OHLONE COMMUNITY COLLEGE DISTRICT

FREMONT, CALIFORNIA

FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION WITH INDEPENDENT AUDITOR'S REPORT

YEAR ENDED JUNE 30, 2018

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

ADMINISTRATION

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

Isabelle Saber. .... Vice President of Academic Affairs

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

Christopher Dela Rosa, Ph D. .... Interim Vice President of Administrative Services and Associate Vice President of Information Technology Services

Shairon Zingsheim .... 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, 2018, 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, 2018, 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2018 the District adopted new accounting guidance, *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Changes in the District's Net OPEB Liability and Related Ratios, 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 21, 2018 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 21, 2018

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 2017-18 State Budget focused spending on key state priorities such as education, counteracting the effects of poverty, and improving transportation infrastructure. The Budget Act continued to bolster the State's Rainy Day Fund and pay down debt and liabilities to counter the impact of the end of the current economic expansion that has surpassed historical averages. The Budget included Proposition 98 funding of $74.5 billion for 2017-18, an increase of $2.6 billion over the 2016 Budget Act level. Community Colleges received 10.93% of the total Proposition 98 funding.

In addition, the State budget funded 1% system wide enrollment growth, compared to 2% in the prior year, which was allocated through the new growth formula. Ohlone's share of the growth allocation was .50%. However, Ohlone was unable to benefit from this growth opportunity due to declining enrollment trends in the recent years. The State budget also included a 1.56% Cost of Living Adjustment (COLA), which helped pay for rising operating costs such as Steps & Columns as well as negotiated settlements with the bargaining units.

Other allocations in the State Budget included $183.6 million in base augmentation to cover the escalating pension costs, 1.56% of Cost of Living Adjustment (COLA) for a number of categorical programs, $40.7M in one-time funding, $38.9 million for energy efficiency, and $76.8 million for Deferred Maintenance and Instructional Equipment.

Financial Highlights

Ohlone Community College District continued to align its budget with student success initiatives in fiscal year 2017-18 despite escalating operating costs and declining enrollment. The District received 1.56% or $618,630 for a Cost of Living Adjustment, $1,171,471 in base augmentation, and $227,360 in one-time funding, which was not sufficient to cover the rising ongoing operating costs including Steps and Columns increases, as well as CalSTRS and CalPERS rate increases. Despite budget constraints, the District continued its focus on student achievement by adding two new full-time faculty positions, bringing the total number of full-time faculty positions to 132 in the 2017-18 fiscal year.

The employer's CalSTRS and CalPERS rates increased from 12.58% and 13.888% in 2016-17 to 14.43% and 15.531% in 2017-18, respectively, which resulted in additional $800,251 of ongoing pension cost for the District. The rates are expected to reach 18.10% (CalSTRS) and 25.5% (CalPERS) by fiscal year 2023-24. Based on the latest rates published by CalSTRS and CalPERS, Ohlone's pension cost is estimated to increase by approximately $5 million cumulatively between fiscal years 2015-16 and 2023-24. In order to be able to cover this obligation, the District Board of Trustees set aside $4,616,000 of General Fund as part of the 2017-18 fiscal year budget.

Ohlone Community College District implemented a 2% across the board pay increase as part of the negotiated settlements with our bargaining units, which increased the District's ongoing annual operating cost by about $867,000. For the past four years, the cost related to retiree health benefits, also called "Other Post-Employment Benefits (OPEB)," was charged 50% to General Fund and the other 50% to Community Education, Contract Education, and Auxiliary funds. However, moving forward, the District has determined to roll back 100% of the OPEB cost to General Fund, as the other funds can no longer continue to provide financial relief to General Fund.

In addition, the District's General Fund provided $1,264,690 in required match and backfill to a number of district programs including the Parking Fund, the DSPS program, EOPS, and Federal Work-Study programs. The Disable Student Program and Services (DSPS), a mandated program, received lower than projected State funding in 2017-18, which triggered a General Fund backfill in the amount of $994,020. The Parking Fund, which partially relies on the student parking fee, experienced $208,787 of deficit spending due to declining student enrollment.

Despite lower ongoing state funding and rising operating costs such as CalSTRS/CalPERS rate increases, step and columns and longevity cost, employee pay adjustment, and financial support to other district programs, as mentioned above, General Fund was able to achieve a surplus of $299,099 thanks to prudent and conservative spending by various district departments.

Measure G, the District's $349 Million General Obligation Bond, was approved by the voters in late 2010. Since then the District issued Series A, A-1, B and C for a total of $310 Million with a balance of $39 Million expected to be issued in 2019. Series C bonds were issued in the amount of $155 Million on May 18, 2016, which is currently funding the construction of the Academic Core buildings. The construction of Academic Core buildings, which commenced in 2016, made great progress in fiscal years 2016-17 and 2017-18 and is expected to be completed and available for classrooms in mid-2019.

GASB Statements 74 and 75

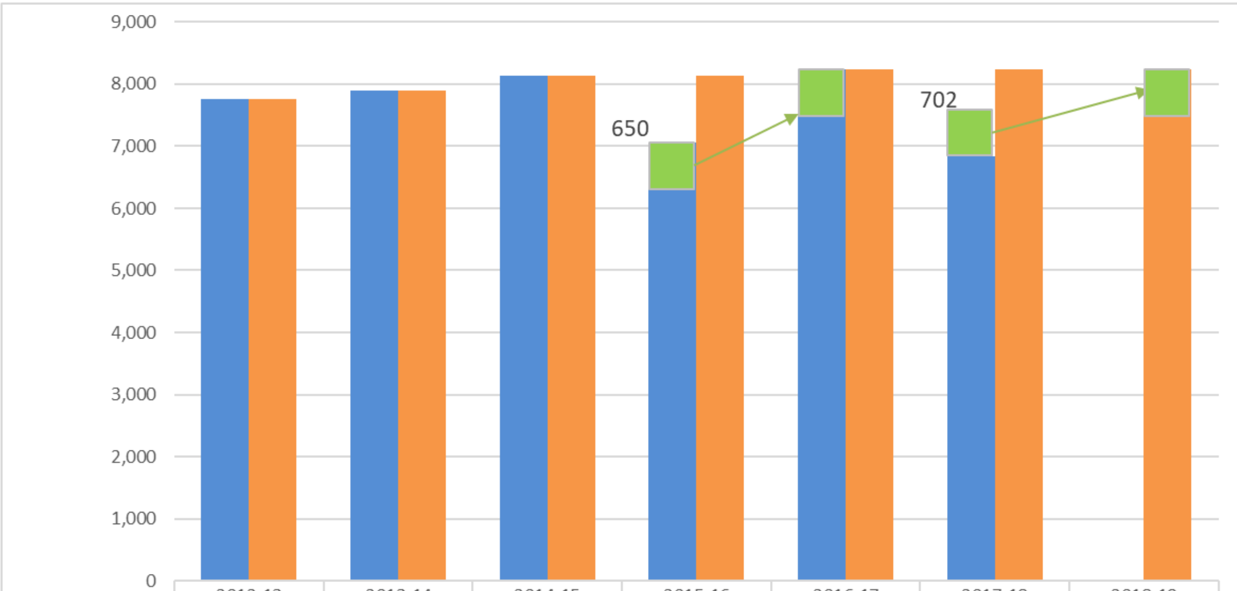
In June 2015, the Governmental Standard Accounting Board (GASB) released new accounting standards, GASB statements 74 and 75, for public sector postretirement benefit programs and the employers that sponsor them. GASB statement 74 and 75 reflect a fundamental overhaul in the standards for accounting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

Ohlone Community College District administers a single-employer defined healthcare plan (the plan). The District, through its authorized Retirement Board of Authority (RBOA), has established the Futuris Public Entity Investment Trust (OPEB Trust). The OPEB Trust is used for the purposes of investment and disbursement of funds irrevocably designed by the District to fund future other post-employment benefits (OPEB). The OPEB Trust implemented GASB 74 in separately issued financial statements for the year ended June 30, 2017. As required, the District implemented GASB 75 for the year ended as of June 30, 2018, by including Net OPEB liability related to retiree health benefits in the District-wide financial statements.

Attendance Highlights

Community colleges in the Bay Area have continued to experience a drop in their enrollment over the last few years probably due to the strong job market throughout the State and particularly in the San Francisco Bay Area. Ohlone Community College District had budgeted 8,240 Full-Time Equivalent Students (FTES) in 2017-18, but actually generated 7,535 FTES, which represents a drop of about 8.6% from the FTES base. The decline in enrollment caused the District to declare stability funding, which ensured the District's apportionment funding for 2017-18 at the prior year level. In addition, the District decided to shift summer 2018 FTES to fiscal year 2018-19. This strategy, as allowed by the Chancellor's Office, was designed to help the District restore its enrollment base of 8,240 FTES in 2018-19. Enrollment is expected to pick up once the Academic Core building is complete and is open for classes.

Full Time Equivalent Students (FTES) Trends



	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Summer Shift				650		702	
Reported FTES	7765	7888	8133	7065	8240	6833	
Funded FTES	7765	7888	8133	8133	8240	8240	8240

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.

	2018	2017	Change
ASSETS:			
Current Assets	$ 127,644,633	$ 192,320,850	$ (64,676,217)
Non-current assets	427,027,574	384,567,369	42,460,205
TOTAL ASSETS	554,672,207	576,888,219	(22,216,012)
Deferred outflows of resources related to refunding	18,475,160	6,535,908	11,939,252
Deferred outflows of resources related to pensions	8,802,414	(398,601)	9,201,015
TOTAL DEFERRED OUTFLOWS OF RESOURCES	27,277,574	6,137,307	21,140,267
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 581,949,781	$ 583,025,526	$ (1,075,745)
LIABILITIES:			
Current Liabilities	41,183,417	35,939,684	5,243,733
Non-current liabilities	474,891,601	477,488,604	(2,597,003)
TOTAL LIABILITIES	516,075,018	513,428,288	2,646,730
Deferred inflows of resources related to pensions	3,101,735	3,919,715	(817,980)
NET POSITION:			
Net investment in Capital Assets	73,737,145	82,699,913	(8,962,768)
Restricted	17,951,376	23,418,602	(5,467,226)
Unrestricted	(28,915,493)	(25,438,032)	(3,477,461)
TOTAL NET POSITION	62,773,028	80,680,483	(17,907,455)
TOTAL LIABILITIES AND NET POSITION	$ 581,949,781	$ 598,028,486	$ (15,260,725)

Current assets

Current assets include unrestricted and restricted cash and cash equivalents, accounts receivables, short terms investments, and prepaid expenses. Total current assets decreased by $64 million compared to prior year largely due to increased spending on the construction of the Academic Core building.

- Cash and cash equivalents are comprised of funds held in the County Treasury and includes all District funds. Total cash and cash equivalent balance has decreased by about $61.5 million compared to prior year 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 and contracts. Accounts receivable totaled $1.2 million by June 30, 2018, which is about $1 million less than 2016-17. The decrease is mainly due to funding received in a timely manner and no apportionment accrual at year-end compared to last year.

- Prepaid expenses are those expenses that are paid prior to year-end but related to the next fiscal year. These are primarily prepaid premiums on the workers' compensation policy, employee health benefits premiums, and professional organization dues. Prepaid expenses have not changed much compared to 2016-17 due to the recurring nature of expenses in this category.

Non-current Assets

Non-current assets include long term investments, depreciable and non-depreciable assets.

- Capital assets are reported at the historical cost of land, buildings and equipment less accumulated depreciation, where applicable. The $43.3 million increase in capital assets is primarily attributable to the construction projects, including the Academic Core Building on the Fremont campus.

Deferred outflows of resources

- The District's deferred outflows of resources related to pensions increased by $6.5 million. The change is mostly due to changes of assumptions and differences between projected and actual earnings on pension plan investments.

- The District's deferred amount of debt refunding decreased due to amortization.

Current liabilities

Current liabilities are short-term obligations due within one year including accounts payable, unearned revenue, interest payable, accrued payroll and benefit, and others payables.

- Accounts payable increased by $2.2 million over last fiscal year primarily due to increased liabilities related to 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. This amount will be released to employees in the months of July and August.

- ❖ 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 2018 terms.

- ❖ Interest payable at June 30, 2018 represents payments due to bond holders.

- ❖ The long-term liabilities due within one year is primarily related to the amount due in fiscal year 2017-18 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 2017-2018. These payments are made from the voter approved tax assessments from the cities of Fremont, Newark and Union City property taxes.

Non-current liabilities

Non-current Liabilities are long-term obligations due in more than one year, which include debt owed related to measure A and G bonds, and net pension liability related to CalSTRS, CalPERS and OPEB pension plans.

- ❖ The major component of the non-current liabilities is the long-term portion of Measure A and Measure G General Obligation bonds issuance, which, as mentioned above, were authorized at $150 million and $349 million respectively. Long-term liabilities related to the Measures A and G, reduced by approximately $13 million, primarily related to bond payments during the year.

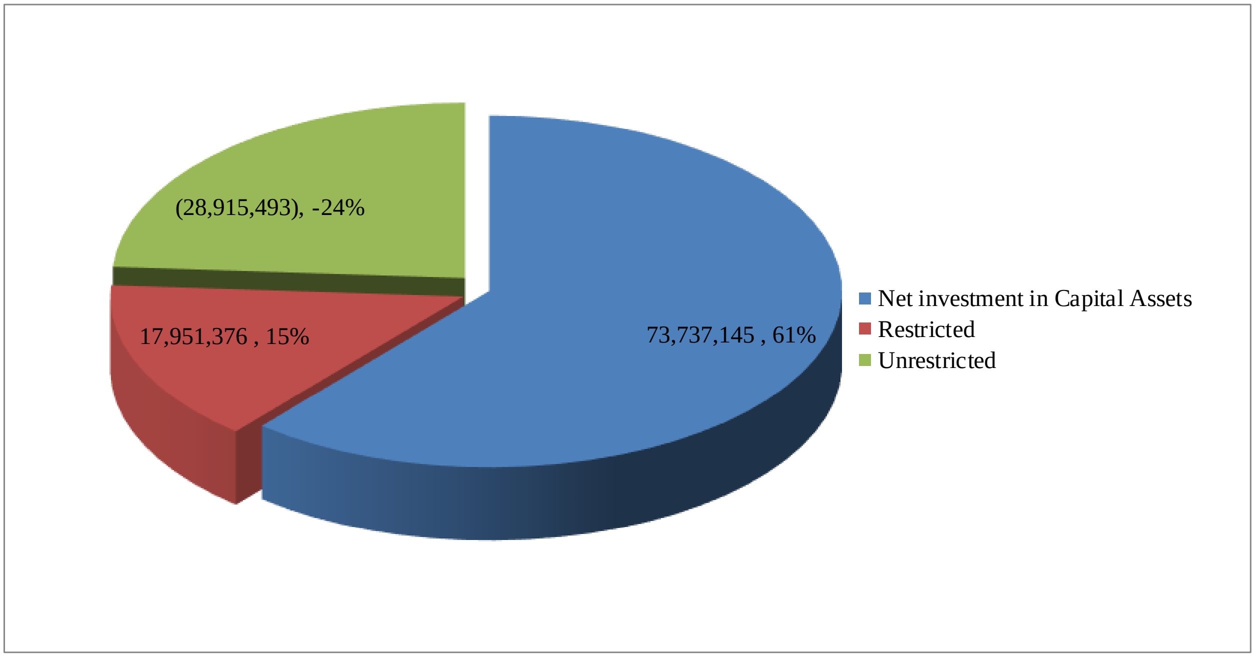
- ❖ Net pension liability increased by $9.9 million primarily due to a higher net pension liability for Cal STRS and CalPERS as a result of Cal STRS and CalPERS reducing the discount rate utilized in the actuarial assumptions to estimate total pension liability.

- ❖ Net OPEB liability, which increased by approximately $1.3 million, represents the unfunded portion of the total liability related to Other Post-Employment Benefits (OPEB), also called retiree health benefits. Per GASB 75 requirement, the District recognized the Net OPEB Liability in the district-wide financial statements effective fiscal year ending June 30, 2018.

Deferred inflows of resources

- ❖ This amount decreased by $818 thousand due to an increase in the District's proportionate share of the CalSTRS net pension liability from 0.032% to 0.034%.

Net Position



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 million), debt service ($12.8 million) and educational purposes ($1 million). Unrestricted net position is a negative $28.9 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 $73.7 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.

	2018	2017	Change
Total operating revenue	$ 28,263,683	$ 28,841,779	$ (578,096)
Total operating expenses	89,427,224	83,976,231	5,450,993
Operating loss	(61,163,541)	(55,134,452)	(6,029,089)
Net non-operating revenue (expenses)	48,455,251	46,197,303	2,257,948
Loss before other revenues, expenses, gains or losses	(12,708,290)	(8,937,149)	(3,771,141)
Capital revenues (expenses)	(4,204,670)	17,751,502	(21,956,172)
Increase(decrease) in net position	(16,912,960)	8,814,353	(25,727,313)
Net position - beginning of the year	80,680,483	71,866,130	8,814,353
Cumulative effect of change in accounting principles	(994,495)	-	(994,495)
Net-position - end of the year	$ 62,773,028	$ 80,680,483	$ (17,907,455)

Changes in operating revenue:

Operating revenue includes student enrollment fees less scholarships and fee waivers, and Federal, state and local grants and contracts.

- 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 decreased by $390 thousand in 2017-18 due to declining student enrollment most likely caused by the strong job market in the district.

- Grants and contracts represent restricted programs funded through Federal, State and local sources. Total combined revenues of these programs decreased by about $188 thousand compared to last year due to lower funding for a number of Federal and State programs such as DSPS (Disabled Students Program and Services), SSSP (Student Success and Support Program), WOIA (Work force Investment Opportunity Act).

Changes in non-operating revenues:

Non-operating revenue comprise of state general apportionment, local property taxes and other non-operating income/expenses.

- State apportionment represents total general apportionment earned less student enrollment fees and property taxes. State apportionment increased by about $6 million in 2017-18 primarily due to a decrease in property taxes received by the District.

- Noncapital Property taxes, decreased by $3.9 million because of substantial drop in ERAF (Educational Revenue Augmentation Fund) funding this year to the District. Changes in property tax revenue result in a corresponding change in the District's State apportionment revenue. If the property tax revenue were to decrease, the District's state apportionment revenue will increase by the same amount, and vice-versa.

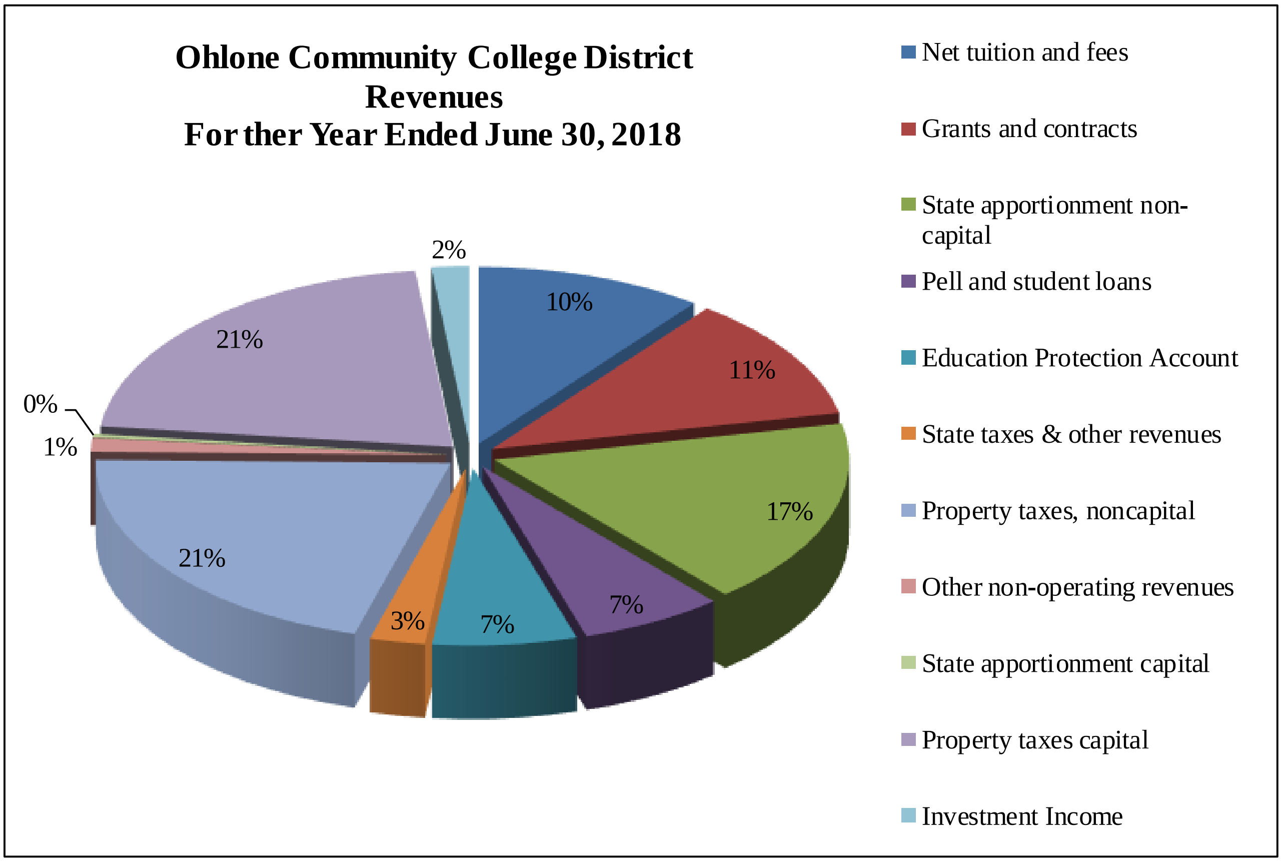
- State taxes and other revenue decreased by $319 thousand largely due to a decrease in state one time funding.

Changes in capital revenues:

- Property taxes, capital, increased by $1.2 million due to an increase in payment to Measure A and G bond holders.

Total Revenues for the Year Ended	2018	2017	Change
Net tuition and fees	$ 10,376,014	$ 10,765,768	$ (389,754)
Grants and contracts	11,341,539	11,951,977	(610,438)
State apportionment non-capital	17,000,484	10,873,228	6,127,256
Pell and student loans	6,546,130	6,124,034	422,096
Education Protection Account	6,552,625	6,275,659	276,966
State taxes & other revenues	2,519,842	2,839,446	(319,604)
Property taxes, noncapital	20,929,268	24,787,824	(3,858,556)
Other non-operating revenues	1,235,261	1,263,955	(28,694)
State apportionment capital	326,330	940,230	(613,900)
Property taxes capital	21,423,448	20,149,091	1,274,357
Investment Income	1,712,302	1,425,208	287,094
	$ 99,963,243	$ 97,396,420	$ 2,566,823

Revenue



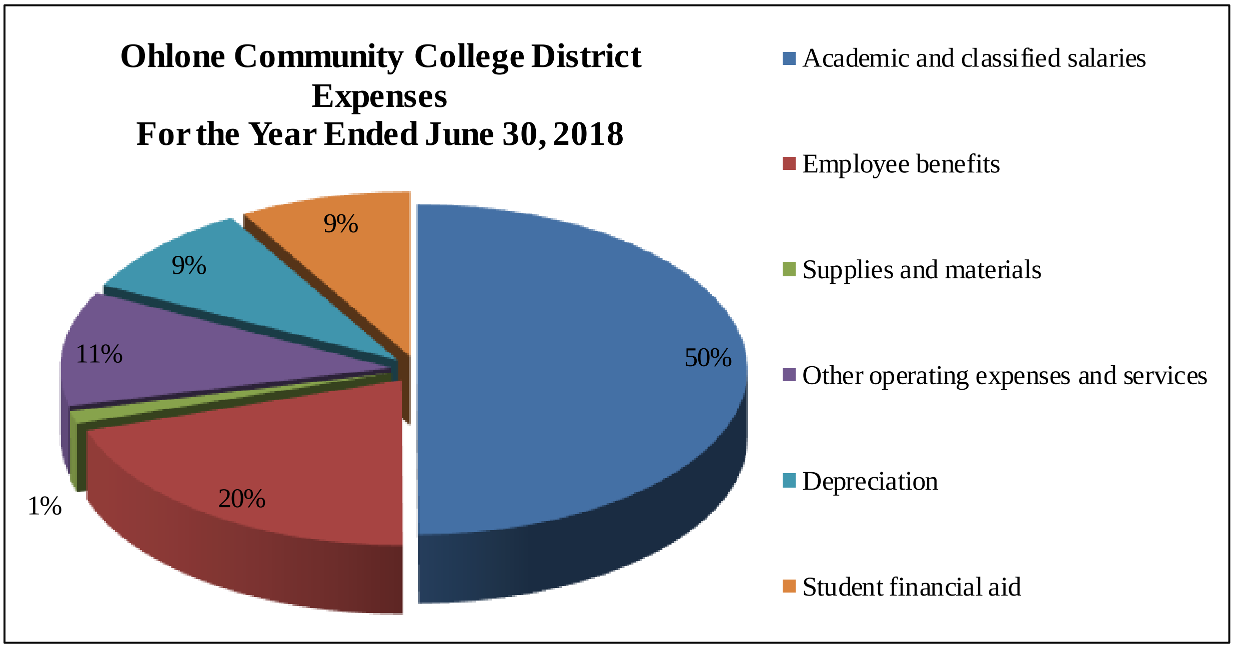
Changes in Operating Expenses

- ❖ In 2017-18, academic and classified payroll increased by $1.1 million primarily due to salary negotiation with all bargaining units.
- ❖ Employee benefits represent Health and Welfare as well as pension benefits. The increase of $3.6 million is largely caused by the net pension liability increasing as a result of CalSTRS and CalPERS lowering the discount rates utilized in the actuarial assumption used to estimate each plans total pension liability. The employee pay adjustment and the increase in pension rates have slightly contributed to the increase. Pension expense was increased by $2.9 million this year.
- ❖ Other operating expenses increased by $765 thousand due to overall cost increases related to contract services, utilities, facilities maintenance, and capital projects.
- ❖ Financial aid to students was up by $593 thousand because of an increase in the amount of financial aid award to our students even though the number of students receiving Financial Aid was almost the same as prior year.

❖ Depreciation expense decreased by about $367 thousand in 2017-18 due to a number of equipment becoming fully depreciated.

Total Operating Expenditures for the Year Ended	2018	2017	Change
Academic and classified salaries	$ 44,656,605	$ 43,546,281	$ 1,110,324
Employee benefits	17,970,200	14,392,838	3,577,362
Supplies and materials	1,109,788	1,337,796	(228,008)
Other operating expenses and services	10,052,879	9,287,685	765,194
Depreciation	8,111,838	8,479,636	(367,798)
Student financial aid	7,525,914	6,931,995	593,919
	$ 89,427,224	$ 83,976,231	$ 5,450,993

Expenses



Financial Aid

For the year ended June 30, 2018 and 2017, the following sources of student financial aid were disbursed:

	2018	2017	Change
Federal	$ 6,643,715	$ 6,229,455	$ 414,260
State	793,629	667,584	126,045
Local	61,822	62,750	(928)
	$ 7,499,166	$ 6,959,789	$ 539,377

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 2018-19 State Budget, which was enacted on June 27, 2018, paints a somewhat brighter, but more cautious fiscal picture than what the state had offered in the January Budget Proposals. Proposition 98 funding for K-14 education is budgeted at $78.4 billion compared to $74.5 billion in 2017-18. Community Colleges will receive 10.93% of this funding.

This year the State Budget includes two major initiatives for community colleges – a new funding formula called Student Centered Funding Formula (SCFF) and a fully online community college. While the old funding formula used to distribute apportionment funding strictly based on student enrollment, the new funding formula distributes apportionment funding based on three components: student enrollment (Base Allocation), number of low-income students served (Supplemental Allocation), and student success metrics (Student Success Allocation).

The new funding formula will be phased in over the next three years. In 2018-19, 70% of the apportionment funding will be distributed in Base Allocation, 20% in Supplemental Allocation, and 10% in Student Success Allocation. The statewide percentages will change to 65%, 20%, 15% in 2019-20 and 60%, 20%, 20% in 2020-21, respectively. In subsequent years they will remain unchanged.

The Chancellor Office's simulation shows that 22 districts, including Ohlone Community College District (OCCD), will be affected negatively under the new funding formula. OCCD will receive a reduction to its apportionment funding for $5,439,530, close to 11% compared to what we would have received under the old funding formula. This is a significant fiscal challenge for Ohlone, which will require significant corrective actions to address this gap.

The good news is that the State Budget also includes a hold-harmless provision for the next three years, which means no district will receive less funding than they received in 2017-18, adjusted for Cost of Living Adjustment in subsequent years. This provision provides a window of opportunity for Ohlone and other Districts that are negatively impacted by the new funding formula to implement corrective fiscal measures in order to balance their annual budgets.

In addition to addressing the fiscal challenges created by the State's new apportionment funding formula, Ohlone Community College District will also need to work hard to restore the enrollment lost over the past few years. However, despite challenging times ahead, the sharp focus on student achievement remains a top priority at Ohlone. We will continue to align our budget with initiatives that support student learning and achievement.

OHLONE COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2018

	Primary Institution	Foundation
ASSETS		
Current assets:		
Cash and equivalents	$ 29,645,131	$ 274,958
Restricted cash and equivalents	95,699,260	
Restricted short-term investments	342,836	
Short-term investments		457,736
Accounts receivable, net	1,202,059	12,618
Current portion of pledges receivable		129,000
Prepaid expenses	715,347	230,767
Total current assets	127,604,633	1,105,079
Noncurrent assets:		
Restricted long-term investments	5,090,997	
Investments		3,383,850
Pledges receivable		4,000
Charitable remainder trust assets		730,149
Nondepreciable capital assets	212,647,502	
Depreciable capital assets, net	209,329,075	
Total noncurrent assets	427,067,574	4,117,999
TOTAL ASSETS	554,672,207	5,223,078
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred amount on debt refunding	8,802,414	
Deferred outflows of resources related to OPEB	383,771	
Deferred outflows of resources related to pensions	18,091,389	
TOTAL DEFERRED OUTFLOWS OF RESOURCES	27,277,574	
LIABILITIES		
Current liabilities:		
Accounts payable	12,211,585	35,340
Unearned revenue	7,060,523	8,250
Interest payable	7,695,682	
Long-term liabilities due within one year	14,215,627	266,820
Total current liabilities	41,183,417	310,410
Noncurrent liabilities		
Long-term liabilities due in more than one year	411,171,107	355,075
Net pension liability	62,315,297	
Net OPEB liability	1,405,197	
Total noncurrent liabilities	474,891,601	355,075
TOTAL LIABILITIES	516,075,018	665,485
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows of resources related to pensions	3,101,735	
NET POSITION:		
Net investment in capital assets	73,737,145	
Restricted for:		
Nonexpendable-Scholarships		2,030,500
Capital projects	4,032,760	
Debt service	12,849,768	
Educational purposes	1,068,848	
Restricted by donors		2,327,187
Unrestricted (deficit)	(28,915,493)	199,906
TOTAL NET POSITION	$ 62,773,028	$ 4,557,593

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

OHLONE COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2018

	Primary Institution	Foundation
OPERATING REVENUES:		
Tuition and fees (gross)	$ 13,429,310	
Less: Scholarship discounts and allowances	(3,053,296)	
Net tuition and fees	10,376,014	
Grants, contracts, and donations, noncapital:		
Federal	7,528,696	
State	10,288,426	
Local	70,547	
Contributions and special event revenue		$ 620,531
TOTAL OPERATING REVENUES	28,263,683	620,531
OPERATING EXPENSES:		
Academic salaries	26,532,680	
Classified salaries	18,123,925	
Employee benefits	17,970,200	
Supplies and materials	1,109,788	
Depreciation	8,111,838	
Other operating expenses and services	10,052,879	664,777
Other payments to students	150,615	106,057
Financial aid expenses	7,375,299	
TOTAL OPERATING EXPENSES	89,427,224	770,834
OPERATING LOSS	(61,163,541)	(150,303)
NON-OPERATING REVENUES (EXPENSES):		
State apportionments, noncapital	17,000,484	
Education protection account	6,552,625	
Local property taxes	20,929,268	
State taxes and other revenues	2,519,842	
Investment income - noncapital	256,131	142,217
Other non-operating income (expense)	1,235,261	(18,556)
TOTAL NON-OPERATING REVENUES (EXPENSES)	48,493,611	123,661
LOSS BEFORE CAPITAL ACTIVITY	(12,669,930)	(26,642)
CAPITAL ACTIVITY		
State apportionments, capital	326,330	
Local property taxes and revenues, capital	21,423,448	
Investment income - capital	1,456,171	
Interest expense on capital asset-related debt	(27,448,979)	
DECREASE IN NET POSITION	(16,912,960)	(26,642)
NET POSITION, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	80,680,483	4,584,235
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLES	(994,495)	
NET POSITION, BEGINNING OF YEAR, AS RESTATED	79,685,988	
NET POSITION -- END OF YEAR	$ 62,773,028	$ 4,557,593

OHLONE COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2018

	Primary Institution
CASH FLOWS FROM OPERATING ACTIVITIES:	
Tuition and fees	$ 10,167,122
Federal grants and contracts	7,671,254
State grants and contracts	12,599,078
Local grants and contracts	433,356
Payments to suppliers	(11,450,162)
Payments to/on behalf of employees	(59,513,643)
Payments to/on behalf of students	(7,813,881)
Net cash used by operating activities	(47,906,876)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
State apportionments and receipts	17,435,467
Education protection account receipts	6,552,625
Local property tax receipts	20,929,268
State taxes and other revenues	2,519,842
Other receipts (payments)	1,235,261
Net cash provided by noncapital financing activities	48,672,463
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
State apportionments for capital purposes	326,330
Purchases of capital assets	(49,144,910)
Loss on disposal of capital assets	16,693
Principal paid on capital debt	(9,701,993)
Proceeds from issuance of capital debt	
Investment earnings on capital investments	1,456,171
Interest paid on capital debt	(29,824,626)
Local property taxes and other revenues for capital purposes	21,423,448
Net cash used by capital and related financing activities	(65,448,887)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sales and maturities of investments	4,010,000
Investment income	581,546
Purchases of investments	(1,491,912)
Net cash provided by financing activities	3,099,634
NET DECREASE IN CASH AND EQUIVALENTS	(61,583,666)
CASH AND EQUIVALENTS -- BEGINNING OF YEAR	186,928,057
CASH AND EQUIVALENTS -- END OF YEAR	$ 125,344,391

OHLONE COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS (Continued)
YEAR ENDED JUNE 30, 2018

	Primary Institution
Reconciliation to Statement of Net Position:	
Cash and equivalents	$ 29,645,131
Restricted cash and equivalents	95,699,260
Total cash and equivalents	$ 125,344,391
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating loss	$ (61,163,541)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	8,111,838
Loss on disposal of capital assets	
Changes in:	
Accounts receivable	721,674
Prepaid expenses	(49,465)
Deferred outflows of resources related to pensions	(6,152,137)
Deferred outflows of resources related to OPEB	(383,771)
Accounts payable	(31,676)
Unearned revenue	1,560,541
Compensated absences	39,910
Net pension liability	9,968,294
Net OPEB liability	289,437
Deferred inflows of resources related to pensions	(817,980)
Net cash used by operating activities	$ (47,906,876)
NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:	
Amortization of premium on capital debt	$ (2,144,033)
Deferred amount of refunding	(398,601)

OHLONE COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
ASSOCIATED STUDENTS FUND
JUNE 30, 2018

ASSETS:	
Current assets:	
Cash and equivalents	$ 924,285
Short-term investments	40,000
Prepaid expenses	184
Accounts receivable	116,839
TOTAL ASSETS	$ 1,081,308
LIABILITIES:	
Accounts payable	$ 66,629
Unearned revenue	27,975
Amounts held in trust for others	986,704
TOTAL LIABILITIES	$ 1,081,308

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*.

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, 2018, an allowance for uncollectible accounts was $639,283.

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 and OPEB 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 and total OPEB liability in the next fiscal year.

Additional factors involved in the calculation of the District's pension and OPEB expenses and liabilities 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. See Note 8 for further details related to these OPEB 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.

Other Postemployment Benefits (OPEB) – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's (OPEB Plan) and additions to/deductions from OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently 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.

Change in Accounting Principles – For the year ended June 30, 2018, the District implemented GASB Statement No. 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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. It requires employers to report a net OPEB liability for the difference between the present value of projected OPEB benefits for past service and restricted resources held in trust for the payment of benefits. GASB 75 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. Note 8 explains the effect of the implementation of GASB 75.

Since GASB 75 requires retroactive application, the net OPEB liability offset by the related deferred outflow of resources and prior recognized OPEB liabilities as of June 30, 2017 reduces the beginning net position for the fiscal year ended June 30, 2018. As a result, for the year ended June 30, 2018, the beginning net position decreased by $994,495 as the cumulative effect of a change in accounting principles.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

The District's cash, cash equivalents and investments as of June 30, 2018, are classified in the accompanying financial statements as follows:

Statement of Net Position of the Primary Government:	
Cash and equivalents	$ 29,645,131
Restricted cash and equivalents	95,699,260
Restricted short-term investments	342,836
Restricted long-term investments	5,090,997
Statement of Fiduciary Net Position:	
Cash and equivalents	924,285
Short-term investments	40,000
Total cash, cash equivalents and investments	$ 131,742,509

Cash, cash equivalents and investments as of June 30, 2018, consist of the following:

Cash and equivalents:	
Cash and equivalents in County Treasury	$ 118,644,251
Deposits with financial institutions	7,620,425
Cash on hand	4,000
Investments:	
U.S Municipal Securities	5,473,833
Total cash, cash equivalents and investments	$ 131,742,509

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, 2018, the weighted average maturity of the investments contained in the County Treasury is approximately 357 days.

The schedule of maturities of investments at June 30, 2018 is as follows:

		Maturity (in Years)	
Investment Type	**Fair Value**	**< 1**	**1-5**
U.S Municipal Securities	$ 5,473,833	$ 382,836	$ 5,090,997

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, 2018:

Investment Type	Fair Value	AA+	AA	AA-
U.S Municipal Securities	$ 5,473,833	$ 628,830	$ 3,642,758	$ 1,202,245

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, 2018, 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 $2,137,916.

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 $5,473,833 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, 2018:

Statement of Net Position of the Primary Government	
Federal grants and contracts	$ 406,426
State grants, contracts and general apportionment	842,715
Local grants, contracts and students	592,201
Allowance for uncollectible	(639,283)
Total	$ 1,202,059
Statement of Fiduciary Net Position:	
Local sources	$ 116,839
Total	$ 116,839

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions/ Transfers	Deductions/ Transfers	Adjustments*	Balance June 30, 2018
Capital assets, not being depreciated:					
Land	$ 36,116,441				$ 36,116,441
Construction in progress	141,950,449	$65,226,194	$ (17,451,587)	$ (13,193,995)	176,531,061
Total capital assets, not being depreciated	178,066,890	65,226,194	(17,451,587)	(13,193,995)	212,647,502
Capital assets, being depreciated:					
Improvement of sites	27,454,480	16,463,855			43,918,335
Buildings	198,848,242				198,848,242
Furniture and equipment	48,691,362	402,413	(248,925)		48,844,850
Total capital assets, being depreciated	274,994,084	16,866,268	(248,925)		291,611,427
Less accumulated depreciation for:					
Improvement of sites	(2,384,903)	(1,129,181)			(3,514,084)
Buildings	(46,860,929)	(4,724,917)			(51,585,846)
Furniture and equipment	(25,156,914)	(2,257,740)	232,232		(27,182,422)
Total accumulated depreciation	(74,402,746)	(8,111,838)	232,232		(82,282,352)
Total capital assets, being depreciated, net	200,591,338	8,754,430	(16,693)		209,329,075
Total capital assets, net	$ 378,658,228	$73,980,624	$ (17,468,280)	$ (13,193,995)	$421,976,577

*During the year ended June 30, 2018, the District identified capitalized interest included in Construction in Progress (CIP) which was not in accordance with GASB 62. Management adjusted CIP during 2018 for this overstatement.

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, 2018, the 2002 CAB Issue principal balance outstanding was $3,805,977. 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, 2018, the 2012 Issue principal balance outstanding was $92,530,000.

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, 2018, the principal balance outstanding was $15,115,000.

Election 2010 General Obligation Bonds Outstanding

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 $70,000,000, with interest rates ranging from 2.00% to 5.00%. As of June 30, 2018, the principal balance outstanding was $1,060,000.

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, 2018, the principal balance outstanding was $58,025,430.

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, 2018, the principal balance outstanding was $149,560,000.

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 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, 2018 the 2017 Issue principal balance outstanding was $68,335,000.

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

Year Ending June 30, 2018	Principal	Interest	Total
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	7,605,000	14,188,825	21,793,825
2024-2028	55,990,000	64,116,500	120,106,500
2029-2033	72,287,487	51,508,426	123,795,913
2034-2038	53,527,363	46,101,712	99,629,075
2039-2043	90,945,580	30,562,045	121,507,625
2044-2046	81,005,000	5,034,900	86,039,900
Totals	$ 388,431,407	$274,064,456	$ 662,495,863

A schedule of changes in long-term obligations for the year ended June 30, 2018 is shown below:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
General obligation bonds	$ 398,133,400		$ 9,701,993	$ 388,431,407	$ 10,483,007
Premium on bonds	34,764,531		2,144,033	32,620,498	2,144,033
Compensated absences	1,383,487	$ 39,910		1,423,397	352,061
Accreted interest	3,752,125	362,314	1,203,007	2,911,432	1,236,526
Totals	$ 438,033,543	$ 402,224	$ 13,049,033	$ 425,386,734	$ 14,215,627

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 18.10% of covered payroll over the seven-year period. The District's required contribution rate for the year ended June 30, 2018, was 14.43% of annual pay. District contributions to the CalSTRS Plan were $2,795,301 for the year ended June 30, 2018.

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 will increase from 1.437% in 2014-15 to 4.811% in 2017-18. The increased contributions end as of fiscal year end June 30, 2046. 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, 2016, and rolling forward the total pension liability to the measurement date of June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, 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	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Investment Rate of Return[(1)]	7.10%
Mortality	CalSTRS' Membership Data
Post-Retirement Benefit Increase	2% simple for DB (Annually) Maintain 85% purchasing power Level for DB Not applicable for DBS /CBB

[(1)] Net of investment expenses, but gross of administrative expenses.

Changes in Assumptions

During fiscal year end June 30, 2017, CalSTRS completed an experience study for the period starting July 1, 2010, and ending June 30, 2015. The experience study was adopted by the CalSTRS board in February 2017. As a result of the study, certain assumptions used in determining the NPL of the CalSTRS Plan changed, including the price inflation, wage growth, discount rate and the mortality tables used in the actuarial valuation of the NPL. The changes to the assumptions as a result of the experience study follow:

Assumption	As of June 30, 2017	As of June 30, 2016
Consumer Price Inflation	2.75%	3.00%
Investment Rate of Return	7.10%	7.60%
Wage Growth	3.5%	3.75%

CalSTRS changed its mortality assumptions based on the July 1, 2010, through June 30, 2015, experience study adopted by their board in February 2017. CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

Discount Rate

The discount rate used to measure the CalSTRS Plan's total pension liability was 7.10%. 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 (7.10%) 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 in February 2017 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 geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2017, 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, 2018, was 15.531% of annual pay. District contributions to the CalPERS Plan were $2,603,991 for the year ended June 30, 2018.

Actuarial Assumptions

For the measurement period ended June 30, 2017 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2016 total pension liability. The June 30, 2017 total pension liability amounts were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases[(1)]	Varies
Investment Rate of Return[(2)]	7.15%
Mortality[(3)]	CalPERS' Membership Data
Post-Retirement Benefit Increase[(4)]	Up to 2.75%

(1) Varies by entry 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 CalPERS Experience Study and Review of Actuarial Assumptions Report available on CalPERS webpage.
(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, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011.

Changes in Assumptions

In fiscal year June 30, 2017, the financial reporting discount rate for CalPERS was lowed from 7.65% to 7.15%.

Discount Rate

The discount rate used to measure the total pension liability was 7.15% and reflects the long-term expected rate of return for the Plan net of investment expenses and without reduction for administrative expenses. To determine whether the municipal bond rate should be used in the calculation of a discount rate, the amortization and smoothing periods recently adopted by the Board in 2013 were used. For the CalPERS Plan, projections of expected benefit payments and contributions at the statutorily required member and employer rates were performed to determine if the assets would run out. The tests revealed the assets would not run out for the Plan. Therefore, the long-term expected rates of return on pension plan investments were applied to all periods of projected benefit payments to determine the total pension liability for the CalPERS Plan. The crossover test results can be found on CalPERS' website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which 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+ 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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	47.00%	4.90%	5.38%
Global Debt Securities	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%
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, 2018, 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	$ 31,443,200
CalPERS Plan	30,872,097
Total District Net Pension Liability	62,315,297
State's proportionate share of CalSTRS net pension liability associated with the District	18,594,067
Total	$ 80,909,364

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, 2017, 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, 2017, was 0.034% and 0.1293% for the CalSTRS and CalPERS Plans, respectively, which was an increase of 0.002% and a decrease 0.0047%, respectively, from its proportion measured as of June 30, 2016 for CalSTRS and CalPERS Plans, respectively.

For the measurement period ended June 30, 2017, the District recognized pension expense of $10,272,220 and revenue of $1,874,751 for support provided by the State. At June 30, 2018, 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	$ 1,222,300	$ (548,420)
Changes in assumptions	10,334,575	(363,481)
Changes in proportion		(1,352,414)
Change in proportionate share of contributions	67,259	
Net differences between projected and actual investment earnings of pension plan investments	1,067,963	(837,420)
District contributions subsequent to measurement date	5,399,292	
Total	$ 18,091,389	$ (3,101,735)

The $5,399,292 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, 2019. Other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2019	$ 1,560,069
2020	4,058,895
2021	2,886,464
2022	(446,365)
2023	317,023
Thereafter	1,214,277

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% (6.10%)	Current Discount Rate (7.10%)	Discount Rate +1% (8.10%)
District's proportionate share of the CalSTRS Plan's net pension liability	$ 46,168,600	$ 31,443,200	$ 19,492,540

	Discount Rate –1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
District's proportionate share of the CalPERS Plan's net pension liability	$ 45,422,748	$ 30,872,097	$ 18,801,114

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, 2018, employees and the District each contributed $207,751 to the Cash Balance Plan.

8. OTHER POSTEMPLOYMENT BENEFITS PLAN

Plan Description

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 through 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 RBOA was established to manage, direct and control the OPEB Trust. The RBOA appointed the Benefit Trust Company (BTC) to serve as the Discretionary Trustee and OPEB Trust Custodian. 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 issues a separate financial report that may be obtained by contacting the District.

Benefits Provided

The District's benefits provided to retirees are based on Government Code sections collectively known as Public Employees' Medical & Hospital Care Act (PHMHCA), which vary among different collective bargaining agreements. The following is a description of the current retiree benefit plan.

	Certificated	**CSEA**	**Management**	**SEIU**
Benefit types provided	Medical only	Medical only	Medical only	Medical only
Duration of benefits	To age 65	To age 65	To age 65	To age 65
Required service	10 years	10 years*	10 years*	10 years*
Minimum age	55	55	55	55
Dependent coverage	No	No	No	No
District contribution percentage	100% to a max of $450 per month	100%	100%	100%
District cap	Active cap	Active cap	Active cap	Active cap

*17 years if hired after 1/1/15

Employees Covered

As of the June 30, 2017 actuarial valuation, the following Inactive and active employees were covered by the benefit terms under the OPEB Plan:

Inactive employees receiving benefits	59
Inactive employees entitled to but not receiving benefits	0
Participating active employees	330
Total	389

Contributions

The District provides benefits on a pay-as-you-go basis, and also makes contributions to the OPEB 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.

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2017, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	6.00%
Inflation	2.75%
Salary Increases[(1)]	2.75%
Investment Rate of Return[(2)]	6.00%
Mortality - Classified[(3)]	CalPERS' Membership Data
Mortality - Certificated[(4)]	CalSTRS' Membership Data
Health Care Cost Trend Rates	4.00%

(1) Since benefits do not depend on salary, using an aggregate payroll assumption for purposes of calculating the service costs results in negligible error.

(2) Net of OPEB plan investment expense; 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) 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.

The long-term expected rate of return on OPEB 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 OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term * Expected Real Rate of Return
All U.S. Domestic Stock	50.00%	7.795%
Long-Term Corporate Bonds	50.00%	5.295%
Total	100.00%	

*30-year geometric average

Discount Rate

The discount rate used to measure the total OPEB liability was 6.0 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made on an ad hoc basis, but in an amount sufficient to fully fund the obligation over a period of time not to exceed 30 years. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members over a period not to exceed 30 years. Therefore, the long-term assumed investment rate of return was applied to a period not to exceed 30 years of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability

The changes in the Net OPEB liability for the OPEB Plan are as follows:

	Increase (Decrease)		
	Total OPEB Liability (TOL) (a)	**Plan Fiduciary Net Position (b)**	**Net OPEB Liability (a)-(b)**
Balance at June 30, 2017 (Roll back balance at June 30, 2016 measurement date)	$ 5,342,764	$ 3,575,479	$ 1,767,285
Changes recognized for the measurement period:			
Service cost	317,006		317,006
Interest on TOL	320,718		320,718
Contributions—employer		651,525	(651,525)
Contributions—employee			
Actual investment income		348,287	(348,287)
Benefit payments	(303,199)	(303,199)	
Administrative expense			
Net changes	334,525	696,613	(362,088)
Balance at June 30, 2018 (Measurement date June 30, 2017)	$ 5,677,289	$ 4,272,092	$ 1,405,197

Sensitivity of the District's Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District, as well as what the net OPEB 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% (5.00%)	**Current Discount Rate (6.00%)**	**Discount Rate +1% (7.00%)**
Net OPEB liability	$ 1,998,820	$ 1,405,197	$ 903,466

Sensitivity of the District's Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the District, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	Discount Rate –1% (3.00%)	Health Care Trend Rate (4.00%)	Discount Rate +1% (5.00%)
Net OPEB liability	$ 1,057,424	$ 1,405,197	$ 1,783,238

OPEB plan fiduciary net position

The OPEB Trust issues a separate financial report that may be obtained by contacting the District at 43600 Mission Boulevard, Freemont, CA, 94539.

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The recognition period differs depending on the source of the gain or loss:

Net differences between projected and actual earnings on OPEB Trust investments	5 years
All other amounts	Expected average remaining service lives (EARSL) of plan participants

For the measurement period ended June 30, 2017, the District applied the transition approach provided in GASB 75 and therefore has no deferred outflows or inflows subject to the above recognition periods.

OPEB Expense and Deferred Outflows/Inflows Related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of $289,437. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 383,771	
Changes of assumptions		
Net difference between projected and actual earnings on OPEB plan investments		
Total	$ 383,771	$

The $383,771 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2017 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2019.

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:	$250,001 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
	$1,000,001 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, 2018 is as follows:

	June 30, 2018 BACCD
Total Assets	$ 8,618,528
Total Liabilities	(3,604,477)
Net Position	$ 5,014,051
Total Revenues	$ 4,034,611
Total Expenses	(4,264,072)
Net Decrease in Net Position	$ (229,461)

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.

Construction Commitments

As of June 30, 2018, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately $43,000,000. Projects will be funded by local bond financing.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

OHLONE COMMUNITY COLLEGE DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS FOR THE MEASUREMENT PERIODS ENDED JUNE 30, LAST 10 YEARS*

		2017
TOTAL OPEB LIABILITY		
Service cost	$	317,006
Interest		320,718
Benefit payments		(303,199)
NET CHANGE IN TOTAL OPEB LIABILITY		334,525
TOTAL OPEB LIABILITY, Beginning		5,342,764
TOTAL OPEB LIABILITY, Ending (a)		5,677,289
PLAN FIDUCIARY NET POSITION		
Contributions—employer		651,525
Contributions—employee		
Net investment income		348,287
Benefit payments		(303,199)
Administrative expense		
NET CHANGE IN PLAN FIDUCIARY NET POSITION		696,613
PLAN FIDUCIARY NET POSITION, Beginning		3,575,479
PLAN FIDUCIARY NET POSITION, Ending (b)		4,272,092
DISTRICT'S NET OPEB LIABILITY, Ending (a) - (b)	$	1,405,197
Plan fiduciary net position as a percentage of the total OPEB liability		75.25%
Covered-employee payroll	$	28,550,884
District's net OPEB liability as a percentage of covered-employee payroll		4.92%

Notes to Schedule:

There were no changes to benefit terms or assumptions during the measurement period ending June 30, 2017.

* Fiscal year 2018 was the 1st year of implementation, therefore only one year is presented.

OHLONE COMMUNITY COLLEGE DISTRICT

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

CalSTRS Plan

	Measurement Date			
	2017	**2016**	**2015**	**2014**
District's proportion of the net pension liability	0.034%	0.032%	0.040%	0.034%
District's proportionate share of the net pension liability	$ 31,443,200	$ 25,881,920	$ 26,929,599	$ 19,868,580
State's proportionate share of the net pension liability associated with the District	18,594,067	14,961,744	14,117,331	15,692,586
Total	$ 50,037,267	$ 40,843,664	$ 41,046,930	$ 35,561,166
District's covered-employee payroll	$ 18,424,504	$ 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	171%	155%	169%	131%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%	74%	77%

Notes to Schedule:

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

Changes in assumptions – For the measurement dates ended June 30, 2014, 2015 and 2016, there were no changes. For the measurement date ended June 30, 2017, the consumer price inflation changed from 3.00% to 2.75%, investment rate of return changed from 7.60% to 7.10%, and wage growth changed from 3.75% to 3.5%.

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

OHLONE COMMUNITY COLLEGE DISTRICT

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

CalPERS Plan

	Measurement Date			
	2017	**2016**	**2015**	**2014**
District's proportion of the net pension liability	0.1293%	0.1340%	0.1391%	0.1386%
District's proportionate share of the net pension liability	$ 30,872,097	$ 26,465,083	$ 20,503,477	$ 15,734,475
District's covered-employee payroll	$ 16,573,023	$ 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	186%	165%	133%	108%
Plan fiduciary net position as a percentage of the total pension liability	72%	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. For the measurment date ended June 30, 2017, the discount rate changed from 7.65% to 7.15%.

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

OHLONE COMMUNITY COLLEGE DISTRICT

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

CalSTRS Plan

	Measurement Date			
	2018	**2017**	**2016**	**2015**
Contractually required contribution (actuarially determined)	$ 2,795,301	$ 2,304,620	$ 1,783,950	$ 2,712,205
Contributions in relation to the contractually required contributions	(2,795,301)	(2,304,620)	(1,783,950)	(2,712,205)
Contribution deficiency (excess)	$	$	$	$
District's covered-employee payroll	$ 19,419,763	$ 18,424,504	$ 16,669,294	$ 15,912,727
Contributions as a percentage of covered-employee payroll	14.39%	12.51%	10.70%	17.04%

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

OHLONE COMMUNITY COLLEGE DISTRICT

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

CalPERS Plan

	Measurement Date			
	2018	**2017**	**2016**	**2015**
Contractually required contribution (actuarially determined)	$ 2,601,991	$ 2,292,421	$ 1,902,778	$ 2,877,394
Contributions in relation to the contractually required contributions	(2,601,991)	(2,292,421)	(1,902,778)	(2,877,394)
Contribution deficiency (excess)	$	$	$	$
District's covered-employee payroll	$ 16,810,092	$ 16,573,023	$ 16,061,462	$ 15,388,833
Contributions as a percentage of covered-employee payroll	15.48%	13.83%	11.85%	18.70%

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

SUPPLEMENTARY INFORMATION SECTION

OHLONE COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018

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	$ 5,965,331
Supplemental Educational Opportunity Grant Program	84.007	N/A	96,650
Federal Work-Study Program	84.033	N/A	89,194
Direct Student Loan Program	84.268	N/A	484,347
Subtotal Student Financial Assistance Programs Cluster			6,635,522
Passed Through Gallaudet University:			
Gallaudet University	84.910A	N/A	128,367
Passed Through California Community Colleges Chancellor's Office (CCCCO):			
Career and Technical Education:			
Career and Technical Education - Title II-C	84.048	03-C01-061	38,481
Career and Technical Education - Title II-E	84.048	00-021-23	128,765
Subtotal Career and Technical Education			167,246
Total U.S. Department of Education			6,931,135
U.S. Department of Health and Human Services:			
Passed Through CCCCO:			
Temporary Assistance to Needy Families (TANF)	93.558	N/A	31,272
Substance Abuse and Mental Health Services Project	93.243	N/A	38,394
Total U.S. Department of Health and Human Services			69,666
U.S. Department of Labor			
Passed Through Alameda County Workforce:			
WIA Adult Program (2017/18)	17.258	C95-0263-0931	229,474
WIA Dislocated Workers (2017/18)	17.278	C95-0263-0931	290,226
WIA Adult Program (2016/17)	17.258	C95-0263-0931	(477,025)
WIA Dislocated Workers (2016/17)	17.278	C95-0263-0931	429,351
Subtotal for Passed Through Alameda County Workforce/WIA Cluster			472,026
Total U.S. Department of Labor			472,026
Total Expenditures of Federal Awards			$ 7,472,827

See the accompanying notes to supplemental information.

OHLONE COMMUNITY COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2018

	Entitlements	Program Revenues				
Program Title	**Current Year**	**Unearned Revenue and Cash Received**	**Accounts Receivable**	**Unearned/ Payables**	**Total**	**Program Expenditures**
AB86 Adult Education Block Grant 15/16		$ 146,222		$ 43,176	$ 103,046	$ 103,046
Adult Education Block Grant II 16/17		235,249		33,030	202,219	202,219
Adult Education Block Grant III 17/18	$ 3,933,260	3,933,260		882,742	3,050,518	3,050,518
Basic Skills	242,746	273,016		29,705	243,311	243,311
Basic Skills K-20	1,002,803	865,336		111,908	753,428	753,428
Cal Grant	527,333	528,025			528,025	528,025
Calworks	152,216	152,216		137	152,079	152,079
Campus Safety/Sexual Assult	20,273	20,273		20,273		
Child Development Consortium	5,074	9,449		1,349	8,100	8,100
Completion Grant	148,803	148,803		130,803	18,000	18,000
Cooperative Agency Resource Education	51,700	51,700		1,167	50,533	50,533
CTE Data Unlocked		50,000		50,000		
Deferred Maintenance	350,563	645,980		197,930	448,050	448,050
Deputy Sector Navigator/EWD	200,000	81,305	$ 109,652		190,957	190,957
Disabled Student Program and Services	1,827,627	1,892,971		78,965	1,814,006	1,814,006
DSN-CTE		67,134			67,134	67,134
Emergency Dreamer	19,715	19,715			19,715	19,715
Enroll Fee Admin (2%)	69,059	69,059			69,059	69,059
Equal Employment Opportunity	50,000	50,000			50,000	50,000
Extended Opportunity Program and Service	373,642	373,642		6,488	367,154	367,154
Full Time Student Succcess	227,889	227,889			227,889	227,889
Guided Pathways	184,769	184,769		161,813	22,956	22,956
Hunger Free Campus	16,127	16,127		13,457	2,670	2,670
ICT - DSN		3,966		3,966		
IEPI	200,000	200,000		1,958	198,042	198,042
Instructional Equipment (On-going)	150,563	318,867		140,668	178,199	178,199
ISPIC - Biotech Supply Chain	14,000	14,000		14,000		
Nursing Education	114,000	1,961	101,440		103,401	103,401
On-Behalf Payment		91,454			91,454	91,454
Part time Faculty Compensation	195,682	197,608			197,608	197,608
Prop 39 Project	279,489	279,489		105,790	173,699	173,699
SS&SP	1,640,457	2,127,622		480,871	1,646,751	1,646,751
Strong Workforce Program	762,682	1,328,093		855,611	472,482	472,482
Strong Workforce Regional	327,743	188,873		91,373	97,500	97,500
Student Financial Aid Administration	256,925	256,925			256,925	256,925
Student Success (Equity)	592,089	878,038		293,896	584,142	584,142
SVCPT II	100,000		78,440		78,440	78,440
SVETP		114,955	221,610		336,565	336,565
Transfer & Articulation		2,308		2,308		
Veteran Resource Center	21,753	21,753		21,360	393	393
Total	$ 14,058,982	$ 16,068,052	$ 511,142	$ 3,774,744	$ 12,804,450	$ 12,804,450

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, 2018

STATE GENERAL APPORTIONMENT

The Full-Time Equivalent Students (FTES) eligibility for 2017-18 State apportionment reported to the State of California as of June 30, 2018, are summarized below:

Categories	Reported Data	Audit Adjustments	Revised Data
A. Summer Intersession (Summer 2017 Only)			
1. Noncredit	0.00	0.00	0.00
2. Credit	167.04	0.00	167.04
B. Summer Intersession (Summer 2018 – Prior to July 1, 2018)			
1. Noncredit	0.00	0.00	0.00
2. Credit	0.00	0.00	0.00
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses:			
(a) Weekly Census Contact Hours	3,847.92	0.00	3,847.92
(b) Daily Census Contact Hours	219.99	0.00	219.99
2. Actual Hours of Attendance Courses:			
(a) Noncredit	0.00	0.00	0.00
(b) Credit	732.31	0.00	732.31
3. Alternative Attendance Accounting Procedure Courses:			
(a) Weekly Census Procedure Courses	1,483.77	0.00	1,483.77
(b) Daily Census Procedure Courses	382.43	0.00	382.43
(c) Noncredit Independent Study	0.00	0.00	0.00
D. Total Full-Time Equivalent Students	6,833.46	0.00	6,833.46
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	358.23	0.00	358.23
CCFS 320 Addendum			
CDCP Noncredit FTES	0.00	0.00	0.00
Centers FTES			
(a) Noncredit	0.00	0.00	0.00
(b) Credit	3,147.26	0.00	3,147.26

See the accompanying notes to supplemental information.

OHLONE COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION
YEAR ENDED JUNE 30, 2018

	Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110 Reported Data	Audit Adjustments	Revised Data	Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799 Reported Data	Audit Adjustments	Revised Data
ACADEMIC SALARIES							
Instructional Salaries:							
Contract or Regular	1100	$ 10,875,975		$ 10,875,975	$ 10,875,975		$ 10,875,975
Other	1300	8,332,282		8,332,282	8,332,282		8,332,282
Total Instructional Salaries		19,208,257		19,208,257	19,208,257		19,208,257
Non-Instructional Salaries:							
Contract or Regular	1200				4,338,495		4,338,495
Other	1400				241,960		241,960
Total Non-Instructional Salaries					4,580,455		4,580,455
Total Academic Salaries		19,208,257		19,208,257	23,788,712		23,788,712
CLASSIFIED SALARIES							
Non-Instructional Salaries:							
Regular Status	2100				9,670,595		9,670,595
Other	2300				729,116		729,116
Total Non-Instructional Salaries					10,399,711		10,399,711
Instructional Aides:							
Regular Status	2200	1,645,284		1,645,284	1,645,284		1,645,284
Other	2400	444,508		444,508	444,508		444,508
Total Instructional Aides		2,089,792		2,089,792	2,089,792		2,089,792
Total Classified Salaries		2,089,792		2,089,792	12,489,503		12,489,503
Employee Benefits	3000	5,995,040		5,995,040	12,019,024		12,019,024
Supplies and Materials	4000				636,651		636,651
Other Operating Expenses	5000	1,185,928		1,185,928	6,047,438		6,047,438
Equipment Replacement	6420						
TOTAL EXPENDITURES PRIOR TO EXCLUSIONS		28,479,017		28,479,017	54,981,328		54,981,328

OHLONE COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION
YEAR ENDED JUNE 30, 2018

		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						
Student Health Services Above Amount Collected	6441						
Student Transportation	6491				104,657		104,657
Noninstructional Staff-Retirees' Benefits and Retirement Incentives	6740						
Objects to Exclude:							
Rents and Leases	5060				5,746		5,746
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				223,338		223,338
Noninstructional Supplies & Materials	4400				285,162		285,162
Total Supplies and Materials					508,500		508,500
Other Operating Expenses and Services	5000				801,037		801,037
Capital Outlay:	6000						
Library Books	6300				30,649		30,649
Equipment:	6400						
Equipment - Additional	6410						
Equipment - Replacement	6420						
Total Equipment							
Total Capital Outlay					30,649		30,649
Other Outgo	7000						
TOTAL EXCLUSIONS					1,450,589		1,450,589
Total for ECS 84362, 50% Law		$ 28,479,017	$	$ 28,479,017	$ 53,530,739	$	$ 53,530,739
Percent of CEE (Instructional Salary Cost / Total CEE)		53.20%		53.20%	100%		100%
50% of Current Expense of Education					$ 26,765,370		$ 26,765,370

OHLONE COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF EDUCATION PROTECTION ACCOUNT EXPENDITURES TO DISTRICT ACCOUNTING RECORDS YEAR ENDED JUNE 30, 2018

Education Protection Act (EPA) Expenditure Report

Activity Classification	Activity Code				Unrestricted
EPA Proceeds:	8630				$ 6,552,625
Activity Classification	**Activity Code**	**Salaries and Benefits (1000-3000)**	**Operating Expenses (4000-5000)**	**Capital Outlay (6000)**	**Total**
Instructional Activities	0100-5900	$ 6,552,625			$ 6,552,625
Total Expenditures for EPA*		$ 6,552,625	$	$	6,552,625
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, 2018

Fund Balance:	
General Fund	$ 15,225,843
Bond Interest and Redemption Fund	16,980,035
Capital Outlay Projects Fund	4,032,759
Revenue Bond Construction Fund	66,921,491
Other Internal Services Fund	4,948,698
Financial Aid Trust Fund	95,098
Total Fund Balances as reported on the Annual Financial and Budget Report (CCFS-311)	108,203,924
Net Audit Adjustments:	
No adjustments were made to the District's Funds	
Total Fund Balance	108,203,924
Reconciliation to Net Position:	
Fair market value adjustment	305,401
Capital assets, net	421,976,577
Deferred amount on refunding	8,802,414
Deferred outflows of resources related to pensions	18,091,389
Deferred outflows of resources related to OPEB	383,771
Interest received on endowment account	906,593
Interest payable	(7,695,682)
Long-term debt not reported in fund based statements	(485,099,624)
Deferred inflows of resources related to pensions	(3,101,735)
Total Net Position	$ 62,773,028

OHLONE COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH AUDITED FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

AUDITOR COMMENTS

No adjustments were made to the District's Fund Financial Statements.

1. PURPOSE OF SCHEDULES

Schedules of Expenditures of Federal Awards

The audit of the District for the year ended June 30, 2018, 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, 2018.
- Corrections – For the year ended June 30, 2017, the Schedule of Expenditures of Federal Awards reported $740,175 of expenditures for WIA/WIOA Adult Program for CFDA number 17.258. This amount was overstated by $477,025 for CFDA number 17.258 and understated for WIA Dislocated Workers program, CFDA number 17.278, by $429,351, for a net overstatement of $47,674 of federal expenditures. This overstatement of expenditures was paid through unrestricted funding. This correction was documented in the Schedule of Expenditures of Federal Awards for the year ended June 30, 2018.

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 Statement of Net Position

This schedule provides the reconciliation of the adjustments necessary to bring the District's internal fund financial statements, prepared on a modified accrual basis, to the entity-wide full accrual basis financial statements required under GASB Statements No. 34 and No. 35 business type activities reporting model.

Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Financial Statements

This schedule reports any audit adjustments made to the fund balances of all funds as reported on the Annual Financial and Budget Report (Form CCFS-311).

OTHER INDEPENDENT AUDITOR'S REPORTS

Gilbert Associates, Inc.
CPAs and Advisors
Relax. We got this.℠

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, 2018, 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 21, 2018.

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. 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 noncompliance 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 21, 2018

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

Independent Auditor's Report

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, 2018. 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, 2018.

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 of compliance, we considered the District's internal control over compliance with the types of 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 an 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 a 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

November 21, 2018

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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, 2018.

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
- Apprenticeship Related and Supplemental Instruction (RSI)
- Disabled Student Programs and Services (DSPS)
- To Be Arranged Hours (TBA)
- Proposition 1D and 51 State Bond Funded Projects
- 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 2018-001, 2018-002 and 2018-003. 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, 2018.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

November 21, 2018

FINDINGS AND RECOMMENDATIONS SECTION

OHLONE COMMUNITY COLLEGE DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

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

2018-001 – STATE GENERAL APPORTIONMENT FUNDING SYSTEM – WEEKLY ATTENDANCE

Criteria:

According to California Code of Regulations, Title V, Section 58003.1, 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.

Condition:

We noted one weekly course was not reported at the correct amount of Contact Hours in the District's attendance accounting system but corrected prior to submission of the Annual Attendance Accounting Report (320 Annual Report).

Context:

Out of 25 weekly classes tested, one course was identified that was not reported at the correct amount of contact hours. Contact hours were reported using the incorrect weekly contact hour figure when calculating the total contact hours. This error was determined to be isolated and testing of additional attendance confirmed the isolation. No additional errors were identified.

Effect:

The District's FTES was corrected to properly calculate FTES for the weekly courses, which audit procedures validated subsequent to correction.

Questioned Costs:

The accounting method was corrected prior to the FY 207-18 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, the Ohlone FTES increased by 0.001 for resident FTES.

Recommendation:

We recommend that the District perform an internal review of weekly classes to ensure contact hours are properly calculated, and therefore FTES amounts reported are accurate.

District's Corrective Action Plan:

To minimize the occurrence of incorrect contact hours, the District will continuously perform an internal review of classes before the class schedule is printed and before the P1 and 320 Reports are submitted, to validate the accuracy of contact hour's calculations

2018-002 – STATE GENERAL APPORTIONMENT FUNDING SYSTEM – DAILY ATTENDANCE

Criteria:

According to California Code of Regulations (CCR), Title V, Section 58003.1 (c), for credit courses scheduled to meet for five or more days and scheduled regularly with respect to the number of hours each scheduled day, but not scheduled conterminously with the college's primary term established pursuant to subdivision (b), or scheduled during the summer or other intersession, the units of full time equivalent student (FTES), exclusive of independent study and cooperative work-experience education courses, shall be computed by multiplying the daily student contact hours of active enrollment as of the census days nearest to one-fifth of the length of the course by the number of days the course is scheduled to meet, and dividing by 525.

Condition:

We noted eight daily courses were not calculated using the correct daily contact hours formula per the CCR in the District's attendance accounting system, but was corrected prior to submission of the Annual Attendance Accounting Report (320 Annual Report).

Context:

Out of 11 daily attendance courses tested, eight courses were identified that were not reported at the correct amount of contact hours. This incorrect reporting was a result of using the incorrect formula to calculate FTES. As a result, the District recalculated 100% of the daily FTES population for accuracy and to correct any errors found. We tested the new daily FTES population after the District performed their recalculation and noted no further errors.

Effect:

The District's FTES was corrected to properly calculate FTES for the weekly courses, which audit procedures validated subsequent to correction.

Questioned Costs:

The accounting method was corrected prior to the FY 207-18 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, the Ohlone FTES decreased by 15.22 for resident FTES.

Recommendation:

We recommend that an internal review be performed of daily classes to ensure contact hours are properly calculated, and therefore FTES amounts reported are accurate.

District's Corrective Action Plan:

The District has already revised its auditing practices for Daily classes and has held instructional sessions for Academic Affairs and Student Services Staff so that they are informed of the correct method to calculate clock and contact hours for Daily classes.

2018-003 – STATE GENERAL APPORTIONMENT FUNDING SYSTEM – COURSE OUTLINE OF RECORD

Criteria:

According to California Code of Regulations, Title V, Section 55002 (3), a community college shall maintain a course outline of record in the official college files that describes the course, including the unit value, the expected number of contact hours for the course as a whole, and other relevant information. Scheduling of courses should be consistent with the total contact hours indicated in the approved course outline of record, with the exception of reasonable variances due to legitimate scheduling considerations such as schedule compression.

Condition:

One weekly course, one daily course and one alternative attendance course offered by the District had incorrect or missing CORs that did not tie to the class schedule accurately.

Context:

A class's schedule was not consistent with the hours listed in the course outline of record for 3 out of 73 census classes tested

Effect:

There is no impact on FTES for this exception, as the FTES was correctly calculated based on regularly scheduled hours of the course, and not the course outline of record.

Questioned Costs:

There is no financial impact for this exception, as the FTES was correctly calculated based on regularly scheduled hours of the course, and not the course outline of record.

Recommendation:

We recommend that the District compare the actual contact hours of courses with the course outline of record to identify and correct differences between the approved course description and the actual scheduling of the course.

District's Corrective Action Plan:

As noted in the audit, the clock and contact hours were appropriately calculated in the District's database; however, the course outlines of record themselves were outdated and were in need of revision. The District has contacted the appropriate personnel regarding the necessity for updating the course outlines of record.

SECTION IV - FEDERAL COMPLIANCE

There were no federal compliance findings reported.

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
YEAR ENDED JUNE 30, 2018

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

Condition and Recommendation	Current Status	District Explanation If Not Implemented
2017-001 – STATE GENERAL APPORTIONMENT FUNDING SYSTEM – ALTERNATIVE ATTENDANCE **Condition:** Distance Education Laboratory Courses were incorrectly calculating attendance contact hours based on units of credit instead of contact hours **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.	Implemented No items of noncompliance were noted in the 2018 audit.	