

To the Board of Trustees
Ohlone Community College District
and Ohlone College Foundation
Fremont, California

We are pleased to present this letter related to the conduct of the audit of the financial statements of Ohlone Community College District (the "District") and the Ohlone College Foundation ("Foundation") as of and for the year ended June 30, 2009. This report is intended to inform the Board of Trustees of Ohlone Community College District and the Ohlone College Foundation about significant matters related to the conduct of the annual audit so that it can appropriately discharge its oversight responsibility, and that we comply with our professional responsibilities.

The following summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for Ohlone Community College District and the Ohlone College Foundation's financial reporting process.

The Auditor's Responsibility Under Generally Accepted Auditing Standards

Our audit of the financial statements of Ohlone Community College District for the year ended June 30, 2009 was conducted in accordance with auditing standards generally accepted in the United States of America and *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 of material misstatement, whether caused by error, fraudulent financial reporting or misappropriation of assets. 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. Accordingly, the audit was designed to obtain reasonable, rather than absolute, assurance about the financial statements. We believe that our audit accomplished that objective.

In accordance with *Governmental Auditing Standards*, we have also performed tests of controls and compliance with laws and regulations that contribute to the evidence supporting our opinion on the financial statements. However, they do not provide a basis for opining on the District's internal control or compliance with laws and regulations.

Adoption of, or Change in, Accounting Policies

The Board of Trustees and management have the ultimate responsibility for the appropriateness of the accounting policies used by the District and the Foundation. Significant accounting policies are included in Note 1 to the financial statements. Following is a description of a significant accounting policy or its application which was either initially selected or changed during the year:

- The District adopted Governmental Accounting Standards Board (GASB) No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB 45), on July 1, 2008, as more fully described in Note 1 to the financial statements.

Adoption of, or Change in, Accounting Policies (Continued)

- The Foundation adopted FASB FSP No. 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to and Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* (FSP FAS 117-1), as more fully described in Note 1 to the financial statements.

The following financial accounting standard has been issued but was not required to be adopted for the year ended June 30, 2009:

Fund Balance Reporting and Governmental Fund Type Definitions

In February 2009, the Governmental Accounting Standards Board (GASB) issued Statement of Governmental Accounting Standard No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, (GASB No. 54). The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The initial distinction that is made in reporting fund balance information is identifying amounts that are considered *nonspendable*, such as fund balance associated with inventories. This Statement also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent. The *restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The *committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Amounts in the *assigned* fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. *Unassigned* fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. Governments are required to disclose information about the processes through which constraints are imposed on amounts in the committed and assigned classifications. GASB No. 54 is effective for periods beginning after June 15, 2010. Early implementation is encouraged. Fund balance reclassifications made to conform to the provisions of this Statement should be applied retroactively by restating fund balance for all prior periods presented. The District is currently assessing the potential effect of GASB No. 54 on its net assets.

Significant or Unusual Transactions

We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.



Alternative Treatments Discussed with Management

We did not discuss with management any alternative treatments within accounting principles generally accepted in the United States of America for accounting policies and practices related to material items during the current audit period.

Accounting Estimates and Management Judgments

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. Management has informed us that they used all the relevant facts available to them at the time to make the best judgments about accounting estimates, and we considered this information in the scope of our audit. Estimates significant to the financial statements include the State General Apportionment Calculation. You may wish to monitor throughout the year the process used to compute and record these accounting estimates.

We have evaluated the reasonableness of accounting estimates in relationship to the financial statements taken as a whole and concluded that management's approach to these estimation processes is reasonable.

Significant Audit Adjustments

There were two audit adjustments made to the original District trial balance presented to us to begin our audit. There was one audit adjustment made to the original Foundation trial balance presented to us to begin our audit. These adjustments were reviewed with management and management agreed to record these adjustments in the District and Foundation's accounting records. These adjustments are summarized in the accompanying schedule.

Uncorrected Misstatements

We noted one uncorrected misstatement for the District, that was determined by management to be immaterial to the financial statements taken as a whole. This uncorrected misstatement is summarized in the accompanying schedule. We did not identify any uncorrected misstatements to the Foundation financial statements.

Other Information in Documents Containing Audited Financial Statements

We are not aware of any documents that contain the audited financial statements. If such documents were to be published, we would have a responsibility to determine that such financial information was not materially inconsistent with the audited financial statements of the District.

Disagreements with Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.



Consultations with Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Major Issues Discussed with Management Prior to Retention

No major issues were discussed with management prior to our retention to perform the aforementioned audit.

Difficulties Encountered in Performing the Audit

We did not encounter any difficulties in dealing with management relating to the performance of the audit.

Material Written Communications Between Management and Our Firm

Enclosed you will find copies of all material written communications between our firm and the management of Ohlone Community College District and Ohlone College Foundation.

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We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to Ohlone Community College District and Ohlone College Foundation.

This report is intended solely for the information and use of the Board of Trustees and management and is not intended to be and should not be used by anyone other than the specified parties.

Perry Smith LLP

Sacramento, California
December 9, 2009



OHLONE COMMUNITY COLLEGE DISTRICT
SUMMARIZED SCHEDULE OF SIGNIFICANT AUDIT ADJUSTMENTS

JUNE 30, 2009

<u>Description</u>	<u>Effect – Increase (Decrease)</u>				
	<u>Assets</u>	<u>Liabilities</u>	<u>Equity</u>	<u>Revenue</u>	<u>Expenses</u>
<u>Current Year Differences</u>					
- Differences with Estimates					
- To adjust for revenue posted to beginning fund balance			\$ (25)	\$ 25	
- To reverse accreted interest posted to the District's Debt Service Fund		\$(1,468,100)	1,468,100		\$(1,468,100)
Total Effect				<u>\$ 25</u>	<u>\$(1,468,100)</u>
Balance Sheet Effect	<u>\$ -</u>	<u>\$(1,468,100)</u>	<u>\$ 1,468,075</u>		

OHLONE COLLEGE FOUNDATION

SUMMARIZED SCHEDULE OF SIGNIFICANT AUDIT ADJUSTMENTS

JUNE 30, 2009

<u>Description</u>	<u>Effect – Increase (Decrease)</u>				
	<u>Assets</u>	<u>Liabilities</u>	<u>Equity</u>	<u>Revenue</u>	<u>Expenses</u>
<u>Current Year Differences</u>					
- To record investment at market value	\$ (56,352)		\$ (56,352)	\$ (55,856)	\$ 496
Total Effect				<u>\$ (55,856)</u>	<u>\$ 496</u>
 Balance Sheet Effect	<u>\$ (56,352)</u>	<u>\$ -</u>	<u>\$ (56,352)</u>		

OHLONE COMMUNITY COLLEGE DISTRICT
SUMMARIZED SCHEDULE OF UNCORRECTED MISSTATEMENTS

JUNE 30, 2009

<u>Description</u>	<u>Effect – Increase (Decrease)</u>				
	<u>Assets</u>	<u>Liabilities</u>	<u>Equity</u>	<u>Revenue</u>	<u>Expenses</u>
<u>Current Year Differences</u>					
- Differences with Estimates					
- Adjustment to deferred revenue for the actual enrollment fees collected for Summer 2009/ Fall 2009	\$ (64,351)	\$ (64,351)		_____	_____
Total Effect				<u>\$ -</u>	<u>\$ -</u>
Balance Sheet Effect	<u>\$ (64,351)</u>	<u>\$ (64,351)</u>	<u>\$ -</u>		



A World of Cultures United in Learning

Ohlone Community College District
43600 Mission Boulevard
Fremont, CA 94539-0390

Ohlone College Newark
Center for Health Sciences & Technology
39399 Cherry Street, Newark, CA 94560

www.ohlone.edu

December 9, 2009

Perry-Smith LLP
Sacramento, California

In connection with your audit of the basic financial statements of Ohlone Community College District as of and for the year ended June 30, 2009, we confirm that we are responsible for the fair presentation in the financial statements of financial position, changes in financial position, and cash flows in conformity with accounting principles generally accepted in the United States of America.

We confirm to the best of our knowledge and belief, as of December 9, 2009 the following representations made to you during your audit.

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America.
2. We have identified for you all organizations that are a part of this reporting entity or with which we have a relationship, as these organizations are defined in Section 2100 of the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards, that are:
 - a. Component units.
 - b. Other organizations for which the nature and significance of their relationship with Ohlone Community College District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.
 - c. Jointly governed organizations in which we participated.
3. We have identified for you all of our funds, governmental functions, and identifiable business-type activities.
4. We have properly classified all funds and activities.
5. We are responsible for compliance with laws and regulations applicable to the District including adopting, approving, and amending budgets.
6. We have identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts including legal and contractual provisions for reporting specific activities in separate funds.
7. We have identified in the schedule of expenditures of Federal awards all such assistance received, both directly and as a subrecipient, in the form of grants, contracts, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, or direct appropriations by Ohlone Community College District.

8. We have:
 - a. Identified to you all applicable generic compliance requirements.
 - b. Identified to you all applicable agency program requirements.
 - c. Complied with reporting requirements in connection with the expenditure of Federal awards identified in the schedule of expenditures of Federal awards.
 - d. Determined amounts claimed or used to comply with matching requirements of Federal awards identified in the schedule of expenditures of Federal awards in accordance with guidance provided by OMB Circular A-87, "Cost Principles for State and Local Governments," and the OMB's Uniform Administrative Requirements for "Grants and Cooperative Agreements to State and Local Governments."
 - e. Complied with applicable costs principles for determining the allowability of costs charged to cost pools used to support an indirect cost rate or allocated through a (state-wide) (local-wide) central services cost allocation plan.
 - f. Provided you with a summary schedule of prior audit findings consistent with the requirements of OMB Circular No. A-133, Section .315(b).
 - g. No subrecipients of Federal awards.
 - h. Identified and disclosed to you all amounts that have been questioned, and all known instances of noncompliance with statutory, regulatory and contractual requirements that could have a material effect on a major Federal financial assistance program.
9. Information presented in Federal financial reports and claims for advances and reimbursements is supported by the books and records from which the basic financial statements have been prepared.
10. We have made available to you:
 - a. All financial records and related data of all funds and activities, including those of all special funds, programs, departments, projects, activities, etc., in existence at any time during the period covered by your audit.
 - b. All minutes of the meetings of the governing board and committees of board members or summaries of actions of recent meetings for which minutes have not yet been prepared.
 - c. All communications from grantors, lenders, other funding sources or regulatory agencies concerning noncompliance with:
 - 1) Statutory, regulatory or contractual provisions or requirements.
 - 2) Financial reporting practices that could have a material effect on the financial statements.
11. We have no knowledge of fraud or suspected fraud affecting the entity involving:
 - a. Management or employees who have significant roles in the internal control.
 - b. Others where the fraud could have a material effect on the financial statements.
12. We acknowledge our responsibility for the design and implementation of programs and controls to provide reasonable assurance that fraud is prevented and detected.
13. We have no knowledge of any allegations of fraud or suspected fraud affecting Ohlone Community College District received in communications from employees, former employees, analysts, regulators, short sellers, or others.
14. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

15. We know of no violations of state or Federal statutory or regulatory provisions, grant or other contractual provisions, or of provisions of local ordinances (except for those which have been communicated to you or which are disclosed in the financial statements and/or your reports).
16. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
17. When applicable, the following have been properly recorded and/or disclosed in the financial statements:
 - a. Related party transactions, including those with component units for which Ohlone Community College District is accountable, other organizations for which the nature and significance of their relationship with Ohlone Community College District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as defined in Section 2100 of the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards, and interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements and guarantees, all of which have been recorded in accordance with the economic substance of the transaction and appropriately classified and reported.
 - b. Guarantees, whether written or oral, under which the Government is contingently liable.
 - c. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances.
 - d. Line of credit or similar arrangements.
 - e. Agreements to repurchase assets previously sold.
 - f. Security agreements in effect under the Uniform Commercial Code.
 - g. Any other liens or encumbrances on assets or revenues or any assets or revenues which were pledged as collateral for any liability or which were subordinated in any way.
 - h. The fair value of investments.
 - i. Amounts of contractual obligations for construction and purchase of real property or equipment not included in the liabilities or encumbrances recorded on the books.
 - j. Any liabilities which are subordinated in any way to any other actual or possible liabilities.
 - k. Debt issue repurchase options or agreements, or sinking fund debt repurchase ordinance requirements.
 - l. Debt issue provisions.
 - m. All leases and material amounts of rental obligations under long-term leases.
 - n. All significant estimates and material concentrations known to management which are required to be disclosed in accordance with the AICPA's Statement of Position 94-6, *Disclosure of Certain Significant Risks and Uncertainties*. Significant estimates are estimates at the balance sheet date which could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur which would significantly disrupt normal finances within the next year.
 - o. Authorized but unissued bonds and/or notes.
 - p. Risk financing activities.
 - q. Special and extraordinary items.
 - r. Deposits and investment securities category of custodial credit risk.
18. We are responsible for making the accounting estimates included in the financial statements. Those estimates reflect our judgment based on our knowledge and experience about past and

current events and our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, adequate provisions have been made.

- a. To reduce receivables to their estimated net collectable amounts.
 - b. To reduce obsolete, damaged, or excess inventories to their estimated net realizable values.
 - c. To reduce investments, intangibles, and other assets which have permanently declined in value to their realizable values.
 - d. For risk retention, including uninsured losses or loss retentions (deductibles) attributable to events occurring through June 30, 2009 and/or for expected retroactive insurance premium adjustments applicable to periods through June 30, 2009.
 - e. For pension obligations, post-retirement benefits other than pensions and deferred compensation agreements attributable to employee services rendered through June 30, 2009.
 - f. For any material loss to be sustained in the fulfillment of, or from the inability to fulfill, any service commitments.
 - g. For any material loss to be sustained as a result of purchase commitments.
 - h. For environmental clean up obligations.
19. There are no:
- a. Material transactions that have not been properly recorded in the accounting records underlying the financial statements.
 - b. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency. In that regard, we specifically represent that we have not been designated as, or alleged to be, a "potentially responsible party" by the Federal Environmental Protection Agency or any equivalent state agencies in connection with any environmental contamination.
 - c. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by Statement of Financial Accounting Standards No. 5 and/or GASB Statement No. 10.
20. Unless disclosed to you, there have been no complaints filed with or concerning our compliance with the provisions of:
- a. Davis-Bacon Act relative to payment of prevailing wage rates.
 - b. Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 relative to acquisition of real property and the relocation of occupants of acquired property.
21. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Statement of Financial Accounting Standards No. 5 and/or GASB Statement No. 10.
22. We have no direct or indirect, legal or moral, obligation for any debt of any organization, public or private, or to special assessment bond holders that is not disclosed in the financial statement.
23. We have satisfactory title to all owned assets.
24. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
25. Net asset components (invested in capital assets, net of related debt; restricted; and unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved.
26. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

27. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
28. Capital assets, including infrastructure assets, are properly capitalized, reported, and depreciated.
29. Required supplementary information is properly measured and presented.
30. Our financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) Statement Nos. 34, 35, 37, 38 and 39. As a result of the adoptions of these statements we confirm the following:
- a. All disclosures and financial information for the June 30, 2009 and 2008 are accurate in the Management's Discussion and Analysis.
 - b. Net asset components are properly classified and approved.
 - c. Expenses have been appropriately classified in the statement of activities and allocations have been made on a reasonable basis.
 - d. Revenues are appropriately classified in the statement of activities as operating and non-operating revenues and allocations have been made on a reasonable basis.
 - e. Interfund, internal and intra-equity activity balances have been appropriately eliminated, with the exception of component units that have been discretely presented.
 - f. Deposits and investment securities are properly classified in category of custodial credit risk.
 - g. Capital assets are properly capitalized, reported and depreciated.
31. We are responsible for and have reviewed and approved the schedule of uncorrected misstatements during the audit, which are included in the summarized schedule of uncorrected misstatements. We have reviewed, approved, and are responsible for overseeing the preparation and completion of the basic financial statements and related notes.
32. We are not aware of any internal control weaknesses or reportable conditions that should be reported. We are responsible for establishing and maintaining effective internal control over financial reporting.
33. No events or transactions have occurred subsequent to the balance sheet date that would require adjustment to, or disclosure in, the financial statements.
34. During the course of your audit, you may have accumulated records containing data which should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

Michael Clegari
Vice-President Administrative Services


Date Signed 12/14/09

Joanne Schultz
Dean of Business Services


Date Signed 12/9/09