

**NORTH ORANGE COUNTY  
COMMUNITY COLLEGE DISTRICT**

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ANNUAL FINANCIAL REPORT

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**JUNE 30, 2013**

# NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

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***FINANCIAL SECTION***

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## **Changes in Accounting Principles**

As discussed in the Notes to the basic financial statements, the accompanying financial statements reflect certain changes required as a result of the implementation of GASB Statement No. 62 for the year ended June 30, 2013. These changes require a restatement of the beginning net position of the District as discussed in Note 15. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis on pages 4 through 18 and the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 52 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. Other information listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the other supplementary schedules, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The Additional Supplementary Information on pages 83 through 90 has been presented at the request of District management for purposes of additional analysis. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2013, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Vaunneh, Trine, Day & Co., LLP*

Rancho Cucamonga, California  
December 5, 2013



# NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

RODRIGO L. GARCIA, CPA  
*District Director  
Fiscal Affairs*

FRED WILLIAMS  
*Vice Chancellor  
Finance & Facilities*

NED DOFFONEY, Ed.D.  
*Chancellor*

## Introduction

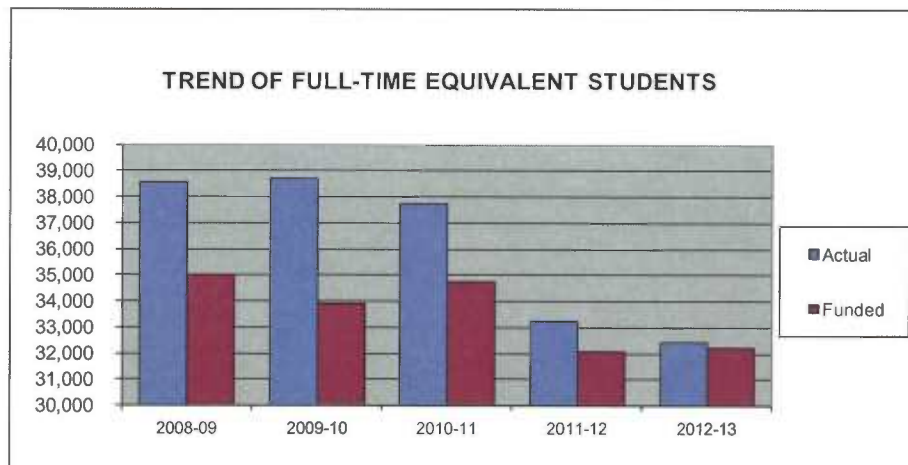
The following discussion and analysis provides an overview of the financial position and activities of the North Orange County Community College District (the District) for the year ended June 30, 2013. This discussion has been prepared by management and should be read in conjunction with the financial 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 North Orange County Community College 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. The School of Continuing Education offers non-college credit programs including high school diploma completion, basic skills, vocational certificates, and self-development courses. Specific activities in both the college and School of Continuing Education will be directed toward economic development within the community.

## Selected Highlights

- During 2012-2013, total full-time equivalent students (FTES) decreased by approximately 824; 2.44 percent. This planned decrease occurred in response to the cuts that were expected to be received from the State in the form of workload measure reductions. While credit and non-credit FTES, along with a per college and per center allocation, are the basis for the District's State apportionment, State-established growth caps provide a ceiling on the level of FTES funding possible. Despite the planned reduction in FTES, the District still exceeded its growth cap for 2012-2013 by approximately 216 FTES; 0.67 percent. Thus, 2012-2013 was the sixth consecutive year in which the District exceeded its State-established growth cap.



# NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2013**

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- 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. The only remaining major project is the Technology Complex renovation at Fullerton College, which was completed in August 2013.

### **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 Change 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 Governmental Accounting Standards Board Statements No. 34 and No. 35 that provide an entity-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.

Also, in accordance with Governmental Accounting Standards Board 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, 2013, 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 page 64 of the report.

### **Statement of Net Position**

The Statement of Net Position presents the assets, liabilities, 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 non-current), liabilities (current and non-current), and net position (assets minus liabilities).

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 assets and their availability for expenditure by the District.



# **NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2013**

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The difference between total assets and total liabilities (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.

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 assets; these assets are 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.

# NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

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The Statement of Net Position as of June 30, 2013 and 2012, is summarized below.

	(in thousands)	
	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Current assets		
Cash and investments	\$ 123,291	\$ 117,861
Receivables	28,315	35,745
Inventory	750	1,554
Due from fiduciary funds	4,654	8,864
Other assets	14,079	1,825
Total current assets	<u>171,089</u>	<u>165,849</u>
Non-current assets		
Capital assets, net	<u>414,171</u>	<u>411,649</u>
Total non-current assets	<u>414,171</u>	<u>411,649</u>
<b>TOTAL ASSETS</b>	<u>585,260</u>	<u>577,498</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued liabilities	18,836	19,434
Deferred revenue	5,412	13,698
Due to fiduciary funds	2,996	969
Compensated absences - current portion	2,986	3,028
Long-term liabilities - current portion	12,155	9,035
Total current liabilities	<u>42,385</u>	<u>46,164</u>
Non-current liabilities		
Long-term liabilities less current portion	<u>274,387</u>	<u>261,607</u>
Total non-current liabilities	<u>274,387</u>	<u>261,607</u>
<b>TOTAL LIABILITIES</b>	<u>316,772</u>	<u>307,771</u>
<b>NET POSITION</b>		
Net investment in capital assets	186,386	194,786
Restricted	44,302	38,942
Unrestricted *	<u>37,800</u>	<u>35,999</u>
<b>TOTAL NET POSITION</b>	<u>\$ 268,488</u>	<u>\$ 269,727</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, 2013**

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- Cash and cash equivalents consist primarily of cash held in the General Fund (\$37.3 million), Bond Fund (\$5.6 million), Capital Outlay Fund (\$30.5 million), and the Self-Insurance Fund (\$23 million). Cash in the Retiree Benefits Fund at June 30, 2013, was \$54.8 million; an increase of \$1.1 million over the prior year, due to contributions and interest income. The Cash Flow Statement included in these financial statements provides greater detail of the sources and uses of the District's cash during the 2012-2013 fiscal year.
- Accounts receivable consist mainly of receivables from Federal and State sources for grant and entitlement programs and receivables from local sources for all other purposes. Note 4 of these financial statements provides a summary of the accounts receivable balance. One of the primary reasons for the decrease was the decrease in the System-wide State Apportionment Deferral which decreased from \$961 million to \$776 million.
- Inventory is primarily made up of merchandise held for sale in the Bookstores located at Cypress College, Fullerton College, and the School of Continuing Education. The decrease in this account is related to the outsourcing of the Cypress College Bookstore. The entire inventory was liquidated when Follett took over the bookstore operations.
- Due from fiduciary funds and Due to fiduciary funds consist of amounts due from/to the Associated Students Trust, Student Representation Fee, and Other Trust funds at Cypress College, Fullerton College, and the School of Continuing Education, and the Retiree Benefits Fund. The decrease in the Due From account is primarily due to a timing difference of the amount of cash held in the Bursar fund, but on-behalf of the Bookstore fund of approximately \$2,651 million and cash due from the Bursars to the General Fund to remit enrollment fees collected at the campuses. The increase in the Due to account is primarily due to the \$2 million contribution made from the General Fund to the Retiree Benefits Fund in the 2013-2014 year.
- Other assets are made up of prepaid Bond issuance costs for the District's general obligation bond program which are being amortized over the term of the bond, and other prepaid expenses. The increase in this account is primarily due to the \$12.7 million deferred cost incurred in bond refunding during the 2012-2013 year (see Note 9).
- 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 6 of these financial statements provides a summary of changes during the 2012-2013 fiscal year.
- Accounts payable are amounts due as of the fiscal year end for goods and services received as of June 30, 2013. Accrued liabilities are 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, 2013. Decrease in this account is due to the decrease in expenditures in the General Fund, as well a decrease in expenditures in the Capital Outlay and Bond Funds as the District's construction projects come to an end.
- Deferred 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. The decrease in this account is primarily related to a new Capital Outlay Financing program for the Fullerton College Technology and Engineering Complex renovation in which the State advanced the District the majority of the funds rather than submitting it on a reimbursement basis. The amount received has been spent down as of June 30, 2013, which is represented by the decrease in deferred revenue.

# **NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2013**

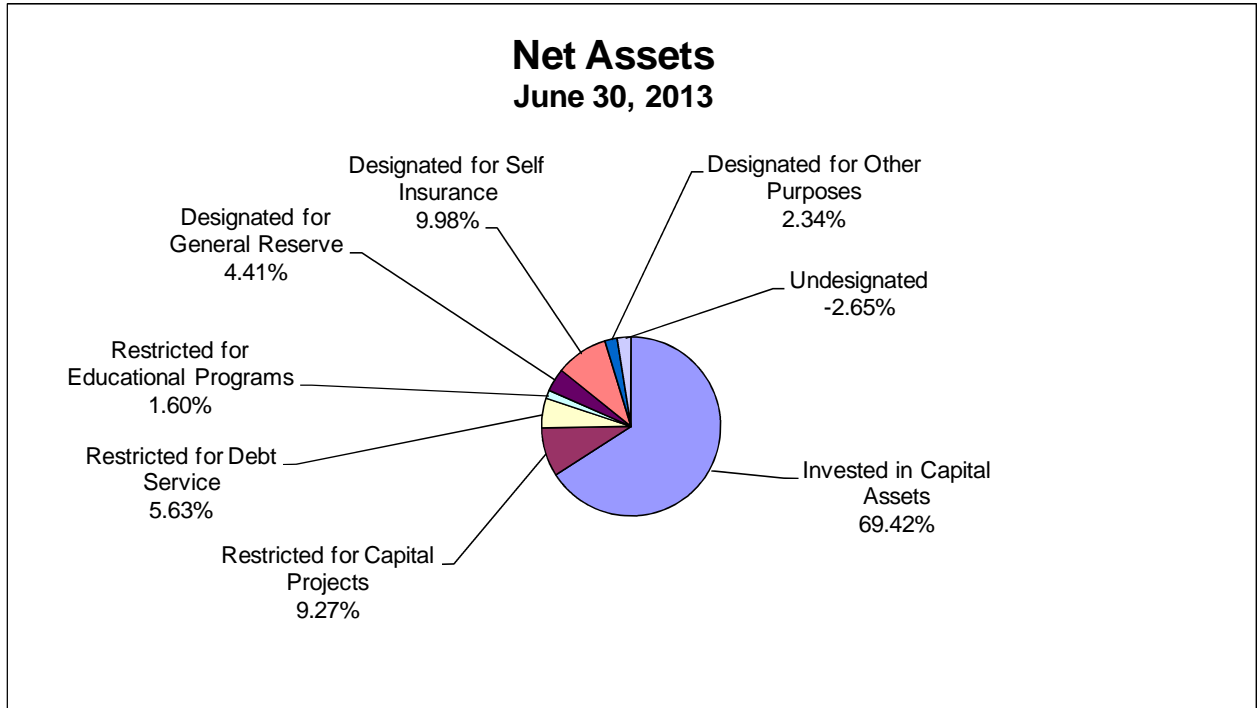
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- Compensated absences are amounts accrued for accumulated, unpaid employee vacation benefits and load banking where eligible academic employees may teach extra courses in one period for exchange for time off in another period.
- The District currently has two bonded debt issues outstanding that amount to \$234.1 million. Additionally, the District issued Refunding Bonds on portions of the two outstanding issues in April 2005 and issued Refunding Bonds on portions of the 2005 issuance in January 2013. The long-term debt balances include unamortized premiums and deferred charges on refunding related to the general obligation bond liability, compensated absences, and a net postemployment obligation for medical benefits for retirees, consistent with GASB Statement No. 45. Additional information regarding long-term debt is included in the Debt Administration section of this discussion and analysis.

# NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

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### Statement of Revenues, Expenses, and Change 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 Change in Net Position. The purpose of this statement is to present the operating and non-operating revenues earned, whether received or not, by the District, the operating and non-operating 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. Non-operating revenues are those received or pledged for which goods and services are not provided; for example, State appropriations are non-operating 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, 2013

The Statement of Revenues, Expenses, and Change in Net Position for the years ended June 30, 2013 and 2012, is summarized below:

	(in thousands)	
	<u>2013</u>	<u>2012</u>
Operating Revenues		
Net tuition and fees	\$ 18,901	\$ 16,914
Sales	8,335	7,285
Total operating revenues	<u>27,236</u>	<u>24,199</u>
Operating Expenses		
Salaries and benefits	170,554	167,054
Supplies, materials, depreciation, and other expenses	43,138	41,405
Student financial aid	45,615	43,804
Total operating expenses	<u>259,307</u>	<u>252,263</u>
Operating loss	<u>(232,071)</u>	<u>(228,064)</u>
Non-operating revenues (expenses)		
State apportionments, non-capital	63,651	80,406
Local property taxes	87,216	68,791
Grants and contracts, non-capital	64,515	62,396
State taxes and other revenues	7,470	6,376
Investment income	379	590
Other non-operating revenues (expenses), net	<u>(3,381)</u>	<u>(956)</u>
Total non-operating revenues (expenses)	<u>219,850</u>	<u>217,603</u>
Other revenues, expenses, gains or losses		
State revenue, capital	11,374	12,751
Loss on disposal of capital assets	<u>(392)</u>	<u>-</u>
Change in net position	(1,239)	2,290
Net position beginning of year	269,727	256,066
Prior period restatement (see Note 15)	<u>-</u>	<u>11,371</u>
Net position, beginning of year, as restated	<u>269,727</u>	<u>267,437</u>
Net position, end of year	<u>\$ 268,488</u>	<u>\$ 269,727</u>

- Net tuition and fees are generated by the resident, non-resident, and foreign fees paid by students attending the North Orange County Community College District. These include fees paid for enrollment, health services, parking, community services classes, and other related fees. The increase in this account is directly related to the increase in enrollment fees which increased from \$36 to \$46 per unit.
- Sales are primarily related to the sale of merchandise in the Bookstores located at Cypress College, Fullerton College, and the School of Continuing Education. The increase in this account is related to an increase in Bookstore sales as student head count increased by 1,090 due to additional course offerings.

# NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2013**

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- Salaries and benefits consist of 66 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 85.8 percent of total General Fund expenses as reflected on page 65 of this report.
- 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 increased purchases of capital outlay items below our capitalization threshold. This activity increased over the previous year due to the significant completion of the Fullerton College Technology Complex renovation which required a significant amount of Furniture, Fixtures, and Equipment (FF&E) to be purchased.
- 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 Change 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 non-operating 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, non-operating revenues. Every community college district within the State of California will have a large operating loss due to this required reporting presentation.
- State apportionments, non-capital, 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, non-credit FTES, and an enhanced amount per qualifying non-credit FTES for career development and college preparation courses. The decrease in apportionment is primarily due to the increase in local property taxes and enrollment fees. The passage of Proposition 30 also contributed to the increase of taxed revenues which also contributed to the decrease in apportionment revenue. 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 of State apportionment.
- 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 primarily due to the revenues received from the redevelopment agencies dissolutions in the amount of \$12.3 million, as well as an increase in enrollment fees of approximately \$2.3 million. We also received \$23.2 million of Education Protection Account (EPA) due to the passage of Proposition 30.
- Grants and contracts, non-capital are primarily those received from Federal and State sources and used in the instructional program such as the Student Financial Aid cluster of programs, Vocational Education Programs, Disabled Student Programs and Services (DSPS), and Extended Opportunity Programs and Services (EOPS). Pages 55 through 57 of the supplementary information section of this report provide a complete listing of Federal and State non-capital grants and contracts.

## **NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2013**

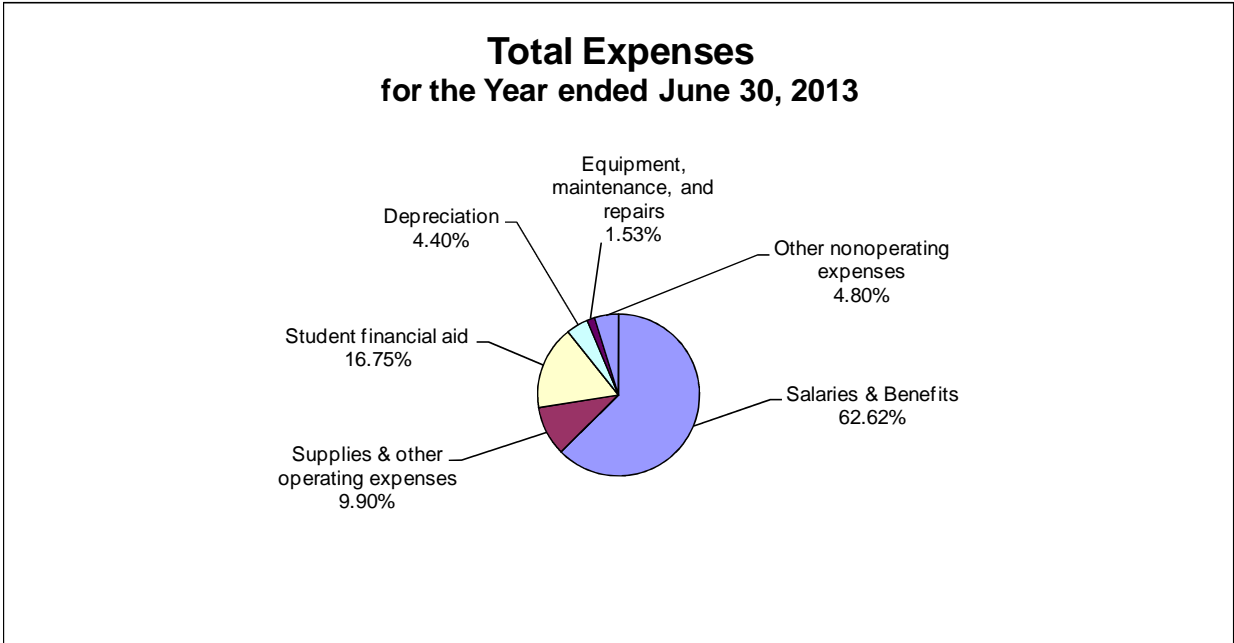
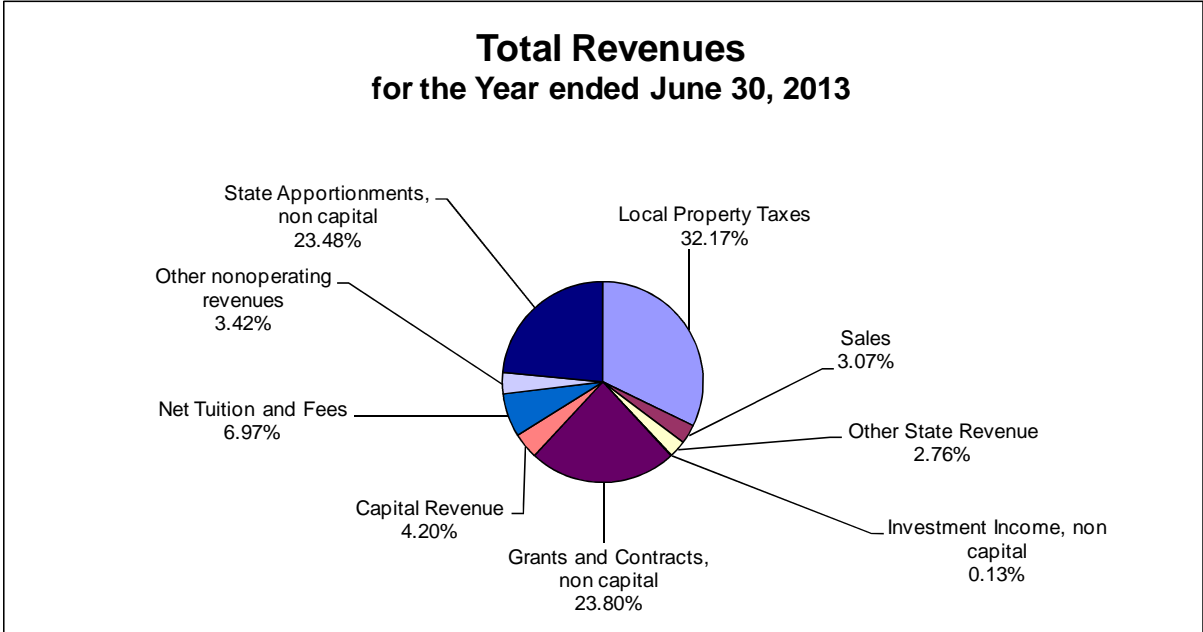
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- State taxes and other revenues are mainly comprised of State mandated cost revenues and Lottery revenues. The increase in this account is primarily due to the receipt of \$507 thousand more in Lottery funds from the State than the previous year. Also, 2012-2013 was the first year in which we received Mandated Block Grant funds in the amount of \$894 thousand. This represents \$582 thousand more mandated funds received than in the previous year.
- Investment income, net decreased due to declining interest rates and declining bond fund balances as we near the end of our bond program. In 2012-2013, the average interest rate earned for the Orange County Investment Pool was 0.30 percent whereas in 2011-2012, the average rate was 0.44 percent.
- Other non-operating 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 \$3.5 million. The increase in this account is primarily due to a \$2 million transfer to the Retiree Benefits Fund made in 2012-2013.
- State revenues, capital relate to projects for capital outlay. The decrease in this account is mainly due to the recognition of revenues for the Fullerton College Technology and Engineering Complex renovation project that had not yet been recognized. The Project was completed in August 2013.
- Effective in fiscal year 2012-2013, the District was required to capitalize interest as part of the historical cost of construction certain business-type activities assets. The implementation of this standard required a change in accounting principle and restatement of the beginning net position of the District by \$11,370,856 (see Note 15).
- Functional expenses, which show expenditures by activity such as instructional activities, academic support, student services, and other activities, are included in Note 14 of the financial statements.



**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013**



**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.

# NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

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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 non-operating, non-investing, and non-capital 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 Change in Net Position.

The summarized Statement of Cash Flows for the years ended June 30, 2013 and 2012, is presented below:

	(in thousands)	
	<u>2013</u>	<u>2012</u>
Cash Provided By (Used in)		
Operating activities	\$ (223,430)	\$ (209,092)
Non-capital financing activities	225,209	204,489
Capital and related financing activities	3,272	6,928
Investing activities	<u>379</u>	<u>590</u>
Net increase (decrease) in cash and cash equivalents	5,430	2,915
Cash balance, beginning of year	<u>117,861</u>	<u>114,946</u>
Cash balance, end of year	<u><u>\$ 123,291</u></u>	<u><u>\$ 117,861</u></u>

- Operating activities mainly consist of cash receipts from student tuition and cash payments for salaries, benefits, supplies, other operating expenses, utilities, insurance, and other items related to the instructional program.
- Non-capital financing activities are primarily comprised of State apportionment, property taxes, and Federal, State and local grants for other than capital purposes. State apportionments and property taxes received account for 59 percent of the total cash provided by non-capital financing activities. Additionally, cash received from non-capital related grants and contracts accounts for 29 percent of the total cash provided by non-capital 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 decrease in cash receipts in this category is primarily made up of revenue received in advance in 2012 for the Technology Complex renovation at Fullerton College that was not received in 2013. Expenditure claims for this project are expected in the 2011-2012 and 2012-2013 fiscal years as construction began on this project in September 2011.
- The cash from investing activities is interest earned on cash in banks, and on cash invested through the Orange County Investment Pool. The decrease in cash received from investing activities is due to the lower interest earnings from declining interest rates.

# NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

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### Capital Asset and Debt Administration

#### Capital Assets

As of June 30, 2013, the District had \$414.2 million invested in net capital assets. Total capital assets of \$539.5 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 \$125.3 million over the years they have been in service. During 2012-2013, \$2.3 million of building and improvement projects completed construction. In addition, \$14.4 million of construction in progress occurred during 2012-2013. Depreciation expense of \$12 million was recorded for the fiscal year.

Capital additions primarily comprise replacement, renovation, and new construction. As the District nears completion on its current capital construction program, an inverse relationship exists between the Buildings and improvements and Construction in progress accounts. As more projects are completed, their accumulated expenses are reclassified from Construction in progress to Buildings and improvements. During 2012-2013, capital additions of completed construction projects included the Cypress College Tech Ed. I HVAC replacement project, Cypress College Fine Arts Building HVAC replacement project, Cypress College Business Building Air Handling/Boiler/Chiller project, and Fullerton College Quad Redesign and Restoration project were completed. The current major project is the Technology and Engineering Complex renovation at Fullerton College.

Note 6 to the financial statements provides additional information on capital assets. A summary of capital assets, net of depreciation, is presented below:

(in thousands)

	<u>2013</u>	<u>2012*</u>
Land and improvements	\$ 16,513	\$ 16,642
Buildings and improvements	357,692	365,871
Equipment	6,299	7,634
Construction in progress	<u>33,667</u>	<u>21,502</u>
Net capital assets	<u>\$ 414,171</u>	<u>\$ 411,649</u>

\* As restated. See Note 15 for more information.

#### Debt Administration

At June 30, 2013, the District had \$289.5 million in debt primarily made up of \$234.1 million from general obligation bonds; \$2.6 million from Self-Insurance claims payable; \$6.8 million from compensated absences payable, and \$46 million as the net OPEB obligation which represents the cumulative difference between the District's actuarially determined Annual Required Contribution and the amount the District made in contributions for postemployment medical benefit premium costs.

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 of AA has not changed from the prior year.

# NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

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As reflected in the \$46 million net OPEB obligation, these financial statements include a liability for retiree benefits, in accordance with GASB Statement No. 45, which requires districts to recognize an expense on their financial statements for the sum of ongoing annual out-of-pocket retiree benefit costs, plus an amortized annual actuarially determined amount necessary to recognize the entire unfunded obligation over a period not to exceed 30 years. Based on an actuarial study dated August 2013, the District's actuarially determined unfunded liability was projected at \$163.9 million. As of June 30, 2013, the District had \$57.8 million set aside for retiree health benefits. The amount is not currently held in an irrevocable trust, thus it cannot be accounted against our unfunded liability.

Note 9 to the financial statements provides additional information on long-term liabilities. A summary of long-term debt is presented below:

	(in thousands)	
	<u>2013</u>	<u>2012</u>
Long-term debt		
General obligation bonds	\$ 234,101	\$ 225,562
Claims payable	2,637	2,709
Compensated absences	6,780	6,931
Net OPEB obligation	<u>46,011</u>	<u>38,467</u>
Total long-term debt	289,529	273,669
Less current portion	<u>(15,141)</u>	<u>(12,062)</u>
Long-term portion	<u>\$ 274,388</u>	<u>\$ 261,607</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.

# **NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2013**

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

As of June 30, 2013, the District ended the fiscal year with a healthy surplus due to prudent fiscal management in previous years. Thanks to the passage of Proposition 30, the State is in a better fiscal condition for 2013-2014 than it has been in the past few years, though revenues remain \$6 billion below the 2007-2008 levels. For 2013-2014, we finally have a budget with no trigger cuts which includes a Cost of Living Adjustment increase and restoration funds. The budget also addressed the continuing concern of significant deferrals. Deferrals have been brought down from \$961 million to \$592 million for the community colleges. Based on the information currently available, the District believes it is in good financial shape for the 2013-2014 fiscal year; however, there is still significant concern of the unknown for the 2013-2014 fiscal year and future budget years as there remains a large deferral amount that could impact the District's cash flow position. As a reminder, even though Proposition 30 passed, its tax increases are only temporary fixes and will phase out in four to seven years. There are several unknown factors that could still negatively affect the 2013-2014 budget including the State's estimate of revenues that would be collected from the tax increase for the Education Protection Funds (EPA), student enrollment fees collected, and the amount of redevelopment funds flowing to schools. The economic position of the District is closely tied to that of the State of California and until the overall economy regains its strength, the California State budget, and thus the California community colleges, will continue their struggles at a time when resources are scarce, but demand is high. Management will continue to closely monitor the State budget information and will maintain a close watch over resources to sustain our ability to react to internal and external issues.

Also of concern is the potential for significant increases in the STRS employer contribution rates. There is currently no increase in the STRS employer contribution rate although projections indicate that the rates could potentially increase from 8.25 percent to 22 percent. While it is not believed that the STRS rate will increase this drastically, the STRS investment pool has struggled significantly following the substantial investment losses it experienced in 2008-2009. The cost of each 1 percent increase in the STRS employer contribution rate amounts to approximately \$500,000 for our District.

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 Romneya Drive, Anaheim, CA 92801.

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF NET POSITION - PRIMARY GOVERNMENT  
JUNE 30, 2013**

**ASSETS**

**Current Assets**

Cash and cash equivalents - unrestricted	\$ 6,160,867
Investments - unrestricted	57,980,988
Investments - restricted	59,149,322
Accounts receivable	27,883,092
Student loans receivable	432,117
Due from fiduciary funds	4,654,029
Prepaid expenses	233,003
Stores inventories	750,194
Deferred cost on issuance	1,199,309
Deferred costs on refunding	12,646,477
<b>Total Current Assets</b>	<u>171,089,398</u>

**Noncurrent Assets**

Nondepreciable capital assets	48,423,320
Depreciable capital assets, net of depreciation	365,747,873
<b>Total Noncurrent Assets</b>	<u>414,171,193</u>
<b>TOTAL ASSETS</b>	<u>585,260,591</u>

**LIABILITIES**

**Current Liabilities**

Accounts payable	17,153,797
Accrued interest payable	1,681,876
Due to fiduciary funds	2,995,700
Deferred revenue	5,412,098
Compensated absences	2,986,112
Bonds payable	12,155,000
<b>Total Current Liabilities</b>	<u>42,384,583</u>

**Noncurrent Liabilities**

Compensated absences	3,793,575
Claims liability	2,637,191
Bonds payable	221,946,346
Other long-term liabilities - noncurrent portion	46,010,524
<b>Total Noncurrent Liabilities</b>	<u>274,387,636</u>
<b>TOTAL LIABILITIES</b>	<u>316,772,219</u>

**NET POSITION**

Net investment in capital assets	186,386,145
Restricted for:	
Debt service	15,112,609
Capital projects	24,897,992
Educational programs	4,291,174
Unrestricted	37,800,452
<b>TOTAL NET POSITION</b>	<u>\$ 268,488,372</u>

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

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF REVENUES, EXPENSES,  
AND CHANGE IN NET POSITION - PRIMARY GOVERNMENT  
FOR THE YEAR ENDED JUNE 30, 2013**

<b>OPERATING REVENUES</b>	
Student Tuition and Fees	\$ 38,374,594
Less: Scholarship discounts and allowances	(19,473,101)
Net tuition and fees	<u>18,901,493</u>
Auxiliary enterprise sales and charges	<u>8,334,521</u>
<b>TOTAL OPERATING REVENUES</b>	<u>27,236,014</u>
<b>OPERATING EXPENSES</b>	
Salaries	121,593,433
Employee benefits	48,961,110
Supplies, materials, and other operating expenses and services	26,977,490
Student financial aid	45,615,213
Equipment, maintenance, and repairs	4,158,766
Depreciation	12,001,730
<b>TOTAL OPERATING EXPENSES</b>	<u>259,307,742</u>
<b>OPERATING LOSS</b>	<u>(232,071,728)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
State apportionments, noncapital	63,651,554
Local property taxes, levied for general purposes	68,268,527
Taxes levied for other specific purposes	18,947,836
Federal grants and contracts, noncapital	49,386,022
State grants and contracts, noncapital	15,128,976
State taxes and other revenues	7,469,774
Investment income	378,806
Interest expense on capital related debt	(10,479,147)
Investment income on capital asset-related debt, net	26,736
Transfer from fiduciary funds	14,100
Transfer to fiduciary funds	(2,205,068)
Other nonoperating revenues	9,262,640
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>219,850,756</u>
<b>LOSS BEFORE OTHER REVENUES (EXPENSES)</b>	<u>(12,220,972)</u>
State revenues, capital	11,374,781
Loss on disposal of capital assets	(392,440)
<b>TOTAL OTHER REVENUES (EXPENSES)</b>	<u>10,982,341</u>
<b>CHANGE IN NET POSITION</b>	(1,238,631)
<b>NET POSITION, BEGINNING OF YEAR, AS RESTATED</b>	<u>269,727,003</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 268,488,372</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, 2013

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<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and fees	\$ 18,658,680
Auxiliary sales	8,334,521
Payments to or on behalf of employees	(162,040,570)
Payments to vendors for supplies and services	(42,767,393)
Payments to students for scholarships and grants	(45,615,213)
<b>Net Cash Flows From Operating Activities</b>	<u>(223,429,975)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State apportionments	63,651,554
Property taxes - nondebt related	68,268,527
Grants and contracts	64,926,889
State taxes and other revenues	17,486,890
Other nonoperating revenues	10,874,981
<b>Net Cash Flows From Noncapital Financing Activities</b>	<u>225,208,841</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>	
Purchase of capital assets	(14,496,568)
State revenue, capital projects	11,374,781
Property taxes - related to capital debt	10,519,163
Proceeds from capital debt	148,701,509
Principal paid on capital debt	(140,162,093)
Interest paid on capital debt	(12,691,177)
Interest received on capital asset-related debt	26,736
<b>Net Cash Flows From Capital Financing Activities</b>	<u>3,272,351</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest received from investments	<u>378,806</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	5,430,023
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>117,861,154</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 123,291,177</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, 2013**

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

Operating Loss	<u>\$ (232,071,728)</u>
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities:	
Depreciation expense	12,001,730
Changes in Assets and Liabilities:	
Receivables, net	(242,813)
Stores inventories	804,168
Other assets	(12,253,595)
Accounts payable and accrued liabilities	1,193,675
Deferred revenue	(181,710)
Change in claims payable	(72,049)
OPEB obligation	7,543,549
Compensated absences	<u>(151,202)</u>
Total Adjustments	<u>8,641,753</u>
<b>Net Cash Flows From Operating Activities</b>	<u><u>\$ (223,429,975)</u></u>

**CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:**

Cash in banks	\$ 6,160,867
Cash in county treasury	<u>117,130,310</u>
<b>Total Cash and Cash Equivalents</b>	<u><u>\$ 123,291,177</u></u>

**NON CASH TRANSACTIONS**

On behalf payments for benefits (see Note 12)	<u><u>\$ 3,534,188</u></u>
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The accompanying notes are an integral part of these financial statements.

# NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

## STATEMENT OF FIDUCIARY NET POSITION JUNE 30, 2013

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	<u>Trust Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 6,093,571
Investments	58,906,772
Accounts receivable	2,520,562
Student loans receivable	553,538
Due from primary government	2,995,700
<b>Total Assets</b>	<u>71,070,143</u>
 <b>LIABILITIES</b>	
Accounts payable	229,774
Due to primary government	4,654,029
Deferred revenue	3,562,206
Due to student groups	2,813,539
<b>Total Liabilities</b>	<u>11,259,548</u>
 <b>NET POSITION</b>	
Unreserved	59,810,595
<b>Total Net Position</b>	<u><u>\$ 59,810,595</u></u>

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

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2013**

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	<u>Trust Funds</u>
<b>ADDITIONS</b>	
Local revenues	<u>\$ 1,704,298</u>
<b>DEDUCTIONS</b>	
Classified salaries	91,600
Employee benefits	20,584
Books and supplies	59,682
Services and other operating expenditures	535,587
Capital outlay	15,793
<b>Total Deductions</b>	<u>723,246</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Transfers from governmental funds	2,205,068
Transfers to governmental funds	(14,100)
<b>Total Other Financing Sources (Uses)</b>	<u>2,190,968</u>
<b>Change in Net Position</b>	<u>3,172,020</u>
<b>Net Position - Beginning of Year</b>	<u>56,638,575</u>
<b>Net Position - Ending</b>	<u><u>\$ 59,810,595</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, 2013

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### ***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, the School of 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 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.

### ***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, and No. 61. This presentation provides a comprehensive entity-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective which was previously reported. 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 and auxiliary activities through the bookstore and cafeteria.

# NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2013**

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Nonexchange transactions, in which the District receives value without directly giving equal value in return, such as State apportionments, property taxes, grants, entitlements, and donations are classified as nonoperating revenue. Federal and State 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 District reports are based on all applicable GASB pronouncements, as well as applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. The District has not elected to apply FASB pronouncements after that date.

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, 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:
  - o Statement of Net Position - Primary Government
  - o Statement of Revenues, Expenses, and Change in Net Position - Primary Government
  - o Statement of Cash Flows - Primary Government
  - o Financial Statements for the Fiduciary Funds including:
    - o Statement of Fiduciary Net Position
    - o 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.

# NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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### **Investments**

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held at June 30, 2013, are stated at fair value. Fair value is estimated based on quoted market prices at year-end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

### **Restricted Investments**

Restricted investments 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 investments represent those required by debt covenants to be set aside by the District for the purpose of satisfying certain requirements of the bonded debt issuance.

### **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 collectibility 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, 2013.

### **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.

### **Deferred Issuance Costs, Premiums, and Discounts**

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method.

### **Deferred Amount on Refunding**

Deferred amount on refunding is amortized using the straight-line method.

# NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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### 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

### Deferred Revenue

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

### Noncurrent Liabilities

Noncurrent liabilities include compensated absences, claims payable, bonds payable, capital lease obligations, and OPEB obligations with maturities greater than one year.

### Compensated Absences

Compensated absences are accrued when earned by employees. Accumulated unpaid employee vacation benefits are recognized at year-end as liabilities of the District. The District also participates in and accrues "load banking" with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits for eligible employees when they retire.

# NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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### 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 asset 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 – net of related debt.

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.

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 entity-wide financial statements report \$44,301,775 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 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, 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, Federal, State, and local grants and contracts, gifts and contributions, and other revenue sources defined in GASB Statements No. 34 and 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.



# NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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### 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.

The voters of the District passed a General Obligation Bond in March 2002 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.

### Board of Governors Grants (BOGG) and Fee Waivers

Student tuition and fee revenue is reported net of allowances and fee waivers approved by the Board of Governors through BOGG fee waivers in the Statement of Revenues, Expenses, and Change 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. To the extent that fee waivers have been used to satisfy tuition and fee charges, the District has recorded a scholarship discount and allowance.

### Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, 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 the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget's revised Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the related *Compliance Supplement*.

# NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

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### 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 entity-wide financial statements.

### Changes in Accounting Principles

In March 2012, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre November 30, 1989 FASB and AICPA Pronouncements*. GASB Statement No. 62 establishes standards of financial accounting and reporting for capitalizing interest cost as a part of the historical cost of acquiring certain assets. For the purposes of applying this Statement, interest cost includes interest recognized on obligations having explicit interest rates and interest imputed on certain types of payables, as well as interest related to capital leases.

The District has implemented the provisions of this Statement for the year ended June 30, 2013. See Note 15 for more information.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

The District has implemented the provisions of this Statement for the year ended June 30, 2013.

### New Accounting Pronouncements

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

# NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement No. 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement No. 4. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Early implementation is encouraged.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

# NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2013**

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This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).
- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes, but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

This Statement is effective for fiscal years beginning after June 15, 2014. Early implementation is encouraged.

### ***NOTE 3 - CASH 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.

# NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2013**

**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.

### 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.

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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**Summary of Deposits and Investments**

Deposits and investments as of June 30, 2013, consist of the following:

Primary government	\$ 123,291,177
Fiduciary funds	<u>65,000,343</u>
Total Deposits and Investments	<u><u>\$ 188,291,520</u></u>
Cash on hand and in banks	\$ 12,029,438
Cash in revolving funds	225,000
Investments	<u>176,037,082</u>
Total Deposits and Investments	<u><u>\$ 188,291,520</u></u>

**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 manages its exposure to interest rate risk by investing in the County pool.

**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>Average Days to Maturity</u>
Orange County Investment Pool	<u>\$ 176,037,082</u>	<u>\$ 175,901,520</u>	300

**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 County pool is not required to be rated. However, as of the year-end, the Orange County Investment Pool reflected an Aaa rating by Moody's Investor Service.

# NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

### 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, 2013, of the District's bank balance of \$11,205,297, \$9,843,407 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.

### NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2013, consisted primarily of intergovernmental grants, entitlements, interest, and other local sources.

The accounts receivable are as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Federal Government		
Categorical aid	\$ 2,732,570	\$ -
State Government		
Apportionments	17,469,716	-
Categorical aid	911,343	-
Lottery	2,958,494	-
Other State sources	89,717	-
Local Government		
Interest	22,273	14,828
Other	3,698,979	2,505,734
Total	<u>\$ 27,883,092</u>	<u>\$ 2,520,562</u>
Student loans receivable	<u>\$ 432,117</u>	<u>\$ 553,538</u>

# NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

### NOTE 5 - INTERFUND TRANSACTIONS

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 governmental funds and fiduciary funds, respectively, has been eliminated in the consolidation process of the basic financial statements. Balances owing between the primary governmental and the fiduciary funds are not eliminated in the consolidation process. As of June 30, 2013, the amount owed between the primary government and the fiduciary funds were \$4,654,029 and \$2,995,700, respectively.

### NOTE 6 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	*Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	\$ 14,756,218	\$ -	\$ -	\$ 14,756,218
Construction in progress	21,501,778	14,443,010	2,277,686	33,667,102
Total Capital Assets Not Being Depreciated	<u>36,257,996</u>	<u>14,443,010</u>	<u>2,277,686</u>	<u>48,423,320</u>
Capital Assets Being Depreciated				
Land improvements	2,881,560	-	-	2,881,560
Buildings and improvements	465,274,548	2,277,686	-	467,552,234
Machinery and equipment	21,882,076	473,350	1,755,220	20,600,206
Total Capital Assets Being Depreciated	<u>490,038,184</u>	<u>2,751,036</u>	<u>1,755,220</u>	<u>491,034,000</u>
Total Capital Assets	<u>526,296,180</u>	<u>17,194,046</u>	<u>4,032,906</u>	<u>539,457,320</u>
Less Accumulated Depreciation				
Land improvements	909,702	129,441	-	1,039,143
Buildings and improvements	99,489,497	10,456,624	-	109,946,121
Machinery and equipment	14,247,978	1,415,665	1,362,780	14,300,863
Total Accumulated Depreciation	<u>114,647,177</u>	<u>12,001,730</u>	<u>1,362,780</u>	<u>125,286,127</u>
Net Capital Assets	<u>\$ 411,649,003</u>	<u>\$ 5,192,316</u>	<u>\$ 2,670,126</u>	<u>\$ 414,171,193</u>

\* As restated. See Note 15 for more information.

Depreciation expense for the year was \$12,001,730.

Interest expense on capital related debt for the year ended June 30, 2013, was \$10,479,147. Of this amount, \$223,944 was capitalized.



**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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***NOTE 7 - ACCOUNTS PAYABLE***

Accounts payable at June 30, 2013, consisted of the following:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Accrued payroll	\$ 5,464,195	\$ -
Services	6,766,599	229,774
Construction	3,598,747	-
Other	1,324,256	-
Total	<u>\$ 17,153,797</u>	<u>\$ 229,774</u>

***NOTE 8 - DEFERRED REVENUE***

Deferred revenue at June 30, 2013, consisted of the following:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Federal financial assistance	\$ 35,202	\$ -
State categorical aid	2,500,147	-
Other State revenues - capital outlay	2,677,355	-
Student fees	-	3,562,206
Other local revenues	199,394	-
Total	<u>\$ 5,412,098</u>	<u>\$ 3,562,206</u>

# NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

### NOTE 9 - LONG-TERM OBLIGATIONS

#### Long-Term Obligations Summary

The changes in the District's long-term obligations during the 2013 fiscal year consisted of the following:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
<b>Bonds Payable</b>					
2002A General obligation bonds	\$ 3,420,000	\$ -	\$ 3,420,000	\$ -	\$ -
2003B General obligation bonds	63,819,837	2,791,509	3,770,000	62,841,346	4,150,000
2005 General obligation refunding bonds	157,140,000	-	131,790,000	25,350,000	5,980,000
Unamortized premium	7,970,760	-	7,970,760	-	-
Deferred amount on refunding	(6,788,667)	-	(6,788,667)	-	-
2013 General obligation refunding bonds	-	145,910,000	-	145,910,000	2,025,000
<b>Total Bonds Payable</b>	<u>225,561,930</u>	<u>148,701,509</u>	<u>140,162,093</u>	<u>234,101,346</u>	<u>12,155,000</u>
<b>Other Liabilities</b>					
Compensated absences/Load banking	6,930,889	-	151,202	6,779,687	2,986,112
Net OPEB obligation	38,466,975	12,548,165	5,004,616	46,010,524	-
Claims payable	2,709,240	-	72,049	2,637,191	-
<b>Total Other Liabilities</b>	<u>48,107,104</u>	<u>12,548,165</u>	<u>5,227,867</u>	<u>55,427,402</u>	<u>2,986,112</u>
<b>Total Long-Term Debt</b>	<u>\$ 273,669,034</u>	<u>\$ 161,249,674</u>	<u>\$ 145,389,960</u>	<u>\$ 289,528,748</u>	<u>\$ 15,141,112</u>

#### 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 will be paid by the fund for which the employee worked. The claims payable liability and the pay-as-you-go portion of the OPEB obligation will be paid by the Internal Service Fund.

#### Bonded Debt

##### Bonds Payable

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

##### 2002A General Obligation Bonds

On May 21, 2002, \$139,000,000 of North Orange County Community College District, Election of 2002, Series 2002A Bonds were issued with a final maturity date of August 1, 2012, and interest rates ranging from 3.125 percent to 5.375 percent, depending on the maturity of the related bonds. Interest accrues from May 21, 2002, and is payable semiannually on February 1 and August 1 of each year commencing on February 1, 2003. The outstanding principal balance was paid in full as of June 30, 2013.

# NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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### **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 accrues from December 23, 2003, and is payable semiannually on February 1 and August 1 of each year commencing on August 1, 2004. The outstanding principal balance of these bonds at June 30, 2013, was \$62,841,346.

### **2005 General Obligation Refunding Bonds**

On April 6, 2005, \$164,935,000 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 Election of 2002 General Obligation Bonds, Series A maturing on and after August 1, 2013, and the District's Election of 2002 General Obligation Bonds, Series 2003B, and together with the Series A the "Refunded Bonds" maturing from August 1, 2015 through August 1, 2020, and to pay all legal, financial, and contingent costs in connection with the issuance of the Bonds. The Refunding Bonds defeased \$153,250,000 of the old debt with a final maturity date of August 1, 2015. Interest rates range from 3.00 percent to 5.00 percent, depending on the maturity of the related bonds. Interest accrues from April 6, 2005, and is payable semiannually on February 1 and August 1 of each year commencing on August 1, 2005. The outstanding principal balance of these bonds at June 30, 2013, was \$25,350,000.

### **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 .40 percent to 2.652 percent, depending on the maturity of the related bonds. The Bonds are payable semiannually on February 1 and August 1 of each year commencing on August 1, 2013.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$15,175,772. This difference, reported in the accompanying financial statements as a deferred amount on refunding, is being charged to operations through the year 2016 using the straight-line method. The District completed the refunding to reduce its debt service payments over the next 11 years by \$10,001,601. The outstanding principal balance of these bonds at June 30, 2013, was \$145,910,000.

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds		Accreted Interest		Bonds Outstanding June 30, 2013
				Outstanding July 1, 2012	Issued	Addition	Redeemed	
2002	2013	3.125%-5.375%	\$ 139,000,000	\$ 3,420,000	\$ -	\$ -	\$ 3,420,000	\$ -
2003	2029	2.00%-5.44%	99,999,001	63,819,837	-	2,791,509	3,770,000	62,841,346
2005	2016	3.00%-5.00%	164,935,000	157,140,000	-	-	131,790,000	25,350,000
2013	2024	.40%-2.652%	145,910,000	-	145,910,000	-	-	145,910,000
				<u>\$ 224,379,837</u>	<u>\$ 145,910,000</u>	<u>\$ 2,791,509</u>	<u>\$ 138,980,000</u>	<u>\$ 234,101,346</u>

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

Fiscal Year	Principal (Including accreted interest to date)	Accreted Interest*	Current Interest to Maturity	Total
2014	\$ 4,150,000	\$ -	\$ 264,800	\$ 4,414,800
2015	4,545,000	-	90,900	4,635,900
2016	-	-	-	-
2017	-	-	-	-
2018	-	-	-	-
2019-2023	10,822,198	6,352,802	-	17,175,000
2024-2028	31,797,874	31,627,126	-	63,425,000
2029	11,526,274	14,958,726	-	26,485,000
Total	<u>\$ 62,841,346</u>	<u>\$ 52,938,654</u>	<u>\$ 355,700</u>	<u>\$ 116,135,700</u>

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

The 2005 Refunding Bonds mature through 2016 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2014	\$ 5,980,000	\$ 1,096,937	\$ 7,076,937
2015	6,780,000	785,594	7,565,594
2016	12,590,000	311,875	12,901,875
Total	<u>\$ 25,350,000</u>	<u>\$ 2,194,406</u>	<u>\$ 27,544,406</u>

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

The 2013 Refunding Bonds mature through 2024 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2014	\$ 2,025,000	\$ 2,533,273	\$ 4,558,273
2015	2,875,000	2,617,971	5,492,971
2016	2,885,000	2,603,164	5,488,164
2017	16,905,000	2,513,185	19,418,185
2018	17,885,000	2,320,816	20,205,816
2019-2023	90,430,000	6,539,995	96,969,995
2024	12,905,000	171,120	13,076,120
Total	<u>\$ 145,910,000</u>	<u>\$ 19,299,524</u>	<u>\$ 165,209,524</u>

**Other Postemployment Benefits (OPEB) Obligation**

The District's annual required contribution for the year ended June 30, 2013, was \$12,561,286, and contributions made by the District during the year were \$5,004,616. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$1,731,014 and \$(1,744,135), respectively, which resulted in an increase to the net OPEB obligation of \$7,543,549. As of June 30, 2013, the net OPEB obligation was \$46,010,524. See Note 10 for additional information regarding the OPEB obligation and the postemployment benefits plan.

**NOTE 10 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION**

The District provides postemployment health care benefits for retired employees in accordance with negotiated contracts with the various bargaining units of the District.

**Plan Description**

The District currently provides retiree medical coverage to eligible academic and classified employees for the retiree's lifetime. Eligibility requirements vary by employee classification. All participants must have a minimum service of 15 years and be eligible to retire under CalSTRS or CalPERS. Academic and classified employees must be at least 55 and 50 years of age, respectively. The District pays for 100 percent of the premium for retiree coverage, and the retiree pays for the cost of dependant coverage. Membership of the Plan consists of 933 retirees and beneficiaries currently receiving benefits and 1,211 active plan members.

**Funding Policy**

The contribution requirements are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined feasible by Administration and the Board of Trustees. For fiscal year 2012-2013, the District contributed \$5,004,616 to the Plan, all of which was used for current premiums.

# NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

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### Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding costs) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	\$ 12,561,286
Interest on net OPEB obligation	1,731,014
Adjustment to annual required contribution	<u>(1,744,135)</u>
Annual OPEB cost (expense)	12,548,165
Contributions made	<u>(5,004,616)</u>
Increase in net OPEB obligation	7,543,549
Net OPEB obligation, beginning of year	<u>38,466,975</u>
Net OPEB obligation, end of year	<u><u>\$ 46,010,524</u></u>

### Trend Information

Trend information for the annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2011, 2012, and 2013, was as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2011	\$ 12,755,498	\$ 4,973,477	39%	\$ 31,106,621
2012	\$ 12,479,274	\$ 5,118,920	41%	\$ 38,466,975
2013	\$ 12,548,165	\$ 5,004,616	40%	\$ 46,010,524

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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**Funding Status and Funding Progress**

Actuarial Accrued Liability (AAL)	\$ 163,874,606
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 163,874,606</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Covered Payroll	<u>\$ 110,328,606</u>
UAAL as Percentage of Covered Payroll	<u>149%</u>

The above noted actuarial accrued liability was based on the July 2012 actuarial valuation. Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Other Postemployment Benefits Funding Progress, presented as required supplementary information, follows the notes to the financial statements and presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial values of assets, consistent with the long-term perspective of the calculations.

In the July 2012 actuarial valuation, the Entry Age Normal cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return, based on the assumed long-term return on Plan assets or employer assets. The cost trend rate used for the Medical, Dental, and Vision Programs reflected an ultimate rate of 4.0 percent. The UAAL is being amortized at a level percentage of payroll method. The actuarial value of assets was not determined in this actuarial valuation.

**NOTE 11 - RISK MANAGEMENT**

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, 2013**

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, 2013 and 2012, liabilities for claims amounted to \$2,637,191 and \$2,709,240, respectively. Changes in the claims liability amount in the fiscal years 2013 and 2012 are presented below:

	<u>Workers'</u> <u>Compensation</u>	<u>Property</u> <u>and Liability</u>	<u>Total</u>
Liability Balance, July 1, 2011	\$ 2,899,608	\$ 384,459	\$ 3,284,067
Claims and changes in estimates	288,960	(227,534)	61,426
Claims payments	(594,981)	(41,272)	(636,253)
Liability Balance, July 1, 2012	<u>2,593,587</u>	<u>115,653</u>	<u>2,709,240</u>
Claims and changes in estimates	357,794	1,284,561	1,642,355
Claims payments	(1,251,789)	(462,615)	(1,714,404)
Liability Balance, June 30, 2013	<u><u>\$ 1,699,592</u></u>	<u><u>\$ 937,599</u></u>	<u><u>\$ 2,637,191</u></u>
Assets available to pay claims at June 30, 2013			<u><u>\$ 26,788,160</u></u>

**NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS**

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



# NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

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### CalSTRS

#### Plan Description

All certificated employees and those employees meeting minimum standards adopted by the Board of Governors of the California Community Colleges and employed 50 percent or more of a full-time equivalent position participate in the Defined Benefit Plan (DB Plan). Since January 1, 1999, this plan has been part of the State Teachers' Retirement System, a cost-sharing, multiple-employer contributory public employee retirement system. The State Teachers' Retirement Law (Part 13 of the *California Education Code*, Section 22000 et seq.) established benefit provisions for CalSTRS. Copies of the CalSTRS annual financial report may be obtained from the CalSTRS Executive Office, 100 Waterfront Place, West Sacramento, CA 95605.

The CalSTRS, a defined benefit pension plan, provides retirement, disability, and death benefits, and depending on which component of CalSTRS the employee is in, post-retirement cost-of-living adjustments may also be offered. Employees in the DB Plan attaining the age of 60 with five years of credited California service (service) are eligible for "normal" retirement and are entitled to a monthly benefit of two percent of their final compensation for each year of service. Final compensation is generally defined as the average salary earnable for the highest three consecutive years of service. The plan permits early retirement options at age 55 or as early as age 50 with at least 30 years of service. While early retirement can reduce the two percent age factor used at age 60, service of 30 or more years will increase the percentage age factor to be applied. Disability benefits are generally the maximum of 50 percent of final compensation for most applicants. Eligible dependent children can increase this benefit up to a maximum of 90 percent of final compensation. After five years of credited service, members become 100 percent vested in retirement benefits earned to date. If a member's employment is terminated, the accumulated member contributions are refundable.

#### Funding Policy

Active members of the DB Plan are required to contribute 8.0 percent of their salary, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2012-2013 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The Cash Benefit Program (CB Benefit Program) is an alternative CalSTRS contribution plan for instructors. Instructors who choose not to sign up for the DB Plan or FICA may participate in the CB Benefit Program. The District contribution rate for the CB Benefit Program is always a minimum of four percent with the sum of the District and employee contribution always being equal to, or greater than, 8.0 percent.

#### Annual Pension Cost

The District's total contributions to CalSTRS for the fiscal years ended June 30, 2013, 2012, and 2011, were \$5,546,082, \$5,416,189, and \$5,633,656, respectively, and equal 100 percent of the required contributions for each year. The State of California may make additional direct payments for retirement benefits to CalSTRS on behalf of all community colleges in the State.

# NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

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### CalPERS

#### Plan Description

All full-time classified employees participate in CalPERS, an agent multiple-employer contributory public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. The North Orange County Community College District is part of a "cost-sharing" pool with CalPERS. Employees are eligible for retirement as early as age 50 with five years of service. At age 55, the employee is entitled to a monthly benefit of 2.0 percent of final compensation for each year of service credit. Retirement compensation is reduced if the plan is supplemented by Social Security. Retirement after age 55 will increase the percentage rate to a maximum of 2.5 percent at age 63 with an increased rate. The plan also provides death and disability benefits. Retirement benefits fully vest after five years of credited service. Upon separation from the Fund, members' accumulated contributions are refundable with interest credited through the date of separation.

The Public Employees' Retirement Law (Part 3 of the California *Government Code*, Section 20000 et seq.) establishes benefit provisions for CalPERS. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95811.

#### Funding Policy

Active plan members are required to contribute 7.0 percent of their salary, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2012-2013 was 11.417 percent of covered payroll. The contribution requirements of the plan members are established by State statute.

#### Annual Pension Cost

The District's contributions to CalPERS for fiscal years ending June 30, 2013, 2012, and 2011, were \$7,145,176, \$6,937,010, and \$6,929,409, respectively, and equaled 100 percent of the required contributions for each year.

#### 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 years ended June 30, 2013, 2012, and 2011, which amounted to \$3,534,188, \$3,406,679, and \$2,913,795, respectively, (5.176 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 years ended June 30, 2013, 2012, and 2011. 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 nonoperating revenue and employee benefit expense.

# NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

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### *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, 2013.

#### **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, 2013.

#### **Operating Leases**

The District has entered into various operating leases for equipment with lease terms in excess of one year. None of these agreements contain bargain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration date. The operating lease expense for the year ended June 30, 2013, was approximately \$92,828. Future minimum lease payments under these agreements are as follows:

Year Ending June 30,	Lease Payments
2014	\$ 67,131
2015	62,982
2016	55,525
2017	10,410
Total	<u>\$ 196,048</u>

# NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

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### Construction Commitments

As of June 30, 2013, the District had the following commitments with respect to the unfinished capital projects:

	Remaining Construction Commitment	Expected Date of Completion
Fullerton College Technology and Engineering Complex Project	\$ 437,988	On-going
Fullerton College Technology and Engineering Science Village Reconfiguration	93,466	September 2013
District Education Center - General	112,992	On-going
District Education Center - Anaheim Center Repair	25,282	On-going
Distant Education Center Scheduled Maintenance		
Anaheim Campus Capital Projects	256,000	November 2013
Anaheim Campus Sump Pump	5,500	October 2013
2012-2013 Scheduled Maintenance:		
Technology and Engineering Swing Space	1,786,951	On-going
Technology and Engineering Complex Project	201,637	On-going
Technology and Engineering Complex Project	1,075,055	On-going
Campus Renovation Areas 2-7 and Parking Lot 5	181,400	October 2013
Lighting Project	178,424	September 2013
	<u>\$ 4,354,695</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, 2013**

**NOTE 14 - FUNCTIONAL EXPENSES CLASSIFICATION**

The District's operating expenses by functional classification for the fiscal year ended June 30, 2013, are:

	Salaries and Benefits	Supplies, Material, and Other Expenses and Services	Student Financial Aid	Equipment, Maintenance, and Repairs	Depreciation	Total
Instructional activities	\$ 86,320,057	\$ 3,078,495	\$ -	\$ 1,153,731	\$ -	\$ 90,552,283
Academic support	23,937,933	2,336,982	-	806,373	-	27,081,288
Student services	19,639,878	1,359,120	-	100,746	-	21,099,744
Plant operations and maintenance	11,208,342	6,103,558	-	408,948	-	17,720,848
Instructional support services	20,958,017	4,321,271	-	302,370	-	25,581,658
Community services and economic development	2,928,469	1,031,359	-	57,669	-	4,017,497
Ancillary services and auxiliary operations	4,238,176	7,378,706	-	14,197	-	11,631,079
Student aid	-	18,836	45,615,213	-	-	45,634,049
Physical property and related acquisitions	1,323,671	1,349,163	-	1,314,732	-	3,987,566
Depreciation	-	-	-	-	12,001,730	12,001,730
<b>Total</b>	<b>\$ 170,554,543</b>	<b>\$ 26,977,490</b>	<b>\$ 45,615,213</b>	<b>\$ 4,158,766</b>	<b>\$ 12,001,730</b>	<b>\$ 259,307,742</b>

**NOTE 15 - RESTATEMENT OF PRIOR YEAR NET POSITION**

The District's prior year beginning net position has been restated as of June 30, 2013.

Effective in fiscal year 2012-2013, the District was required to capitalize interest as part of the historical cost of constructing certain business-type activity assets. The implementation of this standard required a change in accounting principle and restatement of the beginning net position of the District by \$11,370,856. See table below.

<b>Primary Government</b>	
Net Position - Beginning	\$ 258,356,147
Restatement of capital assets for implementation of GASB Statement No. 62	11,370,856
Net Position - Beginning, as Restated	<u>\$ 269,727,003</u>

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***REQUIRED SUPPLEMENTARY INFORMATION***

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**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING  
PROGRESS  
FOR THE YEAR ENDED JUNE 30, 2013**

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<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a / b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b - a) / c)</b>
November 2008	\$ -	\$ 166,182,000	\$ 166,182,000	0%	\$ 82,182,000	202%
March 2009	-	157,811,000	157,811,000	0%	95,263,000	166%
June 2010	-	166,148,230	166,148,230	0%	108,668,918	153%
July 2012	-	163,874,606	163,874,606	0%	110,328,606	149%

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*SUPPLEMENTARY INFORMATION*

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# NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

## DISTRICT ORGANIZATION JUNE 30, 2013

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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 School of Continuing Education (SCE) 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>
Ms. Donna Miller	President	2014
Mr. Jeffrey P. Brown	Vice President	2014
Mr. M. Tony Ontiveros	Secretary	2016
Dr. Barbara Dunsheath	Member	2014
Mr. Leonard L. Lahtinen	Member	2016
Mr. Michael B. Matsuda	Member	2016
Ms. Molly McClanahan	Member	2016
Ms. Claudia Peña	Student Trustee, Cypress College	2014
Mr. Don Lundy	Student Trustee, Fullerton College	2014

### ADMINISTRATION

Dr. Ned Doffoney	Chancellor
Mr. Fred Williams	Vice Chancellor, Finance and Facilities
Mr. Jeffrey Horsley	Vice Chancellor, Human Resources
Dr. Robert Simpson	President, Cypress College
Dr. Rajen Vurdien	President, Fullerton College
Dr. Greg Schultz	Provost, School of Continuing Education
Ms. Deborah Ludford	District Director, Information Services
Ms. Kai Stearns Moore	District Director, Public and Governmental Affairs
Mr. Kenneth Robinson	District Director, Equity and Diversity

See accompanying note to supplementary information.

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Grantor's Number	Program Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Student Financial Assistance Cluster			
Federal Pell Grant Program	84.063		\$ 37,100,187
Federal Pell Administrative Allowance	84.063		34,317
Federal Direct Loan	84.268		5,199,471
Federal Supplemental Educational Opportunity Grant (FSEOG)	84.007		558,000
Federal FSEOG Administrative Allowance	84.007		47,729
Federal Work-Study Program	84.033		422,077
Federal Work-Study Administrative Allowance	84.033		1,448
Subtotal Student Financial Assistance Cluster			43,363,229
<b>COLLEGE COST REDUCTION AND ACCESS ACT (CCRAA)</b>			
Passed through from California State University Fullerton Auxiliary Services Corporation, Strengthening Transfer Education and Matriculation in STEM			
	84.031C	S-5261-NOCCCD	159,959
Passed through from Rancho Santiago Community College District Title III, Part F, Hispanic-Serving Institutions Science Technology, Engineering and Mathematics and Articulation Programs			
	84.031C	DO-12-1666-02	400,780
<b>HIGHER EDUCATION ACT</b>			
Title V - Strengthening Basic Skills to Improve Hispanic Student Retention, Persistence, and Success			
	84.031		739,315
<b>ADULT EDUCATION AND FAMILY LITERACY ACT (AEFLA)</b>			
Passed through California Department of Education Adult Education and Family Literacy Act (AEFLA)			
	84.002	AO-400	746,863
English Literacy and Civics Education Grant (EL Civics)			
	84.002	AO-400	620,254
<b>CAREER AND TECHNICAL EDUCATION ACT</b>			
Passed through from California Community Colleges Chancellor's Office Career and Technical Education Act (CTEA), Title I, Part C			
	84.048	09-C01-037	2,032,036
Title I, CTEA Transitions			
	84.243	09-139-860	98,778
<b>REHABILITATION ACT</b>			
Passed through from California Department of Rehabilitation College to Career Program			
	84.126A	28110	212,339
Workability III Program			
	84.126A	28306	100,000
<b>NATIONAL SCIENCE FOUNDATION</b>			
Passed through from North Carolina State University Dance Flies Research Project			
	47.047	2009-0046-01	319

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, 2013**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Grantor's Number	Program Expenditures
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed through from State Council on Developmental Disabilities Hands on Job Training Projects, Independent Living Skills Program	93.630	C35AB1112132	\$ 6,080
Passed through from California Community College Chancellor's Office Health Resources and Services Administration - Allied Health	93.512	F11-0084/F12-0042	83,581
Passed through from California Community Colleges Chancellor's Office Temporary Assistance to Needy Families (TANF)	93.558	[1]	150,430
Passed through California Public Employee Retirement System (CalPERS) Medicare Part D	93.770	[1]	472,947
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
Passed through from Orange County Transportation Authority Job Access - Reverse Commute	20.516	C-9-0640	84,426
<b>U.S. DEPARTMENT OF LABOR</b>			
Passed through from California Community Colleges Chancellor's Office H-1 B Technical Skills Training	17.258	08-115-13	30,052
Passed through from California State University Fullerton Workforce Investment Act - Youth Funding, Teacher Pathway Partnership	17.259	S-5260-FULCOL	23,172
<b>U.S. DEPARTMENT OF THE INTERIOR</b>			
Passed through from Metropolitan Water District of Southern California World Water Forum	15.530	130635	3,374
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through from California Department of Education Child Nutrition	10.558	04367-CACFP-30-CC-IC	41,803
<b>U.S. DEPARTMENT OF VETERANS AFFAIRS</b>			
Veterans Services	64.117		4,659
<b>Total Federal Program Expenditures</b>			<u>\$ 49,374,396</u> <sup>[2]</sup>

[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 Change in Net Position is due to differences of \$11,626 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, 2013**

Program	Program Entitlements		
	Current Year	Prior Year	Total Entitlement
<b>STATE CATEGORICAL AID PROGRAMS</b>			
Advanced Transportation Technology and Energy (ATTE)	\$ 205,000	\$ -	\$ 205,000
AS Degree Nursing Program	146,687	-	146,687
Basic Skills	808,501	855,362	1,663,863
Board Financial Assistance Program (BFAP)	1,156,300	-	1,156,300
CalWORKs	505,906	-	505,906
Child Care Food Program	2,000	-	2,000
Child Care Renovation and Repair	11,960	6,579	18,539
Child Development Training Consortium	15,000	-	15,000
Cooperative Agencies Resources for Education (CARE)	215,776	-	215,776
CTE Community Collaborative Grant	387,023	583,858	970,881
Disabled Students Programs and Services (DSPS)	1,808,112	-	1,808,112
Equal Employment Opportunities (formerly Staff Diversity)	13,862	33,222	47,084
Emergency Preparedness Grant	-	4,800	4,800
Environmental Training Center (formerly REBRAC)	280,000	129,814	409,814
Extended Opportunity Programs and Services (EOPS)	1,435,565	-	1,435,565
General Child Care	192,890	-	192,890
Independent Living Skills	289,859	110,993	400,852
Industry-Driven Regional Collaboratives (IDRC)	253,913	189,024	442,937
Job Development Incentive Fund (JDIF)	473,913	517,036	990,949
Matriculation	891,422	-	891,422
Meat Cutting Apprenticeship	11,701	2,798	14,499
New Multimedia/Entertainment Center	205,000	17,852	222,852
Non-Credit Matriculation	641,280	-	641,280
Puente Project	1,500	-	1,500
Referee and Lane Technician	12,000	-	12,000
Responsive Training Fund - CACT	-	448,511	448,511
Responsive Training Fund - EHS2	600,000	146,980	746,980
Strategic Initiative HUBS - EHS2	50,000	49,686	99,686
Teacher Preparation Pipeline	120,000	85,502	205,502
Telecommunications Technology Improvement Program (TTIP)	-	30,795	30,795
Workforce Innovation Partnership	429,246	684,541	1,113,787
<b>Total State Programs</b>			

See accompanying note to supplementary information.

Program Revenues					
Cash Received	Accounts Receivable	Accounts Payable	Deferred Revenue	Total Revenue	Program Expenditures
\$ 123,000	\$ 82,000	\$ -	\$ -	\$ 205,000	\$ 205,000
123,217	23,470	-	-	146,687	146,687
1,663,863	-	2,033	832,196	829,634	829,634
1,156,300	-	-	-	1,156,300	1,156,300
467,138	38,768	-	-	505,906	505,906
1,046	-	-	-	1,046	1,046
5,346	-	-	3,000	2,346	2,346
15,000	-	-	-	15,000	15,000
215,776	-	-	-	215,776	215,776
832,991	-	18,775	502,865	311,351	311,351
1,808,112	-	-	-	1,808,112	1,808,112
47,084	-	-	17,799	29,285	29,285
4,800	-	-	4,800	-	-
170,814	156,056	-	944	325,926	326,870
1,435,565	-	-	-	1,435,565	1,435,565
87,935	-	1,037	-	86,898	86,898
362,619	38,233	-	-	400,852	336,749
236,939	171,009	-	-	407,948	407,948
696,950	149,961	-	59,458	787,453	787,453
891,422	-	-	-	891,422	891,422
14,499	-	-	14,499	-	-
123,000	99,846	-	-	222,846	222,846
641,280	-	-	-	641,280	641,280
1,500	-	-	-	1,500	1,500
12,000	-	-	-	12,000	6,229
448,510	-	-	-	448,510	448,510
386,980	120,000	-	357,826	149,154	149,154
79,686	20,000	-	-	99,686	99,686
163,502	12,000	-	75,406	100,096	100,096
30,795	-	-	26,565	4,230	4,230
952,617	-	-	604,789	347,828	347,828
<u>\$ 13,200,286</u>	<u>\$ 911,343</u>	<u>\$ 21,845</u>	<u>\$ 2,500,147</u>	<u>\$ 11,589,637</u>	<u>\$ 11,520,707</u>

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT**

**SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL  
 APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE  
 FOR THE YEAR ENDED JUNE 30, 2013**

CATEGORIES	*(Revised)/ Reported Data	Audit Adjustments	Audited Data
<b>A. Summer Intersession (Summer 2012 only)</b>			
1. Noncredit**	567	-	567
2. Credit	1,253	-	1,253
<b>B. Summer Intersession (Summer 2013 - Prior to July 1, 2013)</b>			
1. Noncredit**	-	-	-
2. Credit	18	-	18
<b>C. Primary Terms (Exclusive of Summer Intersession)</b>			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	21,376	-	21,376
(b) Daily Census Contact Hours	676	-	676
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit**	5,184	-	5,184
(b) Credit	1,017	-	1,017
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	1,787	-	1,787
(b) Daily Census Contact Hours	564	-	564
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
<b>D. Total FTES</b>	32,442	-	32,442
<b>SUPPLEMENTAL INFORMATION (Subset of Above Information)</b>			
<b>E. In-Service Training Courses (FTES)</b>	97	-	97
<b>H. Basic Skills Courses and Immigrant Education</b>			
1. Noncredit**	3,293	-	3,293
2. Credit	2,556	-	2,556
<b><u>CCFS-320 Addendum</u></b>			
CDCP Noncredit FTES	3,293	-	3,293
Centers FTES			
1. Noncredit**	5,568	-	5,568
2. Credit	-	-	-

\* Annual report revised as of October 1, 2013.

\*\* 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, 2013**

	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
<b><u>Academic Salaries</u></b>							
<b>Instructional Salaries</b>							
Contract or Regular	1100	\$ 36,920,531	\$ -	\$ 36,920,531	\$ 36,920,531	\$ -	\$ 36,920,531
Other	1300	22,811,199	-	22,811,199	22,859,578	-	22,859,578
<b>Total Instructional Salaries</b>		<b>59,731,730</b>	<b>-</b>	<b>59,731,730</b>	<b>59,780,109</b>	<b>-</b>	<b>59,780,109</b>
<b>Noninstructional Salaries</b>							
Contract or Regular	1200	-	-	-	12,861,459	-	12,861,459
Other	1400	-	-	-	628,068	-	628,068
<b>Total Noninstructional Salaries</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>13,489,527</b>	<b>-</b>	<b>13,489,527</b>
<b>Total Academic Salaries</b>		<b>59,731,730</b>	<b>-</b>	<b>59,731,730</b>	<b>73,269,636</b>	<b>-</b>	<b>73,269,636</b>
<b><u>Classified Salaries</u></b>							
<b>Noninstructional Salaries</b>							
Regular Status	2100	-	-	-	26,759,935	-	26,759,935
Other	2300	-	-	-	1,170,049	-	1,170,049
<b>Total Noninstructional Salaries</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>27,929,984</b>	<b>-</b>	<b>27,929,984</b>
<b>Instructional Aides</b>							
Regular Status	2200	2,856,418	-	2,856,418	3,140,657	-	3,140,657
Other	2400	398,218	-	398,218	420,843	-	420,843
<b>Total Instructional Aides</b>		<b>3,254,636</b>	<b>-</b>	<b>3,254,636</b>	<b>3,561,500</b>	<b>-</b>	<b>3,561,500</b>
<b>Total Classified Salaries</b>		<b>3,254,636</b>	<b>-</b>	<b>3,254,636</b>	<b>31,491,484</b>	<b>-</b>	<b>31,491,484</b>
Employee Benefits	3000	15,710,829	-	15,710,829	34,789,138	-	34,789,138
Supplies and Material	4000	-	-	-	1,972,879	-	1,972,879
Other Operating Expenses	5000	-	-	-	10,027,924	-	10,027,924
Equipment Replacement	6420	-	-	-	-	-	-
<b>Total Expenditures Prior to Exclusions</b>		<b>78,697,195</b>	<b>-</b>	<b>78,697,195</b>	<b>151,551,061</b>	<b>-</b>	<b>151,551,061</b>

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, 2013**

	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
<b><u>Exclusions</u></b>							
<b>Activities to Exclude</b>							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	\$ 2,217,608	\$ -	\$ 2,217,608	\$ 2,217,608	\$ -	\$ 2,217,608
Student Health Services Above Amount Collected	6441	-	-	-	67,733	-	67,733
Student Transportation	6491	-	-	-	60,886	-	60,886
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	2,787,009	-	2,787,009
<b>Objects to Exclude</b>							
Rents and Leases	5060	-	-	-	20,046	-	20,046
Lottery Expenditures							-
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	-	-	-
<b>Total Supplies and Materials</b>		-	-	-	-	-	-

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, 2013**

	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
Other Operating Expenses and Services	5000	\$ -	\$ -	\$ -	\$ 4,661,594	\$ -	\$ 4,661,594
Capital Outlay							
Library Books	6000	-	-	-	-	-	-
Equipment	6300	-	-	-	-	-	-
Equipment - Additional	6400	-	-	-	-	-	-
Equipment - Replacement	6410	-	-	-	-	-	-
<b>Total Equipment</b>		-	-	-	-	-	-
<b>Total Capital Outlay</b>							
Other Outgo	7000	-	-	-	-	-	-
<b>Total Exclusions</b>		2,217,608	-	2,217,608	9,814,876	-	9,814,876
<b>Total for ECS 84362, 50 Percent Law</b>		\$ 76,479,587	\$ -	\$ 76,479,587	\$ 141,736,185	\$ -	\$ 141,736,185
<b>Percent of CEE (Instructional Salary Cost/Total CEE)</b>		53.96%		53.96%	100.00%		100.00%
<b>50% of Current Expense of Education</b>					\$ 70,868,093		\$ 70,868,093

See accompanying note to supplementary information.

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT**

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311)  
WITH FUND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

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There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2013.

See accompanying note to supplementary information.

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT**

**PROPOSITION 30 EDUCATION PROTECTION ACT (EPA) EXPENDITURE REPORT  
FOR THE YEAR ENDED JUNE 30, 2013**

<b>Activity Classification</b>	<b>Object Code</b>				<b>Unrestricted</b>
EPA Proceeds:	8630				\$ 23,217,869
<b>Activity Classification</b>	<b>Activity Code</b>	<b>Salaries and Benefits (Obj 1000-3000)</b>	<b>Operating Expenses (Obj 4000-5000)</b>	<b>Capital Outlay (Obj 6000)</b>	<b>Total</b>
Instructional Activities	1000-5900	\$ 23,217,869			\$ 23,217,869
					-
					-
					-
					-
					-
<b>Total Expenditures for EPA</b>		\$ 23,217,869	-	-	\$ 23,217,869
<b>Revenues Less Expenditures</b>					\$ -

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, 2013**

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

**Total Fund Balance, Retained Earnings, and Due to Student Groups**

General Fund	\$ 46,483,332
Special Revenue Funds	7,609,632
Capital Project Funds	30,014,981
Debt Service Fund	15,112,609
Internal Service Fund	26,788,160
Fiduciary Funds	<u>62,674,134</u>

**Total Fund Balance, Retained Earnings,  
and Due to Student Groups**

**\$ 188,682,848**

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	539,457,320	
Accumulated depreciation is	<u>(125,286,127)</u>	414,171,193

Amounts held in trust on behalf of others (Trust Funds) (62,624,134)

Expenditures relating to the issuance of debt were recognized on the modified accrual basis and are amortized over the life of the debt on the accrual basis. 13,845,786

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. (1,681,876)

Long-term obligations at year end consist of:

Bonds payable	234,101,346	
Compensated absences	6,779,687	
Net OPEB obligation	46,010,524	
Less load banking already recorded in funds	(2,246,112)	
Less compensated absences already recorded in funds	<u>(740,000)</u>	<u>(283,905,445)</u>
<b>Total Net Position</b>		<b><u><u>\$ 268,488,372</u></u></b>

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, 2013**

	(Budget*) 2014		2013	
	Amount	%	Amount	%
<b>GENERAL FUND</b>				
<b>Revenues</b>				
Federal	\$ 6,049,991	3.2	\$ 6,509,998	3.6
State	103,963,855	55.0	83,809,713	46.4
Local	78,822,205	41.8	90,346,129	50.0
<b>Total Revenues</b>	<b>188,836,051</b>	<b>100.0</b>	<b>180,665,840</b>	<b>100.0</b>
<b>Expenditures</b>				
Academic salaries	73,522,026	37.3	76,513,418	41.3
Classified salaries	44,766,238	22.7	43,217,589	23.3
Employee benefits	39,076,579	19.8	38,992,647	21.2
Supplies and materials	9,380,563	4.8	3,567,350	1.9
Other operating expenses	16,995,323	8.6	12,913,566	7.0
Capital outlay	6,325,749	3.2	2,508,046	1.4
Student financial aid	437,876	0.2	580,663	0.3
Interfund transfers, net	6,277,571	3.2	6,464,874	3.5
Other uses, net	169,419	0.2	117,738	0.1
<b>Total Expenditures and Other Uses</b>	<b>196,951,344</b>	<b>100.0</b>	<b>184,875,891</b>	<b>100.0</b>
<b>INCREASE (DECREASE) IN FUND BALANCE</b>	<b>\$ (8,115,293)</b>	<b>(4.3)</b>	<b>\$ (4,210,051)</b>	<b>(2.3)</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 38,368,039</b>	<b>20.3</b>	<b>\$ 46,483,332</b>	<b>25.7</b>
<b>FULL-TIME EQUIVALENT STUDENTS</b>	<b>33,724</b>		<b>32,442</b>	
<b>TOTAL LONG-TERM OBLIGATIONS, INCLUDING RETIREE BENEFIT LIABILITY</b>	<b>\$ 392,251,718</b>		<b>\$ 407,392,830</b>	

\* The year 2014 General Fund budget was adopted by the Board on September 10, 2013. The budget is included for analytical purposes and has not been subjected to audit.

See accompanying note to supplementary information.

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2012		2011	
Amount	%	Amount	%
\$ 6,239,937	3.5	\$ 6,929,584	3.6
98,851,094	55.6	110,322,172	57.2
72,718,359	40.9	75,673,716	39.2
<u>177,809,390</u>	<u>100.0</u>	<u>192,925,472</u>	<u>100.0</u>
73,669,046	41.3	77,085,392	41.1
43,273,719	24.2	44,119,435	23.5
38,417,529	21.7	37,623,550	20.2
3,306,222	1.9	3,411,385	1.8
12,535,230	7.0	14,043,242	7.5
2,278,009	1.3	5,845,361	3.1
835,523	0.5	589,256	0.3
3,471,539	2.0	4,780,511	2.5
111,679	0.1	70,004	0.0
<u>177,898,496</u>	<u>100.0</u>	<u>187,568,136</u>	<u>100.0</u>
<u>\$ (89,106)</u>	<u>(0.1)</u>	<u>\$ 5,357,336</u>	<u>2.8</u>
<u>\$ 50,693,383</u>	<u>28.5</u>	<u>\$ 50,782,489</u>	<u>26.3</u>
<u>33,266</u>		<u>37,733</u>	
<u>\$ 401,350,289</u>		<u>\$ 399,293,546</u>	

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT**

**NOTE TO SUPPLEMENTARY INFORMATION  
JUNE 30, 2013**

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**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, 2013.

**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 the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

**Subrecipients**

Of the Federal expenditures presented in the Schedule of Expenditures of Federal Awards, the District provided Federal awards to subrecipients as follows:

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Amount Provided to Subrecipients
Title V - Strengthening Basic Skills to Improve Hispanic Student Retention, Persistence, and Success	84.031S	\$ 22,817
Total Subrecipients		<u>\$ 22,817</u>

**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 College 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.

# **NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2013**

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### **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 Fund 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 Act (EPA) Expenditure Report**

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

### **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 entity-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.



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***INDEPENDENT AUDITORS' REPORTS***

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## **Compliance and Other Matters**

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

## **Purpose of This Report**

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

Vaurineh, Trine, Day & Co., LLP

Rancho Cucamonga, California  
December 5, 2013



## 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Vannineh, Trine, Day & Co., LLP

Rancho Cucamonga, California  
December 5, 2013



**Unmodified Opinion for Each of the Other Programs**

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the programs noted below that were audited for the year ended June 30, 2013, except as described in the State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

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 Instructional Service Agreements/Contracts
- Section 424 State General Apportionment Funding System
- Section 425 Residency Determination for Credit Courses
- Section 426 Students Actively Enrolled
- Section 427 Concurrent Enrollment of K-12 Students in Community College Credit Courses
- Section 431 Gann Limit Calculation
- Section 433 CalWORKS
- Section 435 Open Enrollment
- Section 437 Student Fees – Instructional and Other Materials
- Section 438 Student Fees – Health Fees and Use of Health Fee Funds
- Section 474 Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
- Section 475 Disabled Student Programs and Services (DSPS)
- Section 479 To Be Arranged (TBA) Hours
- Section 490 Proposition 1D State Bond Funded Projects
- Section 491 Proposition 30 Education Protection Account Funds

The District reports no Instructional Service Agreements/Contracts for Apportionment Funding; therefore, the compliance tests within this section were not applicable.

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the District's response and, accordingly, we express no opinion on the response.

*Vaurineh, Trine, Day & Co., LLP*

Rancho Cucamonga, California  
December 5, 2013

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***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

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**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT**

**SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2013**

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**FINANCIAL STATEMENTS**

Type of auditors' 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 programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.063, 84.268, 84.007, 84.033</u>	<u>Student Financial Assistance Cluster</u>
<u>84.031C</u>	<u>Fullerton Auxiliary Services Corporation, Strengthening Transfer Education and Matriculation in STEM</u>
<u>84.031C</u>	<u>Title III, Part F, Hispanic-Serving Institutions Science Technology, Engineering and Mathematics and Articulation Programs</u>
<u>84.031</u>	<u>Title V - Strengthening Basic Skills to Improve Hispanic Student Retention, Persistence, and Success</u>

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000  
 Auditee qualified as low-risk auditee? Yes

**STATE AWARDS**

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>Yes</u>
Type of auditors' report issued on compliance for State programs:	<u>Qualified</u>

Unmodified for all programs except for the following program which was qualified:

Section 479 - To Be Arranged (TBA) Hours

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT**  
**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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None reported.

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013**

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None reported.

# **NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT**

## **STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013**

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The following finding represents instances of noncompliance and/or questioned costs relating to State program laws and regulations.

### **To Be Arranged (TBA) Hours**

#### **2013-1 Finding**

##### **Criteria or Specific Requirement**

The District is required to list TBA Hours in the schedule of classes and describe them in the course outline. The District needs to accurately track students' participation to ensure the District does not claim apportionment for students who have unsupported hours as of the census point for a particular course.

##### **Condition**

The District could not provide supporting documentation (attendance rosters) to justify the TBA Hours associated with certain courses tested at Fullerton College. The auditors randomly selected 25 classes at Fullerton College, and it was noted, based on the selections, that the Art Department and the Music Department were not maintaining records for their TBA classes including attendance rosters or sign-in sheets.

##### **Questioned Costs**

The questioned costs were all hours related to certain TBA classes.

##### **Context**

The campus had 56.84 FTES accounted for as TBA Hours, but without the appropriate supporting documentation.

##### **Effect**

The District's FTES for TBA hours were not properly supported as required. However, the District revised its annual attendance report to remove these TBA hours; therefore, there is no effect on the District's apportionment funding.

##### **Cause**

Attendance records were not being maintained and submitted by certain departments at Fullerton College. The attendance records were not made available to the auditors for these classes.

##### **Recommendation**

It is recommended that proper procedures be implemented to closely monitor courses with TBA Hours to ensure that all attendance records are maintained to adequately support all FTES that are reported on the District's annual attendance report.

# **NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT**

## **STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013**

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### **Management's Response and Corrective Action Plan**

The Fine Arts Division is currently modifying some of its curriculum to remove the arranged hours or convert the arranged instructional time to scheduled time. For Fine Arts courses, that will continue to contain arranged hours. The Dean of Fine Arts will work with the Faculty teaching those courses to ensure that the State criteria, outlined by the California Community Colleges Chancellor's Office, is followed. In addition, the Dean of Fine Arts, as well as any other Deans with arranged hour courses in their division(s), will be responsible for ensuring that every department offering arranged hour courses will collect the appropriate documentation and store that documentation in a complete and organized manner that is available for audit.

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2013**

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None reported.

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*ADDITIONAL SUPPLEMENTARY INFORMATION*

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**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2013**

	<u>General</u>	<u>Bookstore</u>	<u>Cafeteria</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 150,000	\$ 4,342,413	\$ 1,593,454
Investments	37,112,295	-	-
Accounts receivable	26,933,470	515,771	10,502
Student loans receivable	260	2,024	-
Due from other funds	4,713,032	658,000	-
Prepaid expenses	-	233,003	-
Stores inventories	39,163	711,031	-
<b>Total Assets</b>	<u>\$ 68,948,220</u>	<u>\$ 6,462,242</u>	<u>\$ 1,603,956</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 9,683,742	\$ 155,468	\$ -
Due to other funds	10,049,409	303,654	-
Deferred revenue	2,731,737	-	-
<b>Total Liabilities</b>	<u>22,464,888</u>	<u>459,122</u>	<u>-</u>
<b>FUND BALANCES</b>			
Nonspendable	189,163	711,031	-
Restricted	4,291,174	-	-
Assigned	8,308,072	5,292,089	1,603,956
Unassigned	33,694,923	-	-
<b>Total Fund Balances</b>	<u>46,483,332</u>	<u>6,003,120</u>	<u>1,603,956</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 68,948,220</u>	<u>\$ 6,462,242</u>	<u>\$ 1,603,956</u>

See accompanying note to additional supplementary information.



<b>Child Development</b>	<b>Bond Interest and Redemption</b>	<b>Capital Outlay Projects</b>	<b>Revenue Bond Construction</b>	<b>Total Governmental Funds (Memorandum Only)</b>
\$ -	\$ -	\$ -	\$ -	\$ 6,085,867
88,971	15,112,609	30,503,671	5,556,229	88,373,775
3,031	-	30,537	1,448	27,494,759
-	-	-	-	2,284
48,223	-	274,697	23,055	5,717,007
-	-	-	-	233,003
-	-	-	-	750,194
<u>\$ 140,225</u>	<u>\$ 15,112,609</u>	<u>\$ 30,808,905</u>	<u>\$ 5,580,732</u>	<u>\$ 128,656,889</u>
\$ 89,456	\$ -	\$ 3,193,670	\$ 463,743	\$ 13,586,079
45,213	-	39,888	-	10,438,164
3,000	-	2,677,355	-	5,412,092
<u>137,669</u>	<u>-</u>	<u>5,910,913</u>	<u>463,743</u>	<u>29,436,335</u>
-	-	-	-	900,194
-	15,112,609	24,897,992	5,116,989	49,418,764
2,556	-	-	-	15,206,673
-	-	-	-	33,694,923
<u>2,556</u>	<u>15,112,609</u>	<u>24,897,992</u>	<u>5,116,989</u>	<u>99,220,554</u>
<u>\$ 140,225</u>	<u>\$ 15,112,609</u>	<u>\$ 30,808,905</u>	<u>\$ 5,580,732</u>	<u>\$ 128,656,889</u>

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT**

**GOVERNMENTAL FUNDS  
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>General</u>	<u>Bookstore</u>	<u>Cafeteria</u>
<b>REVENUES</b>			
Federal revenues	\$ 6,509,998	\$ -	\$ -
State revenues	83,809,713	-	-
Local revenues	90,346,129	8,035,930	298,591
<b>Total Revenues</b>	<u>180,665,840</u>	<u>8,035,930</u>	<u>298,591</u>
<b>EXPENDITURES</b>			
Current Expenditures			
Academic salaries	76,513,418	-	-
Classified salaries	43,217,589	1,254,863	-
Employee benefits	38,992,647	494,065	-
Books and supplies	3,567,350	6,674,420	-
Services and operating expenditures	12,913,566	191,498	-
Capital outlay	2,508,046	-	-
Debt service - principal	-	-	-
Debt service - interest	125,977	2,505	-
<b>Total Expenditures</b>	<u>177,838,593</u>	<u>8,617,351</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>2,827,247</u>	<u>(581,421)</u>	<u>298,591</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	48,986	-	-
Operating transfers out	(6,513,860)	(62,243)	(64,945)
Other sources	8,239	-	-
Other uses	(580,663)	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>(7,037,298)</u>	<u>(62,243)</u>	<u>(64,945)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	(4,210,051)	(643,664)	233,646
<b>FUND BALANCES, BEGINNING OF YEAR</b>	50,693,383	6,646,784	1,370,310
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 46,483,332</u>	<u>\$ 6,003,120</u>	<u>\$ 1,603,956</u>

See accompanying note to additional supplementary information.

<b>Child Development</b>	<b>Bond Interest and Redemption</b>	<b>Capital Outlay Projects</b>	<b>Revenue Bond Construction</b>	<b>Total Governmental Funds (Memorandum Only)</b>
\$ 18,366	\$ -	\$ -	\$ -	\$ 6,528,364
97,432	166,267	11,374,781	-	95,448,193
190,626	18,974,572	2,607,492	25,582	120,478,922
<u>306,424</u>	<u>19,140,839</u>	<u>13,982,273</u>	<u>25,582</u>	<u>222,455,479</u>
-	-	-	-	76,513,418
321,957	-	-	-	44,794,409
176,935	-	-	-	39,663,647
24,972	-	190,105	72,447	10,529,294
30,783	-	734,929	983,834	14,854,610
-	-	14,334,622	2,017,814	18,860,482
-	9,035,000	-	-	9,035,000
-	8,290,308	-	-	8,418,790
<u>554,647</u>	<u>17,325,308</u>	<u>15,259,656</u>	<u>3,074,095</u>	<u>222,669,650</u>
(248,223)	1,815,531	(1,277,383)	(3,048,513)	(214,171)
248,223	-	4,166,970	-	4,464,179
-	-	-	-	(6,641,048)
-	-	-	145,910,000	145,918,239
-	-	-	(145,120,772)	(145,701,435)
<u>248,223</u>	<u>-</u>	<u>4,166,970</u>	<u>789,228</u>	<u>(1,960,065)</u>
-	1,815,531	2,889,587	(2,259,285)	(2,174,236)
2,556	13,297,078	22,008,405	7,376,274	101,394,790
<u>\$ 2,556</u>	<u>\$ 15,112,609</u>	<u>\$ 24,897,992</u>	<u>\$ 5,116,989</u>	<u>\$ 99,220,554</u>

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT**

**PROPRIETARY FUND  
BALANCE SHEET  
JUNE 30, 2013**

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	<b>Internal Service Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 75,000
Investments	22,967,761
Accounts receivable	4,801
Due from other funds	6,793,942
<b>Total Assets</b>	<u><u>\$ 29,841,504</u></u>
 <b>LIABILITIES AND FUND EQUITY</b>	
<b>LIABILITIES</b>	
Accounts payable	\$ 15,795
Due to other funds	400,358
Claim liabilities	2,637,191
<b>Total Liabilities</b>	<u><u>3,053,344</u></u>
 <b>FUND EQUITY</b>	
Retained earnings	<u>26,788,160</u>
<b>Total Liabilities and         Fund Equity</b>	<u><u>\$ 29,841,504</u></u>

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, 2013**

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	<b>Internal Service Fund</b>
<b>OPERATING REVENUES</b>	
Premium contributions	\$ 6,793,942
<b>OPERATING EXPENSES</b>	
Academic salaries	256,942
Classified salaries	138,607
Employee benefits	5,013,668
Books and supplies	151
Services and other operating expenditures	1,456,367
<b>Total Operating Expenses</b>	<b>6,865,735</b>
<b>Operating Loss</b>	<b>(71,793)</b>
<b>NONOPERATING REVENUES</b>	
Interest income	80,980
<b>NET PROFIT</b>	9,187
<b>RETAINED EARNINGS, BEGINNING OF YEAR</b>	<b>26,778,973</b>
<b>RETAINED EARNINGS, END OF YEAR</b>	<b>\$ 26,788,160</b>

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, 2013**

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	<b>Internal Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from user charges	\$ 6,793,942
Cash payments to employees for services	(395,549)
Cash payments for insurance claims	(5,013,668)
Cash payments to suppliers for goods and services	(151)
Cash payments for other operating expenses	(1,485,357)
Net Cash Used from Operating Activities	<u>(100,783)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	81,047
Net change in cash and cash equivalents	(19,736)
Cash and cash equivalents - Beginning	23,062,497
Cash and cash equivalents - Ending	<u>\$ 23,042,761</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH USED FROM OPERATING ACTIVITIES</b>	
Operating Loss	\$ (71,793)
Changes in assets and liabilities:	
Due from other funds	77,101
Accounts payable	(1,620)
Due to other funds	(32,422)
Claim liabilities	(72,049)
<b>NET CASH USED FROM OPERATING ACTIVITIES</b>	<u>\$ (100,783)</u>

See accompanying note to additional supplementary information.

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT**

**FIDUCIARY FUNDS  
BALANCE SHEET  
JUNE 30, 2013**

	<b>Associated Students Trust</b>	<b>Student Representation Fee</b>	<b>Student Financial Aid</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 794,715	\$ 54,173	\$ -
Investments	-	-	5,788,774
Accounts receivable	594	-	383,532
Student loans receivable	-	904	429,833
Due from other funds	-	-	-
<b>Total Assets</b>	<u><u>\$ 795,309</u></u>	<u><u>\$ 55,077</u></u>	<u><u>\$ 6,602,139</u></u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 43,302	\$ -	\$ 6,538,035
Due to other funds	-	-	14,098
Deferred revenue	-	-	6
Due to student groups	74,836	-	-
<b>Total Liabilities</b>	<u><u>118,138</u></u>	<u><u>-</u></u>	<u><u>6,552,139</u></u>
<b>FUND BALANCES</b>			
Reserved	-	-	50,000
Unreserved			
Designated	677,171	55,077	-
<b>Total Fund Balances</b>	<u><u>677,171</u></u>	<u><u>55,077</u></u>	<u><u>50,000</u></u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$ 795,309</u></u>	<u><u>\$ 55,077</u></u>	<u><u>\$ 6,602,139</u></u>

See accompanying note to additional supplementary information.

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<b>Retiree Benefits</b>	<b>Other Trust</b>	<b>Total</b>
\$ -	\$ 5,244,683	\$ 6,093,571
54,819,242	4,087,530	64,695,546
13,785	2,506,183	2,904,094
-	552,634	983,371
2,971,875	23,825	2,995,700
<u>\$ 57,804,902</u>	<u>\$ 12,414,855</u>	<u>\$ 77,672,282</u>
\$ 3,774	\$ 182,698	\$ 6,767,809
-	4,654,029	4,668,127
-	3,562,206	3,562,212
-	2,738,703	2,813,539
<u>3,774</u>	<u>11,137,636</u>	<u>17,811,687</u>
-	-	50,000
57,801,128	1,277,219	59,810,595
<u>57,801,128</u>	<u>1,277,219</u>	<u>59,860,595</u>
<u>\$ 57,804,902</u>	<u>\$ 12,414,855</u>	<u>\$ 77,672,282</u>



**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT**

**FIDUCIARY FUNDS  
STATEMENTS OF CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2013**

	<b>Associated Students Trust</b>	<b>Student Representation Fee</b>	<b>Student Financial Aid</b>
<b>REVENUES</b>			
Federal revenues	\$ -	\$ -	\$ 42,857,658
State revenues	-	-	2,176,892
Local revenues	285,796	17,585	18,230
<b>Total Revenues</b>	<u>285,796</u>	<u>17,585</u>	<u>45,052,780</u>
<b>EXPENDITURES</b>			
Current Expenditures			
Classified salaries	70,950	-	-
Employee benefits	19,397	-	-
Books and supplies	41,205	-	-
Services and operating expenditures	95,398	13,604	4,131
Capital outlay	15,793	-	-
<b>Total Expenditures</b>	<u>242,743</u>	<u>13,604</u>	<u>4,131</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>43,053</u>	<u>3,981</u>	<u>45,048,649</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	27,357	-	-
Operating transfers out	(15,000)	-	(14,099)
Other uses	-	-	(45,034,550)
<b>Total Other Financing Sources (Uses)</b>	<u>12,357</u>	<u>-</u>	<u>(45,048,649)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	55,410	3,981	-
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>621,761</u>	<u>51,096</u>	<u>50,000</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 677,171</u>	<u>\$ 55,077</u>	<u>\$ 50,000</u>

See accompanying note to additional supplementary information.

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<b>Retiree Benefits</b>	<b>Other Trust</b>	<b>Total</b>
\$ -	\$ -	\$ 42,857,658
-	-	2,176,892
1,184,402	216,515	1,722,528
<u>1,184,402</u>	<u>216,515</u>	<u>46,757,078</u>
-	20,650	91,600
-	1,187	20,584
-	18,477	59,682
33,726	392,859	539,718
-	-	15,793
<u>33,726</u>	<u>433,173</u>	<u>727,377</u>
<u>1,150,676</u>	<u>(216,658)</u>	<u>46,029,701</u>
2,000,000	188,611	2,215,968
-	(10,000)	(39,099)
-	-	(45,034,550)
<u>2,000,000</u>	<u>178,611</u>	<u>(42,857,681)</u>
3,150,676	(38,047)	3,172,020
54,650,452	1,315,266	56,688,575
<u>\$ 57,801,128</u>	<u>\$ 1,277,219</u>	<u>\$ 59,860,595</u>

# **NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT**

## **NOTE TO ADDITIONAL SUPPLEMENTARY INFORMATION JUNE 30, 2013**

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### ***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.