

**OHLONE COMMUNITY  
COLLEGE DISTRICT**

**Fremont, California**

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

**YEAR ENDED JUNE 30, 2005**

**OHLONE COMMUNITY COLLEGE DISTRICT**

**YEAR ENDED JUNE 30, 2005**

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**OHLONE COMMUNITY COLLEGE DISTRICT**

**YEAR ENDED JUNE 30, 2005**

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**OHLONE COMMUNITY COLLEGE DISTRICT**

**ORGANIZATION**

**YEAR ENDED JUNE 30, 2005**

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**DESCRIPTION OF DISTRICT**

The Ohlone Community College District (the District) was established July 1, 1966, and is comprised of an area approximating 534 acres. There were no changes in the boundaries of the District during the year.

The members of the Board of Trustees of the District holding office at June 30, 2005, and their terms of office are as follows:

**BOARD OF TRUSTEES**

<u>Name</u>	<u>Office</u>	<u>Term Expires December</u>
John H. Weed	President	2006
Robert Brunton	Vice-President	2008
Nick Nardolillo	Secretary	2008
Dan Archer	Member	2008
Bill McMillin	Member	2006
Garrett Yee	Member	2006
Ruthe Foster	Member	2006
Rosary Cordova	Student Member	2005

**ADMINISTRATION**

Dr. Douglas Treadway ..... President/Superintendent

Dr. James Wright ..... Vice-President of Instruction & Student Services/Deputy Superintendent

Ms. Deanna Walston Vice-President Admin Services & Information Technology / Deputy Superintendent

# **OHLONE COMMUNITY COLLEGE DISTRICT**

## **OBJECTIVES OF THE AUDIT**

**YEAR ENDED JUNE 30, 2005**

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The audit of the Ohlone Community College District (the District) had the following objectives:

- To evaluate the adequacy of the systems and procedures affecting compliance with applicable federal and California laws and regulations, noncompliance with which could have a material effect on the District's financial statements and the allowability of program expenditures for federal and California financial assistance programs.
- To evaluate the adequacy of the system of internal control sufficient to meet the requirements of generally accepted auditing standards, for the purpose of formulating an opinion on the financial statements taken as a whole.
- To determine the accountability for revenues and the propriety of expenditures, and the extent to which funds have been expended in accordance with prescribed federal and California laws and regulations.
- To determine whether financial and related reports to state and federal agencies fairly present the information set forth in relation to the financial statements taken as a whole.
- To determine the fairness of the financial statement presentation in accordance with generally accepted accounting principles.
- To recommend appropriate actions in any areas where internal control or compliance with applicable federal and California laws and regulations could be improved.

**OHLONE COMMUNITY COLLEGE DISTRICT**

**HIGHLIGHTS OF THE AUDIT**

**YEAR ENDED JUNE 30, 2005**

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This section highlights findings that were identified during the audit. These findings are discussed in the independent auditor's report and the findings and recommendations section (see pages 56-64).

- The independent auditor's report on the financial statements for the year ended June 30, 2005 is unqualified (see page 4).
- There were no reportable conditions in the internal control structure over financial reporting.
- There were no reportable conditions with state laws and regulations were noted.
- Two compliance exceptions were found in federal financial assistance programs.

## **FINANCIAL SECTION**



**Gilbert Associates, Inc.**  
CPAs and Advisors

## **INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of the business-type activities of the Ohlone Community College District (the District), its discretely presented component unit, and fiduciary net assets and changes in net assets as of and for the year ended June 30, 2005, which collectively 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 an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the business-type activities, the discretely presented component unit, and fiduciary net assets of the Ohlone Community College District, as of June 30, 2005, and the changes in net assets and its cash flows, 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 our report dated October 28, 2005 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and on 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 read in conjunction with this report in considering the results of our audit.



**Members of the Board of Trustees  
Ohlone Community College District  
Page 2**

The Management's Discussion and Analysis on pages 6 through 17 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Gilbert Associates, Inc.*

**GILBERT ASSOCIATES, INC.**

**October 28, 2005**

**OHLONE COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2005**

In June 1999, the Governmental Accounting Standard's Board (GASB) released Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," which established a new reporting format for annual financial statements. In November 1999, GASB released Statement No. 35, "Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities," which applied the new reporting standards to public colleges and universities. Ohlone Community College District (OCCD) adopted these new standards in the 2002-2003 fiscal year.

The California Community College Chancellor's Office has recommended that all State community college districts follow the new standards under the Business Type Activity (BTA) model. OCCD has adopted the BTA reporting model. In compliance with GASB 39, 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 by accounting principles, 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 Changes 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 16 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**

The economy of the State of California had a major down turn four years ago. While there has been some recovery, funding is still limited. The District reduced staff at the onset of the downturn and has continued to monitor and cut when necessary

In 2003-04, under the leadership of a new president, the District implemented a new shared-governance model. Under this structure there was a campus wide cooperative effort that resulted in a continued focus on student success while managing the limited resources.

The State of California has begun to recover and funding has improved. However in 2004-05 the results of a second year of student fee increases and declining high school graduation rates triggered a statewide down turn in enrollment.

### **Financial Highlights**

In March 2002, the District passed a \$150 Million General Obligation Bond to fund capital construction projects over the next seven to eight years. These funds are to be used to build a center in Newark, for technology and health sciences, build a student support services building, and invest in critically needed renovation and upgrade projects on the Fremont campus.

The holistic planning style of the president took the District through a comprehensive look at both sites and integrated the secondary effects on the Fremont campus as a result of moving programs to the Newark site. Although this focus has caused some delay in the construction phase of the projects, the District believes the resulting master plans will more appropriately meet the needs of the community. In the 2004-05 fiscal year there was significant progress on the Newark site and ground was broken in May and site development began. The estimated completion of the Newark Center is January 2008 and the Student Service Support Building on the Fremont campus is Fall 2008.

In the prior year, 2003-04 the Board adopted a set of fiscal policies to formalize the sound fiscal management that the Business Office was utilizing in budget creation. The policies addressed:

- A balanced budget
- Use of one-time revenue for one-time expenses
- Set a priority for scheduled maintenance
- Established stabilization reserves
- Capitalization policies as required by GASB 34/35

The District's planned growth did not materialize for 2004-05. There was actually a decline of 4.1%. Since there was not an opportunity to turn that around in 2004-05 the District exercised the option to report summer in the year that will provide the most benefit, therefore summer will be reported in the restoration year of 2005-06. Additionally, in keeping with the fiscal policies the Board added an additional 1% of revenue to the stabilization reserve. This will assist the district should enrollment restoration not be realized.

### **Attendance Highlights**

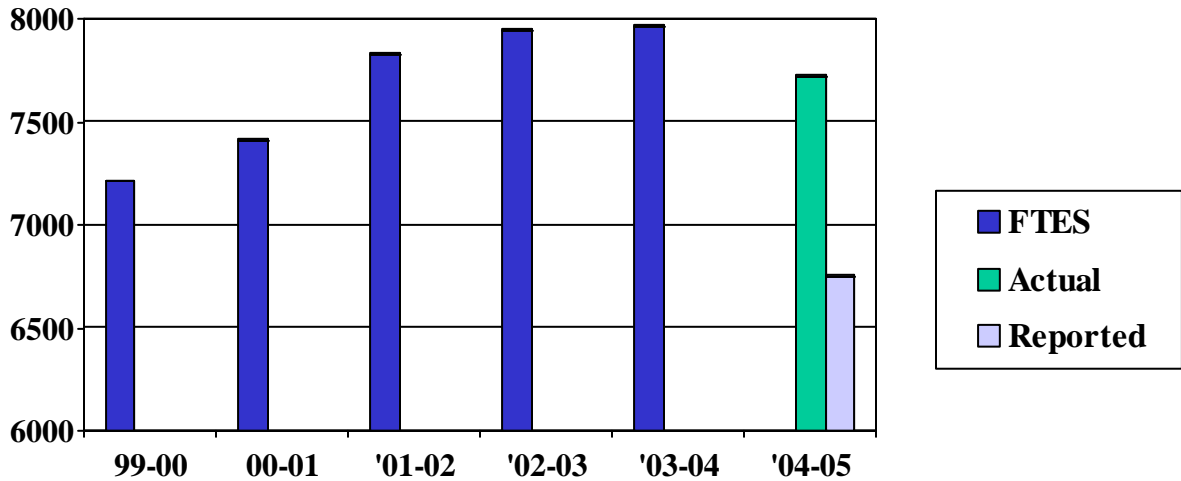
✧ Although the District was eligible for a 3.68% growth rate in 2002-03, the State could support only 40% of that rate for a funded growth rate of 1.48% in 2003-04. In order to manage its enrollment to maximize growth funding, the District schedules its summer programs so that summer enrollment counts 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 a .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 can restore base funding the decision was made to report 880 Summer FTES in the 05-06 fiscal year. The decline was due to a 45% increase in tuition, general economic trends and an overall decline in high school graduation rates.

### 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 – are an indicator of the financial health of a District.

	2005	2004	Change
<b>ASSETS</b>			
Current Assets	\$ 16,400,889	\$ 14,496,256	\$ 1,904,633
Non-current assets	94,901,150	95,122,884	(221,734)
<b>TOTAL ASSETS</b>	<b>\$ 111,302,039</b>	<b>\$ 109,619,140</b>	<b>\$ 1,682,899</b>
<b>LIABILITIES</b>			
Current Liabilities	\$ 8,306,969	\$ 11,026,925	\$ (2,719,956)
Non-current liabilities	31,543,639	32,922,462	(1,378,823)
<b>TOTAL LIABILITIES</b>	<b>39,850,608</b>	<b>43,949,387</b>	<b>(4,098,779)</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	62,968,358	57,895,987	5,072,371
Restricted	2,095,784	1,355,815	739,969
Unrestricted	6,387,289	6,417,951	(30,662)
<b>TOTAL NET ASSETS</b>	<b>71,451,431</b>	<b>65,669,753</b>	<b>5,781,678</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 111,302,039</b>	<b>\$ 109,619,140</b>	<b>\$ 1,682,899</b>

Current assets at June 30, 2005 consist of:

- ✦ Current cash and cash equivalents, mainly held in the County Treasury, total \$12.4 million reflecting a \$3.2 million increase due primarily to cost cutting measures and a \$1.3 million increase in vendor payables and a \$1.1 million decrease in receivables.
- ✦ 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 \$3.5 million, a \$1.1 million decrease from prior year. This reflects increased collection efforts and an increase in tax revenue resulting in a reduction in the apportionment receivable.
- ✦ Stores inventory consisted of the Bookstore inventory.
- ✦ Prepaid expenditures are those expenses that are paid prior to year-end but relate to the next fiscal year. These are primarily prepaid premiums for a new workers' compensation policy and professional organization dues.

Non-current Assets

- ✦ Restricted cash and cash equivalents consist mainly of amounts relating to the General Obligation Bond including cash in the Bond Fund (\$8.9 million) This balance decreased by \$4.6 million from prior year due to capital outlay related to the District's progress on the bond projects for both the Newark and Fremont sites.
- ✦ Net Capital Assets are reported at the historical cost of land, buildings and equipment less accumulated depreciation, where applicable. There was a \$4.4 million net increase, which was primarily attributable to the addition of the Child Development Center. The footnotes to the financial statements contain detailed information for capital assets.

Current liabilities consist of:

- ✦ Accounts payable are mainly amounts due to vendors (\$3.3 million), which is a \$1.3 million increase over last year due to the increase in construction activity near year-end.
- ✦ 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 2005 terms (\$1.3 million). This is up by \$390 thousand over prior year due to the fee increase.
- ✦ 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.

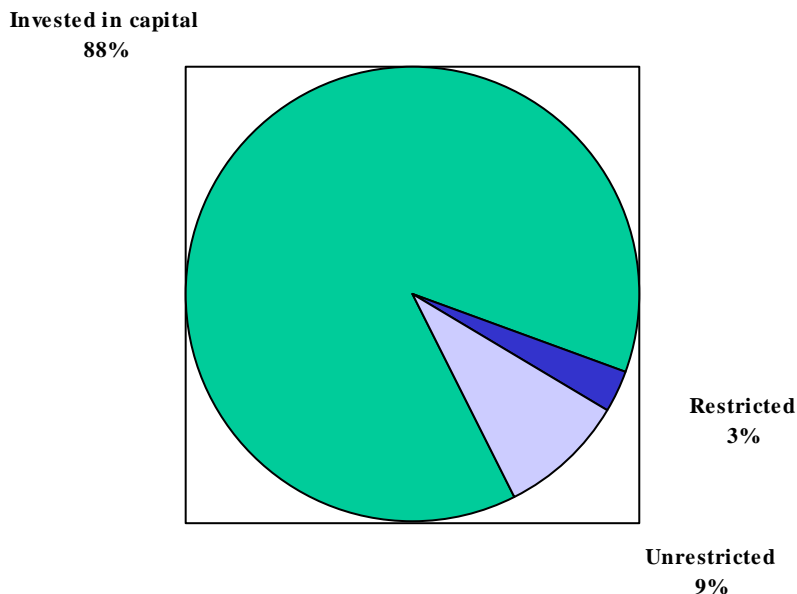
- ✧ The Bond payable is the amount due to the bondholders of our Measure A Bond. These payments are made from the voter approved tax assessments from Fremont and Newark property taxes. The original amount issued was \$40 million. The amount due next fiscal year is \$1.0 million, which is a \$3.7 million dollar reduction from prior year and accounts for most of net reduction in current liabilities.

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) of the Measure A Bond. After the \$1.0 million (current portion) is paid, the remaining amount of \$30.5 million is to be paid over 26 years.

**Net Assets: Analysis of the District’s Financial Position**

Net assets, the difference between the District’s assets and liabilities, are an indicator of the District’s financial position. Net assets are reported in three components: Unrestricted, Restricted, and Invested in Capital Assets, Net of Related Debt. Invested in Capital, Net of Related Debt is \$62.9 million. Restricted Net Assets include amounts legally restricted for payment of scholarships, other capital projects and debt service (\$2.1 million). Unrestricted Net Assets (\$6.4 million) represent resources with no external restrictions. This category includes \$2.8 million from the Bookstore. These funds may also carry designations from the Board of Trustees for contingencies, stabilization and other special purposes. Unrestricted Net Assets represent 9% of Total Net Assets.



**The Statement of Revenues, Expenses and Changes in Net Assets**

The Statement of Revenues, Expenses and Changes 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.

	2005	2004	Change
Total Operating Revenue	\$15,346,193	\$13,151,665	\$ 2,194,528
Total Operating Expenses	48,772,002	46,920,470	1,851,532
Operating income (loss)	(33,425,809)	(33,768,805)	342,996
Net non-operating revenue (expenses)	31,826,723	30,175,926	1,650,797
Gain (loss) before capital revenue	(1,599,086)	(3,592,879)	1,993,793
Capital revenues	7,380,764	10,133,843	(2,753,079)
Increase (decrease) in net assets	5,781,678	6,540,964	(759,286)
Net Assets - Beginning of the year	65,669,753	59,128,789	6,540,964
Net-Assets - End of the year	\$71,451,431	\$65,669,753	\$ 5,781,678

#### **Changes in operating revenue:**

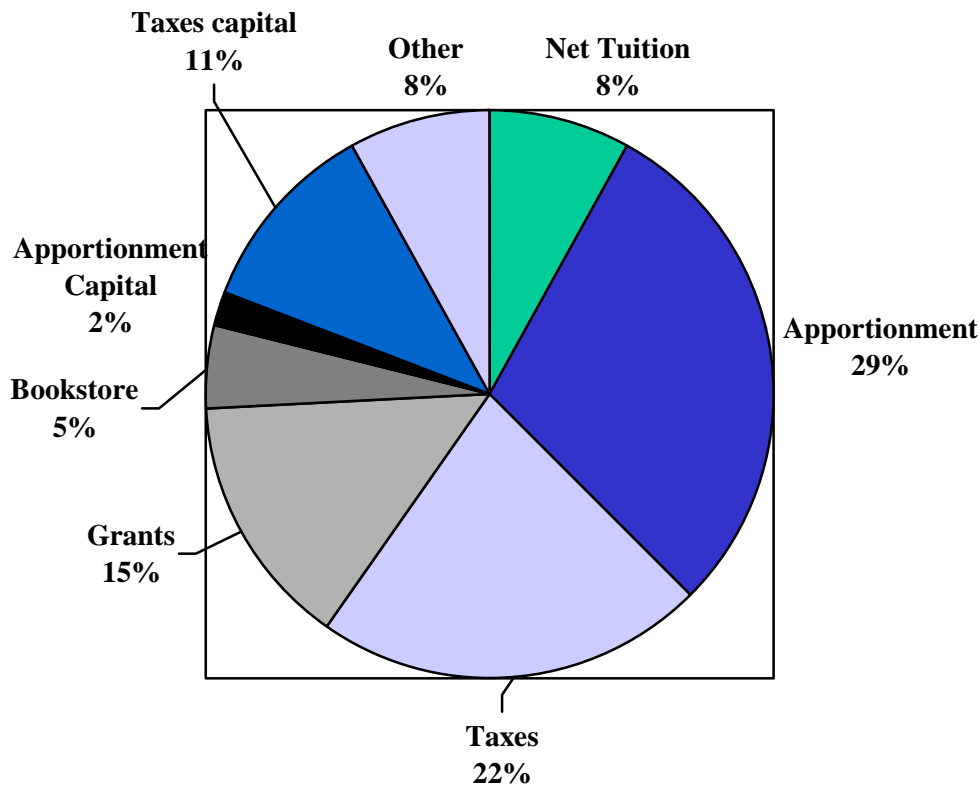
- ✧ Net tuition and fees increased by \$756 thousand, which represents a \$1.09 million increase in tuition and fees, and a \$340 thousand increase in Scholarship Discounts and Allowances - the Board of Governor's fee waivers. Enrollment fees are set by the state legislature for all community colleges, and effective Fall 2004 semester, the enrollment fee was increased from \$18 to \$26 per unit, effectively increasing student cost by 45%. This was after a 61% increase in the prior year. Consequently if the District had not experienced an enrollment decline the increase would have been greater.
- ✧ Overall State funding increased by \$1.3 million accounting for most of the \$2.1 million increase.
- ✧ The effective average annual yield of the District's investments for the year, excluding the Foundation, ranged from 1 % to 2.72%, for local money market accounts and certificates of deposits and 1.95% for County Treasury-directed investments.

#### **Changes in non-operating revenues:**

- ✧ State apportionments were \$12.5 million in 2003-04 and \$16.6 million in 2004-05. State apportionment represents total general apportionment earned less regular enrollment fees and less property tax. Previously, Partnership for Excellence funding had been accounted for separately and was included in the base funding in 2004-05 (\$1.3 million). Enrollment fees increased but property taxes decreased causing the apportionment to be higher.
- ✧ Local property taxes decreased by 3.5% in 2003-04 and an additional 18.1% in 2004-05. As noted above, decrease in property tax revenue results in a corresponding increase in the district's State apportionment revenue

- ✧ State apportionment related to capital decreased by \$2.75 million as a result of the completion of the Hyman Hall Group II and the Child Development Center.
- ✧ State lottery revenue amounted to \$1 million in both fiscal years.
- ✧ Investment income decreased due to reduced bond proceeds and lower levels of cash in county. Additionally, the overall county pool had a reduction in value of \$10 million.

Total Revenues for the Year Ended	6/30/2005	6/30/2004	Change
Net tuition and fees	\$ 4,502,418	\$ 3,745,428	\$ 756,990
State apportionment non-capital	16,628,931	12,554,845	4,074,086
Local property taxes	12,410,272	15,162,188	(2,751,916)
Grants	8,201,330	6,668,965	1,532,365
Auxiliary enterprise (Bookstore)	2,642,445	2,737,272	(94,827)
State apportionment capital	1,000,769	3,750,012	(2,749,243)
Property taxes capital	6,379,995	6,383,831	(3,836)
Other	4,453,969	4,233,792	220,177
	<u>\$56,220,129</u>	<u>\$55,236,333</u>	<u>\$ 983,796</u>

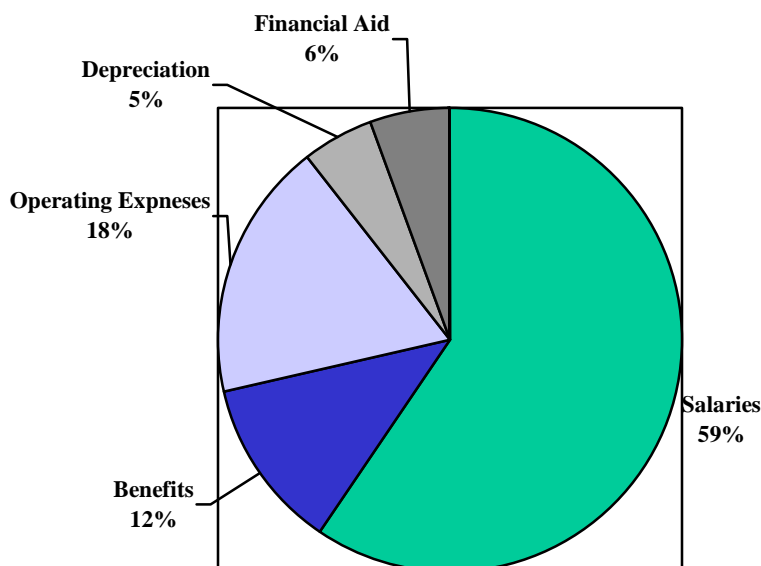




### Changes in Operating Expenses

- \* Since no COLA was given in 2003-04, salaries were increased by greater than the 2.41% COLA in 2004-05. However overall salaries only increased by 2.5% due to vacancies that were held open to help fund the increase and assist with the planned reorganization to flatten the structure of the college.
- \* Benefits once again saw a sharp increase in 2004-05 of 9%. This is primarily due to an increase in Health Benefits and an increase in the medical cap for the classified units.
- \* Financial aid to students reported in 2003-04 reflects 21% in PELL awards and a 91% increase in BOGG waivers. This is due in part to the concerted efforts of the District to provide out reach and information to current and potential students about the benefits and how to qualify. The remaining increase is due to the 63% increase in fees. In 2004-05, for the third year in a row, the Financial aid awards were up, this year by 16.5% and BOGG waivers by 72%. The increase was again two fold part District effort and a portion attributable to a tuition increase of 45%.

Operating Expenditures for the Year Ended	6/30/2005	6/30/2004	Difference
Academic and classified salaries	\$28,947,877	\$28,238,394	\$ 709,483
Employee benefits	5,820,247	5,340,565	479,682
Supplies and other operating expenses	8,853,484	8,887,559	(34,075)
Depreciation	2,391,746	2,086,501	305,245
Student financial aid	2,758,648	2,367,451	391,197
	<u>\$48,772,002</u>	<u>\$46,920,470</u>	<u>\$ 1,851,532</u>



## 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.

	2005	2004	Change
Net Cash provided (used) by:			
Operating activities	(28,971,012)	(32,833,470)	3,862,458
Non-capital financing activities	33,029,012	31,670,876	1,358,136
Capital and related financing activities	(5,570,464)	(2,594,156)	(2,976,308)
Investment activities	166,704	256,751	(90,047)
Net increase (decrease) in cash	(1,345,301)	(3,499,999)	2,154,698
Cash - beginning of the year	22,990,145	26,490,144	(3,499,999)
Cash - end of the year	<u>\$21,644,844</u>	<u>\$ 22,990,145</u>	<u>\$ (1,345,301)</u>

- The primary cash receipts from operating activities consist of grants and contracts. The primary cash outlays include payment of wages, benefits, supplies and contracts. Net Cash used is less than prior year by 12%. This is the result of cash management efforts to reduce receivables and process payables within 30 days.
- General apportionment is the primary source of non-capital financing. The two main components of general apportionment are state apportionment and property taxes.

- The main capital financing activities are for the purchases and upgrades of capital assets (land, building, and equipment). This consumed 75% more cash assets due to the increase in construction activity and the completion of Hyman Hall Group II Equipment and Hyman Hall Technology Building. Additionally, the District paid off a loan from the county that resulted from tax collection related to the Measure A Bond.
- Cash from investing activities is interest on investments is down due to declining balances and a marginal rate of return from the County Treasury. The District is exploring options for the future investments that will provide additional income while insuring the integrity of the principal.
- The overall reduction in cash is primarily related to the expensing of bond proceeds.

## **Economic Factors That May Affect the Future**

### State Economy

- ✦ The economic position of OCCD is closely tied to that of the State of California. The district receives 29% of its funding through State apportionments and 22% from local property taxes. These two sources, together with enrollment fees, essentially make up the district's general apportionment, its main support from the State.
- ✦ The news from Sacramento is favorable for the community college system as a whole on both the legislative front and tax generation. The change in California Leadership has influenced the shift in the state's emphasis on funding for the community colleges as evidenced by the increase in funding for fiscal year 2004-05 in spite of severe reductions in other areas of the state budget. There is however still a sizable state deficit funded heavily from borrowing against future years.
- ✦ Currently the State is reporting an overall increase in the collection of income tax.

### 2005-06 Budget

#### Enrollment Challenges and Strategies

Due to the very disappointing enrollment the College experienced during Summer and Fall 2004 the college explored various enrollment strategies. These enrollment strategies resulted in improved Spring enrollment, and strong Summer enrollment. However, the College could not totally compensate for the 2004 enrollment deficits, and it missed its actual base enrollment target by 330 FTES. The College was eligible for one-year stability funding in 2004-05 so this decline did not result in any revenue loss last year.

Stabilization funding is only available for the first year enrollment declines. The College is at risk in 2005-06, if it does not restore its enrollment, to actually lose significant funding. With a summer 2005 enrollment bank of 880 FTES, the College is optimistic that it will be able to restore enrollment to base 2004-05 levels. In addition, if Spring 2006 enrollment is strong, there is a possibility that the College may be able to earn a modest growth of 1%. Until it is confirmed with actual Spring enrollment data that the College can earn enrollment growth, no revenue growth will be projected.

The faculty and staff are working on new service delivery ideas such as delaying the start of the Fall 2006 term by one week so that it coincides with the start dates of other local area colleges. The Faculty Senate has already added their support to this strategy. Other enrollment growth strategies will be:

- Implement a compressed academic calendar with four-week instructional modules.
- Finalize an agreement Alliant University partnership with a dual admission program.
- Establish a special program for high school seniors on campus.
- Expand the University Express program.
- Offer all on-line classes listed in our catalogue during the Spring Semester.
- Actively recruiting international students.
- Apply for authorization to establish a “charter college”.
- Improve registration/scheduling and student education plan

Other strategies will be identified as the college moves forward. With the heavy competition the College faces from other local colleges, it is essential that there be a systematic approach to enrollment planning.

### Overall Financial Picture

In terms of the 2005-06 General Fund (Fund 10) budget, there is little change in the financial picture since the Tentative Budget was adopted. Overall, projected revenues have increased by slightly more than \$50,000. Projected expenditures have declined by almost \$400,000. Projected expenditures have declined by earmarking grant funds to support staff salaries previously budgeted in Fund 10. Also the 2% increase in the STRS employer contribution that was proposed by the governor in his May budget revision was not imposed.

In closing the books on 2004-05, College staff seized the opportunity to offset some budgeted Fund 10 expenses by utilizing grant funds where appropriate. As a consequence, the College realized savings of almost \$700,000. Most of these were one-time savings. \$350,000 of this savings will be utilized to build up the Rainy Day Reserve to \$800,000. Since there is continuing risk that the College might not achieve its enrollment target, an additional reserve cushion to stabilize employment levels is prudent.

### Support for College-Wide Strategic Goals

It is evident that alternative revenue sources are absolutely essential. State funding support does not even cover the College's increasing fixed costs each year. Even before including any general salary increases, 84% of the Fund 10 budget is dedicated to compensation costs. In order to generate alternative revenue streams the College will hire an administrator funded through grants and redevelopment funds to kick start a capital campaign for equipment not only for the Newark Center, but also for the Fremont campus.

Additional information and analysis of the Foundation can be found in its separately issued financial statements that can be obtained at the District Office at 43600 Mission Blvd., Fremont, California.

**OHLONE COMMUNITY COLLEGE DISTRICT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2005**

	Primary Institution	Foundation
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 12,438,822	\$ 454,872
Accounts receivable	3,484,537	60,096
Stores inventory	385,064	
Prepaid expenditures	92,466	
Total current assets	<u>16,400,889</u>	<u>514,968</u>
Noncurrent Assets:		
Restricted cash and cash equivalents	9,206,022	
Investments		1,463,526
Assets held in trust		958,088
Capital assets, net	85,695,128	11,301
Total noncurrent assets	<u>94,901,150</u>	<u>2,432,915</u>
<b>TOTAL ASSETS</b>	<u>111,302,039</u>	<u>2,947,883</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	3,306,250	15,540
Deferred revenue	2,025,344	
Accrued payroll and benefits	1,467,239	10,967
Other accrued liabilities	15,600	
Liability to beneficiaries		77,372
Long-term liabilities due within one year:		
Compensated absences payable	261,227	
Post-employment health benefits	129,224	
Capital lease payable	102,085	
Bonds payable	1,000,000	
Total current liabilities	<u>8,306,969</u>	<u>103,879</u>
Noncurrent liabilities:		
Liability to beneficiaries		499,043
Compensated absences payable	691,662	
Post-employment health benefits	281,229	
Capital lease payable	80,748	
Bonds payable	30,490,000	
Total noncurrent liabilities	<u>31,543,639</u>	<u>499,043</u>
<b>TOTAL LIABILITIES</b>	<u>39,850,608</u>	<u>602,922</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	62,968,358	11,301
Restricted:		140,885
Nonexpendable:		
Endowments		1,302,898
Annuity and life income funds		381,673
Expendable:		
Scholarships and loans	7,524	
Capital projects	55,543	
Debt service	1,675,702	
Other special purposes	357,015	
Endowments		368,583
Unrestricted	<u>6,387,289</u>	<u>139,621</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 71,451,431</u>	<u>\$ 2,344,961</u>

The accompanying notes are an integral part of these financial statements.

**OHLONE COMMUNITY COLLEGE DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2005**

	Primary Institution	Foundation
<b>OPERATING REVENUES</b>		
Tuition and fees (gross)	\$ 5,316,260	
Less: Scholarship discounts and allowances	(813,842)	
Net tuition and fees	4,502,418	
Grants and contracts/gifts, noncapital:		
Federal	3,530,782	
State	4,014,388	
Local	656,160	\$ 562,551
Auxiliary enterprise sales and charges	2,642,445	
Change in value of split-interest agreements		37,124
<b>TOTAL OPERATING REVENUES</b>	<b>15,346,193</b>	<b>599,675</b>
<b>OPERATING EXPENSES</b>		
Academic and classified salaries	28,947,877	
Employee benefits	5,820,247	
Supplies, materials, and other operating expenses and services	8,853,484	288,561
Depreciation	2,391,746	
Student financial aid and scholarships	2,758,648	217,226
<b>TOTAL OPERATING EXPENSES</b>	<b>48,772,002</b>	<b>505,787</b>
<b>OPERATING (LOSS)GAIN</b>	<b>(33,425,809)</b>	<b>93,888</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
State apportionments, noncapital	16,628,931	
Local property taxes	12,410,272	
State taxes and other revenues	2,859,505	
Investment income - noncapital	166,704	249,993
Investment income - capital	296,997	
Investment expense - noncapital		(144,371)
Interest expense on capital asset-related debt	(1,666,449)	
Other non-operating revenues	1,130,763	
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>31,826,723</b>	<b>105,622</b>
<b>(LOSS) GAIN BEFORE CAPITAL REVENUES</b>	<b>(1,599,086)</b>	<b>199,510</b>
State apportionments, capital	1,000,769	
Local property taxes and revenues, capital	6,379,995	
<b>CHANGE IN NET ASSETS</b>	<b>5,781,678</b>	<b>199,510</b>
<b>NET ASSETS -- BEGINNING OF YEAR</b>	<b>65,669,753</b>	<b>2,145,451</b>
<b>NET ASSETS -- END OF YEAR</b>	<b>\$ 71,451,431</b>	<b>\$ 2,344,961</b>

The accompanying notes are an integral part of these financial statements.

**OHLONE COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2005**

	Primary <u>Institution</u>	<u>Foundation</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees	\$ 3,982,698	
Federal grants and contracts	3,637,046	
State grants and contracts	4,049,247	
Local grants and contracts	1,806,077	
Received from private donors		\$ 543,334
Received from other sources		15,001
Payments to suppliers for goods and services	(7,713,673)	(234,741)
Payment to/on behalf of employees	(34,732,733)	(38,276)
Payment to/on behalf of students	(2,765,023)	(217,226)
Auxillary enterprise sales and charges	2,765,349	
Other receipts and payments		
Net cash (used) provided by in operating activities	<u>(28,971,012)</u>	<u>68,092</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State apportionments and receipts	16,628,931	
State taxes and other revenue	2,859,505	
Property taxes	12,410,272	
Other receipts	1,130,763	
Net cash provided by noncapital financing activities	<u>33,029,471</u>	
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
State apportionments for capital purposes	1,000,769	
Purchases of capital assets	(6,673,111)	15,000
Principal paid on capital debt	(4,826,053)	
Interest paid on capital debt	(1,666,449)	
Local property taxes and other revenues for capital purposes	6,594,380	
Net cash (used) by capital and related financing activities	<u>(5,570,464)</u>	<u>15,000</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments		(597,640)
Proceeds from sales/maturities of investments		477,113
Investment income	166,704	189,557
Investment expense		(144,371)
Net cash provided by investing activities	<u>166,704</u>	<u>(75,341)</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	(1,345,301)	7,751
<b>CASH AND CASH EQUIVALENTS -- BEGINNING OF YEAR</b>	<u>22,990,145</u>	<u>447,121</u>
<b>CASH AND CASH EQUIVALENTS -- END OF YEAR</b>	<u>\$ 21,644,844</u>	<u>\$ 454,872</u>

The accompanying notes are an integral part of these financial statements.



**OHLONE COMMUNITY COLLEGE DISTRICT**  
**STATEMENT OF CASH FLOWS (Continued)**  
**YEAR ENDED JUNE 30, 2005**

	<u>Primary Institution</u>	<u>Foundation</u>
<b>RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:</b>		
Operating (loss) income	\$ (33,425,809)	\$ 93,888
Adjustments to reconcile net income (loss) to net cash used by operating activities:		
Loss on disposal of property and equipment		
Depreciation	2,391,746	4,374
Change in value of split-interest agreements		(37,124)
Changes in:		
Accounts receivable	1,107,834	(4,216)
Inventory and prepaids	227,943	987
Accounts payable	1,290,853	15,274
Deferred revenue	(213,610)	
Accrued payroll	346,866	(5,091)
Other accrued liabilities	(364,799)	
Payable to other affiliated organizations	(20,561)	
Retiree health benefits	(85,891)	
Compensated absences	(225,584)	
Net cash (used) provided by operating activities:	<u>\$ (28,971,012)</u>	<u>\$ 68,092</u>

**NONCASH FINANCING ACTIVITIES:**

DNA sequencing equipment with a fair value of \$15,000 was donated to the District.

The net decrease in fair value of the Foundation's charitable remainder trusts was \$60,436.

**OHLONE COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF FIDUCIARY NET ASSETS**

**JUNE 30, 2005**

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 825,988
Accounts receivable	<u>15,521</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 841,509</u></u>
<b>LIABILITIES</b>	
Accounts payable	\$ 25,927
Deferred revenue	29,635
Amounts held in trust for others	<u>785,947</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 841,509</u></u>

The accompanying notes are an integral part of these financial statements.

# OHLONE COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2005

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### 1. ORGANIZATION AND REPORTING ENTITY

The 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 a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP) and Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement No. 39. The District, based on its evaluation of this criteria, identified the Ohlone College Foundation (the Foundation) as a component unit.

The District, based on its evaluation of the criteria listed above, has determined the following represent its component units:

**Discretely Presented Component Unit** – The Ohlone College Foundation (Foundation) is a separate not-for-profit organization. A majority of its Board of Directors are elected independent of any District Board of Trustees appointments. The Foundation Board is responsible for approving its own budget and accounting and finance related activities. 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, 2005 was estimated to be \$221,027.

Complete financial statements for the Foundation may be obtained from the District Office at 43600 Mission Boulevard, Fremont, California.

### 2. SIGNIFICANT ACCOUNTING POLICIES

**Basis of presentation** – The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and *Audits of State and Local Governmental Units*, issued by the American Institute of Certified Public Accountants and, where applicable, Financial Accounting Standards Board (FASB) Statements issued through 1989.

**Basis of accounting** – For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities. Accordingly, the District and Foundation financial statements have been presented using economic resources measurement focus and accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recognized when an obligation has been incurred. All significant interfund transactions have been eliminated.

The budgetary and financial accounts of the District are recorded and maintained in accordance with the *Chancellor's Office of the California Community College's Budget and Accounting Manual*, which is consistent with generally accepted accounting principles.

# OHLONE COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2005

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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 and the Other Agency Funds:

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. Individual totals, by club, are maintained within the Associated Students accounting system.

Other Agency Funds account for the funds of the clubs maintained for the benefit of the student body.

**Budgets and budgetary accounting** – By state law, the District's governing board must approve a tentative budget no later than July 1<sup>st</sup> and adopt a final budget no later than September 15<sup>th</sup> of each year. A hearing must be conducted for public comment prior to adoption. The District's governing board satisfied these requirements.

The budget is revised during the year to incorporate categorical funds which are awarded during the year and miscellaneous changes to the spending plans. Revisions to the budget are approved by the District's governing board.

**Estimates used in financial reporting** – 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 that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Cash and cash equivalents** – The District considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

**Restricted cash and investments** – Cash and investments that are externally restricted per contractual obligations are classified as non-current assets in the statement of net assets.

**Assets held in trust** - 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.

**Stores inventory** - Bookstore Fund inventories are stated at cost, determined using the retail inventory method.

**OHLONE COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2005**

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**Capital assets** – All capital assets other than buildings and improvements are those assets purchased or acquired with an original cost of \$5,000 or more. Buildings and improvements purchased or acquired with an original cost of \$50,000 or more are capital assets. These assets are reported at historical cost or estimated historical cost if historical cost is not readily available. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on a straight-line basis over the following estimated useful lives:

<u>Asset Class</u>	<u>Years</u>
Improvement of Sites	20
Buildings and Improvements	50
Vehicles	8
Restricted Programs - Machinery	5-15
Machinery and Equipment	5-15

**Deferred revenue** – Cash received for federal and state projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent cash received on specific projects and programs exceed qualified expenditures. When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.

**Compensated absences** – Employee vacation pay is accrued at year-end for financial statement purposes based on vacation time accrued and current rate of pay. The liability and expense incurred are recorded at year-end as accrued vacation payable in the statement of net assets and as a component of employee benefits. It is the District’s policy to record sick leave in the period taken, since the employee’s right to sick leave payment does not vest upon termination.

**Pension costs** – Pension costs are funded currently (see Note 11).

**Non-current liabilities** – Non-current liabilities include estimated amounts for accrued compensated absences and post-employment benefits that will not be paid within the next fiscal year.

**Liability to beneficiaries** - 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 discount rates ranging from 7.0% to 7.8% and applicable life expectancy tables.

**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 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.

# OHLONE COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2005

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- Restricted net assets – expendable – Restricted expendable net assets include resources that the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
- 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.

**Classification of revenues** – The District has classified its revenues as either operating or non-operating revenues 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, and (3) most Federal, State, and local grants and contracts and Federal appropriations.
- Non-operating revenues: Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting* and GASB No. 34, such as State Appropriations and investment income.

**Scholarship discounts and allowances and financial aid** – Student tuition and fee revenues are reported net of scholarship discounts and allowances in the statement of activities. The District offers Board of Governor’s Grants (BOGG) to qualified students and these tuition waivers are reported as scholarship discounts and allowances. Grants, such as Federal, State, or non-governmental programs, are recorded as operating or non-operating revenues in the District’s financial statements. Pell grants are recorded as non-operating revenue.

**Property taxes** – Secured property taxes attach as an enforceable lien on property as of January 1, and are payable in two installments on November 1 and February 1. Unsecured property taxes are payable in one installment on or before August 31. The County of Alameda bills and collects the taxes for the District. Tax revenues are recognized by the District when received.

**Implementation of new accounting policies** – For the year ended June 30, 2005, the District implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB 3*. This statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk and is effective for fiscal periods beginning after June 15, 2004. Deposit and investment policies related to the risks identified in this statement should be disclosed.

**OHLONE COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2005**

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**Future GASB statement implementation** - In July of 2004, the GASB issued GASB Statement 45 (GASB 45), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which is required to be implemented by the District during the fiscal year ending June 30, 2009. The new statement will significantly change the way state and local governments report their "other postemployment benefits" (OPEB) to the public. As a result of GASB 45, state and local governments will be required to (1) recognize the cost of these benefits in periods when the related services were rendered to the employer, (2) provide information about the actuarial accrued liabilities for promised benefits associated with past services and to what extent those benefits have been funded, (3) and provide information useful in assessing potential demands on the employer's cash flow. OPEB provided by the District are further discussed in Note 7 to these financial statements.

**3. CASH, CASH EQUIVALENTS, AND INVESTMENTS**

Cash and Investments

Cash and investments as of June 30, 2005 are classified in the accompanying financial statements as follows:

Statement of net assets:		
Cash and equivalents	\$	12,438,822
Restricted cash and cash equivalents		9,206,022
Fiduciary funds:		
Cash and equivalents		<u>825,988</u>
Total cash, equivalents, investments	\$	<u>22,470,832</u>

Cash and investments as of June 30, 2005 consist of the following:

Cash on hand	\$	4,000
Deposits with financial institutions		4,736,005
Cash with County Treasury		<u>17,730,827</u>
Total cash and investments	\$	<u>22,470,832</u>

**Investments Authorized by the Entity's Investment Policy**

Cash in County Treasury

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

**OHLONE COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2005**

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

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

The Treasury is restricted by Government Code Section 53635, pursuant to Section 53601, to invest in time deposits; U.S. government securities; state registered warrants, notes, or bonds; the State Treasurer's investment pool; bankers' acceptances; commercial paper; negotiable certificates of deposit; and repurchase or reverse repurchase agreements.

Investments Authorized by the District's Investment Policy

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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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

Derivative Investments

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



**OHLONE COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2005**

**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. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
Alameda County Investment Pool	None	None	None
Money Market	None	None	None
ASOC CD	None	None	None

**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.

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	No Maturity	Fair Value
Cash and Cash Equivalents		\$ 2,201,316	\$ 2,201,316
Money Market		2,428,989	2,428,989
Certificate of Deposit	\$ 100,000		100,000
Alameda County Treasury investment pool	<u>17,730,827</u>		<u>17,730,827</u>
Total	<u>\$17,430,827</u>	<u>\$ 2,234,116</u>	<u>\$22,461,132</u>

**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.

**OHLONE COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2005**

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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.

		<u>Minimum Legal Rating</u>	<u>Rating as of End of Year</u>
Alameda County Treasury			
Investment pool	\$ 17,730,827	N/A	Not rated
Certificate of Deposit	100,000	N/A	Not rated
Money Market	2,428,989	N/A	Not rated
Cash and equivalents	<u>2,201,316</u>	N/A	Not rated
Total	<u>\$ 22,461,132</u>		

**Concentration of Credit Risk**

The investment policy of the District contains 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.

**Custodial Credit Risk**

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Education Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits that are made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amounts deposited by the public agencies.

**Discretely presented component unit**

Cash and Investments

Cash and investments as of June 30, 2005 are classified in the accompanying financial statements as follows:

Statement of net assets:		
Cash and equivalents	\$	454,872
Investments		1,463,526
Assets held in trust		<u>958,088</u>
Total cash, equivalents, investments	<u>\$</u>	<u>2,876,486</u>

**OHLONE COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2005**

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Cash and investments as of June 30, 2005 consist of the following:

Deposits with financial institutions	\$	466,764
U.S. Treasury / Agency Securities		460,123
Corporate Bonds		182,218
Equity Securities		<u>1,767,352</u>
Total cash and investments	\$	<u>2,876,486</u>

**Investments Authorized by the Entity's Investment Policy**

Investments Authorized by the District's Investment Policy

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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Rating <sup>1</sup></u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Common Stock	N/A	N/A	5%	None
Preferred Stock	N/A	N/A	5%	None
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	15%	None
Mutual Funds	N/A	N/A	N/A	None

<sup>1</sup> – US 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.

Derivative Investments

The Foundation did not directly enter into any derivative investments.

**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.

The following table provides information about the interest rate risks associated with the District's investments for the year ended June 30, 2005.

**OHLONE COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2005**

The investments include certain short-term cash equivalents, various long-term items, and restricted assets by maturity in years:

	Less than 1	1 – 5	No Maturity	Fair Value
Cash and Cash Equivalents			\$ 466,764	\$ 466,764
Corporate Bonds		\$ 182,218		182,218
Equity Securities			1,767,352	1,767,352
U.S. Government Obligations	<u>\$111,184</u>	<u>348,939</u>		<u>460,123</u>
Total	<u>\$111,184</u>	<u>\$531,157</u>	<u>\$2,234,116</u>	<u>\$2,876,457</u>

**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. Presented below is the minimum rating required by Foundation' investment policy, and the actual rating as of year end for each investment type.

<u>Investment</u>	<u>Moody's</u>	<u>Fair Value</u>
Corporate Bonds	Aaa	\$ 97,991
	Aa1	26,599
	Aa3	15,356
	A1	15,890
	A2	26,382
Equity Securities	Not Rated	1,767,352
Money Market	Not Rated	16,334
U.S. Government Obligations	Aaa	455,054
U.S. Treasury	Not Rated	<u>5,069</u>
Total Proprietary Fund		<u>\$ 2,876,457</u>

**Concentration of Credit Risk**

The investment policy of the Foundation contains no limitations on the amount that can be invested in any one issuer.

**OHLONE COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2005**

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**Custodial Credit Risk**

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a governmental entity will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Foundation's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The Foundation did not hold any deposits with financial institutions in excess of federal depository insurance limits held in uncollateralized accounts.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a governmental entity will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Foundation's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a governmental entity's indirect investment in securities through the use of mutual funds.

**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.

**4. ACCOUNTS RECEIVABLE**

Accounts receivable consisted of the following at June 30, 2005:

	<u>Primary Institution</u>	<u>Foundation</u>
Federal grants and contracts	\$ 339,146	
State grants and contracts	2,188,565	
Local grants and contracts	159,635	
State-capital	13,710	
Auxiliaries	175,649	
Tuition and fees	592,611	
Other	<u>15,221</u>	\$ 60,096
Totals	<u>\$ 3,484,537</u>	<u>\$ 60,096</u>

**OHLONE COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2005**

**5. CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the year ended June 30, 2005 was as follows:

	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2005</u>
Capital assets, not being depreciated:				
Land and land improvements	\$ 35,592,032	\$ 508,986		\$ 36,101,018
Construction in progress	4,538,281	4,808,493	\$ 1,204,493	8,142,281
Total capital assets, not being depreciated	<u>40,130,313</u>	<u>5,317,479</u>	<u>1,204,493</u>	<u>44,243,299</u>
Capital assets, being depreciated:				
Buildings and improvements	50,702,143	1,204,493	48,233	51,858,403
Machinery and equipment	7,306,143	1,466,816	134,230	8,638,729
Bookstore equipment	306,189	1,315	3,662	303,842
Total capital assets, being depreciated	<u>58,314,475</u>	<u>2,672,624</u>	<u>186,125</u>	<u>60,800,974</u>
Less accumulated depreciation for:				
Buildings and improvements	12,947,278	1,488,820	48,233	14,387,865
Machinery and equipment	3,878,896	894,150	104,343	4,673,703
Bookstore equipment	287,463	8,776	3,662	292,577
Total accumulated depreciation	<u>17,113,637</u>	<u>2,391,746</u>	<u>156,238</u>	<u>19,354,145</u>
Total capital assets, being depreciated, net	<u>41,200,838</u>	<u>280,878</u>	<u>29,887</u>	<u>41,446,829</u>
Capital assets, net	\$ <u>81,331,151</u>	\$ <u>5,598,357</u>	\$ <u>1,234,380</u>	\$ <u>85,690,128</u>

**Discretely presented component unit**

Capital asset activity for the year ended June 30, 2005 was as follows:

	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2005</u>
Capital assets				
Computer software	\$ 36,873		\$ 15,000	\$ 21,873
Less: accumulated depreciation	<u>6,198</u>	<u>4,374</u>		<u>10,572</u>
Capital assets, net	\$ <u>30,675</u>	\$ <u>4,374</u>	\$ <u>15,000</u>	\$ <u>11,301</u>

**OHLONE COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2005**

**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, 2005, assets held in trust under unitrust agreements total \$958,088 and the associated liability to beneficiaries of \$576,415 is recorded in the statement of financial position.

**7. LONG-TERM LIABILITIES**

Changes In Long-Term Liabilities

A schedule of changes in general long-term debt for the year ended June 30, 2005 is shown below:

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005	Due Within One Year	Non Current
<b>Primary Institution</b>						
Compensated Absences	\$ 1,038,780	\$ 209,248	\$ 295,139	\$ 952,889	\$ 261,227	\$ 691,662
Capital Lease Obligations	278,886		96,053	182,833	102,085	80,748
Post-Employment Health Benefits	636,037	131,049	356,633	410,453	129,224	281,229
General Obligation Bonds	<u>36,220,000</u>		<u>4,730,000</u>	<u>31,490,000</u>	<u>1,000,000</u>	<u>30,490,000</u>
	<u>\$ 38,173,703</u>	<u>\$ 340,297</u>	<u>\$ 5,477,825</u>	<u>\$ 33,036,175</u>	<u>\$ 1,492,536</u>	<u>\$ 31,543,639</u>

Capital Lease Obligations

In February 2003, the District entered into a capital lease obligation for computer equipment and software. Future payments relating to capital lease obligations were as follows at June 30, 2005:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 102,085	\$ 8,900	\$ 110,985
2007	<u>80,748</u>	<u>2,490</u>	<u>83,238</u>
Totals	<u>\$ 182,833</u>	<u>\$ 11,390</u>	<u>\$ 194,223</u>

**OHLONE COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2005**

General Obligation Bonds

In June 2002, the District issued general obligation bonds in the amount of \$40,000,000. These bonds were issued to finance the acquisition, construction, and modernization of property and school facilities.

A summary of activity for general obligation bonds during the year ended June 30, 2005 is as follows:

<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Amount of Original Issue</u>	<u>Bonds Outstanding June 30, 2004</u>	<u>Redeemed During Year</u>	<u>Bonds Outstanding June 30, 2005</u>
2002	3.00-5.375%	\$ <u>40,000,000</u>	\$ <u>36,220,000</u>	\$ <u>4,730,000</u>	\$ <u>31,490,000</u>

The annual requirements to amortize general obligation bonds outstanding as of June 30, 2005 are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 1,000,000	\$ 1,493,725	\$ 2,493,725
2007	1,100,000	1,459,600	2,559,600
2008	1,100,000	1,422,475	2,522,475
2009	1,100,000	1,383,975	2,483,975
2010	1,100,000	1,345,475	2,445,475
2011-2015	6,040,000	5,991,438	12,031,438
2016-2020	6,775,000	4,299,047	11,074,047
2021-2025	9,145,000	2,204,903	11,349,903
2026-2027	<u>4,130,000</u>	<u>208,000</u>	<u>4,338,000</u>
Total	\$ <u>31,490,000</u>	\$ <u>19,808,638</u>	\$ <u>51,298,638</u>

Post-Employment Health Benefits

In addition to the pension benefits described in Note 11, the District provides post-employment health care benefits to all employees who retire from the District and meet the requirements of the union contracts. As of June 30, 2005, there were 32 retirees who met the eligibility requirements.

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 recorded liability for post-employment benefits represents the amount outstanding for those retirees currently receiving benefits in the amount of \$410,453, which differs from the actuarial determined liability. As of June 30, 2003, the actuarial determined liability was \$1,796,983. Expenditures of \$127,859 were recognized on a pay-as-you-go basis for premiums paid by the District during the year.



**OHLONE COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2005**

**8. FUNCTIONAL EXPENSES**

For the year ended June 30, 2005, operating expenses are charged by function as follows:

<u>Function</u>	<u>Salaries</u>	<u>Employee Benefits</u>	<u>Supplies, Materials &amp; Other Operating Expenses &amp; Services</u>	<u>Depreciation</u>	<u>Student Aid</u>	<u>Total</u>
Instructional Activities	\$ 15,283,633	\$ 2,036,714	\$ 296,070			\$ 17,616,417
Instructional Support	2,429,957	583,158	510,830			3,523,945
Student Services	3,592,662	721,985	546,923			4,861,570
Plant Operations & Maintenance	1,907,714	681,613	1,664,370			4,253,697
Institutional Support	3,513,836	1,256,469	2,561,626			7,331,931
Community Services & Economic Development	1,081,925	234,037	712,865			2,028,827
Ancillary & Auxiliary Services	1,057,573	304,889	2,113,402			3,475,864
Physical Property			447,398			447,398
Student Aid	80,577	1,382			\$ 2,758,648	2,840,607
Depreciation Expense				\$ 2,391,746		2,391,746
Total	<u>\$ 28,947,877</u>	<u>\$ 5,820,247</u>	<u>\$ 8,853,484</u>	<u>\$ 2,391,746</u>	<u>\$ 2,758,648</u>	<u>\$ 48,772,002</u>

**Component Unit**

The Foundation had operating expenses charged by function to program services and institutional support in the amount of \$245,242 and \$260,545, respectively, for the year ended June 30, 2005.

**9. JOINT VENTURES (Joint Powers Agreements)**

The District participates in four joint ventures under joint powers agreements (JPAs) with the Bay Area Community College Districts Joint Powers Agency (BACCDJPA), the South Bay Regional Public Safety Training Consortium (SBRPSTC), and the Washington Hospital Nursing Grant Joint Powers Authority (WHNGJPA). The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes. Complete separate financial statements for the JPAs may be obtained at the District Office, at 43600 Mission Blvd., Fremont, California.

**A. Bay Area Community College Districts 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.

**OHLONE COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2005**

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Annual audited financial statements are prepared and filed with the State Controller's Office. Condensed financial information of BACCDJPA at June 30, 2004, the most recent year available, is as follows:

Total Assets	\$ <u>5,917,492</u>
Total Liabilities	\$ 1,667,281
Retained Earnings	<u>4,250,211</u>
Total Liabilities and Retained Earnings	\$ <u>5,917,492</u>
Total Revenue	\$ 3,711,059
Total Expenses	<u>2,681,128</u>
Net Income	\$ <u>1,029,931</u>

**B. 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.

Annual audited financial statements are prepared and filed with the State Controller's Office. Condensed financial information of the SBRPSTC at June 30, 2005, the most recent year available, is as follows:

Total Assets	\$ <u>4,617,567</u>
Total Liabilities	\$ 1,549,281
Fund Balance	<u>3,068,286</u>
Total Liabilities and Fund Balance	\$ <u>4,617,567</u>
Total Revenue	\$ 5,848,786
Total Expenditures	<u>5,743,752</u>
Net Increase in Fund Balance	\$ <u>105,034</u>

**C. Washington Hospital Nursing Grant Joint Powers Authority**

WHNGJPA administers a series of grants to be provided by Washington Hospital to Ohlone Community College District for the purpose of providing additional funding to support a needed increase in the number of nursing students in Ohlone's accredited nursing program. WHNGJPA is governed by a board consisting of a representative from each member district. The board controls the operations of WHNGJPA, including selection of management and approval of operating budgets, independent of any influence by the member boards beyond their representation on the board.

**OHLONE COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2005**

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Annual audited financial statements are prepared and filed with the State Controller's Office. Condensed audited financial information of the SBRPSTC General Fund at June 30, 2005, the most recent year available, is as follows:

Total Assets	\$ <u>371,079,000</u>
Total Liabilities	\$ 135,669,000
Fund Balance	<u>235,410,000</u>
Total Liabilities and Fund Balance	\$ <u>371,079,000</u>
Total Revenue	\$ 267,427,000
Total Expenditures	<u>252,672,000</u>
Net Increase in Fund Balance	\$ <u>14,755,000</u>

**10. 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 \$13,711,401 at June 30, 2005. These commitments will be primarily funded from Measure A funds.

**11. 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 (STRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS).

# OHLONE COMMUNITY COLLEGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2005

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### CalPERS:

#### Plan Description

The District contributes to the School Employer Pool under 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' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

#### Funding Policy

Active plan members are required to contribute 7% of their salary (7% of monthly salary over \$133.33 if the member participates in Social Security), and 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 CalPERS Board of Administration. The required employer contribution rate for fiscal year 2004-05 was 9.952% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contribution to CalPERS for the fiscal years ending June 30, 2005, 2004, and 2003 were \$1,089,527, \$1,041,148, and \$293,944, respectively, which equals 100% of the required contribution for each year.

### STRS:

#### Plan Description

The District contributes to STRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

#### Funding Policy

Active plan members are required to contribute 8% of their salary and 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 2004-05 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal years ending June 30, 2005, 2004, and 2003 were \$1,237,288, \$1,132,299, and \$1,202,713, respectively, and equals 100% of the required contributions for each year.

**OHLONE COMMUNITY COLLEGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2005**

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Other Information

Under STRS law, certain early retirement incentives require the employer to pay the present value of the additional benefit, which may be paid on either a current or deferred basis. The District has no obligations to STRS for early retirement incentives granted to terminated employees.

**12. ON-BEHALF PAYMENTS MADE BY THE STATE OF CALIFORNIA**

The District was the indirect recipient of on-behalf payments made by the State of California to STRS for community colleges. These payments consist of state general fund contributions to STRS in the amount of \$810,946 (4.517% of salaries subject to STRS). Had this amount been reflected in the Districts financial statements, both revenues and expenditures would have been increased by \$810,946.

**13. SUBSEQUENT EVENTS**

In July 2005, the District issued Series B of the 2002 Measure A General Obligation Bonds in the amount of \$110,000,000. These bonds were issued to finance the acquisition, construction, and modernization of certain property and school facilities.

## **SUPPLEMENTARY INFORMATION SECTION**



**Gilbert Associates, Inc.**  
CPAs and Advisors

## **INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION**

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

We have audited the financial statements of the Ohlone Community College District (the District), its discretely presented component unit, and fiduciary net assets as of and for the year ended June 30, 2005, and have issued our opinion thereon dated October 28, 2005. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 opinion.

Our audit was performed for the purpose of forming an opinion on the financial statements of the District, taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is not a required part of the financial statements and is 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*. The Schedule of State Financial Assistance and other supplemental financial and statistical information is not a required part of the financial statements and is presented for purposes of additional analysis as required by the *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion; such information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the audit committee, District management, the Board of Trustees, and 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.

*Gilbert Associates, Inc.*

**GILBERT ASSOCIATES, INC.**

**October 28, 2005**

**OHLONE COMMUNITY COLLEGE DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2005**

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Identifying Number</u>	<u>Program Expenditures</u>
U.S. Department of Education:			
Student Financial Assistance Programs Cluster:*			
Pell Grant Program	84.063	N/A	\$ 2,179,915
Supplemental Educational Opportunity Grant Program	84.007	N/A	148,321
Work-Study Program	84.033	N/A	<u>80,959</u>
Subtotal Student Financial Assistance Programs Cluster			<u>2,409,195</u>
Passed Through California Community Colleges Chancellor's Office (CCCCO):			
Vocational Education Cluster:			
Title I-C	84.048	03-C01-061	88,288
Title II-E: Technical Preparation	84.048	00-021-23	<u>68,716</u>
Subtotal Vocational Education Cluster			<u>157,004</u>
Passed Through California Department of Rehabilitation:			
WorkAbility III	84.264	22572	<u>278,089</u>
Total U.S. Department of Education			<u>2,844,288</u>
U.S. Department of Labor:			
Passed Through Alameda County Workforce Investment Board:			
WIA Adult Program	17.258	C95-0263-0931	<u>694,407</u>
Total U.S. Department of Labor			<u>694,407</u>
U.S. Department of Health and Human Services:			
Passed Through CCCCCO:			
Temporary Assistance to Needy Families	93.558	None	<u>16,564</u>
Total Expenditures of Federal Awards			<u>\$ 3,555,259</u>

\* Tested as a major program.



**OHLONE COMMUNITY COLLEGE DISTRICT**  
**SCHEDULE OF STATE FINANCIAL ASSISTANCE**  
**YEAR ENDED JUNE 30, 2005**

<u>Program Title</u>	<u>Entitlements</u>	<u>Program Revenues</u>				<u>Program Expenditures</u>
	<u>Current Year</u>	<u>Cash Received</u>	<u>Accounts Receivable</u>	<u>Deferred Revenue</u>	<u>Total</u>	
Articulation	\$ 5,000	\$ 5,000			\$ 5,000	\$ 6,938
Cal Grants		255,381			255,381	255,381
CalWorks	71,597	71,597		\$ 2,526	69,071	131,055
Child Development Consortium		22,730			22,730	7,655
Cooperative Agency Resource Education	49,421	49,421		3,668	45,753	46,786
Disabled Student Program & Services	928,265	929,315		13,775	915,540	943,090
Economic Development	526,927	492,030	\$ 34,897		526,927	526,927
Extended Opportunity Program and Services	344,584	344,584		23,297	321,287	346,533
Faculty and Staff Diversity	13,081	13,081		23,514	(10,433)	14,707
Fee Waiver Admin	14,430	14,430			14,430	14,430
Instructional Equipment (On-Going)	174,844	174,844		80,405	94,439	262,037
Lottery - Prop. 20	99,732	105,163		45,156	60,007	60,007
Matriculation (Credit)	398,541	398,541			398,541	493,340
Nursing	49,882	8,906	40,976		49,882	49,882
Plant and Instructional	196,115	195,115			195,115	196,115
Prop. 10	44,849	30,000	3,752		33,752	38,602
Student Financial Aid Administration	221,446	221,446		7,612	213,834	309,066
Students Towards a Rapid Smoke	31,358	31,358			31,358	31,211
Telecommunications and Technology	53,103	53,103	-	63,612	(10,509)	51,217
<b>Total</b>	<b>\$ 3,223,175</b>	<b>\$ 3,416,045</b>	<b>\$ 79,625</b>	<b>\$ 263,565</b>	<b>\$ 3,232,105</b>	<b>\$ 3,784,979</b>

**OHLONE COMMUNITY COLLEGE DISTRICT**  
**SCHEDULES OF STATE GENERAL APPORTIONMENT**  
**AND APPRENTICESHIP HOURS OF INSTRUCTION**  
**YEAR ENDED JUNE 30, 2005**

**STATE GENERAL APPORTIONMENT**

<u>Categories</u>	<u>Full-Time Equivalent Students</u>
Summer Intersession:	
Noncredit	.72
Credit	197.54
	198.26
Census Procedure Courses:	
Weekly Census Contact Hours	4,772.19
Daily Census Contact Hours	974.21
	5,746.40
Actual Hours of Attendance Courses:	
Noncredit	91.80
Credit	404.77
	496.57
Independent Study/Work Experience:	
Weekly Census Procedure Courses	313.83
Total Full-Time Equivalent Students	6,755.06
Gross Square Footage:	
Existing Facilities	458,995
New Facilities	0
FTES in Leased Facilities	0

**APPRENTICESHIP HOURS OF INSTRUCTION**

The District did not claim apprenticeship hours in 2004-2005.

Note: There were no adjustments between the reported FTES on Form CCFS-320 and the audited FTES.

**OHLONE COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT  
(CCFS-311) WITH AUDITED FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2005**

	<u>General Fund</u>
June 30, 2005 Annual Financial and Budget Report Fund Balance	\$ 4,480,894
Adjustments:	
Increase the fund balance:	
To record lottery revenue and interest earnings	<u>257,698</u>
June 30, 2005 Audited Financial Statement Fund Balance	\$ <u>4,738,592</u>
	<u>Bond Interest &amp; Redemption Fund</u>
June 30, 2005 Annual Financial and Budget Report Fund Balance	\$ 1,119,237
Adjustments:	
Increase the fund balance:	
For amounts recorded as revenue bond payable and interest earnings	<u>568,965</u>
June 30, 2005 Audited Financial Statement Fund Balance	\$ <u>1,688,202</u>
	<u>Child Development Fund</u>
June 30, 2005 Annual Financial and Budget Report Fund Balance	\$ 326
Adjustments:	
Decrease the fund balance:	
For amounts recorded as state preschool revenue and interest earnings	<u>(56,767)</u>
June 30, 2005 Audited Financial Statement Fund Balance	\$ <u>(56,441)</u>

**OHLONE COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT  
(CCFS-311) WITH AUDITED FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2005**

	<u>Capital Outlay Fund</u>
June 30, 2005 Annual Financial and Budget Report Fund Balance	\$ 1,295,223
Adjustments:	
Increase the fund balance: To record interest earnings	<u>5,978</u>
June 30, 2005 Audited Financial Statement Fund Balance	\$ <u>1,301,201</u>
	<u>Revenue Bond Construction Fund</u>
June 30, 2005 Annual Financial and Budget Report Fund Balance	\$ 7,664,550
Adjustments:	
Increase the fund balance: To record interest earnings	<u>23,354</u>
June 30, 2005 Audited Financial Statement Fund Balance	\$ <u>7,687,904</u>
	<u>Internal Service Fund</u>
June 30, 2005 Annual Financial and Budget Report Fund Balance	\$ 355,365
Adjustments:	
Increase the fund balance: To record interest earnings	<u>1,650</u>
June 30, 2005 Audited Financial Statement Fund Balance	\$ <u>357,015</u>

**AUDITOR'S COMMENTS:**

All other fund balances agreed to the audited financial statements.

**OHLONE COMMUNITY COLLEGE DISTRICT**

**NOTES TO SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2005**

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**1. PURPOSE OF SCHEDULES**

The audit of the District for the year ended June 30, 2005 was conducted in accordance with OMB Circular A-133, which requires disclosure of the financial activities of all federally funded programs. To comply with OMB Circular A-133, the Schedule of Expenditures of Federal Awards is presented.

The California Community Colleges Chancellor's Office requires disclosure of the financial activities of all state funded programs. To comply with this requirement, the Schedule of State Financial Assistance is presented.

The Schedules of State General Apportionment and Apprenticeship Hours of Instruction present the basis of apportionment for the District's annual source of funding.

## **OTHER INDEPENDENT AUDITOR'S REPORTS**



**Gilbert Associates, Inc.**  
CPAs and Advisors

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

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

We have audited the financial statements of the Ohlone Community College District (the District), its discretely presented component unit, and fiduciary net assets as of and for the year ended June 30, 2005, and have issued our report thereon dated October 28, 2005. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*, and are described in the accompanying Findings and Recommendations Section as items 05-1 and 05-2.

**Members of the Board of Trustees  
Ohlone Community College District  
Page 2**

This report is intended solely for the information of and use of the audit committee, Board, management, and 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.

*Gilbert Associates, Inc.*

**GILBERT ASSOCIATES, INC.**

**October 28, 2005**





**Gilbert Associates, Inc.**  
CPAs and Advisors

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the Ohlone Community College District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The District's major federal programs are identified in the Summary of Auditor's Results included in the accompanying Findings and Recommendations Section. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the 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; and OMB Circular A-133, *Audits of States, 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 the 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 the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005. The results of our audit procedures disclosed instances of noncompliance with the requirements that are required to be reported in accordance with OMB Circular A-133, and that are described in the accompanying Findings and Recommendations section as items 05-1 and 05-2.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our 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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information of and use of the audit committee, Board, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Gilbert Associates, Inc.*

**GILBERT ASSOCIATES, INC.**

**October 28, 2005**



**Gilbert Associates, Inc.**  
CPAs and Advisors

**INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE**

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

We have audited the financial statements of the Ohlone Community College District (the District), its discretely presented component unit, and fiduciary net assets as of and for the year ended June 30, 2005, and have issued our opinion thereon dated October 28, 2005, which was unqualified. Our audit was made in accordance with auditing standards generally accepted in the United States of America and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with our audit, we performed an audit for compliance for those programs identified in Section 400, State Compliance Requirements, of the *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office. The objective of the compliance audit was to determine with reasonable assurance that the following requirements had been met:

Salaries of Classroom Instructors

The District's salaries of classroom instructors shall equal or exceed 50% of the District's current expense of education in accordance with Section 84362 of the Education Code.

Apportionment for Instructional Service Agreements/Contracts

The District shall fulfill the requirements of Title 5 of the California Code of Regulations in order to claim FTES and obtain state funding for classes given through instructional service agreements/contracts.

Required Data Elements

The District shall have the ability to support timely, accurate, and complete information for the following workload measures used in the calculation of State General Apportionment:

- Credit Full-Time Equivalent Students (FTES) in weekly census, daily census, actual hour of attendance, and apprenticeship courses.
- Noncredit FTES in actual hour of attendance and distant education courses.
- Credit Student Headcount Data.
- Gross Square Footage and FTES in less than 100% leased space.

Residency Determination for Credit Courses

The District shall ensure that state apportionment for credit courses is only claimed for student attendance allowed by statute and registration. Student residence is a major factor for allowing districts to claim state apportionment for credit courses.

**Members of the Board of Trustees  
Ohlone Community College District  
Page 2**

Concurrent Enrollment of K-12 Students in Community College Credit Courses

Community college districts are authorized to claim full-time equivalent students (FTES) for concurrent enrollment of K-12 pupils meeting certain requirements.

Uses of Matriculation Funds

The District is required to use local funds to support at least 75% of the matriculation activities, with the remaining expenditures claimable against the state matriculation allocation. In addition, all expenditures related to the allocation, both state and local funded portions, must be consistent with the District's state-approved matriculation plan and identifiable within the ten allowable activities. Also, the state allocation may not be used to supplant District-funded services, including personnel costs that existed in 1986-87 or before.

Allocation of Costs (DSP&S and EOP&S)

Salaries of instructors teaching FTES-generating classes, school counselors providing advisement, student services at the dean level or above, and financial aid officers conducting need analysis are not considered supportable charges against either Extended Opportunity Programs and Services (EOP&S) or Disabled Student Programs and Services (DSP&S) accounts unless their activities require them to perform additional functions for the EOP&S or DSP&S programs that are beyond the scope of services provided to all students in the normal performance of their regular duty assignments. These activities may be supported only to the extent of the supplementary services provided for EOP&S and DSP&S.

EOP&S Administrator/Director Requirements

The District is required to contribute from non-EOP&S sources the salary of the EOP&S administrator/director at the rate of 100% of salary and benefits for formal program activities associated with the implementation and operation of EOP&S specific activities over and above general supervision of EOP&S activities.

Gann Limit Calculation

The District shall calculate an appropriation limit annually and adopt it in a public meeting.

Enrollment Fees

The District is required to report the total amount charged to students, including paid and receivable, for purposes of calculating the District's annual apportionment.

Scheduled Maintenance Program

The District is required to use funds provided by the state to supplement, not supplant, District deferred maintenance funds. This is defined as the amount spent in fiscal year 1995-96 for operation and maintenance of plant increased by an amount equal to the State's contribution and the District's match for the scheduled maintenance program for the year being audited.

Open Enrollment

The District must comply with the Title 5 provisions of the California Code of Regulations related to open enrollment by the general public for all courses being submitted for state apportionment funding.

Minimum Condition – Standards of Scholarship

The District must adopt and comply with regulations consistent with the “Standards of Scholarship” contained in the California Code of Regulations. These regulations must be published in a statement under appropriate headings in the District’s catalogs.

Student Fees – Instructional Materials Fees and Health Fees

The District, in accordance with Education Code Section 76365, is permitted to require students to provide various types of instructional materials. The District’s governing board, when a student is required to provide instructional materials or other materials for a course, must have adopted policies or regulations that specify the conditions under which such materials will be required. In addition, Districts are permitted to sell instructional materials to students who wish to buy the required materials from the District. If the materials are offered for purchase through the District but students are not required to purchase from the District, the materials costs or fees are optional in nature. Any fees that are considered optional must be made clear to the students that they are optional and not required. Furthermore, Districts are permitted to require students to purchase instructional materials from them only under limited circumstances: the District is the only source of the materials or there is a health or safety reason for requiring students to purchase the materials from the District.

Management is responsible for the District’s compliance with those requirements. Our responsibility is to express an opinion on the District’s compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the District’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District’s compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements for the state programs listed and tested above. We noted no instances of noncompliance with the terms and conditions of state-assisted educational programs requirements.

This report is intended solely for the information and use of the audit committee, the Board of Trustees, District management and regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Gilbert Associates, Inc.*

**GILBERT ASSOCIATES, INC.**

**October 28, 2005**

## **FINDINGS AND RECOMMENDATIONS SECTION**

**OHLONE COMMUNITY COLLEGE DISTRICT**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2005**

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**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

*Financial Statements*

Type of auditor's report issued: Unqualified

Internal control over financial reporting:  
 Material weakness(es) identified? \_\_\_\_\_ Yes      X   No  
 Reportable conditions identified not  
 considered to be material weaknesses? \_\_\_\_\_ 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  
 Reportable conditions identified not  
 considered to be material weaknesses? \_\_\_\_\_ Yes      X   None Reported

Type of auditor's report issued on  
 compliance for major programs: Unqualified

Any audit findings disclosed that are required  
 to be reported in accordance with OMB  
 Circular A-133, Section .510(a)?   X   Yes    \_\_\_\_\_ No

Identification of major programs

<u>CFDA Numbers</u> 84.007, 84.033, and 84.063	<u>Name of Federal Program or Cluster</u> Student Financial Assistance Programs Cluster
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Dollar threshold used to distinguish between  
 Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee?   X   Yes    \_\_\_\_\_ No

**OHLONE COMMUNITY COLLEGE DISTRICT**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2005**

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*State Awards*

Internal control over major programs:

Material weakness(es) identified?

\_\_\_\_\_ Yes        X   No

Reportable conditions identified not  
considered to be material weaknesses?

\_\_\_\_\_ Yes        X   None Reported

Type of auditor's report issued on  
compliance for state programs:

Unqualified



**OHLONE COMMUNITY COLLEGE DISTRICT**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2005**

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

**INTERNAL CONTROLS – REPORTABLE CONDITIONS**

No matters were reported.

**OHLONE COMMUNITY COLLEGE DISTRICT**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2005**

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**SECTION III – STATE COMPLIANCE**

No matters were reported.

**OHLONE COMMUNITY COLLEGE DISTRICT**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2005**

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**SECTION IV - FEDERAL COMPLIANCE-IMMATERIAL INSTANCE OF NON-COMPLIANCE**

05-1. RETURN OF TITLE IV FUNDS

**Federal Agency:** U.S. Department of Education

**Award Year:** 2004-05

**Catalog Number:** 84.032

**Specific Requirement That Was Not Complied With:**

When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance (not including Federal Work-Study or the non-Federal share of FSEOG awards if an institution meets its FSEOG matching share by the individual recipient method or the aggregate method) that the student earned as of the student's withdrawal date. Any amount of a post-withdrawal disbursement in excess of the amount that may be credited to the account must be provided to the student. Institutions must offer, by written notification, post-withdrawal disbursements not credited to a student's account to the student or borrower within 30 days of the date of the institution's determination that the student withdrew. Based on the student or borrower's response or lack of response, the institution may or may not make the post-withdrawal disbursement. If a student or parent accepts a post-withdrawal disbursement, the institution must make the disbursement within 120 days of the date of the institution's determination that the student withdrew and in accordance with the request of the recipient.

**Finding:**

We selected a sample of 11 students receiving financial aid who had withdrawn during the period under audit. For all 11 students, the financial aid office did not perform timely a "Return Calculation" to determine the amount of Title IV aid earned by the student. 3 of the 11 students were owed a post-withdrawal disbursement and 4 of the 11 students had a return of Title IV funds. Because the calculations were not performed timely, any refund that may have been due would be considered late and any post-withdrawal disbursements were not made within the time limitations.

**Reference:**

34 CFR 668.22(a) and 668.164(d)(1), (d)(2) and (g)(2) - Treatment of Title IV Funds when a Student Withdraws

**Cause of Condition:**

The District had turnover at the Financial Aid Director level and as a result, the calculations were missed. However, because of the District's financial aid payment cycles, there is generally very little financial aid remaining to be refunded.

**OHLONE COMMUNITY COLLEGE DISTRICT**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2005**

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**Effect of Condition:**

Because the calculations were not performed timely, any refund that may have been due would be considered late and any post-withdrawal disbursements may not have been made.

**Amount of Questioned Costs and How Computed:**

Based on the District's policy for payment to students, we expect that there is an immaterial amount of refunds and that it is below the \$10,000 threshold for reporting instances of noncompliance. As a result, the finding is an immaterial instance of noncompliance.

**Recommendation:**

We recommend the institution establish procedures to prepare the Title IV "Return Calculations" each time a student withdraws or drops all classes. For students who are due post-withdrawal disbursements, the District should provide written notification within the 30-day time frame. For return of Title IV assistance, funds should be deposited to the SFA accounts or returned to the appropriate FFEL lender within the 30-day time frame.

**District Response:**

The District was made aware of the non-compliance status of the Return to Title IV requirement during the test work for the 2003-04 audit which occurred in October of 2004, four months into the 2004-05 fiscal year. The oversight was the result of a change in Financial Aid Directors and a change in the distribution dates. Once the situation was brought to our attention we immediately did the programming necessary to be able to properly do the calculations in a timely manner and properly post all data to the student's financial aid records. While the finding noted that we did not file the returns in a timely manner we did file as soon as was possible given the timing of the original finding. As of December 2004 the District was brought into compliance and continues to perform the calculations in a timely manner.

05-2. FEDERAL WORK STUDY AGREEMENTS

**Federal Agency:** U.S. Department of Education

**Award Year:** 2004-05

**Catalog Number:** 84.033

**Specific Requirement That Was Not Complied With:**

Federal Work Study (FWS) students may be employed by the institution, a Federal, State or local agency, a private not-for-profit organization or a private for-profit organization but the employment must not: (1) impair existing service contracts; (2) displace employees; (3) fill jobs that are vacant because the employer's regular employees are on strike; or (4) involve the construction, operation, or maintenance of any part of a facility used or to be used for religious worship or sectarian instruction. The institution must enter into a written agreement with any agency or organization providing employment under the FWS program.

**OHLONE COMMUNITY COLLEGE DISTRICT**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2005**

---

**Finding:**

We selected a sample of 25 students receiving financial aid, 3 who received Federal Work Study funds. For 1 of the 3 students receiving Federal Work Study funds, the financial aid office did not execute and obtain a written agreement with the off-campus employer.

**Reference:**

34 CFR 675.20 through 675.23 – Federal Work-Study Agreements

**Cause of Condition:**

The District had turnover at the Financial Aid Director level and as a result, the written agreements were missed.

**Effect of Condition:**

The District is not in compliance with the federal requirements to execute and obtain a written agreement with employers for Federal Work Study students working off campus.

**Amount of Questioned Costs and How Computed:**

Based on the District's policies for employment for FWS students, almost all employment is on-camps. We expect that there is an immaterial amount of students with no written agreements and questioned costs are below the \$10,000 threshold for reporting instances of noncompliance. As a result, the finding is an immaterial instance of noncompliance.

**Recommendation:**

We recommend the institution establish procedures to execute and obtain written agreements with employers for all students working off-campus that receive Federal Work Study funds.

**District Response:**

The District did have an agreement with the off-campus employer in the form of a letter of intent. It did not, however, contain all of the elements that were required. We will institute a standard agreement that will be signed by both parties and indicate and name the student that will be fulfilling the agreement.

OHLONE COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

YEAR ENDED JUNE 30, 2005

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<u>Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
<b>STATE COMPLIANCE</b>		
04-1. Census Reporting  We recommend that the District revise the P2 or P-annual amounts to adjust for these discrepancies.	Implemented	
04-2. Concurrent Enrollment  We recommend the District implement improved procedures to ensure compliance with state regulations that require all concurrently enrolled high school students have both parental and principal consents in order to attend college courses. This should include maintaining documentation of this approval in the student's file and requiring the Registrar's Office to routinely follow up on students concurrently enrolled by performing periodic compliance reviews of this requirement.	Implemented	

**OHLONE COMMUNITY COLLEGE DISTRICT**

**STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**

**YEAR ENDED JUNE 30, 2005**

---

**FEDERAL COMPLIANCE**

04-3. Return of Title IV Funds

We recommend the institution establish procedures to prepare the Title IV "Return Calculations" each time a student withdraws or drops all classes. For students who are due post-withdrawal disbursements, the District should provide written notification within the 30-day time frame. For return of Title IV assistance, funds should be deposited to the SFA accounts or returned to the appropriate FFEL lender within the 30-day time frame.

Not implemented,  
continue finding.

Calculations were not prepared until May 2005 mainly because of turnover in Student Financial Aid Director position.