.00%



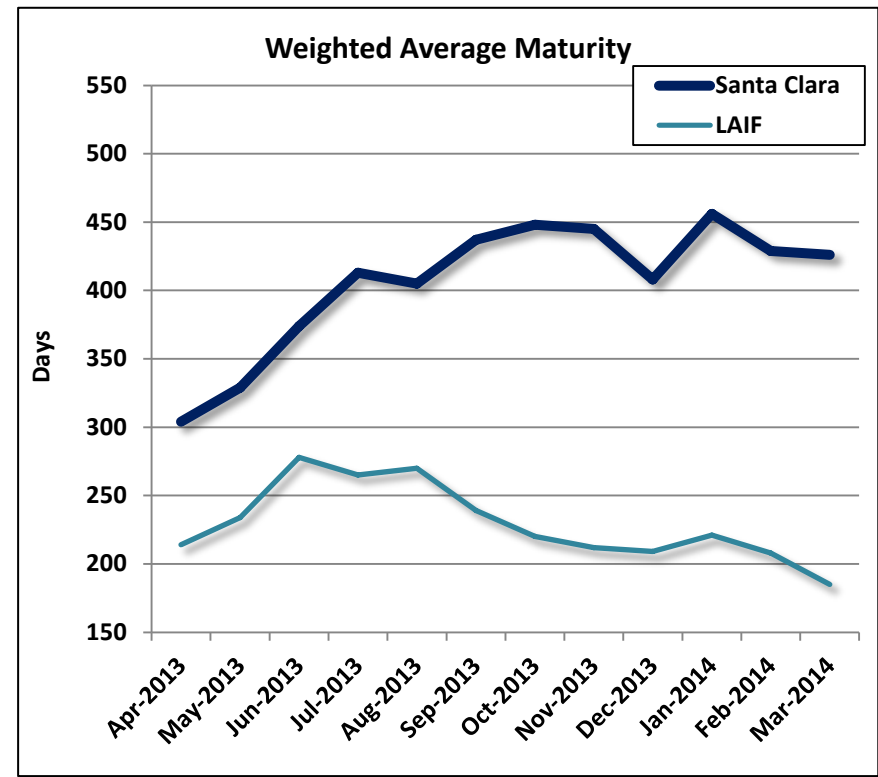
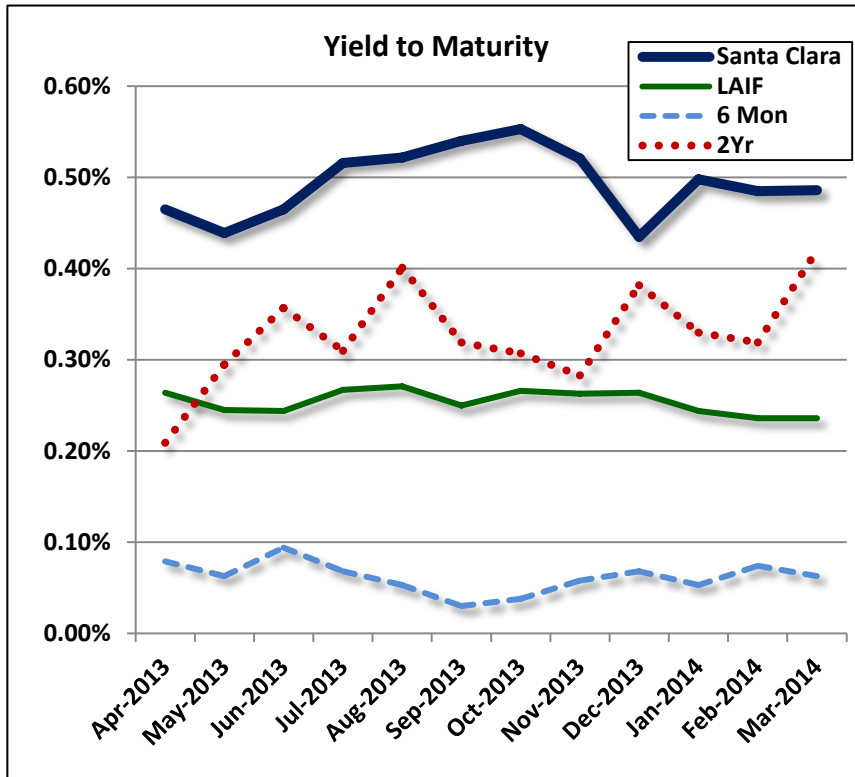
*Amounts are based on book value



Santa Clara County Commingled Pool

Yield to Maturity and Weighted Average Maturity

March 31, 2014



Item	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14
SCC YTM	0.47%	0.44%	0.47%	0.52%	0.52%	0.54%	0.55%	0.52%	0.44%	0.50%	0.49%	0.49%
LAIF YTM	0.26%	0.25%	0.24%	0.27%	0.27%	0.25%	0.27%	0.26%	0.26%	0.24%	0.24%	0.24%
6 Mon T-Bill	0.08%	0.06%	0.09%	0.07%	0.05%	0.03%	0.04%	0.06%	0.07%	0.05%	0.07%	0.06%
2Yr T-Note	0.21%	0.30%	0.36%	0.31%	0.40%	0.32%	0.31%	0.28%	0.38%	0.33%	0.32%	0.42%
SCC WAM	304	329	374	413	405	437	448	445	408	456	429	426
LAIF WAM	214	234	278	265	270	239	220	212	209	221	208	185

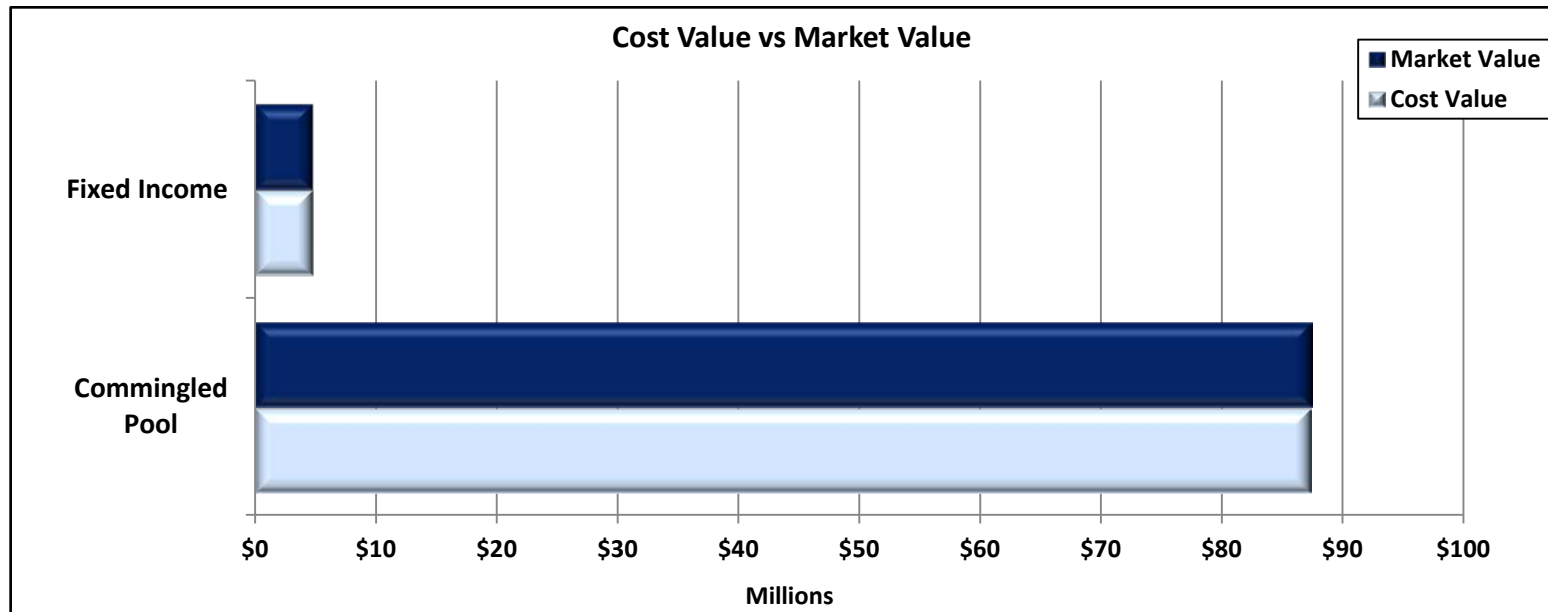


Santa Clara County Retiree Health Fund

Month End Cost and Market Values

March 31, 2014

Segment	Cost Value	Market Value	Variance
Fixed Income	4,789,337	4,791,818	2,481
Commingled Pool	87,360,245	87,444,984	84,739
Total Fund	92,149,582	92,236,803	87,220

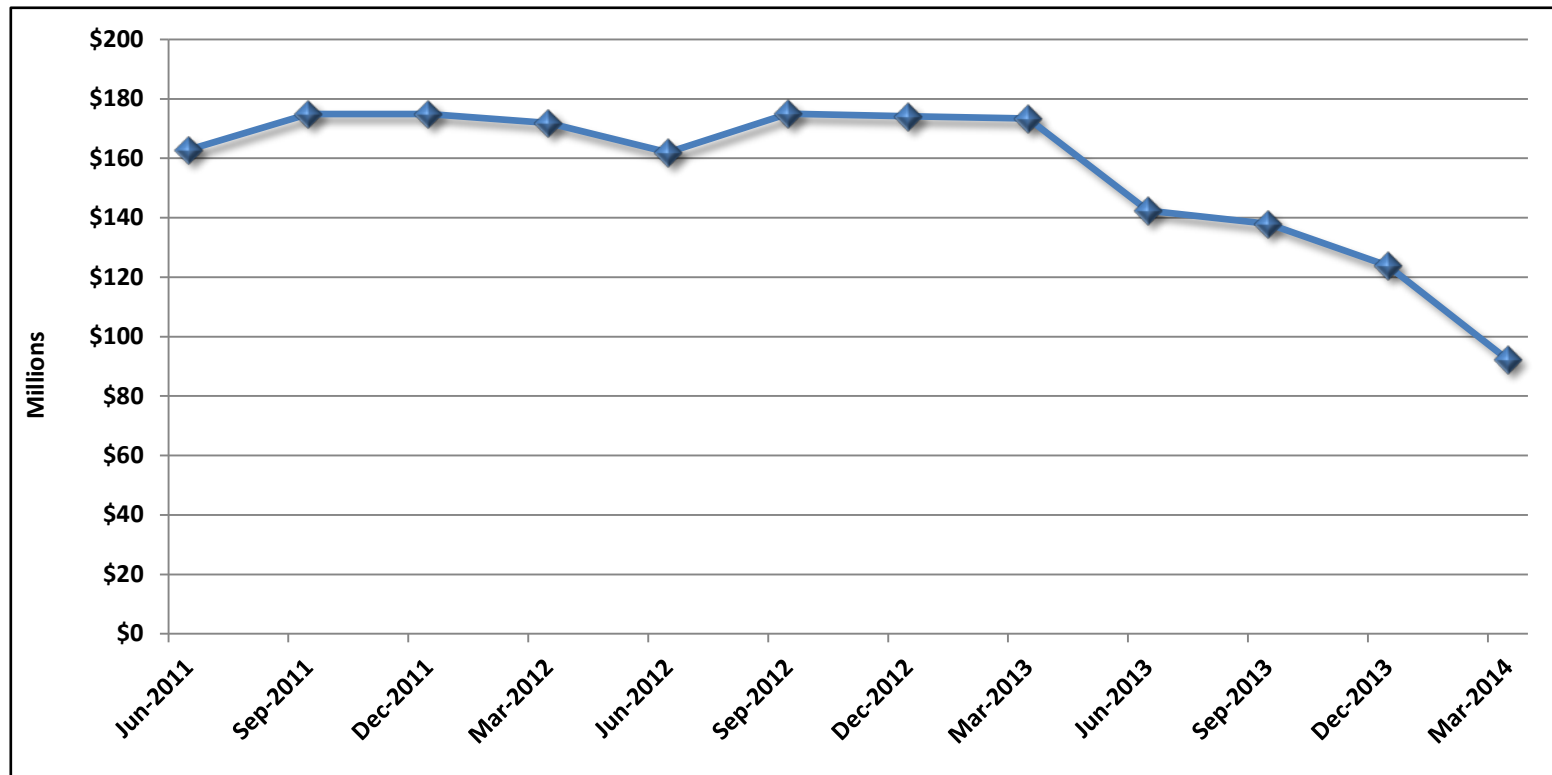




Santa Clara County Retiree Health Fund

Historical Quarter End Market Values

March 31, 2014



Quarter	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14
\$Millions	162.824	174.911	174.911	171.882	161.938	175.019	174.139	173.338	142.404	137.950	123.863	92.237



Santa Clara County

Approved Issuers and Broker/Dealers

March 31, 2014

Direct Commercial Paper Issuers

General Electric Company
Toyota Motor Credit Corp
US Bancorp
Wells Fargo & Co

Broker/Dealers

Barclays Capital, Inc
Blaylock Robert Van, LLC
BNP Paribas Securities Corp
Cantor Fitzgerald & Co
Citigroup Global Markets Inc
Daiwa Capital Markets America Inc
Deutsche Bank Securities Inc
FTN Financial, Inc
Goldman, Sachs & Co
Jefferies & Co
JP Morgan Securities, Inc
Keyban Capital Markets, Inc
Merrill Lynch & Co Inc
Mizuho Securities USA, Inc
Morgan Stanley & Co Inc
Nomura Securities International Inc
Piper Jaffray & Co
Raymond James, Inc.
RBC Capital Markets, Inc
UBS Securities LLC
Wells Fargo Institutional Securities



Santa Clara County Commingled Pool

Compliance with Investment Policy

March 31, 2014

Item/Sector	Parameters	In Compliance
Maturity	Weighted Average Maturity (WAM) must be less than 18 months	Yes
Interest Periods	Securities must pay interest within one year of the initial investment and at least semiannually in subsequent years	Yes
Investment Swaps	Similar duration swaps, so as not to affect cash flow needs, should have minimum 5 basis point gain	Yes
U.S. Treasuries	No sector limit, no issuer limit, max maturity 5 years	Yes
U.S. Federal Agencies	No sector limit, no issuer limit, max maturity 5 years	Yes
LAIF	No sector limit, no issuer limit, CA State's deposit limit \$50 million	Yes
Repurchase Agreements	No sector limit, no Issuer limit, max maturity 92 days, treasury and agency collateral at 102% of investment, if maturity exceeds 15 days, must be collateralized by securities with 5 years or less maturities	Yes
Commercial Paper	Sector limit 40%, issuer limit 10%, max maturity 270 days, rated by at least two: A-1 (S&P), P-1 (Moody's), F-1 (Fitch), issued by domestic corporation w/ at least \$500 million of assets, and long term debt rated by at least two: AA- (S&P/Fitch)/Aa3 (Moody's)	Yes
Corporate Bonds	Sector limit 30%, issuer limit 3%, max maturity 5 years, AA- (S&P/Fitch)/Aa3 (Moody's), issued by domestic corps/depositories	Yes
Money Market Funds	Sector limit 20%, issuer limit 10%, rated by at least two: AAA (S&P/Fitch)/Aaa (Moody's), MMF has at least \$500 mil managed	Yes
Negotiable Certificates of Deposit	Sector limit 30%, issuer limit 2.25%, max maturity 5 years, if under 1 year rated by at least two: A-1 (S&P), P-1 (Moody's), F-1 (Fitch), if greater than 1 year rated by at least two: AA- (S&P/Fitch)/Aa3 (Moody's), issued by national/state chartered banks	Yes
Municipal Securities	Sector limit 10%, no issuer limit, State of CA, local CA agencies, and other municipal securities of the other 49 states, if long-term rated, then by at least two: A- (S&P/Fitch)/A3 (Moody's), if short-term rated, then by at least two: SP-1 (S&P), MIG-1 (Moody's), F-1 (Fitch), revenue based bonds payable solely out of the States' or local agencies' revenues	Yes
Mortgage-Backed Securities	Sector limit 20% in aggregate with ABS, no issuer limit, max maturity 5 years, collateralized by pools of conforming residential mortgage loans insured by FHLMC/FNMA and residential mortgages guaranteed by FHA (GNMA)	Yes
Asset-Backed Securities	Sector limit 20% in aggregate with ABS, no issuer limit, max maturity 5 years, collateralized by pools of loans such as installment/receivables, security must be rated by at least two: AA- (S&P/Fitch), Aa3 (Moody's), issuer rated by at least two: A- (S&P/Fitch), A3 (Moody's)	Yes
Bankers' Acceptances	Sector limit 40%, issuer limit 6%, max maturity 180 days, rated by at least two: A-1 (S&P), P-1 (Moody's), F-1 (Fitch), issued by commercial banks	Yes, None in Portfolio
Securities Lending	Sector limit 20%, max maturity 92 days for loans and reinvestment, loan counterparty must be a primary dealer, loaned securities must be owned for at least 30 days	Yes, None in Portfolio

SANTA CLARA COUNTY INVESTMENTS
Fund COMM - COMMINGLED POOL
Investments by Fund
March 31, 2014

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Negotiable CDs											
06417FXR6	34332	BANK OF NOVA SCOTIA	06/12/2013	25,000,000.00	25,000,000.00	25,007,075.00	0.300	0.300	0.304	06/12/2014	72
06417F5G1	34559	BANK OF NOVA SCOTIA	09/30/2013	25,000,000.00	25,000,000.00	25,005,475.00	0.250	0.250	0.253	06/27/2014	87
06417F6H8	34596	BANK OF NOVA SCOTIA	10/22/2013	15,000,000.00	15,000,000.00	15,004,125.00	0.650	0.641	0.650	10/22/2015	569
06417HHP4	34962	BANK OF NOVA SCOTIA	03/27/2014	35,000,000.00	35,000,000.00	34,991,915.00	0.250	0.249	0.253	01/02/2015	276
63253TVX3	34626	NATIONAL AUSTRALIA-BK-NY	11/05/2013	25,000,601.67	25,000,000.00	25,003,025.00	0.190	0.032	0.032	06/27/2014	87
63253TWA2	34712	NATIONAL AUSTRALIA-BK-NY	12/06/2013	50,000,000.00	50,000,000.00	50,002,100.00	0.210	0.206	0.209	09/02/2014	154
63253TWU8	34963	NATIONAL AUSTRALIA-BK-NY	03/27/2014	25,000,000.00	25,000,000.00	24,992,125.00	0.200	0.199	0.202	01/09/2015	283
21684BME1	34672	RABOBANK	11/22/2013	50,000,000.00	50,000,000.00	50,012,200.00	0.235	0.231	0.234	06/23/2014	83
78009NCV6	32176	ROYAL BANK OF CANADA	12/21/2011	25,000,000.00	25,000,000.00	25,038,350.00	1.100	1.084	1.100	06/20/2014	80
89112TXL3	34801	TORONTO DOMINION BANK	12/12/2013	50,000,000.00	50,000,000.00	50,001,500.00	0.165	0.165	0.167	06/12/2014	72
89112TY24	34903	TORONTO DOMINION BANK	03/03/2014	50,001,913.75	50,000,000.00	49,990,350.00	0.185	0.180	0.182	01/02/2015	276
Subtotal and Average				375,002,515.42	375,000,000.00	375,048,240.00		0.278	0.282		167
Mortgage Backed Securities (MBS)											
31398JNB5	30100	FHLMC	11/02/2010	0.00	0.00	0.00	1.850	0.968	0.982	08/15/2014	136
Subtotal and Average				0.00	0.00	0.00		0.000	0.000		0
Repurchase Agreements											
SYS34964	34964	U.S. TREASURY NOTES	03/28/2014	50,000,000.00	50,000,000.00	50,000,000.00	0.030	0.030	0.030	04/01/2014	0
SYS34965	34965	U.S. TREASURY NOTES	03/28/2014	25,000,000.00	25,000,000.00	25,000,000.00	0.030	0.030	0.030	04/01/2014	0
Subtotal and Average				75,000,000.00	75,000,000.00	75,000,000.00		0.030	0.030		0
Federal Agency Bonds											
3133EARQ3	32782	FFCB NOTES	05/23/2012	9,987,735.50	10,000,000.00	10,028,860.00	0.500	0.592	0.600	06/23/2015	448
3133EAW20	33563	FFCB NOTES	09/19/2012	24,997,740.48	25,000,000.00	25,007,625.00	0.230	0.268	0.271	06/19/2014	79
3133EAZ68	33610	FFCB NOTES	09/25/2012	14,996,662.50	15,000,000.00	15,019,320.00	0.400	0.409	0.415	09/25/2015	542
3133EA4S4	33725	FFCB NOTES	11/02/2012	19,993,518.47	20,000,000.00	20,014,700.00	0.250	0.305	0.310	10/16/2014	198
3133EA6W3	33726	FFCB NOTES	11/05/2012	19,995,244.44	20,000,000.00	20,017,840.00	0.270	0.305	0.310	11/05/2014	218
3133EA7L6	33735	FFCB NOTES	11/09/2012	9,997,912.78	10,000,000.00	10,008,720.00	0.400	0.407	0.413	11/09/2015	587
3133EC5Q3	33784	FFCB NOTES	12/03/2012	10,000,000.00	10,000,000.00	10,016,500.00	0.330	0.325	0.330	03/16/2015	349
3133EC5Q3	33787	FFCB NOTES	12/03/2012	10,000,000.00	10,000,000.00	10,016,500.00	0.330	0.325	0.330	03/16/2015	349

Fund COMM - COMMINGLED POOL
Investments by Fund
March 31, 2014

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Federal Agency Bonds											
3133EC7H1	33822	FFCB NOTES	12/17/2012	19,993,386.67	20,000,000.00	20,016,040.00	0.340	0.359	0.364	08/17/2015	503
3133EAHP6	33835	FFCB NOTES	12/12/2012	21,040,408.23	21,000,000.00	21,072,954.00	0.520	0.313	0.318	03/16/2015	349
3133EC5T7	33843	FFCB NOTES	12/12/2012	47,500,562.50	47,500,000.00	47,513,727.50	0.250	0.239	0.243	06/04/2014	64
3133EC5U4	33864	FFCB NOTES	12/18/2012	34,999,819.68	35,000,000.00	35,015,330.00	0.250	0.248	0.251	07/07/2014	97
3133ECSP0	34343	FFCB NOTES	06/24/2013	14,999,815.42	15,000,000.00	15,017,130.00	0.330	0.326	0.331	06/24/2015	449
3133EARQ3	34561	FFCB NOTES	09/30/2013	40,098,190.69	40,000,000.00	40,115,440.00	0.500	0.295	0.299	06/23/2015	448
3133ECX74	34628	FFCB NOTES	11/06/2013	50,015,983.53	50,000,000.00	50,030,200.00	0.300	0.271	0.275	07/13/2015	468
3133EARQ3	34636	FFCB NOTES	11/07/2013	15,044,124.57	15,000,000.00	15,043,290.00	0.500	0.256	0.259	06/23/2015	448
3133EDBE1	34719	FFCB NOTES	12/09/2013	29,982,885.26	30,000,000.00	29,988,720.00	0.220	0.261	0.264	07/09/2015	464
3133EDBE1	34722	FFCB NOTES	12/10/2013	49,960,558.88	50,000,000.00	49,981,200.00	0.220	0.278	0.282	07/09/2015	464
3133ED7H9	34730	FFCB NOTES	12/11/2013	49,991,497.63	50,000,000.00	50,018,000.00	0.190	0.206	0.209	02/13/2015	318
3133EDC59	34758	FFCB NOTES	12/19/2013	49,966,800.00	50,000,000.00	49,976,900.00	0.250	0.294	0.298	08/19/2015	505
3133EDC59	34759	FFCB NOTES	12/19/2013	19,979,084.00	20,000,000.00	19,990,760.00	0.250	0.321	0.325	08/19/2015	505
3133XUMR1	28136	FHLB NOTES	12/04/2009	16,832,898.45	16,775,000.00	17,012,970.15	3.250	2.393	2.427	09/12/2014	164
3133X7FK5	33523	FHLB NOTES	09/13/2012	20,212,520.00	20,000,000.00	20,221,320.00	5.250	0.400	0.406	06/18/2014	78
313379SK6	33621	FHLB NOTES	09/26/2012	20,004,778.93	20,000,000.00	20,016,420.00	0.400	0.300	0.305	07/02/2014	92
313373JR4	33836	FHLB NOTES	12/12/2012	35,063,187.64	35,000,000.00	35,070,595.00	1.375	0.228	0.232	05/28/2014	57
313379SK6	33858	FHLB NOTES	12/14/2012	12,004,422.80	12,000,000.00	12,009,852.00	0.400	0.250	0.253	07/02/2014	92
3133X7FK5	33859	FHLB NOTES	12/14/2012	27,833,528.81	27,540,000.00	27,844,757.64	5.250	0.250	0.254	06/18/2014	78
3133XWE70	33860	FHLB NOTES	12/14/2012	15,494,108.58	15,425,000.00	15,499,518.18	2.500	0.250	0.254	06/13/2014	73
313379DD8	33890	FHLB NOTES	12/31/2012	25,246,950.31	25,000,000.00	24,939,950.00	1.000	0.678	0.688	06/21/2017	1,177
3133834R9	34257	FHLB NOTES	05/10/2013	14,981,032.34	15,000,000.00	14,938,740.00	0.375	0.426	0.432	06/24/2016	815
3133834R9	34261	FHLB NOTES	05/13/2013	34,935,065.17	35,000,000.00	34,857,060.00	0.375	0.452	0.458	06/24/2016	815
313381YP4	34270	FHLB NOTES	05/16/2013	9,999,899.37	10,000,000.00	10,008,410.00	0.250	0.247	0.251	02/20/2015	325
3133834R9	34533	FHLB NOTES	09/17/2013	24,816,163.74	25,000,000.00	24,897,900.00	0.375	0.698	0.708	06/24/2016	815
313373SZ6	34652	FHLB NOTES	11/14/2013	23,120,142.85	22,355,000.00	23,098,594.37	2.125	0.542	0.550	06/10/2016	801
313373SZ6	34663	FHLB NOTES	11/19/2013	25,891,158.79	25,000,000.00	25,831,575.00	2.125	0.479	0.486	06/10/2016	801
313383V81	34668	FHLB NOTES	11/21/2013	30,037,726.53	30,000,000.00	30,039,990.00	0.375	0.281	0.285	08/28/2015	514
313383V81	34671	FHLB NOTES	11/22/2013	18,630,658.23	18,605,000.00	18,629,800.47	0.375	0.272	0.276	08/28/2015	514
313373SZ6	34682	FHLB NOTES	11/26/2013	51,786,040.48	50,000,000.00	51,663,150.00	2.125	0.476	0.483	06/10/2016	801
313373SZ6	34749	FHLB NOTES	12/17/2013	15,527,870.16	15,000,000.00	15,498,945.00	2.125	0.500	0.507	06/10/2016	801
3130A0FX3	34779	FHLB NOTES	12/27/2013	15,000,000.00	15,000,000.00	15,003,825.00	0.210	0.207	0.210	02/18/2015	323

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Fund COMM - COMMINGLED POOL
Investments by Fund
March 31, 2014

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Federal Agency Bonds											
3130A0KC3	34800	FHLB NOTES	01/06/2014	19,990,527.78	20,000,000.00	19,994,820.00	0.125	0.184	0.187	01/06/2015	280
3130A0KC3	34818	FHLB NOTES	01/13/2014	14,994,040.37	15,000,000.00	14,996,115.00	0.125	0.174	0.177	01/06/2015	280
3130A0SD3	34848	FHLB NOTES	01/24/2014	9,986,166.98	10,000,000.00	9,994,800.00	0.380	0.447	0.453	02/19/2016	689
3128X23A1	29957	FHLMC NOTES	09/30/2010	6,769,628.73	6,769,000.00	6,769,000.00	4.500	1.068	1.083	04/02/2014	1
3128X33E1	30273	FHLMC NOTES	12/02/2010	9,356,184.93	9,102,000.00	9,459,235.30	5.050	1.499	1.520	01/26/2015	300
3128X33E1	30285	FHLMC NOTES	12/03/2010	1,289,904.80	1,255,000.00	1,304,256.24	5.050	1.512	1.533	01/26/2015	300
3134G2UA8	32003	FHLMC NOTES	09/29/2011	20,025,717.00	20,000,000.00	20,058,980.00	1.000	0.888	0.901	08/20/2014	141
3134G2UA8	32004	FHLMC NOTES	09/29/2011	30,040,201.84	30,000,000.00	30,088,470.00	1.000	0.869	0.881	08/20/2014	141
3134G2UA8	32007	FHLMC NOTES	09/30/2011	15,020,048.08	15,000,000.00	15,044,235.00	1.000	0.640	0.649	08/20/2014	141
3137EACY3	32019	FHLMC NOTES	10/06/2011	24,998,238.26	25,000,000.00	25,069,325.00	0.750	0.750	0.761	11/25/2014	238
3137EACH0	32087	FHLMC NOTES	11/17/2011	20,349,561.45	20,000,000.00	20,447,940.00	2.875	0.790	0.801	02/09/2015	314
3134G2UA8	32117	FHLMC NOTES	11/29/2011	35,033,821.92	35,000,000.00	35,103,215.00	1.000	0.736	0.746	08/20/2014	141
3134G2UA8	32127	FHLMC NOTES	12/01/2011	25,029,674.16	25,000,000.00	25,073,725.00	1.000	0.679	0.689	08/20/2014	141
3134A4UU6	32169	FHLMC NOTES	12/19/2011	25,315,846.65	25,000,000.00	25,352,150.00	5.000	0.578	0.587	07/15/2014	105
3128X23A1	32171	FHLMC NOTES	12/19/2011	8,980,977.76	8,980,000.00	8,980,000.00	4.500	0.542	0.549	04/02/2014	1
3134G3H78	33442	FHLMC NOTES	08/30/2012	19,997,964.17	20,000,000.00	20,007,440.00	0.350	0.360	0.365	12/05/2014	248
3134G3YW4	33444	FHLMC NOTES	08/30/2012	10,001,433.15	10,000,000.00	10,004,430.00	0.375	0.335	0.339	08/28/2014	149
3134G2UA8	33445	FHLMC NOTES	08/30/2012	10,599,826.23	10,573,000.00	10,604,179.78	1.000	0.335	0.340	08/20/2014	141
3134G3J76	33454	FHLMC NOTES	08/30/2012	10,000,615.22	10,000,000.00	10,013,360.00	0.450	0.439	0.445	09/04/2015	521
3134G3J76	33552	FHLMC NOTES	09/17/2012	10,001,442.36	10,000,000.00	10,013,360.00	0.450	0.535	0.543	09/04/2015	521
3137EACW7	33721	FHLMC NOTES	11/01/2012	20,657,998.25	20,000,000.00	20,649,340.00	2.000	0.602	0.610	08/25/2016	877
3137EACU1	33833	FHLMC NOTES	12/11/2012	50,125,566.21	50,000,000.00	50,138,100.00	1.000	0.235	0.238	07/30/2014	120
3137EADQ9	34532	FHLMC NOTES	09/17/2013	24,880,439.33	25,000,000.00	24,996,500.00	0.500	0.718	0.728	05/13/2016	773
3137EADS5	34543	FHLMC NOTES	09/23/2013	10,011,028.97	10,000,000.00	10,030,190.00	0.875	0.819	0.830	10/14/2016	927
3137EADQ9	34723	FHLMC NOTES	12/10/2013	50,040,238.49	50,000,000.00	49,993,000.00	0.500	0.455	0.461	05/13/2016	773
3134G36G0	34724	FHLMC NOTES	12/10/2013	25,031,252.73	25,000,000.00	25,031,900.00	0.350	0.217	0.220	03/18/2015	351
3137EADQ9	34751	FHLMC NOTES	12/17/2013	44,421,096.67	44,400,000.00	44,393,784.00	0.500	0.470	0.477	05/13/2016	773
3137EADQ9	34754	FHLMC NOTES	12/18/2013	25,019,248.21	25,000,000.00	24,996,500.00	0.500	0.457	0.463	05/13/2016	773
3134G4CV8	34780	FHLMC NOTES	12/27/2013	8,006,426.78	8,000,000.00	8,001,336.00	0.305	0.195	0.198	01/02/2015	276
3136FPGF8	29930	FNMA NOTES	09/23/2010	25,000,000.00	25,000,000.00	25,376,350.00	1.750	1.726	1.750	03/23/2015	356
31398A4M1	30108	FNMA NOTES	11/03/2010	25,093,336.87	25,000,000.00	25,511,900.00	1.625	1.359	1.378	10/26/2015	573
31359MWJ8	30999	FNMA NOTES	03/08/2011	25,379,025.44	25,000,000.00	25,610,475.00	4.625	1.688	1.711	10/15/2014	197

Portfolio SCL2

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Fund COMM - COMMINGLED POOL
Investments by Fund
March 31, 2014

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Federal Agency Bonds											
3135G0BJ1	31485	FNMA NOTES	05/16/2011	24,997,314.90	25,000,000.00	25,062,050.00	1.125	1.154	1.171	06/27/2014	87
3135G0DW0	31996	FNMA NOTES	09/27/2011	34,996,779.56	35,000,000.00	35,095,760.00	0.625	0.632	0.641	10/30/2014	212
3135G0FY4	32088	FNMA NOTES	11/17/2011	29,999,791.19	30,000,000.00	30,133,680.00	0.750	0.740	0.751	12/19/2014	262
3135G0BY8	32161	FNMA NOTES	12/15/2011	35,031,039.21	35,000,000.00	35,115,780.00	0.875	0.646	0.655	08/28/2014	149
3135G0ES8	32277	FNMA NOTES	02/06/2012	20,215,159.51	20,000,000.00	20,311,200.00	1.375	0.941	0.954	11/15/2016	959
31359M4D2	32308	FNMA NOTES	02/22/2012	16,605,477.39	15,000,000.00	16,740,990.00	5.000	1.132	1.147	02/13/2017	1,049
3135G0NV1	33443	FNMA NOTES	08/30/2012	10,004,943.50	10,000,000.00	10,035,800.00	0.500	0.460	0.466	09/28/2015	545
3135G0BJ1	33524	FNMA NOTES	09/13/2012	25,050,177.80	25,000,000.00	25,062,050.00	1.125	0.468	0.475	06/27/2014	87
3135G0ES8	33714	FNMA NOTES	10/29/2012	20,367,485.71	20,000,000.00	20,311,200.00	1.375	0.654	0.663	11/15/2016	959
3135G0NV1	33722	FNMA NOTES	11/01/2012	20,018,977.08	20,000,000.00	20,071,600.00	0.500	0.429	0.435	09/28/2015	545
3135G0KM4	33777	FNMA NOTES	11/27/2012	20,030,737.78	20,000,000.00	20,069,860.00	0.500	0.361	0.366	05/27/2015	421
31398AXJ6	33844	FNMA NOTES	12/12/2012	50,137,918.13	50,000,000.00	50,146,850.00	2.500	0.234	0.237	05/15/2014	44
31398AXJ6	33857	FNMA NOTES	12/14/2012	25,068,346.38	25,000,000.00	25,073,425.00	2.500	0.254	0.257	05/15/2014	44
31359MWJ8	33866	FNMA NOTES	12/18/2012	25,585,026.64	25,000,000.00	25,610,475.00	4.625	0.265	0.268	10/15/2014	197
3135G0KM4	34269	FNMA NOTES	05/16/2013	25,068,526.89	25,000,000.00	25,087,325.00	0.500	0.258	0.262	05/27/2015	421
3135G0XP3	34271	FNMA NOTES	05/17/2013	19,948,908.51	20,000,000.00	19,922,500.00	0.375	0.481	0.488	07/05/2016	826
3135G0LN1	34524	FNMA NOTES	09/13/2013	25,027,970.34	25,000,000.00	25,088,825.00	0.500	0.404	0.410	07/02/2015	457
3135G0YE7	34555	FNMA NOTES	09/27/2013	24,936,093.90	25,000,000.00	24,985,325.00	0.625	0.722	0.732	08/26/2016	878
3135G0LN1	34564	FNMA NOTES	09/30/2013	10,023,834.49	10,000,000.00	10,035,530.00	0.500	0.304	0.309	07/02/2015	457
3135G0LN1	34633	FNMA NOTES	11/07/2013	10,028,727.56	10,000,000.00	10,035,530.00	0.500	0.266	0.270	07/02/2015	457
3135G0LN1	34634	FNMA NOTES	11/07/2013	30,086,182.69	30,000,000.00	30,106,590.00	0.500	0.266	0.270	07/02/2015	457
3135G0LN1	34635	FNMA NOTES	11/07/2013	10,028,803.36	10,000,000.00	10,035,530.00	0.500	0.265	0.269	07/02/2015	457
3135G0LN1	34651	FNMA NOTES	11/14/2013	10,026,231.63	10,000,000.00	10,035,530.00	0.500	0.285	0.289	07/02/2015	457
3135G0XP3	34664	FNMA NOTES	11/20/2013	14,952,839.68	15,000,000.00	14,941,875.00	0.375	0.508	0.515	07/05/2016	826
3135G0LN1	34667	FNMA NOTES	11/21/2013	30,088,026.51	30,000,000.00	30,106,590.00	0.500	0.261	0.265	07/02/2015	457
3135G0XP3	34692	FNMA NOTES	11/27/2013	24,929,317.38	25,000,000.00	24,903,125.00	0.375	0.574	0.582	07/05/2016	826
3135G0XP3	34720	FNMA NOTES	12/10/2013	29,893,080.00	30,000,000.00	29,883,750.00	0.375	0.526	0.533	07/05/2016	826
3135G0YE7	34721	FNMA NOTES	12/10/2013	25,025,480.28	25,000,000.00	24,985,325.00	0.625	0.574	0.582	08/26/2016	878
3135G0GY3	34738	FNMA NOTES	12/13/2013	30,378,395.30	30,000,000.00	30,332,970.00	1.250	0.786	0.797	01/30/2017	1,035
3135G0XP3	34739	FNMA NOTES	12/13/2013	24,890,657.38	25,000,000.00	24,903,125.00	0.375	0.655	0.665	07/05/2016	826
3135G0XP3	34750	FNMA NOTES	12/17/2013	34,880,670.97	35,000,000.00	34,864,375.00	0.375	0.606	0.615	07/05/2016	826
3135G0ZB2	34913	FNMA NOTES	03/10/2014	9,965,754.38	10,000,000.00	9,925,740.00	0.750	0.852	0.863	04/20/2017	1,115

Portfolio SCL2

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CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Subtotal and Average				2,410,696,240.23	2,400,279,000.00	2,413,121,820.63		0.502	0.509		447
Federal Agency Bonds - CALLABLE											
3130A0J43	34784	FHLB NOTES	12/30/2013	25,653,045.97	25,655,000.00	25,663,722.70	0.210	0.216	0.219	01/20/2015	294
3130A0HH6	34813	FHLB NOTES	01/10/2014	9,935,481.96	10,000,000.00	9,944,590.00	1.000	1.187	1.203	06/27/2017	1,183
3130A0K90	34821	FHLB NOTES	01/15/2014	16,489,725.25	16,500,000.00	16,472,032.50	0.400	0.429	0.435	01/15/2016	654
3130A1CD8	34968	FHLB NOTES	03/28/2014	25,205,562.50	25,000,000.00	25,181,050.00	1.125	0.780	0.791	09/28/2016	911
3134G42L1	34523	FHLMC NOTES	09/13/2013	20,622,107.51	20,781,000.00	20,758,743.55	0.500	0.861	0.872	04/29/2016	759
3134G4JH2	34615	FHLMC NOTES	10/30/2013	10,000,000.00	10,000,000.00	10,002,720.00	0.500	0.493	0.500	10/30/2015	577
3134G4PX0	34781	FHLMC NOTES	12/27/2013	50,000,000.00	50,000,000.00	49,924,750.00	0.500	0.493	0.500	06/27/2016	818
3134G4T57	34851	FHLMC NOTES	01/28/2014	15,000,000.00	15,000,000.00	15,007,065.00	0.450	0.443	0.450	01/28/2016	667
3134G4UC0	34950	FHLMC NOTES	03/25/2014	29,989,574.64	30,000,000.00	29,988,810.00	0.650	0.655	0.665	07/29/2016	850
3134G4UC0	34957	FHLMC NOTES	03/26/2014	29,996,421.35	30,000,000.00	29,988,810.00	0.650	0.646	0.655	07/29/2016	850
3136FTWW5	32190	FNMA NOTES	12/29/2011	16,515,927.98	16,525,000.00	16,623,505.53	1.250	1.253	1.270	12/29/2016	1,003
3135G0RS4	33730	FNMA NOTES	11/06/2012	30,000,000.00	30,000,000.00	30,037,950.00	0.500	0.493	0.500	11/06/2015	584
3135G0WY5	34258	FNMA NOTES	05/14/2013	39,988,025.00	40,000,000.00	39,744,720.00	0.550	0.553	0.561	11/14/2016	958
3135G0UM3	34355	FNMA NOTES	06/19/2013	30,887,486.10	30,905,000.00	30,924,902.82	0.520	0.542	0.550	02/26/2016	696
3135G0XC2	34358	FNMA NOTES	06/20/2013	49,736,120.84	50,000,000.00	49,748,800.00	0.500	0.713	0.723	08/22/2016	874
3135G0VX8	34398	FNMA NOTES	07/10/2013	49,590,823.96	50,000,000.00	49,881,100.00	0.625	0.946	0.960	09/26/2016	909
3135G0VX8	34414	FNMA NOTES	07/17/2013	49,663,703.28	50,000,000.00	49,881,100.00	0.625	0.887	0.900	09/26/2016	909
3135G0XA6	34464	FNMA NOTES	08/12/2013	10,262,367.10	10,500,000.00	10,319,736.00	1.030	1.578	1.600	05/21/2018	1,511
3135G0YR8	34571	FNMA NOTES	10/07/2013	10,000,000.00	10,000,000.00	10,001,490.00	1.000	0.986	1.000	10/07/2016	920
3135G0XR9	34643	FNMA NOTES	11/08/2013	19,944,990.18	20,000,000.00	19,928,840.00	0.550	0.655	0.664	09/06/2016	889
3135G0UV3	34713	FNMA NOTES	12/06/2013	10,043,668.75	10,000,000.00	10,048,250.00	0.750	0.511	0.518	02/26/2016	696
Subtotal and Average				549,525,032.37	550,866,000.00	550,072,688.10		0.696	0.705		825
US Treasury Notes											
912828TA8	33794	U.S. TREASURY NOTES	11/29/2012	15,000,273.71	15,000,000.00	15,007,035.00	0.250	0.239	0.242	06/30/2014	90
912828VG2	34755	U.S. TREASURY NOTES	12/18/2013	50,036,328.13	50,000,000.00	49,968,750.00	0.500	0.460	0.466	06/15/2016	806
Subtotal and Average				65,036,601.84	65,000,000.00	64,975,785.00		0.409	0.415		640
Corporate Bonds											
06406HBW8	31862	BANK OF NEW YORK	07/28/2011	35,000,000.00	35,000,000.00	35,032,830.00	0.534	0.610	0.619	07/28/2014	118
084664BX8	34456	BERKSHIRE HATHWY	08/15/2013	9,995,809.07	10,000,000.00	10,051,500.00	0.950	0.954	0.967	08/15/2016	867

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Corporate Bonds											
19416QDQ0	30101	COLGATE-PALMOLIVE CO	11/03/2010	14,964,240.27	15,000,000.00	15,182,250.00	1.375	1.510	1.531	11/01/2015	579
166764AC4	34349	CHEVRON CORP.	06/24/2013	5,000,000.00	5,000,000.00	5,026,340.00	0.889	0.876	0.889	06/24/2016	815
36962G4T8	30190	GENERAL ELECTRIC	11/09/2010	4,998,795.83	5,000,000.00	5,132,775.00	2.250	2.234	2.265	11/09/2015	587
38259PAA0	31519	GOOGLE INC	05/19/2011	9,999,897.78	10,000,000.00	10,013,920.00	1.250	1.240	1.257	05/19/2014	48
459200GZ8	32953	IBM	06/12/2012	8,511,201.47	8,500,000.00	8,529,520.50	0.875	0.636	0.645	10/31/2014	213
478160AX2	31531	JOHNSON & JOHNSON	05/20/2011	29,998,563.35	30,000,000.00	30,028,620.00	1.200	1.223	1.240	05/15/2014	44
478160AX2	32141	JOHNSON & JOHNSON	12/09/2011	5,003,367.81	5,000,000.00	5,004,770.00	1.200	0.634	0.643	05/15/2014	44
478160BF0	34700	JOHNSON & JOHNSON	12/05/2013	29,967,624.32	30,000,000.00	29,960,580.00	0.700	0.735	0.746	11/28/2016	972
89233P5Z5	32302	TOYOTA MOTOR CREDIT	02/17/2012	24,989,027.78	25,000,000.00	25,153,575.00	1.000	1.036	1.050	02/17/2015	322
931142DE0	34176	WALMART	04/11/2013	1,999,040.19	2,000,000.00	1,999,194.00	0.600	0.615	0.623	04/11/2016	741
931142DE0	34931	WALMART	03/18/2014	8,020,829.07	8,000,000.00	7,996,776.00	0.600	0.464	0.470	04/11/2016	741
30231GAA0	34942	EXXON MOBIL CORP	03/20/2014	10,000,000.00	10,000,000.00	9,997,710.00	0.921	0.908	0.921	03/15/2017	1,079
Subtotal and Average				198,448,396.94	198,500,000.00	199,110,360.50		0.951	0.964		441
Corporate Bonds - NCUA Guaranteed											
62889KAB7	31686	NCUA GUARANTEED NOTE	06/16/2011	4,997,914.03	5,000,000.00	5,071,050.00	1.400	1.416	1.435	06/12/2015	437
Subtotal and Average				4,997,914.03	5,000,000.00	5,071,050.00		1.416	1.436		437
Asset Backed Securities (ABS)											
161571FJ8	34436	CHASE ISSUANCE TRUST (ABS)	07/29/2013	15,040,429.69	15,000,000.00	15,059,265.00	0.790	0.622	0.631	06/15/2017	1,171
43812XAB1	34430	HONDA AUTO RECEIVABLES OWNER T	07/24/2013	9,999,851.00	10,000,000.00	10,010,770.00	0.540	0.518	0.525	01/15/2016	654
89231MAC9	34933	TOYOTA AUTO REC OWNER TRUST	03/19/2014	7,998,521.60	8,000,000.00	8,011,624.00	0.670	0.671	0.680	12/15/2017	1,354
89231MAB1	34934	TOYOTA AUTO REC OWNER TRUST	03/19/2014	6,999,955.20	7,000,000.00	7,001,897.00	0.410	0.392	0.398	08/15/2016	867
Subtotal and Average				40,038,757.49	40,000,000.00	40,083,556.00		0.566	0.574		1,025
Asset Backed Securities											
06052YAC3	32522	BANK OF AMERICA AUTO TRUST	04/18/2012	6,730,180.61	6,730,308.05	6,740,941.94	0.780	0.770	0.781	06/15/2016	806
161571FR0	33757	CHASE ISSUANCE TRUST (ABS)	11/21/2012	14,998,081.34	15,000,000.00	14,998,320.00	0.540	0.548	0.555	10/15/2015	562
43813UAC4	32317	HONDA AUTO RECEIVABLES OWNER T	02/23/2012	1,278,499.00	1,278,522.92	1,281,212.93	0.770	0.770	0.780	03/15/2015	348
43814CAB5	34197	HONDA AUTO RECEIVABLES OWNER T	04/22/2013	4,670,418.38	4,670,624.68	4,670,484.56	0.350	0.348	0.353	06/22/2015	447
58768VAC5	34190	MERCEDES-BENZ AUTO LEASE TRUST	04/24/2013	16,999,010.12	17,000,000.00	17,013,889.00	0.590	0.593	0.601	02/15/2016	685
58768VAB7	34191	MERCEDES-BENZ AUTO LEASE TRUST	04/24/2013	25,101,002.98	25,101,084.90	25,111,175.54	0.490	0.490	0.497	06/15/2015	440

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CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Asset Backed Securities											
92867GAC7	32251	VOLKSWAGEN AUTO LOAN ENHANCED	01/26/2012	8,971,417.09	8,971,454.52	8,997,229.51	0.850	0.840	0.852	06/22/2015	447
Subtotal and Average				78,748,609.52	78,751,995.07	78,813,253.48		0.583	0.592		547
Municipal Bonds											
13063A5B6	32486	CALIFORNIA ST	04/16/2012	3,100,000.00	3,100,000.00	3,100,000.00	5.250	1.055	1.070	04/01/2014	0
13063BFQ0	32542	CALIFORNIA ST	04/23/2012	21,118,037.40	19,250,000.00	21,636,037.50	5.750	2.190	2.221	03/01/2017	1,065
13063CFD7	34625	CALIFORNIA ST	11/05/2013	12,550,670.31	12,500,000.00	12,550,625.00	1.250	1.075	1.090	11/01/2016	945
13063CFD7	34645	CALIFORNIA ST	11/12/2013	5,042,933.12	5,000,000.00	5,020,250.00	1.250	0.903	0.915	11/01/2016	945
13063CFC9	34650	CALIFORNIA ST	11/13/2013	10,083,470.59	10,000,000.00	10,055,400.00	1.750	1.488	1.509	11/01/2017	1,310
13063CFC9	34729	CALIFORNIA ST	12/11/2013	9,099,984.41	9,085,000.00	9,135,330.90	1.750	1.678	1.702	11/01/2017	1,310
130534XG0	32033	CALIFORNIA ST POLL CONTROL FI	10/24/2011	866,763.07	860,000.00	868,023.80	5.900	1.085	1.100	06/01/2014	61
196479UG2	32073	COLORADO ST HSG & FIN AUTH	11/10/2011	4,000,000.00	4,000,000.00	4,002,000.00	1.139	1.125	1.141	05/01/2014	30
796842BB7	32364	SAN BERNARDINO CNTY CA SF	03/14/2012	1,080,524.80	1,060,000.00	1,094,587.80	8.300	0.700	0.710	09/01/2014	153
Subtotal and Average				66,942,383.70	64,855,000.00	67,462,255.00		1.555	1.576		964
Commercial Paper, Discount Notes											
74977Lfq5	34740	RABOBANK	12/16/2013	29,983,890.84	30,000,000.00	29,985,000.00	0.230	0.232	0.236	06/24/2014	84
89233HEW0	34609	TOYOTA MOTOR CREDIT	10/28/2013	24,991,337.32	25,000,000.00	24,997,500.00	0.210	0.212	0.215	05/30/2014	59
89233HK37	34901	TOYOTA MOTOR CREDIT	03/03/2014	49,948,442.95	50,000,000.00	49,950,000.00	0.200	0.204	0.207	10/03/2014	185
9033E1F33	34704	U S BANK	12/05/2013	49,987,016.05	50,000,000.00	49,985,000.00	0.150	0.150	0.152	06/03/2014	63
9033E1E26	34960	U S BANK	03/27/2014	24,998,715.62	25,000,000.00	24,995,000.00	0.060	0.060	0.060	05/02/2014	31
Subtotal and Average				179,909,402.78	180,000,000.00	179,912,500.00		0.175	0.178		95
Federal Agency, Discount Notes											
313313XD5	34334	FFCB DISCOUNT NOTE	06/13/2013	24,994,535.24	25,000,000.00	24,998,925.00	0.150	0.152	0.154	05/23/2014	52
313385ZJ8	34585	FHLB DISCOUNT NOTE	10/16/2013	9,994,851.84	10,000,000.00	9,998,830.00	0.175	0.177	0.180	07/15/2014	105
313385ZB5	34745	FHLB DISCOUNT NOTE	12/17/2013	24,992,450.83	25,000,000.00	24,997,275.00	0.110	0.111	0.113	07/08/2014	98
313384AJ8	34920	FHLB DISCOUNT NOTE	03/10/2014	9,992,942.00	10,000,000.00	9,992,920.00	0.090	0.091	0.092	01/09/2015	283
313397XY2	34351	FHLMC DISCOUNT NOTE	06/19/2013	24,992,579.49	25,000,000.00	24,998,525.00	0.150	0.152	0.154	06/11/2014	71
313397YH8	34678	FHLMC DISCOUNT NOTE	11/25/2013	9,997,548.44	10,000,000.00	9,999,330.00	0.110	0.111	0.113	06/20/2014	80
313397YG0	34685	FHLMC DISCOUNT NOTE	11/26/2013	14,996,368.62	15,000,000.00	14,999,010.00	0.110	0.111	0.113	06/19/2014	79
313397YG0	34686	FHLMC DISCOUNT NOTE	11/27/2013	24,993,947.73	25,000,000.00	24,998,350.00	0.110	0.111	0.113	06/19/2014	79

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CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Federal Agency, Discount Notes											
313397YH8	34689	FHLMC DISCOUNT NOTE	11/27/2013	24,993,871.09	25,000,000.00	24,998,325.00	0.110	0.111	0.113	06/20/2014	80
313397YG0	34690	FHLMC DISCOUNT NOTE	11/27/2013	24,993,947.71	25,000,000.00	24,998,350.00	0.110	0.111	0.113	06/19/2014	79
313396AJ2	34910	FHLMC DISCOUNT NOTE	03/06/2014	14,987,060.24	15,000,000.00	14,989,380.00	0.110	0.111	0.113	01/09/2015	283
313396AJ2	34914	FHLMC DISCOUNT NOTE	03/10/2014	14,987,060.35	15,000,000.00	14,989,380.00	0.110	0.111	0.113	01/09/2015	283
313396AB9	34966	FHLMC DISCOUNT NOTE	03/28/2014	14,988,531.13	15,000,000.00	14,989,650.00	0.100	0.101	0.102	01/02/2015	276
313396AJ2	34967	FHLMC DISCOUNT NOTE	03/28/2014	14,987,060.79	15,000,000.00	14,989,380.00	0.110	0.111	0.113	01/09/2015	283
313589H97	34579	FNMA DISCOUNT NOTE	10/11/2013	9,990,821.00	10,000,000.00	9,996,930.00	0.180	0.182	0.185	10/02/2014	184
313589H89	34580	FNMA DISCOUNT NOTE	10/11/2013	14,986,306.76	15,000,000.00	14,995,425.00	0.180	0.182	0.185	10/01/2014	183
313589XR9	34586	FNMA DISCOUNT NOTE	10/16/2013	9,997,325.23	10,000,000.00	9,999,470.00	0.150	0.152	0.154	06/04/2014	64
313589XR9	34587	FNMA DISCOUNT NOTE	10/16/2013	9,997,325.23	10,000,000.00	9,999,470.00	0.150	0.152	0.154	06/04/2014	64
313589G72	34688	FNMA DISCOUNT NOTE	11/27/2013	9,993,287.18	10,000,000.00	9,997,580.00	0.140	0.142	0.144	09/22/2014	174
313589H71	34693	FNMA DISCOUNT NOTE	11/27/2013	14,989,467.76	15,000,000.00	14,996,205.00	0.140	0.142	0.144	09/30/2014	182
313589ZQ9	34717	FNMA DISCOUNT NOTE	12/09/2013	19,991,915.64	20,000,000.00	19,997,540.00	0.130	0.131	0.133	07/21/2014	111
313589ZQ9	34718	FNMA DISCOUNT NOTE	12/09/2013	24,989,894.41	25,000,000.00	24,996,925.00	0.130	0.131	0.133	07/21/2014	111
Subtotal and Average				369,829,098.71	370,000,000.00	369,917,175.00	0.129	0.131			133
Treasury Bills											
912796DC0	34732	U S TREASURY BILL	12/12/2013	34,993,330.76	35,000,000.00	34,998,600.00	0.095	0.096	0.097	06/12/2014	72
Subtotal and Average				34,993,330.76	35,000,000.00	34,998,600.00	0.096	0.098			72
Local Agency Investment Fund											
SYS8506	8506	LOCAL AGENCY INVEST FUND	07/01/2013	40,000,000.00	40,000,000.00	40,000,000.00	0.250	0.246	0.250		1
Subtotal and Average				40,000,000.00	40,000,000.00	40,000,000.00	0.247	0.250			1
Money Market											
SYS23519	23519	DREYFUS CASH MANAGEMENT	02/01/2008	78,654,165.19	78,654,165.19	78,654,165.19	0.040	0.039	0.040		1
SYS33702	33702	JP MORGAN US GOVT MMF	10/23/2012	0.00	0.00	0.00	0.010	0.009	0.010		1
SYS34291	34291	MORGAN STANLEY GOVT INSTL 8302	05/21/2013	0.00	0.00	0.00	0.040	0.039	0.040		1
SYS34292	34292	MORGAN STANLEY TRSY INSTL 8304	05/21/2013	0.00	0.00	0.00	0.030	0.029	0.030		1
Subtotal and Average				78,654,165.19	78,654,165.19	78,654,165.19	0.039	0.040			1
Total Investments and Average				4,567,822,448.98	4,556,906,160.26	4,572,241,448.90	0.480	0.486			425



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