OHZONE COMMUNITY COLLEGE DISTRICT
Fremont, California

MEASURE A GENERAL OBLIGATION BONDS
PERFORMANCE AUDIT
June 30, 2012
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REPORT OF INDEPENDENT AUDITORS

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, 2012.

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 reasonable basis for the findings and conclusions based on our audit objectives.

Our audit was limited to the objectives listed on page 4 of this report which includes determining the compliance with the performance requirements for the Proposition 39 Measure A General Obligation Bonds under the applicable provisions of Section 1(b)(3)(C) of Article XIII A of the California Constitution and Proposition 39 as they apply to the bonds and the net proceeds thereof. Management is responsible for Ohlone Community College District's compliance with those requirements.

Solely to assist us in planning and performing our performance audit, we obtained an understanding 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.

The results of our tests indicated that, in all significant respects, Ohlone Community College District expended Measure A General Obligation Bond funds for the year ended June 30, 2012 only for the specific projects developed by the District's Governing Board and approved by the voters, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution.

Sacramento, California
December 12, 2012

Crowe Horwath 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 (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 (estimated cost $35,460,000).

(Continued)
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 (Bond Revenue Construction Fund).
OBJECTIVES

The objective of our performance audit was to determine that the District expended Measure A General Obligation Bond funds for the year ended June 30, 2012 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 Measure A General Obligation Bond project expenditures for the year ended June 30, 2012 (the "List"). An approximate total of 110 transactions were identified, representing $1,016,022 in expenditures from July 1, 2011 through June 30, 2012.

METHODOLOGY

We performed the following procedures to the List of Measure A General Obligation Bond project expenditures for the year ended June 30, 2012:

- Interviewed District management related to controls over planning, bidding, contracting, expenditure of bond funds and financial reporting have been put in place and are working as documented.
- Documented District procedures and controls over planning, bidding, contracting, expenditure of bond funds and financial reporting.
- Performed test to determine that the District controls over planning, bidding, contracting, expenditure of bond funds and financial reporting have been put in place and are working as documented.
- Verified the mathematical accuracy of the expenditures list.
- Reconciled the list to total bond expenditures as reported by the District in the District’s audited financial statements for the year ended June 30, 2012 presented as the Bond Revenue Construction (Measure A) Fund.
- Selected a sample of 22 expenditures totaling $547,322 from Measure A. The sample was selected to provide a representation across specific construction projects, vendors and expenditure amounts. Verify that the expenditures were for authorized projects, and were to 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.

CONCLUSION

The results of our tests indicated that, in all significant respects, Ohlone Community College District expended Measure A General Obligation Bond funds for the year ended June 30, 2012 only for the specific projects developed by the District’s Governing Board and approved by the voters, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution.