OHLONE COMMUNITY COLLEGE DISTRICT
Fremont, California

FINANCIAL STATEMENTS
June 30, 2012

OHLONE COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2012

TABLE OF CONTENTS

OHLONE COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2012

TABLE OF CONTENTS
(Continued)

OHLONE COMMUNITY COLLEGE DISTRICT

ORGANIZATION

June 30, 2012

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, 2012, were comprised of the following members:

BOARD OF TRUSTEES

Members	Office	Term Expires
Greg Bonaccorsi	Chair	December 2012
Jan Giovannini-Hill	Vice Chair	December 2014
Rich Watters	Member	December 2014
Ann Crosbie	Member	December 2012
Garrett Yee	Member	December 2014
Vivien Larsen	Member	December 2012
Teresa Cox	Member	December 2012
Tawney Warren	Student	May 2013

DISTRICT ADMINISTRATION

Gari Browning, Ph.D.
President/Superintendent

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

Ron Little
Vice President Administrative Services

Ron Travenick, Ed D.
Vice President Student Services

Crowe Horwath.

Crowe Horwath LLP
Independent Member Crowe Horwath International

REPORT OF INDEPENDENT AUDITORS

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, 2012, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audit of the financial statements of the Ohlone College Foundation, a discretely presented component unit, was not conducted 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 referred to above 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, 2012, and the respective changes in financial position and, where applicable, cash flows 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 12, 2012, 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) on pages 4 through 15 and the Required Supplementary Information, such as the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 48, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The District's organization on page 1 and accompanying supplementary information, such as the combining financial statements on pages 50 through 52 are presented for purposes of additional analysis and are not required as part of the financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The District's organization and relevant supplementary information such as the combining statements have not been subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and other supplemental information listed in the table of contents are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the California Community Colleges Chancellor's Office's Contracted District Audit Manual, and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The accompanying Schedule of Expenditures of Federal Awards, Schedule of State Financial Awards, and other supplemental information listed in the table of contents have been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying Schedule of Expenditures of Federal Awards and other supplemental information listed in the table of contents are fairly stated, in all material respects, in relation to the financial statements as a whole.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 12, 2012

OHLONE COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2012

In accordance with the Governmental Accounting Standards 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 and presents its financial statements. OCCD adopted the business-type activities (BTA) reporting model as recommended by the California Community College Chancellor's Office. The Ohlone College Foundation, which qualifies as a component unit, is discretely presented as a separate column on the face of the financial statements.

Overview of the Financial Statements

As required, 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 21 of the audit and the Foundation, which is a separate column. 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 reconciliation of the typical fund-type format with the BTA-type presentation.

Budget Highlights

While the 2010-11 state budget act included a 2.2% recovery, the 2011-12 budget included two triggers for funding reductions to community colleges, both of which were ultimately realized resulting in a total system loss of 8.2% work load reductions. State Colleges and Universities were also impacted resulting in additional challenges to access, all while the state's unemployment rate remained in double digits.

For OCCD, other funding sources such as international tuition, out of state tuition, and lottery continued to provide additional revenue streams while interest revenues continued to decline. Since state revenues were not improving and there was additional uncertainty brought on by the questionable income levels from the dismantling of the Redevelopment Agencies, the District opted to continue a selective hiring freeze and encouraged budget managers to budget conservatively. 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's 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 a portion of the original $40 million issuance occurred in August 2010 that resulted in savings to the tax payers of $3 million dollars in future interest payments. When conditions are beneficial, the District will refinance the remaining $110 million for additional savings.

The District passed Measure G in the fall of 2010 at $349 million by a 62.2% margin. The District continues 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. Of these proceeds, $10 million was slated as a Technology Endowment and invested in tax exempt bonds and placed in a Trust Fund.

OCCD enrollment continues to be strong. With careful enrollment management strategies focusing on high demand and high impact courses, the District provided enough flexibility so that students could continue to fulfill their educational goals.

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 0.89 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 2005-06 fiscal year.

The decline was due in large part 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 2005 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 2006 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 to capture 1.87% of what was available. And again the District chose to use the majority of summer to achieve that growth.

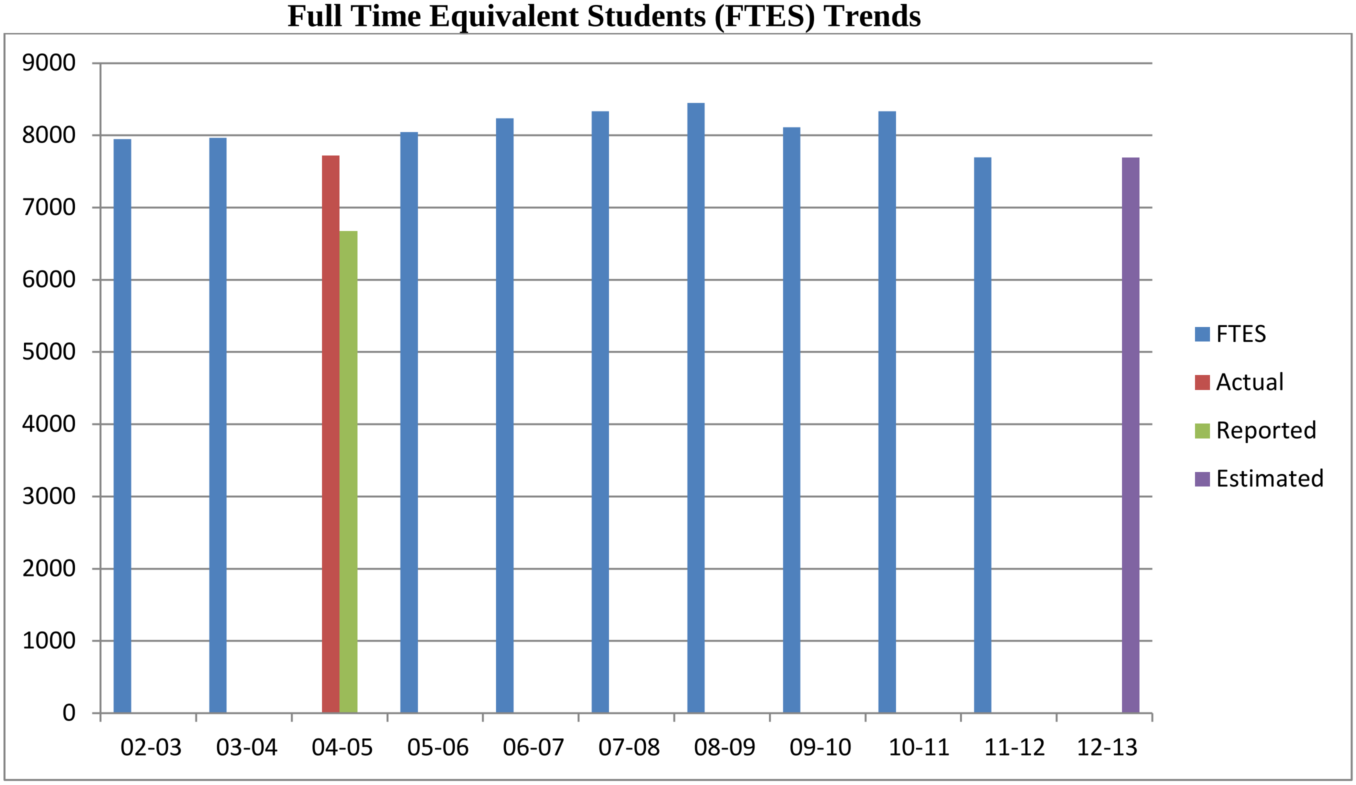
- The funded growth rate of 1.21% and 1.20% were achieved for 2007-08 and 2008-09 respectively.

- 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.

- 2011-12 with both funding triggers pulled the District reduced course offerings. The 2012-13 year shows a status quo level as a result of the passage of Proposition 30.

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 – is an indicator of the financial health of a District.

	2012	2011	Change
ASSETS			
Current Assets	$ 21,960,149	$ 23,057,928	$ (1,097,779)
Non-current assets	299,196,525	205,780,394	93,416,131
TOTAL ASSETS	$ 321,156,674	$ 228,838,322	$ 92,318,352
LIABILITIES			
Current Liabilities	$ 24,445,629	$ 16,086,184	$ 8,359,445
Non-current liabilities	212,958,723	138,765,958	74,192,765
TOTAL LIABILITIES	237,404,352	154,852,142	82,552,210
NET ASSETS			
Invested in capital assets, net of related debt	64,324,648	61,356,980	2,967,668
Restricted	1,610,633	1,861,558	(250,925)
Unrestricted	17,817,041	10,767,642	7,049,399
TOTAL NET ASSETS	83,752,322	73,986,180	9,766,142
TOTAL LIABILITIES AND NET ASSETS	$ 321,156,674	$ 228,838,322	$ 92,318,352

Current assets at June 30, 2012 consist of:

- Current cash and cash equivalents of $12.7 million is mainly comprised of funds held in the County Treasury. A reduction from prior year is due to reduced funding levels and deferrals.

- 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 $8.2 million. There is no significant change from prior year even with an increase in enrollment fees the corresponding reduction in course offerings off-set any increase.

- 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. The increase is due to the timing of Supplemental Employee Retirement Payments.

Non-current Assets

- ❖ Restricted cash and cash equivalents consist of amounts relating to Capital Projects, the recent sale of Measure G Bonds, and cash in the Bond Interest Redemption Fund (BIRF). The BIRF is where taxes are set aside by the County 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 $14.2 million net increase which is attributable to the net of depreciation and the additions to work-in-progress of the Below Grade Water Intrusion Project and the Solar Panels in Fremont.

Current liabilities consist of:

- ❖ Accounts payable are mainly amounts due to vendors ($1.6 million), which is a $1.6 million decrease over last year due primarily to the early purchasing cut offs.

- ❖ 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 2012 terms.

- ❖ 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 $3.9 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 $1.6 million which is up from last year due to the construction phase of the solar project.

- ❖ The Long-term Liabilities due within one year is the amount due to the bond holders of the District's Measure A Bond $150 million and Measure G authorized at $349 million issued at $80 million. These payments are made from the voter approved tax assessments from Fremont and Newark property taxes. The amount is $11 million.

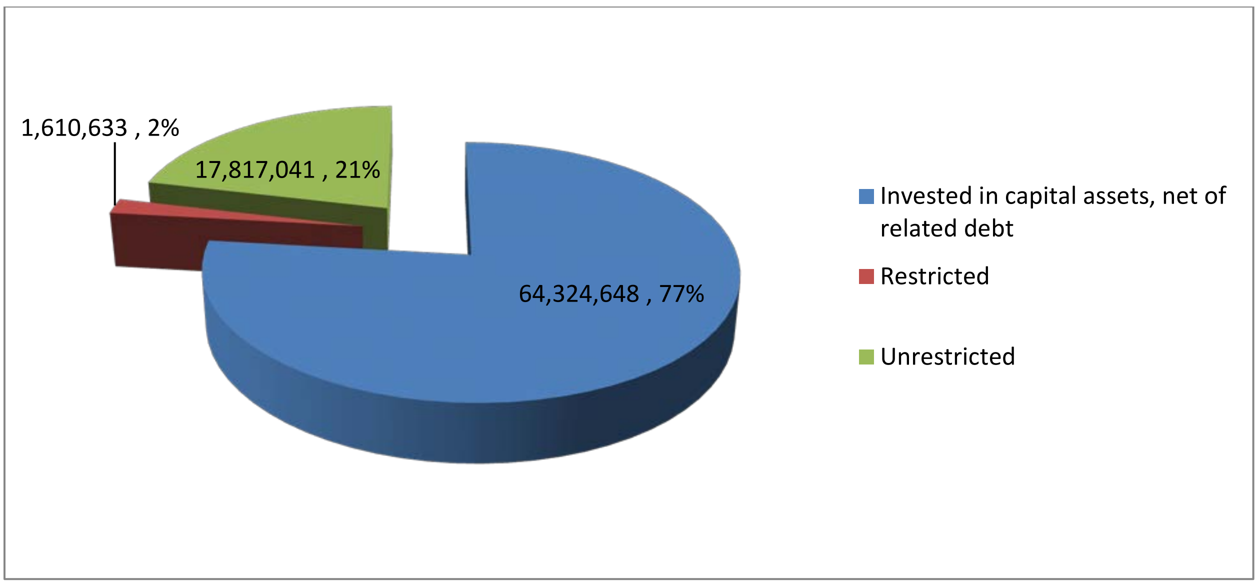
Non-current liabilities are:

- ❖ Non-current liabilities represent debt potentially owed in future years. The major component is the long-term portion (due in more than one year) from the General Obligation bonds issued, Measure A and Measure G. The remaining balances are $22 million on the $40 million refinanced issuance and $103.5 million on the $110 million issuance will be paid over 25 years respectively. From Measure G the $70 million has a balance of $64.8 million paid over 24 years and the $10 million in Technology Endowment has a balance of $8 million to be paid over 15 years. Other components include compensated absences, SERP liability, accreted interest, and bond premiums. Other Post-Employment Benefits are currently not shown here because the District paid it's full Actual Required Contribution (ARC) during the year.

Net Assets: Analysis of the District's Financial Position

Net assets, the difference between the District's assets and liabilities, is an indicator of the District's financial position. Net assets is 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 $64.3 million. Restricted include amounts legally restricted for payment of scholarships, other capital projects and debt service ($1.5 million) primarily related to debt service. Unrestricted Net Assets ($17.8 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 21% of Total Net Assets.

<u>Net Assets</u>



The Statement of Revenues, Expenses and Change in Net Assets

The Statement of Revenues, Expenses and Change 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.

	2012	2011	Change
Total operating revenue	$ 14,770,393	$ 16,425,526	$ (1,655,133)
Total operating expenses	65,470,460	69,782,866	(4,312,406)
Operating loss	(50,700,067)	(53,357,340)	2,657,273
Net non-operating revenue (expenses)	37,349,662	43,340,612	(5,990,950)
Loss before capital revenue	(13,350,405)	(10,016,728)	(3,333,677)
Capital revenues	23,116,547	7,812,154	15,304,393
Loss for extraordinary items		(200,117)	$ 200,117
Increase(decrease) in net assets	9,766,142	(2,404,691)	12,170,833
Net assets - beginning of the year	73,986,180	76,390,871	(2,404,691)
Net-assets - end of the year	$ 83,752,322	$ 73,986,180	$ 9,766,142

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 $916 thousand because of a fee increase even with the reduction in course offerings. There was additional revenue received from the international and out of state students.

- Overall operational grants saw reductions of $1.5 million.

- The Bookstore was leased for a full 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 2010-11 and 2011-12 were $26.3 million and $19.8 million, respectively. State apportionment represents total general apportionment earned less regular enrollment fees and less property taxes. State apportionment was down by $6.5 million. The decrease was due to the 8.2% workload reduction and an increase in property taxes.

- Local property taxes increased by $2.4 million partially due to an infusion from the unwinding of the Fremont Redevelopment Agency. Changes in property tax revenue results in a corresponding increase/decrease in the District's State apportionment revenue.

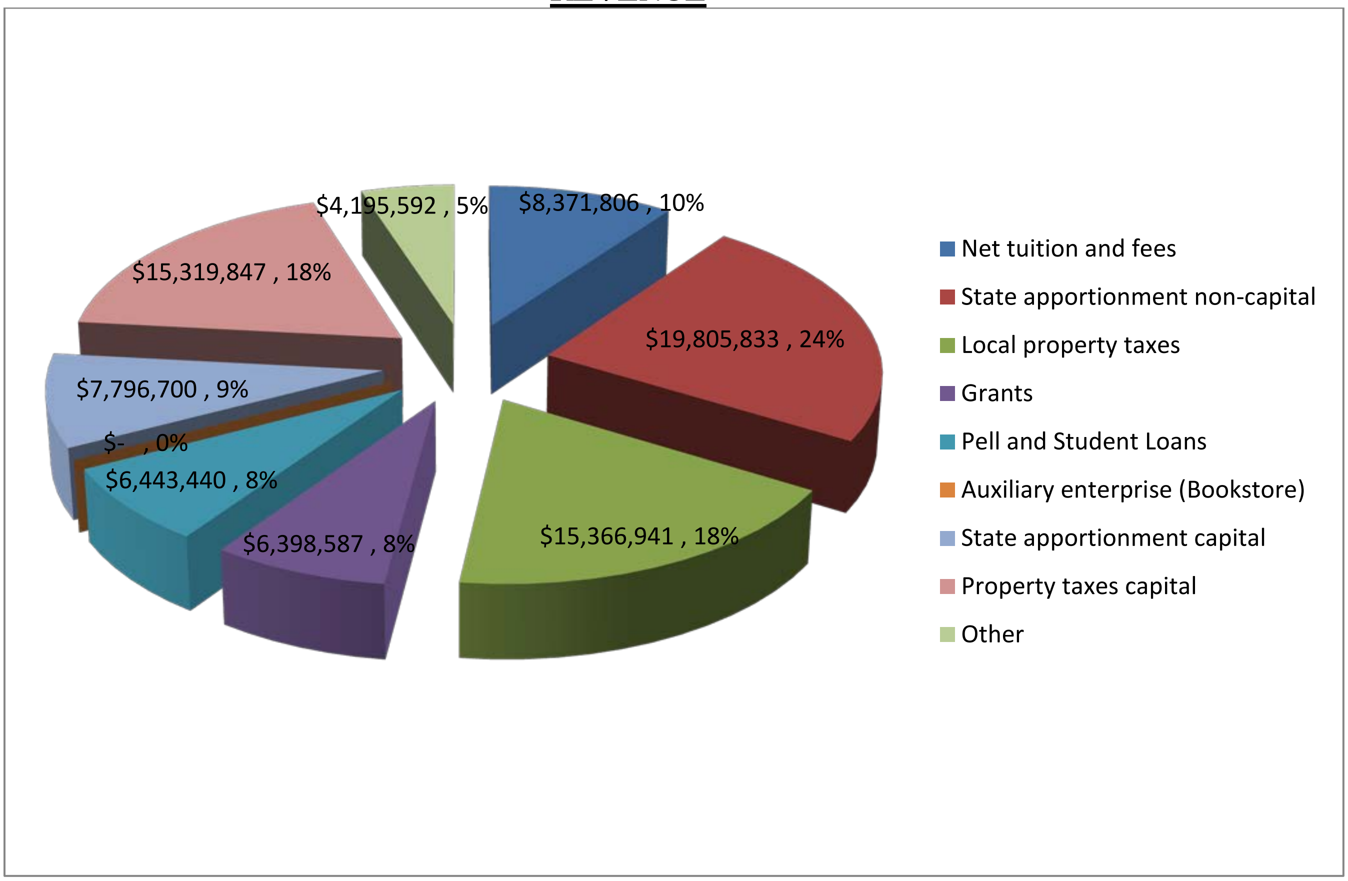
- State apportionment related to capital is up by $7.5 million as a result of a pilot program for advance funding from the state.

- Federal financial aid saw an increase of $1.1 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 $510 thousand due to an increase in our Community Education offerings, facility rentals, the new bookstore lease revenue, lottery, and decreased interest earnings.

Total Revenues for the Year Ended	2012	2011	Change
Net tuition and fees	$ 8,371,806	$ 7,456,253	$ 915,553
State apportionment non-capital	19,805,833	26,354,494	(6,548,661)
Local property taxes	15,366,941	12,971,353	2,395,588
Grants	6,398,587	7,911,775	(1,513,188)
Pell and Student Loans	6,443,440	5,413,731	1,029,709
Auxiliary enterprise (Bookstore)	-	1,057,498	(1,057,498)
State apportionment capital	7,796,700	240,789	7,555,911
Property taxes capital	15,319,847	7,571,365	7,748,482
Other	4,195,592	3,685,370	510,222
	$ 83,698,746	$ 72,662,628	$ 11,036,118

REVENUE



Changes in Operating Expenses

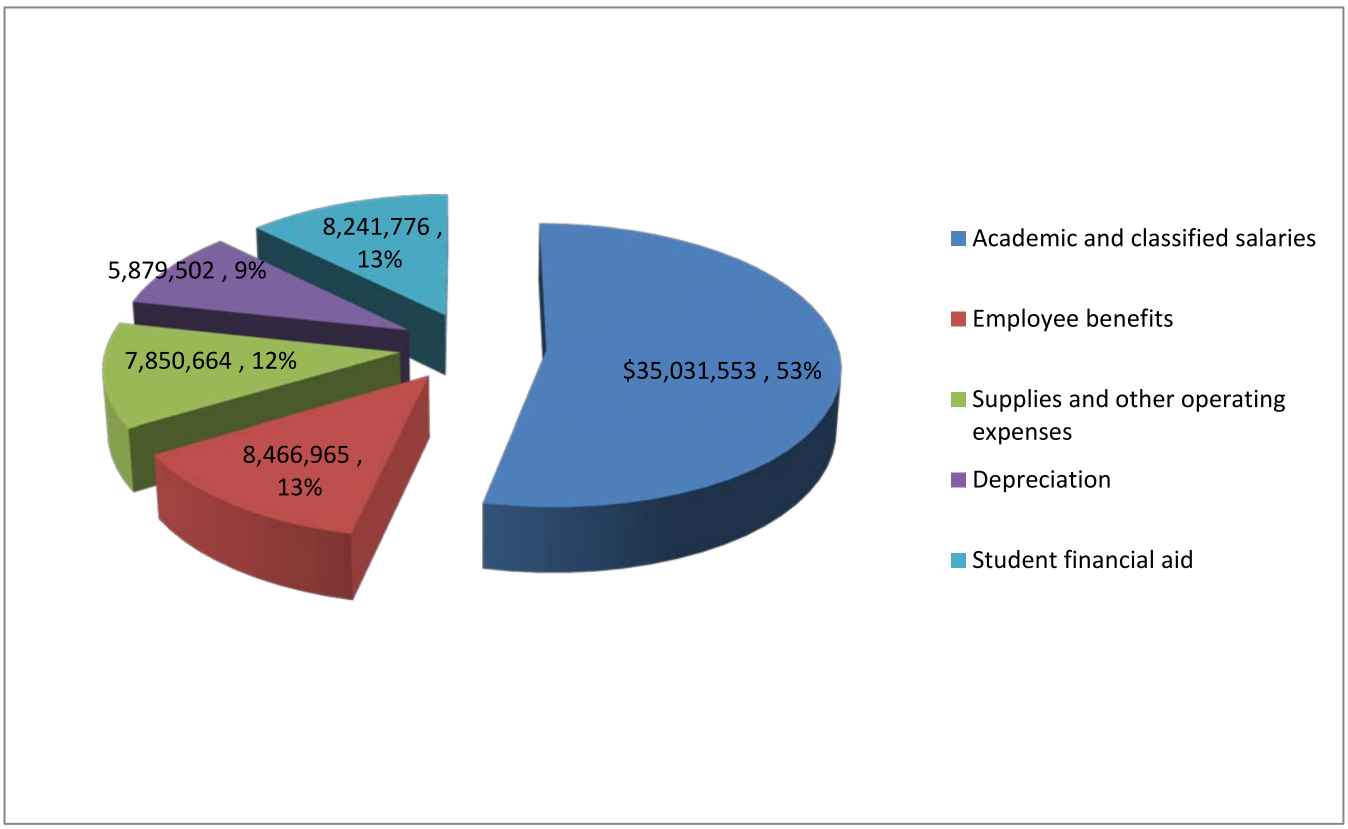
- In 2011-12 there was a reduction of $1.3 million primarily of the reduction in course offerings and the resulting reduction in adjunct faculty.
- Benefits decreased due in part to the reduction in workforce but also to the funding of retiree benefits from the sale of Bookstore assets.
- The reduction in supplies is the direct result of cost savings plans and an early purchasing cut off that were implemented to assist with 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% and up by a modest 6.13% in 2011-12. 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 student loan program.
- Depreciation is stable due to the net of surplus items and the addition of new items.

Loss from 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 and transferred to the District.

Operating Expenditures for the Year Ended	2012	2011	Change
Academic and classified salaries	$ 35,031,553	$ 36,305,142	$ (1,273,589)
Employee benefits	$ 8,466,965	9,927,239	(1,460,274)
Supplies and other operating expenses	$ 7,850,664	9,865,581	(2,014,917)
Depreciation	$ 5,879,502	5,919,004	(39,502)
Student financial aid	$ 8,241,776	7,765,900	475,876
	$ 65,470,460	$ 69,782,866	$ (4,312,406)

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.

	2012	2011	Change
Net Cash provided by:			
Operating activities	$ (46,796,320)	$ (44,811,335)	$ (1,984,985)
Non-capital financing activities	45,507,872	47,231,890	(1,724,018)
Capital and related financing activities	78,646,771	(1,689,196)	80,335,967
Investment activities	(9,749,738)	124,650	(9,874,388)
Net increase in cash	67,608,585	856,009	66,752,576
Cash - beginning of the year	24,374,863	23,518,854	856,009
Cash - end of the year	$ 91,983,448	$ 24,374,863	$ 67,608,585

- 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 increased by $1.9 million as a result of the net effect of all of these activities with a modest increase in enrollment fee related to fee increases but reductions in federal and state grants.

- General apportionment is the primary source of non-capital financing. The two main components of general apportionment are state apportionment and property taxes. The $1.7 million reduction is the result of the workload reduction.

- The main capital financing activities are for the purchases and upgrades of capital assets (land, building, and equipment). The increase from capital and related financing activities is related to the sale of $80 million of bonds from Measure G allocation of $349 million.

- Cash from investing activities is related to the sale of investments. The increase is from investing the $10 million for the Technology Endowment.

Economic Outlook

The State continues to face a structural budget deficit due in part to continued borrowing, a downward trend in property tax revenues, and reduced receipts from income and sales taxes. The full impact of a shortfall of RDA revenues has yet to be determined.

On a positive note, the Governor's Tax Initiative, Proposition 30, was approved by voters in November. This initiative will reduce State borrowing and will increase both sales and income tax receipts. Additionally, the Proposition 98 base is projected to grow by approximately 3.9% over the next five years.

These factors, accompanied by a slow, but steady, economic recovery, should help to stabilize State funding and portend well for funding for California community colleges in the near-term.

<u>Enrollment Challenges and Opportunities</u>

The starting point for this year's budget was a potential workload reduction of 7.3%. This was to be achieved by maintaining fall course offerings at the previous year's level and by significantly reducing spring and summer offerings in 2013. Given the approval of Proposition 30, the FTES reductions will not occur as anticipated. Academic Deans will restore course sections in some of our highest demand, mission critical classes.

The Vice President of Academic Affairs and the Deans continue to work diligently to maintain a distribution of course offerings that takes into account academic needs and student demand. This strategy has positioned the college well to remain fiscally stable, to take advantage of the changing enrollment landscape, and to provide our students with the courses they require to complete their educational objectives.

<u>Overall Financial Picture</u>

The District's budget for the 2011-12 fiscal year included all *savings initiatives* that were put in place in prior years. However, with an 8.2% reduction in 2011-12 revenues, savings generated *were not* substantial enough to mitigate deficit spending in our unrestricted General Fund. Approximately one million dollars, $1,000,000, was used from operational reserves to cover the budget gap.

The current year budget, 2012-13, includes additional savings from the new solar array that offsets District energy costs. Even these additional savings and Prop 30 revenues do not mitigate a fledgling structural deficit that the District will need to address sometime in the near future.

Although the financial outlook for this funding year remains challenging, Ohlone has positioned itself well for the inevitability of State funding down cycles. With frugal cash management, the Board approved Rainy Day Reserve, and with the support of all District employees, the college will be able to continue to provide excellent educational opportunities to all its students in spite of these difficult economic times.

OHLONE COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET ASSETS

June 30, 2012

ASSETS	
Current assets:	
Cash and cash equivalents	$ 12,698,309
Receivables, net	8,496,205
Prepaid expenditures	1,013,550
Total current assets	22,208,064
Noncurrent assets:	
Restricted cash and cash equivalents	79,285,141
Investments held in trust	10,000,000
Non-depreciable capital assets	62,239,231
Depreciable capital assets, net	147,672,153
Total noncurrent assets	299,196,525
Total assets	$ 321,404,589
LIABILITIES	
Current liabilities:	
Accounts payable	$ 1,628,974
Deferred revenue	4,503,853
Accrued payroll and benefits	1,582,082
Interest payable	3,887,827
Other accrued liabilities	1,592,946
Long-term liabilities due within one year	11,055,590
Deferred bond premium, current portion	442,272
Total current liabilities	24,693,544
Noncurrent liabilities:	
Long-term liabilities, net of current portion	203,964,377
Deferred bond premium, long-term portion	8,994,346
Total noncurrent liabilities	212,958,723
Total liabilities	237,652,267
Commitments and contingencies (Note 14)	
NET ASSETS	
Invested in capital assets, net of related debt	64,324,648
Restricted:	
Expendable:	
Scholarships and loans	56,658
Other special purposes	1,553,975
Unrestricted	17,817,041
Total net assets	83,752,322
Total liabilities and net assets	$ 321,404,589

See accompanying notes to financial statements.

OHLONE COMMUNITY COLLEGE DISTRICT

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

STATEMENT OF NET ASSETS

June 30, 2012

ASSETS		
Current assets:		
Cash and cash equivalents	$	936,411
Receivables		22,857
Prepaid expenses		4,651
Total current assets		963,919
Noncurrent assets:		
Restricted cash		65,290
Investments		2,439,907
Assets held in trust		785,347
Total noncurrent assets		3,290,544
Total assets	$	4,254,463
LIABILITIES		
Current liabilities:		
Accounts payable	$	73,829
Deferred revenue		10,000
Liability to beneficiaries due within one year		68,750
Total current liabilities		152,579
Noncurrent liabilities:		
Liability to beneficiaries		390,384
Total liabilities		542,963
Commitments and contingencies (Note 14)		
NET ASSETS		
Restricted:		
Temporarily restricted by donors		1,398,936
Permanent endowments		1,964,500
Unrestricted		348,064
Total net assets		3,711,500
Total liabilities and net assets	$	4,254,463

See accompanying notes to financial statements.

OHLONE COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS

For the Year Ended June 30, 2012

Operating revenues:	
Tuition and fees (gross)	$ 10,875,932
Less: scholarship discounts and allowances	(2,504,126)
Net tuition and fees	8,371,806
Grants and contracts/gifts, non-capital:	
Federal	2,858,024
State	3,226,686
Local	313,877
Total operating revenues	14,770,393
Operating expenses:	
Academic and classified salaries	35,031,553
Employee benefits	8,466,965
Supplies, materials, and other operating expenses and services	7,850,664
Depreciation	5,879,502
Student financial aid and scholarships	8,241,776
Total operating expenses	65,470,460
Loss from operations	(50,700,067)
Non-operating revenues (expenses):	
State apportionment, non-capital	19,805,833
Local property taxes	15,366,941
State taxes and other revenues	1,572,338
Investment income, noncapital	184,977
Investment income, capital	65,285
Interest expense on capital asset-related debt, net	(8,395,953)
Pell grants	6,443,440
Net loss on disposal of building and equipment	(66,191)
Other non-operating revenues	2,372,992
Total non-operating revenues	37,349,662
Loss before capital revenues	(13,350,405)
Capital revenues:	
State apportionment	7,796,700
Local property taxes and revenues	15,319,847
Total capital revenues	23,116,547
Change in net assets	9,766,142
Net assets, July 1, 2011	73,986,180
Net assets, June 30, 2012	$ 83,752,322

See accompanying notes to financial statements.

OHLONE COMMUNITY COLLEGE DISTRICT

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

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and support:				
Revenues:				
Private donations, grants and bequests	$ 43,051	$ 139,862	$ 37,000	$ 219,913
Program management income	26,700	-	-	26,700
Change in value of split-interest agreements	-	(55,284)	-	(55,284)
Investment income	2,269	(26,289)	-	(24,020)
Operating transfers	(20,608)	5,608	15,000	-
Total revenues	51,412	63,897	52,000	167,309
Support:				
Events	156,737	-	-	156,737
In-kind contributions	517,260	-	-	517,260
Total support	673,997	-	-	673,997
Net assets released from restrictions and transfers	148,289	(148,289)	-	-
Total revenues and support	873,698	(84,392)	52,000	841,306
Expenses:				
Program services:				
College program support	194,349	-	-	194,349
Scholarships	85,075	-	-	85,075
Total program services	279,424	-	-	279,424
Support services:				
Events	193,242	-	-	193,242
Fundraising	320,720	-	-	320,720
Contract services	69,630	-	-	69,630
Total support services	583,592	-	-	583,592
Total expenses	863,016	-	-	863,016
Change in net assets	10,682	(84,392)	52,000	(21,710)
Net assets, beginning of year	337,382	1,483,328	1,912,500	3,733,210
Net assets, end of year	$ 348,064	$ 1,398,936	$ 1,964,500	$ 3,711,500

See accompanying notes to financial statements.

OHLONE COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2012

Cash flows from operating activities:	
Tuition and fees	$ 8,484,709
Federal grants and contracts	2,851,336
State grants and contracts	3,168,363
Local grants and contracts	394,030
Payments to suppliers for goods and services	(8,363,810)
Payment to/on behalf of employees	(45,089,172)
Payment to/on behalf of students	(8,241,776)
Net cash used in operating activities	(46,796,320)
Cash flows from noncapital financing activities:	
State appropriations and receipts	19,669,890
Property taxes	15,366,941
State taxes and other revenue	1,572,338
Pell loans	6,443,440
Other receipts	2,455,263
Net cash provided by noncapital financing activities	45,507,872
Cash flows from capital and related financing activities:	
State appropriations for capital purposes	7,796,700
Purchase of capital assets	(20,104,872)
Proceeds from sale of capital assets	(66,191)
Principal paid on capital debt	(2,160,000)
Proceeds from issuance	84,530,245
Interest paid on capital debt	(6,668,958)
Local property taxes and other revenues for capital purposes	15,319,847
Net cash provided by capital and related financing activities	78,646,771
Cash flows from investing activities:	
Investment income	250,262
Purchase of investments	(10,000,000)
Net cash used in investing activities	(9,749,738)
Change in cash and cash equivalents	67,608,585
Cash and cash equivalents - beginning of year	24,374,865
Cash and cash equivalents - end of year	$ 91,983,450
Reconciliation of loss from operations to net cash used in operating activities:	
Loss from operations	$ (50,700,067)
Adjustments to reconcile loss from operations to net cash used in operating activities:	
Depreciation expense	5,879,502
Changes in assets and liabilities:	
Receivables	(23,403)
Inventory and prepaids	(572,966)
Accounts payable	(1,583,913)
Accrued Payroll and Benefits	(50,711)
Other Accrued Liabilities	1,111,622
Deferred revenue	73,857
Compensated absences	(24,345)
SERP Liability	(896,430)
Retiree health benefits	(9,466)
Net cash used in operating activities	$ (46,796,320)

See accompanying notes to 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, 2012

Cash flows from operating activities:	
Received from private donors	$ 329,118
Received from other sources	160,895
Payments to suppliers for goods and services	(66,133)
Payments for distribution to District	(243,632)
Payment to/on behalf of students	(108,075)
Net cash provided by operating activities	72,173
Cash flows from investing activities:	
Purchase of investments	(640,969)
Proceeds from sales and maturities of investments	553,857
Management fees	(23,749)
Net cash used in investing activities	(110,861)
Cash flows from financing activities:	
Proceeds from contributions restricted for investments	52,000
Increase in cash restricted for chartitable remainder trust	(3,740)
Net cash provided by financing activities	48,260
Change in cash and cash equivalents	9,572
Cash and cash equivalents - beginning of year	926,839
Cash and cash equivalents - end of year	$ 936,411
Reconciliation of change in net assets to net cash provided by operating activities:	
Change in net assets	$ (21,710)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Change in value of split-interest agreements	55,284
Change in fair value of investments	154,224
Proceeds from contributions restricted for investments	(52,000)
Increase in cash restricted for chartitable remainder trust	3,740
Change in assets and liabilities:	
Receivables	12,219
Other assets	4,001
Prepaid expense	(549)
Accounts payable	(78,036)
Deferred revenue	(5,000)
Net cash provided by operating activities	$ 72,173

See accompanying notes to financial statements.

OHLONE COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2012

	Associated Students of Ohlone College
ASSETS	
Cash and cash equivalents	$ 744,324
Receivables	53,373
Prepaid expense	500
Total assets	$ 798,197
LIABILITIES	
Accounts payable	$ 8,983
Deferred revenue	38,183
Amounts held in trust for others	751,031
Total liabilities	$ 798,197

See accompanying notes to 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, 2012 was estimated to be $374,441.

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 as defined by GASB. Under this model, the District's financial statements provide a comprehensive entity-wide perspective of the District's financial position and activities. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when the obligation has been incurred. 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, 2012 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. Fair values of investments in county and State investment pools are determined by the pool sponsor.

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. Accounts receivable 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. The District provides an allowance for doubtful accounts as an estimation of amounts that may not be received. The allowance is based on management's estimates and historical analysis.

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, 2012, 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, 2012, 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.

The District capitalizes interest paid on obligations related to the acquisition, construction or rehabilitation of District capital assets.

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 restricted resources, and then towards unrestricted resources. This practice ensures fully utilizing restricted funding each fiscal year.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (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 Activities 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. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

The Foundation's endowment currently consists of 44 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. Any prior year corrections due to a recalculation will be recorded in the year computed by the State.

On-Behalf Payments

GASB Cod. Sec. N50 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 and Public Employees Retirement Systems 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 $291,972 (2.017%) of salaries subject to CalSTRS).

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.

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.

Tax Status of the Foundation

The Foundation is a nonprofit public benefit corporation exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. The Foundation has been classified as an organization that is not a private foundation and has been designated as a "publicly supported" organization. Contributions to the Foundation are deductible under Section 170(c)(2). The Foundation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. Ohlone College Foundation does not expect the total amount of unrecognized total benefits to significantly change in the next 12 months. Interest and penalties on tax assessments are classified as an expense when incurred. For the year ended June 30, 2012, the Foundation did not incur any interest or penalties.

Income tax returns for the Foundation are filed in the U.S. federal and state of California jurisdictions. Tax returns remain subject to examination by the U.S. federal jurisdiction for three years after the return is filed and for four years by the California jurisdiction. There are currently no tax years under examination.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents and investments at June 30, 2012, consisted of the following:

	District	Foundation	Agency Funds
Pooled Funds:			
Cash in County Treasury	$ 90,211,451	$ -	$ -
Deposits:			
Cash on hand and in banks	1,771,999	294,346	744,324
Investments	-	707,355	-
Total cash and cash equivalents	91,983,450	1,001,701	744,324
Less: restricted cash and cash equivalents:			
Cash held by Fiscal Agents	79,285,141	-	-
Cash held in trust	-	65,290	-
Total restricted cash and cash equivalents	79,285,141	65,290	-
Net cash and cash equivalents	$ 12,698,309	$ 936,411	$ 744,324
Investments	$ 10,000,000	$ 3,225,254	$ -

Deposits - Custodial Credit Risk

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, 2012, the carrying amount of the District's accounts was $2,516,323 and the bank balance was $2,622,191. $422,526 of the bank balance was FDIC insured and $2,199,665 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, 2012, the carrying amount of the Foundation's cash on hand and in banks was $359,636 and the bank balance was $363,367, all of which was insured.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Cash in County Treasury

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.

Custodial Credit Risk

In accordance with applicable State laws, the Alameda County Treasurer may invest in derivative securities. However, at June 30, 2012, the Alameda County Treasurer has indicated that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

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.

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)

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

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.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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.

Debt proceeds from the Election of 2010 General Obligation Bonds, Series A-1 may be invested in Non-AMT bonds and Qualified Non-AMT mutual funds.

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	$ -	$ -	$ 1,771,999	$ 1,771,999
Alameda County Treasury	-	-	90,211,451	90,211,451
Total cash and liquid investments	$ -	$ -	$ 91,983,450	$ 91,983,450
Investments:				
Money market	-	-	33,563	33,563
Municipal bonds	1,418,775	3,086,485	5,461,177	9,966,437
Total investments	1,418,775	3,086,485	5,494,740	10,000,000
Total cash and investments	$ 1,418,775	$ 3,086,485	$ 97,478,190	$ 101,983,450
Foundation				
Cash and liquid investments:				
Cash	$ -	$ -	$ 359,636	$ 359,636
Money market	-	-	642,065	642,065
Total cash and liquid investments	-	-	1,001,701	1,001,701
Investments:				
Corporate bonds	209,144	342,388	-	551,532
Equity securities	-	-	1,745,476	1,745,476
Municipal bonds and notes	50,709	-	-	50,709
U.S. Government obligations	-	-	852,163	852,163
Mutual funds	-	25,374	-	25,374
Total investments	259,853	367,762	2,597,639	3,225,254
Total cash and investments	$ 259,853	$ 367,762	$ 3,599,340	$ 4,226,955

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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.

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		
Cash and liquid investments:		
Alameda County Treasury	N/A	$ 90,211,451
Cash and cash equivalents	N/A	1,771,999
Total cash and liquid investments		91,983,450
Investments:		
Money market	N/A	33,563
Municipal bonds	AA1	1,239,680
Municipal bonds	AA2	2,771,217
Municipal bonds	AA3	5,955,540
Total investments		10,000,000
Total District cash and investments		$ 101,983,450
Foundation		
Cash and liquid investments:		
Cash	N/A	$ 359,636
Money markets	N/A	642,065
Total cash and liquid investments		1,001,701
Investments:		
Corporate bonds and mutual funds	A1	223,770
Corporate bonds and mutual funds	A2	27,208
Corporate bonds and mutual funds	A3	300,554
Municipal bonds and notes	AA3	25,374
Equity securities	Not Rated	1,745,476
Mutual Funds	Not Rated	852,163
U.S. Government obligations	Aaa	50,709
Total investments		3,225,254
Total Foundation cash and investments		$ 4,226,955

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, 2012, 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	$ 1,745,476	$ 1,745,476	$ -	$ -
Corporate bonds	551,532	-	551,532	-
Municipal bonds and notes	25,374	-	25,374	-
U.S. Government obligations	50,709	-	50,709	-
Mutual funds	852,163	-	852,163	-
	$ 3,225,254	$ 1,745,476	$ 1,479,778	$ -

There were no significant transfers in or out of Levels 1 and 2 during the year ending June 30, 2012.

The fair value of investments classified as Level 2 are determined using prices and other relevant information generated by market transactions involving identical or comparable investments (market approach).

The Foundation had no non-recurring assets and no liabilities at June 30, 2012, 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.

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, 2012 are summarized as follows:

	District	Foundation
Federal	$ 503,328	$ -
State	7,375,099	-
Local and other, net of allowance	617,778	22,857
Totals	$ 8,496,205	$ 22,857

The allowance for doubtful accounts of $586,543 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, 2011	Additions	Deductions	Transfers	Balance June 30, 2012
Non-depreciable:					
Land	$ 36,116,441	$ -	$ -	$ -	$ 36,116,441
Construction work in progress	10,252,410	19,521,456	-	(3,651,076)	26,122,790
Depreciable:					
Buildings and improvements	173,279,539	-	301,629	3,651,076	176,628,986
Machinery and equipment	20,985,047	649,607	111,432	-	21,523,222
Total	240,633,437	20,171,063	413,061	-	260,391,439
Less accumulated depreciation:					
Building and improvements	29,136,184	3,843,221	235,438	-	32,743,967
Machinery and equipment	15,811,239	2,036,281	111,432	-	17,736,088
Total	44,947,423	5,879,502	346,870	-	50,480,055
Capital assets, net	$ 195,686,014	$ 14,291,561	$ 759,931	$ -	$ 209,911,384

5. DEFERRED REVENUE AND DEFERRED SUPPORT

Deferred revenue for the District consisted of the following:

Deferred federal and state revenue	$ 733,269
Deferred local revenue	173,926
Deferred student fees	479,137
Deferred tuition and other student enrollment fees	3,117,521
Total deferred revenue	$ 4,503,853

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, 2012, assets held in trust under unitrust agreements total $850,637 and the associated liability to beneficiaries of $459,134 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, 2012 is shown below:

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012	Due Within One Year	Non-Current
Compensated absences	$ 1,112,053	$ -	$ 24,345	$ 1,087,708	$ 271,927	$ 815,781
Post-employment health benefits	428,298	684,206	693,672	418,832	418,832	-
General obligation bonds	130,140,000	80,000,000	2,160,000	207,980,000	9,630,000	198,350,000
Bond premiums	5,317,989	4,530,245	411,616	9,436,618	442,272	8,994,346
SERP liability	2,939,917	-	896,430	2,043,487	734,831	1,308,656
Accreted interest	2,881,469	608,471	-	3,489,940	-	3,489,940
	$ 142,819,726	$ 85,822,922	$ 4,186,063	$ 224,456,585	$ 11,497,862	$ 212,958,723

General Obligation Bonds

In June 2002 and August 2005, the District issued General Obligation Bonds totaling $150,000,000. These bonds were issued to finance the acquisition, construction and modernization of property and facilities. The Current Interest and Capital Appreciation Bonds interest and yield vary, ranging from 3.0% to 5.0% and are scheduled to 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%.

In October 2011, the District issued $70,000,000 and $10,000,000 in 2010 General Obligation Bonds, Series A and Series A-1, respectively. The Series A Bonds are being issued to finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities approved by the District's registered voters and to pay the cost of issuance associated with the Bonds. The Series A-1 Bonds are being issued to fund a technology endowment. Interest earnings from the endowment shall remain in the Building Fund and used for the purposes of that fund. The Series A and Series A-1 bonds will both mature beginning on August 1, 2012 and have an interest rate ranging between 2.00% and 5.00%.

7. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The annual requirements to amortize General Obligation Bonds outstanding as of June 30, 2012 are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	$ 9,630,000	$ 9,204,763	$ 18,834,763
2014	7,765,497	9,343,991	17,109,488
2015	2,664,814	9,427,249	12,092,063
2016	2,738,263	9,512,150	12,250,413
2017	2,923,456	9,701,456	12,624,912
2018-2022	22,282,970	47,092,992	69,375,962
2023-2027	47,030,000	35,509,150	82,539,150
2028-2032	62,530,000	21,094,313	83,624,313
2033-2037	19,355,000	10,634,563	29,989,563
2038-2042	31,060,000	4,339,631	35,399,631
	$ 207,980,000	$ 165,860,258	$ 373,840,258

SERP Liability

During 2010, the District provided the option of a Supplemental Employee Retirement Plan ("SERP") to the District employees. As of June 30, 2012, 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, 2012 are as follows:

Year Ending June 30,	
2013	$ 734,831
2014	687,064
2015	571,825
2016	49,717
	$ 2,043,437

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, 2012, operating expenses are charged by function as follows:

District	Salaries	Benefits	Services	Depreciation	Student Financial Aid	Total
Instructional activities	$ 18,064,719	$ 3,200,710	$ 1,117,836	$ -	$ -	$ 22,383,265
Instructional support	2,587,950	572,302	341,008	-	-	3,501,260
Student services	4,528,623	1,187,118	498,556	-	-	6,214,297
Plant operations and maintenance	1,768,783	804,419	1,917,513	-	-	4,490,715
Institutional support	4,921,533	1,871,391	2,519,568	-	-	9,312,492
Community services and economic development	1,897,718	447,557	891,394	-	-	3,236,669
Ancillary and auxiliary services	1,126,536	365,981	285,875	-	-	1,778,392
Student aid	96,476	1,503	-	-	8,241,776	8,339,755
Physical property and related	39,215	15,984	278,914	-	-	334,113
Depreciation expense	-	-	-	5,879,502	-	5,879,502
	$ 35,031,553	$ 8,466,965	$ 7,850,664	$ 5,879,502	$ 8,241,776	$ 65,470,460

The Foundation had operating expenses charged by function to program services and support services in the amount of $279,424 and $583,592, respectively, for the year ended June 30, 2012.

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.

State Teachers' Retirement System (STRS)

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.

10. EMPLOYEE RETIREMENT SYSTEMS (Continued)

State Teachers' Retirement System (STRS) (Continued)

Funding Policy

Active members of the DB Plan are required to contribute 8.00% 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 2011-2012 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, 2010, 2011 and 2012 were $1,404,793, $1,535,027 and $1,194,233, 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.

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 7.00% of their salary and the district is required to contribute an actuarially determined rate. The required employer contribution rate for fiscal year 2011-2012 was 10.923% of annual payroll.

Annual Pension Cost

The District's contributions to CalPERS for the fiscal years ending June 30, 2010, 2011 and 2012 were $1,400,273, $1,413,648 and $1,591,040, 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.

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	29,981
Adjustment to annual required contribution	(24,419)
Annual OPEB cost (expense)	684,206
Contributions made	(693,672)
Decrease in net OPEB obligation	(9,466)
Net OPEB obligation - beginning of year	428,298
Net OPEB obligation - end of year	$ 418,832

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, 2012 and preceding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	$ 369,557	142.0%	$ 701,966
June 30, 2011	$ 678,644	140.3%	$ 428,298
June 30, 2012	$ 684,206	101.4%	$ 418,832

11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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 $26,420,974, and the ratio of the UAAL to the covered payroll was 19 percent.

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, 2012, was 29 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.

12. JOINT POWERS AGREEMENTS (Continued)

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.

The following is a summary of financial information for BACCDJPA at June 30, 2011 (the most recent financial statements available):

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, 2012.

Total assets	$	3,355,143
Total liabilities	$	1,533,661
Net assets	$	1,821,482
Total revenues	$	7,647,367
Total expenses	$	8,259,274
Change in net asset	$	(611,907)

13. ENDOWMENT NET ASSETS - FOUNDATION

Changes in donor-restricted endowment net assets for the fiscal year ended June 30, 2012, consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ (208)	$ 731,853	$ 1,912,500	$ 2,644,145
Investment income	-	104,520	-	104,520
Change in fair value of investments	208	(154,224)	-	(154,016)
Contributions	-	37,891	52,000	89,891
Appropriation of endowment assets for expenditure	-	(41,207)	-	(41,207)
Endowment net assets, end of year	$ -	$ 678,833	$ 1,964,500	$ 2,643,333

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 were no individual endowment fund with such deficiencies as of June 30, 2012.

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 $13,218,133 at June 30, 2012. These commitments will be primarily funded from Measure A funds.

14. COMMITMENTS AND CONTINGENCIES (Continued)

Property Lease Commitments

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

15. SUBSEQUENT EVENTS

General Obligation Bonds

On September 25, 2012, the District issued $94,070,000 of 2012 General Obligation Refunding Bond, maturing on August 1, 2030, with an interest rate ranging between 2.00% and 5.00%, to advance refund a portion of the District's outstanding Election 2002 General Obligation Bonds, Series B and to pay the costs associated with the issuance of the Bonds. The Bonds represents general obligations to the District, payable from *ad valore*m property taxes.

REQUIRED SUPPLEMENTARY INFORMATION

OHLONE COMMUNITY COLLEGE DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS

For the Year Ended June 30, 2012

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%
6/30/2012	February 1, 2011	$ 774,529	$ 5,818,135	$ 5,043,606	13%	$ 26,420,974	19%

See accompanying notes to financial statements.

OHLONE COMMUNITY COLLEGE DISTRICT

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
(Unaudited)
June 30, 2012

	General	Revenue Bond Debt Service Fund	Capital Outlay Projects Fund	Bond Revenue Construction (Measure A) Fund	Bond Revenue Construction (Measure G) Fund
Assets					
Current assets:					
Cash and cash equivalents	$ 11,729,697	$ -	$ -	$ -	$ -
Receivables, net	8,396,676	9,236	2,959	709	38,592
Due from other funds	1,208	-	-	-	-
Prepaid expenditures	1,001,218	-	-	-	-
Total current assets	21,128,799	9,236	2,959	709	38,592
Noncurrent assets:					
Restricted cash and cash equivalents	-	16,272,424	4,785,741	1,076,834	57,150,142
Investments held in trust	-	-	-	-	10,000,000
Non-depreciable capital assets	-	-	-	-	-
Depreciable capital assets, net	-	-	-	-	-
Total noncurrent assets	-	16,272,424	4,785,741	1,076,834	67,150,142
Total assets	$ 21,128,799	$ 16,281,660	$ 4,788,700	$ 1,077,543	$ 67,188,734
Liabilities					
Current liabilities:					
Accounts payable	$ 706,357	$ -	$ 240,346	$ 11,821	$ 665,056
Due to other funds	34,632	-	-	-	-
Deferred revenue	4,503,853	-	-	-	-
Accrued payroll and benefits	1,588,350	-	-	-	-
Interest payable	-	-	-	-	-
Other accrued liabilities	570,406	-	183,333	500	803,679
Long-term liabilities due within one year	271,927	-	-	-	-
Deferred bond premium, current portion	-	-	-	-	-
Total current liabilities	7,675,525	-	423,679	12,321	1,468,735
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	7,675,525	3,565,414	423,679	12,321	1,468,735
Net Assets					
Invested in capital assets, net of related debt	-	-	-	-	-
Restricted for:					
Expendable:					
Scholarships and loans	-	-	-	-	-
Capital projects	-	-	4,365,021	1,065,222	65,719,999
Debt service	-	12,716,246	-	-	-
Other special purposes	1,001,218	-	-	-	-
Undesignated	12,452,056	-	-	-	-
Total net assets	13,453,274	12,716,246	4,365,021	1,065,222	65,719,999
Total liabilities and net assets	$ 21,128,799	$ 16,281,660	$ 4,788,700	$ 1,077,543	$ 67,188,734

(Continued)

OHLONE COMMUNITY COLLEGE DISTRICT

COMBINING STATEMENT OF NET ASSETS BY FUND
(Unaudited)
(Continued)
June 30, 2012

	Internal Service Fund	Student Financial Aid Trust Fund	Totals	Reconciling Adjustments/ Eliminations	Statement of Net Assets
Assets					
Current assets:					
Cash and cash equivalents	$ 957,760	$ 10,852	$ 12,698,309	$ -	$ 12,698,309
Receivables, net	623	47,410	8,496,205	-	8,496,205
Due from other funds	-	34,632	35,840	(35,840)	-
Prepaid expenditures	12,332	-	1,013,550	-	1,013,550
Total current assets	970,715	92,894	22,243,904	(35,840)	22,208,064
Noncurrent assets:					
Restricted cash and cash equivalents	-	-	79,285,141	-	79,285,141
Investments	-	-	10,000,000	-	10,000,000
Non-depreciable capital assets	-	-	-	62,239,231	62,239,231
Depreciable capital assets, net	-	-	-	147,672,153	147,672,153
Total noncurrent assets	-	-	89,285,141	209,911,384	299,196,525
Total assets	$ 970,715	$ 92,894	$ 111,529,045	$ 209,875,544	$ 321,404,589
Liabilities					
Current liabilities:					
Accounts payable	$ 5,394	$ -	$ 1,628,974	$ -	$ 1,628,974
Due to other funds	-	1,208	35,840	(35,840)	-
Deferred revenue	-	-	4,503,853	-	4,503,853
Accrued payroll and benefits	(6,268)	-	1,582,082	-	1,582,082
Interest payable	-	-	-	3,887,827	3,887,827
Other accrued liabilities	-	35,028	1,592,946	-	1,592,946
Long-term liabilities due within one year	418,832	-	690,759	10,364,831	11,055,590
Deferred bond premium, current portion	-	-	-	442,272	442,272
Total current liabilities	417,958	36,236	10,034,454	14,659,090	24,693,544
Noncurrent liabilities:					
Long-term liabilities, net of current portion	-	-	-	203,964,377	203,964,377
Deferred bond premium, long term portion	-	-	3,565,414	5,428,932	8,994,346
Total noncurrent liabilities	-	-	3,565,414	209,393,309	212,958,723
Total liabilities	417,958	36,236	13,599,868	224,052,399	237,652,267
Net Assets					
Invested in capital assets, net of related debt	-	-	-	64,324,648	64,324,648
Restricted for:					
Expendable:					
Scholarships and loans	-	56,658	56,658	-	56,658
Capital projects	-	-	71,150,242	(71,150,242)	-
Debt service	-	-	12,716,246	(12,716,246)	-
Other special purposes	552,757	-	1,553,975	-	1,553,975
Undesignated	-	-	12,452,056	5,364,985	17,817,041
Total net assets	552,757	56,658	97,929,177	(14,176,855)	83,752,322
Total liabilities and net assets	$ 970,715	$ 92,894	$ 111,529,045	$ 209,875,544	$ 321,404,589

See accompanying notes to supplementary information.

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS BY FUND
(Unaudited)
Year Ended June 30, 2012

	General	Revenue Bond Debt Service Fund	Capital Outlay Projects Fund	Bond Revenue Construction (Measure A) Fund	Bond Revenue Construction (Measure G) Fund
Operating revenues:					
Tuition and fees (gross)	$ 10,875,932	$ -	$ -	$ -	$ -
Less: Scholarship discounts and allowances	(2,504,126)	-	-	-	-
Net tuition and fees	8,371,806	-	-	-	-
Grants and contracts/gifts, non-capital:					
Federal	1,415,500	-	-	-	-
State	2,904,870	-	-	-	-
Local	313,877	-	-	-	-
Auxiliary enterprise sales and charges	-	-	-	-	-
Total operating revenues	13,006,053	-	-	-	-
Operating expenses:					
Academic and classified salaries	34,881,435	-	2,036	4,611	32,568
Employee benefits	8,667,260	-	679	2,539	12,768
Supplies, materials and other operating expenses and services	7,811,605	1,760	4,662,346	1,008,872	14,355,617
Depreciation	-	-	-	-	-
Student financial aid and scholarships	96,267	-	-		-
Total operating expenses	51,456,567	1,760	4,665,061	1,016,022	14,400,953
Operating loss	(38,450,514)	(1,760)	(4,665,061)	(1,016,022)	(14,400,953)
Non-operating revenues (expenses):					
State apportionment, non-capital	19,805,833	-	-	-	-
Local property taxes	15,366,941	-	-	-	-
State taxes and other revenues	1,438,953	133,385	-	-	-
Investment income - non-capital	58,094	-	-	120,952	
Investment income - capital	-	31,429	24,175	9,681	-
Interest expense on capital asset related debt	-	(6,668,958)	-	-	-
Pell grants	-	-	-	-	-
Net loss on disposal of building and equipment	-	-	-	-	-
Other non-operating revenues	1,330,531	-	888,494	-	-
Debt reduction	-	(2,160,000)	-	-	-
Interfund transfers out	(127,558)	-	-	-	-
Interfund transfers in	81,484	-	-	-	-
Total non-operating revenues (expenses)	37,954,278	(8,664,144)	912,669	9,681	120,952
Income (loss) before capital revenues	(496,236)	(8,665,904)	(3,752,392)	(1,006,341)	(14,280,001)
Capital revenues:					
State apportionment	-	-	7,796,700	-	-
Local property taxes and revenues	86,090	15,233,757	-	-	-
Total capital revenues	86,090	15,233,757	7,796,700	-	-
Other financing sources:					
Proceeds from sale of bonds	-	4,530,245	-	-	80,000,000
Change in net assets	(410,146)	11,098,098	4,044,308	(1,006,341)	65,719,999
Net assets, July 1, 2011	13,863,420	1,618,148	320,713	2,071,563	-
Net assets, June 30, 2012	$ 13,453,274	$ 12,716,246	$ 4,365,021	$ 1,065,222	$ 65,719,999

(Continued)

OHLONE COMMUNITY COLLEGE DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS BY FUND
(Unaudited)
(Continued)
Year Ended June 30, 2012

	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)	$ -	$ -	$ 10,875,932	$ -	$ 10,875,932
Less: Scholarship discounts and allowances	-	-	(2,504,126)	-	(2,504,126)
Net tuition and fees	-	-	8,371,806	-	8,371,806
Grants and contracts/gifts, non-capital:					
Federal	-	1,442,524	2,858,024	-	2,858,024
State	-	321,816	3,226,686	-	3,226,686
Local	-	-	313,877	-	313,877
Total operating revenues	-	1,764,340	14,770,393	-	14,770,393
Operating expenses:					
Academic and classified salaries	-	96,476	35,017,126	14,427	35,031,553
Employee benefits	678,645	1,504	9,363,395	(896,430)	8,466,965
Supplies, materials and other operating expenses and services	50,255	-	27,890,455	(20,039,791)	7,850,664
Depreciation	-	-	-	5,879,502	5,879,502
Student financial aid and scholarships	-	8,145,509	8,241,776	-	8,241,776
Total operating expenses	728,900	8,243,489	80,512,752	(15,042,292)	65,470,460
Operating loss	(728,900)	(6,479,149)	(65,742,359)	15,042,292	(50,700,067)
Non-operating revenues (expenses):					
State apportionment, non-capital	-	-	19,805,833	-	19,805,833
Local property taxes	-	-	15,366,941	-	15,366,941
State taxes and other revenues	-	-	1,572,338	-	1,572,338
Investment income - non-capital	5,931	-	184,977	-	184,977
Investment income - capital	-	-	65,285	-	65,285
Interest expense on capital asset related debt	-	-	(6,668,958)	(1,726,995)	(8,395,953)
Pell grants	-	6,443,440	6,443,440	-	6,443,440
Net loss on disposal of building and equipment	-	-	-	(66,191)	(66,191)
Other non-operating revenues	-	22,695	2,241,720	131,272	2,372,992
Debt reduction	-	-	(2,160,000)	2,160,000	-
Interfund transfers out	-	-	(127,558)	127,558	-
Interfund transfers in	-	46,074	127,558	(127,558)	-
Total non-operating revenues (expenses)	5,931	6,512,209	36,851,576	498,086	37,349,662
Income (loss) before capital revenues	(722,969)	33,060	(28,890,783)	15,540,378	(13,350,405)
Capital revenues:					
State apportionment	-	-	7,796,700	-	7,796,700
Local property taxes and revenues	-	-	15,319,847	-	15,319,847
Total capital revenues	-	-	23,116,547	-	23,116,547
Other financing sources:					
Proceeds on sale of bonds	-	-	84,530,245	(84,530,245)	-
Change in net assets	(722,969)	33,060	78,756,009	(68,989,867)	9,766,142
Net assets, July 1, 2011	1,275,726	23,598	19,173,168	54,813,012	73,986,180
Net assets, June 30, 2012	$ 552,757	$ 56,658	$ 97,929,177	$ (14,176,855)	$ 83,752,322

See accompanying notes to supplementary information.

OHLONE COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2012

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		$ 1,290,322
Federal Work Study Program	84.033	P033A100600	75,852
Higher Education Act:			
Federal Pell Grant	84.063	P063P101180	6,443,440
Supplementary Educational Opportunity Grant	84.007	P007A070600	76,350
Subtotal Student Financial Aid Cluster			7,885,964
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	44,384
Career and Technical Education - Title II-E	84.048	00-021-23	123,379
Subtotal Career and Technical Education Cluster			167,763
Rehabilitation Training - Continuing Education	84.264	22572	303,984
Total U.S. Department of Education			8,357,711
U.S. Department of Labor			
Pass through Alameda County Workforce Investment Board:			
WIA - Adults Formula Grants	17.258	C95-0263-0931	278,632
WIA - Dislocated Workers Formula	17.260	C95-0263-0931	564,228
WIA - Community Based Job Training	17.269	C95-0263-0931	75,277
Total U.S. Department of Labor			918,137

(Continued)

OHLONE COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)
For the Year Ended June 30, 2012

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	-	$ 25,616
Total Federal Programs			$ 9,301,464

See accompanying notes to supplementary information.

OHLONE COMMUNITY COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL AWARDS

For the Year Ended June 30, 2012

	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	$ 13,260	$ 205,000	$ 218,260	$ 218,260	$ 8,103	$ -	$ 226,363	$ 226,363
Basic Skills	164,707	90,000	254,707	254,707	-	175,824	78,883	78,883
BARTPC	9,531	-	9,531	9,531	-	9,531	-	-
CalWorks	-	127,595	127,595	127,595	-	-	127,595	127,595
CTE Pathways Collaborative	194,348	748,000	942,348	872,748	-	552,305	320,443	320,443
Child Development Consortium	43	9,982	10,025	10,025	-	-	10,025	10,025
Cooperative Agency Resource Education	-	30,868	30,868	30,868	-	-	30,868	30,868
Disabled Student Program and Services	-	1,147,916	1,147,916	1,151,361	-	-	1,151,361	1,151,361
Distance Ed - Caption	32,084	-	32,084	32,084	-	28,884	3,200	3,200
Enrollment Fee Admin (2%)	-	21,829	21,829	21,829	-	-	21,829	21,829
Extended Opportunity	-	252,387	252,387	252,387	-	958	251,429	251,429
Faculty and Staff Diversity	33,696	5,628	39,324	39,324	1,226	-	40,550	40,550
Instructional Equipment (on-going)	14,579	-	14,579	14,579	-	9,120	5,459	5,459
Lottery - Prop 20	71,356	187,748	259,104	226,745	222,323	364,761	84,307	84,307
Matriculation (Credit)	-	275,196	275,196	275,196	-	4,186	271,010	271,010
Student Financial Aid Administration	-	232,587	232,587	232,587	-	-	232,587	232,587
TANF	1,584	1,476	3,060	3,060	-	1,584	1,476	1,476
Telecommunications and Technology	11,368	-	11,368	11,368	-	164	11,204	11,204
Transfer and Articulation	7,808	-	7,808	7,808	-	6,714	1,094	1,094
Total State Programs	$ 554,364	$ 3,336,212	$ 3,890,576	$ 3,792,062	$ 231,652	$ 1,154,031	$ 2,869,683	$ 2,869,683

See accompanying notes to supplementary information.

OHLONE COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT

Annual Attendance as of June 30, 2012

Categories	Reported Data	Audit Adjustments	Revised Data
A. Summer Intersession (Summer 2011 only)			
1. Noncredit	-	-	-
2. Credit	21	-	21
B. Summer Intersession (Summer 2012 - Prior to July 1, 2012)			
1. Noncredit	-	-	-
2. Credit	145	-	145
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
a. Weekly Census Contact Hours	4,272	-	4,272
b. Daily Census Contact Hours	524	-	524
2. Actual Hours of Attendance Procedure Courses			
a. Noncredit	-	-	-
b. Credit	464	-	464
3. Independent Study/Work Experience			
a. Weekly Census Contact Hours	2,179	-	2,179
b. Daily Census Contact Hours	93	-	93
c. Noncredit Independent Study/ Distance Education Courses	-	-	-
D. Total FTES	7,698	-	7,698
Supplementary Information:			
E. In-Service Training Courses (FTES)	268	-	268
H. Basic Skills Courses and Immigrant Education			
a. Noncredit	-	-	-
b. Credit	419	-	419
CCFS 320 Addendum			
CDCP	-	-	-
Centers FTES			
a. Noncredit	-	-	-
b. Credit	2,628	-	2,628

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, 2012

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

See accompanying notes to supplementary information.

OHLONE COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION

For the Year Ended June 30, 2012

	Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110 Reported Data	Audit Adjustments	Revised Data	Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799 Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional salaries:							
Contract or regular	1100	$ 8,801,145	$ -	$ 8,801,145	$ 8,801,145	$ -	$ 8,801,145
Other	1300	5,963,780	-	5,963,780	5,963,780	-	5,963,780
Total instructional salaries		14,764,925	-	14,764,925	14,764,925	-	14,764,925
Non-instructional salaries:							
Contract or regular	1200	-	-	-	4,032,656	-	4,032,656
Other	1400	-	-	-	172,516	-	172,516
Total non-instructional salaries		-	-	-	4,205,172	-	4,205,172
Total academic salaries		14,764,925	-	14,764,925	18,970,097	-	18,970,097
Classified Salaries							
Non-instructional salaries:							
Regular status	2100	-	-	-	8,045,911	-	8,045,911
Other	2300	-	-	-	286,456	-	286,456
Total non-instructional salaries		-	-	-	8,332,367	-	8,332,367
Instructional aides:							
Regular status	2200	1,875,630	-	1,875,630	1,875,630	-	1,875,630
Other	2400	558,988	-	558,988	558,988	-	558,988
Total instructional aides		2,434,618	-	2,434,618	2,434,618	-	2,434,618
Total classified salaries		2,434,618	-	2,434,618	10,766,985	-	10,766,985
Employee benefits	3000	4,169,966	-	4,169,966	7,281,668	-	7,281,668
Supplies and materials	4000	-	-	-	550,247	-	550,247
Other operating expenses	5000	671,251	-	671,251	5,128,439	-	5,128,439
Equipment replacement	6420	-	-	-	-	-	-
Total expenditures prior to exclusions		$ 22,040,760	$ -	$ 22,040,760	$ 42,697,436	$ -	$ 42,697,436

(Continued)

OHLONE COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION
(Continued)
For the Year Ended June 30, 2012

		Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			**Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799**		
Exclusions	**Object/TOP Codes**	**Reported Data**	**Audit Adjustments**	**Revised Data**	**Reported Data**	**Audit Adjustments**	**Revised Data**
Activities to exclude:							
Instructional staff-retirees' benefits and retirement incentives	5900	$ -	$ -	$ -	$ -	$ -	$ -
Student health services above amount collected	6441	-	-	-	-	-	-
Student transportation	6491	-	-	-	37,121	-	37,121
Noninstructional staff-retirees' benefits and retirement incentives	6740	-	-	-	-	-	-
Objects to exclude:							
Rents and leases	5060	-	-	-	-	-	-
Lottery expenditures		-	-	-	-	-	-
Academic salaries	1000	-	-	-	-	-	-
Classified salaries	2000	-	-	-	-	-	-
Employee benefits	3000	-	-	-	-	-	-
Supplies and materials:	4000						
Software	4100	-	-	-	57,979	-	57,979
Books, magazines and periodicals	4200	-	-	-	-	-	-
Instructional supplies and materials	4300	-	-	-	126,008	-	126,008
Noninstructional supplies and materials	4400	-	-	-	236,440	-	236,440
Total supplies and materials		-	-	-	420,427	-	-
Other operating expenses and services	5000	-	-	-	631,207	-	631,207
Capital outlay	6000	-	-	-	-	-	-
Library books	6300	-	-	-	-	-	-
Equipment:	6400						
Equipment - additional	6410	-	-	-	-	-	-
Equipment - replacement	6420	-	-	-	-	-	-
Total equipment		-	-	-	-	-	-
Total capital outlay		-	-	-	-	-	-
Other outgo	7000	-	-	-	-	-	-
Total exclusions		$ -	$ -	$ -	$ 1,088,755	$ -	$ -
Total for ECS 84362, 50% Law		$ 22,040,760	$ -	$ 22,040,760	$ 41,608,681	$ -	$ -
Percent of CEE (instructional salary cost /Total CEE)		52.97%	-	52.97%	100%	-	100%
50% of current expense of education		$ -	$ -	$ -	$ 20,804,340	$ -	$ 20,804,340

See accompanying notes to supplementary information.

OHLONE COMMUNITY COLLEGE DISTRICT

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. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. 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.

F - Reconciliation of ECS 84362 (50 Percent Law) Calculation

This schedule provides the information necessary to reconcile the 50 Percent Calculation reported on the CCFS-311 to the audited data.

Crowe Horwath.

Crowe Horwath LLP
Independent Member Crowe Horwath International

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, 2012. 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
California Work Opportunity and Responsibility to Kids (CalWORKs)
Open Enrollment
Student Fees-Instructional Materials and Other Materials
Student Fees-Health Fees and Use of Fee Funds
Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
Disabled Student Programs and Services (DSPS)
Curriculum and Instruction
To Be Arranged Hours (TBA)

In our opinion, Ohlone Community College District complied, in all material respects, with the compliance requirements for the year ended June 30, 2012. However, we identified a deficiency in compliance that we considered to be immaterial as described in the Schedule of Audit Findings and Questioned Costs as finding 2012-01.

Ohlone Community College District's responses to the findings identified in our audit are included in the accompanying Schedule of Audit Findings and Questioned Costs. We did not audit the District's response and, accordingly, do not express an opinion on it.

This report is intended solely for the information and use of the Audit Committee, District management, the Board of Trustees, the California Community Colleges Chancellor's Office, 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 12, 2012

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, 2012, which collectively comprise Ohlone Community College District's financial financial statements, and have issued our report thereon dated December 12, 2012. 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 control 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 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.

Compliance and Other Matters

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

This report is intended solely 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 12, 2012

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, 2012. 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*, *Audits of State, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Ohlone Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. 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, 2012.

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 12, 2012

FINDINGS AND RECOMMENDATIONS

OHLONE COMMUNITY COLLEGE DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

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
84.007, 84.033, 84.063, 84.268	Student Financial Aid Cluster
84.264	Rehabilitation Training- Continuing Education

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

Type of auditors' report issued on compliance for state programs:	Unqualified

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2012

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

OHLONE COMMUNITY COLLEGE DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2012

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2012-01 STATE COMPLIANCE - ECONOMIC OPPORTUNITY PROGRAMS AND SERVICES (EOPS) AND COOPERATIVE AGENCIES RESOURCES FOR EDUCATION (CARE)

Criteria

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

Condition

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

Effect

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

Cause

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

Fiscal Impact

Not determinable.

Recommendation

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

Corrective Action Plan

During 2011/12 two meetings of the EOPS/ CARE Committee were scheduled and convened. Unfortunately, the Committee was unable to achieve a quorum at either of these meetings. Therefore, the Committee could not officially conduct District business and failed to meet the requirement of two meetings per year.

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2012-01 STATE COMPLIANCE - ECONOMIC OPPORTUNITY PROGRAMS AND SERVICES (EOPS) AND COOPERATIVE AGENCIES RESOURCES FOR EDUCATION (CARE) (Continued)

Corrective Action Plan (Continued)

For 2012/13 the District has formed a new EOPS/CARE Committee, with fourteen(14) members who have collaboratively developed a quarterly meeting calendar. This calendar has been shared with all Committee members and with the wider college community. It shall be posted on our EOPS webpage. In addition to posting the meeting schedule, administrative support staff will send out meeting reminders in advance of each quarterly meeting.

STATUS OF PRIOR YEAR

FINDINGS AND RECOMMENDATIONS

OHLONE COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

Year Ended June 30, 2012

Finding/Recommendation	Current Status	District Explanation If Not Fully Implemented
2011-01 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. 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.	Implemented.	