

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT**

**PROPOSITION 39 GENERAL OBLIGATION BONDS  
MEASURE X  
FINANCIAL AUDIT**

**Fiscal Year Ending June 30, 2003**

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT**

**PROPOSITION 39 GENERAL OBLIGATION BONDS  
MEASURE X  
FINANCIAL AUDIT**

**June 30, 2003**

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**Chairman**

ROYCE A. STUTZMAN

**Partners**

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DEAN WEST

**INDEPENDENT AUDITOR'S REPORT**

The Board of Trustees  
The Citizens' Oversight Committee  
North Orange County Community College District  
1830 W. Romneya Drive  
Anaheim, CA 92801

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the North Orange County Community College District, as of and for the fiscal year ended June 30, 2003, and have issued our report thereon dated September 18, 2003. We have also audited the accompanying Balance Sheet, Statement of Revenues, Expenditures and Change in Fund Balance and Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual for the Bond Building Fund of the North Orange County Community College District as of and for the fiscal year ended June 30, 2003. These statements are the responsibility of the District's management. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit of the Bond Building Fund in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental 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 for the Bond Building Fund are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Bond Building Fund financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations for the Bond Building Fund of the North Orange County Community College District as of June 30, 2003, in conformity with accounting principles generally accepted in the United States of America.



The Board of Trustees  
The Citizens' Oversight Committee  
North Orange County Community College District

The accompanying statistical information is presented for purposes of additional analysis as required by the District's General Obligation Bond continuing disclosure requirements and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the Bond Building Fund financial statements and, accordingly, we express no opinion on it.

*Vicenti, Lloyd & Stutzman LLP*  
VICENTI, LLOYD & STUTZMAN LLP

January 7, 2004

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT**

**BALANCE SHEET  
BOND BUILDING FUND**

**June 30, 2003**

**ASSETS**

Cash in County Treasury	\$ 100,539,761
Cash with Fiscal Agent	495,625
Accounts Receivable:	
Miscellaneous	107,522
Due from Other Funds	<u>1,385,363</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 102,528,271</u></b>

**LIABILITIES AND FUND EQUITY**

**Liabilities**

Accounts Payable	\$ 3,398,454
Due to Other Funds	<u>1,240,884</u>
<b>TOTAL LIABILITIES</b>	<b><u>4,639,338</u></b>

**FUND BALANCE**

Undesignated	<u>97,888,933</u>
<b>TOTAL FUND EQUITY</b>	<b><u>97,888,933</u></b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b><u>\$ 102,528,271</u></b>

See the accompanying notes to the financial statements.

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE  
BOND BUILDING FUND**

**For the Fiscal Year Ended June 30, 2003**

**REVENUES**

**Revenue from Local Sources**

Interest and Investment Income \$ 1,813,482

**Total Revenue from Local Sources** 1,813,482

**TOTAL REVENUES** 1,813,482

**EXPENDITURES**

Supplies and Materials 90,737

Other Expenses and Services 683,026

Capital Outlay 25,100,478

**TOTAL EXPENDITURES** 25,874,241

Deficiency of revenues over expenditures (24,060,759)

Fund Balance at Beginning of Year 121,949,692

Fund Balance at End of Year \$ 97,888,933

See the accompanying notes to the financial statements.

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE**  
**BUDGET AND ACTUAL - BOND BUILDING FUND**  
**For the Fiscal Year Ended June 30, 2003**

<b>REVENUES</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Revenue from Local Sources</b>			
Interest and Investment Income	\$ 2,000,000	\$ 1,813,482	\$ (186,518)
<b>Total Revenue from Local Sources</b>	<u>2,000,000</u>	<u>1,813,482</u>	<u>(186,518)</u>
<b>TOTAL REVENUES</b>	<u>2,000,000</u>	<u>1,813,482</u>	<u>(186,518)</u>
<b>EXPENDITURES</b>			
Supplies and Materials	95,200	90,737	4,463
Other Expenses and Services	372,950	683,026	(310,076)
Capital Outlay	<u>223,481,542</u>	<u>25,100,478</u>	<u>198,381,064</u>
<b>TOTAL EXPENDITURES</b>	<u>223,949,692</u>	<u>25,874,241</u>	<u>198,075,451</u>
Excess (deficiency) of revenues over expenditures	<u>(221,949,692)</u>	<u>(24,060,759)</u>	<u>197,888,933</u>
<b>OTHER FINANCING SOURCES</b>			
Proceeds from Bonds	<u>100,000,000</u>	<u>-</u>	<u>(100,000,000)</u>
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>100,000,000</u>	<u>-</u>	<u>(100,000,000)</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>\$ (121,949,692)</u>	<u>(24,060,759)</u>	<u>\$ 97,888,933</u>
Fund Balance at Beginning of Year		<u>121,949,692</u>	
Fund Balance at End of Year		<u>\$ 97,888,933</u>	

See the accompanying notes to the financial statements.

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT  
BOND BUILDING FUND**

**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2003**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**ACCOUNTING POLICIES**

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and Audits of State and Local Governmental Units issued by the American Institute of Certified Public Accountants.

**FUND STRUCTURE**

The Statement of Revenues, Expenditures, and Change in Fund Balance is a statement of financial activities of the Bond Building Fund related to the current reporting period. Expenditures of the various funds frequently include amounts for land, buildings, equipment, retirement of indebtedness, transfers to other funds, etc. Consequently, these statements do not purport to present the result of operations or the net income or loss for the period as would a statement of income for a profit-type organization.

**BASIS OF ACCOUNTING**

The Bond Building Fund of the North Orange County Community College District is maintained on the modified accrual basis of accounting. As such, revenues are recognized when they become susceptible to accrual, which is to say, when they become both measurable and available to finance expenditures of the current period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered).

Cash in the County Treasury is recorded at cost, which approximates fair value, in accordance with the requirements of GASB Statement No. 31.

**BUDGET**

The Statement of Revenues, Expenditures and Change in Fund Balances – Budget and Actual includes a column entitled “Budget”. The amounts in this column represent the budget adopted by the Board and all amendments throughout the year.



**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT  
BOND BUILDING FUND**

**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2003**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**CAPITAL ASSETS AND LONG-TERM DEBT**

The accounting and reporting treatment applied to the capital assets and long-term liabilities associated with the Bond Building Fund are determined by its measurement focus. The bond building funds are accounted for on a spending or “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered a measure of “available spendable resources”. Thus, the capital assets and long-term liabilities associated with the Bond Building Fund are accounted for in the basic financial statements of the North Orange County Community College District.

**NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS:**

Excesses of expenditures over appropriations, by major object accounts, are as follows:

<u>Major Object Account</u>	<u>Excess Expenditures</u>
Other Expenses and Services	\$310,076

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT  
BOND BUILDING FUND**

**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2003**

**NOTE 3 – BONDED DEBT:**

On March 5, 2002, the Voters authorized the issuance and sale of general obligation bonds totaling \$239,000,000. In May 2002, \$139,000,000 of general obligation bonds were sold under Proposition 39/Measure X which provides that proceeds of the bonds will generally be used to construct, acquire, modernize and equip district facilities, classrooms and sites, including campus, facility and classroom replacement, modernization and seismic retrofit, parking construction and improvements and that bond proceeds will not be used for salaries or administrative expenses.

The outstanding related bonded debt for the North Orange County Community College District at June 30, 2003 is:

<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2002</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2003</u>
5/21/02 A	3.125-5.375%	8/1/2027	\$139,000,000	\$ 139,000,000	\$ 0	\$ 0	\$139,000,000

The annual requirements to amortize all bonds payable, outstanding as of June 30, 2003, are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 1,165,000	\$ 4,010,999	\$ 5,175,999
2005	2,785,000	6,895,513	9,680,513
2006	3,185,000	6,784,113	9,969,113
2007	1,355,000	6,656,713	8,011,713
2008	1,640,000	6,614,369	8,254,369
2009-2013	13,305,000	31,825,495	45,130,495
2014-2018	24,760,000	27,553,974	52,313,974
2019-2023	41,380,000	19,263,123	60,643,123
2024-2028	<u>49,425,000</u>	<u>6,476,250</u>	<u>55,901,250</u>
Totals	<u>\$139,000,000</u>	<u>\$116,080,549</u>	<u>\$255,080,549</u>

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT  
BOND BUILDING FUND**

**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2003**

**NOTE 4 – SUBSEQUENT EVENT:**

In December, 2003, the District issued \$99,999,001.05 of Election of 2002 General Obligation Bonds, Series 2003 B. This represents the final issue for the District and will be used to construct, acquire, modernize and equip district facilities, classrooms and sites, including campus, facility and classroom replacement, modernization and seismic retrofit, parking construction and improvements.



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

The Board of Trustees  
The Citizens' Oversight Committee  
North Orange County Community College District  
1830 W. Romneya Drive  
Anaheim, CA 92801

We have audited the basic financial statements of the North Orange County Community College District as of and for the fiscal year ended June 30, 2003, and have issued our report thereon dated September 18, 2003. We have also audited the Balance Sheet, Statement of Revenues, Expenditures and Change in Fund Balance and Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual for the Bond Building Fund of the North Orange County Community College District as of and for the fiscal year ended June 30, 2003. 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.

Compliance

As part of obtaining reasonable assurance about whether North Orange County Community College District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards. This item is reported in the North Orange County Community College District Proposition 39 General Obligation Bonds Measure X Performance Audit Report.



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

(Continued)

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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the District's Board of Trustees, the Citizens' Oversight Committee and District management. It is not intended to be and should not be used by anyone other than these specified parties.

*Vicenti, Lloyd & Stutzman LLP*  
VICENTI, LLOYD & STUTZMAN LLP

January 7, 2004

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT  
BOND BUILDING FUND**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2003**

There were no findings and questioned costs related to the financial audit of the Bond Building Fund for the fiscal year ended June 30, 2003.

**STATISTICAL INFORMATION  
(UNAUDITED)**

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT  
Assessed Valuations**

	<u>Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>
<u>Orange County Portion</u>				
1994-95	\$40,563,178,034	\$67,973,676	\$3,093,508,295	\$43,724,660,005
1995-96	39,917,272,591	55,259,993	3,065,641,055	43,038,173,639
1996-97	39,748,119,227	41,535,083	3,036,035,071	42,825,689,381
1997-98	40,376,467,425	44,121,734	3,172,335,883	43,592,925,042
1998-99	41,908,344,809	40,081,982	3,448,899,870	45,397,326,661
1999-00	44,618,512,515	40,476,936	3,390,289,262	48,049,278,713
2000-01	48,223,934,285	38,186,397	4,033,495,505	52,295,616,187
2001-02	52,685,585,117	35,819,102	4,058,892,819	56,780,297,038
2002-03	57,020,900,487	31,572,319	5,624,434,600	62,676,907,406
2003-04	61,012,378,153	30,802,354	4,433,250,501	65,476,431,008
<u>Los Angeles County Portion</u>				
1994-95	\$1,109,850,400	\$3,375,538	\$8,773,561	\$1,121,999,499
1995-96	1,122,239,849	3,509,892	9,716,921	1,135,466,662
1996-97	1,125,806,485	1,293,409	9,826,768	1,136,926,662
1997-98	1,125,575,995	1,316,689	11,852,219	1,138,744,903
1998-99	1,151,120,019	149,254	10,823,427	1,162,092,700
1999-00	1,184,288,694	101,975	11,373,292	1,195,763,961
2000-01	1,304,038,031	94,267	14,449,830	1,318,582,128
2001-02	1,352,407,508	103,206	9,610,846	1,362,121,560
2002-03	1,439,783,796	99,365	9,378,819	1,449,261,980
2003-04	1,567,412,658	113,476	10,303,407	1,577,829,541
<u>Total District</u>				
1994-95	\$41,673,028,434	\$71,349,214	\$3,102,281,856	\$44,846,659,504
1995-96	41,039,512,440	58,769,885	3,075,357,976	44,173,640,301
1996-97	40,873,925,712	42,828,492	3,045,861,839	43,962,616,043
1997-98	41,502,043,420	45,438,423	3,184,188,102	44,731,669,945
1998-99	43,059,464,828	40,231,236	3,459,723,297	46,559,419,361
1999-00	45,802,801,209	40,578,911	3,401,662,554	49,245,042,674
2000-01	49,527,972,316	38,280,664	4,047,945,335	53,614,198,315
2001-02	54,037,992,625	35,922,308	4,068,503,665	58,142,418,598
2002-03	58,460,684,283	31,671,684	5,633,813,419	64,126,169,386
2003-04	62,579,790,811	30,915,830	4,443,553,908	67,054,260,549

Source: California Municipal Statistics, Inc.



**North Orange County Community College District  
Secured Tax Charges and Delinquencies**

<u>Fiscal Year</u>	<u>Secured Tax Charge (1)</u>	<u>Amt.Del. June 30</u>	<u>% Del. June 30</u>
1993-94	\$25,291,986.10	\$917,087.85	3.63%
1994-95	25,480,762.47	862,389.77	3.38
1995-96	25,132,106.94	600,266.25	2.39
1996-97	25,010,057.90	576,012.42	2.30
1997-98	25,676,204.19	485,403.49	1.89
1998-99	26,796,998.80	511,691.59	1.91
1999-00	28,513,919.20	535,694.04	1.88
2000-01	30,793,813.64	611,982.60	1.99
2001-02	33,619,674.56	668,982.66	1.99
2002-03	37,218,319.43	676,022.74	1.82

(1) 1% General Fund apportionment  
Source: California Municipal Statistics, Inc.

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT  
Twenty Largest Secured Taxpayers  
2003-04 Assessed Valuations**

<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2003-04 Assessed Valuation</u>	<u>% of Total (1)</u>
1. Walt Disney World	Theme Park and Hotel	\$2,944,147,035	4.70%
2. Knotts Berry Farm	Theme Park	233,804,553	0.37
3. Retail Property Trust	Commercial	182,070,050	0.29
4. Rreef America Reit II Corp.	Commercial	171,057,899	0.27
5. Kimberly-Clark Worldwide Inc.	Industrial	145,928,972	0.23
6. Warland Investment Co.	Industrial	145,805,553	0.23
7. Beckman Instrument Co.	Industrial	143,627,871	0.23
8. Boeing North American	Industrial	135,401,399	0.22
9. Kilroy Realty LP	Industrial	127,812,712	0.20
10. Allstate Life Insurance Co./Anaheim Hotel	Hotel	106,207,000	0.17
11. Disney Sport Enterprises	Commercial	103,381,718	0.17
12. Prudential Insurance Co. America	Industrial	84,044,091	0.13
13. Angeli LLC	Commercial	71,001,115	0.11
14. American Food & Drug Inc.	Industrial	70,697,778	0.11
15. Joan M. Schlund	Mobile Home Park	69,693,302	0.11
16. Corecare III	Skilled Nursing Facility	68,554,540	0.11
17. Olen Commercial Realty Corp.	Commercial	67,884,613	0.11
18. Mitsubishi Motor Sales of America Inc.	Industrial	66,275,296	0.11
19. Prologis California I LLC	Industrial	64,215,989	0.10
20. Nabisco Inc.	Industrial	<u>61,207,398</u>	<u>0.10</u>
		\$5,062,818,884	8.09%

(1) 2003-04 Local Secured Assessed Valuation: \$62,579,790,811  
Source: California Municipal Statistics, Inc.