OHLONE COMMUNITY COLLEGE DISTRICT

FREMONT, CALIFORNIA

FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION WITH INDEPENDENT AUDITOR'S REPORT

YEAR ENDED JUNE 30, 2017

OHLONE COMMUNITY COLLEGE DISTRICT

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OHLONE COMMUNITY COLLEGE DISTRICT

ORGANIZATION
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DESCRIPTION OF DISTRICT

The District, a political subdivision of the State of California, was established on July 1, 1966, and is comprised of an area of approximately 534 acres in Fremont and 80 acres in Newark. There were no changes in boundaries during the fiscal year.

The District provides higher education instruction for the first and second years of college education and vocations training at Ohlone Community College District.

BOARD OF TRUSTEES

Name	Office	Term Expires
Mr. Richard Watters	Board Chair	December 2018
Mr. Greg Bonaccorsi	Vice Chair	December 2020
Ms. Vivien Larsen	Member	December 2018
Ms. Teresa Cox	Member	December 2020
Ms. Jan Giovannini-Hill	Member	December 2018
Mr. Ishan Shah	Member	December 2020
Mr. Garret S. Yee	Member	December 2018
Mr. Miguel Fuentes	Student Trustee	May 14, 2017

ADMINISTRATION

Gari Browning, Ph D. .... President / Superintendent

Leta Stagnaro, Ed D. .... Vice President of Academic Affairs

Minh-Hoa Ta, Ed.D. .... Vice President of Student Services

Susan Yeager .... Vice President Administrative Services

Christopher Dela Rosa .... Associate Vice President Information Technology Services

Shairon Zingsheim .... Associate Vice President HR & Training

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Ohlone Community College District
Fremont, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, the discretely presented component unit, and the aggregate remaining fund information of the Ohlone Community College District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the discretely presented component unit, and the aggregate remaining fund information of the Ohlone Community College District, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Funding Progress for Other Postemployment Benefits, the Schedules of the District's Proportionate Share of the Net Pension Liability, and the Schedules of the District's Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Supplementary Information Section, as listed in the table of contents, is presented for purposes of additional analysis, and is required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office, and is not a required part of the basic financial statements.

This supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2017 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

November 29, 2017

The Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of the Ohlone Community College District (District). The MD&A has been prepared by management and should be read in conjunction with the financial statements. The purpose of the basic financial statements is to summarize the financial status of the District, as a whole, and to present a long term view of the District's finances.

The District follows the financial reporting standards established by the Governmental Accounting Standards Board (GASB) Statements No. 34 ("Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments") and 35 ("Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities") using the Business Type Activity (BTA) model. The California Community Colleges Chancellor's Office (CCCCO) has adopted the BTA model as the standard for all colleges to use and these statements are prepared accordingly.

Overview of the Financial Statements

As required by accounting principles, the annual report consists of three basic financial statements that provide information on the District as a whole: The Statement of Net Position; the Statement of Revenues; Expenses and Change in Net Position; 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 20 of the audit and the Foundation, which is a separate column.

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.

State Budget Highlights

The 2016-17 final California (State) budget was very conservative in both estimated revenues and projected expenditures, reflecting the administration's commitment to fiscal stability through a balanced budget and an emphasis on preparing for an economic slowdown. Additional pressures on the state budget included volatility in the stock market, and the expiration of the sales tax portion of Proposition 30 in 2016.

Despite these pressures, the final budget for 2016-17 was a good one for education, although not as good as 2015-16. Proposition 98 revenues reached $71.9 billion in 2016-17 compared to $69.1 billion in 2015-16, which shows the State's firm commitment to and investment in higher education. Community colleges received 10.93% of the Proposition 98 revenues.

The 2016-17 budget for community colleges included a $75 million increase to the base allocation to fund rising operating costs, $114.7 million for Student Access, $48 million for the CTE Pathways program, $49.2 million for Energy Efficiency, $2 million for Equal Employment Opportunity, and $200 million for the Strong Workforce Program. Funding for the Student Success & Support and Equity programs remained the same as 2015-16. Additional funding included $184.6 million for deferred maintenance and instructional equipment, as well as $105.5 million of one time money to pay down prior year mandate claims. However, funding for a cost of living adjustment (COLA) was not included in the budget.

Financial Highlights

The District continues to align its budget with initiatives that support student success and achievement. Unlike the prior year, the 2016-2017 State budget provided little in new ongoing funding for the District despite the escalating costs related to CalSTRS and CalPERS. The District received $570 thousand in base increase in 2016-17 compared to approximately $2 million of base increase in 2015-16. In fact, with no COLA and only $721 thousand in one time funding, the District had to make some hard choices to cover its ongoing obligations such as rising pension cost, step & column increases, and personnel benefits costs for the year. In line with its strategic goals, the District added two new full-time faculty positions bringing the total number of full-time equivalent (FTE) faculty positions to 130 FTE in 2016-17.

Additionally, the District was able to not only come out of stability funding and achieve full restoration, but also exceeded its Full-Time Equivalent Students (FTES) target level by 1.32%. However, the District could only recognize .50% growth allowed under the new growth allocation formula and will have to wait and see if the CCCCO will fund the rest of the growth in the recalculation of 2016-17 apportionment.

Despite lower ongoing state funding and no funding for COLA, the General Fund was able to achieve a surplus of $725 thousand thanks to prudent and conservative spending, growth in FTES and higher government funding for the Disabled Student Programs & Services (DSPS) which helped reduce the General Fund contribution to DSPS by approximately $300 thousand.

Measure G, the District's $349 Million General Obligation Bond, was approved by the voters in late 2010. In October 2011 the District issued Series A and Series A-1 Measure G bonds for a total of $80 million, with $10 million of these proceeds slated for a Technology Endowment, invested in tax exempt bonds and placed in a separate fund. The District subsequently issued Series B Measure G bonds in the amount of $75 million on September 4, 2014. Series C bonds were issued in the amount of $155 Million on May 18, 2016 at an average interest rate of 3.37%.

In August, 2016, Ohlone Community College District successfully locked in $11.1 million in taxpayer savings through the sale of its $68.5 million 2016 General Obligation Refunding Bonds. The Bonds were issued to refinance the District's Election of 2010 General Obligation Bonds, Series A & A-1 (Refunded Debt).

Prior to the bond sale, the District secured very strong credit ratings of 'Aa2' with a 'Positive' outlook from Moody's Investors Service and 'AA' with a 'Stable' outlook from Standard & Poor's Global Ratings. Each of the rating agencies noted the District's strong local economy and financial profile.

The Bonds ultimately achieved a very low all-inclusive interest cost of 2.88%, which replaced the prior bonds' interest rate of 5.10%.

Construction on the award winning South Parking Structure began in January 2014 and was completed in August 2015. This parking structure, which provides over 900 spaces, was officially opened in September 2015 and is currently being utilized by students. In addition to the parking structure, the upgrade of the Fremont Campus Site Utilities, the Pool Refurbishment and the renovations of the Athletic Fields were also completed in the Fall of 2016.

As originally planned, the District started to spend the Technology Endowment funds in 2016-17 in a manner that will not negatively impact the investment. The District will continue to draw down on the Technology Endowment over the next few years in order to fund the costs related to furniture, fixtures and equipment as well as technology infrastructure for the Academic Core buildings. The construction of the Academic Core buildings, which commenced in the summer of 2016, made great progress in fiscal year 2016-17. The goal is to complete the project as planned for a spring 2019 opening.

GASB Statements 74 and 75

In June 2015, the Governmental Standard Accounting Board (GASB) released new accounting standards, GASB statements 74 and 75, for public sector postretirement benefit programs and the employers that sponsor them. GASB statements 74 and 75 reflect a fundamental overhaul in the standards for accounting and financial reporting for postemployment benefits other than pensions (OPEB). They will replace the current statements, GASB statements 43 and 45.

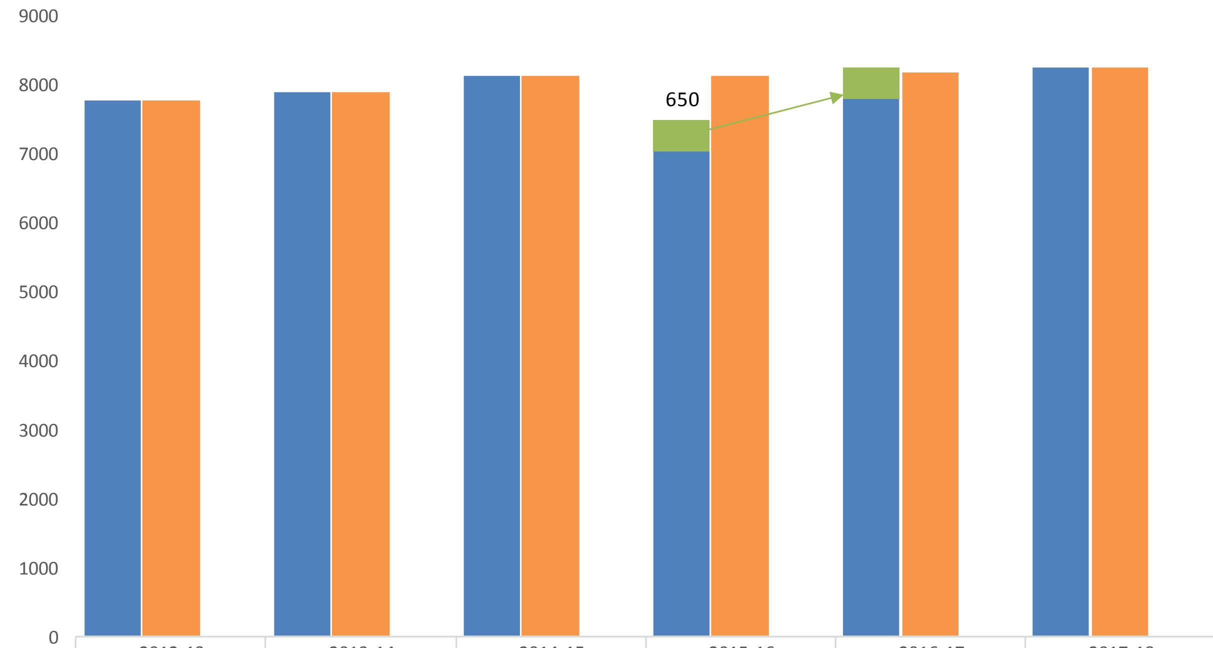
The District administers a single-employer defined benefit healthcare plan (the Plan). The District, through its authorized Retirement Board of Authority (RBOA), established the Futuris Public Entity Investment Trust (OPEB Trust). The OPEB Trust is used for the purposes of investment and disbursement of funds irrevocably designated by the District to fund future other post-employment benefits (OPEB). The OPEB Trust implemented GASB 74 in separately issued financials statement for the year-ended June 30, 2017. As required, the District will implement GASB 75 during the year-ended June 30, 2018.

Attendance Highlights

Community colleges in the Bay Area have continued to see a drop in their enrollment over the last few years probably due to the strong job market throughout the State and nationwide. The District experienced a significant drop in enrollment in fiscal year 2015-16 due to the strong job market in the Bay Area and possibly major construction project at the Fremont campus. This drop in enrollment caused the District to declare stability funding, which ensured District's apportionment funding for 2015-16 at the prior year level.

The District's 2016-17 budget assumed 8,133 resident FTES. However, due to borrowing from summer 2016, the District was able to exceed its resident FTES target by 107 FTES or 1.32%. The District was allowed to recognize funding for only .50% of growth in 2016-17 based on the CCCCO's new growth allocation formula and will have to wait and see if the CCCCO will fund the other portion of the growth during the apportionment recalculation. The District does not anticipate any growth in enrollment in 2017-18. However, enrollment is expected to pick up once the construction of the Academic Core building is complete and is open for classrooms in the spring 2019.

Resident Full Time Equivalent Students (FTES) Trends, including fiscal year 2017-18 budget FTES



	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Reported FTES	7765	7888	8133	7065	8240	8240
Funded FTES	7765	7888	8133	8133	8172	8240
Summer Shift				650		

Enrollment Challenges and Opportunities

Ohlone Community College District continues to work diligently to maintain a distribution of course offerings that takes into account academic needs and student demand. This strategy has positioned the college well to remain fiscally stable, to take advantage of the changing enrollment landscape, and to provide our students with the courses they require to complete their educational objectives.

Statement of Net Position

The Statement of Net Position includes all assets, deferred outflows of resources, liabilities and deferred inflow of resources using the accrual basis of accounting, which is similar to the accounting method used by most private sector organizations. The net position can be measured by adding the assets and deferred outflow of resources and subtracting the liabilities and deferred inflow of resources. Net position is the indicator of the financial health of the District.

	2017	2016	Change
ASSETS:			
Current assets	$ 192,320,850	$ 241,526,796	$ (49,205,946)
Noncurrent assets	384,567,369	333,111,503	51,455,866
TOTAL ASSETS	576,888,219	574,638,299	2,249,920
TOTAL DEFERRED OUTFLOWS OF RESOURCES	21,140,267	8,660,626	12,479,641
LIABILITIES:			
Current liabilities	35,939,684	31,315,632	4,624,052
Noncurrent liabilities	477,488,604	475,510,116	1,978,488
TOTAL LIABILITIES	513,428,288	506,825,748	6,602,540
DEFERRED INFLOWS OF RESOURCES	3,919,715	4,607,047	(687,332)
NET POSITION:			
Net investment in capital assets	82,699,913	68,307,483	14,392,430
Restricted	23,418,602	28,394,457	(4,975,855)
Unrestricted	(25,438,032)	(24,835,810)	(602,222)
TOTAL NET POSITION	$ 80,680,483	$ 71,866,130	$ 8,814,353

Current assets

- Current cash and cash equivalents of $186.9 million are mainly comprised of funds held in the County Treasury and includes all District funds. The decreased amount from the prior year is largely due to increased spending on the capital projects, mainly the construction of the Academic Core building on the Fremont Campus.

- Restricted cash and cash equivalents consist of amounts relating to Capital Projects, and cash in the Bond Interest Redemption Fund (BIRF). The BIRF is where taxes are set aside by the County to repay the bond holders of the District's General Obligation Bonds.

- Accounts receivable include amounts due from the State, Federal and local grants, contracts, and general apportionment earned, but not received by fiscal year-end. Accounts receivable totaled $2.4 million at June 30, 2017, which is an increase $1 million from 2015-16. The increase is mainly due to receivables in the categorical programs as well an increase in the FTES count in period two reporting compared to period one reporting. This change in the FTES count resulted in the apportionment accrual at fiscal year-end.

- Prepaid expenses are those expenses that are paid prior to fiscal year-end but relate to the next fiscal year. These are primarily prepaid premiums on the workers' compensation policy, medical premiums, and professional organization dues. Prepaid expenses have not changed much compared to 2015-16 due to the recurring nature of expenses in this category.

Non-current Assets

- Capital assets are reported at the historical cost of land, buildings and equipment less accumulated depreciation, where applicable. The $54.6 million increase in capital assets is primarily attributable to construction in progress on the Bond Projects, including the Academic Core Building on the Fremont campus.

Deferred outflows of resources

- The District's deferred amount on debt refunding, resulting from the difference between carrying value and reacquisition price of the Refunded Debt, increased deferred outflows of resources by $9.2 million. The remaining deferred outflows or resources related to pensions. The change in the deferred outflows or resources related to pensions is mostly due to a lower actual earnings versus projected earnings on pension plan investments and a decrease in the District's proportionate share of the net pension liability.

Current liabilities

- Accounts payable increased by $2.4 million over last fiscal year primarily due to increased liabilities for construction projects this fiscal year.

- Accrued payroll and benefits represents the amount held for the payment to employees who work 10 months but elect to have their salary spread over a 12 month period.

- Unearned 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 spent. Also included are the deferrals on enrollment fees for the summer and fall 2017 terms.

- Interest payable at June 30, 2017 represents payments due to bond holders.

- The long-term liabilities due within one year is primarily related to the amount due in fiscal year 2016-17 to the bond holders of the District's Measure A Bond authorized at $150 million and Measure G Bond authorized at $349 million with $310 million issued by the end of fiscal year 2016-17. These payments are made from the voter approved tax assessments from the cities of Fremont and Newark property taxes.

Non-current liabilities

- 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 Measure A and Measure G General Obligation bonds issuance, which, as mentioned above, were authorized at $150 million and $349 million, respectively.

- Net pension liability increased by $4.9 million primarily due to mostly due to lower actual earnings versus projected earnings on pension plan investments, which is offset by a decrease in the District's proportionate share of the net pension liability.

Deferred inflows of resources

- This amount decreased by $687 thousand mostly due to a lower actual earnings versus projected earnings on pension plan investments and a decrease in the District's proportionate share of the net pension liability.

Net Position: Analysis of the District's Financial Position

The net position is reported in three components: unrestricted; restricted comprised of expendable and nonexpendable; and the net investment in capital assets. Restricted amounts include funds legally restricted, which consists of amounts restricted for capital projects ($4.5 million), debt service ($17.7 million) and educational purposes ($1.1 million). Unrestricted net position is a negative $25.4 million. These funds may also carry designations from the Board of Trustees for contingencies, stabilization and other special purposes. The net investment in capital assets is $82.7 million.

The Statement of Revenues, Expenses and Change in Net Position

The Statement of Revenues, Expenses and Change in Net Position 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.

	2017	2016	Change
Total operating revenue	$ 22,717,745	$ 22,411,315	$ 306,430
Total operating expenses	77,142,118	76,509,213	632,905
Operating loss	(54,424,373)	(54,097,898)	(326,475)
Net non-operating revenue	45,487,224	48,764,894	(3,277,670)
Loss before capital revenues	(8,937,149)	(5,333,004)	(3,604,145)
Net capital revenues	17,751,502	19,870,440	(2,118,938)
Loss for disposal of capital assets	-	(6,501,584)	6,501,584
Increase in net position	8,814,353	8,035,852	778,501
Net position - beginning of the year	71,866,130	63,830,278	8,035,852
Net position - end of the year	$ 80,680,483	$ 71,866,130	$ 8,814,353

Changes in operating revenue:

- Net tuition and fees are made up of enrollment fees and scholarships and includes discounts, and allowances for fee waivers. Enrollment fees are set by the state legislature for all community colleges. These fees increased by $242 thousand primarily because of additional revenue received from the international and out of state students.

- Grants and contracts represent restricted programs funded through Federal, State and local sources. Total combined revenues of these programs remained relative the same as prior year.

Changes in non-operating revenues:

- Federal financial student aid revenue decreased by $613 thousand largely due to a drop in enrollment probably caused by the strong job market in the Bay Area and statewide. This is also reflected in the Federal Loan Program which is now being disseminated by the District instead of the banks.

- State apportionment represents total general apportionment earned less regular enrollment fees and property taxes. State apportionment decreased by $2.1 million in 2016-17 primarily due to an increase in property taxes received by the District.

- Property taxes, noncapital, increased by $3.4 million due to increased property values in Fremont and Newark areas. Changes in property tax revenue result in a corresponding increase or decrease in the District's State apportionment revenue.

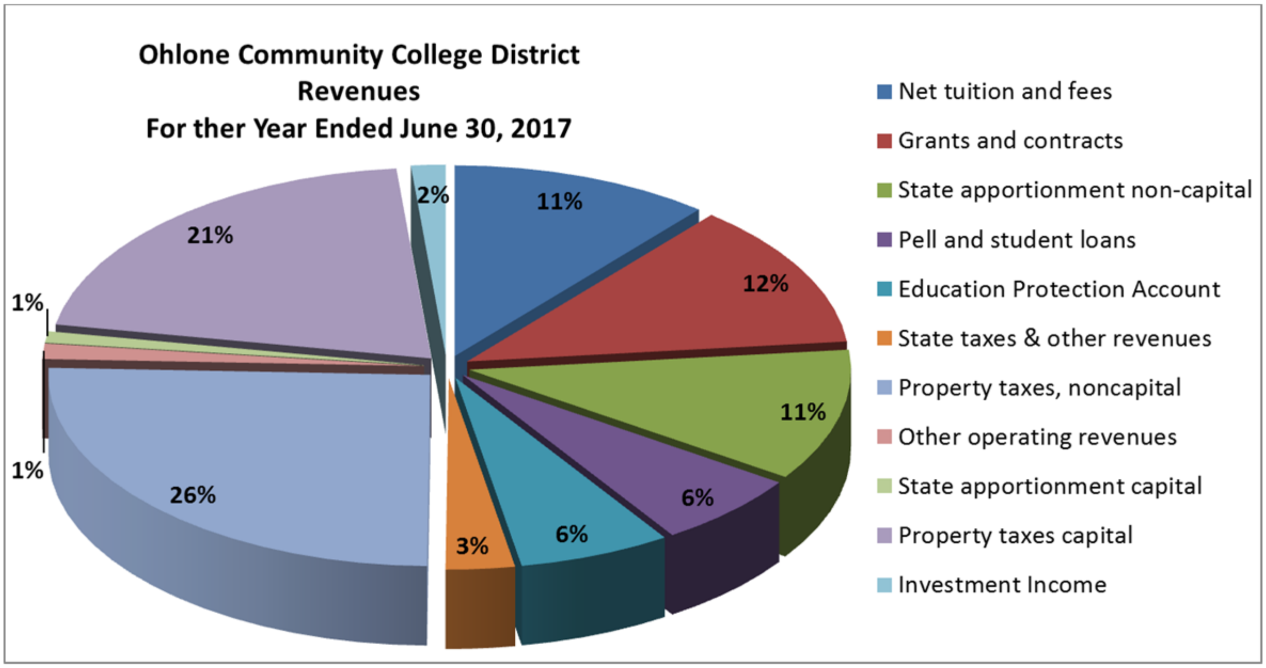
- Other revenue was down by $3.8 million largely due to a decrease in state one time mandate cost funding.

Changes in capital revenues:

- Property taxes, capital, decreased by over $1 million largely due to the refunding of Measure G Bond that lowered the overall bond interest rate and resulted in taxpayer savings.

Total Revenues for the Year Ended	**2017**	**2016**	**Change**
Net tuition and fees	$ 10,765,768	$ 10,523,802	$ 241,966
Grants and contracts	11,951,977	11,887,513	64,464
State apportionment, noncapital	10,873,228	12,967,364	(2,094,136)
Pell and student loans	6,124,033	6,736,970	(612,937)
Education Protection Account	6,275,659	6,770,516	(494,857)
State taxes & other revenues	2,839,446	6,694,663	(3,855,217)
Property taxes, noncapital	24,787,824	21,382,522	3,405,302
Other non-operating revenues	1,263,955	1,426,405	(162,450)
State apportionment, capital	940,230	630,705	309,525
Property taxes, capital	20,149,091	21,240,213	(1,091,122)
Investment income	1,425,208	1,435,213	(10,005)
	$ 97,396,419	$ 101,695,886	$ (4,299,467)

Revenue



Changes in Operating Expenses

- In 2016-17, academic and classified payroll increased by $2.1 million primarily due to salary negotiation in all bargaining units and the filling of vacant positions.

- Employee benefits represent Health and Welfare as well as pension benefits. The decrease of $2.9 million in employee benefits is due primarily to a decrease in pension expense.

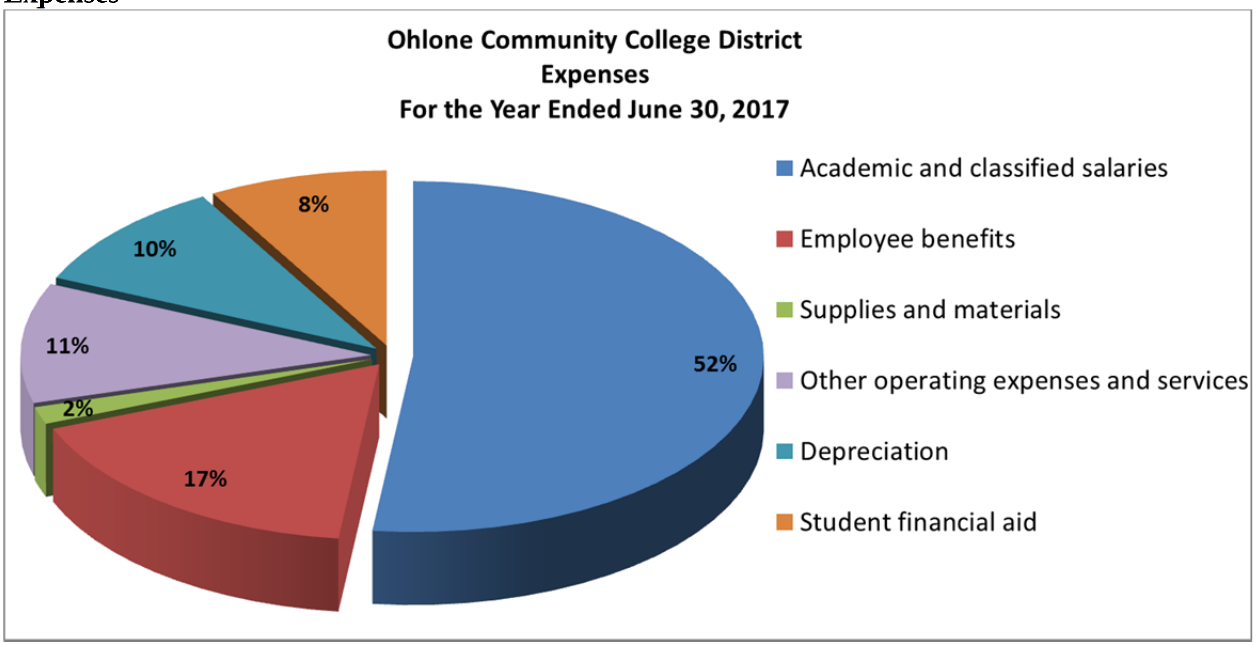
- The increase of about $600 thousand in other operating expenses and services is due to overall cost increases related to contract services, utilities, facilities maintenance, and capital projects.

- Financial aid to students was down by $487 thousand primarily due to a drop in student enrollment caused primarily by a strong job market in the Bay Area.

- Depreciation expense increased by about $500 thousand due to an increase in overall capital assets.

Total Operating Expenditures for the Year Ended	2017	2016	Change
Academic and classified salaries	$ 43,546,281	$ 41,400,954	$ 2,145,327
Employee benefits	14,392,838	17,262,047	(2,869,209)
Supplies and materials	1,337,795	1,046,731	291,064
Other operating expenses and services	9,287,685	8,687,064	600,621
Depreciation	8,479,636	7,983,864	495,772
Student financial aid	6,931,995	7,419,689	(487,694)
	$ 83,976,230	$ 83,800,349	$ 175,881

Expenses



Financial Aid

For the year ended June 30, 2017 and 2016, the following sources of student financial aid were disbursed:

	2017	2016	Change
Federal	$ 6,229,455	$ 6,836,106	$ (606,651)
State	667,584	517,905	149,679)
Local	62,750	76,571	(13,821)
	$ 6,959,789	$ 7,430,582	$ (470,793)

The Federal financial aid programs included Pell, SEOG, Direct Student Loans, and Federal Work Study programs. The State programs included full time student success and the Cal Grant Programs.

Economic Outlook and Factors Affecting Next Year's Budget

The 2017-18 State Budget focuses spending on State priorities such as education, counteracting the effects of poverty, and improving transportation infrastructure. The 2017 Budget Act continues to bolster the State's Rainy Day Fund and pay down debt and liabilities to counter the impacts of potential federal policy changes on the State and the end of the current economic expansion that has surpassed historical averages at approximately 8 years. The 2017 Budget Act includes $74.5 billion of Proposition 98 funding in 2017-18.

The 2017-2018 State budget includes 1% system wide enrollment growth compared to 2% in the prior year, which will be allocated through the new growth formula. The District's share is estimated to be .50%. However, the District does not assume any growth in its 2017-18 budget year due to flat or lower enrollment trends in recent past years. The State budget also includes a 1.56% COLA, which will help pay for rising operating costs including steps & columns increases and longevity as well as potential pay increases, if any, as a result of negotiation with the unions.

The State budget also provides a $183.6 million increase to the base allocation to cover escalating CalSTRS and CalPERS costs, which are expected to more than double by 2023-24 based on the new rates recently released by CalSTRS and CalPERS. The District plans to set aside its share of the 2015-16 and 2017-18 base increases, which cumulatively amount to about $4.6 million, to meet its CalPERS/CalSTRS and OPEB obligations through 2023-24.

The State budget also includes a 1.56% of COLA for categorical programs such as DSPS, EOPS, CalWorks and Child Care Program, as well as $40.7 million of one-time funding, which will help partially fund the District's one-time expenditures in the 2017-18 budget including the District's budget initiatives called Institutional Improvement Objectives (IIO).

In addition, the 2017-18 State budget includes $38.9 million for energy efficiency projects and $69.9 million for deferred maintenance and instructional equipment, which will help pay for maintaining the college facilities and classroom equipment.

As mentioned above, the District continues to align its budget with initiatives that support student learning and achievement. Therefore, the District plans to add two new full-time faculty positions in line with its strategic objectives. This will bring the total number of full-time faculty position to 132 in 2017-18.

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

OHLONE COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2017

ASSETS	Primary Institution	Foundation
Current assets:		
Cash and equivalents	$ 27,358,744	$ 445,735
Restricted cash and equivalents	159,569,313	
Restricted short-term investments	2,368,195	
Short-term investments		449,492
Accounts receivable, net	2,358,716	8,793
Current portion of pledges receivable		104,000
Prepaid expenses	665,882	240,561
Total current assets	192,320,850	1,248,581
Noncurrent assets:		
Restricted long-term investments	5,909,141	
Investments		3,240,048
Pledges receivable		33,000
Charitable remainder trust assets		766,641
Nondepreciable capital assets	178,066,890	
Depreciable capital assets, net	200,591,338	
Total noncurrent assets	384,567,369	4,039,689
TOTAL ASSETS	576,888,219	5,288,270
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred amount on debt refunding	9,201,015	
Deferred outflows of resources related to pensions	11,939,252	
TOTAL DEFERRED OUTFLOWS OF RESOURCES	21,140,267	
LIABILITIES		
Current liabilities:		
Accounts payable	9,941,291	5,862
Unearned revenue	5,499,982	
Interest payable	7,485,204	
Long-term liabilities due within one year	13,013,207	297,366
Total current liabilities	35,939,684	303,228
Noncurrent liabilities		
Long-term liabilities due in more than one year	425,020,336	400,807
Net pension liability	52,347,003	
Net OPEB liability	121,265	
Total noncurrent liabilities	477,488,604	400,807
TOTAL LIABILITIES	513,428,288	704,035
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows of resources related to pensions	3,919,715	
NET POSITION:		
Net investment in capital assets	82,699,913	
Restricted for:		
Nonexpendable-Scholarships		2,015,500
Capital projects	4,540,529	
Debt service	17,704,265	
Educational purposes	1,173,808	
Restricted by donors		2,353,058
Unrestricted (deficit)	(25,438,032)	215,677
TOTAL NET POSITION	$ 80,680,483	$ 4,584,235

OHLONE COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2017

	Primary Institution	Foundation
OPERATING REVENUES:		
Tuition and fees (gross)	$ 14,102,815	
Less: Scholarship discounts and allowances	(3,337,047)	
Net tuition and fees	10,765,768	
Grants, contracts, and donations, noncapital:		
Federal	1,297,423	
State	10,470,745	
Local	183,809	
Contributions and special event revenue		$ 598,083
TOTAL OPERATING REVENUES	22,717,745	598,083
OPERATING EXPENSES:		
Academic salaries	25,623,622	
Classified salaries	17,922,659	
Employee benefits	14,392,838	
Supplies and materials	1,337,796	
Depreciation	8,479,636	
Other operating expenses and services	9,287,685	576,407
Other payments to students	97,882	251,051
TOTAL OPERATING EXPENSES	77,142,118	827,458
OPERATING LOSS	(54,424,373)	(229,375)
NON-OPERATING REVENUES (EXPENSES):		
State apportionments, noncapital	10,873,228	
Education protection account	6,275,659	
Local property taxes	24,787,824	
State taxes and other revenues	2,839,446	
Financial aid revenues	6,124,034	
Financial aid expenses	(6,834,113)	
Investment income - noncapital	157,191	314,444
Other non-operating income	1,263,955	21,735
TOTAL NON-OPERATING REVENUES (EXPENSES)	45,487,224	336,179
GAIN (LOSS) BEFORE CAPITAL ACTIVITY	(8,937,149)	106,804
CAPITAL ACTIVITY		
State apportionments, capital	940,230	
Local property taxes and revenues, capital	20,149,091	
Investment income - capital	1,268,017	
Interest expense on capital asset-related debt	(4,605,836)	
INCREASE IN NET POSITION	8,814,353	106,804
NET POSITION -- BEGINNING OF YEAR	71,866,130	4,477,431
NET POSITION -- END OF YEAR	$ 80,680,483	$ 4,584,235

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

OHLONE COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2017

	Primary Institution
CASH FLOWS FROM OPERATING ACTIVITIES:	
Tuition and fees	$ 10,725,327
Federal grants and contracts	1,212,478
State grants and contracts	9,865,888
Local grants and contracts	(5,899)
Payments to suppliers	(9,808,094)
Payments to/on behalf of employees	(56,786,870)
Payments to/on behalf of students	194,015
Net cash used by operating activities	(44,603,155)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
State apportionments and receipts	10,122,860
Education protection account receipts	6,275,659
Local property tax receipts	24,787,824
State taxes and other revenues	2,839,446
Financial aid receipts	6,124,034
Financial aid disbursements	(6,834,113)
Other receipts (payments)	1,263,955
Net cash provided by noncapital financing activities	44,579,665
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
State apportionments for capital purposes	940,230
Purchases of capital assets	(61,673,035)
Principal paid on capital debt	(9,158,457)
Proceeds from issuance of capital debt	433,938
Investment earnings on capital investments	1,268,017
Interest paid on capital debt	(5,494,931)
Local property taxes and other revenues for capital purposes	20,149,091
Net cash used by capital and related financing activities	(53,535,147)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sales and maturities of investments	2,005,000
Investment income	558,308
Purchases of investments	(301,923)
Net cash provided by financing activities	2,261,385
NET DECREASE IN CASH AND EQUIVALENTS	(51,297,252)
CASH AND EQUIVALENTS -- BEGINNING OF YEAR	238,225,309
CASH AND EQUIVALENTS -- END OF YEAR	$ 186,928,057

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

OHLONE COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS (Continued)
YEAR ENDED JUNE 30, 2017

	Primary Institution
Reconciliation to Statement of Net Position:	
Cash and equivalents	$ 27,358,744
Restricted cash and equivalents	159,569,313
Total cash and equivalents	$ 186,928,057
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating loss	$ (54,424,373)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	8,479,636
Loss on disposal of capital assets	899,209
Changes in:	
Accounts receivable	(673,905)
Prepaid expenses	38,910
Deferred outflows of resources related to pensions	(3,278,626)
Accounts payable	45,217
Unearned revenue	26,724
Compensated absences	284,519
Net pension liability	4,913,927
Retiree benefits expense	(227,061)
Deferred inflows of resources related to pensions	(687,332)
Net cash used by operating activities	$ (44,603,155)
NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:	
Amortization of premium on capital debt	$ (2,104,151)
Bond proceeds paid directly to advance refund escrow agent	(79,546,989)

OHLONE COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2017

ASSETS:		
Current assets:		
Cash and equivalents	$	744,569
Short-term investments		92,488
Accounts receivable		87,243
Total current assets		924,300
Long-term investments		41,578
TOTAL ASSETS	$	965,878
LIABILITIES:		
Accounts payable	$	61,782
Unearned revenue		30,897
Amounts held in trust for others		873,199
TOTAL LIABILITIES	$	965,878

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

1. ORGANIZATION AND NATURE OF ACTIVITIES

Definition of the Reporting Entity – The Ohlone Community College District (the District) is the level of government primarily accountable for activities related to public education. The governing authority consists of elected officials who, together, constitute the Board of Trustees.

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). The District, based on its evaluation of these criteria, identified the Ohlone College Foundation (the Foundation) as a component unit.

Discretely Presented Component Unit – The Foundation was established as a legally separate non-profit entity to support the District and its students through fundraising activities. In addition, the Foundation develops and maintains student scholarships and trust accounts for the District students. Furthermore, the funds contributed by the Foundation to the District and its students are significant to the District's financial statements. Therefore, the District has classified the Foundation as a component unit that will be discretely presented in the District's annual financial statements. The separately audited financial statements of the Foundation may be obtained from the District.

2. SUMMARY OF 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 (AICPA).

Basis of Accounting – For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities. Accordingly, the District's financial statements have been presented using the 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 Colleges' *Budget and Accounting Manual*, which is consistent with GAAP.

In addition to the District's business-type activities, the District maintains a fiduciary fund. This fund accounts 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 fund:

Associated Student Government Fund – This fiduciary fund is the Associated Student Government Fund. The amounts reported for the Associated Student Government Fund represent funds held on behalf of students of the District under a formal trust agreement between the associated student government and the District.

Budgets and Budgetary Accounting – By State law, the District's governing board must approve a tentative budget no later than July 1st and adopt a final budget no later than September 15th of each year. A hearing must be conducted for public comments prior to adoption.

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 – In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Equivalents – For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

Investments – Investments are reported at fair value.

Restricted Cash, Cash Equivalents and Investments – Restricted cash, cash equivalents and investments are those amounts externally restricted as to use pursuant to the requirements of the District's grants, contracts, and debt service requirements.

Accounts Receivable – Accounts receivable consist of amounts due from federal, state and local governments, or private sources, in connection with reimbursement of allowable expenses based on a contract or agreement between the District and the funding source. Additionally, accounts receivable consist of tuition and fee charges to students. Accounts receivable is reported net of the allowance for uncollectible accounts. At June 30, 2017, an allowance for uncollectible accounts was $613,862.

Prepaid Expenses – Prepaid expenses consist of operating expenses for which payment is due in advance and are expensed when the benefit is received.

Capital Assets – Capital assets are recorded at cost at the date of acquisition. Donated capital assets are recorded at their estimated fair value at the date of donation. For equipment, the District's capitalization policy includes all items with a unit cost of $5,000 or more and an estimated useful life of greater than one year. Buildings, as well as renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized.

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend the asset's life is recorded in operating expense in the year in which the expense was incurred. Depreciation on all assets is provided on a straight-line basis over the following estimated useful lives:

Asset Class	Years
Improvement of Sites	10
Buildings	50
Equipment and Vehicles	8
Technology	3

Unearned Revenue – Unearned revenues include amounts received for tuition and fees prior to the end of the fiscal year, but related to the subsequent accounting period. Unearned revenues also include amounts received from grants, contracts, and certain categorical programs that have not yet been earned.

Compensated Absences – Employee vacation pay is accrued at year-end for financial statement purposes based on vacation time accrued and current pay rates. The liability and expense incurred are recorded at year-end as compensated absences in the statement of net position 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.

Deferred Outflows/Deferred Inflows of Resources – In addition to assets and liabilities, the statement of net position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of resources that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Conversely, deferred inflows of resources represent an acquisition of resources that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

The District's deferred amount on debt refunding, resulting from the difference in the carrying value and reacquisition price of the refunded debt, is reported as deferred outflows of resources and is amortized over the shorter of the life of the refunded debt or refunding bond.

Contributions made to the District's pension plan(s) after the measurement date but before the fiscal year-end are recorded as a deferred outflow of resources and will reduce the net pension liability in the next fiscal year.

Additional factors involved in the calculation of the District's pension expense and net pension liability include the differences between expected and actual experience, changes in assumptions, differences between projected and actual investment earnings, changes in proportion, and differences between the District's contributions and proportionate share of contributions. These factors are recorded as deferred outflows and inflows of resources and amortized over various periods. See Note 7 for further details related to these pension deferred outflows and inflows.

Pensions – 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 Plan (the CalSTRS Plan), and classified employees are members of the Schools Pool (the CalPERS Plan), collectively referred to as the Plans. For purposes of measuring the net pension liability, pension expense, and deferred outflows/inflows of resources related to pensions, information about the fiduciary net position of the District's portions of the Plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position – The District's net position is classified as follows:

- Net investment in capital assets – 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 net investment in capital assets.

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

- Unrestricted net position (deficit) – Unrestricted net position (deficit) represents 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. Unrestricted net position includes amounts internally designated for District obligations.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

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; (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, 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 revenues, expenses, and changes in net position. The District offers Board of Governor's (BOG) grants 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.

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 bills and collects the taxes for the District. Tax revenues are recognized by the District when received.

Future Accounting Pronouncements – In June of 2015, the GASB issued GASB Statement 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, with required implementation for the District during the year ended June 30, 2018. The primary objective of GASB 75 is to improve accounting and financial reporting by state and local governments for other postemployment benefits (OPEB) by establishing standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. It will require employers to report a net OPEB liability for the difference between the present value of projected pension benefits for past service and restricted resources held in trust for the payment of benefits. The Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. GASB 75 is required to be implemented retroactively and will require a restatement of beginning net position.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

The District's cash, cash equivalents and investments as of June 30, 2017, are classified in the accompanying financial statements as follows:

Statement of Net Position of the Primary Government:	
Cash and equivalents	$ 27,358,744
Restricted cash and equivalents	159,569,313
Restricted short-term investments	2,368,195
Restricted long-term investments	5,909,141
Statement of Fiduciary Net Position:	
Cash and equivalents	744,569
Short-term investments	92,488
Long-term investments	41,578
Total cash, cash equivalents and investments	$ 196,084,028

Cash, cash equivalents and investments as of June 30, 2017, consist of the following:

Cash and equivalents:	
Cash and equivalents in County Treasury	$ 182,362,756
Deposits with financial institutions	5,305,384
Cash on hand	4,486
Investments:	
U.S Municipal Securities	8,411,402
Total cash, cash equivalents and investments	$ 196,084,028

Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Alameda County Treasury (County Treasury). The County 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.

Participants' equity in the County Treasury 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 County Treasury is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq., and is restricted by Government Code Section 53635, pursuant to Section 53601. The funds maintained by the Treasury are either secured by federal depository insurance or are collateralized.

Investments Authorized by the District's Investment Policy

The table below identifies the investment types authorized for the entity by the District's investment policy. This table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds or Notes	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State Obligations – CA and Others	5 years	None	None
CA Local Agency Obligations	5 years	None	None
U.S. Agency Obligations	5 years	None	None
Bankers' Acceptance	180 days	40%	None
Commercial Paper (pooled and non-pooled)	270 days	25% or 40%	10%
Negotiable Certificates of Deposits	5 years	30%	None
Non-negotiable Certificates of Deposits	5 years	None	None
Deposit Placement Services	5 years	30%	None
CD Placement Services	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 & Money Market Mutual Funds	N/A	20%	10%
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-through Securities	5 years	20%	None
Joint Powers Authority Pool	N/A	None	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Funds (LAIF)	N/A	None	None
Voluntary Investment Program Fund	N/A	None	None
Supranational Obligations	5 years	30%	None

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements rather than the general provisions of the California Government Code.

Derivative Investments

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

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. As of June 30, 2017, the weighted average maturity of the investments contained in the County Treasury is approximately 393 days.

The schedule of maturities of investments at June 30, 2017 is as follows:

		Maturity (in Years)	
Investment Type	**Fair Value**	**< 1**	**1-5**
U.S Municipal Securities	$ 8,411,402	$ 2,460,683	$ 5,950,719

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.

The investments are rated by S&P as follows at June 30, 2017:

		Rating			
Investment Type	**Fair Value**	**AA+**	**AA**	**AA-**	**Not Rated**
U.S Municipal Securities	$ 8,411,402	$ 652,920	$ 6,065,249	$ 1,392,927	$ 300,306

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 a 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.

As of June 30, 2017, the District deposits held with financial institutions in excess of depository insurance limits held in accounts collateralized by securities held by the pledging financial institution were $2,133,330.

Fair Value Measurement

The framework for measuring fair value provides a fair value hierarchy that categorizes the inputs to valuation techniques used to measure fair value into three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs rather than quoted prices included within Level 1, which are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs. The County Treasury pooled investments are subject to the fair value requirement; however, they are not subject to the fair value hierarchy. U.S. Municipal Securities of $8,411,402 are classified as Level 2 of the fair value hierarchy because they are valued using a matrix pricing model.

4. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2017:

Statement of Net Position of the Primary Government		
Federal grants and contracts	$	549,522
State grants, contracts and general apportionment		1,726,502
Local grants, contracts and students		82,692
Total	$	2,358,716
Statement of Fiduciary Net Position:		
Local sources	$	87,243
Total	$	87,243

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions/ Transfers	Deductions/ Transfers	Balance June 30, 2017
Capital assets, not being depreciated:				
Land	$ 36,116,441			$ 36,116,441
Construction in progress	96,519,171	$ 61,123,916	$(15,692,638)	141,950,449
Total capital assets, not being depreciated	132,635,612	61,123,916	(15,692,638)	178,066,890
Capital assets, being depreciated:				
Improvement of sites	11,712,188	15,742,292		27,454,480
Buildings	198,848,242			198,848,242
Furniture and equipment	47,292,101	1,927,298	(528,037)	48,691,362
Total capital assets, being depreciated	257,852,531	17,669,590	(528,037)	274,994,084
Less accumulated depreciation for:				
Improvement of sites	(1,298,035)	(1,086,868)		(2,384,903)
Buildings	(42,135,697)	(4,725,232)		(46,860,929)
Furniture and equipment	(23,017,415)	(2,667,536)	528,037	(25,156,914)
Total accumulated depreciation	(66,451,147)	(8,479,636)	528,037	(74,402,746)
Total capital assets, being depreciated, net	191,401,384	9,189,954		200,591,338
Total capital assets, net	$ 324,036,996	$ 70,313,870	$(15,692,638)	$ 378,658,228

6. LONG TERM OBLIGATIONS

Election 2002 General Obligation Bonds Outstanding

In August 2005, the District issued Election 2002 General Obligation Bonds, Series B in the amount of $110,000,000, which consisted of $47,820,000 Serial Bonds (2002 Serial Issue) and $10,665,000 Capital Appreciation Bonds (2002 CAB Issue) with interest rates ranging from 3.00% to 5.00%. As of June 30, 2017, the 2002 CAB Issue principal balance outstanding was $5,502,970. In September 2012, the District issued the 2012 General Obligation Refunding Bonds (2012 Refunding Issue) in the amount of $94,070,000, with interest rates ranging from 1.50% to 5.00%, to advance refund the 2002 Serial Issue. As of June 30, 2017, the 2012 Issue principal balance outstanding was $92,630,000.

In August 2010, the District issued the 2010 General Obligation Refunding Bonds in the amount of $23,680,000, with interest rates ranging from 2.00% to 4.50%, to advance refund a portion of the District's outstanding Fremont-Newark Community College District Election of 2002 General Obligation Bonds, Series A. As of June 30, 2017, the principal balance outstanding was $16,475,000.

Election 2010 General Obligation Bonds Outstanding

In October 2011, the District issued Election of 2010 General Obligation Bonds, Series A General Obligation Bonds (2011 Series A) in the amount of $70,000,000, with interest rates ranging from 2.00% to 5.00%. During the fiscal year ended June 30, 2017, the 2011 Series A was paid off.

In October 2011, the District issued Election of 2010 General Obligation Bonds, Series A-1 General Obligation Bonds (2011 Series A-1) in the amount of $10,000,000, with interest rates ranging from 2.00% to 5.00%. During the fiscal year ended June 30, 2017, the 2011 Series A-1 was partially refunded and the principal balance outstanding was $1,060,000 at June 30, 2017.

In September 2014, the District issued Election of 2010 General Obligation Bonds, Series B General Obligation Bonds in the amount of $74,995,430, with interest rates ranging from 1.00% to 4.910%. As of June 30, 2017, the principal balance outstanding was $61,770,430.

In May, 2016, the District issued Election of 2010 General Obligation Bonds, Services C General Obligation Bonds in the amount of $155,000,000, with interest rates ranging from 2.00% and 5.00%. As of June 30, 2017, the principal balance outstanding was $152,200,000.

In August 2016, the District issued 2016 General Obligation Refunding Bonds (2016 Refunding Issue) in the amount of $68,495,000, with interest rates ranging from 2% to 5%, to advance refund the 2011 Series A and partially advance refund the 2011 Issue Series A-1. The District completed the refunding to reduce debt service payments by $11,144,180 and obtain an economic gain (difference between the present value of the old and new debt service payments) of approximately $5.3 million in aggregate. The District defeased the bonds by placing proceeds of the 2016 Refunding Issue in an irrevocable escrow account to provide for future debt service; accordingly the assets and liabilities for the defeased bonds are not included in the Statement of Net Position. The Escrow Agent will pay the debt services requirements of the defeased bonds on each scheduled payment date through and including August 1, 2021 and will redeem the defeased bonds, at a redemption price equal to 100% of par, on August 1, 2021, which is the first optional redemption date. As of June 30, 2017 the 2016 Issue principal balance outstanding was $68,495,000.

The annual requirements to amortize the general obligation bonds are as follows:

Year Ending June 30, 2017	Principal	Interest	Total
2018	$ 9,701,993	$ 16,630,632	$ 26,332,625
2019	10,483,007	16,598,168	27,081,175
2020	3,747,970	16,678,830	20,426,800
2021	6,040,000	14,767,125	20,807,125
2022	6,800,000	14,507,925	21,307,925
2023-2027	47,825,000	66,612,150	114,437,150
2028-2032	80,146,959	53,457,529	133,604,488
2033-2037	48,725,911	47,009,238	95,735,149
2038-2042	80,807,560	35,701,390	116,508,950
2043-2046	103,855,000	8,732,100	112,587,100
Totals	$ 398,133,400	$290,695,087	$ 688,828,487

A schedule of changes in long-term obligations for the year ended June 30, 2017 is shown below:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
General obligation bonds	$ 405,166,857	$ 68,495,000	$ 75,528,457	$ 398,133,400	$ 9,701,993
Premium on bonds	28,993,346	11,485,927	5,714,742	34,764,531	2,144,032
Compensated absences	1,098,968	284,519		1,383,487	326,489
Accreted interest	4,238,697	464,971	957,543	3,752,125	840,693
Totals	$ 439,497,868	$ 80,730,417	$ 82,200,742	$ 438,033,543	$ 13,013,207

7. RETIREMENT PLANS

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District participates in the State Teachers' Retirement Plan (the CalSTRS Plan), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. CalSTRS acts as a common investment and administrative agent for participating public entities within the State of California. CalSTRS issues a publicly available financial report that includes financial statements and required supplementary information for this plan. This report is available online at www.calstrs.com.

Benefits Provided

The benefits for the CalSTRS Plan are established by contract, in accordance with the provisions of the State Teachers' Retirement Law. Benefits are based on members' years of service, age, final compensation, and a benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The California Public Employees' Pension Reform Act of 2013 (PEPRA) made significant changes to the benefit structure that primarily affect members first hired to perform CalSTRS creditable activities on or after January 1, 2013. As a result of PEPRA, the CalSTRS Plan has two benefit structures: 1) CalSTRS 2% at 60 – Members first hired on or before December 31, 2012, to perform CalSTRS creditable activities, and 2) CalSTRS 2% at 62 – Members first hired on or after January 1, 2013, to perform CalSTRS creditable activities. The 2 percent, also known as the age factor, refers to the percentage of final compensation received as a retirement benefit for each year of service credit. To be eligible for 2% service retirement, members hired prior to January 1, 2013, must be at least age 60 with a minimum of five years of CalSTRS-credited service, while members hired after January 1, 2013, must be at least age 62 with five years of service.

Contributions

Assembly Bill 1469 (AB 1469), signed into law as a part of the State of California's (the State) 2014-15 budget, increases contributions to the CalSTRS Plan from members, employers, and the State over the next seven years, effective July 1, 2014. School employer contributions will increase from 8.25% to a total of 19.10% of covered payroll over the seven-year period. The District's required contribution rate for the year ended June 30, 2017, was 12.58% of annual pay. District contributions to the CalSTRS Plan were $2,304,620 for the year ended June 30, 2017.

The State contributes a percentage of the annual earnings of all members of the CalSTRS Plan. AB 1469 increases the State's contribution attributable to the benefits in effect in 1990, but does not change the base rate of 2.017%. In accordance with AB 1469, the portion of the state appropriation under Education Code Sections 22955(b) that is in addition to the base rate has been replaced by section 22955.1(b) in order to fully fund the benefits in effect as of 1990 by 2046. The additional state contribution increased from 1.437% in 2014-15 to 4.311% in 2016-17. The increased contributions end as of fiscal year 2046-47. The State contribution rate for the period ended June 30, 2017, was 8.828% of the District's 2014-15 creditable CalSTRS compensation.

Actuarial Assumptions

The total pension liability for the CalSTRS Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to the measurement date of June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Investment Rate of Return(1)	7.60%
Mortality(2)	CalSTRS' Membership Data 2% simple for DB (Annually) Maintain 85% purchasing power Level for DB
Post-Retirement Benefit Increase	Not applicable for DBS /CBB

(1) Net of investment expenses, but gross of administrative expenses.
(2) CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are adjusted to fit CalSTRS specific experience through June 30, 2015. See CalSTRS July 1, 2006 – June 30, 2010 Experience Analysis and June 30, 2015 Actuary Program Valuations for more information.

Discount Rate

The discount rate used to measure the CalSTRS Plan's total pension liability was 7.60%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60%) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the CalSTRS Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS' general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the board on 2012 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2016, are summarized in the following table:

Asset Class	**Assumed Asset Allocation**	**Long-Term * Expected Real Rate of Return**
Global Equity	47.00%	6.30%
Fixed Income	12.00%	0.30%
Real Estate	13.00%	5.20%
Private Equity	13.00%	9.30%
Absolute Return / Risk Mitigating Strategies	9.00%	2.90%
Inflation Sensitive	4.00%	3.80%
Cash / Liquidity	2.00%	-1.00%
Total	100.00%	

*20-year geometric average

California Public Employees' Retirement System (CalPERS)

Plan Description

The District participates in the Schools Pool (the CalPERS Plan), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. CalPERS issues a publicly available financial report that includes financial statements and required supplementary information for this plan. This report is available online at www.calpers.ca.gov.

Benefits Provided

The benefits for the CalPERS Plan are established by contract, in accordance with the provisions of the California Public Employees' Retirement Law (PERL). The benefits are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. PEPRA made significant changes to the benefit structure that primarily affect members first hired to perform CalPERS creditable activities on or after January 1, 2013. As a result of PEPRA, the CalPERS Plan has two benefit structures: 1) CalPERS 2% at 55 – Members first hired on or before December 31, 2012, to perform CalPERS creditable activities, and 2) CalPERS 2% at 62 – Members first hired on or after January 1, 2013, to perform CalPERS creditable activities. To be eligible for service retirement, members hired prior to January 1, 2013, must be at least age 50 with a minimum of five years of CalPERS-credited service, while members hired after January 1, 2013, must be at least age 52 with a minimum of five years of CalPERS-credited service.

Contributions

Section 20814(c) of the PERL requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Contribution rates for the CalPERS Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The CalPERS Plan's actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District's required contribution rate for the year ended June 30, 2017, was 13.888% of annual pay. District contributions to the CalPERS Plan were $2,292,421 for the year ended June 30, 2017.

Actuarial Assumptions

For the measurement period ended June 30, 2016 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2015 total pension liability. The June 30, 2016 total pension liability amounts were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases[1]	Varies
Investment Rate of Return[2]	7.65%
Mortality[3]	CalPERS' Membership Data
Post-Retirement Benefit Increase[4]	Up to 2.75%

[1] Depending on age and service
[2] Net of pension plan investment; includes inflation
[3] The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, refer to the April 2014 experience study report.
[4] Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

All other actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates.

Discount Rate

The discount rate used to measure the total pension liability was 7.65% for the CalPERS Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, the amortization and smoothing periods recently adopted by the Board were used. A projection of expected benefit payments and contributions was performed for the Plan to determine if the assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the CalPERS Plan. The results of the crossover testing for the CalPERS Plan are presented in a detailed report that can be obtained from the CalPERS' website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class	New Strategic Allocation	Real Return Years 1 – 10[(a)]	Real Return Years 11+[(b)]
Global Equity	51.00%	5.25%	5.71%
Global Debt Securities	20.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%
Total	100.00%		

[(a)] An expected inflation of 2.5% was used for this period.
[(b)] An expected inflation of 3.0% was used for this period.

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2017, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for the State's pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability:	
CalSTRS Plan	$ 25,881,920
CalPERS Plan	26,465,083
Total District Net Pension Liability	52,347,003
State's proportionate share of CalSTRS net pension liability associated with the District	14,961,744
Total	$ 67,308,747

The District's net pension liability is measured as the proportionate share of each Plan's net pension liability. The net pension liabilities of the Plans are measured as of June 30, 2016, and calculated by reducing the total pension liability of each Plan by the respective Plan's fiduciary net position. The District's proportion of each Plan's net pension liability was based on the ratio of the District's actual employer contributions in the measurement period to the total actual employer and State contributions received by the respective Plan in the measurement period. The District's proportionate share of the net pension liability as of June 30, 2016, was 0.032% and 0.1340% for the CalSTRS and CalPERS Plans, respectively, which was a decrease of 0.008% and 0.0051%, respectively, from its proportion measured as of June 30, 2015 for CalSTRS and CalPERS Plans, respectively.

For the year ended June 30, 2017, the District recognized pension expense of $6,994,278 and revenue of $1,449,268 for support provided by the State. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,138,252	$ (631,360)
Changes in assumptions		(795,118)
Changes in proportion		(2,492,186)
Change in proportionate share of contributions	39,829	(1,051)
Net differences between projected and actual investment earnings of pension plan investments	6,164,130	
District contributions subsequent to measurement date	4,597,041	
Total	$ 11,939,252	$ (3,919,715)

The $4,597,041 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2018	$ 218,807
2019	219,774
2020	2,692,731
2021	1,514,170
2022	(329,370)
Thereafter	(893,615)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability of the Plans as of the measurement date, calculated using the discount rate, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	Discount Rate –1% (6.60%)	Current Discount Rate (7.60%)	Discount Rate +1% (8.60%)
District's proportionate share of the CalSTRS Plan's net pension liability	$ 37,249,920	$ 25,881,920	$ 16,440, 320

	Discount Rate –1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate +1% (8.65%)
District's proportionate share of the CalPERS Plan's net pension liability	$ 39,486,051	$ 26,465,083	$ 15,622,565

Defined Contribution Plan

The District offers part-time employees a defined contribution retirement plan. The Cash Balance Benefit Program (the Cash Balance Plan) for employees of California's public schools, sponsored by CalSTRS. Eligibility is determined by CalSTRS and retirement benefits are based on an amount equal to the balance of the participant's account, including interest earned on contributions, payable as either a lump-sum distribution or an annuity for balances over $3,500. Participants have an immediate vested right to their benefits and no annual maintenance fees are allocated to the Cash Balance Plan.

The Cash Balance Plan requires contributions from the eligible members and from the District. Currently, the faculty members' and the District's required contributions are 4% of gross salary. During the fiscal year ended June 30, 2017, employees and the District each contributed $220,454 to the Cash Balance Plan.

8. OTHER POSTEMPLOYMENT BENEFITS PLAN

In addition to the pension benefits described in Note 7, the District provides other postemployment health, dental, and vision care benefits for eligible retired employees and their dependents in accordance with negotiated contracts with the various bargaining units of the District.

The District currently provides eligible academic, classified, classified leadership, and administrators and their dependents health, dental, and vision benefits until retirees reach age 65. Eligibility requirements vary by employee classification. All participants must have a minimum service of 10 years and minimum required hours of 75% FTE. In addition, classified employees must be at least 60 years of age; and classified leadership, administrators and academic employees must retire under PERS or STRS. The District also pays for retiree only Medicare supplemental coverage for academic, classified leadership and administrative retirees beyond age 65.

The District administers a single-employer defined benefit healthcare plan (the Plan). The District, through its authorized Retirement Board of Authority, established the Futuris Public Entity Investment Trust (Investment Trust). The Investment Trust is used for the purposes of investment and disbursement of funds irrevocably designated by the District to fund future retiree benefits. The District provides benefits on a pay-as-you-go basis, and also makes contributions to the Investment Trust. The contribution requirements of plan members and the District are established and may be amended by the Board and by contractual agreement with employee groups. The District's plan members are not required to contribute to the plan. The financial activity of the Investment Trust can be obtained from the District.

The District's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimations are made about the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation. The schedule of funding progress included in the required supplementary information presents multiyear information regarding whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial cost method	Entry age normal
Amortization methods	Closed 30 year amortization period for the initial UAAL, level percent Open 20 year amortization period for residual UAAL, level percent
Actuarial value of assets	Market value
Inflation rate assumption	2.75%
Investment return/discount rate assumption	6.00%
Medical trend assumption	4.00%
Payroll increase assumption	2.75%

Annual required contribution	$ 427,461
Interest on net OPEB obligation	20,770
Adjustment for current payroll data as per actuary	(23,767)
Annual OPEB expense	424,464
Contributions to the Investment Trust	(348,326)
Benefit payments	(303,199)
Total contributions	(651,525)
Decrease in the OPEB obligation	(227,061)
Net OPEB obligation at July 1, 2016	348,326
Net OPEB obligation at June 30, 2017	$ 121,265

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for June 30, 2017, and the preceding two years were as follows:

Fiscal Year Ended June 30,	Annual OPEB expense	% of Annual OPEB expense contributed	Net OPEB obligation
2015	$ 624,285	121%	$ 315,215
2016	$ 641,001	95%	$ 348,326
2017	$ 424,464	153%	$ 121,265

Funded Status and Funding Progress

The funded status of the plan as of the most recent valuation date, February 1, 2017, was as follows:

Actuarial accrued liability (AAL)	$ 5,551,504
Actuarial value of plan assets	4,072,712
Unfunded actuarial accrued liability (UAAL)	$ 1,478,792
Funded ratio (actuarial value of plan assets / AAL)	73%
Covered payroll (active plan members)	$ 30,472,261
UAAL as a percentage of covered payroll	5%

9. JOINT POWERS AUTHORITIES AGREEMENTS

The District is a participant in the Bay Area Community College Districts (BACCD). BACCD is a joint powers authority (JPA) created to provide services and other items necessary and appropriate for the establishment, operation, and maintenance of a self-insurance system for property and liability claims for public educational agencies, which are parties thereto. Should excess liability claims exceed amounts funded to BACCD by all participants, the District may be required to provide additional funding.

NATURE OF PARTICIPATION

Property

District Deductible:	$10,000
JPA's Coverage:	$10,001 to $250,000 with BACCD
Excess Insurance:	$250,000 to $7,500,000 with SWACC
	$7,500,001 to $250,250,000 with SAFER

Liability

District Deductible:	$10,000
JPA's Coverage:	$10,000 to $100,000 with BACCD
Excess Insurance:	$100,001 to $1,000,000 with SWACC
	$10,000,001 to $50,000,000 with SAFER

The JPA is independently accountable for its fiscal matters and is not a component of the District for financial reporting purposes. Condensed financial information for the JPA as of June 30, 2017 is as follows:

	June 30, 2017 BACCD
Total Assets	$ 8,515,424
Total Liabilities	(3,271,912)
Net Position	$ 5,243,512
Total Revenues	$ 3,910,530
Total Expenses	(4,565,535)
Net Decrease in Net Position	$ (655,005)

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 that any required reimbursement will not be material.

Litigation

The District is a defendant in various pending liability lawsuits arising in the ordinary course of business. The outcome of the litigation is unknown at the present time, however, in the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the District's financial statements.

Construction Commitments

As of June 30, 2017, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately $93,000,000. Projects will be funded by local bond financing.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

OHLONE COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS
YEAR ENDED JUNE 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b – a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b – a] / c)
2/1/2013	$ 2,099,142	$ 7,250,590	$ 5,151,448	29%	$ 26,671,869	19%
2/1/2015	$ 3,311,595	$ 7,381,848	$ 4,070,253	45%	$ 26,952,040	15%
2/1/2017	$ 4,072,712	$ 5,551,504	$ 1,478,792	73%	$ 30,472,261	5%

OHLONE COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS OF JUNE 30, 2017 LAST 10 YEARS*

CalSTRS Plan

	Measurement Date		
	2016	2015	2014
District's proportion of the net pension liability	0.032%	0.040%	0.034%
District's proportionate share of the net pension liability	$ 25,881,920	$ 26,929,599	$ 19,868 580
State's proportionate share of the net pension liability associated with the District	14,961,744	14,117,331	15,692,586
Total	$ 40,843,664	$ 41,046,930	$ 35,561,166
District's covered-employee payroll	$ 16,669,295	$ 15,912,727	$ 15,219,155
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	155%	169%	131%
Plan fiduciary net position as a percentage of the total pension liability	70%	74%	77%

Notes to Schedule:

Change of benefit terms – There were no changes to the benefit terms.

Changes in assumptions – There were no changes in assumptions.

* Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

OHLONE COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS OF JUNE 30, 2017 LAST 10 YEARS*

CalPERS Plan

	Measurement Date		
	2016	2015	2014
District's proportion of the net pension liability	0.1340%	0.1391%	0.1386%
District's proportionate share of the net pension liability	$ 26,465,083	$ 20,503,477	$ 15,734,475
District's covered-employee payroll	$ 16,061,460	$ 15,388,831	$ 14,626,655
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	165%	133%	108%
Plan fiduciary net position as a percentage of the total pension liability	74%	79%	83%

Notes to Schedule:

Change of benefit terms – There were no changes to the benefit terms.

Changes in assumptions – For the measurement date ended June 30, 2015, the discount rate changed from 7.50% (net of administrative expenses in 2014) to 7.65% to correct an adjustment which previously reduced the discount rate for administrative expenses. For the measurement dates ended June 30, 2016 and 2014, there were no changes in assumptions.

* Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

OHLONE COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
AS OF JUNE 30, 2017
LAST 10 YEARS*

CalSTRS Plan

	Fiscal Year		
	2017	**2016**	**2015**
Contractually required contribution (actuarially determined)	$ 2,304,620	$ 1,783,950	$ 2,712,205
Contributions in relation to the contractually required contributions	(2,304,620)	(1,783,950)	(2,712,205)
Contribution deficiency (excess)	$	$	$
District's covered-employee payroll	$ 18,424,504	$ 16,669,294	$ 15,912,727
Contributions as a percentage of covered-employee payroll	12.50%	10.70%	17.04%

* Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

OHLONE COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
AS OF JUNE 30, 2017
LAST 10 YEARS*

CalPERS Plan

	Fiscal Year		
	2017	**2016**	**2015**
Contractually required contribution (actuarially determined)	$ 2,292,421	$ 1,902,778	$ 2,877,394
Contributions in relation to the contractually required contributions	(2,292,421)	(1,902,778)	(2,877,394)
Contribution deficiency (excess)	$	$	$
District's covered-employee payroll	$ 16,573,023	$ 16,061,462	$ 15,388,833
Contributions as a percentage of covered-employee payroll	13.8%	11.8%	18.7%

* Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

SUPPLEMENTARY INFORMATION SECTION

OHLONE COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Identifying Number	Program Expenditures
U.S. Department of Education:			
Student Financial Assistance Programs Cluster:			
Pell Grant Program	84.063	N/A	$ 5,500,918
Supplemental Educational Opportunity Grant Program	84.007	N/A	90,855
Federal Work-Study Program	84.033	N/A	97,398
Direct Student Loan Program	84.268	N/A	531,871
Subtotal Student Financial Assistance Programs Cluster			6,221,042
Passed Through California Community Colleges Chancellor's Office (CCCCO):			
Rehabilitation Training - Continuing Education	84.264	22572	195,715
Career and Technical Education:			
Career and Technical Education - Title II-C	84.048	03-C01-061	29,786
Career and Technical Education - Title II-E	84.048	00-021-23	128,105
Subtotal Career and Technical Education			157,891
Total U.S. Department of Education			6,574,648
U.S. Department of Health and Human Services:			
Passed Through CCCCO:			
Temporary Assistance to Needy Families (TANF)	93.558	N/A	32,067
Substance Abuse and Mental Health Services Project	93.243	N/A	100,869
Total U.S. Department of Health and Human Services			132,936
U.S. Department of Labor			
Passed Through Alameda County Workforce:			
WIA/WIOA Adult Program	17.258	C95-0263-0931	740,175
H-1B Job Training Grants	17.268	N/A	13,023
Subtotal for Passed Through Alameda County Workforce			753,198
Total U.S. Department of Labor			753,198
Total Expenditures of Federal Awards			$ 7,460,782

See the accompanying notes to supplemental information.

OHLONE COMMUNITY COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2017

	Entitlements	Program Revenues				
Program Title	Current Year	Unearned Revenue and Cash Received	Accounts Receivable	Unearned/ Payables	Total	Program Expenditures
AB86 Adult Education Block Grant	$ 750,000	$ 583,140		$ 146,221	$ 436,919	$ 436,919
Adult Education Block Grant II	3,933,260	3,933,260		235,249	3,698,011	3,698,011
Basic Skills	103,317	144,742		28,689	116,053	116,053
Basic Skills K-20	997,196	800,000		65,337	734,663	734,663
Cal Grant	514,000	523,958			523,958	523,958
Calworks	149,265	149,257			149,257	149,257
Child Development Consortium		10,542		699	9,843	9,843
Cooperative Agency Resource Education	55,584	55,584		806	54,778	54,778
CTE Data Unlocked	50,000	50,000		50,000		
Deferred Maintenance	650,607	650,607		295,417	355,190	355,190
Deputy Sector Navigator/EWE		(35,385)	$ 234,420		199,035	199,035
Disabled Student Program and Services	2,023,014	2,088,317		65,284	2,023,033	2,023,033
DNS-CTE	100,000	68,541	45,407		113,948	113,948
Enroll Fee Admin (2%)	75,421	75,421			75,421	75,421
Extended Opportunity Program and Services	387,258	382,711			382,711	382,711
Equal Employment Opportunity	60,000	60,489			60,489	60,489
Full Time Student Success	142,311	143,626			143,626	143,626
Instructional Equipment (On-going)	625,911	728,677		168,304	560,373	560,373
Nursing Education	114,000	104,880		1,961	102,919	102,919
On-Behalf Payment		74,752			74,752	74,752
Part time Faculty Compensation	195,682	197,608			197,608	197,608
Prop 39 Project	289,623	275,388		37,299	238,089	238,089
Strong Workforce Program	666,609	666,609		565,411	101,198	101,198
Student Success (Credit)	1,726,797	2,495,976		487,164	2,008,812	2,008,812
Student Success (Equity)	604,172	977,196		285,949	691,247	691,247
Student Financial Aid Administration	268,969	268,969			268,969	268,969
SVETP	570,000	62,080	120,927		183,007	183,007
Transfer & Articulation		4,580		2,308	2,272	2,272
Total	$ 15,052,996	$ 15,541,525	$ 400,754	$ 2,436,098	$ 13,506,181	$ 13,506,181

See the accompanying notes to supplemental information.

OHLONE COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT
ANNUAL (ACTUAL) ATTENDANCE
YEAR ENDED JUNE 30, 2017

STATE GENERAL APPORTIONMENT

The Full-Time Equivalent Students (FTES) eligibility for 2016-17 State apportionment reported to the State of California as of June 30, 2017, are summarized below:

Categories	Reported Data	Audit Adjustments	Revised Data
A. Summer Intersession (Summer 2016 Only)			
1. Noncredit	0.00	0.00	0.00
2. Credit	780.64	0.00	780.64
B. Summer Intersession (Summer 2017 – Prior to July 1, 2017)			
1. Noncredit	0.00	0.00	0.00
2. Credit	592.51	0.00	592.51
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses:			
(a) Weekly Census Contact Hours	4,316.25	0.00	4,316.25
(b) Daily Census Contact Hours	228.00	0.00	228.00
2. Actual Hours of Attendance Courses:			
(a) Noncredit	0.00	0.00	0.00
(b) Credit	763.19	0.00	763.19
3. Alternative Attendance Accounting Procedure Courses:			
(a) Weekly Census Procedure Courses	1,812.06	0.00	1,812.06
(b) Daily Census Procedure Courses	439.64	0.00	439.64
(c) Noncredit Independent Study	0.00	0.00	0.00
D. Total Full-Time Equivalent Students	8,932.29	0.00	8,932.29
Supplemental Information			
E. In-service Training Courses (FTES)	318.00	0.00	318.00
F. Basic Skills Courses and Immigrant Education (FTES)			
(a) Noncredit	0.00	0.00	0.00
(b) Credit	596.87	0.00	596.87
CCFS 320 Addendum			
CDCP Noncredit FTES	0.00	0.00	0.00
Centers FTES			
(a) Noncredit	0.00	0.00	0.00
(b) Credit	4,236.64	0.00	4,236.64

See the accompanying notes to supplemental information.

OHLONE COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION
YEAR ENDED JUNE 30, 2017

		Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
ACADEMIC SALARIES							
Instructional Salaries:							
Contract or Regular	1100	$ 10,419,977		$ 10,419,977	$ 10,419,977		$ 10,419,977
Other	1300	8,455,359		8,455,359	8,455,359		8,455,359
Total Instructional Salaries		18,875,336		18,875,336	18,875,336		18,875,336
Non-Instructional Salaries:							
Contract or Regular	1200				4,050,958		4,050,958
Other	1400				359,441		359,441
Total Non-Instructional Salaries					4,410,399		4,410,399
Total Academic Salaries		18,875,336		18,875,336	23,285,735		23,285,735
CLASSIFIED SALARIES							
Non-Instructional Salaries:							
Regular Status	2100				9,088,770		9,088,770
Other	2300				775,582		775,582
Total Non-Instructional Salaries					9,864,352		9,864,352
Instructional Aides:							
Regular Status	2200	1,590,325		1,590,325	1,590,325		1,590,325
Other	2400	309,932		309,932	309,932		309,932
Total Instructional Aides		1,900,257		1,900,257	1,900,257		1,900,257
Total Classified Salaries		1,900,257		1,900,257	11,764,609		11,764,609
Employee Benefits	3000	5,070,124		5,070,124	10,481,509		10,481,509
Supplies and Materials	4000				687,294		687,294
Other Operating Expenses	5000	1,002,518		1,002,518	5,601,746		5,601,746
Equipment Replacement	6420						
TOTAL EXPENDITURES PRIOR TO EXCLUSIONS		26,848,235		26,848,235	51,820,893		51,820,893

OHLONE COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION
YEAR ENDED JUNE 30, 2017

		Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
EXCLUSIONS							
Activities to Exclude:							
Instructional Staff-Retirees' Benefits and Retirement Incentives	5900	41,166		41,166	41,166		41,166
Student Health Services Above Amount Collected	6441						
Student Transportation	6491				81,428		81,428
Noninstructional Staff-Retirees' Benefits and Retirement Incentives	6740				51,392		51,392
Objects to Exclude:							
Rents and Leases	5060				5,510		5,510
Lottery Expenditures:							
Academic Salaries	1000						
Classified Salaries	2000						
Employee Benefits	3000						
Supplies and Materials:	4000						
Software	4100						
Books, Magazines, & Periodicals	4200						
Instructional Supplies & Materials	4300				203,329		203,329
Noninstructional Supplies & Materials	4400				259,614		259,614
Total Supplies and Materials					462,943		462,943
Other Operating Expenses and Services	5000				729,272		729,272
Capital Outlay:	6000						
Library Books	6300				31,395		31,395
Equipment:	6400						
Equipment - Additional	6410						
Equipment - Replacement	6420						
Total Equipment							
Total Capital Outlay					31,395		31,395
Other Outgo	7000						
TOTAL EXCLUSIONS		41,166		41,166	1,403,106		1,403,106
Total for ECS 84362, 50% Law		$ 26,807,069	$	$ 26,807,069	$ 50,417,787	$	$ 50,417,787
Percent of CEE (Instructional Salary Cost / Total CEE)		53.17%		53.17%	100%		100%
50% of Current Expense of Education					$ 25,208,894		$ 25,208,894

OHLONE COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF EDUCATION PROTECTION ACCOUNT EXPENDITURES
TO DISTRICT ACCOUNTING RECORDS
YEAR ENDED JUNE 30, 2017

Education Protection Act (EPA) Expenditure Report

Activity Classification	Activity Code				Unrestricted
EPA Proceeds:	8630				$ 6,275,659
Activity Classification	**Activity Code**	**Salaries and Benefits (1000-3000)**	**Operating Expenses (4000-5000)**	**Capital Outlay (6000)**	**Total**
Instructional Activities	0100-5900	$ 6,275,659			$ 6,275,659
Total Expenditures for EPA*		$ 6,275,659	$	$	6,275,659
Revenues less Expenditures					$

*Total Expenditures for EPA may not include Administrator Salaries and Benefits or other administrative costs.

OHLONE COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS
TO NET POSITION
YEAR ENDED JUNE 30, 2017

Fund Balance:	
General Fund	$ 19,623,183
Bond Interest and Redemption Fund	21,624,055
Capital Outlay Projects Fund	4,540,529
Revenue Bond Construction Fund	131,490,726
Other Internal Services Fund	212,219
Financial Aid Trust Fund	102,680
Total Fund Balances as reported on the Annual Financial and Budget Report (CCFS-311)	177,593,392
Net Audit Adjustments:	
No adjustments were made to the District's Funds	
Total Fund Balance	177,593,392
Reconciliation to Net Position:	
Fair market value adjustment	1,101,626
Capital assets, net	378,658,228
Deferred amount on refunding	9,201,015
Deferred outflows of resources related to pensions	11,939,252
Interest payable	(7,485,204)
Long-term debt not reported in fund based statements	(486,408,111)
Deferred inflows of resources related to pensions	(3,919,715)
Total Net Position	$ 80,680,483

1. PURPOSE OF SCHEDULES

Schedules of Expenditures of Federal Awards

The audit of the District for the year ended June 30, 2017, was conducted in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), which requires disclosure of the financial activities of all federally funded programs. To comply with Uniform Guidance, the Schedule of Expenditures of Federal Awards was prepared by the District.

- General – The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the District. The District reporting entity is defined in Note 1 to the District's basic financial statements.
- Basis of Accounting – The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 2 to the District's basic financial statements.
- Indirect Cost Rate – The District did not elect to use the 10% de minimis indirect cost rate as they received indirect costs at varying rates as determined by the granting agencies.
- Subrecipients – The District did not provide federal awards to subrecipients during the year ended June 30, 2017.

Schedule of State Financial Assistance

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.

Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance

Full-time equivalent students (FTES) is a measurement of the number of students attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to community college districts. This schedule provides information regarding the attendance of students based on various methods of accumulating attendance data.

Reconciliation of the ECS 84362 (50 Percent Law) Calculation

The Reconciliation of ECS 84362 (50 Percent Law) Calculation form shows the annual reported data from the CCFS-311 and any audit adjustments.

Reconciliation of Education Protection Account Expenditures to District Accounting Records

This reconciliation of Education Protection Account Expenditures shows the annual general apportionment and the expenditures the District applied toward the apportionment.

Reconciliation of Governmental Funds to Net Position

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the Form CCFS-311 to the audited financial statements.

OTHER INDEPENDENT AUDITOR'S REPORTS

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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*

Independent Auditor's Report

Board of Trustees
Ohlone Community College District
Fremont, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities, the discretely presented component unit, and the aggregate remaining fund information of the Ohlone Community College District (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 29, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

November 29, 2017

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REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

<u>Independent Auditor's Report</u>

Board of Trustees
Ohlone Community College District
Fremont, California

Report on Compliance for Each Major Federal Program

We have audited the Ohlone Community College District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statues, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination on the District's compliance.

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Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses, or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

November 29, 2017

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REPORT ON COMPLIANCE WITH APPLICABLE REQUIREMENTS IN ACCORDANCE WITH THE CONTRACTED DISTRICT AUDIT MANUAL

Independent Auditor's Report

Board of Trustees
Ohlone Community College District
Fremont, California

Report on Compliance with Applicable Requirements

We have audited the Ohlone Community College District's (the District) compliance with the types of compliance requirements described in Section 400, State Compliance Requirements, of the *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office identified in the schedule below for the year ended June 30, 2017.

Management's Responsibilities

Management is responsible for compliance with the state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the District's state programs based on our audit of the types of compliance requirements referred to above. 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 Section 400, State Compliance Requirements, of the *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office. Those standards and the *Contracted District Audit Manual* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above 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 under the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance. However, our audit does not provide a legal determination on the District's compliance with those requirements.

In connection with the requirements referred to above, we have selected and tested transactions and records to determine the District's compliance with the applicable programs identified below:

- Salaries of Classroom Instructors (50% Law)
- Apportionment for Instructional Service Agreements/Contracts

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- State General Apportionment Funding System
- Residency Determination for Credit Courses
- Students Actively Enrolled
- Dual Enrollment (CCAP and Non-CCAP)
- Student Equity
- Student Success and Support Program (SSSP) Funds
- Scheduled Maintenance Program
- Gann Limit Calculation
- Open Enrollment
- Prop 39 Clean Energy Fund
- Intersession Extension Programs
- Disabled Student Programs and Services (DSPS)
- To Be Arranged Hours (TBA)
- Proposition 1D and 51 State Bond Funded Projects
- Proposition 55 Education Protection Account Funds

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with State Compliance Requirements, of the *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office and which is described in the accompanying schedule of findings and questioned costs as item 2017-001. Our opinion on the types of compliance requirements referred to above is not modified with respect to this matter.

The District's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Audit Findings and Questioned Costs. This response was not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Opinion on State Compliance

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above for the fiscal year ended June 30, 2017.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

November 29, 2017

FINDINGS AND RECOMMENDATIONS SECTION

OHLONE COMMUNITY COLLEGE DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements were prepared in accordance with GAAP:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	______Yes	X No
Significant deficiency(ies) identified?	______Yes	X None Reported
Noncompliance material to financial statements noted?	______Yes	X No

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	______Yes	X No
Significant deficiency(ies) identified?	______Yes	X None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	______Yes	X No

Identification of major programs

CFDA Numbers	Name of Federal Programs or Cluster
84.063, 84.007, 84.033, 84.268	Student Financial Assistance Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000	
Auditee qualified as low-risk auditee?	X Yes	______No

State Awards

Internal control over state programs:		
Material weakness(es) identified?	______Yes	X No
Significant deficiency(ies) identified?	______Yes	X None Reported
Any audit findings disclosed that are required to be disclosed in accordance with Contracted District Audit Manual?	X Yes	______No
Type of auditor's report issued on compliance for state programs:	Unmodified	

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no financial statement findings reported.

SECTION III – STATE COMPLIANCE

2017-001 – STATE GENERAL APPORTIONMENT FUNDING SYSTEM – ALTERNATIVE ATTENDANCE

Criteria:

According to California Code of Regulations, Title V, Section 58003.1 (f), all distance education and hybrid courses that do not qualify for other attendance accounting procedures such as weekly or daily census will follow the alternative attendance procedures. The weekly student contact hours reported for each class should be the product of the number of students actively enrolled at weekly census times the number of units of academic credit associated with the class.

The California Code of Regulations, Title V, Section 50009 (§58009) exception to alternative attendance procedures applies only to independent study laboratory courses and distance education laboratory courses which consist partly or exclusively of laboratory work. For courses under this exception, §58009 allows a district to substitute the contact hours based on units of credit with the contact hours that would be generated by the same course under the weekly or daily census procedures (i.e., a regular classroom based course).

Condition:

Distance Education Laboratory Courses were incorrectly calculating attendance contact hours based on units of credit instead of contact hours.

Context:

Fiscal year 2016-17 Distance Education Laboratory Courses were impacted due to the accounting method selected in the District's attendance accounting system.

Effect:

The District's attendance accounting system was corrected to the proper accounting method for the Distance Education Laboratory Courses, which audit procedures validated subsequent to the correction.

Questioned Costs:

The accounting method was corrected prior to the FY 2016-17 Annual Apportionment Attendance Accounting Report (320 Annual Report) submission deadline and, therefore, the full impact of the finding on full time equivalent student (FTES) was captured in the 320 Annual Report. As a result of the correction, FTES increased by 57.71 and 3.11 for resident and nonresident FTES, respectively.

Recommendation:

We recommend that an internal review be performed of attendance methods on a periodic basis to ensure FTES is properly calculated, and therefore FTES amounts reported are accurate.

District's Corrective Action Plan:

Members from the District's scheduling office, research office and information technology (IT), collectively the District Team, met to examine the problem detected during the audit process. The District Team reviewed technical issues related to under and over reporting FTES, specifically on online classes in Colleague, the District's attendance accounting system. The District Team also reviewed how online classes were coded. IT members had isolated all the sections that were impacted. Measures have been taken to accurately recode the accounting method of all impacted sections in Colleague, so that the Colleague process will use the correct calculation method to accurately capture FTES. The District Team is confident that we have identified and addressed the main problems. A Recal 320 Annual Report was submitted subsequent to the original 320 Annual Report that included corrections that were not a result of this finding, but corrections detected by the District Team. The Recal 320 Annual Report reflected that the District originally over reported 67.01 FTES for resident and 15.2 for nonresident on the original 320 Annual Report. The District borrowed FTES from summer 2017 to match the FTES originally submitted on the 320 Annual Report resulting in no fiscal impact related to these corrections.

SECTION IV - FEDERAL COMPLIANCE

There were no federal compliance findings reported.

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
YEAR ENDED JUNE 30, 2017

FINANCIAL STATEMENT FINDINGS

There were no financial statement findings reported in the prior year.

FEDERAL COMPLIANCE

There were no federal compliance findings reported in the prior year.

STATE COMPLIANCE

There were no state compliance findings reported in the prior year