OHLONE COMMUNITY COLLEGE DISTRICT
Fremont, California

FINANCIAL STATEMENTS
June 30, 2011

OHLONE COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2011

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FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

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OHLONE COMMUNITY COLLEGE DISTRICT

ORGANIZATION

June 30, 2011

Ohlone Community College District (the "District") was established on July 1, 1966, and is comprised of an area approximating 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, 2011, were comprised of the following members:

BOARD OF TRUSTEES

Members	Office	Term Expires
Rich Watters	Chair	December 2014
Greg Bonaccorsi	Vice Chair	December 2012
Nick Nardolillo	Member	December 2012
Jan Giovannini-Hill	Member	December 2014
Garrett Yee	Member	December 2014
Vivien Larsen	Member	December 2012
Teresa Cox	Member	December 2012
Kevin Feliciano	Student	May 2012

DISTRICT ADMINISTRATION

Gari Browning, Ph.D.
President/Superintendent

James Wright, Ph.D.
Vice President of Academic Affairs/
Deputy Superintendent

Michael Calegari *
Vice President Administrative Services

Ron Travenick, Ed D.
Vice President Student Services

* Michael Calegari retired effective August 2, 2011; Scott Thomason is serving as the Interim Vice President Administrative Services.

OHLONE COMMUNITY COLLEGE DISTRICT

OBJECTIVES OF THE AUDIT

Year Ended June 30, 2011

The audit of Ohlone Community College District (the "District") had the following objectives:

- To determine the fairness of presentation of the District's basic financial statements in accordance with accounting principles generally accepted in the United States of America.

- To evaluate the adequacy of the systems and provisions affecting compliance with applicable federal and California laws and regulations with which, noncompliance would have a material effect on the District's financial statements and the allowability of program expenditures for federal and California financial assistance programs.

- To evaluate the adequacy of the internal control structure sufficient to meet the requirements of auditing standards generally accepted in the United States of America, for the purpose of formulating an opinion on the basic financial statements taken as a whole and sufficient to report on internal control over financial reporting and on compliance with provisions of laws, regulations, contracts, and grant agreements that have a material effect on the financial statements.

- To determine whether financial and financially related reports to state and federal agencies are fairly present.

- To recommend appropriate actions to correct any noted areas where internal control compliance with applicable federal and California laws and regulations could be improved.

Crowe Horwath.

Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Ohlone Community College District
Fremont, California

We have audited the accompanying financial statements of the business-type activities, the statement of fiduciary net assets and the discretely presented component unit of Ohlone Community College District (the "District") as of and for the year ended June 30, 2011, which comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. 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, and the *California Community Colleges Contracted District Audit Manual*, issued by the Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Ohlone College Foundation were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements listed in the aforementioned table of contents present fairly, in all material respects, the respective financial position of the business-type activities, the discretely presented component unit, and fiduciary net assets of Ohlone Community College District as of June 30, 2011, and the respective changes in financial positions and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 14, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

INDEPENDENT AUDITORS' REPORT
(Continued)

Management's Discussion and Analysis (MD&A) and the Required Supplementary Information, such as the Schedule of Other Postemployment Benefits Funding Progress, are not required parts of the financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the District's basic financial statements. The accompanying 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 States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 14, 2011

OHLONE COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2011

In accordance with the Governmental Accounting Standard's Board (GASB) Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," Ohlone Community College District (OCCD) prepares the financial statements in accordance with this standard. OCCD adopted the BTA reporting model as recommended by the California Community College Chancellors Office. In compliance with GASB 39, the Ohlone College Foundation, which qualifies as a component unit is discretely presented.

Overview of the Financial Statements

As required by accounting principles, the annual report consists of three basic financial statements that provide information on OCCD 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 Student Association and Agency funds, shown on page 22 and the Foundation, shown on pages 17, 19 and 21. Each statement will be discussed separately.

Under the BTA model of financial reporting, a single entity-wide statement is required to report financial activity for all funds of the District. Since the District is made up of many different funds with a variety of purposes, the following information is provided to help with the understanding of the financial statements. The supplemental section of the audited financial statements provides a combination of the typical fund-type format to the BTA-type presentation.

Budget Highlights

The 2010-11 state budget act included a 2.2% recovery from the 2009-10 workload reduction of 3.39% that came at a time when State Colleges and Universities were restricting access and high unemployment was persisting. This increase provided some relief from the previous workload reduction. Other funding sources such as international and out of state tuition continue to provide additional revenue streams while interest and lottery funding declined. Since state revenues were not improving, the District opted to continue a selective hiring freeze, offered a second Supplemental Employee Retirement Program and the employee groups all took 5 days of furlough. To add to the situation, the state instituted additional revenue deferral amounts which moved additional cash payments into the next fiscal year creating a cash flow challenge.

Financial Highlights

The District Measure A General Obligation Bond that was passed in 2002 for $150 million is coming to a close. Since the bond was passed multiple projects have been completed on the Fremont Campus and the Newark Center was completed on time, ready for classes in January of 2008. The Student Support Center (SSC) was operational on June 15, 2009. With the completion of the SSC on the Fremont Campus, only a few safety projects remain.

A successful refinancing of the remaining portion of the original $40 million issuance occurred in August of 2010 which resulted in savings to the tax payers of $3 million dollars in future interest payments.

The District passed Measure G in the Fall of 2010 at $349 million by a 62.2% margin. The District is in the planning stages for the projects that relate to Measure G and subsequent to year end issued $80 Million in bonds to begin these projects.

The enrollment continues to be strong. The 2.2% recovery along with careful enrollment management strategies provided enough flexibility so that students could continue to register for the classes that they needed without excessive unfunded FTES. The District had a net surplus in 2010-11 that will be utilized to offset the effects of future workload cuts from the state.

There has been a strong effort on the part of the District to collect past due balances and provide some flexibility to students in handling the increasing cost of education. These measures have decreased the student receivable at a time when the state has increased revenue deferrals helping to mitigate the negative effect on cash flow.

Attendance Highlights

- Although the District was eligible for a 3.68% growth rate in 2002-03, the State could support only 40% of that rate for a funded growth rate of 1.48% in 2003-04. In order to manage its enrollment to maximize growth funding, the District schedules its summer programs so that summer enrollment could count toward either fiscal year. Therefore, enrollment that was not fully funded by the State, in the 2002-03 fiscal year was reported in the 2003-04 fiscal year.

- The growth target for 2003-04 was 2.8%, but with the system wide base adjustment the District experienced only a .89 increase in FTES. The District has a large percentage of part time students and is working to increase the number of full time students.

- There was a 4.4% growth rate available for 2004-05 but the District experienced an actual decline of 330 FTES. In order to ensure that the District could restore base funding the decision was made to report 880 Summer FTES in the 05-06 fiscal year. The decline was due to a 45% increase in tuition, general economic trends and an overall decline in high school graduation rates.

❖ With the assistance of the 880 FTES from summer ’05 and 880 from ’06 the District was able to restore FTES to the base level and even reported a modest amount of growth. The growth was taken from summer ’06 leaving only 20 for 2006-07.

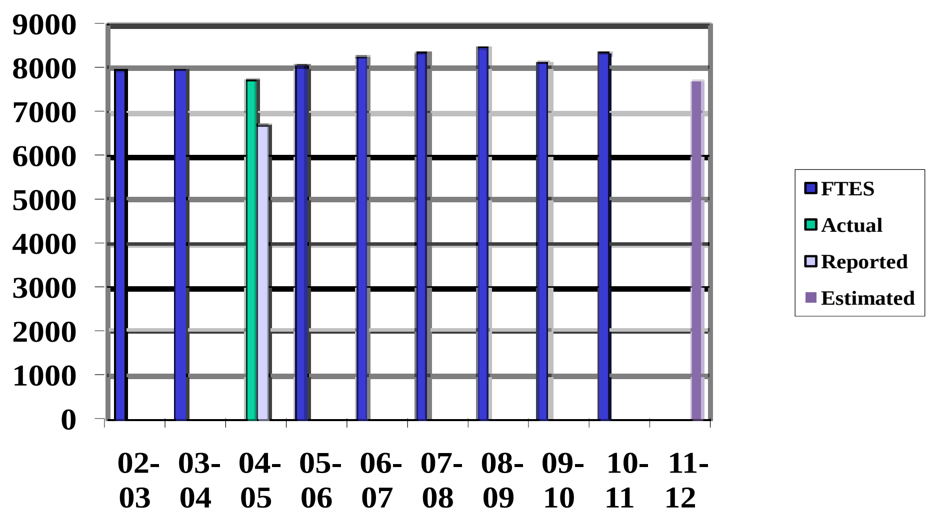
❖ The growth trend from 2005-06 continued into 2006-07. The growth available was 4.24% but the District was only able capture 1.87% of what was available. And again the District chose to use the majority of summer to achieve that growth.

❖ The funded growth rate of 1.21% and 1.20% were achieved for 2007-08 and 2008-09 respectively.

❖ In 2009-10 the system experienced a workload reduction of 3.39%, even though with the recession and high unemployment numbers, the college could have grown.

❖ 2010-11 the District was allocated a 2.2% growth that was achieved through the flexible planning. The 2001-12 shows the estimated workload reduction if Tier 2 is evoked.

Full Time Equivalent Students (FTES) Trends



Statement of Net Assets

The Statement of Net Assets includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private sector organizations. Net assets – the difference between assets and liabilities – are an indicator of the financial health of a District.

	2011	2010	Change
ASSETS			
Current Assets	$ 23,057,928	$ 20,751,759	$ 2,306,169
Non-current assets	205,780,394	209,061,556	(3,281,162)
TOTAL ASSETS	$ 228,838,322	$ 229,813,315	$ (974,993)
LIABILITIES			
Current Liabilities	$ 16,086,184	$ 14,854,472	$ 1,231,712
Non-current liabilities	138,765,958	138,567,972	197,986
TOTAL LIABILITIES	154,852,142	153,422,444	1,429,698
NET ASSETS			
Invested in capital assets, net of related debt	61,356,980	61,359,362	(2,382)
Restricted	1,861,558	11,060,990	(9,199,432)
Unrestricted	10,767,642	3,970,519	6,797,123
TOTAL NET ASSETS	73,986,180	76,390,871	(2,404,691)
TOTAL LIABILITIES AND NET ASSETS	$ 228,838,322	$ 229,813,315	$ (974,993)

Current assets at June 30, 2011 consist of:

- Current cash and cash equivalents of $14.3 million is mainly comprised of funds held in the County Treasury.

- Accounts receivable includes amounts due from State, Federal and local grants, contract, and general apportionment earned, but not received by year-end. Accounts receivable totaled $8.3 million, has increased by $326 thousand from prior year. This is mostly the effect of an increase in the amount of deferrals from monthly apportionment.

- Stores inventory, which consisted solely of the Bookstore inventory, has been reduced due to the sale of the inventory as a result of leasing out the operations of the Bookstore. This resulted in a $500 thousand reduction and an increase in the amount of cash held by the District.

- Prepaid expenditures are those expenses that are paid prior to year-end but relate to the next fiscal year. These are primarily prepaid premiums on the workers' compensation policy, CalPERS medical premiums, professional organization dues and postage.

Non-current Assets

- ❖ Restricted cash and cash equivalents consist of amounts relating to Capital Projects and cash in the Bond Redemption Fund. The Bond Redemption Fund is where taxes are set aside to repay the bond holders of the District's General Obligation Bonds.

- ❖ Net Capital Assets are reported at the historical cost of land, buildings and equipment less accumulated depreciation, where applicable. There was a $1.5 million net decrease which is attributable to the net of depreciation, adding completed assets and the reduction in additions as the Measure A Bond projects come to completion.

Current liabilities consist of:

- ❖ Accounts payable are mainly amounts due to vendors ($3.2 million), which is a $1.7 million increase over last year due primarily to the activity from the state funded Below Grade Water Intrusion Project.

- ❖ Deferred revenue relates to federal, state and local program funds received but not yet earned as of the end of the fiscal year. Most grants are earned when expended. Also included are the deferrals on enrollment fees for the summer and fall 2011 terms. This was up by $1.3 million resulting from an increase in students registering early so they can get the courses they need and paying so that they are not dropped.

- ❖ Accrued payroll and benefits represents the amount held for the payment to employees that work 10 months but elect to have their salary spread over a 12 month period.

- ❖ Interest Payable at $2.3 million represents payments due to bond holders.

- ❖ Other Accrued Liabilities represents obligations of the District that are estimates and had not yet been invoiced. It is at $481 thousand which is slightly down from last year.

- ❖ The Long-term Liabilities due within one year is the amount due to the bond holders of the Districts Measure A Bond and to past employees under SERP and OPEB agreements. The bond payments are made from the voter approved tax assessments from Fremont and Newark property taxes. The original amount issued was $40 million. A second issuance of $110 million was completed 05-06. The amount due next fiscal year is $2.2 million.

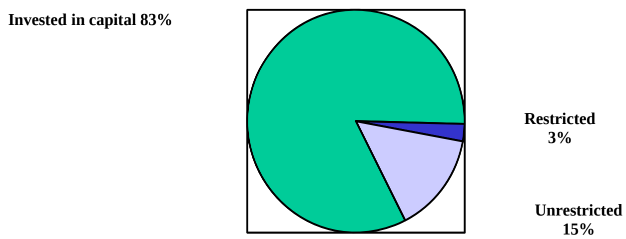
Non-current liabilities are:

- ❖ Non-current liabilities represent debt potentially owed in future years. The major component is the long-term portion (due in more than one year) of general obligation bonds. The remaining balances are $1.05 million on the $40 million issuance and $105.9 million on the $110 million issuance. During the year, $23.7 million of the Measure A Bond, from an original issuance of $40 million, was refinanced to reduce interest payable by the tax payers. The refinancing GO Bonds will be paid over 25 years.

Net Assets: Analysis of the District's Financial Position

Net assets, the difference between the District's assets and liabilities, are an indicator of the District's financial position. Net assets are reported in three components: unrestricted; restricted comprised of expendable and nonexpendable; and invested in capital assets, net of related debt. Invested in capital, net of related debt is $61.4 million. Restricted include amounts legally restricted for payment of scholarships, other capital projects and debt service ($1.9 million) primarily related to debt service. Unrestricted Net Assets ($10.7 million) represent resources with no external restrictions. These funds may also carry designations from the Board of Trustees for contingencies, stabilization and other special purposes. Unrestricted Net Assets represent 15% of Total Net Assets.

Net Assets



The Statement of Revenues, Expenses and Change in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets presents the operating activity of the District, as well as the non-operating revenues and expenses. State general apportionment funds, while budgeted as operations, are considered non-operating revenues according to generally accepted accounting principles.

	2011	2010	Change
Total Operating Revenue	$ 16,425,526	$ 17,034,231	$ (608,705)
Total Operating Expenses	69,782,866	68,436,684	1,346,182
Operating loss	(53,357,340)	(51,402,453)	(1,442,463)
Net non-operating revenue (expenses)	43,340,612	39,972,293	3,368,319
Loss before capital revenue	(10,016,728)	(11,430,160)	1,413,432
Capital revenues	7,812,154	7,946,327	(134,173)
Loss for special/extraordinary items	(200,117)		(200,117)
Decrease in net assets	(2,404,691)	(3,483,833)	1,079,142
Net Assets - Beginning of the year	76,390,871	79,874,704	(3,483,833)
Net-Assets - End of the year	$ 73,986,180	$ 76,390,871	$ (2,404,691)

Changes in operating revenue:

- ❖ Net tuition and fees is made up of enrollment fees and scholarship, discounts and allowances - the Board of Governor's fee waivers. Enrollment fees are set by the state legislature for all community colleges. These fees are up by 5.71% partially as a result of an increase in the fees but also as a result in an increase in the number of students. This is due to the growth in our international program and a 2.2% restoration of the previous year's work load reductions.

- ❖ Overall operational grants saw reductions of $1.4 million due to the completion of two major federal grants, the loss of ARRA funding and the state cuts to categorical.

- ❖ The Bookstore operations were leased out to an outside party during the year which accounts for $1 million of the reduction in auxiliary revenues and expenditures. Other revenue has increased as a result.

Changes in non-operating revenues:

- ❖ State apportionments in 2009-10 and 2010-11 were $25.2 million and $26.3 million, respectively. State apportionment represents total general apportionment earned less regular enrollment fees and less property taxes. State apportionment was up by $1.1 million. The increase was the result of a 2.2% workload restoration.

- ❖ Local property taxes remained stable increasing by less than 1%. Changes in property tax revenue results in a corresponding increase/decrease in the District's State apportionment revenue.

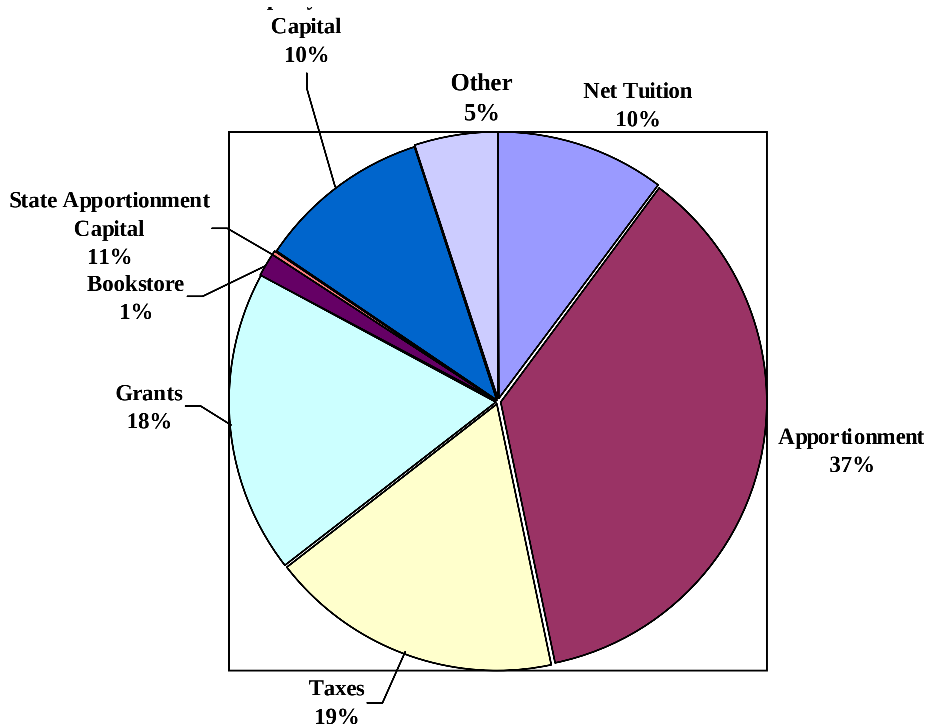
- ❖ State apportionment related to capital is up by $33 thousand which is the increase in redevelopment funding.

- ❖ Federal financial aid saw an increase of $2.1 million as fees go up more students qualify for Pell. This also reflects the Federal Loan Program that is now being disseminated by the college instead of the banks.

- ❖ Other Revenue is up by $456 thousand due to an increase in our Community Education offerings, facility rentals and the new bookstore lease revenue while lottery and interest earnings both decreased.

Total Revenues for the Year Ended	2011	2010	Change
Net tuition and fees	$ 7,456,253	$ 7,053,293	$ 402,960
State apportionment non-capital	26,354,494	25,273,414	1,081,080
Local property taxes	12,971,353	12,903,548	67,805
Grants	7,911,775	7,614,365	297,410
Pell loans	5,413,731	4,757,102	656,629
Auxiliary enterprise (Bookstore)	1,057,498	2,066,573	(1,009,075)
State apportionment capital	240,789	207,138	33,651
Property taxes capital	7,571,365	7,739,189	(167,824)
Other	3,685,370	3,228,962	456,408
	$ 72,662,628	$ 71,143,584	$ 1,519,044

REVENUE



Changes in Operating Expenses

- In 2010-11 there was a reduction of $2.0 million in salaries resulting from the effects of a hiring freeze, a Supplemental Employee Retirement Program (SERP), a severance incentive and mandatory furloughs taken by all units.

- Benefits increased due primarily to increases in the cost of Health Care and an increase in the PERS and STRS employer contribution rate and the cost of the SERPs.

- The reduction in supplies is the direct result of cost savings plans and an early purchasing cut off that were implemented to assist with the closing the funding gap.

- Financial aid to students was up by 32.3% in 2008-09, in 2009-10 by another 48.8% and up again in 2010-11 by 34.2%. These increases are due to the influx of Federal Funds to specifically the PELL program, an increase in fees, the increase in unemployment making more students eligible and the addition of the direct student loan program.

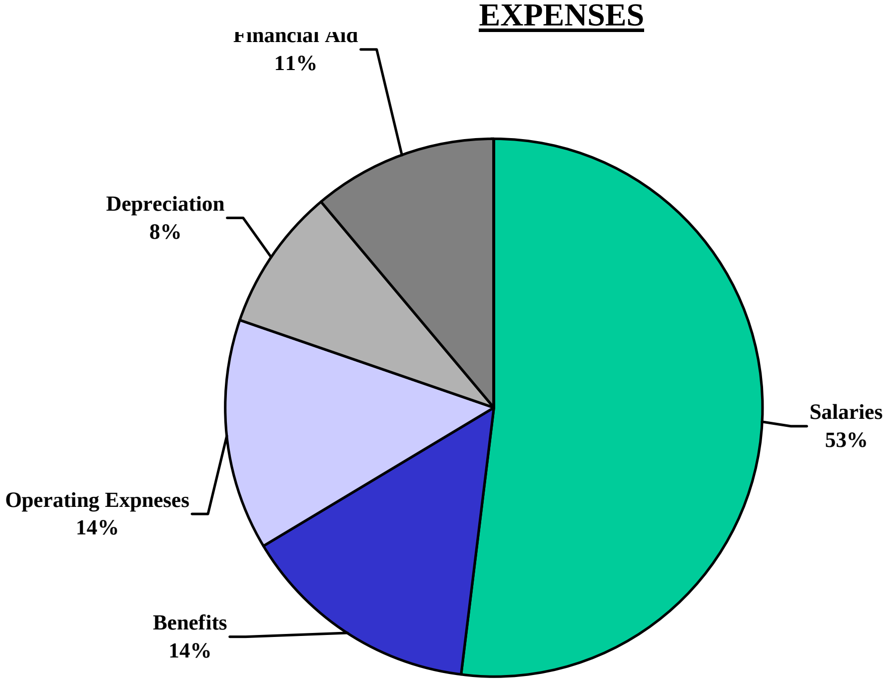
- Depreciation is showing a small reduction as a result of the retirement of equipment related to the Bookstore.

Loss from Special and Extraordinary Items

- The District leased the Bookstore to an outside entity in 2011. In the process of closing the accounts there was a loss recorded on certain fixed assets and inventory that was outdated, unusable or out-of-print. The remaining assets were liquidated or transferred to the District.

Operating Expenditures for the Year Ended	2011	2010	Change
Academic and classified salaries	$ 36,305,142	$ 38,353,199	$ (2.048,057)
Employee benefits	9,927,239	7,997,209	1,930,030
Supplies and other operating expenses	9,865,581	10,336,945	(471,364)
Depreciation	5,919,004	5,965,295	(46,291)
Student financial aid	7,765,900	5,784,036	1,981,864
	$ 69,782,866	$ 68,436,684	$ 1,346,182

EXPENSES



The Statement of Cash Flows

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

	2011	2010	Change
Net cash provided by (used in):			
Operating activities	$ (44,811,335)	$ (51,740,468)	$ 6,929,133
Non-capital financing activities	47,231,890	43,764,306	3,467,584
Capital and related financing activities	(1,689,196)	1,273,638	(2,962,834)
Investment activities	124,652	172,643	(47,991)
Net increase (decrease) in cash	856,011	(6,529,881)	7,385,892
Cash - beginning of the year	23,518,854	30,048,735	(6,529,881)
Cash - end of the year	$ 24,374,865	$ 23,518,854	$ 856,011

- ❖ The primary cash receipts from operating activities consist of student fees, grants and contracts. The primary cash outlays include payment of wages, benefits, supplies, contracts and State Financial Aid to students. Net Cash used reduced by 13% as a result of the net effect of all of these activities with a modest increase in enrollment fee related to the workload restoration. The revenue shifts coupled with the benefits of all of the cost cutting measure the District has put into place over the last three years resulted in the reduced cash used in operations.

- ❖ General apportionment is the primary source of non-capital financing. The two main components of general apportionment are state apportionment and property taxes. The 8% increase reflects the workload increase and increased Pell grants to students.

- ❖ The main capital financing activities are for the purchases and upgrades of capital assets (land, building, and equipment). The decrease from capital and related financing activities is related to additional purchases of capital assets and interest paid on capital debt in the current year.

- ❖ Cash from investing activities is related to interest earned on cash for operations and debt proceeds.

Economic Outlook

The State is still facing a structural deficit due in part to continued borrowing, a downward trend in property tax revenue, and reduced receipts from income and sales tax, as well as a sluggish economic recovery. The State budget was passed on time but with three tiers of possible reductions to be implemented if state revenues fall short of projections. These reductions would take effect as early as December 15, 2011.

Enrollment Challenges and Opportunities

The starting point for this year's budget is a workload reduction of 6.2%. If the state revenues do not come in as projected, we could face a reduction of as much as 8.2% of funded FTES. The college built the Tentative Budget with a reduction of 11.2%. Since the FTES cuts will not be a severe as anticipated, the Deans were able to increase fall course sections in some of our highest demand, mission critical classes. The VP of Academic Affairs and the Deans continue to work to maintain a distribution of course offerings that takes into account academic needs and demand. This strategy has positioned the college well to remain stable, take advantage of the changing enrollment landscape, and provide our students with the courses they need to complete their educational objectives.

Overall Financial Picture

The budget saving activities of 2010-11 provided solid ground to move forward in 2011-12. The college benefited from significant savings from the continuing hiring freeze, a second Supplemental Employee Retiree Program (SERP), furloughs, and an early purchasing cut off, as well as partnerships that covered printing and postage. Additional revenue was also received from Disabled and Hard of Hearing (DHH) funding and from the Bookstore partnership with Follett.

The budget for the 2011-12 fiscal year includes all of the savings that were put in place in the prior year. Also included are increases in fixed costs. While the state provided no COLA this year, previously negotiated contract cost increases are included in the budget. The District is also managing enrollment carefully and cutting costs to reflect reduced funding levels. Two million dollars of reserves will be used to carry the college through 2011/12 with a focus on generating balanced budgets in future years. The college will use 2011/12 to plan how that will be accomplished,

Even though the financial outlook for this funding year is less than optimistic, Ohlone has positioned itself well for the inevitability of down cycles. With frugal cash management, the Board approved rainy day reserve, and the support of all District employees, the college will be able to continue to provide excellent educational opportunities even during these difficult economic times.

OHLONE COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET ASSETS

June 30, 2011

ASSETS	
Current assets:	
Cash and cash equivalents	$ 14,280,485
Receivables, net	8,336,859
Prepaid expenditures	440,584
Total current assets	23,057,928
Noncurrent assets:	
Restricted cash and cash equivalents	10,094,380
Non-depreciable capital assets	46,368,851
Depreciable capital assets, net	149,317,163
Total noncurrent assets	205,780,394
Total assets	$ 228,838,322
LIABILITIES	
Current liabilities:	
Accounts payable	$ 3,212,887
Deferred revenue	4,347,725
Accrued payroll and benefits	1,632,793
Interest payable	2,357,687
Other accrued liabilities	481,324
Long-term liabilities due within one year	3,795,427
Deferred bond premium, current portion	258,341
Total current liabilities	16,086,184
Noncurrent liabilities:	
Long-term liabilities, net of current portion	133,706,310
Deferred bond premium, long-term portion	5,059,648
Total noncurrent liabilities	138,765,958
Total liabilities	154,852,142
Commitments and contingencies (Note 14)	
NET ASSETS	
Invested in capital assets, net of related debt	61,356,980
Restricted:	
Expendable:	
Scholarships and loans	23,598
Other special purposes	1,837,960
Unrestricted	10,767,642
Total net assets	73,986,180
Total liabilities and net assets	$ 228,838,322

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

OHLONE COMMUNITY COLLEGE DISTRICT

DISCRETELY PRESENTED COMPONENT UNIT -
OHLONE COLLEGE FOUNDATION
(A Nonprofit Organization)

STATEMENT OF NET ASSETS

June 30, 2011

ASSETS	
Current assets:	
Cash and cash equivalents	$ 988,389
Receivables	35,076
Other assets	4,001
Prepaid expenses	4,102
Total current assets	1,031,568
Noncurrent assets:	
Investments	2,421,720
Assets held in trust	937,685
Total noncurrent assets	3,359,405
Total assets	$ 4,390,973
LIABILITIES	
Current liabilities:	
Accounts payable	$ 151,865
Deferred revenue	15,000
Liability to beneficiaries due within one year	75,776
Total current liabilities	242,641
Noncurrent liabilities:	
Liability to beneficiaries	415,122
Total liabilities	657,763
Commitments and contingencies	
NET ASSETS	
Restricted:	
Temporarily restricted by donors	1,483,328
Permanent endowments	1,912,500
Unrestricted	337,382
Total net assets	3,733,210
Total liabilities and net assets	$ 4,390,973

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

OHLONE COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS

For the Year Ended June 30, 2011

Operating revenues:	
Tuition and fees (gross)	$ 9,036,877
Less: scholarship discounts and allowances	(1,580,624)
Net tuition and fees	7,456,253
Grants and contracts/gifts, non-capital:	
Federal	3,974,016
State	3,544,444
Local	393,315
Auxiliary enterprise sales and charges	1,057,498
Total operating revenues	16,425,526
Operating expenses:	
Academic and classified salaries	36,305,142
Employee benefits	9,927,239
Supplies, materials, and other operating expenses and services	9,865,581
Depreciation	5,919,004
Student financial aid and scholarships	7,765,900
Total operating expenses	69,782,866
Loss from operations	(53,357,340)
Non-operating revenues (expenses):	
State apportionment, non-capital	26,354,494
Local property taxes	12,971,353
State taxes and other revenues	1,350,638
Investment income, noncapital	58,865
Investment income, capital	47,849
Interest expense on capital asset-related debt, net	(4,893,374)
Pell grants	5,413,731
Net loss on disposal of building and equipment	(190,962)
Other non-operating revenues	2,228,018
Total non-operating revenues	43,340,612
Loss before capital revenues	(10,016,728)
Capital revenues:	
State apportionment	240,789
Local property taxes and revenues	7,571,365
Total capital revenues	7,812,154
Special and extraordinary items:	
Loss on sale of bookstore assets	(200,117)
Change in net assets	(2,404,691)
Net assets, July 1, 2010	76,390,871
Net assets, June 30, 2011	$ 73,986,180

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

OHLONE COMMUNITY COLLEGE DISTRICT

DISCRETELY PRESENTED COMPONENT -
OHLONE COLLEGE FOUNDATION
(A Nonprofit Organization)

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and support:				
Revenues:				
Private donations, grants and bequests	$ 53,865	$ 225,531	$ 15,000	$ 294,396
Program management income	26,375			26,375
Change in value of split-interest agreements		69,390		69,390
Investment income	3,880	428,594		432,474
Operating transfers	(53,208)	38,208	15,000	
Total revenues	30,912	761,723	30,000	822,635
Support:				
Events	153,066			153,066
In-kind contributions	508,674			508,674
Total support	661,740			661,740
Net assets released from restrictions and transfers	497,102	(497,102)		
Total revenues and support	1,189,754	264,621	30,000	1,484,375
Expenses:				
Program services:				
College program support	475,732			475,732
Scholarships	121,870			121,870
Total program services	597,602			597,602
Support services:				
Events	187,026			187,026
Fundraising	327,326			327,326
Contract services	74,186			74,186
Total support services	588,538			588,538
Total expenses	1,186,140			1,186,140
Change in net assets	3,614	264,621	30,000	298,235
Net assets, beginning of year	333,768	1,218,707	1,882,500	3,434,975
Net assets, end of year	$ 337,382	$ 1,483,328	$ 1,912,500	$ 3,733,210

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

OHLONE COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2011

Cash flows from operating activities:	
Tuition and fees	$ 7,909,961
Federal grants and contracts	4,412,327
State grants and contracts	4,006,759
Local grants and contracts	634,750
Payments to suppliers for goods and services	(9,783,888)
Payment to/on behalf of employees	(45,665,388)
Payment to/on behalf of students	(7,804,209)
Auxiliary enterprises sales and charges	1,478,353
Net cash used in operating activities	(44,811,335)
Cash flows from noncapital financing activities:	
State appropriations and receipts	25,351,727
Property taxes	12,971,353
State taxes and other revenue	1,267,061
Pell loans	5,413,731
Other receipts	2,228,018
Net cash provided by noncapital financing activities	47,231,890
Cash flows from capital and related financing activities:	
State appropriations for capital purposes	315,877
Purchase of capital assets	(2,554,584)
Proceeds from sale of capital assets	29,904
Proceeds from sale of bookstore inventory	100,673
Principal paid on capital debt	(25,545,000)
Proceeds from issuance	25,357,989
Interest paid on capital debt	(6,965,420)
Local property taxes and other revenues for capital purposes	7,571,365
Net cash used in capital and related financing activities	(1,689,196)
Cash flows provided by investing activities:	
Investment income	124,652
Change in cash and cash equivalents	856,011
Cash and cash equivalents - beginning of year	23,518,854
Cash and cash equivalents - end of year	$ 24,374,865
Reconciliation of loss from operations to net cash used in operating activities:	
Loss from operations	$ (53,357,340)
Adjustments to reconcile loss from operations to net cash used in operating activities:	
Depreciation expense	5,919,004
Changes in assets and liabilities:	
Receivables	643,483
Inventory and prepaids	296,498
Accounts payable	(272,130)
Accrued Payroll and Benefits	(98,502)
Other Accrued Liabilities	(90,864)
Deferred revenue	1,369,748
Compensated absences	(101,906)
SERP Liability	1,154,342
Retiree health benefits	(273,668)
Net cash used in operating activities	$ (44,811,335)

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

OHLONE COMMUNITY COLLEGE DISTRICT

DISCRETELY PRESENTED COMPONENT UNIT -
OHLONE COLLEGE FOUNDATION
(A Nonprofit Organization)

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2011

Cash flows from operating activities:	
Received from private donors	$ 462,363
Received from other sources	18,339
Payments to suppliers for goods and services	(190,213)
Payments for distribution to District	(310,774)
Payment to/on behalf of students	(36,760)
Net cash used in operating activities	(57,045)
Cash flows used in investing activities:	
Net cash used in investment activities	(59,210)
Change in cash and cash equivalents	(116,255)
Cash and cash equivalents - beginning of year	1,114,644
Cash and cash equivalents - end of year	$ 998,389
Reconciliation of change in net assets to net cash used in operating activities:	
Change in net assets	$ 298,235
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Change in value of split-interest agreements	(69,390)
Donation of property and equipment	10,638
Change in value of investments	(363,683)
Change in assets and liabilities:	
Receivables	7,599
Prepaid expense	(2,602)
Accounts payable	47,158
Deferred revenue	15,000
Net cash used in operating activities	$ (57,045)

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

OHLONE COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2011

		Associated Students of Ohlone College
ASSETS		
Cash and cash equivalents	$	706,903
Receivables		109,444
Total assets	$	816,347
LIABILITIES		
Accounts payable	$	13,465
Deferred revenue		35,192
Amounts held in trust for others		767,690
Total liabilities	$	816,347

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Ohlone Community College District (the "District"), formerly known as Fremont-Newark Community College District, was established July 1, 1966 with the founding of Ohlone College. The District operates a main campus in the city of Fremont and a satellite in Newark.

The District has reviewed criteria to determine whether other entities with activities that benefit the District should be included within its financial reporting entity. The decision to include potential component units in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP) and GASB Cod. Sec. 2100.101 as amended by GASB Cod. Sec. 2100.138. The District, based on its evaluation of this criteria, identified the Ohlone College Foundation (the "Foundation") as a discretely presented component unit.

The Foundation was established as a legally separate, not-for-profit corporation to support the District and its students. It contributes to various scholarship funds for the benefit of District students and also contributes directly to the District. The funds contributed directly by the Foundation to the District are significant to the District's financial statements. Therefore, the District has classified the Foundation as a component unit that will be discretely presented in the District's annual financial statements. The District provides in-kind contributions to the Foundation in the form of salaries, facility use, equipment, supplies and utilities. The value of these in-kind contributions for the year ended June 30, 2011 was estimated to be $508,674.

Stand-alone financial statements for the Foundation may be obtained from the District Office at 43600 Mission Boulevard, Fremont, California.

Basis of Accounting

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities. Under this model, the District's financial statements provide a comprehensive one-line look at its financial activities. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. All significant intra-agency transactions have been eliminated.

In addition to the District's business-type activities, the District maintains fiduciary funds. These funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Fiduciary funds are accounted for using the economic resources measurement focus. The District reports the following fiduciary funds:

Agency Funds – This fund includes the Associated Students:

Associated Students Fund – The Associated Students Fund accounts for the funds of the Associated Students. The amounts reported for student body funds represent the combined totals of all accounts for the various student body clubs and activities within the District.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

The Foundation's financial statements are prepared on the accrual basis of accounting. Recognition of contributions is dependent upon whether the contribution is restricted or unrestricted. Net assets are classified on the Statement of Net Assets as unrestricted, temporarily restricted or permanently restricted net assets based on the absence or existence of donor-imposed restrictions.

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 that date.

Cash and Cash Equivalents

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

Restricted Cash, Cash Equivalents and Investments

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

Fair Value of Investments

The District records its investment in Alameda County Treasury at fair value. Changes in fair value are reported as revenue in the statement of revenues, expenses and change in net assets. The fair value of investments, including the Alameda County Treasury external investment pool, at June 30, 2011 approximated their carrying value. Foundation investments in debt and equity securities are carried at fair value. Realized gains and losses and unrealized appreciation (depreciation) of those investments are reflected in the statement of activities.

Receivables

Receivables consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff, the majority of each residing in the State of California. Receivables also include amounts due from the Federal Government, State and Local Governments, or private sources, in connection with reimbursements of allowable expenditures made pursuant to the District's grants and contracts.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

Contributions receivable consist of unconditional promises to give. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. An allowance for uncollectible contributions receivable is established based upon estimated losses related to specific amounts and is recorded through a provision for bad debt which is charged to expense. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. As of June 30, 2011, the Foundation has applied a discount rate of 7% to its charitable remainder trusts expected to be received in future years greater than one year. At June 30, 2011, an allowance for uncollectible contributions is not considered necessary and has not been recorded.

Assets Held in Trust and Liability to Beneficiary

Charitable remainder trust assets include the estimated fair value of various irrevocable charitable trusts in which the Foundation is both the trustee and secondary beneficiary. The net present values of these assets were determined using investment returns consistent with the composition of the asset portfolios, life expectancies, and relevant discount rate. Irrevocable charitable trusts, whose use by the Foundation is limited due to donor-imposed restrictions, increase restricted net assets.

Liability to beneficiaries represents the present value of the liability due to primary beneficiaries of the irrevocable charitable remainder trusts for which the Foundation is both trustee and secondary beneficiary. On an annual basis, the Foundation reviews its actuarial assumptions and the need to revalue the liability for future distributions to the designated beneficiaries based upon any changes in the actuarial assumptions. The present value of the estimated future payments is calculated using a discount rate of 5.0% and applicable life expectancy tables.

Capital Assets

Capital assets are recorded at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, the District's capitalization policy includes all items with a unit cost of $5,000 or more, and estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to 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, 20 years for land improvements, 8 years for vehicles, and 5 – 10 years for machinery and equipment.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Compensated absences costs are accrued when earned by employees. Accumulated unpaid employee vacation benefits are recognized at year end as liabilities of the District.

Accumulated Sick Leave

Sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expenditure or expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits for certain STRS and PERS employees, when the employee retires.

Deferred Revenue

Revenue from federal, state and local special projects and programs is recognized when qualified expenditures have been incurred. Other funds, including tuition and student fees received but not earned are recorded as deferred revenue until earned.

Net Assets

The District's net assets are classified as follows:

Invested in capital assets, net of related debt: This represents the District's total investment in capital assets, net of associated 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 assets: Restricted expendable net assets include resources in which the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. Nonexpendable restricted net assets consist 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.

Unrestricted net assets: Unrestricted net assets represent resources derived from student tuition and fees, State apportionments, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the District, and may be used at the discretion of the governing board to meet current expenses for any purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to first apply the expense toward unrestricted resources, and then towards restricted resources.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Foundation's net assets are classified as follows:

Unrestricted: Unrestricted net assets consist of all resources of the Foundation, which have not been specifically restricted by a donor.

Temporarily restricted: Temporarily restricted net assets consist of cash and other assets received with donor stipulations that limit the use of the donated assets. When a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Revenue, Expense, and Change in Net Assets as net assets released from restriction.

Permanently restricted: Permanently restricted net assets are nonexpendable net assets consisting of endowment and similar type funds in which the donor has stipulated as condition of the gift, that the principal be maintained in perpetuity.

The Foundation's endowment currently consists of 39 individual funds established for the purpose of supporting education at the District. The endowment includes donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the prudence standard prescribed by UPMIFA.

The Foundation follows the Foundation's adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specific period(s) as well as board-designated funds.

The investment objective is to optimize earnings on all invested funds, while maintaining the preservation of capital. Risk will be minimized by investing in high quality fixed income instruments. To the extent that corporate obligations are purchased, those purchases will be diversified in terms of issuer and industry sector.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

State Apportionments

Certain current year apportionments from the state are based on various financial and statistical information of the previous year. Prior year corrections due to the recalculation in February 2011 will be recorded in the year computed by the state.

On-Behalf Payments

GASB Cod Sec. 2300.120 requires that direct on-behalf payments for 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 expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers Retirement System on behalf of all Community Colleges in California. However, a fiscal advisory issued by the California Department of Education instructed districts not to record revenue and expenditures for these on-behalf payments. These payments consist of state general fund contributions to CalSTRS in the amount of $267,218 (2.017%) of salaries subject to CalSTRS). Had this amount been reflected in the District's financial statements, both revenues and expenditures would have increased by $267,218.

Classification of Revenue

The District has classified its revenues as either operating or nonoperating revenues. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues, as defined by GASB Cod. Sec. C05.101 including state appropriations, local property taxes, and investment income. Nearly all the District's expenses are from exchange transactions. Revenues and expenses are classified according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, (3) most federal, state and local grants and contracts and federal appropriations, and (4) interest on institutional student loans.

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, Pell grants and other revenue sources described in GASB Cod. Sec. C05.101, such as state appropriations and investment income.

Loss from Special and Extraordinary Items

The District leased the Bookstore to an outside entity in 2011. In the process of closing the accounts there was a loss recorded on certain fixed assets and inventory. The remaining assets were liquidated or transferred to the District in the amount of $2,254,553. At June 30, 2011, the loss on the transaction totaled $200,117.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Scholarship Discounts and Allowances

Student tuition and fee revenue are reported net of scholarship discounts and allowances in the statement of revenues, expenses and change in net assets. Scholarship discounts and allowances represent the difference between stated charges 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, such as Board of Governor's Grants (BOGG) 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 are used to satisfy tuition and fees and other student charges, the District has recorded a scholarship discount and allowance.

Estimates

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

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents and investments at June 30, 2011, consisted of the following:

	District	Foundation	Agency Funds
Pooled Funds:			
Cash in County Treasury	$ 20,620,793		
Deposits:			
Cash on hand and in banks	3,754,072	$ 772,648	$ 706,903
Investments		215,741	
Total cash and cash equivalents	24,374,865	988,389	706,903
Less: restricted cash and cash equivalents:			
Cash held by Fiscal Agents	10,083,449		
Cash held in trust	10,931		
Total restricted cash and cash equivalents	10,094,380		
Net cash and cash equivalents	$ 14,280,485	$ 988,389	$ 706,903
Investments	$ -	$ 3,359,405	$ -

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Pooled Funds

As provided for by in Education Code, Section 41001, a significant portion of the District's cash balances is deposited with the County Treasurer for the purpose of increasing interest earnings through County investment activities. Interest earned on such pooled cash balances is allocated proportionately to all funds in the pool.

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

In accordance with applicable State laws, the Alameda County Treasurer may invest in derivative securities. However, at June 30, 2011, the Alameda County Treasurer has indicated that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

Deposits

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 110 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. All cash held by financial institutions is entirely insured or collateralized.

Credit Risk

Under provision of the District's policy, and in accordance with Sections 53601 and 53602 of the California Government Code, the District may invest in the following types of investments:

- Securities of the U.S. Government, or its agencies
- Small Business Administration Loans
- Negotiable Certificates of Deposit
- Bankers' Acceptances
- Commercial Paper
- Local Agency Investment Fund (State Pool) Deposits
- Passbook Savings Account Demand Deposits
- Repurchase Agreements

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Credit Risk (Continued)

The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Under Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, interest-bearing cash balances held in banks are insured up to $250,000 and noninterest-bearing cash balances held in banks are fully insured by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2011, the carrying amount of the District's accounts was $4,460,975 and the bank balance was $4,563,849. $421,249 of the bank balance was FDIC insured and $4,142,600 remained uninsured.

The Foundation limits custodial credit risk by ensuring uninsured balances are collateralized by respective financial institution. Under Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, interest-bearing cash balances held in banks are insured up to $250,000 and non-interest bearing cash balances held in banks are fully insured by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2011, the carrying amount of the Foundation's cash on hand and in banks was $772,648 and the bank balance was $779,717, all of which was insured.

Investments Authorized by the District's and Foundation's Investment Policies

The table below identifies the investment types authorized for the District by the California Government Code Section 53601. This table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds or Notes	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Bankers Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20%	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Mortgage Pass through Securities	5 years	20%	None
Joint Power Agreements	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Funds (LAIF)	N/A	None	None

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Investments Authorized by the District's and Foundation's Investment Policies (Continued)

The table below identifies the investment types authorized by the Foundation's investment policy. The Foundation's investment policy does not contain any specific provisions intended to limit the Foundation's exposure to interest rate risk, credit risk and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Minimum Rating (1)	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Equity Securities	N/A	N/A	70%	5%
Corporate Bonds	N/A	N/A	20%	5%
U.S. Treasury Obligations	N/A	N/A	15%	None
U.S. Agency Securities	N/A	N/A	15%	None
Fixed Income Investments	N/A	N/A	50%	10%
Mutual Funds	N/A	N/A	N/A	None

(1) U.S. Treasury securities and other fixed investments that carry an "investment grade" rating by Standard and Poor's or Moody's rating service. The finance committee may periodically grant the investment manager discretion to invest up to 15% of the portfolio in below investment grade fixed income investments.

Derivative Investments

The District and Foundation did not directly enter into any derivative investments.

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. Investment types that are authorized for investments held by bond trustee include the Alameda County Investment Pool, money market accounts, certificates of deposit and a guaranteed investment contract. These debt agreements do not address the related maximum maturities, maximum percentages allowed in each type or maximum investment in one issuer.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair values to changes in market interest rates.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Disclosures Relating to Interest Rate Risk (Continued)

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the maturity date of each investment:

	Less than 1 Year	1-5 Years	No Maturity	Fair Value
District				
Cash and cash equivalents			$ 2,817,600	$ 2,817,600
Alameda County Treasury investment pool			21,557,265	21,557,265
Total	$ -	$ -	$ 24,374,865	$ 24,374,865
Foundation				
Cash and liquid investments:				
Cash			$ 772,648	$ 772,648
Money market			215,741	215,741
Total cash and liquid investments			988,389	988,389
Investments:				
Corporate bonds	$ 83,359	$ 308,930	3,668	395,957
Equity securities			1,802,086	1,802,086
Municipal bonds and notes		25,520		25,520
U.S. Government obligations	175,266	52,511		227,777
Mutual funds			908,065	908,065
Total investments	258,625	386,961	2,713,819	3,359,405
Total cash and investments	$ 258,625	$ 386,961	$ 3,702,208	$ 4,347,794

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County Treasury investment pool does not have a rating provided by a nationally recognized statistical rating organization.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Disclosures Relating to Credit Risk (Continued)

Presented below is the minimum rating required by (where applicable) the California Government Code, or debt agreements, and the actual rating as of year end for each investment type.

Investment	Moody's	Fair Value
District		
Alameda County Treasury investment pool	N/A	$ 21,557,265
Cash and cash equivalents	N/A	2,817,600
Total District cash and investments		$ 24,374,865
Foundation		
Cash and liquid investments:		
Cash	N/A	$ 772,648
Money markets	N/A	215,741
Total cash and liquid investments		988,389
Investments:		
Corporate bonds and mutual funds	Aa2	133,033
Corporate bonds and mutual funds	Aa3	20,418
Corporate bonds and mutual funds	A1	143,272
Corporate bonds and mutual funds	A2	90,484
Corporate bonds and mutual funds	B2	8,750
Municipal bonds and notes	AA3	25,520
Equity securities	Not Rated	1,802,086
Mutual Funds	Not Rated	908,065
U.S. Government obligations	Aaa	227,777
Total investments		3,359,405
Total Foundation cash and investments		$ 4,347,794

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Fair Value Measurements

The following presents information about the Foundation's assets and liabilities measured at fair value on a recurring basis as of June 30, 2011, and indicates the fair value hierarchy of the valuation techniques utilized by the Foundation to determine such fair value based on the hierarchy:

Level 1 - Quoted market prices of identical instruments traded in active exchange markets.

Level 2 - Significant other observable inputs such as quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable or can be corroborated by observable market data.

Level 3 - Significant unobservable inputs that reflect a reporting entity's own assumptions about the methods that market participants would use in pricing an asset or liability.

The Foundation is required or permitted to record the following assets at fair value on a recurring basis:

Description	Fair Value	Level 1	Level 2	Level 3
Investment securities:				
Equity securities	$ 1,802,086	$ 1,802,086		
Corporate bonds	395,957		$ 395,957	
Municipal bonds and notes	25,520		25,520	
U.S. Government obligations	227,777		227,777	
Mutual funds	908,065	908,065		
	$ 3,359,405	$ 2,710,151	$ 649,254	$ -

The fair value of investment securities classified as Level 1 equals quoted market prices. Certain investments were classified as Level 2 as comparable investment securities were used to determine fair value measurements.

The Foundation had no non-recurring assets and no liabilities at June 30, 2011, which were required to be disclosed using the fair value hierarchy.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Concentration of Credit Risk

The investment policies of the District contain no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Education Code. There are no investments in any one issuer that represent 5% or more of total County Office investments.

The investment policy of the Foundation states that no single equity position shall exceed 5%, no fixed-income position shall exceed 10%, and no single corporate stock shall exceed 5% of the total value of the portfolio.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Education Code and the District's and Foundation's investment policies do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits that are made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amounts deposited by the public agencies.

The Foundation did not hold any deposits with financial institutions in excess of federal depository insurance limits held in uncollateralized accounts.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a governmental entity will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Foundation's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a governmental entity's indirect investment in securities through the use of mutual funds.

Foreign Currency Risk

The current Foundation investment policy does not address foreign currency risk, which is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Foundation does not have any deposits or investments in foreign currency.

3. RECEIVABLES

Receivables at June 30, 2011 are summarized as follows:

	District	Foundation
Federal	$ 556,078	
State	7,219,899	
Local and other, net of allowance	560,882	$ 35,076
Totals	$ 8,336,859	$ 35,076

The allowance for doubtful accounts of $536,307 is maintained by the District at an amount which management considers sufficient to fully reserve and provide for the possible uncollectibility of other receivable balances.

4. CAPITAL ASSETS

Capital asset activity consists of the following:

	Balance July 1, 2010	Additions	Deductions	Transfers	Balance June 30, 2011
Non-depreciable:					
Land	$ 36,116,441				$ 36,116,441
Construction work in progress	6,183,499	$ 4,083,761		$ (14,850)	10,252,410
Depreciable:					
Buildings and improvements	173,202,862	61,827		14,850	173,279,539
Donated equipment	129,716			(129,716)	
Machinery and equipment	20,766,354	434,499	$ 472,906	257,100	20,985,047
Bookstore equipment	672,272		544,888	(127,384)	
Total	237,071,144	4,580,087	1,017,794		240,633,437
Less accumulated depreciation:					
Building and improvements	25,486,627	3,649,557			29,136,184
Machinery and equipment	14,037,515	2,225,153	(451,429)		15,811,239
Bookstore equipment	301,205	44,294	(345,499)		
Total	39,825,347	5,919,004	(796,928)		44,947,423
Capital assets, net	$ 197,245,797	$ (1,338,917)	$ 220,866	$ -	$ 195,686,014

5. DEFERRED REVENUE AND DEFERRED SUPPORT

Deferred revenue for the District consisted of the following:

Deferred federal and state revenue	$ 772,315
Deferred local revenue	91,654
Deferred student fees	496,347
Deferred tuition and other student enrollment fees	2,987,409
Total deferred revenue	$ 4,347,725

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, 2011, assets held in trust under unitrust agreements total $937,685 and the associated liability to beneficiaries of $490,898 is recorded in the statement of net assets.

7. LONG-TERM LIABILITIES

Changes in Long-Term Liabilities

A schedule of changes in general long-term liabilities for the year ended June 30, 2011 is shown below:

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011	Due Within One Year	Non-Current
Compensated absences	$ 1,213,959		$ 101,906	$ 1,112,053	$ 310,699	$ 801,354
Post-employment health benefits	701,966	$ 678,644	952,312	428,298	428,298	
General obligation bonds	132,005,000	23,680,000	25,545,000	130,140,000	2,160,000	127,980,000
Bond premiums	3,751,435	1,677,989	111,435	5,317,989	258,341	5,059,648
SERP liability	1,785,575	1,534,506	380,164	2,939,917	896,430	2,043,487
Accreted interest	2,299,195	582,274		2,881,469		2,881,469
	$ 141,757,130	$ 28,153,413	$ 27,090,817	$ 142,819,726	$ 4,053,768	$ 138,765,958

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 bonds mature through August 2012 and August 2030 for the 2002 and 2005 issuance, 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 2.000% to 4.000%.

Calculation of Difference in Cash Flow Requirements and Economic Gain

Cash Flow Difference

Old debt service cash flows	$ 35,938,275
New debt service cash flows	32,460,340
	$ 3,477,935

7. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

Calculation of Difference in Cash Flow Requirements and Economic Gain (Continued)

Economic Gain

Present value of old debt service cash flows	$ 28,837,611
Present value of new debt service cash flows	26,030,275
	$ 2,807,336

There was no accrued interest or sinking fund resources related to the new debt proceeds.

A summary of activity for general obligation bonds during the year ended June 30, 2011 is as follows:

Date of Issue	Interest Rate	Amount of Original Issue	Bonds Outstanding July 1, 2010	Bonds Redeemed During Year	Outstanding June 30, 2011
2002	3.00 - 5.375%	$ 40,000,000	$ 26,090,000	$ 25,040,000	$ 1,050,000
2006	3.00 - 5.375%	110,000,000	105,915,000	505,000	105,410,000
2010	2.00 - 4.000%	23,680,000			23,680,000
		$ 173,680,000	$ 132,005,000	$ 25,545,000	$ 130,140,000

The annual requirements to amortize General Obligation Bonds outstanding as of June 30, 2011 are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	$ 2,160,000	$ 5,655,400	$ 7,815,400
2013	2,445,000	5,597,600	8,042,600
2014	2,380,497	5,515,525	7,896,022
2015	2,664,814	5,807,978	8,472,792
2016	2,738,263	5,972,011	8,710,274
2017-2021	17,991,426	31,514,398	49,505,824
2022-2026	38,135,000	21,010,075	59,145,075
2027-2031	61,625,000	9,749,513	71,374,513
	$ 130,140,000	$ 90,822,500	$ 220,962,500

7. LONG-TERM LIABILITIES (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, 2011, there were 49 employees in the Plan. Employees under the SERP will 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, 2011 are as follows:

Year Ending June 30,	
2012	$ 896,430
2013	734,831
2014	687,064
2015	571,825
2016	47,767
	$ 2,937,917

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.

9. FUNCTIONAL EXPENSES

For the year ended June 30, 2011, operating expenses are charged by function as follows:

District	Salaries	Benefits	Services	Depreciation	Student Financial Aid	Total
Instructional activities	$ 17,378,231	$ 2,470,319	$ 1,245,693			$ 21,094,243
Instructional support	2,876,450	554,494	324,512			3,755,456
Student services	5,662,089	1,545,788	636,064			7,843,941
Plant operations and maintenance	1,845,038	784,259	1,823,524			4,452,821
Institutional support	4,886,523	3,617,482	2,700,426			11,204,431
Community services and economic development	1,876,186	428,675	1,175,871			3,480,732
Ancillary and auxiliary services	1,503,658	465,820	1,190,651			3,160,129
Student aid	105,853	1,588			$ 7,765,900	7,873,341
Physical property and related	171,114	58,814	768,840			998,768
Depreciation expense				$ 5,919,004		5,919,004
	$ 36,305,142	$ 9,927,239	$ 9,865,581	$ 5,919,004	$ 7,765,900	$ 69,782,866

9. FUNCTIONAL EXPENSES (Continued)

The Foundation had operating expenses charged by function to program services and support services in the amount of $597,602 and $588,538, respectively, for the year ended June 30, 2011.

10. EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System, and classified employees are members of the Public Employees' Retirement System.

<u>State Teachers' Retirement System (STRS)</u>

Plan Description

All certificated employees and those employees meeting minimum standards adopted by the Board of Governors of the California Community Colleges and employed 50 percent or more of a full-time equivalent position participate in the Defined Benefit Plan (DB Plan). Part-time educators hired under a contract of less than 50 percent or on an hourly or daily basis without contract may elect membership in the Cash Balance Benefit Program (CB Benefit Program). The State Teachers' Retirement Law (Part 13 of the *California Education Code*, Section 22000 et seq.) established benefit provisions for STRS. Copies of the STRS annual financial report may be obtained from the STRS Executive Office, 100 Waterfront Place, West Sacramento, CA 95605.

Funding Policy

Active members of the DB Plan are required to contribute 8% of their salary while the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2010-2011 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The CB Benefit Program is an alternative STRS contribution plan for instructors. Instructors who choose not to sign up for the DB Plan or FICA may participate in the CB Benefit Program. The District contribution rate for the CB Benefit Program is always a minimum of 4% with the sum of the District and employee contribution always being equal or greater than 8%.

Annual Pension Cost

The District's total contributions to STRS for the fiscal years ended June 30, 2011, 2010 and 2009 were $1,452,098, $1,404,793 and $1,535,027, respectively, and equals 100% of the required contributions for each year. The State of California may make additional direct payments for retirement benefits to the STRS on behalf of all community colleges in the State. The revenue and expenditures associated with these payments, if any, have not been included in these financial statements.

10. EMPLOYEE RETIREMENT SYSTEMS (Continued)

California Public Employees' Retirement System (CalPERS)

Plan Descriptions

The District contributes to the School Employer Pool under 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' that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, California 95811.

Funding Policy

Active plan members are required to contribute 7% of their salary and the district is required to contribute an actuarially determined rate. The required employer contribution rate for fiscal year 2010-2011 was 10.707% of annual payroll.

Annual Pension Cost

The District's contributions to CalPERS for the fiscal years ending June 30, 2011, 2010 and 2009 were $1,576,444, $1,400,273 and $1,413,648, respectively, and equaled 100 percent of the required contributions for each year.

11. OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 10, the District provides post-employment 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.

11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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:

Annual required contribution	$ 678,644
Interest on net OPEB obligation	40,022
Adjustment to annual required contribution	(40,022)
Annual OPEB cost (expense)	678,644
Contributions made	(952,312)
Decrease in net OPEB obligation	(273,668)
Net OPEB obligation - beginning of year	701,966
Net OPEB obligation - end of year	$ 428,298

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2011 and preceding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	$ 682,812	36.3%	$ 857,072
June 30, 2010	$ 369,557	142.0%	$ 701,966
June 30, 2011	$ 678,644	140.3%	$ 428,298

As of February 1, 2011, the most recent actuarial valuation date, the plan was 13 percent funded. The actuarial accrued liability for benefits was $5,818,135, and the actuarial value of assets was $774,529, resulting in an unfunded actuarial accrued liability (UAAL) of $5,043,606. The covered payroll (annual payroll of active employees covered by the Plan) was $27,235,761, and the ratio of the UAAL to the covered payroll was 19 percent.

11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial valuations of an ongoing 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, included as Required Supplementary Information following this section, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and 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, consistent with the long-term perspective of the calculations.

In the February 1, 2011, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 5 percent investment rate (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan on the valuation date, and an annual healthcare cost trend rate of 4 percent. Both rates included a 3 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011, was 30 years.

12. JOINT POWERS AGREEMENTS

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.

Bay Area Community College District Joint Powers Agency

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.

12. JOINT POWERS AGREEMENTS (Continued)

Bay Area Community College District Joint Powers Agency (Continued)

The following is a summary of financial information for BACCDJPA at June 30, 2011:

Total assets	$	6,981,722
Total liabilities	$	1,798,548
Net assets	$	5,183,174
Total revenues	$	3,691,311
Total expenses	$	2,919,517
Change in net asset	$	771,794

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.

The following is a summary of financial information for SBRPSTC at June 30, 2011.

Total assets	$	4,175,392
Total liabilities	$	1,742,003
Net assets	$	2,433,389
Total revenues	$	7,930,842
Total expenses	$	8,405,022
Change in net asset	$	(474,180)

13. ENDOWMENT NET ASSETS - FOUNDATION

Changes in donor-restricted endowment net assets for the fiscal year ended June 30, 2011, consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ (35,309)	$ 406,430	$ 1,882,500	$ 2,253,621
Change in fair value of investments	35,101	383,896		418,997
Contributions		30,296	30,000	60,296
Transfer from unrestricted and temporarily restricted	88,769	(88,769)		
Appropriation of endowment assets for expenditure	(88,769)			(88,769)
Endowment net assets, end of year	$ (208)	$ 731,853	$ 1,912,500	$ 2,644,145

13. ENDOWMENT NET ASSETS - FOUNDATION (Continued)

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There was 1 individual endowment fund with such deficiencies as of June 30, 2011.

14. 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 $9,937,000 at June 30, 2011. These commitments will be primarily funded from Measure A funds.

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.

15. SUBSEQUENT EVENTS

On October 19, 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.

15. SUBSEQUENT EVENTS (Continued)

The Series A and Series A-1 bonds will both mature beginning on August 1, 2012 and have an interest rate ranging between 2.00% and 5.00%.

The Foundation has reviewed all events occurring from June 30, 2011 through December 14, 2011, the date the financial statements were available to be issued. No other subsequent events occurred requiring accrual or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

OHLONE COMMUNITY COLLEGE DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS

For the Year Ended June 30, 2011

Schedule of Funding Progress

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2009	May 13, 2009	$ -	$ 5,175,598	$ 5,175,598	0%	$ 25,600,021	20%
6/30/2010	May 13, 2009	$ -	$ 5,175,598	$ 5,175,598	0%	$ 28,714,567	18%
6/30/2011	February 1, 2011	$ 774,529	$ 5,818,135	$ 5,043,606	13%	$ 27,235,761	19%

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

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULE

Schedule of Other Postemployment Benefits Funding Progress

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarially accrued liability for benefits with the actuarial value of accumulated plan assets.

SUPPLEMENTARY INFORMATION

OHLONE COMMUNITY COLLEGE DISTRICT

COMBINING STATEMENT OF NET ASSETS BY FUND

June 30, 2011

	General	Child Development Fund	Revenue Bond Debt Service Fund	Capital Outlay Projects Fund	Bond Revenue Construction Fund	Bookstore Fund
Assets						
Current assets:						
Cash and cash equivalents	$ 12,558,060	$ 3,000				
Receivables, net	8,206,278	10	$ 3,951	$ 62,800	$ 2,721	
Due from other funds	4,131					
Prepaid expenditures	434,851					
Total current assets	21,203,320	3,010	3,951	62,800	2,721	
Noncurrent assets:						
Restricted cash and cash equivalents			5,179,611	2,195,163	2,719,606	
Non-depreciable capital assets						
Depreciable capital assets, net						
Total noncurrent assets			5,179,611	2,195,163	2,719,606	
Total assets	$ 21,203,320	$ 3,010	$ 5,183,562	$ 2,257,963	$ 2,722,327	$ -
Liabilities						
Current liabilities:						
Accounts payable	$ 657,016	$ 3,010		$ 1,882,000	$ 639,332	
Due to other funds						
Deferred revenue	4,347,725					
Accrued payroll and benefits	1,636,995					
Interest payable						
Other accrued liabilities	387,465			55,250	11,432	
Long-term liabilities due within one year	310,699					
Deferred bond premium, current portion						
Total current liabilities	7,339,900	3,010		1,937,250	650,764	
Noncurrent liabilities:						
Long-term liabilities, net of current portion						
Deferred bond premium, long-term portion			$ 3,565,414			
Total noncurrent liabilities			3,565,414			
Total liabilities	7,339,900	3,010	3,565,414	1,937,250	650,764	
Net Assets						
Invested in capital assets, net of related debt						
Restricted for:						
Expendable:						
Scholarships and loans						
Capital projects				320,713	2,071,563	
Debt service			1,618,148			
Other special purposes	434,851					
Undesignated	13,428,569					
Total net assets	13,863,420		1,618,148	320,713	2,071,563	
Total liabilities and net assets	$ 21,203,320	$ 3,010	$ 5,183,562	$ 2,257,963	$ 2,722,327	$ -

(Continued)

OHLONE COMMUNITY COLLEGE DISTRICT

COMBINING STATEMENT OF NET ASSETS BY FUND
(Continued)
June 30, 2011

	Internal Service Fund	Student Financial Aid Trust Fund	Totals	Reconciling Adjustments/ Eliminations	Statement of Net Assets
Assets					
Current assets:					
Cash and cash equivalents	$ 1,701,626	$ 17,799	$ 14,280,485		$ 14,280,485
Receivables, net	1,297	59,802	8,336,859		8,336,859
Due from other funds			4,131	$ (4,131)	
Prepaid expenditures	5,733		440,584		440,584
Total current assets	1,708,656	77,601	23,062,059	(4,131)	23,057,928
Noncurrent assets:					
Restricted cash and cash equivalents			10,094,380		10,094,380
Non-depreciable capital assets				46,368,851	46,368,851
Depreciable capital assets, net				149,317,163	149,317,163
Total noncurrent assets			10,094,380	195,686,014	205,780,394
Total assets	$ 1,708,656	$ 77,601	$ 33,156,439	$ 195,681,883	$ 228,838,322
Liabilities					
Current liabilities:					
Accounts payable	$ 8,834	$ 22,695	$ 3,212,887		$ 3,212,887
Due to other funds		4,131	4,131	$ (4,131)	
Deferred revenue			4,347,725		4,347,725
Accrued payroll and benefits	(4,202)		1,632,793		1,632,793
Interest payable				2,357,687	2,357,687
Other accrued liabilities		27,177	481,324		481,324
Long-term liabilities due within one year	428,298		738,997	3,056,430	3,795,427
Deferred bond premium, current portion				258,341	258,341
Total current liabilities	432,930	54,003	10,417,857	5,668,327	16,086,184
Noncurrent liabilities:					
Long-term liabilities, net of current portion				133,706,310	133,706,310
Deferred bond premium, long term portion			3,565,414	1,494,234	5,059,648
Total noncurrent liabilities			3,565,414	135,200,544	138,765,958
Total liabilities	432,930	54,003	13,983,271	140,868,871	154,852,142
Net Assets					
Invested in capital assets, net of related debt				61,356,980	61,356,980
Restricted for:					
Expendable:					
Scholarships and loans		23,598	23,598		23,598
Capital projects			2,392,276	(2,392,276)	
Debt service			1,618,148	(1,618,148)	
Other special purposes	1,275,726		1,710,577	127,383	1,837,960
Undesignated			13,428,569	(2,660,927)	10,767,642
Total net assets	1,275,726	23,598	19,173,168	54,813,012	73,986,180
Total liabilities and net assets	$ 1,708,656	$ 77,601	$ 33,156,439	$ 195,681,883	$ 228,838,322

See accompanying notes to supplementary information.

OHLONE COMMUNITY COLLEGE DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS BY FUND

Year Ended June 30, 2011

	General	Child Development Fund	Revenue Bond Debt Service Fund	Capital Outlay Projects Fund	Bond Revenue Construction Fund	Bookstore Fund
Operating revenues:						
Tuition and fees (gross)	$ 9,036,877					
Less: Scholarship discounts and allowances	(1,580,624)					
Net tuition and fees	7,456,253					
Grants and contracts/gifts, non-capital:						
Federal	2,211,971					
State	3,211,551	$ 3,011				
Local	393,315					
Auxiliary enterprise sales and charges						$ 1,057,498
Total operating revenues	13,273,090	3,011				1,057,498
Operating expenses:						
Academic and classified salaries	35,884,358			$ 45,031	$ 126,083	197,034
Employee benefits	8,040,906			11,350	47,465	43,055
Supplies, materials and other operating expenses and services	8,618,473	3,010	$ 1,130	2,434,431	2,280,933	944,983
Depreciation						44,294
Student financial aid and scholarships	324,715					
Total operating expenses	52,868,452	3,010	1,130	2,490,812	2,454,481	1,229,366
Operating loss	(39,595,362)	1	(1,130)	(2,490,812)	(2,454,481)	(171,868)
Non-operating revenues (expenses):						
State apportionment, non-capital	26,354,494					
Local property taxes	12,971,353					
State taxes and other revenues	1,286,962		63,676			
Investment income - non-capital	48,142	45				5,917
Investment income - capital			13,634	7,983	26,232	
Interest expense on capital asset related debt			(5,600,819)			
Pell grants						5,917
Net loss on disposal of building and equipment						
Other non-operating revenues	1,277,594			743,296		
Debt reduction			(1,605,000)			
Interfund transfers out	(1,915,104)	(7,996)				(2,245,411)
Interfund transfers in	2,676,307					
Total non-operating revenues (expenses)	42,699,748	(7,951)	(7,128,509)	751,279	26,232	(2,239,494)
Income (loss) before capital revenues	3,104,386	(7,950)	(7,129,639)	(1,739,533)	(2,428,249)	(2,411,362)
Capital revenues:						
State apportionment				240,789		
Local property taxes and revenues	75,985		7,495,380			
Total capital revenues	75,985		7,495,380	240,789		
Special and extraordinary items:						
Purchase of bookstore assets						
Loss on sale of bookstore assets						(200,117)
Total special and extraordinary items						(200,117)
Change in net assets	3,180,371	(7,950)	365,741	(1,498,744)	(2,428,249)	(2,611,479)
Net assets, July 1, 2010	10,683,049	7,950	1,252,407	1,819,457	4,499,812	2,611,479
Net assets, June 30, 2011	$ 13,863,420	$ -	$ 1,618,148	$ 320,713	$ 2,071,563	$ -

(Continued)

OHLONE COMMUNITY COLLEGE DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS BY FUND
(Continued)
Year Ended June 30, 2011

	Internal Service Fund	Student Financial Aid Trust Fund	Totals	Reconciling Adjustments/ Eliminations	Statement of Revenues, Expenses and Change in Net Assets
Operating revenues:					
Tuition and fees (gross)			$ 9,036,877		$ 9,036,877
Less: Scholarship discounts and allowances			(1,580,624)		(1,580,624)
Net tuition and fees			7,456,253		7,456,253
Grants and contracts/gifts, non-capital:					
Federal		$ 1,762,045	3,974,016		3,974,016
State		329,882	3,544,444		3,544,444
Local			393,315		393,315
Auxiliary enterprise sales and charges			1,057,498		1,057,498
Total operating revenues		2,091,927	16,425,526		16,425,526
Operating expenses:					
Academic and classified salaries		105,853	36,358,359	$ (53,217)	36,305,142
Employee benefits	$ 678,644	1,588	8,823,008	1,104,231	9,927,239
Supplies, materials and other operating expenses and services	13,047		14,296,007	(4,430,426)	9,865,581
Depreciation			44,294	5,874,710	5,919,004
Student financial aid and scholarships		7,441,185	7,765,900		7,765,900
Total operating expenses	691,691	7,548,626	67,287,568	2,495,298	69,782,866
Operating loss	(691,691)	(5,456,699)	(50,862,042)	(2,495,298)	(53,357,340)
Non-operating revenues (expenses):					
State apportionment, non-capital			26,354,494		26,354,494
Local property taxes			12,971,353		12,971,353
State taxes and other revenues			1,350,638		1,350,638
Investment income - non-capital	4,761		58,865		58,865
Investment income - capital			47,849		47,849
Interest expense on capital asset related debt			(5,600,819)	707,445	(4,893,374)
Pell grants		5,413,731	5,413,731		5,413,731
Net loss on disposal of building and equipment				(190,962)	(190,962)
Other non-operating revenues			2,020,890	207,128	2,228,018
Debt reduction			(1,605,000)	1,605,000	
Interfund transfers out			(4,168,511)	4,168,511	
Interfund transfers in	1,441,033	51,171	4,168,511	(4,168,511)	
Total non-operating revenues (expenses)	1,445,794	5,464,902	41,012,001	2,328,611	43,340,612
Income (loss) before capital revenues	754,103	8,203	(9,850,041)	(166,687)	(10,016,728)
Capital revenues:					
State apportionment			240,789		240,789
Local property taxes and revenues			7,571,365		7,571,365
Total capital revenues			7,812,154		7,812,154
Special and extraordinary items:					
Loss on sale of bookstore assets			(200,117)		(200,117)
Total special and extraordinary items			(200,117)		(200,117)
Change in net assets	754,103	8,203	(2,238,004)	(166,687)	(2,404,691)
Net assets, July 1, 2010	521,623	15,395	21,411,172	54,979,699	76,390,871
Net assets, June 30, 2011	$ 1,275,726	$ 23,598	$ 19,173,168	$ 54,813,012	$ 73,986,180

See accompanying notes to supplementary information.

OHLONE COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2011

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Contract Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Student Financial Aid Cluster - Direct Programs:			
Direct Loans	84.268		$ 1,442,463
Federal Work Study Program	84.033		79,390
Higher Education Act:			
Federal Pell Grant	84.063		5,413,731
Supplementary Educational Opportunity Grant	84.007		74,123
Academic Competitiveness Grant	84.375		166,070
Subtotal Student Financial Aid Cluster			7,175,777
Passed through the California Community College Chancellor's Office:			
Career and Technical Education Cluster:			
Career and Technical Education - Title II-C	84.048	03-C01-061	106,617
Career and Technical Education - Title II-E	84.048	00-021-23	68,834
Subtotal Career and Technical Education Cluster			175,451
Title III - Higher Education	84.031A		127,910
Rehabilitation Training - Continuing Education	84.264	22572	222,440
Greater Silicon Valley Services Export Initiative	84.153A		103,803
ARRA: State Fiscal Stabilization Funds	84.394		19,999
Total U.S. Department of Education			7,825,380
U.S. Department of Labor			
Pass through Alameda County Workforce Investment Board:			
WIA - Adults Formula Grants	17.258	C95-0263-0931	222,835
WIA - Dislocated Workers Formula	17.260	C95-0263-0931	457,054
ARRA - Adults Recovery Act	17.258	C95-0263-0931	34,089
ARRA - Dislocated Workers Recovery Act	17.260	C95-0263-0931	228,372
WIA - Nat'l Emergency Grant (NEG)	17.260	C95-0263-0931	129,147
WIA - Community Based Job Training	17.269	C95-0263-0931	25,441
Total U.S. Department of Labor			1,096,938

(Continued)

OHLONE COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)
For the Year Ended June 30, 2011

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Contract Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services - Passed through California Community College Chancellor's Office			
Temporary Assistance for Needy Families (TANF)	93.558		$ 27,146
U.S. Department of State - Passed through California Department of Education			
Investing in People in the Middle East and North Africa	19.021		438,283
Total Federal Programs			$ 9,387,747

See accompanying notes to supplementary information.

OHLONE COMMUNITY COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL AWARDS

For the Year Ended June 30, 2011

	Program Entitlements			Program Revenues				
	Prior Year Carry-forward	Current Entitlement	Total Entitlement	Cash Received	Accounts Receivable	Deferred Revenue/ Accounts Payable	Total	Program Expend-itures
Applied Biotechnologies		$ 205,000	$ 205,000	$ 139,249		$ 13,260	$ 125,989	$ 125,989
Basic Skills	$ 158,648	90,000	248,648	246,376		164,707	81,669	81,669
BARTPC	10,844		10,844	10,844		9,531	1,313	1,313
CalWorks		120,288	120,288	120,288			120,288	120,288
CTE Pathways Collaborative	235,271	310,000	545,271	545,271		194,348	350,923	350,923
Child Development Consortium	4,289	9,250	13,539	9,250	$ 4,289	43	13,496	13,496
Cooperative Agency Resource Education		30,168	30,168	30,168			30,168	30,168
Disabled Student Program and Services	78,636	1,578,682	1,657,318	1,657,318			1,657,318	1,657,318
Distance Ed - Caption	32,084		32,084	32,084		32,084		
Enrollment Fee Admin (2%)	17,605		17,605	17,605			17,605	17,605
Extended Opportunity	243,537		243,537	243,537			243,537	243,537
Faculty and Staff Development		16,041	16,041	16,041		16,041		
Faculty and Staff Diversity	28,068	5,628	33,696	33,696		33,696		
First 5		195,000	195,000	91,906	101,332		193,238	193,238
Instructional Equipment (on-going)	83,955		83,955	83,955		14,579	69,376	69,376
Lottery - Prop 20	204,134	167,727	371,861	236,949		71,356	165,593	165,593
Matriculation (Credit)		275,370	275,370	275,370			275,370	275,370
Nursing Education	62,676		62,676	62,676		1,366	61,310	61,310
Part Time Faculty	140,621	175,480	316,101	316,301			316,301	316,301
Student Financial Aid Administration		214,874	214,874	214,874			214,874	214,874
TANF	5,129	3,188	8,317	8,317		1,584	6,733	6,733
Telecommunications and Technology	43,346		43,346	43,346		11,368	31,978	31,978
Transfer and Articulation	8,573		8,573	8,573		7,808	765	765
Total State Programs	$ 1,357,416	$ 3,396,696	$ 4,754,112	$ 4,443,994	$ 105,621	$ 562,240	$ 3,977,844	$ 3,977,844

See accompanying notes to supplementary information.

OHLONE COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT

Annual Attendance as of June 30, 2011

Categories	Reported Data	Audit Adjustments	Revised Data
A. Summer Intersession (Summer 2010 only)			
1. Noncredit			
2. Credit	357		357
B. Summer Intersession (Summer 2011 - Prior to July 1, 2011)			
1. Noncredit	-		-
2. Credit	198		198
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
a. Weekly Census Contact Hours	4,261		4,261
b. Daily Census Contact Hours	812		812
2. Actual Hours of Attendance Procedure Courses			
a. Noncredit			
b. Credit	522		522
3. Independent Study/Work Experience			
a. Weekly Census Contact Hours	2,172		2,172
b. Daily Census Contact Hours	34		34
c. Noncredit Independent Study/ Distance Education Courses	-		-
D. Total FTES	8,356	-	8,356
Supplementary Information:			
E. In-Service Training Courses (FTES)	268		268
H. Basic Skills Courses and Immigrant Education			
a. Noncredit			
b. Credit	414		414
CCFS 320 Addendum			
CDCP	-		-
Centers FTES			
a. Noncredit	-		-
b. Credit	-		-

See accompanying notes to supplementary information.

OHLONE COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH AUDITED FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

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

See accompanying notes to supplementary information.

NOTES TO SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULES

A - Combining Statement of Net Assets by Fund and Statement of Revenues, Expenses and Change in Net Assets by Fund

These statements report the financial position and operational results of the individual funds of the District, the reconciling adjusting entries under GASB Cod. Sec. C05.101.

B - Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133.

C - Schedule of State Financial Awards

The accompanying Schedule of State Financial Awards includes State grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented to comply with reporting requirements of the California State System's Office.

D - Schedule of Workload Measures for State General Apportionment

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

E - Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the CCFS-311 to the audited financial statements.

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INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE REQUIREMENTS

Board of Trustees
Ohlone Community College District
Fremont, California

We have audited the compliance of Ohlone Community College District with the types of compliance requirements described in Section 400 of the *California State Chancellor's Office's California Community College District Audit Manual (CDAM)* that are applicable to community colleges in the State of California for the year ended June 30, 2011. Compliance with the requirements of state laws and regulations is the responsibility of Ohlone Community College District's management. Our responsibility is to express an opinion on Ohlone Community College District's compliance based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state laws and regulations listed below 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. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide legal determination of Ohlone Community College District's compliance with those requirements.

In connection with our audit referred to above, we selected and tested transactions and records to determine the District's compliance with the following State laws and regulations in accordance with Section 400 of the *Chancellor's Office's California Community Colleges Contracted District Audit Manual (CDAM)*:

Salaries of Classroom Instructors (50 Percent Law)
Apportionment for Instructional Service Agreements/Contracts
State General Apportionment Funding System
Residency Determination for Credit Courses
Students Actively Enrolled
Concurrent Enrollment of K-12 Students in Community College Credit Courses
Gann Limit Calculation
Enrollment Fee
California Work Opportunity and Responsibility to Kids (CalWORKs)
Open Enrollment
Student Fees-Instructional Materials and Health Fees
Economic and Workforce Development (EWD)
Extended Opportunity Programs and Services (EOPS)
Disabled Student Programs and Services (DSPS)
Cooperative Agencies Resources for Education (CARE)
Preference for Veterans and Qualified Spouse for Federally Funded Qualified Training Programs
To Be Arranged Hours (TBA)

INDEPENDENT AUDITORS' REPORT
ON STATE COMPLIANCE REQUIREMENTS
(Continued)

As described in Finding 2011-01 in the accompanying Schedule of Audit Findings and Questioned Costs, Ohlone Community College District did not comply with requirements regarding Disabled Student Programs and Services (DSPS) record keeping. Compliance with such requirements is necessary, in our opinion, for Ohlone Community College District to comply with state laws and regulations applicable to DSPS.

In our opinion, except for the noncompliance with Disabled Student Programs and Services (DSPS) record keeping identified in the Schedule of Audit Findings and Questioned Costs as Findings 2011-01, Ohlone Community College District complied with the state laws and regulations referred to above for the year ended June 30, 2011. Further, based on our audit, for items not tested, nothing came to our attention to indicate the Ohlone Community College District had not complied with the state laws and regulations.

Ohlone Community College District's response to the finding identified in our audit is included in the accompanying Schedule of Findings and Recommendations. We did not audit the District's response and, accordingly, express no opinion on it.

This report is intended solely for the information and use of the Audit Committee, District management, the Board of Trustees, and the Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 14, 2011

Crowe Horwath.

Crowe Horwath LLP
Independent Member Crowe Horwath International

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

Board of Trustees
Ohlone Community College District
Fremont, California

We have audited the business-type activities and discretely presented component unit of Ohlone Community College District as of and for the year ended June 30, 2011, which collectively comprises basic financial financial statements and have issued our report thereon dated December 14, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of Ohlone College Foundation were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

Management of Ohlone Community College District is responsible for establishing and maintaining effective internal controls over financial reporting. In planning and performing our audit, we considered Ohlone Community College District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ohlone Community College District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Ohlone Community College District's internal control over financial reporting.

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

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

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

(Continued)

Compliance and Other Matters

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

This report is intended for the information of the Audit Committee, District management, Board of Trustees, and the Federal and State awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 14, 2011

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees
Ohlone Community College District
Fremont, California

Compliance

We have audited Ohlone Community College District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (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, 2011. Ohlone Community College District's major Federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Audit Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of Ohlone Community College District's management. Our responsibility is to express an opinion on Ohlone Community College District's compliance based on our audit.

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 obtained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133*. 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. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Ohlone Community College District's compliance with those requirements.

In our opinion, Ohlone Community College District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of Ohlone Community College District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered Ohlone Community College District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

Internal Control Over Compliance (Continued)

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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of the Audit Committee, District management, Board of Trustees, and the Federal and State awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 14, 2011

FINDINGS AND RECOMMENDATIONS

OHLONE COMMUNITY COLLEGE DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major programs:		
Material weakness(es) identified?	______ Yes	__X__ No
Significant deficiency(ies) identified not considered to be material weakness(es)?	______ Yes	__X__ None reported
Type of auditors' report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	______ Yes	__X__ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.033, 84.007, 84.063, 84.268, 84.375	Student Financial Aid Cluster
17.258, 17.260, 17.269	WIA Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 300,000	
Auditee qualified as low-risk auditee?	__X__ Yes	______ No

STATE AWARDS

Internal control over state programs:		
Material weakness(es) identified?	______ Yes	__X__ No
Significant deficiency(ies) identified not considered to be material weaknesses?	______ Yes	__X__ None reported
Type of auditors' report issued on compliance for state programs:	Qualified - Disabled Student Programs and Services	

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2011-01 STATE COMPLIANCE - DISABLED STUDENT PROGRAMS AND SERVICES (DSPS)

Criteria

Title 5 Section 56022 states: "An up-to-date SEC (Student Educational Contract) for the current year, signed by the student and the DSPS professional staff person, should be available in the file of each student receiving services paid through the DSPS office. Also, students in noncredit special classes should have included in their SEC a detailed description of the criteria used to evaluate the student's measurable progress."

Title 5 Section 50006 states:
(a) In order to be eligible for support services or instruction authorized under this subchapter, a student with a disability must have an impairment which is verified pursuant to subdivision (b) which results in an educational limitation identified pursuant to subdivision (c) of this section.
(b) The existence of an impairment may be verified, using procedures prescribed by the Chancellor, by one of the following means:
  (1) observation by DSPS professional staff with review by the DSPS coordinator;
  (2) assessment by appropriate DSPS professional staff; or
  (3) review of documentation provided by appropriate agencies or certified or licensed professionals outside of DSPS.
(c) The student's educational limitations must be identified by appropriate DSPS professional staff and described in the Student Educational Contract (SEC) required pursuant to Section 56022. Eligibility for each service provided must be directly related to an educational limitation consistent with Section 56000(b) and Section 56004.

Condition

The DSPS department was not able to provide updated educational plans for fourteen of the students selected in our sample population. Additionally, the District did not maintain verification of disability for two of the students selected. The error resulted in a 64 percent error rate; the effect of the error extrapolated over the population of 543 DSPS students served results in a projected error of approximately 360 students.

Effect

Documentation to support student's eligibility is not adequately maintained.

Cause

The District did not consistently maintain documentation to support students' eligibility.

Fiscal Impact

The District received approximately $1.6 million in funding. However, the fiscal impact of the finding is not determinable.

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS
(Continued)

2011-01 STATE COMPLIANCE - DISABLED STUDENT PROGRAMS AND SERVICES (DSPS) (Continued)

Recommendation

The District's DSPS personnel should consider using a checklist to ensure appropriate documentation to support student eligibility is maintained in all student files. The checklist should be signed off by DSPS personnel and a supervisor.

Corrective Action Plan

The District has communicated the findings and recommendations to the appropriate staff. The proper forms have been distributed and monitoring procedures are being implemented to ensure future compliance.

STATUS OF PRIOR YEAR

FINDINGS AND RECOMMENDATIONS

OHLONE COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

Year Ended June 30, 2011

Finding/Recommendation	Current Status	District Explanation If Not Fully Implemented
2010-01 State Compliance - Attendance The Second Period Apportionment Report was prepared incorrectly due to a clerical error. The District report of attendance was not consistent with the "320 District Summary" report, which summarizes the attendance. This resulted in an overstatement of 1.14 Resident FTES and an understatement in Non-Resident FTES of 2.39 for a net understatement of 1.25 FTES. We recommend the District revise the apportionment report with the corrected figures.	Implemented.	
2010-02 Internal Control - Bookstore Bookstore disbursement controls were not adequately documented as follows: • There is no evidence that Purchase Requisitions are reviewed and approved by department heads and supervisors. • There is no evidence of review on several purchase orders selected. • There is no evidence of review of the warrant prelist and registers. We recommend that the Bookstore revisit their policies and procedures regarding the review and approval process for purchases made by the bookstore to ensure requisitions, purchase orders and warrant registers are properly approved.	Implemented.	