

**OHLONE COMMUNITY
COLLEGE DISTRICT
MEASURE G BOND FUND**

FREMONT, CALIFORNIA

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORTS**

YEAR ENDED JUNE 30, 2016

**OHLONE COMMUNITY COLLEGE DISTRICT
MEASURE G BOND FUND**

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INDEPENDENT AUDITOR'S REPORT

**Board of Trustees
Ohlone Community College District
Fremont, California**

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure G Bond Fund (the Bond Fund) of the Ohlone Community College District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bond Fund of the District, as of June 30, 2016, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Bond Fund and do not purport to, and do not present fairly the financial position of the District as of June 30, 2016, or the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

December 2, 2016

FINANCIAL STATEMENTS

**OHLONE COMMUNITY COLLEGE DISTRICT
MEASURE G BOND FUND**

**BALANCE SHEET
JUNE 30, 2016**

ASSETS:

Restricted cash and equivalents	\$ 176,674,033
Restricted investments	10,381,530
Accounts receivable	<u>87,438</u>

Total assets \$ 187,143,001

LIABILITIES:

Accounts payable	\$ 3,326,961
Accrued liabilities	<u>101,725</u>
Total liabilities	3,428,686

FUND BALANCE:

Restricted fund balance 183,714,315

Total liabilities and fund balance \$ 187,143,001

**OHLONE COMMUNITY COLLEGE DISTRICT
MEASURE G BOND FUND**

**STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
YEAR ENDED JUNE 30, 2016**

REVENUES:

Interest and investment income \$ 1,288,377

EXPENDITURES:

Classified salaries 437,044

Employee benefits 128,535

Supplies and materials 167,343

Other operating expenses 5,077,433

Bond issuance costs 936,250

Capital outlay 23,684,894

Total expenditures 30,431,499

Deficiency of revenues over expenditures (29,143,122)

OTHER FINANCING SOURCES:

Proceeds from issuance of GO Bond 155,000,000

Increase in fund balance 125,856,878

Restricted fund balance - beginning 57,857,437

Restricted fund balance - ending \$ 183,714,315

OHLONE COMMUNITY COLLEGE DISTRICT MEASURE G BOND FUND

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

1. ORGANIZATION AND NATURE OF ACTIVITIES

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

These financial statements present only the District's Measure G Bond Fund (the Bond Fund), which was established to account for the expenditures of the proceeds of the General Obligation Bonds Election of 2010. These financial statements do not include financial data for the remainder of the District's funds and component unit, which accounting principles generally accepted in the United States of America require to be presented with the financial statements of the District.

The Measure G Proposition 39 Bond Measure (Measure G) is a facilities and equipment bond measure for certain college classrooms, buildings and facilities with the District. Measure G was adopted by the District's Board of Trustees and passed by the voters in November, 2010. Measure G authorized up to \$349,000,000 in bond issues, which were issued as follows:

Election 2010 General Obligation Bonds Outstanding

In October 2011, Election of 2010 General Obligation Bonds, Series A General Obligation Bonds in the amount of \$70,000,000, with interest rates ranging from 2.00% to 5.00%. As of June 30, 2016, the principal balance outstanding was \$61,430,000.

In October 2011, Election of 2010 General Obligation Bonds, Series A-1 General Obligation Bonds in the amount of \$10,000,000, with interest rates ranging from 2.00% to 5.00%. As of June 30, 2016, the principal balance outstanding was \$6,000,000.

In September 2014, Election of 2010 General Obligation Bonds, Series B General Obligation Bonds in the amount of \$74,995,430, with interest rates ranging from 1.00% to 4.910%. As of June 30, 2016, the principal balance outstanding was \$65,105,430.

In May 2016, Election of 2010 General Obligation Bonds, Services C General Obligation Bonds in the amount of \$155,000,000, with interest rates ranging from 2.00% and 5.00%. As of June 30, 2016, the principal balance outstanding was \$155,000,000.

The Alameda County Board of Supervisors is empowered and obligated to levy property taxes, without limitation as to rate or amount (except for certain property which is taxable at limited rates), for payment of principal and interest on the bonds. The District has established a separate capital project fund to account for the activities of Measure G.

**OHLONE COMMUNITY COLLEGE DISTRICT
MEASURE G BOND FUND**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation – The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and *Audits of State and Local Governmental Units*, issued by the American Institute of Certified Public Accountants (AICPA).

Measurement focus and basis of accounting – Measurement focus indicates the type of resources being measured, while the basis of accounting indicates the timing of transactions or events for recognition in the financial statements. The Bond Fund is a governmental fund, and have been presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available, and are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when the related liability is incurred.

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

Restricted investments – Investments are reported at fair value.

Restricted fund balance – Restricted fund balance includes resources which are legally or contractually restricted by external third parties. Fund balance is restricted for capital projects of the Bond Fund in accordance with the project list for the 2002 General Obligation Bonds.

Estimates used in financial reporting – In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Encumbrances – Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30, 2016.

Current Year GASB Implementation – For the year ended June 30, 2016, the District implemented GASB statement No. 72 (GASB 72), *Fair Value Measurement and Application*. The primary objective of GASB 72 is to provide guidance for determining a fair value measurement for financial reporting of assets and liabilities. The implementation of GASB 72 requirements did not have a material effect on the financial statements. The additional disclosures implemented with GASB 72 are included in Note 3.

**OHLONE COMMUNITY COLLEGE DISTRICT
MEASURE G BOND FUND**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

3. RESTRICTED CASH, CASH EQUIVALENTS AND INVESTMENTS

All cash, cash equivalents and investments held in the Bond Fund are considered restricted, as it is restricted for specific purposes in accordance with Measure G and the bond issuances.

Restricted cash, cash equivalents and investments as of June 30, 2016, consist of the following:

Restricted cash and equivalents:	
County Treasury	\$ 176,674,033
Restricted investments:	
U.S Municipal Securities	<u>10,381,530</u>
Total restricted cash, cash equivalents and investments	<u>\$ 187,055,563</u>

Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of their cash in the Alameda County Treasury (the Treasury). The County Treasury pools these funds with those of other districts in the county and invests the cash. The share of each fund in the pooled cash account is separately accounted for and interest earned is apportioned quarterly based on the relationship of a fund's daily balance to the total of pooled cash and investments.

Participants' equity in the County Treasury investment pool is determined by the dollar amount of the participant deposits, adjusted for withdrawals and distributed income. This method differs from the fair value method used to value investments in these financial statements in that unrealized gains or losses are not distributed to pool participants.

The County Treasury is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. and is restricted by Government Code Section 53635, pursuant to Section 53601. The funds maintained by the County Treasury are either secured by federal depository insurance or are collateralized.

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements rather than the general provisions of the California Government Code.

Derivative Investments

The Bond Fund did not directly enter into any derivative investments. Information regarding the amount invested in derivatives by the County Treasury was not available.

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. As of June 30, 2016, the weighted average maturity of the investments contained in the County Treasury is approximately 376 days.

**OHLONE COMMUNITY COLLEGE DISTRICT
MEASURE G BOND FUND**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

The schedule of maturities of investments at June 30, 2016 is as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity (in Years)</u>	
		<u>1-5</u>	<u>>5</u>
U.S Municipal Securities	\$ 10,381,530	\$ 7,246,842	\$ 3,134,688

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.

The investments are rated by S&P as follows at June 30, 2016:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>		
		<u>AA+</u>	<u>A</u>	<u>A-</u>
U.S Municipal Securities	\$ 10,381,530	\$ 1,082,290	\$ 7,785,348	\$ 1,513,892

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 investment policy 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 a 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.

Fair Value Measurement

GASB 72 requires the Bond Fund to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or an income approach. GASB 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs rather than quoted prices included within Level 1, which are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs. U.S. Municipal Securities of \$10,381,530 are classified as Level 2 of the fair value hierarchy because they are valued using a matrix pricing model.

**OHLONE COMMUNITY COLLEGE DISTRICT
MEASURE G BOND FUND**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

4. COMMITMENTS AND CONTINGENCIES

Litigation

The District is a defendant in various pending liability lawsuits arising in the ordinary course of business. The outcome of the litigation is unknown at the present time, however, in the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Bond Fund's financial statements.

Construction Commitments

As of June 30, 2016, the Bond Fund was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$133,000,000.

5. SUBSEQUENT EVENT

On August 3, 2016 the District issued the 2016 General Obligation Refunding Bonds in the amount of \$68,495,000, with interest rates ranging from 1.50% to 5.00%, to advance refund portions of the District's outstanding 2010 Series A and advance refund portions of the District's outstanding 2010 Series A-1.

OTHER REPORT

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

Independent Auditor's Report

**Board of Trustees
Ohlone Community College District
Fremont, California**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Measure G Bond Fund (the Bond Fund) of the Ohlone Community College District (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated December 2, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bond Fund's financial statements are free from 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*.

Purpose of this Report

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

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

December 2, 2016