OHLONE COMMUNITY COLLEGE DISTRICT
FREMONT, CALIFORNIA

MEASURE A GENERAL OBLIGATION BONDS
PERFORMANCE AUDIT

FOR THE YEAR ENDED JUNE 30, 2010

AND

INDEPENDENT AUDITOR'S REPORT
OHLINE COMMUNITY COLLEGE DISTRICT

MEASURE A GENERAL OBLIGATION BONDS
PERFORMANCE AUDIT

For the Year Ended June 30, 2010

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Trustees
Ohlone Community College District
Fremont, California

We have conducted a performance audit of the Ohlone Community College District (the "District") 2002 General Obligation Bonds ("Measure A") funds for the year ended June 30, 2010.

We conducted our performance audit in accordance with Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

The objective of our performance audit was to determine if Ohlone Community College District expended 2002 General Obligation Bonds ("Measure A") funds for the year ended June 30, 2010 in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)C of Article XIII A of the California Constitution:

"A requirement that the school district board, community college board, or county office of education conduct an annual, independent performance audit to ensure that the funds have been expended only on the specific projects listed."

Solely to assist us in planning and performing our performance audit, we made a study and evaluation of the internal controls of Ohlone Community College District to determine if internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39, as specified by Section 1(b)(3)C of Article XIII A of the California Constitution. Accordingly, we do not express any assurance on the internal controls.

In our opinion, Ohlone Community College District expended the 2002 General Obligation Bonds ("Measure A") for the year ended June 30, 2010 in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)C of Article XIII A of the California Constitution.

November 10, 2010

Perry-Smith LLP
LEGISLATIVE HISTORY

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools and Financial Accountability Act. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by school districts, "for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities", upon approval by 55% of the electorate.

Education Code Section 15278 provides additional accountability measures:

1. A requirement that the school district establish and appoint members to an independent citizens' oversight committee.
2. A requirement that the school district expend bond funds only for the purposes described in Section 1(b)(3) of Article XIII A of the California Constitution, and ensuring that no funds are used for any teacher or administrative salaries or other school operating expenses.
3. A requirement to conduct an annual independent performance audit required by Section 1(b)(3)C of Article XIII A of the California Constitution.
4. A requirement to conduct an annual independent financial audit required by Section 1(b)(3)D of Article XIII A of the California Constitution.

OHLONE COMMUNITY COLLEGE DISTRICT MEASURE A GENERAL OBLIGATION BONDS

On March 5, 2002, the electorate of the Ohlone Community College District approved the issuance of up to $150 million Measure A General Obligation Bonds, with greater than 55% of the votes in favor. A summary of the text of the ballot language was as follows:

"To allow Ohlone College to increase educational opportunities, raise student achievement, improve health/safety conditions; acquire, construct, equip an Ohlone Newark Center/site for academic, technology/nursing programs; construct Student Support Building at the Fremont Campus; renovate classrooms and buildings, upgrade and equip computer labs, libraries, science labs, and classrooms; shall Fremont-Newark Community College District issue $150,000,000 of bonds at legal interest rates, appoint a Citizens' Oversight Committee, require annual audits, with no money for administrators' salaries?"

The District's Board of Trustees developed the following Bond Project List for the General Obligation Measure A Bond:

**Ohlone College Newark Center**

- Acquire a site and construct and equip new facilities to replace outdated, leased facilities at Ohlone College Newark Center, including high-tech computer labs, library, lecture halls, classrooms, and job training facilities for engineering, nursing, physical and respiratory therapy, health environmental sciences and energy technology programs (current estimated cost $109,180,490).
Student Services Center

- Construct a new building on the Ohlone-Fremont Campus for health services, counseling, career services, admissions, records and financial aid, scheduling programs, and other student support services, thereby allowing the District to reallocate old support service space into classrooms and labs (current estimated cost $35,460,000).

Renovation and Upgrade Projects

- Renovate, remodel and equip buildings to provide additional classrooms and programs to relieve overcrowded and outdated classrooms at Ohlone College and, remodel and renovate building, including libraries, infrastructure, safety systems, building systems, building surfaces and site, upgrade wiring, electrical systems and classroom wiring, improve plumbing and heating systems, and improve access for disabled persons at Ohlone College's Fremont Campus (estimated cost $16,351,870).

On July 9, 2002, the District issued 2002 Measure A General Obligation Bonds, Series A in the amount of $40,000,000 to improve or construct school facilities. The Current Interest Serial Bonds accrue interest up to a maximum of 4.5% per annum from the date of issuance and are payable on February 1 and August 1 of each year.

On August 1, 2005, the District issued 2002 Measure A General Obligation Bonds, Series B in the amount of $110,000,000 to improve or construct school facilities. The Current Interest Serial Bonds accrue interest up to a maximum of 4.5% per annum from the date of issuance and are payable on February 1 and August 1 of each year. The Capital Appreciation Bonds do not bear current interest; each Capital Appreciation Bond accretes its value semiannually on February 1 and August 1 of each year over the term to its maturity, with the first scheduled payment on August 1, 2026.

The financial activity related to the Series 2002 General Obligation Bonds ("Measure A") is recorded in the District's Financial Activity Report for Fund 42. The Financial Activity Reports for District Funds 21, 22 and 23 are combined to comprise Fund 21 (Building Fund) in the District's audited financial statements for the year ended June 30, 2010.
OBJECTIVES

The objective of our performance audit was to determine that the District expended 2002 General Obligation Bonds ("Measure A") funds for the year ended June 30, 2010 only for the purposes approved by the voters and only on the specific projects developed by the District's Board of Trustees, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)C of Article XIII A of the California Constitution.

SCOPE

The District provided to us a list of all 2002 General Obligation Bonds ("Measure A") project expenditures for the year ended June 30, 2010 (the "List"). An approximate total of 220 transactions were identified, representing $1,132,290 in expenditures from July 1, 2009 through June 30, 2010.

METHODOLOGY

We performed the following procedures to the List of 2002 General Obligation Bonds ("Measure A") project expenditures for the year ended June 30, 2010:

- Verified the mathematical accuracy of the List.
- Agreed the List to total bond expenditures as reported by the District in the District's audited financial statements for the year ended June 30, 2010, presented as the Building Fund.
- Selected a sample of 22 expenditures totaling $963,984. The sample was selected to provide a representation across specific construction projects, vendors and expenditure amounts. The sample represented 10% of the number of expenditures and 85% of the total expenditure value. Verified that the expenditures were for the approved projects and were to construct, upgrade, and improve classrooms and school facilities, renovate restrooms and plumbing, upgrade electrical systems, improve student access to computers and technology, replace heating and air conditioning systems or to make health and safety improvements.

CONCLUSIONS

- Ohlone Community College District expended the 2002 General Obligation Bonds ("Measure A") funds for the year ended June 30, 2010 only for the purposes approved by the voters and only on the specific projects developed by the District's Board of Trustees and the Independent Citizens' Bond Oversight Committee, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)C of Article XIII A of the California Constitution.