

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS

JUNE 30, 2019

FINANCIAL SECTION

Independent Auditor's Report	2
Management's Discussion and Analysis	5
Basic Financial Statements - Primary Government	
Statement of Net Position	20
Statement of Revenues, Expenses, and Changes in Net Position	21
Statement of Cash Flows	22
Fiduciary Funds	
Statement of Net Position	24
Statement of Changes in Net Position	25
Notes to Financial Statements	26

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in the District's Net OPEB Liability and Related Ratios	69
Schedule of OPEB Investment Returns	70
Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program	71
Schedule of the District's Proportionate Share of the Net Pension Liability	72
Schedule of District Contributions for Pensions	73
Note to Required Supplementary Information	74

SUPPLEMENTARY INFORMATION

District Organization	76
Schedule of Expenditures of Federal Awards	77
Schedule of Expenditures of State Awards	79
Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance	80
Reconciliation of <i>Education Code</i> Section 84362 (50 Percent Law) Calculation	81
Reconciliation of Annual Financial and Budget Report (CCFS-311) With Audited Financial Statements	84
Proposition 30 Education Protection Account (EPA) Expenditure Report	85
Reconciliation of Governmental Fund Balance Sheets to the Statement of Net Position	86
Schedule of Financial Trends and Analysis of the General Fund	88
Note to Supplementary Information	89

INDEPENDENT AUDITOR'S REPORTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	92
Report on Compliance for Each Major Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	94
Report on State Compliance	96

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditor's Results	99
Financial Statement Findings and Recommendations	100
Federal Awards Findings and Questioned Costs	101
State Awards Findings and Questioned Costs	102
Summary Schedule of Prior Audit Findings	103

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS JUNE 30, 2019

ADDITIONAL SUPPLEMENTARY INFORMATION

Governmental Funds	
Balance Sheet	105
Statements of Revenues, Expenditures, and Changes in Fund Balances	106
Proprietary Fund	
Balance Sheet	107
Statement of Revenues, Expenses, and Changes in Retained Earnings	108
Statement of Cash Flows	109
Fiduciary Funds	
Balance Sheet	110
Statements of Changes in Fund Balances	111
Note to Additional Supplementary Information	112

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 and the aggregate remaining fund information of the District as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis on pages 5 through 19, and other required supplementary information on pages 69 through 73 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.

Other 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 accompanying supplementary information listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying 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 accompanying 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 December 4, 2019, 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, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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.

Rancho Cucamonga, California
December 4, 2019

Introduction

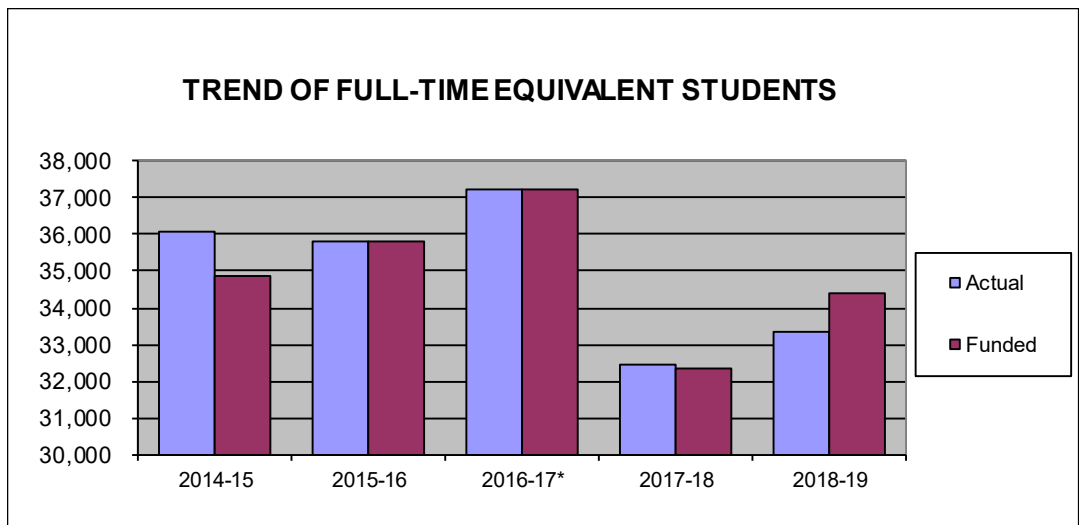
The following discussion and analysis provides an overview of the financial position and activities of the North Orange County Community College District (the District) for the year ended June 30, 2019. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes thereto which follow this section.

The District is reporting according to the standards of Governmental Accounting Standards Board (GASB) Statements No. 34 and No. 35 using the Business-Type Activity (BTA) model. The California Community Colleges Chancellor's Office, through its Fiscal Standards and Accountability Committee, recommends that all community college districts use the reporting standards under the BTA model.

North Orange County Community College District includes two comprehensive community colleges and a large school of continuing education. The mission of the District is to serve and enrich our diverse communities by providing a comprehensive program of educational opportunities that are accessible, academically excellent, and committed to student success and lifelong learning. Cypress College and Fullerton College offer associate degrees, vocational certificates, and transfer education, as well as developmental instruction and a broad array of specialized training. North Orange Continuing Education offers non-college credit programs including high school diploma completion, basic skills, vocational certificates, and self-development courses.

Selected Highlights

- With the implementation of the State's new Student Centered Funding Formula (SCFF), a multi-year implementation period was included, which would hold districts harmless if they dropped below their 2017-2018 funding plus accumulated COLA increases. The hold harmless provision has been a windfall to our District, adding significant one-time resources for 2018-2019. Currently the hold harmless funding will be in effect through 2021-2022. The SCFF provides revenue through three components:
 - FTES (which comprises 70 percent of the formula)
 - Supplemental Allocation (which comprises 20 percent), and
 - Student Success Allocation (which is the remaining 10 percent of the formula).



*Includes shifting of Summer FTES

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

FTES still comprises the majority of the funding under the SCFF. Since 2015, the District FTES has decreased 5.61 percent or 2,010.74 FTES. As part of its strategy to improve enrollment, during 2018-2019, the District launched the Anaheim Educational Pledge pilot program in partnership with Anaheim Union High School District (AUHSD). This program was developed to provide a tuition-free college experience and additional support for participating first-time, full-time AUHSD students. The pilot program helped direct students within our District territory to our colleges and school and was deemed successful in helping promote a clear pathway to graduation for these students. Beginning in Fall 2019, this program will be expanded to the North Orange Promise Program to provide a tuition-free college experience to all first-time, full-time college students attending Cypress College, Fullerton College, and North Orange Continuing Education. With the success and expansion of the promise program, as well as additional strategies for enrollment management being applied, we project that this declining trend has bottomed out and expect a slight turnaround in 2019-2020.

The remaining two components of the funding formula focus on access for and success of students. The Supplemental Allocation is 20 percent of the SCFF. This is the component that targets equity of access and opportunity for low-income students. The Student Success Allocation is 10 percent of the SCFF. This is the component that targets and incentivizes successful outcomes of California Community College students.

This initial year of implementation has been a challenge as the application methodologies for the metrics and the associated funding rates are still being refined at the State level. However, as a result of the hold harmless provision, the District does not expect to be adversely effected during this transition period.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

- As of June 30, 2019, the District has expended the last of the Measure X funds. On March 5, 2002, the voters of the District approved a \$239,000,000 bond measure with \$139,000,000 (Series A) issued in May 2002 and \$99,999,001 (Series B) issued in December 2003. In April 2005, the District issued \$164,935,000 General Obligation Refunding Bonds to advance refund and defease portions of the Series A and B bonds. The Refunding resulted in an additional \$9.6 million in proceeds which was used to leverage an additional \$87 million from State Facilities Bond monies to meet local match requirements for the Cypress College Humanities project and the Fullerton College Science Building and Technology Center projects. Twenty major projects were established to be undertaken with these bond proceeds that would provide better facilities for the students, faculty, and community. On January 24, 2013, the District issued \$145,910,000 General Obligation Refunding Bonds to advance refund and defease a portion of the 2005 General Obligation Refunding Bond. The District completed the refunding to reduce its debt service payment over the subsequent 11 years by \$10,001,601. All scheduled projects have been completed.
- In 2014, the voters of the District approved a \$574,000,000 Measure J Facilities Bond Measure. The \$100,000,000 (Series A) was issued in June 2016 and \$150,000,000 (Series B) was issued in June 2019. For Measure J, the voters approved projects primarily with a focus on supporting success for veterans as well as supporting facilities improvements that contribute to workforce development. The first of the projects includes a new Cypress College Science, Engineering and Math Building to create classroom and lab spaces to support ongoing student success in addressing skills needed in the STEM industries. Additionally, planning and design has been completed and construction is in progress for the new Veterans' Center and Student Activities Center Expansion Project at Cypress College. At Fullerton College, the initial projects being focused on are the renovation of the Business and Computer Information Building and of the Applied Arts/Humanities Building, a new instructional building, as well as the expansion of the chilled water plant to complete the existing system.

Financial Highlights

This section is to provide an overview of the District's financial activities. A comparative analysis is included in the Management's Discussion and Analysis using prior year information. Certain prior year amounts have been reclassified to follow current year classifications.

Financial Statement Presentation and Basis of Accounting

The District's financial report includes three financial statements: The Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows. Additional information regarding these financial statements is provided on the following pages.

The financial statements noted above are prepared in accordance with GASB Statements No. 34 and No. 35 that provide a government-wide perspective. Therefore, the financial data presented in these financial statements is a combined total of all District funds including Student Financial Aid Programs, with inter-fund transactions eliminated.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

Also, in accordance with GASB Statements No. 34 and No. 35, the financial statements have been prepared under the full accrual basis of accounting which requires that revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. A reconciliation between the fund balances reported on the June 30, 2019, Annual Financial and Budget Report (CCFS-311) based upon governmental accounting principles and the modified accrual basis of accounting, and the total net position recorded on the full accrual basis of accounting, is found on pages 86 and 87 of the report.

Statement of Net Position

The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the District as of the end of the fiscal year and is prepared using the accrual basis of accounting, which is similar to the accounting method used by most private-sector organizations. The Statement of Net Position is a point-of-time financial statement whose purpose is to present to the readers a fiscal snapshot of the District. The Statement of Net Position presents end-of-year data concerning assets (current and noncurrent), deferred outflows of resources, liabilities (current and noncurrent), deferred inflows of resources, and net position (assets and deferred outflows of resources minus liabilities and deferred inflows of resources).

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the District. Readers are also able to determine how much the District owes vendors and employees. Finally, the Statement of Net Position provides a picture of the net position and their availability for expenditure by the District.

The difference between total assets, deferred outflows of resources and total liabilities and deferred inflows of resources (net position) is one indicator of the current financial condition of the District; another indicator is the change in net position which shows whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allocation for depreciation expense.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

The Net Position is divided into three major categories. The first category, invested in capital assets, net of related debt, provides the equity amount in property, plant, and equipment owned by the District. The second category is expendable restricted net position; the net position is available for expenditure by the District, but must be spent for purposes as determined by external entities and/or donors that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net position that is available to the District for any lawful purpose of the District.

The Statement of Net Position as of June 30, 2019 and 2018, is summarized below.

	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets		
Cash and investments	\$ 500,706,143	\$ 336,828,508
Receivables	10,479,001	11,602,781
Due from fiduciary funds	12,677,197	10,324,685
Prepaid expenses	186,211	86,567
Inventory	426,323	611,615
Total current assets	<u>524,474,875</u>	<u>359,454,156</u>
Noncurrent assets		
Capital assets, net	412,769,718	399,663,985
TOTAL ASSETS	<u>937,244,593</u>	<u>759,118,141</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>74,816,507</u>	<u>76,494,307</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	28,210,496	24,000,539
Due to fiduciary funds	1,344,642	1,396,470
Unearned revenue	16,090,824	14,909,913
Long-term liabilities - current portion	41,543,391	41,175,682
Total current liabilities	<u>87,189,353</u>	<u>81,482,604</u>
Noncurrent liabilities		
Long-term liabilities less current portion	623,991,655	484,622,272
TOTAL LIABILITIES	<u>711,181,008</u>	<u>566,104,876</u>
DEFERRED INFLOWS OF RESOURCES	<u>11,800,063</u>	<u>12,914,853</u>
NET POSITION		
Net investment in capital assets	297,069,948	281,511,835
Restricted	119,030,987	104,844,821
Unrestricted*	<u>(127,020,906)</u>	<u>(129,763,937)</u>
TOTAL NET POSITION	<u>\$ 289,080,029</u>	<u>\$ 256,592,719</u>

* *Unrestricted Net Position is defined by GASB Statements No. 34 and No. 35 as those assets that do not have external legal restrictions against them, including any amounts designated by the Board of Trustees.*

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

- Cash and investments consist primarily of cash and funds held in a county investment pool in the General Fund (\$122.9 million), Bond Fund (\$225.8 million), Capital Outlay Fund (\$61.5 million), and the Self Insurance Fund (\$28.5 million). The increase of \$163.9 million was mostly attributable to the bond sale and receipt of \$149.3 million cash from the net proceeds of the bond sale. The Cash Flow Statement included in these financial statements provides greater detail of the sources and uses of the District's cash during the 2018-2019 fiscal year.
- Accounts receivable activity consists mainly of receivables from Federal and State sources for grant and entitlement programs and receivables from local sources for all other purposes. This year, there is a net decrease in this account. Categorical aid comprises the majority of the balance, with \$6.5 million in receivables. This represents a \$2.5 million increase over the prior year and is consistent with an overall increase in grant activity. However, offsetting that increase is a decrease of \$2.6 million in the receivable for apportionment-related funds, since the District received its total calculated apportionment funding as a result of being in hold harmless status. Other local receivables amounts to \$1.1 million, primarily associated with items for Capital Outlay projects and ERAF funds. This is a decrease of \$1.1 million from the prior year attributable to the exclusion of internal receivable activity which better reflects the nature of accounts receivable for reporting purposes. Receivable amounts for other activity such as lottery, interest, and student loans receivable remain consistent with the prior year. Note 5 of these financial statements provides a summary of the accounts receivable balance.
- Inventory is primarily made up of merchandise held for sale in the bookstores located at Fullerton College and North Orange Continuing Education.
- Due from fiduciary funds and Due to fiduciary funds consist of amounts due from/to the Associated Students and Other Trust funds at Cypress College, Fullerton College, North Orange Continuing Education, and the Retiree Benefits Fund.
- Other assets are primarily prepaid expenses.
- Capital assets, net is primarily made up of the District's investments in land, buildings and building improvements, construction in progress, and vehicles, at historical cost and net of accumulated depreciation. Note 7 of these financial statements provides a summary of changes during the 2018-2019 fiscal year.
- Deferred outflows of resources represents a consumption of net assets that is applicable to a future reporting period. For example, prepaid items and deferred charges. In our instance, the deferred outflow associated with pension costs has decreased compared to the prior year primarily due to changes in the assumptions underlying the calculated pension liability. (See Note 12).
- Accounts payable are amounts due as of the fiscal year-end for goods and services received as of June 30, 2019. Also included are accrued liabilities for amounts due to or on behalf of employees for wages and benefits earned as of the end of the fiscal year, but paid out subsequent to June 30, 2019. The increase in this account is attributable primarily to the increase in activity for construction associated with bond and State funded projects.
- Unearned revenues are those funds that are received, but not yet earned. They typically involve restricted State and Federal grants that are earned when spent and allow more than one year to expend the funds.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

- Long-term liabilities include bonded debt issuances and unamortized premiums related to the general obligation bond liability, compensated absence balances, supplemental early retirement plan (SERP), claims, and aggregate net OPEB and net pension obligations. The increase in long-term liabilities of \$139.4 million is primarily due to the issuance of \$150 million in series B bonds under Measure J. The District has bonded debt issuances outstanding that amounts to \$378.2 million, consisting of bonds issued as part of Measures X and J, as well as Refunding Bonds issued on portions of bonds issued under Measure X. The \$8.7 million in compensated absences are amounts accrued for accumulated, unpaid employee vacation benefits, and load banking where eligible academic employees may teach extra courses in one period for exchange for time off in another period. In 2017-2018, the District offered a one-time SERP. Eligible employees were offered a payment of 75 percent of their eligible salary. The total cost of the SERP will be paid out over five years (from 2017-2018 to 2021-2022). Claims payable and aggregate net OPEB liability are based on actuarially determined amounts. Claims payable are potential liabilities associated with workers' compensation and property and liability claims. The aggregate net OPEB liability is presented in accordance with the most recent required accounting principle. The District has continued to contribute to its Irrevocable OPEB Trust. As a result, this liability is reduced by the value of the trust assets. The net position and activity for the irrevocable trust are shown on pages 24 and 25 as part of the Fiduciary group of funds. Aggregate net pension obligation amounts are provided based on calculations from CalSTRS and CalPERS. Note 10 of these financial statements provides more information on the District's long-term obligations.

Additional information regarding long-term debt is included in the Debt Administration section of this discussion and analysis.

- Deferred inflows of resources represents an acquisition of net position that is applicable to a future reporting period. For example, deferred revenue and advance collections. In our instance, the deferred inflow associated with changes in the net pension liability has decreased from the prior year primarily due changes in the assumptions underlying the calculated pension liability. (See Note 12).

Statement of Revenues, Expenses, and Changes in Net Position

Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of this statement is to present the operating and nonoperating revenues earned, whether received or not, by the District, the operating and nonoperating expenses incurred, whether paid or not, by the District, and any other revenues, expenses, gains and/or losses earned or incurred by the District. Thus, this statement presents the District's results of operations.

Generally, operating revenues are earned for providing goods and services to the various customers and constituencies of the District. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues and to fulfill the mission of the District. Nonoperating revenues are those received or pledged for which goods and services are not provided; for example, State appropriations are nonoperating because they are provided by the legislature to the District without the legislature directly receiving commensurate goods and services for those revenues.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

The Statement of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2019 and 2018, is summarized below:

	<u>2019</u>	<u>2018</u>
Operating revenues		
Net tuition and fees	\$ 22,936,850	\$ 22,611,071
Net grants and contracts, noncapital	64,219,337	51,210,488
Sales	3,959,055	4,588,849
Total operating revenues	<u>91,115,242</u>	<u>78,410,408</u>
Operating expenses		
Salaries and benefits	246,267,870	240,994,162
Supplies, materials, depreciation, and other expenses	56,458,839	51,195,349
Student financial aid	60,246,445	62,636,102
Total operating expenses	<u>362,973,154</u>	<u>354,825,613</u>
Operating loss	<u>(271,857,912)</u>	<u>(276,415,205)</u>
Nonoperating revenues (expenses)		
State apportionments, noncapital	93,505,394	100,381,045
Local property taxes	140,696,807	127,531,611
Federal and State financial aid grants, noncapital	58,117,037	61,210,086
State taxes and other revenues	8,562,420	10,952,355
Investment income	6,274,935	3,755,949
Other nonoperating revenues (expenses), net	(3,315,917)	(3,187,687)
Total nonoperating revenues (expenses)	<u>303,840,676</u>	<u>300,643,359</u>
Other revenues		
State revenue, capital	<u>504,546</u>	<u>3,174,141</u>
Change in net position	<u>\$ 32,487,310</u>	<u>\$ 27,402,295</u>

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

- Net tuition and fees are generated by the resident, non-resident, and foreign fees paid by students attending the District. These include fees paid for enrollment, health services, parking, community services classes, and other related fees.
- Grants and contracts, noncapital are primarily those received from Federal and State sources and used in the instructional program such as the Student Financial Aid cluster of programs and funding received in support of Student Success and Strong Workforce Initiative-related programs. On pages 77 through 79 of the supplementary information section of this report provides a complete listing of Federal and State noncapital grants and contracts.
- Sales are primarily related to the sale of merchandise in the Bookstores located at Fullerton College and North Orange Continuing Education. There has been a declining trend in bookstore sales, with overall revenue decreasing by 26 percent since 2014-2015. With the increase in alternative sources and technology for traditional college textbooks, college bookstores will need to continue to redefine themselves to meet student needs.
- Salaries and benefits comprise 67.8 percent of total operating expenses from a District-wide full-accrual perspective. In other words, these amounts include the activity from all District funds, not just the General Fund. Consequently, this percentage is lower than normally discussed when talking about the percentage of salaries as compared to total expenses since it is computed using all Capital Outlay and Bond Fund expenditures that are primarily capital outlay expenditures. Salaries and benefits in the General Fund make up 84.4 percent of total General Fund expenses as reflected on page 88 of this report. Academic salaries decreased \$4.0 million, which is primarily attributable to the decrease in full-time faculty. More than 60 faculty members retired from the District prior to the start of the 2018-2019 academic year as part of the SERP offered last year. Classified salaries increased by \$2.6 million, which reflects the settled salary increases for 2018-2019 as well as additional increases from movements in step and column on the salary schedules. Benefits costs increased \$7.0 million. This is primarily attributable to expected increases in the PERS and STRS rates, SERP payments, and additional contributions to the OPEB Trust.
- Other operating expenses consist of supplies, insurance, utilities, depreciation expense, other services, and capital outlay items below the capitalization threshold. The increase in this account is related to increases in activities supporting various grant-funded programs (i.e., Strong Workforce Program, Adult Education Regional Consortium) as well as expenditures associated with the start of the construction for bond program-related projects.
- Student financial aid is made up of financial assistance payments made to students as part of the Student Financial Aid cluster of programs.
- The operating loss reported on the Statement of Revenues, Expenses, and Changes in Net Position is related to the reporting requirements of GASB Statement No. 35 that identify transactions as either exchange or non-exchange. If a transaction is considered an exchange transaction, then the revenue is considered operating revenue. Conversely, if a transaction is deemed a non-exchange transaction, then the revenue is considered nonoperating revenue. In our case, the revenues received from the State of California as apportionment and from local property taxes are deemed non-exchange transactions and consequently, nonoperating revenues. Every community college district within the State of California will have a large operating loss due to this required reporting presentation.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

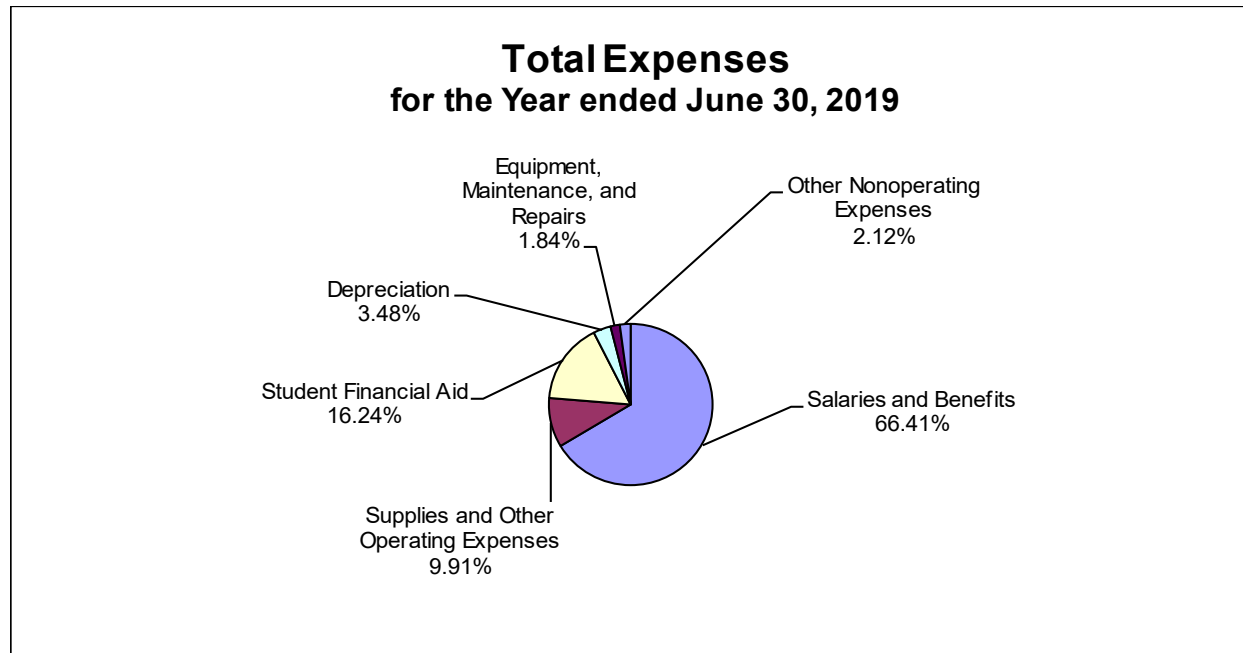
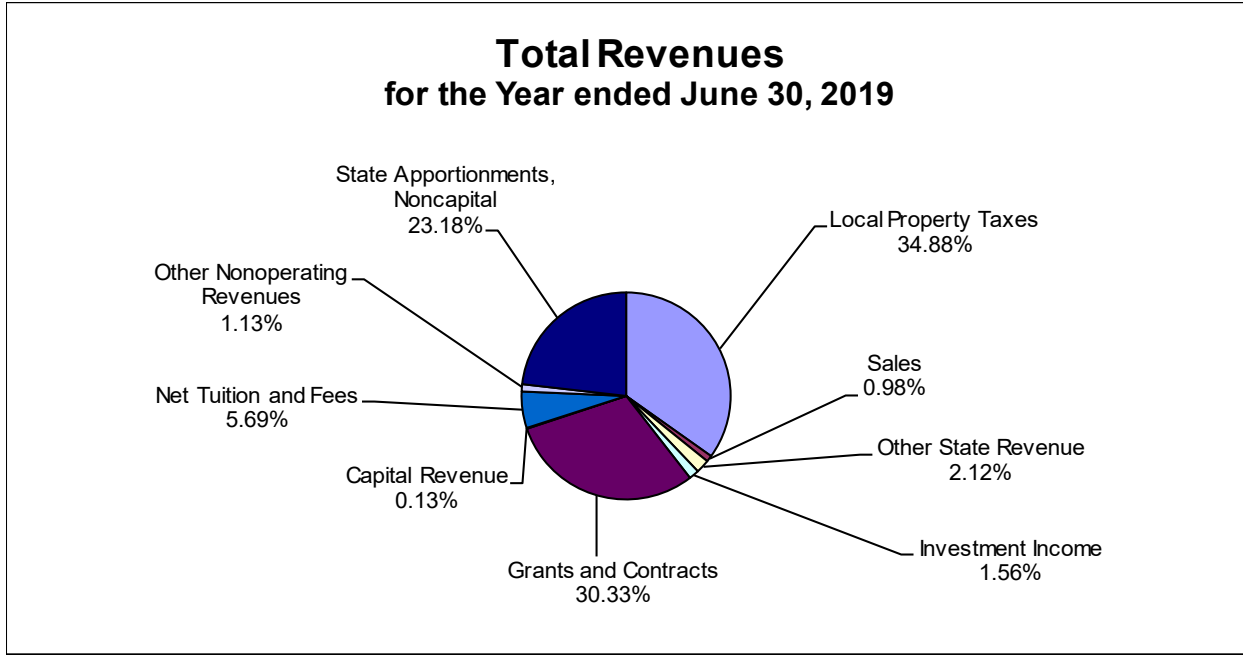
- State apportionments, noncapital, local property taxes, and tuition and fees are all components of the community college apportionment funding model. The model is comprised of a base allocation, an amount per credit FTES, noncredit FTES, and an enhanced amount per qualifying noncredit FTES for career development and college preparation courses. With the implementation of a new Student Centered Funding Formula, additional components were added providing a supplemental allocation that targets equity of access and opportunity for low-income students and a student success allocation incentivizing successful outcomes of students. An important aspect of the community college apportionment funding model is the inverse relationship between State apportionment and local property taxes. Thus, our funding essentially comes from enrollment fees and local property taxes with the difference made up by State apportionment. The District was in hold harmless status for 2018-2019, receiving the 2017-2018 apportionment plus an increase for COLA.
- Local property taxes are received through the Auditor-Controller's Office for Orange and Los Angeles Counties. The amount received for property taxes is deducted from the total State apportionment amount for general revenue calculated by the State. The increase is attributable to the continued increase in assessed valuations.
- Grants and contracts, noncapital are primarily those received from Federal and State sources and used in the instructional program such as the Student Financial Aid cluster of programs and funding received in support of Student Success and Strong Workforce Initiative-related programs. Pages 77 through 79 of the supplementary information section of this report provide a complete listing of Federal and State noncapital grants and contracts.
- State taxes and other revenues are mainly comprised of State mandated cost revenues and lottery revenues. Lottery revenue is based on the prior year's FTES. The decrease in this account is mainly due to the result of the lower reported 2017-2018 FTES that is used for lottery purposes. This, in turn, was the result of the shifting of FTES the District made in 2016-2017.
- Investment income, net increased due to an increase in interest rates and overall increase in cash balances.
- Other nonoperating revenues (expenses), net are comprised of the amounts recorded in the Bond Interest and Redemption Fund that was established for the General Obligation Bond, accrued interest on the general obligation bonds, other local revenues, local revenues designated for capital purposes, capital outlay fees received from non-resident students, transfers to and from the fiduciary funds, and an amount recorded for payments made by the State of California to STRS on the District's behalf in the amount of \$7.6 million.
- State revenues, capital relate to projects for capital outlay. The decrease in this account is mainly due to the close out of Proposition 39 funded projects as well as a decrease in scheduled maintenance revenues received.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

The following charts show the major components of total revenues and total expenses using the more detailed Statement of Revenues, Expenses, and Changes in Net Position presented on page 21.



NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

Statement of Cash Flows

The Statement of Cash Flows provides information about cash receipts and cash payments during the fiscal year. This Statement also helps users assess the District's ability to generate positive cash flows, meet obligations as they come due and the need for external financing.

The Statement of Cash Flows is divided into five parts. The first part reflects operating cash flows and shows the net cash used by the operating activities of the District. The second part details cash received for nonoperating, noninvesting, and noncapital financing purposes. The third part shows cash flows from capital and related financing activities and deals with the cash used for the acquisition and construction of capital and related items. The fourth part provides information from investing activities and the amount of interest received. The last section reconciles the net cash used by operating activities to the operating loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

A summarized Statement of Cash Flows for the years ended June 30, 2019 and 2018, is presented below:

	<u>2019</u>	<u>2018</u>
Cash provided by (used in)		
Operating activities	\$ (249,749,490)	\$ (242,911,826)
Noncapital financing activities	267,463,628	267,849,830
Capital financing activities	140,005,226	(8,782,897)
Investing activities	<u>6,158,271</u>	<u>3,484,541</u>
Net change in cash and cash equivalents	163,877,635	19,639,648
Cash balance, beginning of year	<u>336,828,508</u>	<u>317,188,860</u>
Cash balance, end of year	<u><u>\$ 500,706,143</u></u>	<u><u>\$ 336,828,508</u></u>

- Operating activities mainly consist of cash receipts from student tuition and cash payments for salaries, benefits, supplies, Federal, State, and other local operating grants and contracts, other operating expenses, utilities, insurance, and other items related to the instructional program.
- Noncapital financing activities are primarily comprised of State apportionment, property taxes, and Federal and State financial aid grants for other than capital purposes. State apportionments and property taxes received account for 73.8 percent of the total cash provided by noncapital financing activities. Additionally, cash received from noncapital related grants and contracts accounts for 21.8 percent of the total cash provided by noncapital financing activities.
- Capital financing activities are mostly made up of the purchase or sale of capital assets, principal and interest payments on any debt issued and proceeds received from any new debt issuances, and cash sources or uses from Federal, State, and local grants for capital purposes. The increase in cash receipts in this category is primarily activity related to Measure J bond issuance. \$150,000,000 was issued as Series B bonds. An increase in construction in progress slightly offsets the effect of that issuance.
- The cash from investing activities is interest earned on cash in banks, and on cash invested through the Orange County Educational Investment Pool. The increase in cash received from investing activities is due to the increase in interest rates as applied to the increased funds resulting from the Measure J bond issuances as well as increased carryover funds arising as a result of the additional hold harmless funds received and set aside pending approved spending plans.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2019, the District had \$412.8 million invested in net capital assets. Total capital assets of \$607.1 million consist of land, buildings and building improvements, construction in progress, vehicles, data processing equipment, and other office equipment. These assets have accumulated depreciation of \$194.4 million over the years they have been in service. During 2018-2019, \$1.1 million of building and improvement projects completed construction. In addition, \$23.8 million of construction in progress occurred during 2018-2019 as a result of Measure J funded projects. Depreciation expense of \$12.9 million was recorded for the fiscal year.

Capital additions primarily comprise replacement, renovation, and new construction. Construction began in 2018-2019 for two projects at Cypress College: a New Science, Engineering, and Mathematics Building and a New Veterans' Resource Center and Student Activities Center Expansion. In 2019-2020, Fullerton College expects to start construction on a New Instructional Building, which will also include the expansion of the campus's Chilled Water plant, and a Districtwide Network Refresh project will get underway. At the same time, the District has fully expended its Measure X funding and will be completing the last of these projects with Measure J funds. The District will also be completing other locally funded projects. The additions to capital assets in 2018-2019 are the result of completing construction projects including the completion of the 5th Floor CTE Laboratory at the Anaheim Campus for North Orange Continuing Education which was started with Measure X funds and completed with Measure J.

Note 7 in the financial statements provides additional information on capital assets. A summary of capital assets is presented below.

	<u>2019</u>	<u>2018</u>
Land and improvements	\$ 19,239,557	\$ 19,339,965
Buildings and improvements	350,896,781	360,598,691
Equipment	8,262,957	8,082,665
Construction in progress	34,370,423	11,642,664
Net capital assets	<u>\$ 412,769,718</u>	<u>\$ 399,663,985</u>

Long-term Obligations

At June 30, 2019, the District had \$665.5 million in long-term obligations consisting of \$378.2 million from general obligation bonds; \$3.3 million from self-insurance claims payable; \$8.7 million from compensated absences payable; \$7.2 million from the supplemental early retirement program; \$5.0 million from the aggregate net OPEB liability; and \$263.1 million as the aggregate net pension obligation which represents the proportionate share of net pension liability of CalSTRS and CalPERS based on GASB Statements No. 68 and No. 71. (See Note 12.)

The general obligation bonds were issued to fund various projects related to construction, purchase and renovation of instructional facilities, laboratories, centers, administrative facilities, and parking structures. Debt payments on the bonds will be funded through property tax receipts collected over the term of the bonds. The District's bond rating for its most recent issues was AA+.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

The aggregate net OPEB liability has been determined under the most recent required accounting principles of GASB 74 and 75, which provide that the cost of retiree benefits should be "accrued" over employees' working lifetime. The net amount of our OPEB liability takes into account the value of assets in the District's Irrevocable Retiree Benefit Trust. As of June 30, 2019, our total OPEB liability is 96.35 percent funded by the value of the assets in the Trust.

Note 10 in the financial statements provides additional information on long-term obligations. A summary of long-term obligations is presented below:

	<u>2019</u>	<u>2018</u>
Long-term obligations		
General obligation bonds	\$ 378,195,941	\$ 248,435,538
Claims payable	3,302,081	3,234,638
Compensated absences and load banking	8,673,049	8,373,908
Supplemental early retirement plan	7,182,256	8,977,820
Aggregate net OPEB liability	5,047,051	9,452,093
Aggregate net pension obligation	263,134,668	247,323,957
Total long-term obligations	665,535,046	525,797,954
Less current portion	<u>(41,543,391)</u>	<u>(41,175,682)</u>
Long-term portion	<u>\$ 623,991,655</u>	<u>\$ 484,622,272</u>

District's Fiduciary Responsibility

The District is the trustee, or fiduciary, for certain amounts held on behalf of students, clubs, and donors for student loans and scholarships. The District's fiduciary activities are excluded from these financial statements since these resources cannot be used to finance operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Economic Factors that May Affect the Future

- As of June 30, 2019, the District ended the fiscal year with a surplus due to prudent fiscal management in previous years as well as a large amount of one-time funds from the State in the prior couple of years, which were largely set aside pending determination of the best use of these funds to support operations. Additionally, the Governor's adopted budget contains \$148 billion in General Fund expenditures, up \$9.3 billion from 2018-2019 levels. The 2019-2020 State Budget is the seventh year of anticipated prosperous times for California, but there are some signs of a weakening economy. However, the District has accumulated significant reserves that can be used to buffer an economic downturn, and can allocate and spend down resources to make progress on its strategic directions. Based on the information currently available, the District believes it is in good financial shape for the 2019-2020 fiscal year.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

- For the community colleges, the 2019-2020 budget provides an increase of \$246 million in on-going Proposition 98 resources over the prior year. There is currently no statutory shortfall in the 2019-2020 apportionment funding report for community colleges. However, the new Student Centered Funding Formula will continue to undergo adjustments as it enters the second year of implementation. Additionally, the implementation timeline of the funding formula has been extended to a fourth-year to phase in and will continue providing 70 percent enrollment-based funding (Base Allocation), 20 percent funding based on enrollment of low-income students (Supplemental Allocation), and 10 percent funding based on performance outcomes (Student Success Initiative Allocation). The hold-harmless provision during this transition period that will guarantee all colleges are funded at 2017-2018 levels, plus any approved COLA has also been extended to a fourth year, through 2021-2022. This will continue to provide a measure of stability to the District during the transition.
- As has previously been noted, the District has continued to experience a downward trend in FTES. However, with the success and expansion of the North Orange Promise Program, as well as additional strategies for enrollment management being applied, a slight turnaround of that trend is projected for 2019-2020. While overall apportionment revenue is not affected in the hold harmless years, the efforts being made to improve student access and retention remain critical to setting us up for success under the new funding formula.
- Still a major concern is how to align salaries and benefits to be more competitive with comparable districts responsibly. With the increases, or at least the offer to increase the fringe benefit for all permanent employees, progress has been made on the Chancellor's goal of an enhanced benefit package, treating all employees equitably, increasing benefits over a five-year period, and modifying lifetime medical benefits for future hires. In recent years, the rising costs of health care have been of increased concern. Therefore, during 2018-2019, the District began the process of evaluating alternatives to its ongoing participation in CalPERS Health and will continue with this process in 2019-2020.

Other than the concerns discussed above, the District is not aware of any currently known facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during this fiscal year beyond those unknown variations having a global effect on virtually all types of business operations.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, students, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, please contact the Vice Chancellor, Finance and Facilities, North Orange County Community College District, 1830 West Romney Drive, Anaheim, CA 92801.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION - PRIMARY GOVERNMENT JUNE 30, 2019

ASSETS

Current Assets

Cash and cash equivalents - unrestricted	\$ 3,225,184
Cash and cash equivalents - restricted	1,487,470
Investments - unrestricted	137,040,685
Investments - restricted	358,952,804
Accounts receivable	9,942,123
Student loans receivable	536,878
Due from fiduciary funds	12,677,197
Prepaid expenses	186,211
Stores inventories	426,323
Total Current Assets	524,474,875

Noncurrent Assets

Nondepreciable capital assets	51,135,960
Depreciable capital assets, net of depreciation	361,633,758
Total Noncurrent Assets	412,769,718
TOTAL ASSETS	937,244,593

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources related to OPEB	1,243,462
Deferred outflows of resources related to pensions	73,573,045
Total Deferred Outflows of Resources	74,816,507

LIABILITIES

Current Liabilities

Accounts payable	26,552,975
Accrued interest payable	1,657,521
Due to fiduciary funds	1,344,642
Unearned revenue	16,090,824
Long-term liabilities - current portion	41,543,391
Total Current Liabilities	87,189,353

Noncurrent Liabilities

Compensated absences and load banking	4,615,222
Claims liability	3,302,081
Bonds payable	342,505,941
Supplemental early retirement plan	5,386,692
Aggregate net other postemployment benefits (OPEB) liability	5,047,051
Aggregate net pension obligation	263,134,668
Total Noncurrent Liabilities	623,991,655
TOTAL LIABILITIES	711,181,008

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources related to pensions	11,800,063
	11,800,063

NET POSITION

Net investment in capital assets	297,069,948
Restricted for:	
Debt service	50,044,454
Capital projects	63,299,651
Educational programs	5,686,882
Unrestricted	(127,020,906)
TOTAL NET POSITION	\$ 289,080,029

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

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION - PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2019**

OPERATING REVENUES	
Student Tuition and Fees	\$ 43,029,000
Less: Scholarship discounts and allowances	(20,092,150)
Net student tuition and fees	<u>22,936,850</u>
Grants and Contracts, Noncapital	
Federal	6,077,562
State	55,653,954
Local	2,487,821
Total grants and contracts, noncapital	<u>64,219,337</u>
Auxiliary Enterprise Sales and Charges	
Bookstore	3,724,096
Cafeteria	234,959
TOTAL OPERATING REVENUES	<u>91,115,242</u>
OPERATING EXPENSES	
Salaries	168,534,711
Employee benefits	77,733,159
Supplies, materials, and other operating expenses and services	36,740,957
Student financial aid	60,246,445
Equipment, maintenance, and repairs	6,827,375
Depreciation	12,890,507
TOTAL OPERATING EXPENSES	<u>362,973,154</u>
OPERATING LOSS	<u>(271,857,912)</u>
NONOPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	93,505,394
Local property taxes, levied for general purposes	101,395,010
Taxes levied for other specific purposes	39,301,797
Federal financial aid grants, noncapital	49,248,734
State financial aid grants, noncapital	8,868,303
State taxes and other revenues	8,562,420
Investment income	6,274,935
Interest expense on capital related debt	(7,658,077)
Investment income on capital asset-related debt	361,707
Transfers to fiduciary funds	(235,910)
Other nonoperating revenues	4,216,363
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>303,840,676</u>
INCOME BEFORE OTHER REVENUES	<u>31,982,764</u>
OTHER REVENUES	
State revenues, capital	504,546
CHANGE IN NET POSITION	32,487,310
NET POSITION, BEGINNING OF YEAR	256,592,719
NET POSITION, END OF YEAR	<u>\$ 289,080,029</u>

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

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT FOR THE YEAR ENDED JUNE 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	\$ 22,265,475
Auxiliary sales	3,959,055
Federal, State, and local operating grants and contracts	63,027,044
Payments to or on behalf of employees	(235,290,993)
Payments to vendors for supplies and services	(43,463,626)
Payments to students for scholarships and grants	(60,246,445)
Net Cash Flows From Operating Activities	<u>(249,749,490)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State apportionments	96,107,245
Federal and State financial aid grants	58,192,170
Property taxes - nondebt related	101,395,010
State taxes and other revenues	8,562,420
Other nonoperating revenues	3,206,783
Net Cash Flows From Noncapital Financing Activities	<u>267,463,628</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchase of capital assets	(21,949,347)
State revenue, capital projects	504,546
Property taxes - related to capital debt	39,301,797
Proceeds from capital debt	165,594,764
Principal paid on capital debt	(35,834,361)
Interest paid on capital debt	(7,979,543)
Interest received on capital asset-related debt	367,370
Net Cash Flows From Capital Financing Activities	<u>140,005,226</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received from investments	<u>6,158,271</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	163,877,635
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>336,828,508</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 500,706,143</u>

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

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2019**

**RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS
FROM OPERATING ACTIVITIES**

Operating Loss	<u>\$ (271,857,912)</u>
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities:	
Depreciation	12,890,507
Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows:	
Accounts receivable	(3,044,579)
Stores inventories	185,292
Prepaid expenses	(99,644)
Deferred outflows of resources related to OPEB	(1,243,462)
Deferred outflows of resources related to pensions	2,921,262
Accounts payable and accrued liabilities	456,236
Unearned revenue	1,180,911
Compensated absences and load banking	299,141
Supplemental early retirement plan	(1,795,564)
Claims payable	67,443
Aggregate net OPEB liability	(4,405,042)
Aggregate net pension obligation	15,810,711
Deferred inflows of resources related to pensions	(1,114,790)
Total Adjustments	<u>22,108,422</u>
Net Cash Flows From Operating Activities	<u><u>\$ (249,749,490)</u></u>

CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:

Cash in banks	\$ 4,712,654
Cash in county treasury	495,993,489
Total Cash and Cash Equivalents	<u><u>\$ 500,706,143</u></u>

NON CASH TRANSACTIONS

On behalf payments for benefits	<u><u>\$ 17,167,948</u></u>
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The accompanying notes are an integral part of these financial statements.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019**

	Retiree OPEB Trust	Other Trust Funds	Agency Funds
ASSETS			
Cash and cash equivalents	\$ -	\$ 14,365,562	\$ 42,169
Investments	104,932,484	6,360,036	-
Accounts receivable	-	2,579,445	19,000
Student loans receivable	-	1,623,254	9,053
Due from primary government	-	1,344,642	-
Other current assets	-	500	-
Total Assets	<u>104,932,484</u>	<u>26,273,439</u>	<u>\$ 70,222</u>
LIABILITIES			
Accounts payable	-	518,162	\$ -
Due to primary government	-	12,677,197	-
Unearned revenue	-	5,374,172	-
Due to student groups	-	4,126,766	70,222
Total Liabilities	<u>-</u>	<u>22,696,297</u>	<u>\$ 70,222</u>
NET POSITION			
Restricted for postemployment benefits other than pensions	104,932,484	-	
Unrestricted	-	3,577,142	
Total Net Position	<u>\$ 104,932,484</u>	<u>\$ 3,577,142</u>	

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

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019**

	Retiree OPEB Trust	Other Trust Funds
ADDITIONS		
District contributions	\$ 9,652,804	\$ -
Interest and investment income	4,359,033	-
Net realized and unrealized gains	463,598	-
Local revenues	-	2,389,127
Total Additions	<u>14,475,435</u>	<u>2,389,127</u>
DEDUCTIONS		
Classified salaries	-	145,130
Employee benefits	5,294,051	1,369,229
Books and supplies	-	54,159
Services and other operating expenditures	353,179	836,256
Capital outlay	-	426,363
Total Deductions	<u>5,647,230</u>	<u>2,831,137</u>
OTHER FINANCING SOURCES		
Transfers from primary government	-	235,910
Change in Net Position	8,828,205	(206,100)
Net Position - Beginning of Year	<u>96,104,279</u>	<u>3,783,242</u>
Net Position - End of Year	<u><u>\$ 104,932,484</u></u>	<u><u>\$ 3,577,142</u></u>

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

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 1 - ORGANIZATION

The North Orange County Community College District (the District) is a comprehensive, public, two-year institution offering higher education in the Counties of Orange and Los Angeles in the State of California and is governed by an elected Board of Trustees. The District is comprised of two college campuses, Cypress College and Fullerton College, the District office, a vocational and adult center, North Orange Continuing Education, which offers courses and programs at the Anaheim campus, the Cypress College campus, the Wilshire campus, and other off-site locations. While the District is a political subdivision of the State of California, it is legally separate and is independent of other State and local governments, and it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61. The District is classified as a Public Educational Institution under Internal Revenue Code Section 115 and is, therefore, exempt from Federal taxes. The District has considered all potential component units in determining how to define the reporting entity using criteria set forth in accounting principles generally accepted in the United States of America. The basic criteria for including a component unit are (1) the economic resources held or received by the other entity are entirely or almost entirely for the direct benefit of the District, (2) the District is entitled to, or has the ability to otherwise access, a majority of the economic resources held or received by the other entity, and (3) the other entity's resources to which the District is entitled or has the ability to otherwise access are significant to the District. If any of these criteria are not met, the final criterion for including a component unit is whether the other entity is closely related to, or financially integrated with, the District. The District identified no component units that met this requirement.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 and as amended by GASB Statements No. 37, No. 38, No. 39, and No. 61. This presentation provides a comprehensive government-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective which was previously reported. Fiduciary activities, with the exception of the Student Financial Aid Fund, are excluded from the basic financial statements. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office *Budget and Accounting Manual*. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All intra-agency and intra-fund transactions have been eliminated.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are classified as operating revenues. These transactions are recorded on the accrual basis when the exchange takes place. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, operating revenues consist primarily of student fees, noncapital grants and contracts, and auxiliary activities through the bookstore and cafeteria.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Nonexchange transactions, in which the District receives value without directly giving equal value in return, such as State apportionments, property taxes, Federal and State financial aid grants, and donations are classified as nonoperating revenue. Federal and State financial aid grants received to provide direct grants to students are classified as nonoperating revenues because the District does not generally receive any direct benefit from the grants. Eligibility requirements may include time and/or purpose requirements. Property tax revenues are recognized in the fiscal year in which they are received. State apportionment revenue is earned based upon criteria set forth from the Community College Chancellor's Office and includes reporting of full-time equivalent students (FTES). The corresponding apportionment revenue is recognized in the period the FTES are generated.

Operating expenses are costs incurred to provide instructional services including support costs, auxiliary services, and depreciation of capital assets. All other expenses not meeting this definition are reported as nonoperating. Expenses are recorded on the accrual basis as they are incurred, when goods are received, or services are rendered.

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37, No. 38, No. 39, and No. 61. The business-type activities model followed by the District requires the following components of the District's financial statements:

- Management's Discussion and Analysis
- Basic Financial Statements for the District as a whole including:
 - Statement of Net Position - Primary Government
 - Statement of Revenues, Expenses, and Changes in Net Position - Primary Government
 - Statement of Cash Flows - Primary Government
 - Financial Statements for the Fiduciary Funds including:
 - Statement of Fiduciary Net Position
 - Statement of Changes in Fiduciary Net Position
- Notes to the Financial Statements

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be unrestricted cash on hand, demand deposits, and short-term unrestricted investments with original maturities of one year or less from the date of acquisition. Cash equivalents also include unrestricted cash with the County treasury for purposes of the Statement of Cash Flows. Restricted cash and cash equivalents represent balances restricted by external sources such as grants and contracts or specifically restricted for the repayment of capital debt.

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held at June 30, 2019, are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair value of investments in county investment pools are determined by the program sponsor.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets represent those required by laws to be set aside by the District for the purpose of satisfying certain requirements.

Accounts Receivable

Accounts receivable include amounts due from Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff; the majority of each residing in the State of California. The District does not record an allowance for uncollectible accounts because collectability of the receivables from such sources is probable. When receivables are determined to be uncollectible, a direct write-off is recorded.

Prepaid Expenses

Prepaid expenses represent payments made to vendors and others for services that will benefit periods beyond June 30, 2019.

Stores Inventories

Stores inventories consist primarily of bookstore merchandise held for resale to the students and faculty of the colleges. In addition, the District warehouse holds some inventory of paper and office supplies for daily operational needs. Inventories are stated at cost, utilizing the average cost method. The cost is recorded as an expense as the inventory is consumed.

Capital Assets and Depreciation

Capital assets are stated at cost at the date of acquisition or fair value at the date of gift. The District's capitalization policy includes all items with a unit cost of \$5,000 (for equipment) and an estimated useful life of greater than one year. Buildings, renovations to buildings, infrastructure, and land improvements that cost more than \$150,000, significantly increase the value, or extend the useful life of the structure, are capitalized. Routine repair and maintenance costs are charged to operating expenses in the year in which the expense is incurred. Depreciation of equipment and vehicles, facilities, and other physical properties is provided using the straight-line method over the estimated useful lives of the respective assets, or in the case of assets acquired under capital leases, the shorter of the lease term or useful life. Costs for construction in progress are capitalized when incurred.

The following estimated useful lives are used to compute depreciation:

Land improvements	50 years
Buildings and improvements	50 years
Machinery and equipment	5-20 years

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

Debt Premiums

Debt premiums are amortized over the life of the bonds using the straight-line method.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for pension and OPEB related items.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for pension related items.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (the Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (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 Plan and the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the District Plan and the MPP. For this purpose, the District Plan and the MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Unearned Revenue

Unearned revenue is recorded to the extent that cash received from Federal programs, State special projects, other programs, and fees, has not been earned.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Noncurrent Liabilities

Noncurrent liabilities include compensated absences and load banking, claims payable, bonds payable, supplemental early retirement plan, aggregate net OPEB liability, and aggregate net pension obligation with maturities greater than one year.

Compensated Absences and Load Banking

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. The current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignation and retirements that occur prior to year-end that have not yet been paid within the fund from which the employees who have accumulated the leave are paid. The District also participates in "load banking" with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period. The liability for this benefit is reported on the government-wide financial statements.

Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, retirement credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Retirement credit for unused sick leave is applicable to all academic employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full time.

Net Position

GASB Statements No. 34 and No. 35 report equity as "Net Position" which represents the difference between assets and liabilities. The net position is classified according to external donor restrictions or availability of assets for satisfaction of District obligations according to the following net position categories:

Net Investment in Capital Assets consists of capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. To the extent debt has been incurred, but not yet expended for capital assets, such accounts are not included as a component invested in capital assets.

Restricted: Net position is reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the District, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

Unrestricted: Net position that is not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed. The government-wide financial statements report \$119,030,987 of restricted net position.

Operating Revenues and Expenses

Classification of Revenues - The District has classified its revenues as either operating or nonoperating. Certain significant revenue streams relied upon for operation are classified as nonoperating as defined by GASB Statements No. 34 and No. 35. Classifications are as follows:

Operating revenues - Operating revenues include activities that have the characteristics of exchange transactions, such as student tuition and fees, net of scholarship discounts and allowances, Federal, State, and local grants and contracts, and sales and services of auxiliary enterprises.

Nonoperating revenues - Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as State apportionments, property taxes, investment income, gifts and contributions, and other revenue sources defined in GASB Statements No. 34 and No. 35.

Classification of Expenses - Nearly all of the District's expenses are from exchange transactions and are classified as either operating or nonoperating according to the following criteria:

Operating expenses - Operating expenses are necessary costs to provide the services of the District and include employee salaries and benefits, supplies, operating expenses, and student financial aid.

Nonoperating expenses - Nonoperating expenses include interest expense and other expenses not directly related to the services of the District.

State Apportionments

Certain current year apportionments from the State are based on financial and statistical information of the previous year. Any corrections due to the recalculation of the apportionment are made in February of the subsequent year and are recorded in the District's financial records when received. When known and measurable, these recalculations and corrections are accrued in the year in which the FTES are generated.

Property Taxes

Property taxes are assessed and levied by the County of Orange on the fourth Monday of September of each year and they become an enforceable lien on real property on January 1 of the same year. Secured taxes are payable to the District in two installments, on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31. Tax remittances are paid net of a County administrative charge.

The District has reported property tax revenue only for taxes levied and due within the fiscal year. The District participates in the Orange County Teeter Plan and is paid all current year taxes in the year levied. The Teeter Plan allows the County to follow the accrual method of accounting to allocate property tax revenues based on the total amount of property taxes billed but not yet collected. A receivable has not been recognized in the basic financial statements for property taxes due to the fact that any receivable would be offset by a payable to the State for State apportionment purposes.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

The voters of the District passed General Obligation Bonds in March 2002 and November 2014 for the acquisition, construction, and rehabilitation of facilities. As a result of the passage of the Bond, property taxes are assessed on the property within the District specifically for the repayment of the debt incurred. The taxes are assessed, billed, and collected by the County of Orange and remitted to the District.

Scholarships, Discounts, and Allowances

Student tuition and fee revenue is reported net of scholarships, discounts, and allowances. Fee waivers approved by the Board of Governors are included within the scholarships, discounts, and allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payments on the students' behalf.

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, Federal Supplemental Educational Opportunity Grants (FSEOG), and Federal Work-Study programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to students in the form of reduced tuition. These programs are audited in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Interfund Activity

Interfund transfers and interfund receivables and payables for governmental activities are eliminated during the consolidation process in the Primary Government and Fiduciary Funds' financial statements, respectively.

Change in Accounting Principles

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The District has implemented the provisions of this Statement as of June 30, 2019.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The District has implemented the provisions of this Statement as of June 30, 2019.

New Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2018. Early implementation is encouraged.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 60*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2020. Early implementation is encouraged.

NOTE 3 - DEPOSITS AND INVESTMENTS

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit receipts and collections of monies with their County Treasurer (*Education Code* Section (ECS) 41001). The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which are recorded on the amortized cost basis.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Authorized Under 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. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years.

Summary of Deposits and Investments

Deposits and investments as of June 30, 2019, consist of the following:

Primary government	\$ 500,706,143
Fiduciary funds	125,700,251
Total Deposits and Investments	<u>\$ 626,406,394</u>
Cash on hand and in banks	\$ 18,895,385
Cash in revolving funds	225,000
Investments	607,286,009
Total Deposits and Investments	<u>\$ 626,406,394</u>

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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 value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the Orange County Educational Investment Pool, certificates of deposit, and mutual funds.

Specific Identification

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investments by maturity:

<u>Investment Type</u>	<u>Book Value</u>	<u>Fair Value</u>	<u>Weighted Average Days to Maturity</u>
Orange County Educational Investment Pool	\$ 500,296,953	\$ 502,204,027	310
Certificates of Deposit	2,056,572	2,056,572	158
Mutual Funds	104,932,484	104,932,484	No maturity
Total	<u>\$ 607,286,009</u>	<u>\$ 609,193,083</u>	

Credit Risk

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 District's investments in the Orange County Educational Investment Pool is not required to be rated. However, as of the year-end, the Orange County Educational Investment Pool reflected an AAAM rating by Standard and Poor's Rating Service.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2019, of the District's bank balance of \$13.8 million, approximately \$13.5 million was exposed to custodial credit risk because it was collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 4 - FAIR VALUE MEASUREMENTS

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs, other than Level 1 prices, such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Orange County Educational Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The District's fair value measurements are as follows at June 30, 2019:

Investment Type	Fair Value	Level 1	Uncategorized
		Inputs	
Orange County Educational Investment Pool	\$ 502,204,027	\$ -	\$ 502,204,027
Certificates of Deposit	2,056,572	2,056,572	-
Mutual Funds	104,932,484	104,932,484	-
Total	<u>\$ 609,193,083</u>	<u>\$ 106,989,056</u>	<u>\$ 502,204,027</u>

All assets have been valued using a market approach, with quoted market prices.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2019, consisted primarily of intergovernmental grants, entitlements, interest, and other local sources.

The accounts receivable are as follows:

	Primary Government	Fiduciary Funds
Federal Government		
Categorical aid	\$ 4,456,809	\$ -
State Government		
Apportionment	92,804	-
Categorical aid	2,045,302	-
Lottery	1,600,854	-
Local Government		
Interest	601,384	-
Other	1,144,970	2,598,445
Total	\$ 9,942,123	\$ 2,598,445
Student receivables	\$ 536,878	\$ 1,632,307

NOTE 6 - INTERFUND TRANSACTIONS

Interfund Receivables and Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the primary government and fiduciary funds, respectively, has been eliminated in the consolidation process of the basic financial statements. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process. As of June 30, 2019, the amount owed to the fiduciary funds from the primary government was \$1,344,642 and the amount owed to the primary government from the fiduciary funds was \$12,677,197.

Interfund Operating Transfers

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the funds of the District have been eliminated in the consolidation process. Transfers between the primary government and the fiduciary funds are not eliminated in the consolidation process. During the 2019 fiscal year, the amount transferred to the fiduciary funds from the primary government amounted to \$235,910.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Additions	Deductions/ Reclassifications	Balance June 30, 2019
Capital Assets Not Being Depreciated				
Land	\$ 16,765,537	\$ -	\$ -	\$ 16,765,537
Construction in progress	11,642,664	23,809,816	1,082,057	34,370,423
Total Capital Assets Not Being Depreciated	<u>28,408,201</u>	<u>23,809,816</u>	<u>1,082,057</u>	<u>51,135,960</u>
Capital Assets Being Depreciated				
Land improvements	4,509,415	117,654	-	4,627,069
Buildings and improvements	521,511,575	900,741	-	522,412,316
Machinery and equipment	27,045,030	2,255,749	338,664	28,962,115
Total Capital Assets Being Depreciated	<u>553,066,020</u>	<u>3,274,144</u>	<u>338,664</u>	<u>556,001,500</u>
Total Capital Assets	<u>581,474,221</u>	<u>27,083,960</u>	<u>1,420,721</u>	<u>607,137,460</u>
Less Accumulated Depreciation				
Land improvements	1,934,987	218,062	-	2,153,049
Buildings and improvements	160,912,884	10,602,651	-	171,515,535
Machinery and equipment	18,962,365	2,069,794	333,001	20,699,158
Total Accumulated Depreciation	<u>181,810,236</u>	<u>12,890,507</u>	<u>333,001</u>	<u>194,367,742</u>
Net Capital Assets	<u>\$ 399,663,985</u>	<u>\$ 14,193,453</u>	<u>\$ 1,087,720</u>	<u>\$ 412,769,718</u>

Depreciation expense for the year was \$12,890,507.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 8 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2019, consisted of the following:

	Primary Government	Fiduciary Funds
Accrued payroll	\$ 7,805,544	\$ -
Construction	6,674,744	-
State categorical aid	45,154	-
Vendor payables	12,027,533	518,162
Total	<u>\$ 26,552,975</u>	<u>\$ 518,162</u>

NOTE 9 - UNEARNED REVENUE

Unearned revenue at June 30, 2019, consisted of the following:

	Primary Government	Fiduciary Funds
State categorical aid	\$ 15,854,373	\$ -
Other local revenues	158,928	-
Student fees	77,523	5,374,172
Total	<u>\$ 16,090,824</u>	<u>\$ 5,374,172</u>

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 10 - LONG-TERM OBLIGATIONS

Long-Term Obligations Summary

The changes in the District's long-term obligations during the 2019 fiscal year consisted of the following:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Due in One Year
Bonds Payable					
2003B General obligation bonds	\$ 70,553,758	\$ 3,835,519	\$ -	\$ 74,389,277	\$ -
2013 General obligation refunding bonds	103,335,000	-	18,960,000	84,375,000	20,140,000
2016A General obligation bonds	69,280,000	-	16,635,000	52,645,000	15,550,000
2019B General obligation bonds	-	150,000,000	-	150,000,000	-
Unamortized premium	5,266,780	11,759,245	239,361	16,786,664	-
Total Bonds Payable	248,435,538	165,594,764	35,834,361	378,195,941	35,690,000
Other Liabilities					
Compensated absences and load banking	8,373,908	299,141	-	8,673,049	4,057,827
Supplemental early retirement plan	8,977,820	-	1,795,564	7,182,256	1,795,564
Claims payable	3,234,638	751,358	683,915	3,302,081	-
Aggregate net OPEB liability	9,452,093	11,722,017	16,127,059	5,047,051	-
Aggregate net pension obligation	247,323,957	15,810,711	-	263,134,668	-
Total Other Liabilities	277,362,416	28,583,227	18,606,538	287,339,105	5,853,391
Total Long-Term Obligations	\$ 525,797,954	\$ 194,177,991	\$ 54,440,899	\$ 665,535,046	\$ 41,543,391

Description of Debt

Payments on the general obligation bonds are made by the bond interest and redemption fund with local property tax revenues. The compensated absences/load banking liability and the supplemental early retirement program will be paid by the fund for which the employee worked. The claims payable liability will be paid by the Internal Service Fund. The OPEB expense related to the aggregate net OPEB liability will be paid by the General Fund. Pension expense related to the aggregate net pension obligation will be paid by the fund for which the employee worked. See Note 12 for further details of the aggregate net pension obligation.

Bonded Debt

Measure X

On March 5, 2002, the voters of the District approved Measure X, which allowed the District to issue \$239,000,000 of general obligation bonds to be used to finance the acquisition, construction, and modernization of certain property and District facilities.

2003B General Obligation Bonds

On December 23, 2003, \$99,999,001 of North Orange County Community College District, Election of 2002, Series 2003B Bonds were issued with a final maturity date of August 1, 2028, and interest rates ranging from 2.00 percent to 5.44 percent, depending on the maturity of the related bonds. Interest is payable semiannually on February 1 and August 1 of each year. The outstanding principal balance of these bonds at June 30, 2019, was \$74,389,277.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

2013 General Obligation Refunding Bonds

On January 24, 2013, \$145,910,000 of North Orange County Community College District, 2005 General Obligation Refunding Bonds were issued to advance refund and defease a portion of the District's 2005 General Obligation Refunding Bonds maturing on and after August 1, 2013, and to pay all legal, financial, and contingent costs in connection with the issuance of the Bonds. The Refunding Bonds defeased \$129,945,000 of the old debt with a final maturity date of August 1, 2023. Interest rates range from 0.40 percent to 2.65 percent, depending on the maturity of the related bonds. The Bonds are payable semiannually on February 1 and August 1 of each year. The outstanding principal balance of these bonds at June 30, 2019, was \$84,375,000.

Measure J

On November 4, 2014, the voters of the District approved Measure J, which allowed the District to issue \$574,000,000 of general obligation bonds to be used to finance the acquisition, construction, and modernization of certain property and District facilities.

2016A General Obligation Bonds

On June 2, 2016, \$100,000,000 of North Orange County Community College District, Election of 2014, Series 2016A Bonds were issued with a final maturity date of August 1, 2040, and interest rates ranging from 2.00 percent to 4.00 percent, depending on the maturity of the related bonds. Interest is payable semiannually on February 1 and August 1 of each year. The outstanding principal balance of these bonds at June 30, 2019, was \$52,645,000.

2019B General Obligation Bonds

On May 29, 2019, \$150,000,000 North Orange County Community College District, Election of 2014, Series 2019B Bonds were issued with a final maturity date of August 1, 2044, and interest rates ranging from 2.63 percent to 4.00 percent, depending on the maturity of the related bonds. Interest is payable semiannually on February 1 and August 1 of each year. The outstanding principal balance of these bonds at June 30, 2019, was \$150,000,000.

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2018	Issued	Accreted Interest Addition	Redeemed	Bonds Outstanding June 30, 2019
2003	2029	2.00% - 5.44%	\$ 99,999,001	\$ 70,553,758	\$ -	\$ 3,835,519	\$ -	\$ 74,389,277
2013	2024	0.40% - 2.65%	145,910,000	103,335,000	-	-	18,960,000	84,375,000
2016	2041	2.00% - 4.00%	100,000,000	69,280,000	-	-	16,635,000	52,645,000
2019	2045	2.63% - 4.00%	150,000,000	-	150,000,000	-	-	150,000,000
				<u>\$ 243,168,758</u>	<u>\$ 150,000,000</u>	<u>\$ 3,835,519</u>	<u>\$ 35,595,000</u>	<u>\$ 361,409,277</u>

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

The 2003B General Obligation Bonds mature through 2029 as follows:

<u>Fiscal Year</u>	<u>Principal (Including accreted interest to date)</u>	<u>Unmatured Accreted Interest*</u>	<u>Total</u>
2020	\$ -	\$ -	\$ -
2021	-	-	-
2022	7,426,259	1,008,741	8,435,000
2023	7,295,103	1,444,897	8,740,000
2024	7,159,665	1,900,335	9,060,000
2025-2029	52,508,250	28,341,750	80,850,000
Total	<u>\$ 74,389,277</u>	<u>\$ 32,695,723</u>	<u>\$ 107,085,000</u>

* Interest that is accrued at a discount from the face value of the bonds, and no interest payment is made until maturity.

The 2013 Refunding Bonds mature through 2024 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2020	\$ 20,140,000	\$ 1,729,536	\$ 21,869,536
2021	21,440,000	1,308,395	22,748,395
2022	14,425,000	902,419	15,327,419
2023	15,465,000	535,707	16,000,707
2024	12,905,000	171,120	13,076,120
Total	<u>\$ 84,375,000</u>	<u>\$ 4,647,177</u>	<u>\$ 89,022,177</u>

The 2016A General Obligation Bonds mature through 2041 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2020	\$ 15,550,000	\$ 1,563,238	\$ 17,113,238
2021	585,000	1,243,463	1,828,463
2022	665,000	1,224,713	1,889,713
2023	745,000	1,199,838	1,944,838
2024	840,000	1,168,138	2,008,138
2025-2029	5,795,000	5,230,163	11,025,163
2030-2034	8,920,000	4,004,906	12,924,906
2035-2039	12,990,000	2,120,963	15,110,963
2040-2041	6,555,000	199,725	6,754,725
Total	<u>\$ 52,645,000</u>	<u>\$ 17,955,147</u>	<u>\$ 70,600,147</u>

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

The 2019B General Obligation Bonds mature through 2045 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2020	\$ -	\$ 3,345,593	\$ 3,345,593
2021	17,140,000	5,233,188	22,373,188
2022	17,735,000	4,535,688	22,270,688
2023	14,870,000	3,883,588	18,753,588
2024	1,195,000	3,562,288	4,757,288
2025-2029	9,300,000	16,856,938	26,156,938
2030-2034	16,255,000	14,334,438	30,589,438
2035-2039	24,955,000	10,972,288	35,927,288
2040-2044	38,590,000	6,048,821	44,638,821
2045	9,960,000	199,200	10,159,200
Total	<u>\$ 150,000,000</u>	<u>\$ 68,972,030</u>	<u>\$ 218,972,030</u>

Compensated Absences

At June 30, 2019, the liability for compensated absences was \$5,615,222.

Load Banking

At June 30, 2019, the liability for load banking was \$3,057,827.

Supplemental Early Retirement Plan (SERP)

On February 13, 2018, the District adopted a one-time SERP for certificated, classified, faculty, and confidential employees. To be eligible for early retirement benefits, the employee must have been at least 55 years of age, have five or more years of District service, be eligible to retire from CalSTRS or CalPERS, and be resigned from District employment by August 17, 2018. In exchange for early retirement, the District will contribute 75 percent of the 2017-2018 actual paid step/column salary. The District had 118 employees that enrolled in the SERP. The remaining obligation as of June 30, 2019, is \$7,182,256.

<u>Fiscal Year</u>	<u>SERP Payment</u>
2020	\$ 1,795,564
2021	1,795,564
2022	1,795,564
2023	1,795,564
Total	<u>\$ 7,182,256</u>

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Aggregate Net Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2019, the District reported aggregate net OPEB liability, deferred outflows of resources, and OPEB expense for the following plans:

OPEB Plan	Aggregate Net OPEB Liability	Deferred Outflows of Resources	OPEB Expense
District Plan	\$ 3,972,649	\$ 1,243,462	\$ (5,551,208)
Medicare Premium Payment (MPP) Program	1,074,402	-	(97,296)
Total	<u>\$ 5,047,051</u>	<u>\$ 1,243,462</u>	<u>\$ (5,648,504)</u>

The details of each plan are as follows:

District Plan

Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses.

Management of the plan is vested in the District management. Management of the trustee assets is vested with the North Orange County Community College District Retirement Board of Authority, which consists of appointed Plan members.

Plan Membership

At June 30, 2019, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefit payments	1,020
Active employees	<u>1,310</u>
	<u>2,330</u>

Retiree Health Benefit OPEB Trust

The Retiree Health Benefit OPEB Trust (the Trust) is an irrevocable governmental trust pursuant to Section 115 of the IRC for the purpose of funding certain postemployment benefits other than pensions. The Trust is administered by the Retiree Health Benefit Funding Program Joint Powers Agency (the JPA) as directed by the investment alternative choice selected by the District. The District retains the responsibility to oversee the management of the Trust, including the requirement that investments and assets held within the Trust continually adhere to the requirements of the California Government Code Section 53600.5 which specifies that the trustee's primary role is to preserve capital, to maintain investment liquidity, and to protect investment yield. As such, the District acts as the fiduciary of the Trust. The financial activity of the Trust has been discretely presented. Separate financial statements are not prepared for the Trust.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Benefits Provided

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Contributions

The contribution requirements of Plan members and the District are established and may be amended by the District, the Unified Faculty (UF), the local California Service Employees Association (CSEA), and unrepresented groups. The contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined feasible by District management and the District's Governing Board. For fiscal year 2018-2019, the District contributed \$9,652,804 to the Plan, of which \$5,294,051 was used for current premiums and \$4,358,753 was used to fund the OPEB Trust.

Investment

Investment Policy

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the governing board by a majority vote of its members. It is the policy of the District to pursue an investment strategy that reduces risks through the prudent diversification for the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocation over short time spans. The following was the governing board's adopted asset allocation policy as of June 30, 2019:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	23%
Fixed income	50%
International equity	20%
Real estate	7%

Rate of Return

For the year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 5.00 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Net OPEB Liability of the District

The District's net OPEB liability of \$3,972,649 was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. The components of the net OPEB liability of the District at June 30, 2019, were as follows:

Total OPEB liability	\$ 108,905,133
Plan fiduciary net position	104,932,484
District's net OPEB liability	<u>\$ 3,972,649</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>96%</u>

Actuarial Assumptions

The net OPEB liability was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	2.75 percent
Investment rate of return	6.50 percent
Healthcare cost trend rates	4.00 percent

The discount rate was based on the long-term expected return on plan assets assuming 100 percent funding through the Trust, using the building block method.

Mortality rates were based on the 2009 CalSTRS Mortality Table for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actual experience as of June 2018.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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 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. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2019, (see the discussion of the Plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	7.7%
Fixed income	3.7%
International equity	7.1%
Real estate	6.9%
Cash	1.0%

Discount Rate

The discount rate used to measure the total OPEB liability was 6.5 percent. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2018	\$ 104,384,674	\$ 96,104,279	\$ 8,280,395
Service cost	3,100,787	-	3,100,787
Interest	6,713,723	-	6,713,723
Contributions - employer	-	9,652,804	(9,652,804)
Expected investment income	-	6,376,959	(6,376,959)
Differences between projected and actual earnings on OPEB plan investments	-	(1,554,328)	1,554,328
Benefit payments	(5,294,051)	(5,294,051)	-
Administrative expense	-	(353,179)	353,179
Net change in total OPEB liability	<u>4,520,459</u>	<u>8,828,205</u>	<u>(4,307,746)</u>
Balance at June 30, 2019	<u>\$ 108,905,133</u>	<u>\$ 104,932,484</u>	<u>\$ 3,972,649</u>

There were no changes to benefit terms or changes of assumptions since the previous valuation.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount Rate</u>	Net OPEB Liability/(Asset)
1% decrease (5.50%)	\$ 17,473,528
Current discount rate (6.50%)	3,972,649
1% increase (7.50%)	(7,239,582)

Sensitivity of the 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 District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percent lower or higher than the current healthcare costs trend rates:

<u>Healthcare Cost Trend Rates</u>	Net OPEB Liability/(Asset)
1% decrease (3.00%)	\$ (8,441,162)
Current healthcare cost trend rate (4.00%)	3,972,649
1% increase (5.00%)	18,646,579

Deferred Outflows of Resources Related to OPEB

At, June 30, 2019, the District reported deferred outflows of resources for the difference between projected and actual earnings on OPEB plan investments in the amount of \$1,243,462. This amount will be amortized over a closed five-year period and will be recognized in OPEB expense as follows:

<u>Year Ended June 30,</u>	Deferred Outflows of Resources
2020	\$ 310,866
2021	310,866
2022	310,866
2022	310,864
	<u>\$ 1,243,462</u>

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Medicare Premium Payment (MPP) Program

Plan Description

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB) Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

Contributions

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District contributions. In accordance with California *Education Code* Section 25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

Net OPEB Liability and OPEB Expense

At June 30, 2019, the District reported a liability of \$1,074,402 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating entities, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2018 and June 30, 2017, was 0.2807 percent and 0.2785 percent, respectively, resulting in a net increase in the proportionate share of 0.0022 percent.

For the year ended June 30, 2019, the District recognized OPEB expense of \$(97,296).

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Actuarial Methods and Assumptions

The June 30, 2018 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total OPEB liability to June 30, 2018, using the assumptions listed in the following table:

Measurement Date	June 30, 2018	June 30, 2017
Valuation Date	June 30, 2017	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2015	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.87	3.58%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 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 our 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.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 459 or an average of 0.27 percent of the potentially eligible population (171,593).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2018, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2018, is 3.87 percent. The MPP Program is funded on a pay-as-you-go basis as described in Note 2, and under the pay-as-you-go method, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.87 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2018, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate increased 0.29 percent from 3.58 percent as of June 20, 2017.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

The following presents the District's proportionate share of the net OPEB liability calculated using the current discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net OPEB Liability
1% decrease (2.87%)	\$ 1,188,343
Current discount rate (3.87%)	1,074,402
1% increase (4.87%)	971,523

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates

The following presents the District's proportionate share of the net OPEB liability calculated using the current Medicare costs trend rates, as well as what the net OPEB liability would be if it were calculated using the Medicare costs trend rates that are one percent lower or higher than the current rate:

Medicare Costs Trend Rates	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	\$ 979,747
Current Medicare costs trend rates (3.7% Part A and 4.1% Part B)	1,074,402
1% increase (4.7% Part A and 5.1% Part B)	1,176,203

Aggregate Net Pension Obligation

At June 30, 2019, the liability for the aggregate net pension obligation amounted to \$263,134,668. See Note 12 for additional information.

NOTE 11 - RISK MANAGEMENT

Property and Liability Insurance Coverages

The District is exposed to various risks of loss related to torts, property liability, health benefits, errors, omissions, and natural disasters. These risks are addressed through a combination of participation in public entity risk pools, commercial insurance, and self-insurance. The District is insured for workers' compensation claims and property and liability claims through a combination of self-insurance and commercial insurance.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

The District is also a member of the Alliance of Schools for Cooperative Insurance Program (ASCIP) and Schools Excess Liability Fund (SELF) public entity risk pools. The District is subject to various deductible amounts and pays premiums assessed by the pools. The pools are responsible for claims beyond the deductible amount of commercial insurance and provide for high-level umbrella type coverage above certain limits. The pools are operated separately and are independently accountable for their fiscal matters. The pools are not component units of the District for financial reporting purposes. A copy of the most recent audited financial statements may be obtained from ASCIP and SELF.

Estimates of liabilities for claims, both reported and unreported, for workers' compensation liability claims are established by the District's external administrator. The estimates are based on the continuous evaluation of the status of each claim. Estimates of liabilities for the property and liability claims are based on an analysis of individual claims. Management believes that the amounts accrued are adequate to cover such costs.

A number of claims and suits are pending against the District arising out of proposed claim settlements. In the opinion of District administration, the related liability, if any, will not materially affect the financial position of the District. No settlements exceeded insurance coverage during the last three years.

As of June 30, 2019 and 2018, liabilities for claims amounted to \$3,302,081 and \$3,234,638, respectively. Changes in the claims liability amount in the fiscal years 2019 and 2018 are presented below:

	<u>Workers' Compensation</u>	<u>Property and Liability</u>	<u>Total</u>
Liability Balance, July 1, 2017	\$ 2,072,532	\$ 2,522,160	\$ 4,594,692
Claims and changes in estimates	459,030	(1,470,001)	(1,010,971)
Claims payments	(349,083)	-	(349,083)
Liability Balance, July 1, 2018	<u>2,182,479</u>	<u>1,052,159</u>	<u>3,234,638</u>
Claims and changes in estimates	(108,251)	751,358	643,107
Claims payments	(355,307)	(220,357)	(575,664)
Liability Balance, June 30, 2019	<u>\$ 1,718,921</u>	<u>\$ 1,583,160</u>	<u>\$ 3,302,081</u>
Assets available to pay claims at June 30, 2019			<u>\$ 34,294,455</u>

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

For the fiscal year ended June 30, 2019, the District reported the net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

<u>Pension Plan</u>	<u>Collective Net Pension Liability</u>	<u>Collective Deferred Outflows of Resources</u>	<u>Collective Deferred Inflows of Resources</u>	<u>Collective Pension Expense</u>
CalSTRS	\$ 143,727,367	\$ 40,769,863	\$ 11,800,063	\$ 17,256,520
CalPERS	119,407,301	32,803,182	-	24,259,959
Total	<u>\$ 263,134,668</u>	<u>\$ 73,573,045</u>	<u>\$ 11,800,063</u>	<u>\$ 41,516,479</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers' Retirement Plan (STRP) administered by CalSTRS. STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

The STRP provides retirement, disability, and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and non-employer contributing entity to the STRP.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2019, are summarized as follows:

	<u>STRP Defined Benefit Program</u>	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.28%	16.28%
Required State contribution rate	9.828%	9.828%

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for the year ended June 30, 2019, are presented above, and the District's total contributions were \$13,504,267.

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

At June 30, 2019, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State 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:

Total net pension liability, including State share:	
District's proportionate share of net pension liability	\$ 143,727,367
State's proportionate share of net pension liability associated with the District	82,290,640
Total	<u>\$ 226,018,007</u>

The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts and the State, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2018 and June 30, 2017, was 0.1564 percent and 0.1538 percent, respectively, resulting in a net increase in the proportionate share of 0.0026 percent.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

For the year ended June 30, 2019, the District recognized pension expense of \$17,256,520. In addition, the District recognized pension expense and revenue of \$9,667,295 for support provided by the State. At June 30, 2019, 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
Pension contributions subsequent to measurement date	\$ 13,504,267	\$ -
Net change in proportionate share of net pension liability	4,491,469	4,177,931
Differences between projected and actual earnings on the pension plan investments	-	5,534,412
Differences between expected and actual experience in the measurement of the total pension liability	445,693	2,087,720
Changes of assumptions	22,328,434	-
Total	<u>\$ 40,769,863</u>	<u>\$ 11,800,063</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 1,201,677
2021	(871,969)
2022	(4,643,156)
2023	(1,220,964)
Total	<u>\$ (5,534,412)</u>

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 3,719,145
2021	3,719,145
2022	3,719,145
2023	4,998,429
2024	4,577,245
Thereafter	266,836
Total	\$ 20,999,945

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

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.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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 (Pension Consulting Alliance-PCA) 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 (Milliman) 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, 2018, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occurred midyear. Based on these assumptions, the STRP'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 total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 210,543,774
Current discount rate (7.10%)	143,727,367
1% increase (8.10%)	88,330,082

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

California Public Employees' Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, annual actuarial valuation report, Schools Pool Actuarial Valuation. This reports and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or age 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2019, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	18.062%	18.062%

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The 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 is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2019, are presented above, and the total District contributions were \$10,395,029.

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$119,407,301. The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2018 and June 30, 2017, was 0.4478 percent and 0.4401 percent, respectively, resulting in a net increase in the proportionate share of 0.0077 percent.

For the year ended June 30, 2019, the District recognized pension expense of \$24,259,959. At June 30, 2019, 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
Pension contributions subsequent to measurement date	\$ 10,395,029	\$ -
Net change in proportionate share of net pension liability	1,678,548	-
Differences between projected and actual earnings on the pension plan investments	979,408	-
Differences between expected and actual experience in the measurement of the total pension liability	7,827,905	-
Changes of assumptions	11,922,292	-
Total	\$ 32,803,182	\$ -

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 3,562,322
2021	851,899
2022	(2,730,019)
2023	(704,794)
Total	<u>\$ 979,408</u>

The deferred outflows of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, changes of assumptions, and will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.0 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2020	\$ 9,529,464
2021	8,952,543
2022	2,946,738
Total	<u>\$ 21,428,745</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and services

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90 percent of Scale MP-2016.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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 returns were calculated over the short-term (first ten 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 rounded 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 target asset 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
Global equity	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool 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 total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 173,851,320
Current discount rate (7.15%)	119,407,301
1% increase (8.15%)	74,238,193

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal year ended June 30, 2019, which amounted to \$7,594,919 (9.156 percent) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. No contributions were made for CalPERS for the year ended June 30, 2019. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have been reflected in the basic financial statements as a component of operating revenue and employee benefit expense.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 30, 2019, appropriated for an additional 2018-2019 contribution on behalf of school employers of \$2.246 billion for CalSTRS and \$904 million for CalPERS. A proportionate share of these contributions has been recorded in these financial statements. On behalf payments related to these additional contributions have not been included in the amounts reported in the *Schedule of Financial Trends and Analysis of the General Fund*.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2019.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2019.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Construction Commitments

As of June 30, 2019, the District had the following commitments with respect to the unfinished capital projects:

<u>CAPITAL PROJECTS</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Fullerton Campus Relocate 300/500 Buildings (State Funded Project)	\$ 173,613	September 2022
Fullerton Campus Lighting Retrofit Project Year 5	80,405	Ongoing
Districtwide Network Refresh Project	221,320	Ongoing
Cypress Campus Baseball Field and Clubhouse	476,602	Ongoing
Fullerton Campus Renovate 300/500 Buildings (State Project Bond Match)	1,204,111	Ongoing
Fullerton Campus Instructional Building	493,159	Ongoing
Fullerton Campus Thermal Energy Storage Expansion	354,330	Ongoing
Cypress Campus Veteran's Resource Center Expansion	8,420,787	Ongoing
Cypress Campus Science Engineering and Math (SEM) Building	74,098,831	Ongoing
Anaheim Campus 7th and 10th Floor Buildout	244,546	Ongoing
	<u>\$ 85,767,704</u>	

The projects are funded through a combination of general obligation bonds, capital project apportionments from the California Community College Chancellor's Office, and local funds.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 14 - FUNCTIONAL EXPENSES CLASSIFICATION

The District's operating expenses by functional classification for the fiscal year ended June 30, 2019, are:

	Salaries and Benefits	Supplies, Material, and Other Expenses and Services	Student Financial Aid	Equipment, Maintenance, and Repairs	Depreciation	Total
Instructional activities	\$ 111,685,393	\$ 3,724,944	\$ -	\$ 1,050,719	\$ -	\$ 116,461,056
Academic support	25,071,729	2,992,382	48,538	136,646	-	28,249,295
Student services	53,610,298	6,290,668	1,554,342	259,926	-	61,715,234
Plant operations and maintenance	12,887,380	7,266,878	-	57,937	-	20,212,195
Instructional support services	34,689,768	7,980,472	-	247,240	-	42,917,480
Community services and economic development	1,271,800	83,704	-	3,794	-	1,359,298
Ancillary services and auxiliary operations	5,059,699	3,315,335	-	14,568	-	8,389,602
Student aid	7,440	2,815	58,643,565	-	-	58,653,820
Physical property and related acquisitions	1,984,363	5,083,759	-	5,056,545	-	12,124,667
Depreciation	-	-	-	-	12,890,507	12,890,507
Total	\$ 246,267,870	\$ 36,740,957	\$ 60,246,445	\$ 6,827,375	\$ 12,890,507	\$ 362,973,154



REQUIRED SUPPLEMENTARY INFORMATION

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY
AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2019**

	2019	2018
Total OPEB Liability		
Service cost	\$ 3,100,787	\$ 2,792,913
Interest	6,713,723	6,431,647
Benefit payments	(5,294,051)	(4,865,894)
Net changes in total OPEB liability	4,520,459	4,358,666
Total OPEB Liability - beginning	104,384,674	100,026,008
Total OPEB Liability - ending (a)	<u>\$ 108,905,133</u>	<u>\$ 104,384,674</u>
Plan fiduciary net position		
Contributions - employer	\$ 9,652,804	\$ 8,346,685
Expected investment income	6,376,959	6,387,641
Differences between projected and actual earnings on OPEB plan investments	(1,554,328)	-
Benefit payments	(5,294,051)	(4,865,894)
Administrative expense	(353,179)	(342,392)
Net change in plan fiduciary net position	8,828,205	9,526,040
Plan fiduciary net position - beginning	96,104,279	86,578,239
Plan fiduciary net position - ending (b)	<u>\$ 104,932,484</u>	<u>\$ 96,104,279</u>
District's net OPEB liability - ending (a) - (b)	<u>\$ 3,972,649</u>	<u>\$ 8,280,395</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>96.35%</u>	<u>92.07%</u>
Covered-employee payroll	<u>\$ 140,501,970</u>	<u>\$ 145,864,293</u>
District's net OPEB liability as a percentage of covered-employee payroll	<u>2.83%</u>	<u>5.68%</u>

Note : In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF OPEB INVESTMENT RETURNS
FOR THE YEAR ENDED JUNE 30, 2019**

	2019	2018
Annual money-weighted rate of return, net of investment expense	<u>5.00%</u>	<u>7.22%</u>

Note : In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET
OPEB LIABILITY - MPP PROGRAM
FOR THE YEAR ENDED JUNE 30, 2019**

	2019	2018
Year ended June 30,		
District's proportion of the net OPEB liability	0.2807%	0.2785%
District's proportionate share of the net OPEB liability	\$ 1,074,402	\$ 1,171,698
District's covered-employee payroll	N/A ¹	N/A ¹
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	-0.40%	0.01%

¹ As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

Note : In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>2019</u>	<u>2018</u>
CalSTRS		
District's proportion of the net pension liability	<u>0.1564%</u>	<u>0.1538%</u>
District's proportionate share of the net pension liability	\$ 143,727,367	\$ 142,266,269
State's proportionate share of the net pension liability associated with the District	<u>82,290,640</u>	<u>84,163,523</u>
Total	<u>\$ 226,018,007</u>	<u>\$ 226,429,792</u>
District's covered-employee payroll	<u>\$ 87,329,002</u>	<u>\$ 84,243,824</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>164.58%</u>	<u>168.87%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>71%</u>	<u>69%</u>
CalPERS		
District's proportion of the net pension liability	<u>0.4478%</u>	<u>0.4401%</u>
District's proportionate share of the net pension liability	<u>\$ 119,407,301</u>	<u>\$ 105,057,688</u>
District's covered-employee payroll	<u>\$ 58,535,291</u>	<u>\$ 55,210,837</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>203.99%</u>	<u>190.28%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>71%</u>	<u>72%</u>

Note : In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>0.1561%</u>	<u>0.1495%</u>	<u>0.1590%</u>
<u>\$ 126,233,864</u>	<u>\$ 100,670,970</u>	<u>\$ 92,916,230</u>
<u>71,862,687</u>	<u>53,243,846</u>	<u>56,106,831</u>
<u>\$ 198,096,551</u>	<u>\$ 153,914,816</u>	<u>\$ 149,023,061</u>
<u>\$ 79,575,871</u>	<u>\$ 70,822,399</u>	<u>\$ 70,820,109</u>
<u>158.63%</u>	<u>142.15%</u>	<u>131.20%</u>
<u>70%</u>	<u>74%</u>	<u>77%</u>
<u>0.4350%</u>	<u>0.4304%</u>	<u>0.4088%</u>
<u>\$ 85,920,879</u>	<u>\$ 63,443,575</u>	<u>\$ 46,408,766</u>
<u>\$ 50,283,625</u>	<u>\$ 46,862,170</u>	<u>\$ 43,007,787</u>
<u>170.87%</u>	<u>135.38%</u>	<u>107.91%</u>
<u>74%</u>	<u>79%</u>	<u>83%</u>

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS FOR PENSIONS FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
CalSTRS		
Contractually required contribution	\$ 13,504,267	\$ 12,601,575
Contributions in relation to the contractually required contribution	13,504,267	12,601,575
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 82,950,043</u>	<u>\$ 87,329,002</u>
Contributions as a percentage of covered-employee payroll	<u>16.28%</u>	<u>14.43%</u>
CalPERS		
Contractually required contribution	\$ 10,395,029	\$ 9,091,116
Contributions in relation to the contractually required contribution	10,395,029	9,091,116
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 57,551,927</u>	<u>\$ 58,535,291</u>
Contributions as a percentage of covered-employee payroll	<u>18.062%</u>	<u>15.531%</u>

Note : In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

2017	2016	2015
\$ 10,597,873	\$ 8,538,491	\$ 6,289,029
10,597,873	8,538,491	6,289,029
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 84,243,824	\$ 79,575,871	\$ 70,822,399
12.58%	10.73%	8.88%
\$ 7,667,681	\$ 5,957,101	\$ 5,516,146
7,667,681	5,957,101	5,516,146
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 55,210,837	\$ 50,283,625	\$ 46,862,170
13.888%	11.847%	11.771%

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2019

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Changes in the District's Net OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the net OPEB liability, including beginning and ending balances, the Plan's fiduciary net position, and the net OPEB liability. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms - There were no changes in the benefit terms since the previous valuation.

Changes of Assumptions - There were no changes in the assumptions since the previous valuation.

Schedule of OPEB Investment Returns

This schedule presents information on the annual money-weighted rate of return on OPEB plan investments. In future years, as data becomes available, ten years of information will be presented.

Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program

This schedule presents information on the District's proportionate share of the net OPEB liability - MPP program and the Plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms - There were no changes in the benefit terms since the previous valuation.

Changes of Assumptions - The plan rate of investment return assumption was changed from 3.58 percent to 3.87 percent since the previous valuation.

Schedule of the District's Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the Plans' fiduciary net positions and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms - There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

Changes of Assumptions - There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of District Contributions for Pensions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.



SUPPLEMENTARY INFORMATION

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION JUNE 30, 2019

The North Orange County Community College District was established in 1965 and serves approximately 155 square miles within Orange County and Los Angeles County. The District currently operates two community colleges, Cypress College (CC) and Fullerton College (FC). The college credit programs are housed primarily at CC and FC. The District also provides comprehensive college and continuing education programs through their North Orange Continuing Education (NOCE) at the Anaheim campus, the Cypress College campus, and the Wilshire campus. The District's colleges are accredited by the Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges, which is one of six regional associations that accredit public and private schools, colleges, and universities in the United States. There were no changes in the boundaries of the District during the current year.

BOARD OF TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Mr. Jeffrey P. Brown	President	2022
Mr. Ryan Bent	Vice President	2020
Dr. Barbara Dunsheath	Secretary	2022
Ms. Molly McClanahan	Member	2020
Mr. Stephen T. Blount	Member	2022
Ms. Jacqueline Rodarte	Member	2020
Mr. Ed Lopez	Member	2020
Ms. Ester Plavdjian	Student Trustee, Cypress College	2020
Ms. Chloe Reyes	Student Trustee, Fullerton College	2020

ADMINISTRATION

Dr. Cheryl A. Marshall, Ed.D	Chancellor
Mr. Fred Williams	Vice Chancellor, Finance and Facilities
Ms. Irma Ramos	Vice Chancellor, Human Resources
Dr. Cherry Li-Bugg	Vice Chancellor, Educational Services and Technology
Dr. JoAnna Schilling	President, Cypress College
Dr. Greg Schulz	President, Fullerton College
Ms. Valentina Purtell	Provost, North Orange Continuing Education
Ms. Kai Stearns Moore	District Director, Public and Governmental Affairs

See accompanying note to supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Grantor's Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Student Financial Assistance Cluster			
Federal Pell Grant Program	84.063		\$ 42,258,206
Federal Pell Grant Program Administrative Allowance	84.063		132,416
Federal Direct Student Loans	84.268		5,897,446
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		1,093,082
FSEOG Administrative Allowance	84.007		9,187
Federal Work-Study Program	84.033		667,338
Federal Work-Study Program Administrative Allowance	84.033		56,032
Subtotal Student Financial Assistance Cluster			<u>50,113,707</u>
Promise Career Pathways	84.031S		144,643
Passed through California State University Fullerton Auxiliary Services Corporation			
Project RAISE: Regional Alliance in STEM Education	84.031C	P031C160152	60,058
Passed through California Department of Education			
Adult Education and Family Literacy Act (AEFLA)	84.002A	V002A180005	859,707
English Literacy and Civics Education Grant (EL Civics)	84.002A	V002A180005	810,059
Passed through from California Community Colleges Chancellor's Office			
Career and Technical Education Act (CTEA), Title I, Part C	84.048A	18-C01-037	2,047,379
Title I, CTEA Transitions	84.048A	18-C01-037	82,754
Passed through from California Department of Rehabilitation			
College to Career Program	84.126A	30494	246,043
Workability III Program	84.126A	29865	218,000
Total U.S. Department of Education			<u>54,582,350</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through from California Department of Education			
Child and Adult Care Food Program	10.558	13666	23,372
Passed through from California State University Fullerton Auxiliary Services Corporation			
Experience (U-ACRE 3.0)	10.223	2016-38422-25550	7,950
Total U.S. Department of Agriculture			<u>31,322</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through from Orange County Transportation Authority			
Job Access - Reverse Commute	20.516	CA-37-X113	166,345
NATIONAL SCIENCE FOUNDATION			
Research and Development Cluster			
Passed through from Rancho Santiago Community College District			
Advanced Technological Education Grant	47.076	15-1621.01	60,478
Passed through from Regents of the University of California			
Innovate From the Start: Engaging Engineering and Computer Science Upgrades	47.076	DUE-1432701	45,301
Total Research and Development Cluster			<u>105,779</u>

See accompanying note to supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Grantor's Number	Program Expenditures
U.S. DEPARTMENT OF VETERANS AFFAIRS			
Veterans Services	64.117		\$ 4,113
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Temporary Assistance to Needy Families (TANF) Cluster			
Passed through from California Community Colleges Chancellor's Office			
Temporary Assistance to Needy Families (TANF)	93.558	[1]	169,072
Subtotal TANF Cluster			<u>169,072</u>
Passed through California State University Fullerton Auxiliary Services Corporation			
North Orange County Allied Health Careers Opportunity Program	93.822	1D18HP29033	5,909
Health Careers Opportunity Program (Health Resources and Services Administration)	93.822	1D18HP32119	47,439
Passed through from California Public Employee Retirement System Medicare Part D Retiree Drug Subsidy	93.700	[1]	254,920
Total U.S. Department of Health and Human Services			<u>477,340</u>
Total Federal Program Expenditures			<u><u>\$ 55,367,249</u></u> ^[2]

[1] Pass-Through Grantor's Number not available.

[2] The difference between the Schedule of Expenditures of Federal Awards and Federal revenues reported on the Statement of Revenues, Expenses, and Changes in Net Position is due to differences of \$40,953 related to revenue recognition principles in various programs.

See accompanying note to supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

Program	Program Entitlements		
	Current Year	Prior Year	Total Entitlement
AB86 Adult Education Block - Data and Accountability	\$ -	\$ 202,766	\$ 202,766
AB86 Adult Education Regional Consortium	3,811,466	4,906,966	8,718,432
AS Degree Nursing Program	153,879	-	153,879
Baccalaureate Degree Pilot Program	-	108,375	108,375
Board Financial Assistance Program (BFAP)	1,320,316	-	1,320,316
California College Promise	1,202,669	-	1,202,669
CalWORKs	979,880	-	979,880
Campus Safety and Sexual Assault	-	73,806	73,806
Career Technical Education Data Unlocked Initiative	-	71,475	71,475
Center for Applied Competitive Technologies (CACT)	-	95,784	95,784
Child Care Food Program	1,068	-	1,068
Child Development Training Consortium	15,000	-	15,000
Classified Professional Development	121,558	-	121,558
Community College Basic Skills and Student Outcomes Transformation Program	-	1,589,418	1,589,418
Cooperative Agencies Resources for Education (CARE)	372,827	-	372,827
Disabled Students Programs and Services (DSPS)	3,301,361	-	3,301,361
Education Futures Initiative: TPPP	11,923	48,077	60,000
Equal Employment Opportunities	50,000	75,817	125,817
Extended Opportunity Programs and Services (EOPS)	2,798,068	-	2,798,068
Financial Aid Technology	350,749	-	350,749
General Child Care	126,396	-	126,396
Guided Pathways	1,037,489	782,073	1,819,562
Hunger Free Campus Program	288,158	74,422	362,580
Innovation and Effectiveness Grant	-	151,152	151,152
Mental Health Support	286,878	-	286,878
Puente Project	4,500	13,107	17,607
QRIS Block Grant	10,000	-	10,000
Referee and Lane Technician	13,000	-	13,000
Strong Workforce - Local	4,332,119	4,258,853	8,590,972
Strong Workforce - Regional	2,535,816	1,960,947	4,496,763
Student Equity and Achievement Program	12,809,826	2,841,032	15,650,858
Supply Chain Multi Regional Projects in Common (ISPIC)	-	92,000	92,000
Telecommunications Technology Improvement Program (TTIP)	-	2,615	2,615
Veteran Resource Center (VRC) Grant	100,000	-	100,000
Veteran Resource Center Student Services	116,761	124,950	241,711
Welding Program Improvement Grant	1,000,000	-	1,000,000
Work Independence Self-Advocacy Education	573,764	-	573,764
Total State Programs			

See accompanying note to supplementary information.

Program Revenues					
Cash Received	Accounts Receivable	Accounts Payable	Unearned Revenue	Total Revenue	Program Expenditures
\$ 202,766	\$ -	\$ -	\$ -	\$ 202,766	\$ 202,766
8,718,432	-	-	4,313,785	4,404,647	4,404,647
153,879	-	-	-	153,879	153,879
108,375	-	-	56,721	51,654	51,654
1,320,316	-	-	-	1,320,316	1,320,316
1,202,669	-	-	646,218	556,451	556,451
979,880	-	2,725	-	977,155	977,155
73,806	-	-	63,315	10,491	10,491
71,475	-	-	45,469	26,006	26,006
95,784	-	-	-	95,784	95,784
438	-	-	-	438	438
15,000	-	-	-	15,000	15,000
121,558	-	-	121,558	-	-
1,218,321	246,852	-	-	1,465,173	1,465,173
372,827	-	5,134	-	367,693	367,693
3,301,361	-	-	-	3,301,361	3,301,361
38,702	-	-	9,929	28,773	28,773
125,817	-	-	84,113	41,704	41,704
2,798,068	-	8,563	-	2,789,505	2,789,505
350,749	-	-	192,804	157,945	157,945
121,004	-	-	-	121,004	121,004
1,819,562	-	-	1,587,017	232,545	232,545
362,580	-	26,406	288,158	48,016	48,016
151,152	-	-	57,335	93,817	93,817
286,878	-	-	286,878	-	-
17,605	-	-	13,548	4,057	4,057
10,000	-	-	10,000	-	-
13,000	-	-	1,000	12,000	12,000
8,590,971	-	-	3,789,600	4,801,371	4,801,371
786,663	1,798,450	-	-	2,585,113	2,585,113
15,650,858	-	-	3,280,879	12,369,979	12,369,979
92,000	-	-	-	92,000	92,000
2,615	-	-	2,562	53	53
40,000	-	-	40,000	-	-
241,709	-	2,326	112,037	127,346	127,346
1,000,000	-	-	851,447	148,553	148,553
573,764	-	-	-	573,764	573,764
<u>\$51,030,584</u>	<u>\$2,045,302</u>	<u>\$45,154</u>	<u>\$15,854,373</u>	<u>\$37,176,359</u>	<u>\$37,176,359</u>

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL
 APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE
 FOR THE YEAR ENDED JUNE 30, 2019**

CATEGORIES	Revised* Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2018 only)			
1. Noncredit**	635.78	-	635.78
2. Credit	2,240.84	-	2,240.84
B. Summer Intersession (Summer 2019 - Prior to July 1, 2019)			
1. Noncredit**	-	-	-
2. Credit	0.72	-	0.72
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	20,964.06	-	20,964.06
(b) Daily Census Contact Hours	772.74	-	772.74
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit**	4,602.77	-	4,602.77
(b) Credit	672.67	-	672.67
3. Alternative Attendance Accounting Procedures			
(a) Weekly Census Procedure Courses	2,547.33	-	2,547.33
(b) Daily Census Procedure Courses	921.15	-	921.15
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	<u>33,358.06</u>	<u>-</u>	<u>33,358.06</u>
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	-	-	-
H. Basic Skills Courses and Immigrant Education			
1. Noncredit**	2,328.12	-	2,328.12
2. Credit	1,145.00	-	1,145.00
<u>CCFS-320 Addendum</u>			
CDCP Noncredit FTES	2,245.49	-	2,245.49
Centers FTES			
1. Noncredit**	4,936.61	-	4,936.61
2. Credit	-	-	-

* Annual report revised as of October 1, 2019.

** Including Career Development and College Preparation (CDCP) FTES.

See accompanying note to supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2019**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	\$ 44,938,691	\$ -	\$ 44,938,691	\$ 44,938,691	\$ -	\$ 44,938,691
Other	1300	28,092,333	-	28,092,333	28,092,333	-	28,092,333
Total Instructional Salaries		73,031,024	-	73,031,024	73,031,024	-	73,031,024
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	17,953,301	-	17,953,301
Other	1400	-	-	-	925,884	-	925,884
Total Noninstructional Salaries		-	-	-	18,879,185	-	18,879,185
Total Academic Salaries		73,031,024	-	73,031,024	91,910,209	-	91,910,209
<u>Classified Salaries</u>							
Noninstructional Salaries							
Regular Status	2100	-	-	-	38,213,770	-	38,213,770
Other	2300	-	-	-	2,785,350	-	2,785,350
Total Noninstructional Salaries		-	-	-	40,999,120	-	40,999,120
Instructional Aides							
Regular Status	2200	4,003,832	-	4,003,832	4,003,832	-	4,003,832
Other	2400	760,469	-	760,469	760,469	-	760,469
Total Instructional Aides		4,764,301	-	4,764,301	4,764,301	-	4,764,301
Total Classified Salaries		4,764,301	-	4,764,301	45,763,421	-	45,763,421
Employee Benefits	3000	30,556,587	-	30,556,587	61,416,724	-	61,416,724
Supplies and Material	4000	-	-	-	1,953,511	-	1,953,511
Other Operating Expenses	5000	-	-	-	15,040,468	-	15,040,468
Total Expenditures Prior to Exclusions		108,351,912	-	108,351,912	216,084,333	-	216,084,333

See accompanying note to supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2019**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Exclusions</u>							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	\$ 2,872,586	\$ -	\$ 2,872,586	\$ 2,872,586	\$ -	\$ 2,872,586
Student Health Services Above Amount Collected	6441	-	-	-	27,697	-	27,697
Student Transportation	6491	-	-	-	137,447	-	137,447
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	3,614,078	-	3,614,078
Objects to Exclude							
Rents and Leases	5060	-	-	-	189,845	-	189,845

See accompanying note to supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF EDUCATION CODE SECTION 84362 (50 PERCENT LAW) CALCULATION, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2019**

	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799			
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	\$ -	\$ -	\$ -	\$ 4,899,332	\$ -	\$ 4,899,332
Total Exclusions		2,872,586	-	2,872,586	11,740,985	-	11,740,985
Total for ECS 84362, 50 Percent Law		\$ 105,479,326	\$ -	\$ 105,479,326	\$ 204,343,348	\$ -	\$ 204,343,348
Percent of CEE (Instructional Salary Cost/Total CEE)		51.62%		51.62%	100.00%		100.00%
50% of Current Expense of Education					\$ 102,171,674		\$ 102,171,674

See accompanying note to supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311)
WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2019.

See accompanying note to supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**PROPOSITION 30 EDUCATION PROTECTION ACCOUNT (EPA)
EXPENDITURE REPORT
FOR THE YEAR ENDED JUNE 30, 2019**

Activity Classification	Object Code				Unrestricted
EPA Revenue:	8630				\$ 31,221,452
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	1000-5900	\$ 31,221,452	\$ -	\$ -	\$ 31,221,452
Total Expenditures for EPA		\$ 31,221,452	\$ -	\$ -	\$ 31,221,452
Revenues Less Expenditures					\$ -

See accompanying note to supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEETS TO THE
STATEMENT OF NET POSITION
JUNE 30, 2019**

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

Total Fund Balance and Retained Earnings

General Fund	\$ 102,357,521	
Special Revenue Funds	3,179,110	
Capital Project Funds	284,845,546	
Debt Service Fund	51,701,975	
Internal Service Fund	30,992,374	
Fiduciary Funds	<u>112,756,614</u>	

Total Fund Balance and Retained Earnings

\$ 585,833,140

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

The cost of capital assets is	607,137,460	
-------------------------------	-------------	--

Accumulated depreciation is	<u>(194,367,742)</u>	412,769,718
-----------------------------	----------------------	-------------

Amounts held in trust on behalf of others (Trust Funds)		(112,706,614)
---	--	---------------

In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term obligations is recognized when it is incurred.		(1,657,521)
--	--	-------------

Deferred outflows of resources related to OPEB represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to OPEB at year-end consist of differences between projected and actual earnings on OPEB plan investments.		1,243,462
--	--	-----------

Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year-end consist of:

Pension contributions subsequent to the measurement date	23,899,296	
--	------------	--

Net change in proportionate share of net pension liability	6,170,017	
--	-----------	--

Difference between projected and actual earnings on the pension plan investments	979,408	
--	---------	--

Differences between expected and actual experience in the measurement of the total net pension liability	8,273,598	
--	-----------	--

Changes of assumption	<u>34,250,726</u>	
-----------------------	-------------------	--

Total Deferred Outflows of Resources related to Pensions		73,573,045
--	--	------------

See accompanying note to supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEETS TO THE STATEMENT OF NET POSITION, CONTINUED JUNE 30, 2019

Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year-end consist of:

Net change in proportionate share of net pension liability	\$ 4,177,931	
Difference between projected and actual earnings on the pension plan investments	5,534,412	
Differences between expected and actual experience in the measurement of the total net pension liability	<u>2,087,720</u>	
Total Deferred Inflows of Resources related to Pensions		\$ (11,800,063)

Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term obligations at year end consist of:

Bonds payable	337,245,665	
Compensated absences and load banking	8,673,049	
Supplemental early retirement plan	7,182,256	
Aggregate net other postemployment benefits (OPEB) liability	5,047,051	
Aggregate net pension obligation	263,134,668	
Less compensated absences and load banking already recorded in funds	(4,057,827)	

In addition, the District issued 'capital appreciation' general obligation bonds. The accretion of interest on those bonds to date is:

	<u>40,950,276</u>	(658,175,138)
Total Net Position		<u><u>\$ 289,080,029</u></u>

See accompanying note to supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS OF THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	(Budget ^[1]) 2020		2019 ^[2]	
	Amount	%	Amount	%
GENERAL FUND				
Revenues				
Federal	\$ 6,493,292	2.2	\$ 6,053,921	2.1
State	173,356,575	58.7	151,254,713	52.7
Local	115,631,650	39.1	129,613,589	45.2
Total Revenues	295,481,517	100.0	286,922,223	100.0
Expenditures				
Academic salaries	100,669,432	32.4	101,043,423	37.5
Classified salaries	70,460,243	22.6	65,560,561	24.4
Employee benefits	56,624,896	18.2	60,748,787	22.6
Supplies and materials	16,970,054	5.4	4,873,073	1.8
Other operating expenses	38,372,731	12.3	22,950,515	8.5
Capital outlay	18,665,975	6.0	8,501,072	3.2
Student financial aid	2,829,444	0.9	2,129,408	0.8
Interfund transfers, net	6,788,950	2.2	3,364,642	1.2
Other uses, net	128,940	0.0	48,848	0.0
Total Expenditures and Other Uses	311,510,665	100.0	269,220,329	100.0
INCREASE (DECREASE) IN FUND BALANCE	\$ (16,029,148)	(5.4)	\$ 17,701,894	6.2
ENDING FUND BALANCE	\$ 86,328,373	29.2	\$ 102,357,521	35.7
FULL-TIME EQUIVALENT STUDENTS	33,824.00		33,358.06	
TOTAL LONG-TERM OBLIGATIONS, INCLUDING RETIREE BENEFIT LIABILITY	N/A		\$ 665,535,046	

^[1] The year 2020 General Fund budget was adopted by the Board on September 10, 2019. The budget is included for analytical purposes and has not been subjected to audit.

^[2] On behalf payments of \$9,573,030 relating to Senate Bill 90 are not included in actual revenues and expenditures for the year ending June 30, 2019, and are not included in budgeted amounts.

See accompanying note to supplementary information.

2018		2017	
Amount	%	Amount	%
\$ 5,555,966	2.0	\$ 5,551,413	2.1
152,412,463	55.5	140,576,835	53.7
116,726,187	42.5	115,746,785	44.2
<u>274,694,616</u>	<u>100.0</u>	<u>261,875,033</u>	<u>100.0</u>
105,077,549	41.2	102,161,127	41.0
62,945,984	24.6	60,147,633	24.2
53,789,705	21.1	113,801,561	45.7
5,007,627	2.0	4,591,440	1.8
18,426,508	7.2	18,922,869	7.6
6,334,545	2.5	6,808,481	2.7
1,426,017	0.6	1,253,784	0.5
2,030,349	0.8	(58,803,326)	-23.6
45,210	0.0	70,458	0.1
<u>255,083,494</u>	<u>100.0</u>	<u>248,954,027</u>	<u>100.0</u>
<u>\$ 19,611,122</u>	<u>7.1</u>	<u>\$ 12,921,006</u>	<u>4.9</u>
<u>\$ 84,655,627</u>	<u>30.8</u>	<u>\$ 65,044,505</u>	<u>24.8</u>
<u>32,446.80</u>		<u>37,248.38</u>	
<u>\$ 525,797,954</u>		<u>\$ 518,729,976</u>	

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2019

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

This schedule provides information about the District's governing board members and administration members as of June 30, 2019.

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

Schedule of Expenditures of State Awards

The accompanying Schedule of Expenditures of State Awards includes the State grant activity of the District and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The information in this schedule is presented to comply with reporting requirements of the California Community Colleges Chancellor's Office.

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

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, including certain restricted categorical funding, are made to community college districts. This schedule provides information regarding the annual attendance measurements of students throughout the District.

Reconciliation of Education Code Section 84362 (50 Percent Law) Calculation

ECS 84362 requires the District to expend a minimum of 50 percent of the unrestricted General Fund monies on salaries of classroom instructors. This is reported annually to the State Chancellor's Office. This schedule provides a reconciliation of the amount reported to the State Chancellor's Office and the impact of any audit adjustments and/or corrections noted during the audit.

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

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

Proposition 30 Education Protection Account (EPA) Expenditure Report

This schedule provides the District's summary of receipts and uses of the monies received through the EPA.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION

JUNE 30, 2019

Reconciliation of the Governmental Fund Balance Sheets to the Statement of Net Position

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

Schedule of Financial Trends and Analysis of the General Fund

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.



INDEPENDENT AUDITOR'S REPORTS



**INDEPENDENT AUDITOR'S 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***

Board of Trustees
North Orange County Community College District
Anaheim, 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 and the aggregate remaining fund information of North Orange County Community College District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 4, 2019.

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 opinions 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 District'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. 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.

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.

A handwritten signature in cursive script that reads "Eide Sully LLP".

Rancho Cucamonga, California
December 4, 2019



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Trustees
North Orange County Community College District
Anaheim, California

Report on Compliance for Each Major Federal Program

We have audited North Orange County 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, 2019. 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 statutes, 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 the 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 of the District's compliance.

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 Federal programs for the year ended June 30, 2019.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Eide Bailly LLP

Rancho Cucamonga, California
December 4, 2019



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
North Orange County Community College District
Anaheim, California

Report on State Compliance

We have audited North Orange County Community College District's (the District) compliance with the types of compliance requirements as identified in the 2018-2019 California Community Colleges Chancellor's Office *District Audit Manual* that could have a direct and material effect on each of the District's State programs as noted below for the year ended June 30, 2019.

Management's Responsibility

Management is responsible for compliance with State laws and 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 of each of the District's State programs based on our audit of the types of compliance requirements referred to above. 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 standards and procedures identified in the 2018-2019 California Community Colleges Chancellor's Office *District Audit Manual*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the applicable programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of the District's compliance with those requirements.

Unmodified Opinion

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the State programs noted below that were audited for the year ended June 30, 2019.

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with State laws and regulations applicable to the following:

Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Activities Funded From Other Sources
Section 424	State General Apportionment Funding System
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Dual Enrollment (CCAP and Non-CCAP)
Section 430	Scheduled Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 439	Proposition 39 Clean Energy Fund
Section 444	Apprenticeship Related and Supplemental Instruction (RSI) Funds
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged Hours (TBA)
Section 490	Proposition 1D and 51 State Bond Funded Projects
Section 491	Education Protection Account Funds

The District reports no Apportionment for Activities Funded From Other Sources; therefore, the compliance tests within this section were not applicable.

The District reports no Apprenticeship Related and Supplemental Instruction (RSI) Funds programs for Funding; therefore, the compliance tests within this section were not applicable.



Rancho Cucamonga, California
December 4, 2019



SCHEDULE OF FINDINGS AND QUESTIONED COSTS

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2019**

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	<u>No</u>

Identification of major Federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Programs or Cluster</u>
<u>84.007, 84.033, 84.063, 84.268</u>	<u>Student Financial Assistance Cluster</u>
<u>84.002A</u>	<u>Adult Education and Family Literacy Act (AEFLA)</u>
<u>84.002A</u>	<u>English Literacy and Civics Education Grant (EL Civics)</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 1,661,017</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	<u>Unmodified</u>
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NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2019**

None reported.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

None reported.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

None reported.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2019

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

Financial Statement Findings

None reported.

Federal Awards Findings

None reported.

State Awards Findings

None reported.



ADDITIONAL SUPPLEMENTARY INFORMATION

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2019**

	<u>General</u>	<u>Bookstore</u>	<u>Cafeteria</u>
ASSETS			
Cash and cash equivalents	\$ 150,003	\$ 406,010	\$ 2,594,171
Investments	122,780,788	-	-
Accounts receivable	8,258,585	9,266	3,841
Student loans receivable	-	356	-
Due from other funds	13,987,485	-	-
Prepaid expenses	-	186,211	-
Stores inventories	21,636	404,687	-
Total Assets	<u><u>\$ 145,198,497</u></u>	<u><u>\$ 1,006,530</u></u>	<u><u>\$ 2,598,012</u></u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 15,669,695	\$ 152,248	\$ -
Due to other funds	11,127,079	317,332	-
Unearned revenue	16,044,202	-	-
Total Liabilities	<u><u>42,840,976</u></u>	<u><u>469,580</u></u>	<u><u>-</u></u>
FUND BALANCES			
Nonspendable	171,636	590,898	-
Restricted	5,636,882	-	-
Committed	6,337,728	-	-
Assigned	45,724,617	-	2,598,012
Unassigned	44,486,658	(53,948)	-
Total Fund Balances	<u><u>102,357,521</u></u>	<u><u>536,950</u></u>	<u><u>2,598,012</u></u>
Total Liabilities and Fund Balances	<u><u>\$ 145,198,497</u></u>	<u><u>\$ 1,006,530</u></u>	<u><u>\$ 2,598,012</u></u>

See accompanying note to additional supplementary information.

Child Development	Bond Interest and Redemption	Capital Outlay Projects	Revenue Bond Construction	Total Governmental Funds (Memorandum Only)
\$ -	\$ -	\$ 1,484,161	\$ -	\$ 4,634,345
661,800	51,701,975	59,981,184	225,768,403	460,894,150
219	-	683,748	213,228	9,168,887
-	-	-	-	356
10,000	-	3,416,080	6,486	17,420,051
-	-	-	-	186,211
-	-	-	-	426,323
<u>\$ 672,019</u>	<u>\$ 51,701,975</u>	<u>\$ 65,565,173</u>	<u>\$ 225,988,117</u>	<u>\$ 492,730,323</u>
\$ 16,309	\$ -	\$ 2,233,229	\$ 4,441,515	\$ 22,512,996
601,562	-	32,293	707	12,078,973
10,000	-	-	-	16,054,202
<u>627,871</u>	<u>-</u>	<u>2,265,522</u>	<u>4,442,222</u>	<u>50,646,171</u>
-	-	-	-	762,534
-	51,701,975	63,299,651	221,545,895	342,184,403
-	-	-	-	6,337,728
44,148	-	-	-	48,366,777
-	-	-	-	44,432,710
<u>44,148</u>	<u>51,701,975</u>	<u>63,299,651</u>	<u>221,545,895</u>	<u>442,084,152</u>
<u>\$ 672,019</u>	<u>\$ 51,701,975</u>	<u>\$ 65,565,173</u>	<u>\$ 225,988,117</u>	<u>\$ 492,730,323</u>

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**GOVERNMENTAL FUNDS
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>General</u>	<u>Bookstore</u>	<u>Cafeteria</u>
REVENUES			
Federal revenues	\$ 6,053,921	\$ -	\$ -
State revenues	160,827,743	-	-
Local revenues	129,613,589	3,724,096	234,959
Total Revenues	<u>296,495,253</u>	<u>3,724,096</u>	<u>234,959</u>
EXPENDITURES			
Current Expenditures			
Academic salaries	101,043,423	-	-
Classified salaries	65,560,561	979,124	-
Employee benefits	70,321,817	300,759	-
Books and supplies	4,873,073	2,728,171	-
Services and operating expenditures	22,950,515	43,451	8,000
Capital outlay	8,501,072	-	-
Debt service - principal	-	-	-
Debt service - interest	48,848	-	-
Total Expenditures	<u>273,299,309</u>	<u>4,051,505</u>	<u>8,000</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>23,195,944</u>	<u>(327,409)</u>	<u>226,959</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	1,318,170	-	-
Operating transfers out	(4,682,812)	-	(121,415)
Other sources - bond proceeds	-	-	-
Other uses - student financial aid	(2,129,408)	-	-
Total Other Financing Sources (Uses)	<u>(5,494,050)</u>	<u>-</u>	<u>(121,415)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	17,701,894	(327,409)	105,544
FUND BALANCES, BEGINNING OF YEAR	84,655,627	864,359	2,492,468
FUND BALANCES, END OF YEAR	<u>\$ 102,357,521</u>	<u>\$ 536,950</u>	<u>\$ 2,598,012</u>

See accompanying note to additional supplementary information.

Child Development	Bond Interest and Redemption	Capital Outlay Projects	Revenue Bond Construction	Total Governmental Funds (Memorandum Only)
\$ 23,641	\$ -	\$ -	\$ -	\$ 6,077,562
122,202	224,035	504,546	-	161,678,526
652,419	39,663,504	4,323,901	1,907,183	180,119,651
<u>798,262</u>	<u>39,887,539</u>	<u>4,828,447</u>	<u>1,907,183</u>	<u>347,875,739</u>
-	-	-	-	101,043,423
449,973	-	253,344	-	67,243,002
135,650	-	74,294	-	70,832,520
23,256	-	10,123	12,031	7,646,654
25,934	-	1,712,711	3,371,399	28,112,010
-	-	4,245,379	20,146,489	32,892,940
-	35,595,000	-	-	35,595,000
-	4,270,875	-	-	4,319,723
<u>634,813</u>	<u>39,865,875</u>	<u>6,295,851</u>	<u>23,529,919</u>	<u>347,685,272</u>
163,449	21,664	(1,467,404)	(21,622,736)	190,467
68,317	-	4,500,000	-	5,886,487
(190,174)	-	(1,000,000)	-	(5,994,401)
-	11,759,245	-	150,000,000	161,759,245
-	-	-	-	(2,129,408)
<u>(121,857)</u>	<u>11,759,245</u>	<u>3,500,000</u>	<u>150,000,000</u>	<u>159,521,923</u>
41,592	11,780,909	2,032,596	128,377,264	159,712,390
2,556	39,921,066	61,267,055	93,168,631	282,371,762
<u>\$ 44,148</u>	<u>\$ 51,701,975</u>	<u>\$ 63,299,651</u>	<u>\$ 221,545,895</u>	<u>\$ 442,084,152</u>

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

PROPRIETARY FUND BALANCE SHEET JUNE 30, 2019

	Internal Service Fund
ASSETS	
Cash and cash equivalents	\$ 75,000
Investments	28,394,411
Accounts receivable	59,010
Due from other funds	6,287,620
Total Assets	\$ 34,816,041
LIABILITIES AND FUND EQUITY	
LIABILITIES	
Accounts payable	\$ 73,439
Due to other funds	448,147
Claim liabilities	3,302,081
Total Liabilities	3,823,667
FUND EQUITY	
Retained earnings	30,992,374
Total Liabilities and Fund Equity	\$ 34,816,041

See accompanying note to additional supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

PROPRIETARY FUND STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS FOR THE YEAR ENDED JUNE 30, 2019

	Internal Service Fund
OPERATING REVENUES	
Premium contributions	<u>\$ 6,287,620</u>
OPERATING EXPENSES	
Classified salaries	221,854
Employee benefits	5,359,809
Services and other operating expenditures	<u>2,085,846</u>
Total Operating Expenses	<u>7,667,509</u>
Operating Loss	<u>(1,379,889)</u>
NONOPERATING REVENUES	
Interest income	<u>687,560</u>
NET LOSS	(692,329)
RETAINED EARNINGS, BEGINNING OF YEAR	<u>31,684,703</u>
RETAINED EARNINGS, END OF YEAR	<u><u>\$ 30,992,374</u></u>

See accompanying note to additional supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

PROPRIETARY FUND STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2019

	Internal Service Fund
	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from user charges	\$ 5,898,566
Cash payments to employees for services	(5,581,663)
Cash payments for insurance claims	(2,071,468)
Net Cash Flows from Operating Activities	<u>(1,754,565)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	668,757
Net change in cash and cash equivalents	(1,085,808)
Cash and cash equivalents - Beginning	29,555,219
Cash and cash equivalents - Ending	<u>\$ 28,469,411</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating Loss	\$ (1,379,889)
Changes in assets and liabilities:	
Due from other funds	(422,623)
Accounts payable	(53,065)
Due to other funds	33,569
Claim liabilities	67,443
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ (1,754,565)</u>

See accompanying note to additional supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**FIDUCIARY FUNDS
BALANCE SHEET
JUNE 30, 2019**

	Associated Students Trust	Student Representation Fee	Student Financial Aid
ASSETS			
Cash and cash equivalents	\$ 505,636	\$ 120,911	\$ 3,309
Investments	515,335	-	6,704,928
Accounts receivable	397	-	714,226
Student loans receivable	-	851	536,522
Due from other funds	-	-	280,000
Other current assets	-	-	-
Total Assets	\$ 1,021,368	\$ 121,762	\$ 8,238,985
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 6,200	\$ -	\$ 8,024,367
Due to other funds	67,161	-	127,996
Unearned revenue	-	-	36,622
Due to student groups	122,939	-	-
Total Liabilities	196,300	-	8,188,985
FUND BALANCES			
Restricted	-	-	50,000
Unassigned	825,068	121,762	-
Total Fund Balances	825,068	121,762	50,000
Total Liabilities and Fund Balances	\$ 1,021,368	\$ 121,762	\$ 8,238,985

See accompanying note to additional supplementary information.

Retiree Benefits	Retiree OPEB Trust	Other Trust	Other Agency Fund	Total
\$ -	\$ -	\$ 13,739,015	\$ 42,169	\$ 14,411,040
3,033	104,932,484	5,841,668	-	117,997,448
6	-	2,579,042	19,000	3,312,671
-	-	1,622,403	9,053	2,168,829
1,305,697	-	38,945	-	1,624,642
-	-	500	-	500
<u>\$ 1,308,736</u>	<u>\$ 104,932,484</u>	<u>\$ 23,821,573</u>	<u>\$ 70,222</u>	<u>\$ 139,515,130</u>
\$ -	\$ -	\$ 511,962	\$ -	\$ 8,542,529
-	-	12,610,036	-	12,805,193
-	-	5,374,172	-	5,410,794
-	-	4,003,827	70,222	4,196,988
<u>-</u>	<u>-</u>	<u>22,499,997</u>	<u>70,222</u>	<u>30,955,504</u>
-	104,932,484	-	-	104,982,484
1,308,736	-	1,321,576	-	3,577,142
<u>1,308,736</u>	<u>104,932,484</u>	<u>1,321,576</u>	<u>-</u>	<u>108,559,626</u>
<u>\$ 1,308,736</u>	<u>\$ 104,932,484</u>	<u>\$ 23,821,573</u>	<u>\$ 70,222</u>	<u>\$ 139,515,130</u>

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**FIDUCIARY FUNDS
STATEMENTS OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019**

	Associated Students Trust	Student Representation Fee	Student Financial Aid
REVENUES			
Federal revenues	\$ -	\$ -	\$ 49,248,734
State revenues	-	-	8,868,303
Local revenues	215,904	16,725	131,990
Total Revenues	<u>215,904</u>	<u>16,725</u>	<u>58,249,027</u>
EXPENDITURES			
Current Expenditures			
Classified salaries	105,144	-	-
Employee benefits	7,680	-	-
Books and supplies	40,404	-	-
Services and operating expenditures	120,925	-	3,994
Capital outlay	52,057	-	-
Total Expenditures	<u>326,210</u>	<u>-</u>	<u>3,994</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(110,306)</u>	<u>16,725</u>	<u>58,245,033</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	-	-
Operating transfers out	(15,000)	-	(127,996)
Other uses - student financial aid	-	-	(58,117,037)
Total Other Financing Sources (Uses)	<u>(15,000)</u>	<u>-</u>	<u>(58,245,033)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	<u>(125,306)</u>	<u>16,725</u>	<u>-</u>
FUND BALANCES, BEGINNING OF YEAR	<u>950,374</u>	<u>105,037</u>	<u>50,000</u>
FUND BALANCES, END OF YEAR	<u><u>\$ 825,068</u></u>	<u><u>\$ 121,762</u></u>	<u><u>\$ 50,000</u></u>

See accompanying note to additional supplementary information.

Retiree Benefits	Retiree OPEB Trust	Other Trust	Total
\$ -	\$ -	\$ -	\$ 49,248,734
-	-	-	8,868,303
1,309,004	9,181,384	847,494	11,702,501
<u>1,309,004</u>	<u>9,181,384</u>	<u>847,494</u>	<u>69,819,538</u>
-	-	39,986	145,130
1,358,753	-	2,796	1,369,229
-	-	13,755	54,159
(128)	353,179	715,459	1,193,429
-	-	374,306	426,363
<u>1,358,625</u>	<u>353,179</u>	<u>1,146,302</u>	<u>3,188,310</u>
<u>(49,621)</u>	<u>8,828,205</u>	<u>(298,808)</u>	<u>66,631,228</u>
-	-	250,910	250,910
-	-	-	(142,996)
-	-	-	(58,117,037)
<u>-</u>	<u>-</u>	<u>250,910</u>	<u>(58,009,123)</u>
(49,621)	8,828,205	(47,898)	8,622,105
1,358,357	96,104,279	1,369,474	99,937,521
<u>\$ 1,308,736</u>	<u>\$ 104,932,484</u>	<u>\$ 1,321,576</u>	<u>\$ 108,559,626</u>

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTE TO ADDITIONAL SUPPLEMENTARY INFORMATION JUNE 30, 2019

NOTE 1 - PURPOSE OF SCHEDULES

Fund Financial Statements

The accompanying financial statements report the governmental, proprietary, and fiduciary fund activities of North Orange County Community College District and are presented on the modified accrual basis of accounting. Therefore, some amounts presented in these financial statements may differ from amounts presented in, or used in, the preparation of the basic financial statements. This information is not a required component of the financial statements in accordance with GASB Statements No. 34 and No. 35 and is presented at the request of District management.