



Financial and Performance Audits
Measure X General Obligation Bond
Construction Fund
June 30, 2019

North Orange County
Community College District



Financial Audit
Measure X General Obligation Bond
Construction Fund
June 30, 2019

North Orange County
Community College District

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BOND CONSTRUCTION FUND (MEASURE X)**

**FINANCIAL AUDIT
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JUNE 30, 2019**

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Governing Board and Citizens' Oversight Committee
North Orange County Community College District
General Obligation Bond
Anaheim, California

Report on the Financial Statements

We have audited the accompanying financial statements of the North Orange County Community College District (the District), General Obligation Bond Construction Fund (Measure X), as of and for the year ended June 30, 2019, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Obligation Bond Construction Fund (Measure X) of the District at June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the General Obligation Bond Construction Fund specific to Measure X are intended to present the financial position and the changes in financial position attributable to the transactions of that Fund. They do not purport to, and do not, present fairly the financial position of the District as of June 30, 2019, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

The unaudited supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion.

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 General Obligation Bond Construction Fund (Measure X) 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 to solely 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 General Obligation Bond Construction Fund (Measure X) 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 General Obligation Bond Construction Fund (Measure X) internal control over financial reporting and compliance.



Rancho Cucamonga, California
December 4, 2019

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BOND CONSTRUCTION FUND (MEASURE X)**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2019**

REVENUES

Interest income \$ 30,017

EXPENDITURES

Services and other expenditures 822

Capital outlay 1,871,604

Total Expenditures 1,872,426

EXCESS OF EXPENDITURES OVER REVENUES (1,842,409)

FUND BALANCE, BEGINNING OF YEAR 1,842,409

FUND BALANCE, END OF YEAR \$ -

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

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BOND CONSTRUCTION FUND (MEASURE X)**

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the North Orange County Community College District's (the District) General Obligation Bond Construction Fund (Measure X) conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA). The North Orange County Community College District's (the District) General Obligation Bond Construction Fund accounts for financial transactions in accordance with the policies and procedures of the California Community Colleges Budget and Accounting Manual.

Financial Reporting

The audited financial statements include only the General Obligation Bond Construction Fund (Measure X) of North Orange County Community College District (the District). This Fund was established to account for the receipt of proceeds of general obligation bond issuances and the expenditures of the proceeds under the General Obligation Bond Election of March 2002. These financial statements are not intended to present fairly the financial position and the changes in financial position of the District in compliance with accounting principles generally accepted in the United States of America.

Fund Accounting

The operations of the General Obligation Bond Construction Fund (Measure X) are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to, and accounted for, in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

Governmental funds are generally accounted for using the modified accrual basis of accounting. Their revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered), except for unmatured interest on the general obligation bonds, which are recognized when due.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT GENERAL OBLIGATION BOND CONSTRUCTION FUND (MEASURE X)

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. The District's governing board adopts an operating budget in accordance with State law. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements. The Board revises this budget during the year to give consideration to unanticipated revenues and expenditures primarily resulting from events unknown at the time of budget adoption. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

Encumbrances

The District utilizes an encumbrance accounting system under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances lapse at June 30.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Fund Balance

As of June 30, 2019, the fund balance of the General Obligation Bond Construction Fund (Measure X) was classified as follows:

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation, or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BOND CONSTRUCTION FUND (MEASURE X)**

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

NOTE 2 - BONDED DEBT

Description of Debt

General obligation bonds were approved by a local election in March 2002. The total amount approved by the voters was \$239,000,000 to be used to finance the acquisition, construction, and modernization of certain property and District facilities. At June 30, 2019, \$158,764,277 was outstanding. Interest rates on the bonds range from 0.40 percent to 5.44 percent. The debt is being paid by the District's Bond Interest and Redemption Fund.

A schedule of changes in long-term obligations related to the general obligation bonds for the year ended June 30, 2019, is shown below:

	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
Total Bonds Payable	<u>\$ 173,888,758</u>	<u>\$ 3,835,519</u>	<u>\$ 18,960,000</u>	<u>\$ 158,764,277</u>	<u>\$ 20,140,000</u>

General Obligation Bonds

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2018	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
				<u>\$ 173,888,758</u>	<u>\$ 3,835,519</u>	<u>\$ 18,960,000</u>	<u>\$ 158,764,277</u>

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BOND CONSTRUCTION FUND (MEASURE X)**

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

Debt Service Requirements

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

Fiscal Year	Principal (Including accreted interest to date)	Accreted Interest*	Total
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:

Fiscal Year	Principal	Interest to Maturity	Total
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>

Litigation

The District is not currently a party to any legal proceedings related to the General Obligation Bond Construction Fund (Measure X).



INDEPENDENT AUDITOR'S REPORT



**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***

Governing Board and Citizens' Oversight Committee
North Orange County Community College District
General Obligation Bond
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 North Orange County Community College District (the District), General Obligation Bond Construction Fund (Measure X), as of and for the year ended June 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated December 4, 2019.

Emphasis of Matter

As discussed in Note 1, the financial statements of the General Obligation Bond Construction Fund specific to Measure X are intended to present the financial position and the changes in financial position attributable to the transactions of that Fund. They do not purport to, and do not, present fairly the financial position of the District as of June 30, 2019, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's General Obligation Bond Construction Fund (Measure X) 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 General Obligation Bond Construction Fund (Measure X) internal control. Accordingly, we do not express an opinion on the effectiveness of the District's General Obligation Bond Construction Fund (Measure X) 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's General Obligation Bond Construction Fund (Measure X) 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 General Obligation Bond Construction Fund (Measure X) financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 General Obligation Bond Construction Fund (Measure X) 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 General Obligation Bond Construction Fund (Measure X) internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rancho Cucamonga, California
December 4, 2019



SUPPLEMENTARY INFORMATION

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BOND CONSTRUCTION FUND (MEASURE X)**

**SCHEDULE OF 2018-2019 ASSESSED VALUATION AND 2017-2018
SECURED TAX CHARGE AND DELINQUENCY - (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2019**

		<u>2018-2019 Assessed Valuation</u>		
<u>Local Secured</u>		<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>
<u>Orange County Portion</u>				
2017-18	\$ 123,341,715,063	\$ 13,630,134	\$ 5,172,995,814	\$ 128,528,341,011
2018-19	130,201,207,369	13,514,889	5,439,903,094	135,654,625,352
<u>Los Angeles County Portion</u>				
2017-18	\$ 3,047,083,932	\$ 16,596	\$ 11,867,421	\$ 3,058,967,949
2018-19	3,157,877,570	16,596	11,305,840	3,169,200,006
<u>Total District</u>				
2017-18	\$ 126,388,798,995	\$ 13,646,730	\$ 5,184,863,235	\$ 131,587,308,960
2018-19	133,359,084,939	13,531,485	5,451,208,934	138,823,825,358

Secured Tax Charge and Delinquency
(Orange County Portion Only)

	<u>Secured Tax Charge (1)</u>	<u>Amt. Del. June 30</u>	<u>% Del. June 30</u>
2017-18	\$ 66,133,648	\$ 365,596	0.55%
2018-19	69,676,137	463,240	0.66%

Secured Tax Charge and Delinquency
(Orange County Portion Only)

	<u>Secured Tax Charge (2)</u>	<u>Amt. Del. June 30</u>	<u>% Del. June 30</u>
2017-18	\$ 35,127,428	\$ 143,047	0.41%
2018-19	36,171,405	171,477	0.47%

(1) 1% General Fund apportionment. Excludes supplemental roll.

(2) District's general obligation debt service levy. Excludes supplemental roll.

Source: California Municipal Statistics, Inc.

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BOND CONSTRUCTION FUND (MEASURE X)**

**SCHEDULE OF TWENTY LARGEST 2018-2019 LOCAL SECURED
TAXPAYERS - (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2019**

		2018-2019	
		Assessed	% of
Property Owner	Land Use	Valuation (2)	Total (1)
1. Walt Disney World Co.	Theme Park	\$ 5,321,688,634	3.99%
2. Knott's Berry Farm	Theme Park	364,540,648	0.27%
3. Warland Investment Company	Industrial	267,288,284	0.20%
4. Anna Claire Mauerhan LLC	Commercial	247,630,580	0.19%
5. Retail Property Trust	Commercial	238,379,030	0.18%
6. HHC HA Investments II Inc.	Commercial	215,973,287	0.16%
7. RAR2 - 200 North Puente LLC	Industrial	201,092,641	0.15%
8. Anaheim Concourse ILP LLC	Commercial	195,822,687	0.15%
9. Reef America REIT II Corp.	Industrial	173,593,249	0.13%
10. Irvine Company LLC	Apartments	171,886,340	0.13%
11. Olen Pointe Brea Corp.	Apartments	171,010,645	0.13%
12. Comref So Ca Industrial	Industrial	156,511,879	0.12%
13. The Sources at Beach LLC	Commercial	151,402,420	0.11%
14. Centerpoint Properties Trust	Commercial	136,604,520	0.10%
15. Teachers Insurance & Annuity Association	Industrial	134,768,492	0.10%
16. Bridge Energy LLC	Oil & Gas	133,627,120	0.10%
17. Aspect Acquisition LLC	Apartments	133,620,000	0.10%
18. US REIF MG Madison Park CA LLC	Apartments	131,441,753	0.10%
19. Los Alamitos Medical Center	Commercial	130,547,839	0.10%
20. CPT Shops at Rossmoor LLC	Commercial	129,354,975	0.10%
		<u>\$ 8,806,785,023</u>	<u>6.60%</u>

(1) 2018-2019 Local Secured Assessed Valuation: \$ 133,359,084,939

(2) Source: California Municipal Statistics, Inc.



SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BOND CONSTRUCTION FUND (MEASURE X)**

**FINANCIAL STATEMENT FINDINGS
JUNE 30, 2019**

None reported.

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BOND CONSTRUCTION FUND (MEASURE X)**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2019**

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.



Performance Audit
Measure X General Obligation Bond
Construction Fund
June 30, 2019

North Orange County
Community College District

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
MEASURE X GENERAL OBLIGATION BONDS
2002 ELECTION**

**PERFORMANCE AUDIT
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JUNE 30, 2019**

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INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE

Governing Board and Citizens' Oversight Committee
North Orange County Community College District
General Obligation Bond
Anaheim, California

We were engaged to conduct a performance audit of North Orange County Community College District (the District) General Obligation Bond Construction Fund (Measure X) funds for the year ended June 30, 2019.

We conducted this performance audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

Our audit was limited to the objectives listed within the report which includes determining the District's compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Management is responsible for the District's compliance with those requirements.

In planning and performing our performance audit, we obtained an understanding of the District's internal control in order to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

The results of our tests indicated that the District expended General Obligation Bond Construction Fund (Measure X) funds are in compliance with Proposition 39 as outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution.

A handwritten signature in black ink that reads "Eide Bailly LLP".

Rancho Cucamonga, California
December 4, 2019

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT MEASURE X GENERAL OBLIGATION BOND

JUNE 30, 2019

AUTHORITY FOR ISSUANCE AND PURPOSE

The Measure X General Obligation Bonds (the Bonds) were issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the California Education Code, and other applicable provisions of law. The District received authorization from an election held on March 5, 2002, to issue bonds of the District in an aggregate principal amount not to exceed \$239,000,000 to finance the acquisition, construction, reconstruction, and modernization of certain property and District facilities. The Measure required approval by at least 55 percent of the votes cast by eligible voters within the District.

In May 2002, the District issued Election of 2002 General Obligation Bonds, Series A in the amount of \$139,000,000. The Series A Bonds were authorized to be issued by a resolution adopted by the Board of Supervisors of the County on May 7, 2002, pursuant to a request of the District made by a resolution adopted by the Board of Trustees of the District on April 23, 2002. The Bonds represent the first series of bonds sold within the Authorization.

In December 2003, the District issued Election of 2002 General Obligation Bonds, Series 2003B in the amount of \$99,999,001.05. The Series 2003B Bonds were authorized to be issued by a resolution adopted by the Board of Supervisors of the County on December 9, 2003, pursuant to a request of the District made by a resolution adopted by the Board of Trustees of the District on November 25, 2003. The Bonds represent the second series of bonds sold under the Authorization.

In March 2005, the District issued 2005 General Obligation Refunding Bonds, in the amount of \$164,935,000. The Refunding Bonds were authorized to be issued by a resolution adopted by the Board of Trustees of the District on March 8, 2005. The Bonds were issued to advance refund and defease a portion of the Series A and Series 2003B Bonds.

In January 2013, the District issued 2013 General Obligation Refunding Bonds, in the amount of \$145,910,000. The Refunding Bonds were authorized to be issued by a resolution adopted by the Board of Trustees of the District on November 27, 2012. The Bonds were issued to advance refund and defease a portion of the 2005 Refunding Bonds.

AUTHORITY FOR THE AUDIT

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools and Financial Accountability Act. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by school district, community college districts, or county offices of education for the following: "construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of rental property for school facilities", upon approval by 55 percent of the electorate. In addition to reduction of the approval threshold from two-thirds to 55 percent, Proposition 39 and the enacting legislation (AB 1908 and AB 2659) requires the following accountability measures as codified in *Education Code* Sections 15278-15282:

1. Requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIII A, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other District operating expenses.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT MEASURE X GENERAL OBLIGATION BOND

JUNE 30, 2019

2. The District must list the specific facilities projects to be funded in the ballot measure, and must certify that the Governing Board has evaluated safety and information technology needs in developing the project list.
3. Requires the District to appoint a citizens' oversight committee.
4. Requires the District to conduct an annual independent financial audit and performance audit in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States of the bond proceeds until after all of the proceeds have been expended.
5. Requires the District to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

OBJECTIVES OF THE AUDIT

The objective of our audit is to meet the compliance requirement to perform a "performance audit" as referred to in Proposition 39 and outlined in Subparagraph (C) of paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution. Our audit was conducted in accordance with generally accepted standards for performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of the accounting records of the District and other procedures we consider necessary to enable us to provide conclusions to our audit objectives.

SCOPE OF THE AUDIT

The scope of our performance audit covered the period of July 1, 2018 through June 30, 2019. The population of expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than proceeds of the Bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2019, were not reviewed or included within the scope of our audit or in this report.

PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2019, for the Measure X General Obligation Bond Construction Funds. Within the period audited, we obtained the actual invoices and other supporting documentation for all expenditures to ensure compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution and Measure X as to the approved bond projects list. We performed the following procedures:

1. Determined District procedures for disbursement of funds related to the voter approved Measure X General Obligation Bonds were applied in accordance with laws and regulations, as well as policies approved by the Board of Trustees. This was accomplished through the inspection of specified documents evidencing certain types of transactions and detailed attributes thereof; including, but not limited to, the specific documents related to bid procedures for contracts and services, invoices for services rendered, and other appropriate documents deemed necessary to provide a basis for the results of our objective.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT MEASURE X GENERAL OBLIGATION BOND

JUNE 30, 2019

2. Reviewed the detailed accounting of expenditures to determine if proceeds were being spent on administrative salaries or any other expense that would otherwise be the obligation of the General Fund.
3. From a sample of construction expenditures from the detailed accounting of expenditures, reviewed expenditures to determine if proceeds expended were for specific projects as listed in the voter approved bond language. Expenditures from all projects were included in the sample.

CONCLUSION

Procedure 1

Determined District procedures for disbursement of funds related to the voter approved Measure X General Obligation Bonds were applied in accordance with laws and regulations, as well as policies approved by the Board of Trustees. This was accomplished through the inspection of specified documents evidencing certain types of transactions and detailed attributes thereof; including, but not limited to, the specific documents related to bid procedures for contracts and services, invoices for services rendered, and other appropriate documents deemed necessary to provide a basis for the results of our objective.

Results

We included 76 percent of all expenditures charged to the Measure X Bond funds for the 2018-2019 fiscal year in our audit. Based upon our audit of actual invoices and purchase orders, there were no exceptions noted in the District's procedures related to the disbursement of Measure X Bond funds. The District used formal bid procedures for those contracts over the construction bid level requirements and informal bid procedures for those contracts below the construction bid level to select contractors for the various projects in accordance with Education Code requirements and District policy. Budgets for specific projects were approved and monitored in accordance with Board requirements.

Procedure 2

Reviewed the detailed accounting of expenditures to determine if proceeds were being spent on administrative salaries or any other expense that would otherwise be the obligation of the General Fund.

Results

The results of our tests indicated that, in all respects, the District did not spend Measure X proceeds on administrative salaries or any other expense that would otherwise be the obligation of the General Fund.

Procedure 3

From a sample of construction expenditures from the detailed accounting of expenditures, reviewed expenditures to determine if proceeds expended were for specific projects as listed in the voter approved bond language. Expenditures from all projects were included in the sample.

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
MEASURE X GENERAL OBLIGATION BOND**

JUNE 30, 2019

Results

The results of our tests indicated that, in all respects, the District has expended proceeds exclusively for specific projects as listed in the voter approved bond language. Our audit sample included 76 percent of expenditures for the 2018-2019 fiscal year.

<u>Category of Expense</u>	<u>Expenditures Incurred</u>	<u>Expenditures Tested</u>	<u>Percentage of Total</u>
Services and other expenditures	\$ 822	\$ -	0%
Capital outlay	1,871,604	1,423,289	76%
Total	<u>\$ 1,872,426</u>	<u>\$ 1,423,289</u>	<u>76%</u>

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
MEASURE X GENERAL OBLIGATION BOND**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019**

None reported.

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
MEASURE X GENERAL OBLIGATION BOND**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2019**

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.