

OHLONE COMMUNITY COLLEGE DISTRICT

AUDIT REPORT

JUNE 30, 2013

San Diego

Los Angeles

San Francisco
Bay Area

christy  white
A PROFESSIONAL
ACCOUNTANCY CORPORATION *associates*

**OHLONE COMMUNITY COLLEGE DISTRICT
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FOR THE YEAR ENDED JUNE 30, 2013**

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**OHLONE COMMUNITY COLLEGE DISTRICT
ORGANIZATION
FOR THE YEAR ENDED JUNE 30, 2013**

ORGANIZATION

Ohlone Community College District (the "District") was established on July 1, 1966, and is comprised of an area approximately 534 acres in Fremont and 80 acres in Newark. There was no change in the boundaries of the District during the current year.

The Board of Trustees and District Administration for the fiscal year ended June 30, 2013, were comprised of the following members:

Board of Trustees

MEMBER	OFFICE	TERM EXPIRES
Ms. Vivien Larsen	Chair	December 2014
Mr. Garrett S. Yee	Vice Chair	December 2014
Mr. Greg Bonaccorsi	Member	December 2016
Ms. Teresa Cox	Member	December 2016
Mr. Kevin Bristow	Member	December 2016
Ms. Jan Giovannini-Hill	Member	December 2014
Mr. Richard Watters	Member	December 2014
Ms. Tawney Warren	Student	June 2013

District Executive Officers

Name	Title
Gari Browning, Ph.D.	President/Superintendent
Leta Stagnaro, Ed D.	Vice President of Academic Affairs/Deputy Superintendent
Ronald D. Little II	Vice President of Administrative Services
Ron Travenick, Ed D.	Vice President of Student Services

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Christy White, CPA

John Dominguez, CPA, CFE

Tanya M. Rogers, CPA, CFE

Michael Ash, CPA

Heather Daud

SAN DIEGO

LOS ANGELES

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State Board of Accountancy*

Governing Board
Ohlone Community College District
Fremont, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ohlone Community College District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Ohlone Community College 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 misstatement, 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Ohlone Community College District, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 4 through 11, and the schedule of funding progress on page 40 be presented to supplement the basic financial statements. Such information, although not 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 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ohlone Community College District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards, which is required by the U.S. Office of Management and Budget Circular A-133, *Audits of State, 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 listed in the table of contents 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 October 31, 2013 on our consideration of Ohlone Community College District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Ohlone Community College District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Chutz White Associates".

San Diego, California
October 31, 2013

**OHLONE COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

ACCOUNTING STANDARDS

In June 1999, the Governmental Accounting Standards' Board (GASB) released Statement No. 34, "Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments," which changed the reporting format for annual financial statements. In November 1999, GASB released Statement No. 35, "Basic Financial Statement and Management's Discussion and Analysis for Public Colleges and Universities," which applies these reporting standards to public colleges and universities. The Ohlone Community College District (the "District") continues to present its financial statements in this reporting format.

Overview and Analysis of the Financial Statements

The following management's discussion and analysis provides an overview of the financial position and activities of the District's Financial Report for the fiscal year that ended June 30, 2013. As required, the annual report consists of three basic financial statements that provide information on the District as a whole: the Statement of Net Assets; the Statement of Revenues, Expenses and Change in Net Assets; and the Statement of Cash Flows. The information provided on the statements that follow includes all funds, with the exception of the Associated Students of Ohlone College (ASOC) funds shown on page 16 of the audit and the Ohlone College Foundation, which is a separate entry. Each statement will be reviewed and discussed separately.

Budget Highlights

California's Education Budget for Fiscal Year 2012-13 was predicated, primarily, on the passage of Proposition 30 which was placed before California voters in November 2012. The State Budget proposed no budget reductions for California community colleges: revenues were guaranteed to be at previous year's levels or "flat", contingent on the success of the Prop 30 ballot measure. If Proposition 30 were to fail, California community colleges would have been subjected to significant "trigger cuts" in the middle of the year. This made budgeting for the year very challenging for community college districts. Many developed multi-scenario budgets preparing for numerous outcomes.

Fortunately, Proposition 30 was approved by voters and, as a result, California community colleges avoided devastating mid-year reductions. The passing of Proposition 30 also led to an overall increase in the Prop 98 minimum funding guarantee, which was now sufficient to keep levels of community college funding relatively flat while also reducing some state deferrals.

Due to the uncertainties of the State budget, the District's budget for Fiscal Year 2012-13 was based on a combination of conservative revenue and expenditure assumptions including workload reductions, decreased discretionary funding, and continued backfill of the DSPS mandated program. Funding sources, other than State apportionment, such as international tuition, out of state tuition, and lottery continued to provide additional, albeit flat, revenue streams while interest revenues continued to decline.

**OHLONE COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2013**

FINANCIAL AND ENROLLMENT HIGHLIGHTS

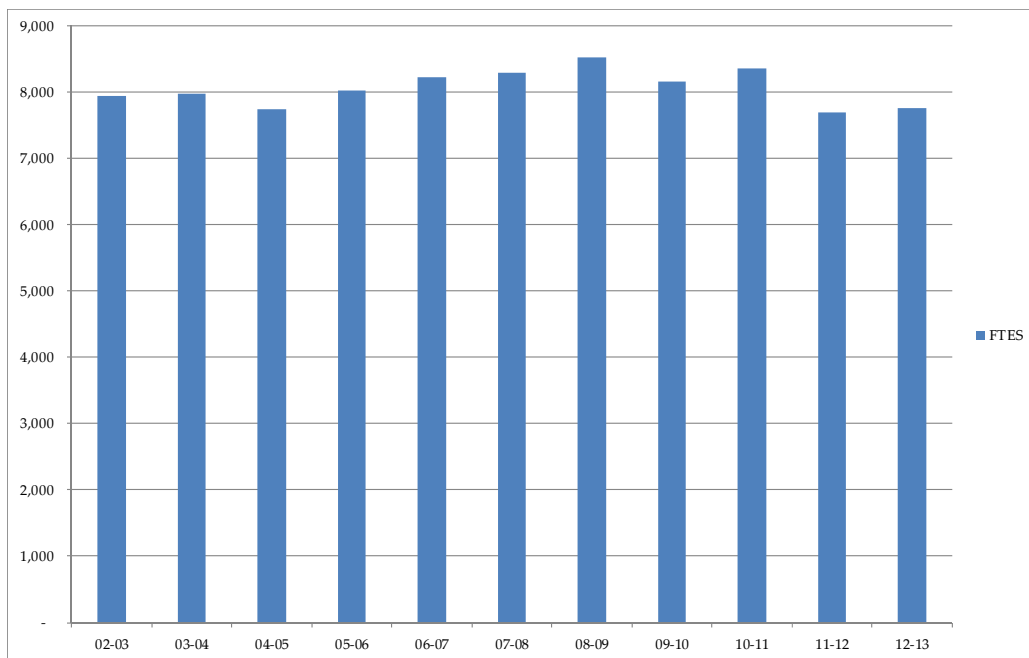
In FY 2012-13 the District's general fund expenditures exceeded its revenues resulting in deficit spending and the reduction of its ending fund balance. While revenues materialized as projected, with an exception noted below, expenditures were increased to cover faculty and instructional costs associated with the restoration of course offerings as the result of a successful Prop 30. But for the offset of apportionment revenues, due to the Chancellor's Office assessed penalty, the District was on track for a break-even budget year.

Measure A, the District's \$150 Million General Obligation Bond, approved by voters in 2002, is quickly coming to a close. Since the bond was passed, multiple projects have been completed on the Fremont Campus and at the Newark Center, which opened for classes in January of 2008 as a result of the bond funds. The Student Support Center, on the Fremont Campus, was opened on June 15, 2009. With the completion of the Student Services Center only a couple of minor projects remain to be completed in 2013-14.

Measure G, the District's \$349 Million General Obligation Bond, was approved by voters in the fall of 2010. In October 2011 the District issued Series A of Measure G, for a total of \$80 million. \$10 million of these proceeds were slated as a Technology Endowment, invested in tax exempt bonds and placed in a trust fund. The District continued its planning efforts for Measure G implementation including the complex Academic Core Project that excitingly re-envisioned the heart of the Fremont campus.

Enrollment Highlights

Full Time Equivalent Students (FTES) at the District increased by 0.87% in FY 2012-13 compared to FY 2011-12. This increase was due to course sessions added into the Spring, 2013 Semester, as a result of State workload restoration / Prop 30 approval. A history of the District's FTES is provided below.



**OHLONE COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2013**

STATEMENT OF NET POSITION

The Statement of Net Position presents information on the District's assets and liabilities, with the difference of the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or declining.

	2013	2012	Net Change
ASSETS			
Current assets	\$ 34,645,567	\$ 21,960,149	\$ 12,685,418
Non-current assets	289,223,042	299,196,525	(9,973,483)
Total Assets	323,868,609	321,156,674	2,711,935
LIABILITIES			
Current liabilities	26,552,306	24,445,629	2,106,677
Non-current liabilities	213,877,482	212,958,723	918,759
Total Liabilities	240,429,788	237,404,352	3,025,436
NET POSITION			
Invested in capital assets, net of related debt	2,320,633	64,324,648	(62,004,015)
Restricted	62,021,043	1,610,633	60,410,410
Unrestricted	19,097,145	17,817,041	1,280,104
Total Net Position	\$ 83,438,821	\$ 83,752,322	\$ (313,501)

Assets

Total Assets increased approximately \$2.7 million, an increase of 0.84%. The major changes affecting total assets are listed below:

Current Assets:

Current assets consist of cash and cash equivalents held in the County Treasury, accounts receivable due from State, Federal and local grants, contracts and general apportionment earned, but not received by the year-end, and prepaid expenses that are paid prior to year-end, but relate to the next fiscal year. Current Assets increased \$12.7 million over the prior year primarily due to the reclassification of Bond Interest and Redemption Fund (Fund 35) from non-current assets to current assets. This reclassification does not adversely impact the fund balance or net position of the District.

**OHLONE COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2013**

STATEMENT OF NET POSITION (continued)

Assets (continued)

Non-Current Assets:

Non-Current Assets consist of restricted cash and cash equivalents related to capital projects, investments related to Technology Endowment, cost of bond issuances, and net capital assets reported at the historical cost of land, buildings and equipment less accumulated depreciation, where applicable. Non-current assets decreased by approximately \$10.0 million primarily due to:

- The reclassification of Bond Interest and Redemption Fund (Fund 35) from non-current assets to current assets.
- The restatement of cost related to the refunding of Measure A, Series B from Non-Operating Expenses to Non-Current Assets. This cost will be depreciated over the life of Measure A, Series B bonds.

LIABILITIES

Total liabilities increased by approximately \$3.0 million year-over-year, an increase of 1.27%. The major changes affecting total liabilities are listed below.

Current liabilities:

Current liabilities consist of amounts due to vendors, deferred revenue related to federal, state and local program funds received, but not earned as of June 30, 2013, and accrued payroll and benefits held for the payment to employees who work ten months, but elect to have their salary spread over a twelve month period. Other current liabilities include general obligation bond principle and interest due within one year. Current liabilities increased approximately \$2.3 million. This was primarily due to:

- Increased Accounts Payable mainly due to vendors related to capital projects.
- Increase in interest payable on General Obligation Bond Measures.

Long-Term Liabilities:

Non-current liabilities represent debt potentially owed in future years. The major component of the long-term liabilities is the long-term portion (due in more than one year) of the general obligation bonds Measure A and Measure G. Other components include compensated absences, SERP liability, accreted interest, bond premiums, and Other Postemployment Benefits (OPEB) liability. Long term liabilities increased \$0.7 million due to an adjustment made to the GO Bond amortization schedule.

**OHLONE COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2013**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

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

	2013	2012	\$ Change
Total operating revenue	\$ 22,445,359	\$ 14,770,393	\$ 7,674,966
Total operating expenses	67,230,705	65,470,460	1,760,245
Operating loss	(44,785,346)	(50,700,067)	5,914,721
Net non-operating revenue (expenses)	22,354,671	37,349,662	(14,994,991)
Loss before capital revenue	(22,430,675)	(13,350,405)	(9,080,270)
Capital revenues	16,836,497	23,116,547	(6,280,050)
Increase (decrease) in net position	(5,594,178)	9,766,142	(15,360,320)
Net position - beginning of the year	83,752,322	73,986,180	9,766,142
Adjustment for restatement (See Note 14)	5,280,677	-	5,280,677
Net position - as restated	89,032,999	73,986,180	15,046,819
Net position - end of the year	83,438,821	83,752,322	(5,594,178)

Operating Revenues

Total Operating Revenues increased approximately \$7.7 million, an increase of 51.96% due to.

- Increase in Enrollment Fees and State Apportionment Revenues due to course sessions added into the Spring 2013 Semester. (This was as a result of State workload restoration / Prop 30 approval.)
- Increased Enrollment Fee Revenues due to higher enrollment in the English Language Institute (ELI) and Community Education Programs.
- Reclassification of the Education Protection Account funding from Non-Operating to Operating revenues.
- Increase in Categorical and grant programs funding compared to FY 2011-12.

**OHLONE COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2013**

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

Operating Expenses

Total Operating Expenses increased by 2.69%, approximately \$1.8 million. Items of significance affecting the changes include:

- Increase in academic salary costs related to adding of courses in the Spring 2013 Semester.
- Increase in salary and benefit costs due to steps and columns as well as filling vacant positions.
- Increased depreciation cost due to an increase in Fixed Assets related to capital projects.

Non-Operating Revenues (Expenses)

Non-Operating Revenues decreased by \$15.0 million, a 40.15% decrease, mainly due to the following:

- Reclassification of the Education Protection Account funding from Non-Operating to Operating revenues.
- 1% deficit factor applied to the State Apportionment.
- \$1 million penalty reduction in State Apportionment due to discrepancies in prior years' attendance reporting to the State.
- Increase in interest expense on Measure A Capital Asset related debt.

Capital contributions

Capital contributions decreased by 27.17%, approximately \$6.3 million.

- The District had received over \$6 million from the State in FY 2011-12 for the Below Grade Water Intrusion project, which increased its capital contribution in prior year compared to FY 2012-13.

District's Fiduciary Responsibility

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

**OHLONE COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2013**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2013, the District had approximately \$228.6 million invested in net capital assets. Total depreciable capital assets of \$226.9 million consist of land, construction in progress, buildings and improvements, vehicles, data processing equipment, and other office equipment. These assets have accumulated depreciation of \$57.2 million. Depreciation expense of \$6.8 million was recorded for FY 2012-2013.

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

	2013	2012	Net Change
Land and construction in progress	\$ 58,922,409	\$ 62,239,231	\$ (3,316,822)
Buildings, improvements, and equipment	226,872,227	198,152,208	28,720,019
Accumulated depreciation	(57,238,830)	(50,480,055)	(6,758,775)
Total Capital Assets	\$ 228,555,806	\$ 209,911,384	\$ 18,644,422

Debt

At June 30, 2013, the District had \$226.2 million in debt. A comparison is summarized below:

	2013	2012	Net Change
Compensated absences	\$ 1,061,784	\$ 1,087,708	\$ (25,924)
Post-employment health benefits	474,525	418,832	55,693
General obligation bonds	199,570,000	207,980,000	(8,410,000)
Bond premiums	19,692,658	9,436,618	10,256,040
SERP liability	1,308,656	2,043,487	(734,831)
Accreted interest	4,127,550	3,489,940	637,610
Total Long-term Liabilities	\$ 226,235,173	\$ 224,456,585	\$ 1,778,588

**OHLONE COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2013**

ECONOMIC OUTLOOK AND FACTORS AFFECTING NEXT YEAR'S BUDGET

The FY 2013-2014 state budget for community colleges included a cost of living adjustment (COLA) of 1.57% on general purpose apportionments and 1.63% for restoration funding statewide. While the District does not receive these funds from the state, these amounts were funded in the allocation model with property tax revenues. Colleges are prepared to earn the additional growth funds while containing enrollments to available funding levels. Enrollment fees remain at \$46/unit. Although enrollment fees have increased 130% in the last 5 years, they are still among the lowest in the nation.

In stark contrast to prior years, the State's budget for FY 2013-14 was predicated on very conservative revenue estimates at the insistence of the Governor. In the first quarter of the new fiscal year, tax receipts are outpacing projections. This bodes well for education and for other essential services, such as social programs, that suffered significant reductions over the past five years. We remain hopeful!

The District continues to work diligently to maintain a distribution of course offerings that takes into account academic needs and student demand. Concurrently, the District continues to actively manage its enrollment. This dual strategy has positioned the college well to remain fiscally stable—evidenced by its significant reserve levels—to take advantage of the changing enrollment landscape, and to provide our students with the courses they require to complete their education objectives.

REQUEST FOR INFORMATION

The financial report is designed to provide a general overview of the District's finances. Questions concerning this report or requests for additional financial information should be addressed to the Ohlone Community College District, Fiscal Services Department, 43600 Mission Blvd, Fremont, CA 94539.

**OHLONE COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013**

	<u>Business-Type Activity</u>
	<u>Primary Government</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 26,993,421
Accounts receivable	6,611,275
Prepaid expenses	1,040,871
Total Current Assets	<u>34,645,567</u>
NONCURRENT ASSETS	
Restricted cash and cash equivalents	48,772,451
Investment held in trust	10,000,000
Deferred charges	1,894,785
Capital assets, net of accumulated depreciation	228,555,806
Total Noncurrent Assets	<u>289,223,042</u>
TOTAL ASSETS	<u>323,868,609</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable and accrued liabilities	6,330,913
Deferred revenue	3,988,673
Unmatured interest	3,875,029
Current Portion - Long-term liabilities	12,357,691
Total Current Liabilities	<u>26,552,306</u>
NONCURRENT LIABILITIES	
Noncurrent portion - Long-term liabilities	213,877,482
TOTAL LIABILITIES	<u>240,429,788</u>
NET POSITION	
Net investment in capital assets	2,320,633
Restricted for:	
Capital projects	55,296,336
Educational programs	6,724,707
Unrestricted	19,097,145
TOTAL NET POSITION	<u>\$ 83,438,821</u>

See accompanying notes to the financial statements.

**OHLONE COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Business-Type Activity</u> <u>Primary Government</u>
OPERATING REVENUES	
Student Tuition and Fees	\$ 13,204,114
Less: Scholarship discount & allowance	(3,617,267)
Net tuition & fees	<u>9,586,847</u>
Grants and Contracts, noncapital:	
Federal	2,731,828
State	9,476,782
Local	<u>649,902</u>
Subtotal	<u>12,858,512</u>
TOTAL OPERATING REVENUES	<u>22,445,359</u>
OPERATING EXPENSES	
Salaries	35,858,189
Benefits	9,533,762
Financial aid	8,241,230
Supplies, materials, & other operating expenses	6,948,810
Depreciation	<u>6,648,714</u>
TOTAL OPERATING EXPENSES	<u>67,230,705</u>
OPERATING LOSS	<u>(44,785,346)</u>
NONOPERATING REVENUES/(EXPENSES)	
State apportionments, non-capital	11,948,265
Local property taxes	15,672,750
Federal grants and contracts, noncapital	6,584,379
State taxes & other revenues	2,431,539
Investment income - Non-capital	188,953
Investment income - Capital	24,497
Interest expense	(16,382,033)
Other non-operating revenues	<u>1,886,321</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>22,354,671</u>
LOSS BEFORE OTHER REVENUES AND GAINS	(22,430,675)
OTHER REVENUES AND GAINS/(LOSSES)	
State apportionments, capital	866,300
Local revenues, grants and gifts, capital	16,007,640
Loss on disposal of equipment	<u>(37,443)</u>
TOTAL OTHER REVENUES AND GAINS	<u>16,836,497</u>
CHANGE IN NET POSITION	(5,594,178)
BEGINNING NET POSITION	<u>83,752,322</u>
ADJUSTMENT FOR RESTATEMENT (see Note 14)	5,280,677
NET POSITION, AS RESTATED	<u>89,032,999</u>
ENDING NET POSITION	<u>\$ 83,438,821</u>

See accompanying notes to the financial statements.

**OHLONE COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Business-Type Activity</u>
	<u>Primary Government</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	\$ 9,237,791
Federal grants and contracts	2,928,846
State grants and contracts	9,639,943
Local grants and contracts	682,329
Payments to suppliers for goods and services	(5,617,276)
Payment to/on behalf of employees	(45,947,058)
Payment to/on behalf of students	(8,273,899)
Net Cash Used by Operating Activities	<u>(37,349,324)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State apportionments and receipts	13,347,910
Property taxes	15,672,750
State taxes and other revenues	2,826,255
Pell grants	6,584,380
Other receipts	1,958,542
Net Cash Provided by Non-capital Financing Activities	<u>40,389,837</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
State appropriations for capital purposes	866,300
Purchase of capital assets	(20,231,961)
Loss on disposal, capital assets	(37,443)
Principal paid on capital debt	(8,410,000)
Proceeds from issuance	(1,894,785)
Interest paid on capital debt	(5,715,674)
Local property taxes and other revenues for capital purposes	15,914,955
Net Cash Used by Capital Financing Activities	<u>(19,508,608)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	<u>250,517</u>
Net Cash Provided/(Used) by Investing Activities	<u>250,517</u>
NET DECREASE IN CASH & CASH EQUIVALENTS	(16,217,578)
CASH & CASH EQUIVALENTS, BEGINNING OF YEAR	<u>91,983,450</u>
CASH & CASH EQUIVALENTS, END OF YEAR	<u>\$ 75,765,872</u>

See accompanying notes to the financial statements.

**OHLONE COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS, continued
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Business-Type Activity</u>
	<u>Primary Government</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$ (44,785,346)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation expense	6,648,714
Changes in Assets and Liabilities:	
Accounts receivable	363,068
Inventory and prepaids	(27,321)
Accounts payable	1,531,743
Deferred revenue	(324,169)
Compensated absences	(25,923)
Retiree health benefits	4,741
SERP Liability	(734,831)
Net Cash Flows From Operating Activities	<u><u>\$ (37,349,324)</u></u>

See accompanying notes to the financial statements.

OHLONE COMMUNITY COLLEGE DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2013

	Associated Students of Ohlone College
ASSETS	
Cash and cash equivalents	\$ 870,800
Accounts receivable	142,227
Prepaid expenses	300
Total Assets	\$ 1,013,327
LIABILITIES	
Accounts payable	\$ 26,000
Deferred revenue	36,226
Amounts held in trust for others	951,101
Total Liabilities	\$ 1,013,327

See accompanying notes to the financial statements.

OHLONE COMMUNITY COLLEGE DISTRICT
 STATEMENT OF NET POSITION – DISCRETELY PRESENTED COMPONENT UNIT
 JUNE 30, 2013

	Ohlone College Foundation
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 722,970
Accounts receivable	41,326
Prepaid expense	1,480
Other asset	1,433
Total Current Assets	<u>767,209</u>
Noncurrent Assets	
Assets held in trust	886,689
Investments	2,797,125
Total Noncurrent Assets	<u>3,683,814</u>
Total assets	<u>\$ 4,451,023</u>
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts payable	\$ 214,732
Deferred Revenue	200
Liabilities to beneficiaries due within one year	71,692
Total current liabilities	<u>286,624</u>
Long term Liabilities	
Liabilities to beneficiaries, long-term	<u>393,694</u>
Total liabilities	<u>680,318</u>
Net assets	
Unrestricted	298,785
Temporarily restricted	1,507,420
Permanently restricted	1,964,500
Total net assets	<u>3,770,705</u>
Total Liabilities and Net Assets	<u>\$ 4,451,023</u>

See accompanying notes to the financial statements.

**OHLONE COMMUNITY COLLEGE DISTRICT
STATEMENT OF ACTIVITIES– DISCRETELY PRESENTED COMPONENT UNIT
FOR THE YEAR ENDED JUNE 30, 2013**

	Ohlone College Foundation			
	Temporarily		Permanently	
	Unrestricted	Restricted	Restricted	Total
SUPPORT AND REVENUES				
Contributions	631,141	\$ 89,749		\$ 720,890
Donated materials and services	18,850	-	-	18,850
Investment income, net	11,811	268,491	-	280,302
Change in value split interest agreements	-	29,800		29,800
Other income	27,970	-	-	27,970
Transfers in	(66,703)	66,703		-
Support and revenues	623,069	454,743	-	1,077,812
Donor restrictions satisfied	346,259	(346,259)	-	-
Total Support and Revenues	969,328	108,484	-	1,077,812
EXPENSES				
Program services	374,238	-	-	374,238
General and administrative	283,030	-	-	283,030
Fundraising	361,339	-	-	361,339
Total Expenses	1,018,607	-	-	1,018,607
CHANGE IN NET ASSETS	(49,279)	108,484	-	59,205
Net Assets - Beginning	348,064	1,398,936	1,964,500	3,711,500
Net Assets - Ending	\$ 298,785	\$ 1,507,420	\$ 1,964,500	\$ 3,770,705

See accompanying notes to the financial statements.

**OHLONE COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS– DISCRETELY PRESENTED COMPONENT UNIT
FOR THE YEAR ENDED JUNE 30, 2013**

	Ohlone College Foundation
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 59,205
Adjustments to reconcile change in net assets to net cash used in operating activities	
Realized and unrealized gain on investments, net	(452,674)
Change in value of split interest agreements	
Increase in operating assets	
Accounts receivable	18,469
Decrease in prepaid expense	3,171
Increase in operating liabilities	
Accounts payable	140,903
Decrease in deferred revenue	9,800
Net cash used in operating activities	<u>(221,126)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Change in value liabilities due to beneficiaries	6,252
Change in value of donated assets	1,433
Net cash used in investing activities	<u>7,685</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(213,441)
Cash and cash equivalents - Beginning	<u>936,411</u>
Cash and cash equivalents - Ending	<u>\$ 722,970</u>

See accompanying notes to the financial statements.

OHLONE COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

The District considered its financial and operational relationships with potential component units under the reporting entity definition of GASB Statement No. 14, *The Financial Reporting Entity*. The basic, but not the only, criterion for including another organization in the District's reporting entity for financial reports is the ability of the District's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one entity is dependent on another and that the dependent unit should be reported as part of the other.

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

Based upon the requirements of GASB Statement No. 14, and as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, certain organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the District, including their ongoing financial support to the District or its other component units. A legally separate, tax-exempt organization should be reported as a component unit of the District if all of the following criteria are met:

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

OHLONE COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

A. Reporting Entity (*continued*)

Component Unit Analysis – The Foundation for Ohlone College

Based upon the application of the criteria listed above, the following component unit has been included through discrete presentation:

The Foundation for the Ohlone Community College District is a separate not-for-profit corporation. The Board of Directors of the Foundation are elected independent of any District Board of Trustee's appointments. The Board is responsible for approving its own budgets and accounting and finance related activities; however, the District's governing board has fiscal responsibility over the Foundation.

Separate financial information for the Foundation may be obtained through the District.

In addition, the District maintains fiduciary funds which are composed of a trust fund as follows:

Associated Student Government Funds – These funds are held on behalf of students of the District under a formal trust agreement between the associated student government and the District.

Separate financial statements are not prepared for trust and agency funds.

B. Financial Statement Presentation

The accompanying financial statements have been prepared in conformity with accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34 *Basic Financial Statements and Management Discussion and Analysis – for State and Local Governments* and including Statement No. 35, *Basic Financial Statements and Management Discussion and Analysis of Public College and Universities*, issued in June and November 1999 and *Audits of State and Local Governmental Units* issued by the American Institute of Certified Public Accountants. The financial statement presentation required by GASB No. 34 and No. 35 provides a comprehensive, entity-wide perspective of the District's financial activities. The entity-wide perspective replaces the fund-group perspective previously required.

Fiduciary activities are excluded from the basic financial statements.

OHLONE COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

C. **Basis of Accounting**

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

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

For internal accounting purposes, the budgetary and financial accounts of the District have been recorded and maintained in accordance with the Chancellor's Office of the California Community College's Budget and Accounting Manual.

To ensure compliance with the California Education Code, the financial resources of the District are divided into separate funds for which separate accounts are maintained for recording cash, other resources and all related liabilities, obligations and equities.

By State law, the District's Governing Board must approve a budget no later than September 15. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements. Budgets for all governmental funds were adopted on a basis consistent with generally accepted accounting principles (GAAP).

These budgets are revised by the District's Governing Board during the year to give consideration to unanticipated income and expenditures. Formal budgetary integration was employed as a management control device during the year for all budgeted funds. Expenditures cannot legally exceed appropriations by major object account.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities and that Use Proprietary Fund Accounting*, the District follows all GASB statements issued prior to November 30, 1989 until subsequently amended, superseded or rescinded. The District has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989 unless FASB conflicts with GASB. The District has elected to not apply FASB pronouncements issued after the applicable date.

OHLONE COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

D. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash in the Alameda County Treasury and investments in the Local Agency Investment fund are recorded at fair value in accordance with the requirements of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investments Pools*.

E. Accounts Receivable

Accounts receivable consists primarily of amounts due from the federal government, state, and local governments, or private sources, in connection with reimbursement of allowable expenses made pursuant to the District's grant and contracts.

F. Inventory

Inventories are presented at the lower of cost or market using the average cost method and are expensed when used. Inventory consists of expandable instructional, custodial, health and other supplies held for consumption.

G. Prepaid Expenses

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2013, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which goods or services are consumed.

H. Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents are those amounts externally as to use pursuant to the requirements of the District's grants, contracts, and debt service requirements.

I. Capital Assets

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

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend the asset's life is recorded in operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 50 years for buildings, 10 years for site improvements, 8 years for equipment and vehicle and 3 years for technology.

OHLONE COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

J. Accounts Payable

Accounts payable consists of amounts due to vendors.

K. Accrued Liabilities

Accrued liabilities consist of salaries and benefits payable, deferred summer pay and load banking. Load banking hours consist of hours worked by instructors in excess of a full-time load which they may carryover for future paid time off.

L. Deferred Revenue

Tuition and fees received prior to June 30 for classes and programs offered in the subsequent fiscal year are reported as deferred revenue.

Cash received for federal and state special project and programs is recognized as revenue to the extent that qualified expenses have been incurred. Deferred revenue is recorded to the extent cash received on specific projects and programs exceed qualified expenses.

M. Compensated Absences

In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, accumulated unpaid employee vacation benefits are recognized as a liability of the District as compensated absences in the Statement of Net Position.

Sick leave benefits are accumulated without limit for each employee. Accumulated employee sick leave benefits are not recognized as a liability of the District. The District's policy is to record sick leave an operating expense in the period taken; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires and within the constraints of the appropriate retirement systems.

N. Net Position

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

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

OHLONE COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

N. Net Position (*continued*)

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

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

O. State Apportionments

The District does not receive state apportionments for the base calculation because it receives more than sufficient revenues from enrollment fees and property taxes. The excess property taxes above the base revenue calculations is referred to as basic aid funds.

The District does receive state apportionments for categorical programs. These allocations are based upon various financial and statistical information from the current and previous years.

P. Property Taxes

Property taxes are assessed and levied by the County of Alameda. Secured property taxes attach as an enforceable lien on property as of January 1. These taxes are payable in two installments on November 1 and February 1. Secured property taxes are considered delinquent after December 10 for the 1st installment and April 10 for the 2nd installment. Unsecured property taxes are payable in one installment on or before August 31 and are delinquent after August 31.

The District reports real and personal property tax revenues in the same manner in which the County auditor records and reports actual property tax receipts to the Department of Education. This is generally on a cash basis. A receivable has been accrued in these financial statements to reflect the amount of property taxes receivable as of June 30, 2013.

OHLONE COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Q. On-Behalf Payments

GASB Statement No. 24, Accounting and Financial Reporting for Certain Grants and Other Financial Assistance, requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditure by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers Retirement Systems (STRS) on behalf of all Community Colleges in California. The amount of on-behalf payments made for the District is estimated at \$619,627 for STRS for the year ended June 30, 2013. This amount has been reflected in the basic financial statements as a component of non-operating revenue and employee benefit expense.

R. Classification of Revenues

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

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

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as state apportionment, property taxes, state taxes, non-capital federal grants and contracts investment income, and other revenue sources.

S. Scholarship Discount and Allowances

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

T. 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.

OHLONE COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013

NOTE 2 – CASH AND INVESTMENTS

	District	Foundation	Fiduciary Funds
Pooled Funds:			
Cash in County Treasury	\$ 73,997,168	\$ -	\$ -
Deposits			
Cash on hand and in banks	1,768,704	722,970	670,800
Total Cash and Investments	<u>75,765,872</u>	<u>722,970</u>	<u>670,800</u>
Investments	<u>\$ 10,000,000</u>	<u>\$ 2,797,125</u>	<u>\$ -</u>

A. Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. However, the *California Government Code* requires California banks and savings and loan associations to secure the District’s deposits by pledging government securities as collateral. The market value of pledged securities must equal percent of an agency’s deposits. California law also allows financial institutions to secure an agency’s deposits by pledging first trust deed mortgage notes having a value of 150 percent of an agency’s total deposits and collateral is considered to be held in the name of the District. As of June 30, 2013, the book balance of the District’s deposit of \$2,439,504, including fiduciary accounts and components units, were entirely insured and collateralized as described above.

OHLONE COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013

NOTE 2 – CASH AND INVESTMENTS (continued)

B. Pooled Funds

Cash in County

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Alameda County Treasury as part of the common investment pool. The County Treasury is sponsored and administered by the County of Alameda and oversight is conducted by the County Treasury Oversight Committee. The fair value of the position in the pool is the same as the value of the pool shares. The Treasurer maintains the Pool for the County and other non-County entities for the purpose of benefiting from economies of scale through pooled investment activities. At June 30, 2013, the District had \$73,997,168 deposited with the Alameda County Treasury. The weighted average maturity of investments in the Alameda County Treasury was 525 days at June 30, 2013. The Alameda County Treasury does not maintain a credit rating.

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. Seq. The County is restricted by Government Code Sections 53635 pursuant to Section 53601 to invest in U.S government securities, municipal debt, money market mutual funds, asset-backed securities, bankers' acceptances, commercial paper, negotiable certificates of deposit, medium-term notes, and repurchase or reverse repurchase agreements. The deposit maintained by the County are either secured by federal depository insurance or are collateralized. Interest earned is deposited into participating funds. Any investment losses are proportionately shared by all funds in the pool.

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	40%	10%
Negotiable Certificates of Deposit	5 years	40%	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

OHLONE COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2013

NOTE 2 – CASH AND INVESTMENTS (*continued*)

C. Investments

The District's Board Policy 3102 authorizes the District and the Associated Student Government to invest funds in accordance with California Government Code Section 53600, et seq., which includes U.S Treasury Obligations, federal agency securities, municipalities securities, asset-backed securities, mortgage-backed securities, banker's acceptances, commercial paper rated A-1 by Standard and Poor's Corporation (S&P) or P-1 by Moody's, negotiable certificates of deposit, medium-term notes, repurchase agreements, time deposits, shares of beneficial interest of a Joint Powers Authority that invests in authorized securities, shares of beneficial interest issued by diversified management companies known as money market mutual funds (MMF), registered with SEC, and the State's Local Agency Investment Fund (LAIF).

The District and the Associated Student Government did not violate any provisions of the California Government Code during the year June 30, 2013.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rate will adversely affect the fair value of an investment. Equity mutual funds are not subject to interest rate risk. The Trust does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The component units' investments guidelines limit the maximum average bond maturities to 10 years and the maximum individual bond maturities to 30 years.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Equity mutual funds are not subject to credit risk. The Trust investment policy establishes minimum acceptable credit ratings for investments from any Nationally Recognized Statistical Rating Organization (NRSROs).

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single user. The Trust and component units' investment policies limit investments to no more than 5% of assets invested in any single equity security, any single debt security or investment in any mutual fund that holds more than 5% of its portfolio in any single issue or issuer. The foregoing limitation is not intended to apply to the percentage of assets invested in a single diversified mutual fund, obligations of the U.S Government and its agencies, U.S. agency mortgage-backed pass-through securities, or to a mutual fund that invests in such obligations or securities. The Trust and the component units did not violate any provisions of the California Government Code or its investment policy during the year ended June 30, 2013.

**OHLONE COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013**

NOTE 3 – INTERFUND TRANSACTIONS

Interfund receivables and payables result when the interfund transfer is transacted after the close of the fiscal year. Interfund activity within the funds has been eliminated in the basic financial statements, except for balances that are reflected between the business-type activity and fiduciary funds.

NOTE 4 – CAPITAL ASSETS

The following provides a summary of changes in capital assets for the year ended June 30, 2013:

	Balance July 01, 2012	Adjustment to Beginning Balance	Restated Balance July 01, 2012	Additions	Deductions	Transfers	Balance June 30, 2013
Capital Assets not being Depreciated							
Land	\$ 36,116,441	\$ -	\$ 36,116,441	\$ -	\$ -	\$ -	\$ 36,116,441
Construction in progress	26,122,790	387,282	26,510,072	15,819,328	1,170,909	(18,352,523)	22,805,968
Total Capital Assets not being Depreciated	62,239,231	387,282	62,626,513	15,819,328	1,170,909	(18,352,523)	58,922,409
Capital Assets being Depreciated							
Site improvements	-	-	-	1,161,987	-	8,304,299	9,466,286
Buildings and improvements	176,628,986	5,254,265	181,883,251	1,064,402	-	2,621,780	185,569,433
Machinery & equipment	21,523,222	137,038	21,660,260	3,175,094	425,290	7,426,444	31,836,508
Total Capital Assets being Depreciated	198,152,208	5,391,303	203,543,511	5,401,483	425,290	18,352,523	226,872,227
Total Capital Assets	260,391,439	5,778,585	266,170,024	21,220,811	1,596,199	-	285,794,636
Less Accumulated Depreciation							
Site improvements	-	-	-	315,543	-	-	315,543
Buildings & improvements	32,743,967	2,412,708	35,156,675	3,921,253	-	-	39,077,928
Machinery & equipment	17,736,088	(1,914,800)	15,821,288	2,411,918	387,847	-	17,845,359
Total Accumulated Depreciation	50,480,055	497,908	50,977,963	6,648,714	387,847	-	57,238,830
Net Capital Assets	\$ 209,911,384	\$ 5,280,677	\$ 215,192,061	\$ 14,572,097	\$ 1,208,352	\$ -	\$ 228,555,806

Depreciation expense for the year ended June 30, 2013 is \$6,648,714.

**OHLONE COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013**

NOTE 5 – DEFERRED REVENUE AND DEFERRED SUPPORT

Deferred revenue for the District consisted of the following:

Deferred federal and state revenue	\$ 553,733
Deferred local revenue	157,595
Deferred tuition and other student fees	<u>3,277,345</u>
Total deferred revenue	<u>\$ 3,988,673</u>

NOTE 6 – SPLIT-INTEREST AGREEMENTS

The Foundation's split-interest agreements with donors consist of irrevocable charitable remainder unitrusts, where the Foundation serves as both trustee and beneficiary. Assets invested under these trusts and payments made to beneficiaries are based on the terms of the trust agreements. As of June 30, 2013, assets held in trust under unitrust agreements total \$886,689 and the associated liability to beneficiaries of \$465,386 is recorded in the statement of net assets.

NOTE 7 – LONG TERM OBLIGATIONS

A schedule of changes in long-term obligations for the year ended June 30, 2013 is shown below:

	Balance July 01, 2012	Adjustment for Restatement	Restated July 01, 2012	Additions	Deductions	Balance June 30, 2013
Long-Term Obligations						
Compensated absences	\$ 1,087,708	\$ -	\$ 1,087,708	\$ 74,008	\$ 99,932	\$ 1,061,784
Post-employment health benefits	418,832	-	418,832	55,693	-	474,525
General obligation bonds	207,980,000	210,000	208,190,000	-	8,410,000	199,570,000
Bond premiums	9,436,618	-	9,436,618	11,645,151	1,389,111	19,692,658
SERP liability	2,043,487	-	2,043,487	-	734,831	1,308,656
Accreted interest	3,489,940	-	3,489,940	637,610	-	4,127,550
Totals	<u>\$ 224,456,585</u>	<u>\$ 210,000</u>	<u>\$ 224,666,585</u>	<u>\$ 12,412,462</u>	<u>\$ 10,633,874</u>	<u>\$ 226,235,173</u>

OHLONE COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013

NOTE 7 – LONG TERM OBLIGATIONS (continued)

General Obligation Bonds

In June 2002 and August 2005, the District issued General Obligation Bonds totaling \$150,000,000. These bonds were issued to finance the acquisition, construction and modernization of property and facilities. The Current Interest and Capital Appreciation Bonds interest and yield vary, ranging from 3.00% to 5.00% and are scheduled to mature through August 2012 and August 2030 for the 2002 and 2005 issuances, respectively.

In 2010, the District issued General Obligation Refunding Bonds totaling \$23,680,000. These bonds were issued to advance refund a portion of the District's outstanding Election of 2002 General Obligation Bonds, Series A, and to pay the costs of issuing the bonds. The bonds mature through August 2026 and bear interest at rates ranging from 2.00% to 4.50%. This refinancing saved District taxpayers approximately \$3.5 million.

In October 2011, the District issued \$70,000,000 and \$10,000,000 in 2010 General Obligation Bonds, Series A and Series A-1, respectively. The Series A Bonds are being issued to finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities approved by the District's registered voters and to pay the cost of issuance associated with the Bonds. The Series A-1 Bonds are being issued to fund a technology endowment. Interest earnings from the endowment shall remain in the Building Fund and used for the purposes of that fund. The Series A and Series A-1 bonds will both mature through August 2041 and have interest rates ranging between 2.00% and 5.25%.

In August 2012, the District issued General Obligation Refunding Bonds totaling \$94,070,000. These bonds were issued to advance refund a portion of the District's outstanding Election of 2002 General Obligation Bonds, Series B, and to pay the costs of issuing the bonds. The bonds mature through August 2030 and bear interest at rates ranging from 1.50% to 5.00%. This refinancing saved District taxpayers approximately \$8.3 million.

The annual requirements to amortize General Obligation Bonds outstanding as of June 30, 2013 are as follows:

Year Ended	Principal*	Interest**	Total
June 30,			
2014	8,905,497	8,805,491	17,710,988
2015	2,764,814	8,876,349	11,641,163
2016	2,838,263	8,959,249	11,797,512
2017	3,023,457	9,146,804	12,170,261
2018	3,156,993	9,341,970	12,498,963
2019-2023	26,935,977	42,134,186	69,070,163
2024-2028	52,295,000	29,913,414	82,208,414
2029-2033	52,345,000	16,035,450	68,380,450
2034-2038	21,390,000	9,615,937	31,005,937
2039-2042	25,915,000	2,864,568	28,779,568
Total	\$ 199,570,000	\$ 145,693,418	\$ 345,263,418

*Includes adjustment to increase principal balance at 7/1/12 by \$210,000 to correct ending balance per 2011-12 audit report.

**Includes adjustment to decrease interest balance at 7/1/12 by \$14,204,587 to correct ending balance per 2011-12 audit report.

**OHLONE COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2013**

NOTE 7 – LONG TERM OBLIGATIONS (continued)

SERP Liability

During 2010, the District provided the option of a Supplemental Employee Retirement Plan ("SERP") to the District employees. As of June 30, 2013, there were 56 employees in the Plan. Employees under the SERP receive monthly annuity benefits. The District is obligated to pay annual installments for the calculated benefits for employees under the SERP and for the administration of the plan. The annual requirements to amortize the SERP liability outstanding as of June 30, 2013 are as follows:

Year Ending June 30,	
2014	\$ 687,064
2015	571,825
2016	49,767
Total	<u>\$ 1,308,656</u>

NOTE 8 – PROPERTY TAXES

All property taxes are levied and collected by the Tax Assessor of the County of Alameda and paid upon collection to the various taxing entities including the District. Secured taxes are levied on July 1 and are due in two installments on November 1 and February 1, and become delinquent on December 10 and April 10, respectively. The lien date for secured and unsecured property taxes is March 1 of the preceding fiscal year.

NOTE 9 – EMPLOYEE RETIREMENT PLANS

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

State Teachers' Retirement System (STRS)

Plan Description

The District contributes to the State Teacher's Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from STRS, 100 Waterfront Place, West Sacramento, CA 95605.

**OHLONE COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2013**

NOTE 9 – EMPLOYEE RETIREMENT PLANS (continued)

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute a statutorily determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers’ Retirement Board. The required employer contribution rate for fiscal year 2012-2013 was 8.25% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

Public Employees’ Retirement Systems (PERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees’ Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees’ Retirement Law.

CalPERS issues a separate comprehensive annual financial report that includes required supplementary information. Copies of the CalPERS’ annual financial report maybe be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy

Active plan members are required to contribute 7.0% of their salary. 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 required employer contribution for fiscal year 2012-13 was 10.923% of annual payroll. The contribution requirements of the plan members are established and may be amended by PERS.

Contribution to STRS and PERS

The District’s contributions to STRS and PERS for each of the last three fiscal years are as follows:

Year Ended June 30,	STRS		PERS	
	Required Contribution	Percent Contributed	Required Contribution	Percent Contributed
2011	\$ 1,535,027	100%	\$ 1,413,648	100%
2012	\$ 1,194,233	100%	\$ 1,591,040	100%
2013	\$ 1,198,014	100%	\$ 1,721,631	100%

OHLONE COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013

NOTE 10 – POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description and Eligibility

In addition to the pension benefits described in Note 10, the District provides postemployment health care benefits to employees who retire from the District and meet the requirements of the union contracts. The District provides full or partial payment of health premiums for all eligible retired employees (ages 55-65), based on retirement date. The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Cod. Sec. P50.108-.109. 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 liabilities (or funding excess) over a period not to exceed thirty 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 obligation:

Retirees and beneficiaries receiving benefits	132
Active plan members	337
Total	<u>469</u>

Funding Policy

The contribution requirements are established and may be amended by the District. The required contribution is based on projected pay-as-you-go financing requirements, with an annual adjustment to fully fund the actuarially determined annual required contribution. For fiscal year 2012-13, the District contributed \$774,114 to the plan for current year premiums.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize an unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed, and changes in the District's net OPEB obligation:

Annual required contribution (ARC)	\$ 774,114
Interest on net OPEB obligation	27,224
Adjustment to annual required contribution	<u>(22,483)</u>
Annual OPEB cost	778,855
Contributions made	<u>723,162</u>
Changes in net OPEB obligation	55,693
Net OPEB obligation, beginning of year	418,832
Net OPEB obligation, end of year	<u>\$ 474,525</u>

OHLONE COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013

NOTE 10 – POSTEMPLOYMENT HEALTHCARE BENEFITS (continued)

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed, and the net OPEB obligation was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed
6/30/2013	\$ 778,855	92.85%
6/30/2012	684,206	101.40%
6/30/2011	678,644	140.30%

Funding Status and Funding Progress

As of February 1, 2013, the most recent actuarial valuation date, the funded ratio was 28.95%. The actuarial value of assets was \$2,099,142. The actuarial liability was \$7,250,590, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,151,448. The covered payroll (annual payroll of active employees covered by the plan) was \$26,671,869, and the ratio of the UAAL to the covered payroll was 19.31%.

Actuarial valuations of an ongoing benefit plan involve 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 contributions 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 following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets, if any, is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The schedule of employer contribution also presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets, if any, is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The schedule of employer contribution also presented as required supplementary information, presents trend information about the amounts contributed to the plan by employers in comparison to the annual required contribution (ARC).

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purpose 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 benefits costs between the employer and 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 value of assets, if any, consistent with the long-term perspective of the calculations.

**OHLONE COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013**

NOTE 10 – POSTEMPLOYMENT HEALTHCARE BENEFITS (continued)

Actuarial Methods and Assumptions (continued)

The actuarial cost method used in determining the benefit obligations is the Entry Age Normal Cost method. The actuarial assumptions included a 6.5 percent investment rate of return (net of administrative expenses) which is a blended rate of the expected long-term investment returns on plan assets and on the employers own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 4.0 percent which included a 3.0 percent inflation assumption.

NOTE 11 – JOINT POWERS AGREEMENT

The District participates in two joint ventures under joint powers agreements (JPAs) with the Bay Area Community College Districts Joint Powers Agency (BACCDJPA) and the South Bay Regional Public Safety Training Consortium (SBRPSTC). The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes. District representatives serve on both boards.

BACCDJPA arranges for and provides property and liability insurance for its members. BACCDJPA is governed by a board consisting of a representative from each member district. The board controls the operations of BACCDJPA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested, and shares surpluses and deficits proportionate to their participation in BACCDJPA.

The following is a summary of financial information for BACCDJPA at June 30, 2013 (the most recent financial statements available).

Total assets	\$ 6,554,828
Total liabilities	\$ 3,782,581
Net position	\$ 2,772,247
Total revenues	\$ 3,727,872
Total expenses	\$ 4,272,019
Change in net asset	\$ (544,147)

South Bay Regional Public Safety Training Consortium

SBRPSTC provides for the educational and training needs of public safety students in the areas represented by the participating community college districts. SBRPSTC is governed by a board consisting of a representative from each member district. The board controls the operations of SBRPSTC, including selection of management and approval of operating budgets, independent of any influence by the member boards beyond their representation on the board.

**OHLONE COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2013**

NOTE 11 – JOINT POWERS AGREEMENT (continued)

South Bay Regional Public Safety Training Consortium (continued)

The following is a summary of financial information for SBRPSTC at June 30, 2013 (the most recent financial statements available).

Total assets	\$ 2,997,047
Total liabilities	\$ 1,467,911
Net assets	\$ 1,529,136
Total revenues	\$ 8,504,353
Total expenses	\$ 8,796,699
Change in net asset	\$ (292,346)

NOTE 12 – ENDOWMENT NET ASSETS – FOUNDATION

	2013			
	Temporarily		Permanently	
	Unrestricted	Restricted	Restricted	Total
Named Endowments	\$ -	\$ 742,938	\$ 1,964,500	\$ 2,707,438
Balance - June 30, 2013	\$ -	\$ 742,938	\$ 1,964,500	\$ 2,707,438

NOTE 13 – COMMITMENTS AND CONTINGENCIES

State and Federal Allowances, Awards and Grants

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

Litigation

Various claims and litigation involving the District are currently outstanding. However, based on consultation with legal counsel, management believes that the ultimate resolution of these matters will not have a material adverse effect on the District's financial position or results of operations.

Construction Commitments

Outstanding commitments on partially completed construction contracts totaled approximately \$14,734,954 at June 30, 2013. These commitments will be primarily funded from Measure G funds.

**OHLONE COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013**

NOTE 13 – COMMITMENTS AND CONTINGENCIES (continued)

Property Lease Commitments

The East Bay Regional Park District leases approximately 320 acres adjacent to the District's main campus under a five-year lease with the District, which terminates in November 2014. The consideration given to the District in exchange for use of the property was the construction of a safe trailhead access by the East Bay Regional Park District at the commencement of the lease. The Park District is also required to provide the District with annual reports of grazing revenues received and the resulting improvements made to the property. The District estimates that it would have to pay anywhere from \$75,000 to \$100,000 in additional grounds and security staffing and contracted services to maintain and secure the property.

NOTE 14- ADJUSTMENT FOR RESTATEMENT

An adjustment of \$5,280,677 to increase beginning net position was made to account for the capitalized interest resulting from the District implementation of GASB Statement No. 62. This new accounting standard requires capitalization of interest expense on bonded debt that had previously been expensed. See note 4 for increase to capital assets.

NOTE 15- SUBSEQUENT EVENT

The Board of Trustees, at its September 24, 2013 meeting, approved the recommendation to fully fund the net OPEB obligation (ARC) for the fiscal year 2012-13.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**OHLONE COMMUNITY COLLEGE DISTRICT
SCHEDULE OF POSTEMPLOYMENT HEALTHCARE BENEFITS FUNDING PROGRESS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (Entry Age Normal Cost Method) (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funding Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
5/13/2009	\$ -	\$ 5,175,598	\$ 5,175,598	0.0%	\$ 28,714,567	18%
2/1/2011	\$ 774,529	\$ 5,818,135	\$ 5,043,606	13.3%	\$ 27,235,761	19%
2/1/2013	\$ 2,099,142	\$ 7,250,590	\$ 5,151,448	29.0%	\$ 26,671,869	19%

See accompanying note to required supplementary information.

OHLONE COMMUNITY COLLEGE DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1 - PURPOSE OF SCHEDULE

A. **Schedule of Postemployment Healthcare Benefits Funding Progress**

This schedule is prepared to show information for the most recent actuarial valuation and in future years, the information from the three most recent actuarial valuations in accordance with Statement No. 45 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

**SUPPLEMENTARY
INFORMATION**

**OHLONE COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
U.S. Department of Education			
<i>Direct Program</i>			
Federal Supplemental Educational Opportunity Grant	84.007	N/A	\$ 32,985
Federal Work Study Program	84.033	N/A	44,593
Federal Pell Grant	84.063	N/A	6,573,848
Federal Direct Student Loans	84.268	N/A	1,162,485
<i>Subtotal Student Financial Assistance Cluster</i>			7,813,911
<i>Passed through the California Community College Chancellor's Office:</i>			
Rehabilitation Training - Continuing Education	84.264	22572	319,501
Career and Technical Education - Title II-C	84.048	03-C01-061	121,941
Career and Technical Education - Title II-E	84.048	00-021-23	46,638
<i>Subtotal 84.243</i>			168,579
Total U.S. Department of Education			8,301,991
U.S. Department of Health and Human Services			
<i>Passed through the California Community College Chancellor's Office</i>			
Temporary Assistance for Needy Families	93.558	N/A	26,763
Total U.S. Department of Health and Human Services			26,763
U.S. Department of Labor			
<i>Passed through the Alameda County Workforce Investment Board:</i>			
WIA - Adults Formula Grants	17.258	C95-0263-0931	219,006
WIA - Dislocated Workers Formula	17.278	C95-0263-0931	597,417
WIA - Rapid Response - Solyndra	17.278	C95-0263-0931	70,298
WIA - Community Based Job Training	17.269	C95-0263-0931	74,936
<i>Passed through the Contra Costa Community College District:</i>			
Design it, Build it, Ship it (DBS)	N/A	TC-23770-12-60-A-6	2,114
Total U.S. Department of Labor			963,771
Total Federal Programs			\$ 9,292,525

See accompanying note to supplementary information.

**OHLONE COMMUNITY COLLEGE DISTRICT
SCHEDULE OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Program Name	Program Entitlements			Program Revenues				Total Program Expenditures
	Prior Year Carry-forward	Current Entitlement	Total Entitlement	Cash Received	Accounts Receivable	Deferred Income	Total	
State Categorical Aid Programs								
Applied Biotechnologies	\$ 63,386	\$ 205,000	\$ 268,386	\$ 114,897	\$ 143,899	\$ -	\$ 258,796	\$ 258,796
Basic Skills	175,824	90,000	265,824	90,000	-	155,928	(65,928)	109,896
BARTPC	-	-	-	-	-	-	-	3,000
Calworks	-	136,515	136,515	136,514	-	-	136,514	136,514
CTE Pathways Collaborative 10	282,680	-	282,680	-	-	-	-	283,125
CTE Pathways Collaborative 11	304,400	-	304,400	-	-	136,805	(136,805)	167,595
Child Development Consortium	-	9,250	-	9,250	-	-	9,250	3,340
Cooperative Agency Resource Education	-	32,168	32,168	32,168	-	-	32,168	32,168
Disabled Student Program and Services	4,563	1,258,499	1,263,062	1,258,499	-	-	1,258,499	1,263,062
Distance Ed - Caption	-	-	-	-	-	-	-	1,324
Enroll Fee Admin (2%)	-	63,731	63,731	63,731	-	-	63,731	63,731
Extended Opportunity Program and Services	958	244,932	245,890	244,932	-	-	244,932	255,890
Faculty and Staff Diversity	-	5,628	5,628	5,628	-	-	5,628	5,628
Lottery - Prop 20	57,470	206,325	-	-	206,325	-	206,325	157,650
Matriculation (Credit)	4,186	273,800	277,986	273,800	-	-	273,800	273,800
Student Financial Aid Administration	-	243,370	243,370	243,370	-	-	243,370	243,370
Transfer & Articulation	-	-	-	-	-	-	-	265
Total State Programs	\$ 893,466	\$ 2,769,218	\$ 3,389,640	\$ 2,472,789	\$ 350,224	\$ 292,733	\$ 2,530,280	\$ 3,259,154

See accompanying note to supplementary information.

**OHLONE COMMUNITY COLLEGE DISTRICT
SCHEDULE OF WORKLOAD MEASURE FOR STATE GENERAL APPORTIONMENT ANNUAL
(ACTUAL) ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Factored FTES		
	Reported Data	Audit Adjustment	Revised Data
A. Summer Intersession (Summer 2012 Only)			
1. Noncredit	-	-	-
2. Credit	395	-	395
B. Summer Intersession (Summer 2012 - Prior to July 1, 2012)			
1. Noncredit	-	-	-
2. Credit	10	-	10
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedures Courses			
(a) Weekly Census Contact Hours	4,251	-	4,251
(b) Daily Census Contact Hours	550	-	550
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	-	-	-
(b) Credit	360	-	360
3. Alternative Attendance Accounting Procedure			
(a) Weekly Census Procedure Courses	2,137	-	2,137
(b) Daily Census Procedure Courses	62	-	62
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	7,765	-	7,765
Supplemental Information (subset of information above)			
In-service Training Courses (FTES)	217	-	217
Basic Skills Courses and Immigrant Education			
1. Noncredit	-	-	-
2. Credit	419	-	419
CCFS 320 Addendum			
CDCP	-	-	-
Centers FTES			
1. Noncredit	-	-	-
2. Credit	2,787	-	2,787

See accompanying note to supplementary information.

**OHLONE COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH
DISTRICT ACCOUNTING RECORDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

There were no adjustments necessary to reconcile the annual CCFS-311 report with the District accounting records for the fiscal year 2012-13.

**OHLONE COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF THE ECS 84362 (50 PERCENT LAW) CALCULATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Object/ TOP Codes	Activity (ESCA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6100			Activity (ESCB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	8,839,672	-	8,839,672	8,839,672	-	8,839,672
Other	1300	6,369,086	-	6,369,086	6,369,086	-	6,369,086
Total Instructional Salaries		15,208,758	-	15,208,758	15,208,758	-	15,208,758
Non-Instructional Salaries							
Contract or Regular	1200	-	-	-	4,006,156	-	4,006,156
Other	1400	-	-	-	184,894	-	184,894
Total Non-Instructional Salaries		-	-	-	4,191,050	-	4,191,050
Total Academic Salaries		15,208,758	-	15,208,758	19,399,808	-	19,399,808
<u>Classified Salaries</u>							
Non-Instructional Salaries							
Regular Status	2100	-	-	-	8,161,957	-	8,161,957
Other	2300	-	-	-	341,266	-	341,266
Total Non-Instructional Salaries		-	-	-	8,503,223	-	8,503,223
Instructional Aides							
Regular Status	2200	1,829,603	-	1,829,603	1,829,603	-	1,829,603
Other	2400	346,957	-	346,957	346,957	-	346,957
Total Instructional Aides		2,176,560	-	2,176,560	2,176,560	-	2,176,560
Total Classified Salaries		2,176,560	-	2,176,560	10,679,783	-	10,679,783
Employee Benefits	3000	3,034,402	-	3,034,402	7,353,122	-	7,353,122
Supplies and Materials	4000	-	-	-	512,630	-	512,630
Other Operating Expenses	5000	605,469	-	605,469	4,741,751	-	4,741,751
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		21,025,189	-	21,025,189	42,687,094	-	42,687,094
<u>Exclusions</u>							
Activities to Exclude							
Instructional Staff-Retirees' Benefits and Retirement Incentives	5900	408,337	-	408,337	408,337	-	408,337
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	54,184	-	54,184
Non-instructional Staff-Retirees' Benefits and Retirement Incentives	6740	-	-	-	387,308	-	387,308
Object to Exclude							
Rents and Leases	5060	-	-	-	12,885	-	12,885
Lottery Expenditures							
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000						
Software	4100	-	-	-	22,001	-	22,001
Books, Magazines & Periodicals	4200	-	-	-	39,585	-	39,585
Instructional Supplies & Materials	4300	-	-	-	116,141	-	116,141
Non-instructional Supplies & Materials	4400	-	-	-	24,801	-	24,801
Total Supplies and Materials		-	-	-	202,528	-	202,528
Other Operating Expenses and Services	5000	-	-	-	871,845	-	871,845
Capital Outlay	6000	-	-	-	-	-	-
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment	6420	-	-	-	-	-	-
Total Capital Outlay		-	-	-	-	-	-
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		\$ 408,337	\$ -	\$ 408,337	\$ 1,937,087	\$ -	\$ 1,937,087
Total for ECS 84362, 50% Law		\$ 20,616,852	\$ -	\$ 20,616,852	\$ 40,750,007	\$ -	\$ 40,750,007
Percent of CEE (Instructional Salary Cost/Total CEE)		50.59%	0.00%	50.59%	100.00%	0.00%	100.00%
50% of Current Expense of Education		\$ -	\$ -	\$ -	\$ 20,375,004	\$ -	\$ 20,375,004

See accompanying note to supplementary information.

OHLONE COMMUNITY COLLEGE DISTRICT
 DETAILS OF EDUCATION PROTECTION ACCOUNT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

EPA Revenue	5,853,884
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Activity Classification	Activity Code	Salaries and Benefits	Operating Expenses	Capital Outlay	Total
		(Obj 1000-3000)	(Obj 4000-5000)	(Obj 6000)	
Instructional Activities	0100-5900	5,853,884	-	-	5,853,884
Total		5,853,884	-	-	5,853,884

See accompanying note to supplementary information.

OHLONE COMMUNITY COLLEGE DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1- PURPOSE OF SCHEDULES

A. Schedules of Expenditures of Federal Awards and State Financial Assistance

The audit of the Ohlone Community College District for the year ended June 30, 2013 was conducted in accordance with OMB Circular A-133, which requires a disclosure of the financial activities of all federally funded programs. The Schedule of Federal Awards and the Schedule of State Financial Assistance is prepared on the modified accrual basis of accounting.

B. Schedule of Workload Measures for State General Apportionment

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

C. Reconciliation of Annual Financial and Budget Report with Audited Fund Balances

This schedule reports any audit adjustments made to the fund balances of all funds as reported on the Form CCFS-311.

D. Reconciliation of the ECS 84362 (50 percent law) Calculation

This schedule reports any audit adjustments made to the reported date to ensure that a minimum of 50 percent of the District's current expense of education be expended for salaries of classroom instructors.

E. Details of the Education Protection Account

This schedule reports the revenue and expenditure of the District Proposition 30 Education Protection Account.

**OTHER INDEPENDENT
AUDITORS' REPORTS**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

Independent Auditors' Report

Governing Board
Ohlone Community College District
Fremont, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ohlone Community College District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Ohlone Community College District's basic financial statements, and have issued our report thereon dated October 31, 2013.

Internal Control over Financial Reporting

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

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

Christy White, CPA

John Dominguez, CPA, CFE

Tanya M. Rogers, CPA, CFE

Michael Ash, CPA

Heather Daud

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying Schedule of Audit Findings and Questioned Costs that we consider to be a significant deficiency. See finding #2013-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ohlone Community College District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards*. See finding #2013-2 in the accompanying Schedule of Audit Findings and Questioned Costs.

Ohlone Community College District's Response to Findings

Ohlone Community College District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Ohlone Community College District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



San Diego, California
October 31, 2013

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB
CIRCULAR A-133**

Independent Auditors' Report

Governing Board
Ohlone Community College District
Fremont, California

Report on Compliance for Each Major Federal Program

We have audited Ohlone Community College District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Ohlone Community College District's major federal programs for the year ended June 30, 2013. Ohlone Community College District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Ohlone Community College District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Ohlone Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Ohlone Community College District's compliance.

Opinion on Each Major Federal Program

In our opinion, Ohlone Community College District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Ohlone Community College District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Ohlone Community College District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Ohlone Community College District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



San Diego, California
October 31, 2013

REPORT ON STATE COMPLIANCE

Independent Auditors' Report

Christy White, CPA

John Dominguez, CPA, CFE

Tanya M. Rogers, CPA, CFE

Michael Ash, CPA

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Governing Board
Ohlone Community College District
Fremont, California

Report on State Compliance

We have audited Ohlone Community College District's compliance with the types of compliance requirements described in the *California Community Colleges Contracted District Audit Manual (CDAM) 2012-13*, issued by the California Community Colleges Chancellor's Office for the year ended June 30, 2013.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on Ohlone Community College District's compliance with the requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *California Community Colleges Contracted District Audit Manual (CDAM) 2012-13*, issued by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below. An audit includes examining, on a test basis, evidence about Ohlone Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the requirements referred to above. However, our audit does not provide a legal determination of Ohlone Community College District's compliance with those requirements.

Opinion on State Compliance

In our opinion, Ohlone Community College District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is described in the accompanying schedule of findings and questioned costs as item #2013-2. Our opinion on state compliance is not modified with respect to these matters.

Ohlone Community College District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. Ohlone Community College District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Procedures Performed

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

- Section 421 – Salaries of Classroom Instructors (50 Percent Law)
- Section 423 - Apportionment for Instructional Service Agreements/Contracts
- Section 424 - State General Apportionment Funding System
- Section 425 - Residency Determination for Credit Courses
- Section 426 - Students Actively Enrolled
- Section 427 - Concurrent Enrollment of K-12 Students in Community College Credit Courses
- Section 431 - Gann Limit Calculation
- Section 433 - CalWORKS
- Section 435 - Open Enrollment
- Section 437 - Student Fees – Instructional and Other Materials
- Section 438 - Student Fees – Health Fees and Use of Health Fee Funds
- Section 474 - Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
- Section 475 - Disabled Student Programs and Services (DSPS)
- Section 479 - To Be Arranged Hours (TBA)
- Section 490 - Proposition 1D State Bond Funded Projects
- Section 491- Proposition 30 Education Protection Account Funds

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing over state laws and regulations based on the requirements described in the *California Community Colleges Contracted District Audit Manual (CDAM) 2012-13*. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Christy White Associates".

San Diego, California
October 31, 2013

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

**OHLONE COMMUNITY COLLEGE DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2013**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>Yes</u>
Non-compliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>No</u>
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>No</u>
Identification of major programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program of Cluster</u>
84.007, 84.033, 84.063, 84.268	Student Financial Aid Cluster
84.264	Rehabilitation Training - Continuing Ed
17.278	WIA - Dislocated Workers Formula

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>Yes</u>
Type of auditors' report issued on compliance for State programs:	<u>Unmodified</u>

**OHLONE COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS RELATED TO THE FINANCIAL
STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

This section identifies the deficiencies, significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Governmental Auditing Standards*.

FINDING #2013-1: INFORMAL BIDDING PROCEDURES

Criteria: The California Uniform Public Cost Accounting Act (Public Contract Code Section 22000) requires that the District submit a written notice to all construction trade journals designated for that Agency, inviting all licensed contractors to submit the name of their firm to the Agency for inclusion on the Agency's list of qualified bidders (i.e. the informal bidding list) for the following calendar year.

Condition: During our testing of awards of contracts subject to the informal bid procedures in 2012-2013, we noted that the District could not provide verification that they submitted the trade journal advertisement to all four required trade journals as required by the California Uniform Public Cost Accounting Act (CUPCAA). This finding affected 3 (100%) informal bid contracts tested in 2012-2013.

Cause: The District did not maintain supporting documents to provide proof that the advertisement was submitted to the required trade journals.

Effect: Noncompliance with CUPCAA.

Questioned Costs: None.

Recommendation: The District should ensure that all informal bid advertisements are properly submitted to the required trade journals in accordance with CUPCAA. In addition, the District should maintain support such as fax confirmations or email confirmations that the advertisements were submitted.

District Response: While the District did advertise in required journals for individual projects, it did not meet the criteria for an annual advertisement to establish and maintain the annual list of prequalified contractors. The District has established an annual schedule to release an advertisement to all licensed contractors in the required local trade journals to fully satisfy the CUPCAA informal solicitations requirement. The District will secure proper documentation of the required trade journal advertisements going forward.

OHLONE COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

There were no findings or questioned costs related to the federal awards for the year ended June 30, 2013.

**OHLONE COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS RELATED TO STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

FINDING #2013-2: STATE GENERAL APPORTIONMENT

Criteria: The California Code of Regulations CCR, Title 5, sections 58020-24 requires districts to maintain detailed documentation to substantiate the date reported on the "Apportionment Attendance Report" Form CCFS-320. This documentation should include the signature of the instructor on all primary attendance accounting documents as a certification of a true and accurate accounting (this would include online or electronically submitted documents where instructors affirm or certify a written statement on the electronic class roster that says all inactive students, as defined by CCR, Title 5 Section 58004 and local board adopted procedures, have been dropped on the class roster as of the census date or that positive attendance hours are based upon an accurate count of students present at each course meeting).

Condition: During our testing of FTES as reported on Form CCFS 320, we noted that the District did not maintain detailed documentation to support instructor certifications of attendance rosters.

Cause: The District did not maintain supporting documents to validate instructor certifications of submitted attendance.

Effect: Noncompliance with CCR, title 5, section 58004.

Questioned Costs: No direct fiscal impact.

Recommendation: The District should ensure that instructor certifications are maintained for all submitted census rosters.

District Response: The District will ensure proper documentation of the census roster certifications. The District has developed a new electronic format for instructor certification of active enrollment at census that meets the requirements of Title 5, Section 58004

**OHLONE COMMUNITY COLLEGE DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

**FINDING #2012-1: STATE COMPLIANCE – ECONOMIC OPPORTUNITY PROGRAMS AND SERVICES (EOPS) AND COOPERATIVE AGENCIES
RESOURCES FOR EDUCATION (CARE)**

Criteria or Specific Requirement: Per guidelines set forth by the California State Chancellor's Office, the EOPS program shall have an advisory committee appointed by the president of the college upon recommendation of the EOPS Director and each CARE program shall have an advisory committee and/or interagency group. The EOPS advisory committee shall meet at least once during each academic year. The CARE advisory committee and/or interagency group shall meet at least twice during each academic year.

Condition: The District's advisory committee for EOPS and CARE did not meet during the 2011-2012 academic year.

Cause: Adequate procedures are not in place to schedule the required meetings under guidelines for EOPS and CARE.

Effect: District is not in compliance with the advisory committee meeting requirements for EOPS and CARE.

Questioned Costs: Not determinable.

Context: Of six (6) student files reviewed, one (1) student's withdrawal date per the R2T4 Form did not agree with the College's enrollment history.

Recommendation: The District should implement procedures to ensure the EOPS advisory committee meets at least once during each academic year and twice a year for the CARE advisory committee and/or interagency group.

District Responses: During 2011-2012 two meetings of the EOPS/ CARE Committee were scheduled and convened. Unfortunately, the Committee was unable to achieve a quorum at either of these meetings. Therefore, the Committee could not officially conduct District business and failed to meet the requirement of two meetings per year. For 2012-2013 the District has formed a new EOPS/CARE Committee, with fourteen (14) members who have collaboratively developed a quarterly meeting calendar. This calendar has been shared with all Committee members and with the wider college community. It shall be posted on our EOPS webpage. In addition to posting the meeting schedule, administrative support staff will send out meeting reminders in advance of each quarterly meeting.

Current Status: Implemented.