

**NORTH ORANGE COUNTY
COMMUNITY COLLEGE DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2010

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

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NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of North Orange County Community College District (the District) as of and for the year ended June 30, 2010, as listed in the Table of Contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of North Orange County Community College District as of June 30, 2010, and the respective changes in financial position and cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 13 to the financial statements, the State of California continues to suffer the effects of a recessionary economy, which directly impacts the funding allocations of North Orange County Community College District.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2010, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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* and is important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 17 and the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 49 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal Awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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.

The Additional Supplementary Information on pages 80 through 87 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, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Varrick, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 7, 2010



CLAUDETTE ELIAS DAIN, CPA
District Director
Fiscal Affairs

FRED WILLIAMS, CPA
Vice Chancellor
Finance & Facilities

NED DOFFONEY, Ed.D.
Chancellor

Introduction

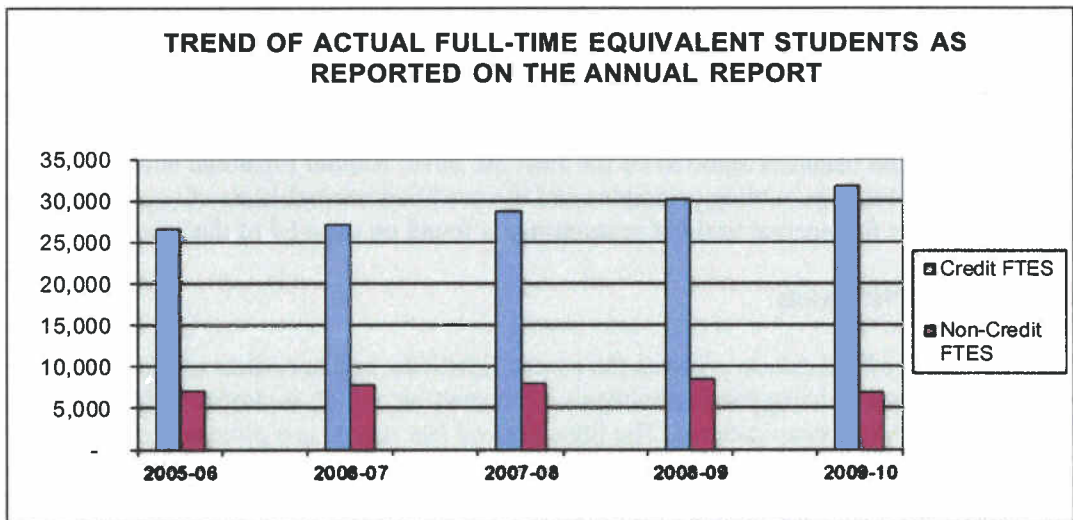
The following discussion and analysis provides an overview of the financial position and activities of the North Orange County Community College District (the District) for the year ended June 30, 2010. This discussion has been prepared by management and should be read in conjunction with the financial 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 communities and inspire life-long learning by providing education that is exemplary, relevant, and accessible. 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.

Selected Highlights

- During 2009-2010, total full-time equivalent students (FTES) increased by approximately 150; 0.39 percent. Credit and non-credit FTES, along with a per college and per center allocation, are the basis for the District's State apportionment. Although changes in FTES directly impact our State apportionment funding, 2009-2010 was the third year in a row that the District exceeded its State-established growth cap. As a result, of the total 38,702 FTES, 5,591 or 16.9 percent, was unfunded.



NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)

JUNE 30, 2010

- 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 remodel 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. During the 2009-2010 fiscal year, the ACCO Energy, air handlers, and Humanities projects at Cypress College and the Library Dome replacement project at Fullerton College were completed. In addition, the South Science Building, Physical Education Facilities, and Technology Center projects at Fullerton College had significant strides made during the fiscal year.

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 Assets, the Statement of Revenues, Expenses, and Change in Net Assets 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 and Retiree Benefits.

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, 2010, Annual Financial and Budget Report (CCFS-311) based upon governmental accounting principles and the modified accrual basis of accounting, and the total net assets recorded on the full accrual basis of accounting, is found on page 57 of the report.

Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities, and net assets 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 Assets 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 Assets presents end-of-year data concerning assets (current and non-current), liabilities (current and non-current), and net assets (assets minus liabilities).

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)

JUNE 30, 2010

From the data presented, readers of the Statement of Net Assets 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 Assets provides a picture of the net assets and their availability for expenditure by the District.

The difference between total assets and total liabilities (net assets) is one indicator of the current financial condition of the District; the change in net assets is an indicator of 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 Assets (formerly called fund balance) are divided into three major categories. The first category, invested in capital assets, net of related debt, provides the equity amount in property, plant, and equipment owned by the District. The second category is expendable restricted net assets; these net 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 assets that are available to the District for any lawful purpose of the District.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 2010**

The Statement of Net Assets as of June 30, 2010 and 2009, is summarized below.

	(in thousands)	
	<u>2010</u>	<u>2009</u>
ASSETS		
Current assets		
Cash and investments	\$ 174,718	\$ 185,892
Receivables	29,600	45,630
Inventory	1,517	1,369
Due from fiduciary funds	7,716	-
Other assets	2,112	1,694
Total current assets	<u>215,663</u>	<u>234,585</u>
Non-current assets		
Capital assets, net	<u>394,580</u>	<u>397,218</u>
Total non-current assets	<u>394,580</u>	<u>397,218</u>
TOTAL ASSETS	<u>610,243</u>	<u>631,803</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	22,371	25,704
Deferred revenue	2,455	4,135
Amounts held for others	-	6,578
Due to fiduciary funds	101	-
Compensated absences - current portion	3,185	3,104
Long-term liabilities - current portion	7,090	6,255
Total current liabilities	<u>35,202</u>	<u>45,776</u>
Non-current liabilities		
Long-term liabilities less current portion	<u>259,040</u>	<u>255,521</u>
Total non-current liabilities	<u>259,040</u>	<u>255,521</u>
TOTAL LIABILITIES	<u>294,242</u>	<u>301,297</u>
NET ASSETS		
Invested in capital assets, net	177,512	190,846
Restricted	44,280	45,187
Unrestricted *	94,209	94,473
TOTAL NET ASSETS	<u>\$ 316,001</u>	<u>\$ 330,506</u>

* Unrestricted Net Assets are defined by GASB Statements No. 34 and No. 35 as those net 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 (REQUIRED SUPPLEMENTARY INFORMATION)

JUNE 30, 2010

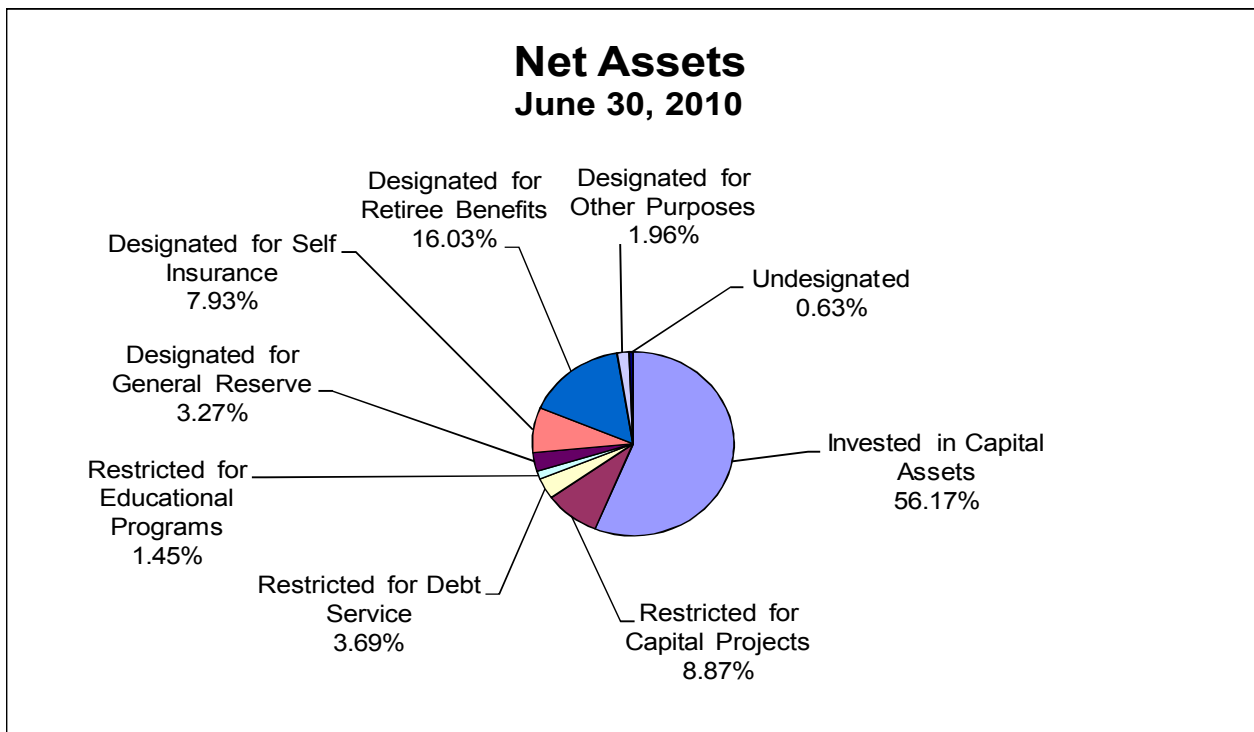
- Cash and investments consist primarily of cash held in the General Fund (\$38.4 million), Bond Fund (\$21.1 million), Retiree Benefits Fund (\$49.6 million), Capital Outlay Fund (\$27.1 million), and the Self-Insurance Fund (\$22.0 million). The Cash Flow Statement included in these financial statements provides greater detail of the sources and uses of the District's cash during the 2009-2010 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. The decrease in accounts receivable is primarily attributed to a decrease in capital outlay reimbursements receivable of \$17.3 million. The capital outlay reimbursement receivables were higher during 2008-2009 due to an action taken by the Pooled Money Investment Board (PMIB) on December 17, 2008, to freeze all disbursements for State-funded capital outlay projects in response to the State budget crisis. Payments were subsequently released and there was no such action taken during 2009-2010.
- 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.
- 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. The change in these accounts is due to a financial statement presentation reclassification. In the previous years, interfund transactions between primary government and fiduciary funds were eliminated in order to properly record balances under a single-column, roll-up presentation. In the current year, fiduciary fund statements have been listed separately and interfund balances have not been eliminated. For 2009-2010, the balance in the Due from account is made up of cash held in the Bursar fund, but on-behalf of the Bookstore fund, and cash due from the Bursar fund to the General fund to remit enrollment fees collected at the campuses.
- 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 due to a reclassification to recognize Bookstore credit memos as prepaid expenses.
- Capital assets, net is primarily made up of the District's investments in land, buildings and building improvements, construction in progress, and vehicles, at historical cost and net of accumulated depreciation. Note 6 of these financial statements provides a summary of changes during the 2009-2010 fiscal year.
- Accounts payable are amounts due as of the fiscal year end for goods and services received as of June 30, 2010. 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, 2010. The change in accounts payable and accrued liabilities is primarily due to a decrease in construction payables as we near the completion of our capital construction program. In addition, accounts payable within the fiduciary funds are displayed separately on the Statement of Fiduciary Net Assets but were included with the Statement of Net Assets – Primary Government balances in previous years.
- 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 due to the significant cuts to State grants due to the State's fiscal crisis.
- Amounts held for others are amounts held in the Bursar Funds at each campus. The change in this account is due to the financial statement presentation reclassification to separately present the Fiduciary Statements.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)

JUNE 30, 2010

- 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 \$239 million. Additionally, the District issued Refunding Bonds on portions of the two outstanding issues in April 2005. 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.



Statement of Revenues, Expenses, and Change in Net Assets

Changes in total net assets as presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses, and Change in Net Assets. 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 (REQUIRED SUPPLEMENTARY INFORMATION) JUNE 30, 2010

The Statement of Revenues, Expenses, and Change in Net Assets for the years ended June 30, 2010 and 2009, is summarized below:

	(in thousands)	
	<u>2010</u>	<u>2009</u>
Operating Revenues		
Net tuition and fees	\$ 19,023	\$ 17,032
Sales	9,483	10,587
Total operating revenues	<u>28,506</u>	<u>27,619</u>
Operating Expenses		
Salaries and benefits	168,172	173,341
Supplies, materials, depreciation, and other expenses	46,446	46,706
Student financial aid	36,301	21,785
Total operating expenses	<u>250,919</u>	<u>241,832</u>
Operating loss	<u>(222,413)</u>	<u>(214,213)</u>
Non-operating revenues (expenses)		
State apportionments, non-capital	86,219	91,720
Local property taxes	72,261	72,139
Grants and contracts, non-capital	55,827	47,680
State taxes and other revenues	5,788	5,401
Investment income, net	1,959	4,102
Other non-operating revenues (expenses), net	(2,234)	(1,835)
Total non-operating revenues (expenses)	<u>219,820</u>	<u>219,207</u>
Other revenues, expenses, gains or losses		
State revenue, capital	<u>22,599</u>	<u>22,540</u>
Change in net assets	20,006	27,534
Net assets, beginning of year	330,506	302,972
Prior period restatement (see Note 15)	<u>(34,511)</u>	<u>-</u>
Net assets, beginning of year, as restated	<u>295,995</u>	<u>302,972</u>
Net assets, end of year	<u>\$ 316,001</u>	<u>\$ 330,506</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 health services, parking, community services classes, and other related fees. During 2009-2010, the enrollment fee rate per credit course increased from \$20 to \$26.
- Sales are primarily related to the sale of merchandise in the Bookstores located at Cypress College, Fullerton College, and the School of Continuing Education.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)

JUNE 30, 2010

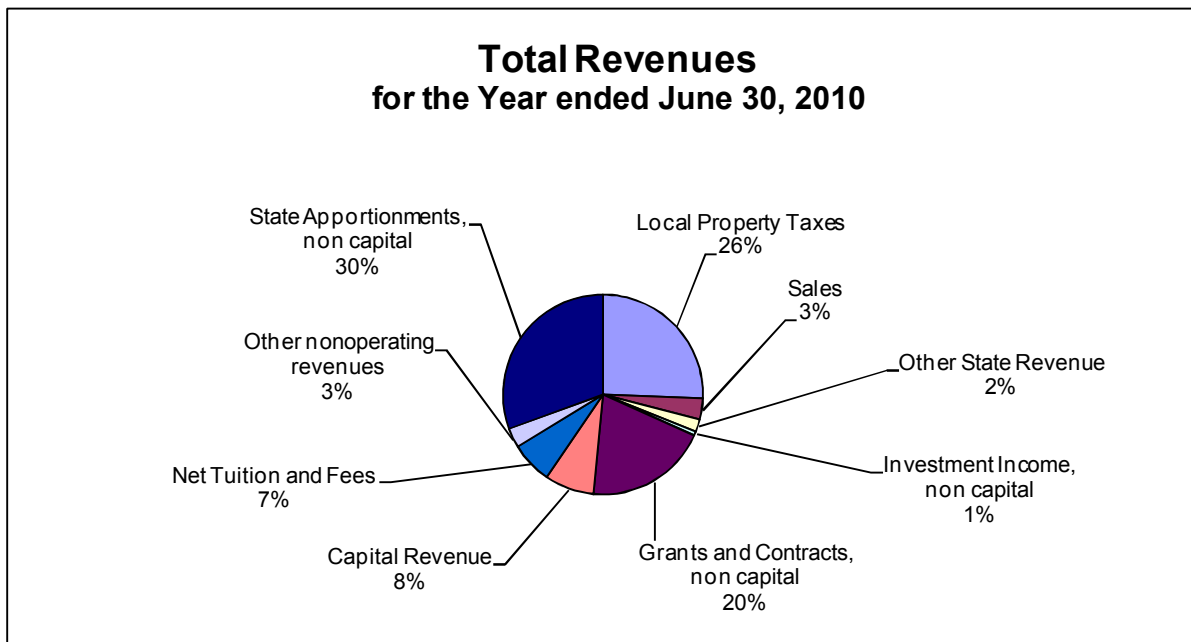
- Salaries and benefits consist of 67 percent of total operating expenses from a District-wide, full-accrual perspective. In other words, these amounts include the activity from all District funds, not just the General Fund. Consequently, this percentage is lower than normally discussed when talking about the percentage of salaries 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 89 percent of total General Fund expenses as reflected on page 81 of this report. The overall decrease in these accounts is primarily due to "savings" resulting from various vacant positions throughout the District which were not filled due to budgetary constraints.
- Other operating expenses consist of supplies, insurance, utilities, depreciation expense, other services, and capital outlay items below the capitalization threshold.
- Student financial aid is made up of financial assistance payments made to students as part of the Student Financial Aid cluster of programs. The increase in this account over the prior year is primarily due to an increase in the Federal Pell Grant Program. Based on the current economic climate, the number of Pell-eligible enrolled students has continued to increase significantly, resulting in additional awards.
- The operating loss reported on the Statement of Revenues, Expenses, and Change in Net Assets 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. In 2006-2007, as a result of the passage of Senate Bill 361 (SB 361), this funding model changed from the former program based funding model (PBF) to the current SB 361 model. The SB 361 formula 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 SB 361 model incorporated equalization into the base funding and provided increased funding rates which translated into additional dollars for the District. Another 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.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)

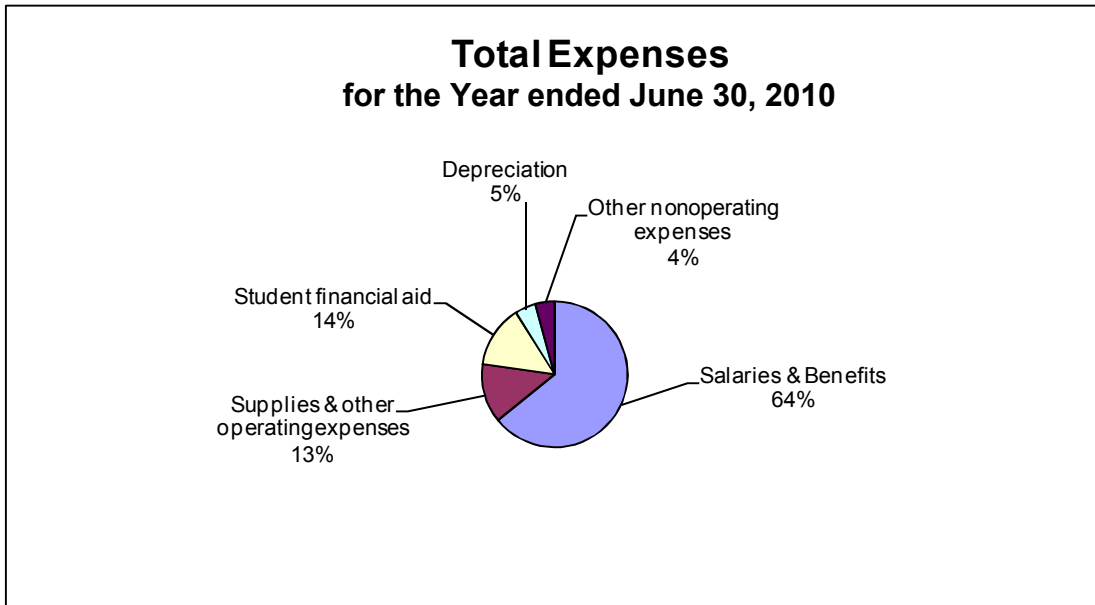
JUNE 30, 2010

- 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 52 through 54 of the supplementary information section of this report provide a complete listing of Federal and State non-capital grants and contracts. The increase in this account over the prior year is primarily due to the increase in the Federal Pell Grant Program.
- State taxes and other revenues are mainly comprised of Lottery revenues.
- Investment income, net decreased due to the decline in interest rates and due to reduced balances resulting from increased State apportionment deferrals, no cash apportionments received due to late budget adoptions by the State, and declining bond fund balances as we near the end of our bond program. In 2009-2010, the average interest rate earned was 1.30 percent for the Orange County Investment pool and 0.66 percent for LAIF, whereas in 2008-2009 the rates were 2.00 percent and 2.18 percent, respectively.
- 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 and an amount recorded for payments made by the State of California, to STRS, on the District's behalf, in the amount of \$3 million.
- State revenues, capital relate to projects for capital outlay, scheduled maintenance, and hazardous substance programs.
- 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 (REQUIRED SUPPLEMENTARY INFORMATION) JUNE 30, 2010



Statement of Cash Flows

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

The Statement of Cash Flows is divided into five parts. The first part reflects operating cash flows and shows the net cash used by the operating activities of the District. The second part details cash received for 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 Assets.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION) JUNE 30, 2010

The summarized Statement of Cash Flows for the years ended June 30, 2010 and 2009, is presented below:

(in thousands)

	<u>2010</u>	<u>2009</u> <u>Reclassified</u>
Cash Provided By (Used in)		
Operating activities	\$ (202,684)	\$ (194,206)
Non-capital financing activities	206,621	195,965
Capital and related financing activities	(5,888)	(52,130)
Investing activities	<u>1,959</u>	<u>4,102</u>
Net increase (decrease) in cash and cash equivalents	8	(46,269)
Cash balance, beginning of year	<u>174,710</u>	<u>220,979</u>
Cash balance, end of year	<u>\$ 174,718</u>	174,710
Cash balance, fiduciary funds		<u>11,182</u>
Cash balance, before reclassification		<u>\$ 185,892</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 69 percent of the total cash provided by non-capital financing activities. Additionally, cash received from non-capital related grants and contracts accounts for 26 percent of the total cash provided by non-capital financing activities.
- Capital and related financing activities are mostly made up of the purchase or sale of capital assets, principal and interest payments on any debt issued and proceeds received from any new debt issuances, and cash sources or uses from Federal, State, and local grants for capital purposes. The increase in cash receipts in this category is primarily made up of the payments received from the State for outstanding capital outlay claim balances that were not paid in the previous year due to the action taken by PMIB to freeze all disbursements for State-funded capital outlay projects.
- The cash from investing activities is interest earned on cash in banks, cash invested through the Orange County Investment Pool, and on investments with LAIF. The decrease in cash received from investing activities is due to the lower interest earnings from declining interest rates and from lower average cash balances on deposit during the 2009-2010 fiscal year.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION) JUNE 30, 2010

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2010, the District had \$394.6 million invested in net capital assets. Total capital assets of \$483.4 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 \$88.8 million over the years they have been in service. During 2009-2010, \$43.2 million of building and improvement projects completed construction. In addition, \$42.3 million of significant construction in progress occurred during 2009-2010. Depreciation expense of \$12.2 million was recorded for the fiscal year.

Capital additions primarily comprise replacement, renovation, and new construction. Capital additions of completed construction projects occurred at Cypress College for the Humanities remodel, ACCO Energy Project, and Air Handler Unit projects, and at Fullerton College for the Library Dome replacement project. Significant capital additions of construction in progress occurred at Fullerton College for the South Science Building, Technology Center, and the Physical Education Facilities projects.

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>2010</u>	<u>2009</u> <u>Restated</u>
Land and improvements	\$ 16,854	\$ 16,981
Buildings and improvements	287,208	254,690
Equipment	9,005	8,713
Construction in progress	<u>81,513</u>	<u>82,322</u>
Net capital assets	<u>\$ 394,580</u>	<u>\$ 362,706</u>

Debt Administration

At June 30, 2010, the District had \$269.3 million in debt primarily made up of \$235.7 million from general obligation bonds; \$3.2 million from Self-Insurance claims payable; \$7.0 million from compensated absences payable, and \$23.3 million as the net OPEB obligation which represents the difference between the District's actuarially determined Annual Required Contribution and the amount the District made in contributions during the 2009-2010 fiscal year for postemployment medical benefit premium costs. The increase in the claims payable balance is attributed to an increase in the Workers' Compensation Reserve balance for unpaid balances on outstanding claims filed. The District has experienced an increase in claims during 2009-2010. 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 (REQUIRED SUPPLEMENTARY INFORMATION)

JUNE 30, 2010

As reflected in the \$23.3 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 March 2009, the District's actuarially determined unfunded liability was projected at \$157.8 million as of June 30, 2010. As of June 30, 2010, the District had \$50.6 million set aside for retiree health benefits.

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>2010</u>	<u>2009</u>
Long-term debt		
General Obligation Bonds	\$ 235,746	\$ 239,721
Claims payable	3,232	1,900
Compensated absences	7,012	6,934
Net OPEB obligation	<u>23,325</u>	<u>16,325</u>
Total long-term debt	269,315	264,880
Less current portion	<u>(10,275)</u>	<u>(9,359)</u>
Long-term portion	<u>\$ 259,040</u>	<u>\$ 255,521</u>

District's Fiduciary Responsibility

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

Economic Factors that May Affect the Future

As of June 30, 2010, the District ended the fiscal year with a healthy surplus due to prudent fiscal management in previous years, to address current and future challenging budget times. However, there is still significant concern for the 2010-2011 fiscal year and future budget years as there remains an overall structural deficit in the State budget. The economic position of the District is closely tied to that of the State of California. 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. Furthermore, the worldwide economic struggles have caused additional budget turmoil for California. During 2009-2010, California Community Colleges experienced significant budget reductions without adequate restoration. Additionally, it is anticipated that further reductions may still be imposed for 2010-2011 and beyond. This leaves colleges to rely on their reserves to sustain operations during these difficult economic times. Currently, the North Orange County Community College District is working through the budget challenges resulting from these deep ongoing cuts.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)

JUNE 30, 2010

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.

The District is moving forward on bond and capital outlay funded projects in the 2010-2011 fiscal year. It is expected that the Fullerton College Science and Physical Education Facilities projects will be completed during the 2010-2011 fiscal year. Also significant for the future, as construction continues on the Fullerton College Technology and Engineering Complex, other costs such as swing space issues, equipment budgets, and construction management and program management fees will need to be addressed.

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

Contacting the District's Financial Management

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

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**STATEMENT OF NET ASSETS - PRIMARY GOVERNMENT
JUNE 30, 2010**

ASSETS

Current Assets

Cash and cash equivalents	\$ 1,739,204
Investments	172,978,446
Accounts receivable	29,579,244
Student loans receivable	20,207
Due from fiduciary funds	7,715,899
Prepaid expenses	542,310
Stores inventories	1,517,207
Deferred cost on issuance	1,570,223
Total Current Assets	<u>215,662,740</u>

Noncurrent Assets

Nondepreciable capital assets	96,269,467
Depreciable capital assets, net of depreciation	298,310,566
Total Noncurrent Assets	<u>394,580,033</u>
TOTAL ASSETS	<u>610,242,773</u>

LIABILITIES

Current Liabilities

Accounts payable	18,574,376
Accrued interest payable	3,796,123
Due to fiduciary funds	101,318
Deferred revenue	2,454,555
Compensated absences payable	3,185,282
Bonds payable	7,090,000
Total Current Liabilities	<u>35,201,654</u>

Noncurrent Liabilities

Compensated absences payable	3,827,170
Claims liability	3,232,749
Bonds payable	228,655,741
Other long-term liabilities - noncurrent portion	23,324,600
Total Noncurrent Liabilities	<u>259,040,260</u>
TOTAL LIABILITIES	<u>294,241,914</u>

NET ASSETS

Invested in capital assets, net of related debt	177,511,510
Restricted for:	
Debt service	11,674,040
Capital projects	28,042,732
Educational programs	4,563,095
Unrestricted	94,209,482
TOTAL NET ASSETS	<u>\$ 316,000,859</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 ASSETS - PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2010**

OPERATING REVENUES	
Student Tuition and Fees	\$ 28,346,494
Less: Scholarship discounts and allowances	(9,323,590)
Net tuition and fees	<u>19,022,904</u>
 Auxiliary enterprise sales and charges	 <u>9,483,616</u>
TOTAL OPERATING REVENUES	<u>28,506,520</u>
OPERATING EXPENSES	
Salaries	124,727,095
Employee benefits	43,445,219
Supplies, materials, and other operating expenses and services	34,222,331
Student financial aid	36,300,904
Depreciation	12,223,587
TOTAL OPERATING EXPENSES	<u>250,919,136</u>
OPERATING LOSS	<u>(222,412,616)</u>
NONOPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	86,219,348
Local property taxes, levied for general purposes	56,000,238
Taxes levied for other specific purposes	16,260,275
Federal grants and contracts, noncapital	42,446,854
State grants and contracts, noncapital	13,379,743
State taxes and other revenues	5,788,443
Investment income	1,958,644
Interest expense on capital related debt	(10,968,408)
Investment income on capital asset-related debt, net	62,063
Transfer from fiduciary funds	66,296
Transfer to fiduciary funds	(245,286)
Other nonoperating revenues	8,851,551
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>219,819,761</u>
LOSS BEFORE OTHER REVENUES	<u>(2,592,855)</u>
State revenues, capital	<u>22,599,187</u>
TOTAL OTHER REVENUES	<u>22,599,187</u>
CHANGE IN NET ASSETS	20,006,332
NET ASSETS, BEGINNING OF YEAR (AS RESTATED)	<u>295,994,527</u>
NET ASSETS, END OF YEAR	<u>\$ 316,000,859</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, 2010

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	\$ 19,035,764
Auxiliary sales	9,483,616
Payments to or on behalf of employees	(159,743,126)
Payments to vendors for supplies and services	(35,159,336)
Payments to students for scholarships and grants	(36,300,904)
Net Cash Flows From Operating Activities	<u>(202,683,986)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State apportionments	86,219,348
Property taxes - nondebt related	56,000,238
Grants and contracts	53,449,161
State taxes and other revenues	4,110,375
Other nonoperating revenues	6,841,944
Net Cash Flows From Noncapital Financing Activities	<u>206,621,066</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchase of capital assets	(47,030,144)
State revenue, capital projects	39,850,300
Property taxes - related to capital debt	16,260,275
Principal paid on capital debt	(6,356,508)
Interest paid on capital debt	(8,674,458)
Interest received on capital asset-related debt	62,063
Net Cash Flows From Capital Financing Activities	<u>(5,888,472)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received from investments	<u>1,958,644</u>
Net Cash Flows From Investing Activities	<u>1,958,644</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	7,252
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>174,710,398</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 174,717,650</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, 2010**

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

Operating Loss	<u>\$ (222,412,616)</u>
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities:	
Depreciation expense	12,223,587
Changes in Assets and Liabilities:	
Receivables, net	12,860
Stores inventories	(147,885)
Other assets	(418,672)
Accounts payable and accrued liabilities	18,308
Deferred revenue	(370,448)
Change in claims payable	1,332,893
OPEB obligation	6,999,059
Compensated absences	78,928
Total Adjustments	<u>19,728,630</u>
Net Cash Flows From Operating Activities	<u><u>\$ (202,683,986)</u></u>

CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:

Cash in banks	\$ 1,739,204
Cash in county treasury	162,978,446
Local Agency Investment Fund (LAIF)	10,000,000
Total Cash and Cash Equivalents	<u><u>\$ 174,717,650</u></u>

NON CASH TRANSACTIONS

On behalf payments for benefits (see Note 12)	<u><u>\$ 2,994,337</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 ASSETS
JUNE 30, 2010**

	<u>Trust Funds</u>
ASSETS	
Cash and cash equivalents	\$ 9,185,393
Investments	4,807,368
Accounts receivable	4,010,356
Student loan receivable	732,965
Due from primary government	101,318
Total Assets	<u>18,837,400</u>
LIABILITIES	
Accounts payable	4,093,152
Due to primary government	7,715,899
Deferred revenue	2,294,292
Due to student groups	2,676,350
Total Liabilities	<u>16,779,693</u>
NET ASSETS	
Unreserved	<u>2,057,707</u>
Total Net Assets	<u><u>\$ 2,057,707</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 ASSETS
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Trust Funds</u>
ADDITIONS	
Local revenues	\$ 586,354
DEDUCTIONS	
Classified salaries	89,893
Employee benefits	19,905
Books and supplies	62,372
Services and other operating expenditures	460,863
Capital outlay	6,201
Total Deductions	<u>639,234</u>
OTHER FINANCING SOURCES (USES)	
Transfers from governmental funds	245,286
Transfers to governmental funds	(66,296)
Total Other Financing Sources (Uses)	<u>178,990</u>
Change in Net Assets	126,110
Net Assets - Beginning	<u>1,931,597</u>
Net Assets - Ending	<u>\$ 2,057,707</u>

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

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 1 - ORGANIZATION

The North Orange County Community College District (the District) provides 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. 39. 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. 39. 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. 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, 2010

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 accounting policies of the District conform to accounting principles generally accepted in the United States of America (US GAAP) as applicable to colleges and universities, as well as those prescribed by the California Community College Chancellor's Office. The District reports are based on applicable GASB pronouncements, as well as applicable 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. Where applicable, certain prior year amounts have been reclassified to conform to current year presentation. The budgetary and financial accounts of the District are maintained in accordance with the State Chancellor's Office *Budget and Accounting Manual*.

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. 39. The business-type activities model followed by the District requires the following components of the District's financial statements:

- Management's Discussion and Analysis
- Basic Financial Statements for the District as a whole including:
 - Statement of Net Assets - Primary Government
 - Statement of Revenues, Expenses, and Changes in Net Assets - Primary Government
 - Statement of Cash Flows - Primary Government
 - Financial Statements for the Fiduciary Funds including:
 - Statement of Fiduciary Net Assets
 - Statement of Changes in Fiduciary Net Assets
- 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 and LAIF 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, 2010

Investments

Investments held at June 30, 2010, with original maturities greater than one year are stated at fair value. Fair value is estimated based upon quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

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, 2010.

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 over the remaining life of the new debt.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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, and capital lease 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, 2010

Net Assets

GASB Statements No. 34 and No. 35 report equity as "Net Assets." Net assets are classified according to external donor restrictions or availability of assets for satisfaction of District obligations according to the following net asset categories:

Invested in Capital Assets, Net of Related Debt: Capital Assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Restricted - Expendable: Net assets whose use by the District are subject to externally imposed constraints that can be fulfilled by actions of the District pursuant to those constraints or by the passage of time. Net assets may be restricted for capital projects, debt repayment, and/or educational programs.

Unrestricted: Net assets that are not subject to externally imposed constraints. Unrestricted net assets 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 \$44,279,867 of restricted net assets.

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, sales and services of auxiliary enterprises, net of scholarship discounts and allowances, and interest on institutional student loans.

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 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, 2010

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.

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.

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 billed and collected by the County of Orange and remitted to the District when collected.

Scholarship Discounts and Allowances

Student tuition and fee revenue is reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Change in Net Assets. 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 and discounts have been used to satisfy tuition and fee charges, the District has recorded a scholarship discount and allowance.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, Federal Work-Study, Academic Competitiveness Grant, and Stafford Loan 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. 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*. During the year ended June 30, 2010, the District distributed \$9,289,793 in direct lending through the U.S. Department of Education. These amounts have not been recorded as revenues or expenses within the accompanying financial statements as the amounts were passed directly to qualifying students. However, these amounts have been included on the Schedule of Federal Financial Assistance.

Interfund Activity

Interfund transfers and interfund receivables and payables for governmental activities are eliminated during the consolidation process in the entity-wide financial statements.

New Accounting Pronouncements

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Classifications*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this Statement are effective for financial statement periods beginning after June 15, 2010.

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, 2010

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 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.

Investment in the State Investment Pool - The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. 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 LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, 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

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Authorized Under Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years.

Summary of Deposits and Investments

Deposits and investments as of June 30, 2010, consist of the following:

Primary government	\$ 174,717,650
Fiduciary funds	13,992,761
Total Deposits and Investments	<u>\$ 188,710,411</u>
Cash on hand and in banks	\$ 10,699,597
Cash in revolving funds	225,000
Investments	177,785,814
Total Deposits and Investments	<u>\$ 188,710,411</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 primarily investing in the County pool and LAIF.

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:

Investment Type	Book Value	Fair Value	Average Days to Maturity
County Pool - Orange	\$ 167,785,814	\$ 167,889,794	304
Local Agency Investment Fund (LAIF)	10,000,000	10,016,438	203
Total	<u>\$ 177,785,814</u>	<u>\$ 177,906,232</u>	

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

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 and LAIF are not required to be rated, nor have they been rated as of June 30, 2010.

<u>Investment Type</u>	<u>Book Value</u>	<u>Fair Value</u>
County Pool - Orange	\$ 167,785,814	\$ 167,889,794
Local Agency Investment Fund (LAIF)	10,000,000	10,016,438
Total	<u>\$ 177,785,814</u>	<u>\$ 177,906,232</u>

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, 2010, of the District's bank balance, \$7,887,022 was exposed to custodial credit risk because it was collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2010, 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	\$ 3,302,735	\$ -
State Government		
Apportionments	18,034,274	-
Categorical aid	494,841	-
Lottery	816,897	-
Capital outlay State reimbursement	6,112,432	-
Other State sources	13,334	-
Local Government		
Interest	142,072	-
Other	662,659	4,010,356
Total	<u>\$ 29,579,244</u>	<u>\$ 4,010,356</u>
Student receivables	<u>\$ 20,207</u>	<u>\$ 732,965</u>

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 has been eliminated respectively in the basic financial statements. Balances owing between the governmental funds and the fiduciary funds are not eliminated in the consolidation process. As of June 30, 2010, the amount owed to the governmental funds and the fiduciary funds were \$7,715,899 and \$101,318, respectively.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Beginning of Year Restated*	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	\$ 14,756,218	\$ -	\$ -	\$ 14,756,218
Construction in progress	82,322,496	42,380,624	43,189,871	81,513,249
Total Capital Assets Not Being Depreciated	<u>97,078,714</u>	<u>42,380,624</u>	<u>43,189,871</u>	<u>96,269,467</u>
Capital Assets Being Depreciated				
Land improvements	2,749,485	-	-	2,749,485
Buildings and improvements	321,112,387	43,189,871	-	364,302,258
Machinery and equipment	18,393,423	1,716,191	-	20,109,614
Total Capital Assets Being Depreciated	<u>342,255,295</u>	<u>44,906,062</u>	<u>-</u>	<u>387,161,357</u>
Total Capital Assets	<u>439,334,009</u>	<u>87,286,686</u>	<u>43,189,871</u>	<u>483,430,824</u>
Less Accumulated Depreciation				
Land improvements	524,853	127,125	-	651,978
Buildings and improvements	66,422,458	10,671,945	-	77,094,403
Machinery and equipment	9,679,893	1,424,517	-	11,104,410
Total Accumulated Depreciation	<u>76,627,204</u>	<u>12,223,587</u>	<u>-</u>	<u>88,850,791</u>
Net Capital Assets	<u>\$362,706,805</u>	<u>\$ 75,063,099</u>	<u>\$ 43,189,871</u>	<u>\$394,580,033</u>

Depreciation expense for the year was \$12,223,587.

* Restatement due to overstatement of construction in progress (see Note 15).

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2010, consisted of the following:

	Primary Government	Fiduciary Funds
Accrued payroll	\$ 5,791,104	\$ -
Services	2,637,033	4,038,431
Construction	7,897,831	-
Other	2,248,408	54,721
Total	<u>\$ 18,574,376</u>	<u>\$ 4,093,152</u>

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 8 - DEFERRED REVENUE

Deferred revenue at June 30, 2010, consisted of the following:

	Primary Government	Fiduciary Funds
Federal financial assistance	\$ 67,535	\$ -
State categorical aid	1,899,970	-
Student fees	-	2,294,292
Other local revenues	487,050	-
Total	<u>\$ 2,454,555</u>	<u>\$ 2,294,292</u>

NOTE 9 - LONG-TERM OBLIGATIONS

Long-Term Obligations Summary

The changes in the District's long-term obligations during the 2010 fiscal year consisted of the following:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
Bonds Payable					
2002A General obligation bonds	\$ 11,355,000	\$ -	\$ 2,275,000	\$ 9,080,000	\$ 2,640,000
2003B General obligation bonds	65,649,011	2,381,621	2,825,000	65,205,632	3,100,000
2005 General obligation refunding bonds	161,230,000	-	1,155,000	160,075,000	1,350,000
Unamortized premium	10,112,553	-	713,931	9,398,622	-
Deferred amount on refunding	(8,625,936)	-	(612,423)	(8,013,513)	-
Total Bonds Payable	<u>239,720,628</u>	<u>2,381,621</u>	<u>6,356,508</u>	<u>235,745,741</u>	<u>7,090,000</u>
Other Liabilities					
Compensated absences/Load banking	6,933,524	78,928	-	7,012,452	3,185,282
Net OPEB obligation	16,325,541	13,024,000	6,024,941	23,324,600	-
Claims payable	1,899,856	1,332,893	-	3,232,749	-
Total Other Liabilities	<u>25,158,921</u>	<u>14,435,821</u>	<u>6,024,941</u>	<u>33,569,801</u>	<u>3,185,282</u>
Total Long-Term Debt	<u>\$264,879,549</u>	<u>\$16,817,442</u>	<u>\$12,381,449</u>	<u>\$269,315,542</u>	<u>\$10,275,282</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 will be paid by the fund for which the employee worked. The claims payable and the pay-as-you-go portion of the OPEB obligation will be paid by the Internal Service Fund.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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 of these bonds at June 30, 2010, was \$9,080,000.

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, 2010, was \$65,205,632.

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, 2023. 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 advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$11,255,160. This difference, reported in the accompanying financial statements as a deferred amount on refunding, is being charged to operations through the year 2023 using the straight-line method. The District completed the refunding to reduce its debt service payments over the next 18 years by \$1,081,099 and obtain an economic gain (the difference of the present values of the old and new debt service payments) of \$1,993,290. The outstanding principal balance of these bonds at June 30, 2010, was \$160,075,000.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2009	Issued	Accreted Interest Addition	Redeemed	Bonds Outstanding June 30, 2010
2002	2013	3.125%-5.375%	\$139,000,000	\$ 11,355,000	\$ -	\$ -	\$ 2,275,000	\$ 9,080,000
2003	2029	2.00%-5.44%	99,999,001	65,649,011	-	2,381,621	2,825,000	65,205,632
2005	2024	3.00%-5.00%	164,935,000	161,230,000	-	-	1,155,000	160,075,000
				<u>\$238,234,011</u>	<u>\$ -</u>	<u>\$ 2,381,621</u>	<u>\$ 6,255,000</u>	<u>\$ 234,360,632</u>

The 2002A General Obligation Bonds mature through 2013 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2011	\$ 2,640,000	\$ 346,250	\$ 2,986,250
2012	3,020,000	231,400	3,251,400
2013	3,420,000	85,500	3,505,500
Total	<u>\$ 9,080,000</u>	<u>\$ 663,150</u>	<u>\$ 9,743,150</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
2011	\$ 3,100,000	\$ -	\$ 676,007	\$ 3,776,007
2012	3,445,000	-	552,429	3,997,429
2013	3,770,000	-	423,200	4,193,200
2014	4,150,000	-	264,800	4,414,800
2015	4,545,000	-	90,900	4,635,900
2016-2020	-	-	-	-
2021-2025	18,104,869	17,520,131	-	35,625,000
2026-2029	28,090,763	43,369,237	-	71,460,000
Total	<u>\$ 65,205,632</u>	<u>\$ 60,889,368</u>	<u>\$ 2,007,336</u>	<u>\$ 128,102,336</u>

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

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

The 2005 Refunding Bonds mature through 2024 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2011	\$ 1,350,000	\$ 7,930,487	\$ 9,280,487
2012	1,585,000	7,857,113	9,442,113
2013	1,845,000	7,780,587	9,625,587
2014	5,980,000	7,594,188	13,574,188
2015	6,780,000	7,282,844	14,062,844
2016-2020	78,155,000	26,649,500	104,804,500
2021-2024	64,380,000	5,934,000	70,314,000
Total	<u>\$ 160,075,000</u>	<u>\$ 71,028,719</u>	<u>\$ 231,103,719</u>

Other Postemployment Benefit (OPEB) Obligation

The District implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, during the year ended June 30, 2008. The District's annual required contribution for the year ended June 30, 2010, was \$12,300,000, and contributions made by the District during the year were \$4,806,941. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$724,000 and \$1,218,000, respectively, which resulted in an increase to the net OPEB obligation of \$6,999,059. As of June 30, 2010, the net OPEB obligation was \$23,324,600. See Note 10 for additional information regarding the OPEB obligation and the postemployment benefit plan.

NOTE 10 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFIT (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 928 retirees and beneficiaries currently receiving benefits and 1,330 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 annually through agreements between the District and the bargaining units. For fiscal year 2009-2010, the District contributed \$4,806,941 to the Plan, all of which was used for current premiums.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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	\$ 12,300,000
Interest on net OPEB obligation	724,000
Adjustment to annual required contribution	<u>(1,218,000)</u>
Annual OPEB cost (expense)	11,806,000
Contributions made	<u>(4,806,941)</u>
Increase in net OPEB obligation	6,999,059
Net OPEB obligation, beginning of year	<u>16,325,541</u>
Net OPEB obligation, end of year	<u><u>\$ 23,324,600</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 2008, 2009, and 2010 was as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2008	\$ 12,612,000	\$ 4,582,465	36%	\$ 8,029,535
2009	\$ 13,022,000	\$ 4,725,994	36%	\$ 16,325,541
2010	\$ 11,806,000	\$ 4,806,941	41%	\$ 23,324,600

Funding Status and Funding Progress

Actuarial Accrued Liability (AAL)	\$ 157,811,000
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u><u>\$ 157,811,000</u></u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Covered Payroll	<u>\$ 95,263,000</u>
UAAL as Percentage of Covered Payroll	<u><u>166%</u></u>

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

The above noted actuarial accrued liability was based on the March 2009 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 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 March 2009 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 11.10 percent. The UAAL is being amortized at a level dollar 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.

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.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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, 2010 and 2009, liabilities for claims amounted to \$3,232,749 and \$1,899,856, respectively. Changes in the claims liability amount in the fiscal years 2010 and 2009 are presented below:

	<u>Workers'</u> <u>Compensation</u>	<u>Property</u> <u>and Liability</u>	<u>Total</u>
Liability Balance, July 1, 2008	\$ 1,975,444	\$ 237,052	\$ 2,212,496
Claims and changes in estimates	541,769	(89,370)	452,399
Claims payments	<u>(711,190)</u>	<u>(53,849)</u>	<u>(765,039)</u>
Liability Balance, July 1, 2009	1,806,023	93,833	1,899,856
Claims and changes in estimates	1,903,809	278,036	2,181,845
Claims payments	<u>(825,572)</u>	<u>(23,380)</u>	<u>(848,952)</u>
Liability Balance, June 30, 2010	<u>\$ 2,884,260</u>	<u>\$ 348,489</u>	<u>\$ 3,232,749</u>
 Assets available to pay claims at June 30, 2010			 <u>\$ 25,058,526</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).

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, 7919 Folsom Boulevard, Sacramento, California 95826.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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 while 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 2009-2010 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, 2010, 2009, and 2008, were \$5,789,378, \$6,066,356, and \$6,268,707, 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.

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.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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 District's contribution rate to CalPERS for fiscal year 2009-2010 was 9.709 percent of annual payroll. In addition, based on the current agreement between the North Orange County Community College District and the California School Employees Association (CSEA), the District currently pays the employee portion of CalPERS for all employees in the Classified Bargaining group.

Annual Pension Cost

The District's contributions to CalPERS for fiscal years ending June 30, 2010, 2009, and 2008, were \$6,242,709, \$6,645,764, and \$6,456,330, respectively, and equaled 100 percent of the required contributions for each year.

Alternative Retirement Plan

Plan Description

Federal law requires that public sector employees who are not members of their employer's existing retirement system be covered by Social Security or an alternate plan. The District contributed to a qualified tax deferred group annuity under Section 403 (b) of the Internal Revenue Code. This plan is administered by Zahorik Life Investors Insurance Company of America (ZLI) and is for employees who are not active members of the CalPERS or CalSTRS systems. The plan provides an annuity to plan members and beneficiaries. ZLI furnishes an annual report for each participant in the plan. This plan is no longer available as of December 31, 2008.

Funding Policy

Active plan members are required to contribute 4.9 percent of their salary and the District is required to contribute 2.6 percent of annual payroll. The District's contributions to the Alternative Retirement Plan for the fiscal years ended June 30, 2010, 2009, and 2008, were \$0, \$4,352, and \$10,333, respectively.

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, 2010, 2009, and 2008, which amounted to \$2,994,337, \$3,321,422, and \$3,432,212, respectively, (4.267 percent) of salaries subject to CalSTRS. No contributions were made for CalPERS for the years ended June 30, 2010, 2009, and 2008. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. This amount has 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, 2010

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, 2010.

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, 2010.

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, 2010, was approximately \$82,000. Future minimum lease payments under these agreements are as follows:

Year Ending June 30,	Lease Payments
2011	\$ 60,483
2012	30,931
2013	18,042
2014	5,506
Total	<u>\$ 114,962</u>

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

Construction Commitments

As of June 30, 2010, the District had the following commitments with respect to the unfinished capital projects:

	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Fullerton College Physical Education Facilities	\$ 4,264,707	January 2011
Fullerton College South Science Building 400	3,063,391	January 2011
Fullerton College Technology and Engineering Swing Space	1,318,601	January 2013
2008-2009 Scheduled Maintenance:		
Fullerton College Lighting Phase IV	246,003	May 2012
Fullerton College Heat Exchangers	362,040	May 2012
Fullerton College Sump Pumps	157,903	May 2012
	<u>\$ 9,412,645</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.

Deferral of State Apportionments

Due to the State's budget situation, certain general apportionments owed to the District for the 2009-2010 fiscal year have been deferred to the 2010-2011 fiscal year. The District's total amount of funding deferred into the 2010-2011 fiscal year was \$18,034,274. These deferrals of apportionment are considered permanent with future funding also being subject to deferral into future years. As of the audit report date, the District had received all of the deferrals owed to them by the State.

Fiscal Issues Relating to State-Wide Funding Reductions

The State of California economy is continuing through a three-year recessionary economy. The California Community College system is reliant on the State of California to appropriate the funding necessary to provide for the educational services and student support programs that are mandated for the colleges. In addition to the reductions in funding due to the economic environment, the State of California has failed to pass a budget in a timely manner during the past two years. The budget for the 2010-2011 fiscal year was adopted on October 8, 2010; fully 99 days beyond the July 1 budget requirements. As a result of the delay in the budget adoption, cash payments to community colleges in general, and North Orange County Community College District specifically, were suspended for the period between July 2010 and October 2010. For North Orange County Community College District, this is approximately \$35.8 million.

In addition to the deferral of cash payments, actual reductions in the funding of Full-Time Equivalent Students have cost the District approximately \$25 million in unfunded State apportionment funding. Significant reductions in funding for other categorical programs and services have also impacted the ability of the District to provide programs and services to the students attending North Orange County Community College District.

The District has implemented budgetary reductions to counter the reductions in apportionment and program funding. However, continued reductions and deferral of cash payments will ultimately impact the District's ability to meet the goals for educational services.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 14 - FUNCTIONAL EXPENSES CLASSIFICATION

The District's operating expenses by functional classification for the fiscal year ended June 30, 2010, are:

	Salaries and Benefits	Supplies, Material, and Other Expenses and Services	Student Financial Aid	Depreciation	Total
Instructional activities	\$ 76,768,251	\$ 3,292,205	\$ -	\$ -	\$ 80,060,456
Academic support	24,415,375	2,941,396	-	-	27,356,771
Student services	20,635,770	1,293,528	-	-	21,929,298
Plant operations and maintenance	10,719,466	6,549,811	-	-	17,269,277
Instructional support services	21,723,143	6,297,001	-	-	28,020,144
Community services and economic development	2,174,264	1,439,392	-	-	3,613,656
Ancillary services and auxiliary operations	4,209,683	7,814,820	-	-	12,024,503
Student aid	-	8,618	36,300,904	-	36,309,522
Physical property and related acquisitions	527,303	4,585,560	-	-	5,112,863
Depreciation	-	-	-	12,223,587	12,223,587
Net OPEB obligation	6,999,059	-	-	-	6,999,059
Total	\$ 168,172,314	\$ 34,222,331	\$ 36,300,904	\$ 12,223,587	\$ 250,919,136

NOTE 15 - PRIOR PERIOD RESTATEMENT

The beginning net assets, as reported on the Statement of Revenues, Expenses, and Change in Net Assets, has been restated to properly reflect the construction in progress. The effect on the June 30, 2009, financial statements, as restated, shows a decrease in net assets in the amount of \$34,511,162. Summarized below are the results of the changes:

Net Assets - Beginning	\$ 330,505,689
Overstatement of construction in progress	(34,511,162)
Net Assets - Beginning, as Restated	<u>\$ 295,994,527</u>

REQUIRED SUPPLEMENTARY INFORMATION

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
PROGRESS
FOR THE YEAR ENDED JUNE 30, 2010**

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
November 2008	\$ -	\$ 166,182,000	\$ 166,182,000	0%	\$ 82,182,000	202%
November 2008	\$ -	\$ 166,182,000	\$ 166,182,000	0%	\$ 84,853,000	196%
March 2009	\$ -	\$ 157,811,000	\$ 157,811,000	0%	\$ 95,263,000	166%

SUPPLEMENTARY INFORMATION

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION JUNE 30, 2010

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>
Mr. Michael B. Matsuda	President	2012
Dr. Barbara Dunsheath	Vice President	2010
Ms. Molly McClanahan	Secretary	2012
Mr. Jeffrey P. Brown	Member	2010
Mr. Leonard L. Lahtinen	Member	2012
Ms. Donna Miller	Member	2010
Mr. M. Tony Ontiveros	Member	2012
Mr. Ryan Billings	Student Trustee, Cypress College	2011
Ms. Natalie Baek	Student Trustee, Fullerton College	2011

ADMINISTRATION

Dr. Ned Doffoney	Chancellor
Mr. Fred Williams	Vice Chancellor, Finance and Facilities
Mr. Jeffrey Horsley	Vice Chancellor, Human Resources
Dr. Michael J. Kasler	President, Cypress College
Dr. Rajen Vurdien	President, Fullerton College
Ms. Christine Terry	Provost, School of Continuing Education
Ms. Deborah Ludford	District Director, Information Services
Vacant	District Director, Public 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, 2010**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Grantor's Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Student Financial Assistance Cluster			
Federal Pell Grant Program	84.063		\$ 33,952,320
Federal Pell Administrative Allowance	84.063		34,149
Federal Academic Competitiveness Grant	84.375		320,001
Federal Direct Loan	84.268		145,228
Federal Supplemental Educational Opportunity Grant (FSEOG)	84.007		284,475
Federal FSEOG Administrative Allowance	84.007		1,413
Federal Work-Study Program	84.033		420,710
Federal Work-Study Administrative Allowance	84.033		34,280
Federal Family Education Loans	84.032		<u>9,289,793</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Scholarships for Disadvantaged Students	93.925		72,268
ARRA - Scholarships for Disadvantaged Students	93.407		<u>31,689</u>
Subtotal Student Financial Aid Cluster			<u>44,586,326</u>
COLLEGE COST REDUCTION AND ACCESS ACT (CCRAA)			
Title V - Science, Technology, Engineering, or Mathematics (STEM)	84.031C		1,333,803
Passed through from Rancho Santiago Community College District			
Title V - Science, Technology, Engineering, or Mathematics (STEM)	84.031C	P031C080159	548,559
ADULT EDUCATION AND FAMILY LITERACY ACT (AEFLA)			
Passed through from California Department of Education			
Adult Education and Family Literacy Act (AEFLA)	84.002	[1]	653,761
English Literacy and Civics Education Grant (EL Civics)	84.002	[1]	263,847
CAREER AND TECHNICAL EDUCATION ACT			
Passed through from California Community College Chancellor's Office			
Title I, Part C	84.048	09-C01-037	2,227,226
Technical Preparation	84.243	09-139-860	128,218
ARRA - State Fiscal Stabilization Funds	84.394	[1]	798,813
NATIONAL SCIENCE FOUNDATION			
Passed through from North Carolina State University			
Dance Flies Research Project	47.074	DEB-0842118	13,804
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through from California Community College Chancellor's Office			
Temporary Assistance for Needy Families (TANF) Cluster			
Temporary Assistance for Needy Families (TANF)	93.558		149,064
ARRA - Emergency Contingency Fund for TANF	93.714	[1]	<u>27,139</u>
Subtotal Temporary Assistance for Needy Families Cluster			<u>176,203</u>
Passed through from California Public Employee Retirement System (CalPERS)			
Medicare Part D	93.770	[1]	465,345
Passed through from California Department of Education			
Child Development: Quality Improvement Activities, Instructional Materials	93.575	14130	736
Child Development: Quality Improvement Activities, Facilities Renovation and Repair	93.575	14130	4,200

[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 assets is due to Federal family education loans in the amount of \$9,289,793 (see Note 2 in the financial statements) and differences of \$13,461 related to revenue recognition principles in various programs.

See accompanying note to supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Grantor's Number	Program Expenditures
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through from Orange County Transportation Authority			
Job Access - Reverse Commute	20.516	C-9-0640	\$ 56,498
U.S. DEPARTMENT OF LABOR			
Learning Communities for Nursing	17.261		99
Passed through from California Community College Chancellor's Office			
Workforce Investment Act - Allied Health Program	17.258	08-115-13	187,393
Workforce Investment Act - Allied Health Program Expansion	17.258	09-127-16	108,107
Passed through from State of California Employment Development Department			
ARRA - Clean Energy Project	17.258	K076827	149,761
U.S. DEPARTMENT OF AGRICULTURE			
Passed through from California Department of Education			
Child Nutrition	10.558	2815-6A	42,384
U.S. DEPARTMENT OF VETERANS AFFAIRS			
Veterans Services	64.117		5,025
Total Federal Program Expenditures			<u>\$ 51,750,108</u> ^[2]

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

[2] The difference between the schedule of expenditures of Federal awards and Federal revenues reported on the statement of revenues, expenses, and change in net assets is due to Federal family education loans in the amount of \$9,289,793 (see Note 2 in the financial statements) and differences of \$13,461 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, 2010**

Program	Program Entitlements		
	Current Year	Prior Year	Total Entitlement
STATE CATEGORICAL AID PROGRAMS			
Advanced Transportation Technology Energy (ATTE)	\$ 101,670	\$ -	\$ 101,670
AS Degree Nursing Program	87,973	100,623	188,596
Basic Skills	818,123	1,835,098	2,653,221
Board Financial Assistance Program (BFAP)	1,143,231	53,883	1,197,114
CalWORKs	544,532	-	544,532
Center for Applied Competitive Technology (CACT)	101,670	-	101,670
Child Care Food Program	16,593	-	16,593
Child Development Training Consortium	15,000	-	15,000
Clean Energy Grant	604,765	-	604,765
Cooperative Agencies Resources for Education (CARE)	186,081	1,981	188,062
Career Technical Education Community Collaborative Grant	350,220	361,069	711,289
Disabled Students Programs and Services (DSPS)	1,761,111	58,839	1,819,950
E-Books Grant	24,196	-	24,196
Ed Net Leadership	-	102,411	102,411
Equal Employment Opportunities	13,862	90,933	104,795
Environmental Training Center (formerly REBRAC)	101,670	5,809	107,479
Extended Opportunity Programs and Services (EOPS)	1,502,621	-	1,502,621
Family Literacy Program - Magnolia	35,000	13,266	48,266
General Child Care	344,977	-	344,977
Independent Living Skills	231,472	-	231,472
Industry-Driven Regional Collaboratives (IDRC)	148,786	2,928	151,714
Instructional Equipment	-	222,006	222,006
Matriculation	901,291	24,038	925,329
Meat Cutting Apprenticeship	11,646	-	11,646
New Multimedia/Entertainment Center	101,670	-	101,670
Non-Credit Matriculation	641,256	59,465	700,721
Nursing Equipment Grant	-	19,363	19,363
Nursing Faculty Recruitment	-	28,925	28,925
Referee and Lane Technician	12,000	-	12,000
Strategic Initiative HUBS - EHS2	60,010	73,832	133,842
Strategic Initiative HUBS - Workplace Learning	-	181,000	181,000
TANF - Child Development Careers	20,292	-	20,292
Teacher Preparation Pipeline	-	83,334	83,334
Tech Prep Regional Coordination	15,000	-	15,000
Telecommunications Technology Improvement Program (TTIP)	-	119,920	119,920
Transfer and Articulation	-	3,036	3,036
Workforce Innovation Partnership	150,000	-	150,000
Workplace Learning Resource Center	101,670	-	101,670
Total State Programs			

See accompanying note to supplementary information.

Program Revenues					
Cash Received	Accounts Receivable	Accounts Payable	Deferred Revenue	Total Revenue	Program Expenditures
\$ 85,403	\$ 16,267	\$ -	\$ -	\$ 101,670	\$ 101,670
174,520	14,076	-	75,913	112,683	112,683
2,653,221	-	-	1,243,754	1,409,467	1,409,467
1,089,252	63,307	-	36,768	1,115,791	1,115,791
521,096	12,649	-	-	533,745	533,745
85,403	16,267	-	-	101,670	101,670
1,316	227	-	-	1,543	1,543
14,933	-	-	-	14,933	14,933
-	200,957	-	-	200,957	200,957
187,462	-	-	-	187,462	187,462
687,179	7,489	-	333,805	360,863	360,863
1,819,950	-	-	-	1,819,950	1,819,950
-	-	-	-	-	-
102,411	-	-	-	102,411	102,411
104,795	-	-	74,394	30,401	30,401
91,212	16,267	-	-	107,479	107,479
1,502,621	-	-	-	1,502,621	1,502,621
13,266	34,970	-	-	48,236	48,236
218,201	-	39,668	-	178,533	178,533
176,344	73,352	-	-	249,696	249,696
127,908	-	-	47,194	80,714	80,714
222,006	-	-	-	222,006	222,006
925,329	-	-	-	925,329	925,329
10,788	-	-	-	10,788	10,788
85,403	16,267	-	-	101,670	101,670
700,721	-	-	-	700,721	700,721
19,363	-	-	-	19,363	19,363
28,925	-	-	15,997	12,928	12,928
9,654	1,000	-	-	10,654	10,654
124,240	-	-	21,969	102,271	102,271
181,000	-	-	-	181,000	181,000
3,114	5,479	-	-	8,593	8,593
41,017	-	-	-	41,017	41,017
15,000	-	-	-	15,000	15,000
119,920	-	-	48,025	71,895	71,895
3,036	-	-	2,151	885	885
-	-	-	-	-	-
85,403	16,267	-	-	101,670	101,670
<u>\$ 12,231,412</u>	<u>\$ 494,841</u>	<u>\$ 39,668</u>	<u>\$ 1,899,970</u>	<u>\$ 10,786,615</u>	<u>\$ 10,786,615</u>

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL
 APPORTIONMENT - ANNUAL (ACTUAL) ATTENDANCE
 FOR THE YEAR ENDED JUNE 30, 2010**

CATEGORIES	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Audited Data</u>
A. Summer Intersession			
1. Noncredit	1,030	-	1,030
2. Credit	2,789	-	2,789
B. Summer Intersession			
1. Noncredit	-	-	-
2. Credit	-	-	-
C. Primary Terms			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	23,282	-	23,282
(b) Daily Census Contact Hours	2,269	-	2,269
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	5,884	-	5,884
(b) Credit	1,201	-	1,201
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	1,346	-	1,346
(b) Daily Census Contact Hours	901	-	901
D. Total FTES	<u>38,702</u>	<u>-</u>	<u>38,702</u>
E. Basic Skills courses and Immigrant Education (FTES)			
1. Noncredit	3,488	-	3,488
2. Credit	3,263	-	3,263
	<u>6,751</u>	<u>-</u>	<u>6,751</u>

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, 2010**

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2010.

See accompanying note to supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEETS TO THE
STATEMENT OF NET ASSETS
JUNE 30, 2010**

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

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

General Fund	\$ 45,425,153
Special Revenue Funds	57,616,568
Capital Project Funds	46,719,950
Debt Service Fund	11,674,040
Internal Service Fund	25,058,526
Fiduciary Funds	<u>4,784,057</u>

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

\$ 191,278,294

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	483,430,824	
Accumulated depreciation is	<u>(88,850,791)</u>	394,580,033

Amounts held in trust on behalf of others (Trust and Agency Funds) (4,734,057)

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. 1,570,223

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. (3,796,123)

Long-term liabilities at year end consist of:

Bonds payable	235,745,741	
Compensated absences	7,012,452	
Net OPEB obligation	23,324,600	
Less load banking already recorded in funds	(2,465,282)	
Less compensated absences already recorded in funds	<u>(720,000)</u>	<u>(262,897,511)</u>
Total Net Assets		<u>\$ 316,000,859</u>

See accompanying note to supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS OF THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010**

	(Budget*) 2011		2010	
	Amount	%	Amount	%
GENERAL FUND				
Revenues				
Federal	\$ 6,080,063	3.3	\$ 7,714,908	4.0
State	102,469,763	55.6	103,457,506	54.3
Local	75,801,762	41.1	79,383,090	41.7
Total Revenues	<u>184,351,588</u>	<u>100.0</u>	<u>190,555,504</u>	<u>100.0</u>
Expenditures				
Academic salaries	76,450,055	37.3	79,069,990	43.1
Classified salaries	44,629,382	21.8	43,903,295	23.9
Employee benefits	39,667,545	19.3	35,688,060	19.5
Supplies and materials	6,476,526	3.2	3,334,216	1.8
Other operating expenses	19,067,243	9.3	12,694,383	6.9
Capital outlay	11,732,991	5.7	2,823,646	1.5
Student financial aid	545,769	0.2	741,882	0.4
Interfund transfers, net	6,433,129	3.1	5,105,891	2.8
Other uses, net	176,458	0.1	156,675	0.1
Total Expenditures and Other Uses	<u>205,179,098</u>	<u>100.0</u>	<u>183,518,038</u>	<u>100.0</u>
INCREASE (DECREASE) IN FUND BALANCE	<u>\$ (20,827,510)</u>	<u>(11.3)</u>	<u>\$ 7,037,466</u>	<u>3.7</u>
ENDING FUND BALANCE	<u>\$ 24,597,643</u>	<u>13.3</u>	<u>\$ 45,425,153</u>	<u>23.8</u>
FULL-TIME EQUIVALENT STUDENTS	<u>34,780</u>		<u>38,702</u>	
TOTAL LONG-TERM OBLIGATIONS, INCLUDING RETIREE BENEFIT LIABILITY	<u>\$ 393,526,660</u>		<u>\$ 403,801,942</u>	

* The year 2011 General Fund budget was adopted by the Board on September 14, 2010.

See accompanying note to supplementary information.

2009		2008	
Amount	%	Amount	%
\$ 6,403,596	3.2	\$ 4,437,771	2.3
116,056,133	57.7	114,801,701	58.6
78,571,791	39.1	76,777,880	39.1
<u>201,031,520</u>	<u>100.0</u>	<u>196,017,352</u>	<u>100.0</u>
82,325,570	42.6	85,564,908	43.2
43,470,962	22.5	43,241,984	21.8
37,146,909	19.2	36,545,720	18.5
3,579,511	1.9	3,849,203	1.9
15,031,452	7.8	16,820,720	8.5
4,427,730	2.3	4,201,306	2.1
1,050,371	0.5	955,732	0.5
5,920,390	3.1	6,621,003	3.4
159,640	0.1	148,325	0.1
<u>193,112,535</u>	<u>100.0</u>	<u>197,948,901</u>	<u>100.0</u>
<u>\$ 7,918,985</u>	<u>3.9</u>	<u>\$ (1,931,549)</u>	<u>(1.0)</u>
<u>\$ 38,387,687</u>	<u>19.1</u>	<u>\$ 30,468,702</u>	<u>15.5</u>
<u>38,552</u>		<u>36,544</u>	
<u>\$ 414,736,008</u>		<u>\$ 418,104,323</u>	

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2010**

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, 2010.

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, the District provided Federal awards to subrecipients as follows:

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Amount Provided to Subrecipients
Career and Technical Education Act - Technical Preparation	84.243	
Anaheim Unified High School District		\$ 15,300
Brea-Olinda Unified School District		4,979
Los Alamitos Unified School District		6,600
Placentia-Yorba Linda Unified School District		10,500
North Orange County Regional Occupational Program		16,800
College Cost Reduction and Access Act (CCRAA) Science, Technology, Engineering, or Mathematics (STEM)	84.031C	
University of California, Irvine		28,800
California State University, Fullerton		68,405
California State University, Long Beach		104,300
Total Pass Through		<u>\$ 255,684</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.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2010

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

Full-Time Equivalent Students (FTES) is a measurement of the number of students attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds, including certain restricted categorical funding, are made to community college districts. This schedule provides information regarding the annual attendance measurements of students throughout the District.

Reconciliation of 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.

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

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.

INDEPENDENT AUDITORS' REPORTS



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited the basic financial statements of North Orange County Community College District (the District) for the year ended June 30, 2010, and have issued our report thereon dated December 7, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered North Orange County Community College District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of North Orange County Community College District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of North Orange County Community College District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Orange County Community College District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits 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*.

This report is intended solely for the information and use of the Board of Trustees, Audit Committee, District Management, the California Community Colleges Chancellor's Office, and the District's Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Varenek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 7, 2010



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of North Orange County Community College District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2010. North Orange County Community College District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of North Orange County Community College District's management. Our responsibility is to express an opinion on North Orange County Community College District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about North Orange County Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of North Orange County Community College District's compliance with those requirements.

In our opinion, North Orange County Community College District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2010-1 through 2010-3.

Internal Control Over Compliance

The management of North Orange County Community College District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered North Orange County Community College District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 North Orange County Community College District's internal control over compliance.

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

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2010-1 through 2010-3. *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.

North Orange County Community College District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit North Orange County Community College District's responses and, accordingly, we express no opinion.

This report is intended solely for the information and use of the Board of Trustees, Audit Committee, District Management, the California Community Colleges Chancellor's Office, and the District's Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vannish, Trina, Day & Co., LLP

Rancho Cucamonga, California
December 7, 2010



REPORT ON STATE COMPLIANCE

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

We have audited the compliance of North Orange County Community College District (the District) with the types of compliance requirements described in Section 400 of the California State Chancellor's Office *California Community College District Audit Manual (CDAM)* that are applicable to community colleges in the State of California. The specific requirements are described below.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America and the standards for financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements with State laws and regulations have occurred. An audit includes examining, on a test basis, evidence about North Orange County Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of North Orange County Community College District's compliance with those requirements.

General Directive

Section 424: MIS Implementation - State General Apportionment Funding System

Administration

Section 435: Open Enrollment

Section 437: Student Fees - Instructional Materials and Health Fees

Apportionments

Section 423: Apportionment of Instructional Service Agreements/Contracts

Section 425: Residency Determination for Credit Courses

Section 427: Concurrent Enrollment of K-12 Students in Community College Credit Courses

Section 432: Enrollment Fee

Section 426: Students Actively Enrolled

Fiscal Operations

Section 421: Salaries of Classroom Instructors (50% Law)

Section 431: Gann Limit Calculation

Student Services

Section 428: Use of Matriculation Funds

Section 433: CalWORKs - Use of State and Federal TANF Funding

Facilities

Section 434: Scheduled Maintenance Program

In our opinion, North Orange County Community College District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2010.

This report is intended solely for the information of the Board of Trustees, Audit Committee, District Management, the California Community Colleges Chancellor's Office, the California Department of Finance, and the California Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.

Vernick, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 7, 2010

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2010**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<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 not considered to be material weaknesses?	<u>Yes</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>Yes</u>
Identification of major programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.032, 84.033, 84.063, 84.268, 84.375, 93.407 (ARRA), and 93.925	Student Financial Assistance Cluster (includes ARRA)
84.031C	Title V - Science, Technology, Engineering, or Mathematics (STEM)
84.048	Title I, Part C
84.394 (ARRA)	ARRA - State Fiscal Stabilization Funds
93.558 and 93.714 (ARRA)	TANF Cluster (includes ARRA)
17.258	Workforce Investment Act - Allied Health Program and Expansion Program
17.258 (ARRA)	ARRA - Clean Energy Project

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>No</u>

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for State programs:	<u>Unqualified</u>

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2010**

None reported.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

The following findings represent significant deficiencies and/or instances of noncompliance including questioned costs that are required to be reported by OMB Circular A-133.

2010-1 RETURN OF TITLE IV FUNDS

Federal Program Affected

U.S. Department of Education (DOE), Student Financial Assistance (SFA) Cluster, Federal Pell Grant Program (CFDA #84.063).

Compliance Requirement

Special Tests and Provisions - Return of Title IV Funds.

Criteria or Specific Requirement

34 CFR 668.22(j) and (34 CFR Section 668.173(b)) states that "An institution must return the amount of Title IV funds for which it is responsible under paragraph (g) of this section as soon as possible but no later than 45 days after the date of the institution's determination that the student withdrew..."

Return of Title IV funds are required to be deposited or transferred into the SFA account or electronic fund transfers initiated to the Department of Education or the appropriate lender as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check is issued more than 45 days after the institution determined the student withdrew or the date on the canceled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew.

Identified Condition

During our review of the requirements for Return to Title IV at Cypress College, it was noted that in some instances, the College's portion of the Return to Title IV funds were not returned within the 45 day requirement.

Questioned Costs

No questioned costs. The District did return the funds; however, they were not returned within the 45 day requirement.

Context

We noted two instances at Cypress College where the College's portion of the Return to Title IV funds was not returned within the 45 day requirement.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

Effect

Without proper monitoring of Title IV returns, the District risks noncompliance with 34 CFR 668.22(j).

Cause

The College has not implemented policies and procedures to monitor the Return of Title IV funds.

Recommendation

It is recommended that procedures be implemented to ensure that Return of Title IV funds are returned within 45 days of the date that the College determined that the student withdrew from all classes.

Management Response and Corrective Action Plan

The College will ensure that Return of Title IV funds (R2T4) are reviewed and remitted monthly to ensure compliance with the 45-day requirement. In addition, the College will work with a financial aid consultant to establish adequate Banner R2T4 procedures in order to provide additional controls in reviewing and remitting timely R2T4 payments.

2010-2 STUDENT FINANCIAL AID ELIGIBILITY

Federal Program Affected

U.S. Department of Education (DOE), Student Financial Assistance Cluster, Federal Pell Grant Program (CFDA #84.063) and Federal Supplemental Educational Opportunity Grant (CFDA# 84.007).

Compliance Requirement

Eligibility.

Criteria or Specific Requirement

34 CFR 668.34 states that in order to be eligible to receive Title IV program assistance, the student must be making satisfactory academic progress.

Identified Condition

Through testing of Student Financial Aid Eligibility at Fullerton College, we noted two students who were disbursed Title IV Financial Aid Funds, but were not eligible. These students did not meet the Satisfactory Academic Progress standards established by the College. The total amount disbursed to the ineligible recipients was \$3,566.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

Questioned Costs

No questioned costs.

Context

We noted two instances where funds were disbursed to ineligible students at Fullerton College.

Effect

The effect of the condition is that the College is not in compliance with the criteria noted above.

Cause

It was noted that the Banner awarding system for the College was not properly identifying students who should be disqualified due to not maintaining satisfactory academic progress.

Recommendation

It is recommended that the District implement procedures to ensure adherence with the Satisfactory Academic Progress Policy of the District.

Management Response and Corrective Action Plan

The set up of the Banner system financial aid module has been examined with a consultant, and there is a known issue with the Satisfactory Academic Progress (SAP) module in Banner which led to the payment of the two ineligible students. District Information Services and the campus Financial Aid offices are currently working on a process to correct the Banner SAP process. In addition, a consultant has been hired to further train financial aid staff on the intricacies of the SAP module in the Banner system. District Information Services is now working to re-program SAP with the goal of completion before the spring processes will be run. Corrections to the setup and additional training will ensure that ineligible students will not receive financial aid in the future.

2010-3 SUBRECIPIENT MONITORING

Federal Program Affected

U.S. Department of Education (DOE), College Cost Reduction and Access Act, Science, Technology, Engineering, or Mathematics (STEM) (CFDA #84.031C).

Compliance Requirement

Subrecipient Monitoring
24 CFR 84 §84.51 Monitoring and Reporting Program Performance.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

Criteria or Specific Requirement

Recipients are responsible for managing and monitoring each project, program, subaward, function, or activity supported by the award. Recipients shall monitor subawards to ensure subrecipients have met the audit requirements as delineated in §84.26.

Identified Condition

During our review of subrecipient agreements, it was noted that not all of the agreements included all of the minimum required elements.

Questioned Costs

No questioned costs.

Context

There were three subrecipients of grant funding; two of the three agreements did not include the grant CFDA number.

Effect

Without proper documentation, the District is at risk of noncompliance with 24 CFR 84 §84.51.

Cause

The District has not developed a standard subrecipient agreement to be utilized for all subrecipients to ensure compliance with the Federal requirement.

Recommendation

It is recommended that the District develop a standard subrecipient agreement that includes all of the required elements to ensure compliance with the Federal requirement.

Management Response and Corrective Action Plan

The District has developed a standard subrecipient agreement containing all of the required elements and will ensure that only the newer version subrecipient agreement be used to execute contracts/agreements in accordance with Federal requirements.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

None reported.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of audit findings and questioned costs.

FEDERAL AWARD FINDINGS

2009-1 PROCUREMENT POLICIES

Federal Program Affected: Career and Technical Education Act, Title I, Part C - CFDA #84.048

Compliance Requirement: Procurement, Suspension, and Debarment

Criteria or Specific Requirement

Title 34 – Education, Part 80 – Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments – Subpart C – Pre-Award Requirements, Section 80.35. OMB Circular A-110, Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations, Sub-Part C, Pre-Award Requirements, Section .33 Debarment and Suspension.

Identified Condition

The District does not have policies and procedures in place for the certification of potential contractor or subcontractor relationships involving Federal program dollars. Contracts in excess of \$25,000 are subject to the compliance requirement that the status of the entity is verified against the suspension and debarment eligibility requirements. The District does not currently monitor the Federal contracts for these requirements, nor do the contracts allow a vendor to self-certify they have not been excluded from working with Federal program grants.

Questioned Costs

No questioned costs are associated with the exception noted. Our testing did not identify debarred parties with whom the District contracts with.

Context

There were ten vendors that were paid in excess of \$25,000 that totaled \$653,085 in equipment expenditures. While no evidence was noted of noncompliance with contracting with a suspended or debarred vendor, the District is at risk that material noncompliance with grant requirements would go undetected without adequate monitoring and documentation.

Cause

The District has not implemented policies and procedures to ensure compliance with this Federal requirement.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

Effect

Without evidence of compliance, the District is at risk of utilizing a vendor who has been subject to the suspension and debarment regulations.

Recommendation

The District should implement a procedure to verify all vendors who are providing services to federally funded programs in excess of \$25,000. This verification may be accomplished by checking the *Excluded Parties List System* (EPLS) maintained by the General Services Administration (GSA). Additionally, the current contract language for such services should include a self-certification from the vendor that they have not been suspended or debarred as defined by the Federal program guidelines.

Current Status

Implemented.

2009-2 RETURN OF TITLE IV FUNDS

Federal Program Affected: Student Financial Assistance Cluster - CFDA# 84.007, 84.032, 84.033, 84.063, and 84.375

Criteria or Specific Requirement

34 CFR 668.22(j) and (34 CFR Section 668.173(b)) states that "An institution must return the amount of Title IV funds for which it is responsible under paragraph (g) of this section as soon as possible but no later than 45 days after the date of the institution's determination that the student withdrew..."

Return of Title IV funds are required to be deposited or transferred into the SFA account or electronic fund transfers initiated to ED or the appropriate FFEL lender as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check is issued more than 45 days after the institution determined the student withdrew or the date on the canceled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew.

Identified Condition

During our review of the requirements for Return to Title IV at Fullerton College, it was noted that in some instances, the institution's portion of the Return to Title IV funds were not returned within the 45 day requirement.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

Questioned Costs

No questioned costs. The District did return the funds; however, they were not returned within the 45 day requirement in all cases.

Context

There were three students noted at Fullerton College where the funds were returned after the 45 day requirement.

Cause

The College has not implemented policies and procedures to monitor Return of Title IV funds.

Effect

Without proper monitoring of Title IV returns, the District risks non-compliance with 34 CFR 668.22(j).

Recommendation

It is recommended that the District implement procedures to ensure that Return of Title IV funds are returned within 45 days of the date that the College determined that the student withdrew from all classes.

Current Status

Implemented.

ADDITIONAL SUPPLEMENTARY INFORMATION

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEETS
JUNE 30, 2010**

	<u>General</u>	<u>Bookstore</u>	<u>Cafeteria</u>
ASSETS			
Cash and cash equivalents	\$ 150,291	\$ 429,134	\$ 1,084,779
Investments	38,268,736	-	-
Accounts receivable	22,145,942	14,864	3,183
Student loans receivable	1,455	12,627	-
Due from other funds	4,863,780	3,831,663	-
Prepaid expenses	45,908	496,402	-
Stores inventories	122,176	1,395,031	-
Total Assets	<u>\$ 65,598,288</u>	<u>\$ 6,179,721</u>	<u>\$ 1,087,962</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 9,450,495	\$ 294,002	\$ 1,390
Due to other funds	8,271,885	-	-
Deferred revenue	2,450,755	-	-
Total Liabilities	<u>20,173,135</u>	<u>294,002</u>	<u>1,390</u>
FUND BALANCES			
Reserved	4,881,179	1,395,031	-
Unreserved			
Designated	36,218,521	4,490,688	1,086,572
Undesignated	4,325,453	-	-
Total Fund Balances	<u>45,425,153</u>	<u>5,885,719</u>	<u>1,086,572</u>
Total Liabilities and Fund Balances	<u>\$ 65,598,288</u>	<u>\$ 6,179,721</u>	<u>\$ 1,087,962</u>

See accompanying note to additional supplementary information.

Child Development	Retiree Benefits	Bond Interest and Redemption	Capital Outlay Projects	Revenue Bond Construction	Total Governmental Funds (Memorandum Only)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,664,204
65,079	49,599,808	11,661,516	27,129,322	21,141,542	147,866,003
32,315	42,345	12,524	6,152,796	16,592	28,420,561
-	-	-	-	-	14,082
122,171	1,003,132	-	582,013	-	10,402,759
-	-	-	-	-	542,310
-	-	-	-	-	1,517,207
<u>\$ 219,565</u>	<u>\$ 50,645,285</u>	<u>\$ 11,674,040</u>	<u>\$ 33,864,131</u>	<u>\$ 21,158,134</u>	<u>\$ 190,427,126</u>
\$ 70,598	\$ 3,567	\$ -	\$ 5,443,630	\$ 2,300,273	\$ 17,563,955
143,108	-	-	377,769	180,643	8,973,405
3,300	-	-	-	-	2,454,055
<u>217,006</u>	<u>3,567</u>	<u>-</u>	<u>5,821,399</u>	<u>2,480,916</u>	<u>28,991,415</u>
-	-	-	-	-	6,276,210
2,559	50,641,718	11,674,040	28,042,732	18,677,218	150,834,048
-	-	-	-	-	4,325,453
<u>2,559</u>	<u>50,641,718</u>	<u>11,674,040</u>	<u>28,042,732</u>	<u>18,677,218</u>	<u>161,435,711</u>
<u>\$ 219,565</u>	<u>\$ 50,645,285</u>	<u>\$ 11,674,040</u>	<u>\$ 33,864,131</u>	<u>\$ 21,158,134</u>	<u>\$ 190,427,126</u>

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**GOVERNMENTAL FUNDS
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>General</u>	<u>Bookstore</u>	<u>Cafeteria</u>
REVENUES			
Federal revenues	\$ 7,714,908	\$ -	\$ -
State revenues	103,457,506	-	-
Local revenues	79,383,090	9,364,554	119,062
Total Revenues	<u>190,555,504</u>	<u>9,364,554</u>	<u>119,062</u>
EXPENDITURES			
Current Expenditures			
Academic salaries	79,069,990	-	-
Classified salaries	43,903,295	1,304,186	-
Employee benefits	35,688,060	452,838	-
Books and supplies	3,334,216	6,575,977	-
Services and operating expenditures	12,694,383	228,572	42,947
Capital outlay	2,823,646	57,750	-
Debt service - principal	-	-	-
Debt service - interest	166,548	-	-
Total Expenditures	<u>177,680,138</u>	<u>8,619,323</u>	<u>42,947</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>12,875,366</u>	<u>745,231</u>	<u>76,115</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	114,854	-	51,296
Operating transfers out	(3,690,031)	(76,450)	(75,000)
Other sources	9,873	-	-
Other uses	(2,272,596)	-	-
Total Other Financing Sources (Uses)	<u>(5,837,900)</u>	<u>(76,450)</u>	<u>(23,704)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	7,037,466	668,781	52,411
FUND BALANCE, BEGINNING OF YEAR	38,387,687	5,216,938	1,034,161
FUND BALANCE, END OF YEAR	<u>\$ 45,425,153</u>	<u>\$ 5,885,719</u>	<u>\$ 1,086,572</u>

See accompanying note to additional supplementary information.

Child Development	Retiree Benefits	Bond Interest and Redemption	Capital Outlay Projects	Revenue Bond Construction	Total Governmental Funds (Memorandum Only)
\$ 29,923	\$ -	\$ -	\$ -	\$ -	\$ 7,744,831
180,059	-	151,088	22,599,187	-	126,387,840
200,644	1,482,043	16,322,338	1,721,625	348,579	108,941,935
<u>410,626</u>	<u>1,482,043</u>	<u>16,473,426</u>	<u>24,320,812</u>	<u>348,579</u>	<u>243,074,606</u>
-	-	-	-	-	79,069,990
314,785	-	-	-	-	45,522,266
154,484	-	-	-	-	36,295,382
26,413	-	-	565,132	41,380	10,543,118
37,059	28,957	-	793,524	1,524,840	15,350,282
-	-	-	29,920,672	13,453,549	46,255,617
-	-	6,255,000	-	-	6,255,000
-	-	9,221,841	-	-	9,388,389
<u>532,741</u>	<u>28,957</u>	<u>15,476,841</u>	<u>31,279,328</u>	<u>15,019,769</u>	<u>248,680,044</u>
(122,115)	1,453,086	996,585	(6,958,516)	(14,671,190)	(5,605,438)
122,171	-	-	3,426,709	-	3,715,030
-	-	-	-	-	(3,841,481)
-	-	10,706	-	-	20,579
-	-	-	-	-	(2,272,596)
<u>122,171</u>	<u>-</u>	<u>10,706</u>	<u>3,426,709</u>	<u>-</u>	<u>(2,378,468)</u>
56	1,453,086	1,007,291	(3,531,807)	(14,671,190)	(7,983,906)
2,503	49,188,632	10,666,749	31,574,539	33,348,408	169,419,617
<u>\$ 2,559</u>	<u>\$ 50,641,718</u>	<u>\$ 11,674,040</u>	<u>\$ 28,042,732</u>	<u>\$ 18,677,218</u>	<u>\$ 161,435,711</u>

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**PROPRIETARY FUND
BALANCE SHEET
JUNE 30, 2010**

	Internal Service Fund
ASSETS	
Cash and cash equivalents	\$ 75,000
Investments	21,969,318
Accounts receivable	18,397
Due from other funds	6,639,420
Total Assets	<u>\$ 28,702,135</u>
LIABILITIES AND FUND EQUITY	
LIABILITIES	
Accounts payable	\$ 4,802
Due to other funds	406,058
Claim liabilities	3,232,749
Total Liabilities	<u>3,643,609</u>
FUND EQUITY	
Retained earnings	<u>25,058,526</u>
Total Liabilities and Fund Equity	<u>\$ 28,702,135</u>

See accompanying note to additional supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN
RETAINED EARNINGS
FOR THE YEAR ENDED JUNE 30, 2010**

	Internal Service Fund
OPERATING REVENUES	
Premium contributions	<u>\$ 6,639,420</u>
OPERATING EXPENSES	
Classified salaries	137,427
Employee benefits	4,798,993
Books and supplies	1,550
Services and other operating expenditures	<u>3,155,496</u>
Total Operating Expenses	<u>8,093,466</u>
Operating Loss	<u>(1,454,046)</u>
NONOPERATING REVENUES	
Interest income	290,218
Other income	<u>338,389</u>
Total Nonoperating Revenues	<u>628,607</u>
NET LOSS	(825,439)
RETAINED EARNINGS, BEGINNING OF YEAR	<u>25,883,965</u>
RETAINED EARNINGS, END OF YEAR	<u><u>\$ 25,058,526</u></u>

See accompanying note to additional supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

PROPRIETARY FUND STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2010

	Internal Service Fund
	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from user charges	\$ 6,639,420
Cash payments to employees for services	(137,427)
Cash payments for insurance claims	(4,798,993)
Cash payments to suppliers for goods and services	(1,550)
Cash payments for other operating expenses	(1,049,336)
Net Cash Provided from Operating Activities	<u>652,114</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	309,278
Other income	338,389
Net Cash Provided from Investing Activities	<u>647,667</u>
Net increase in cash and cash equivalents	1,299,781
Cash and cash equivalents - Beginning	20,744,537
Cash and cash equivalents - Ending	<u><u>\$ 22,044,318</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED FROM OPERATING ACTIVITIES	
Operating loss	\$ (1,454,046)
Changes in assets and liabilities:	
Due from other funds	1,217,464
Accounts payable	(9,895)
Due to other funds	(434,302)
Claim liabilities	1,332,893
NET CASH PROVIDED FROM OPERATING ACTIVITIES	<u><u>\$ 652,114</u></u>

See accompanying note to additional supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**FIDUCIARY FUNDS
BALANCE SHEETS
JUNE 30, 2010**

	Associated Students Trust	Student Representation Fee	Student Financial Aid
ASSETS			
Cash and cash equivalents	\$ 815,075	\$ 45,314	\$ -
Investments	-	-	3,143,125
Accounts receivable	200	-	1,140,286
Student loans receivable	-	412	6,125
Due from other funds	-	-	4,473
Total Assets	\$ 815,275	\$ 45,726	\$ 4,294,009
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 15,133	\$ -	\$ 4,190,901
Due to other funds	-	-	52,608
Deferred revenue	-	-	500
Due to student groups	201,103	-	-
Total Liabilities	216,236	-	4,244,009
FUND BALANCES			
Reserved	-	-	50,000
Unreserved			
Designated	599,039	45,726	-
Total Fund Balances	599,039	45,726	50,000
Total Liabilities and Fund Balances	\$ 815,275	\$ 45,726	\$ 4,294,009

See accompanying note to additional supplementary information.

Other Trust	Total
\$ 8,325,004	\$ 9,185,393
4,807,368	7,950,493
4,010,156	5,150,642
732,553	739,090
101,318	105,791
<u>\$ 17,976,399</u>	<u>\$ 23,131,409</u>

\$ 4,078,019	\$ 8,284,053
7,715,899	7,768,507
2,294,292	2,294,792
2,475,247	2,676,350
<u>16,563,457</u>	<u>21,023,702</u>

-	50,000
<u>1,412,942</u>	<u>2,057,707</u>
<u>1,412,942</u>	<u>2,107,707</u>
<u>\$ 17,976,399</u>	<u>\$ 23,131,409</u>

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**FIDUCIARY FUNDS
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2010**

	Associated Students Trust	Student Representation Fee	Student Financial Aid
REVENUES			
Federal revenues	\$ -	\$ -	\$ 34,702,023
State revenues	-	-	1,598,881
Local revenues	294,379	18,083	56,965
Total Revenues	294,379	18,083	36,357,869
EXPENDITURES			
Current Expenditures			
Classified salaries	65,214	-	-
Employee benefits	17,126	-	-
Books and supplies	48,395	-	-
Services and operating expenditures	131,445	13,170	4,426
Capital outlay	2,042	-	-
Total Expenditures	264,222	13,170	4,426
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	30,157	4,913	36,353,443
OTHER FINANCING SOURCES (USES)			
Operating transfers in	14,135	-	-
Operating transfers out	(15,000)	-	(52,539)
Other uses	-	-	(36,300,904)
Total Other Financing Sources (Uses)	(865)	-	(36,353,443)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	29,292	4,913	-
FUND BALANCE, BEGINNING OF YEAR	569,747	40,813	50,000
FUND BALANCE, END OF YEAR	\$ 599,039	\$ 45,726	\$ 50,000

See accompanying note to additional supplementary information.

Other Trust	Total
\$ -	\$ 34,702,023
-	1,598,881
273,892	643,319
273,892	36,944,223
24,679	89,893
2,779	19,905
13,977	62,372
316,248	465,289
4,159	6,201
361,842	643,660
(87,950)	36,300,563
231,151	245,286
(51,296)	(118,835)
-	(36,300,904)
179,855	(36,174,453)
91,905	126,110
1,321,037	1,981,597
\$ 1,412,942	\$ 2,107,707

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTE TO ADDITIONAL SUPPLEMENTARY INFORMATION JUNE 30, 2010

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.