



Financial Statements
June 30, 2021

North Orange County Community
College District

North Orange County Community College District

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June 30, 2021

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of North Orange County Community College District (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the District as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 2 and Note 13 to the financial statements, the District adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which resulted in a restatement of net position as of July 1, 2020. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 19, and other required supplementary schedules on pages 67 through 73 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information, including the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 16, 2021



NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

KASHMIRA VYAS, CPA
*District Director
Fiscal Affairs*

FRED WILLIAMS
Interim Chancellor

INTRODUCTION

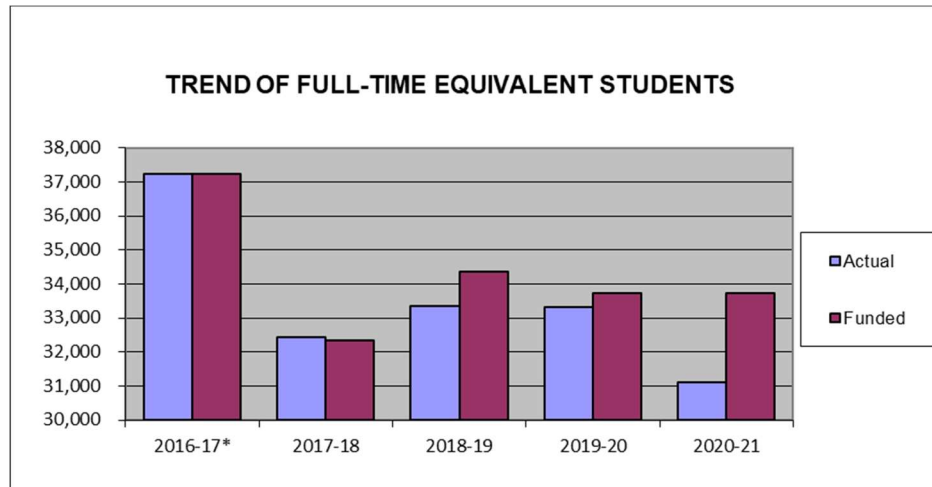
The following discussion and analysis provides an overview of the financial position and activities of the North Orange County Community College District (the District) for the year ended June 30, 2021. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes thereto which follow this section.

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

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

SELECTED HIGHLIGHTS

- With the implementation of the State's Student-Centered Funding Formula (SCFF), a multi-year implementation period was included, which holds districts harmless if they drop below their 2017-2018 funding plus accumulated COLA increases. The District was in stability in 2017-2018, which means that funding was based on the 2016-2017 FTES levels. As a result, the hold harmless provision has been a windfall to our District, adding significant one-time resources. The hold harmless provision was originally intended to end after 2020-2021, but has been extended and will currently be in effect through 2024-2025. The SCFF provides revenue through three components:
 - FTES (which comprises 70% of the formula)
 - Supplemental Allocation (which comprises 20%), and
 - Student Success Allocation (which is the remaining 10% of the formula).



*Includes shifting of Summer FTES

FTES still comprises the majority of the funding under the SCFF. Since 2017, the District FTES has decreased 16.47% or 6,133 FTES. In March 2020, in response to the pandemic, the Governor issued stay-at-home orders. The District responded by halting on-site instruction and transitioning classes in current and remaining terms for the academic year to distance education. Due to the challenges faced by districts as a result of this transition, the State Chancellor's office permitted districts the opportunity to apply for an emergency conditions allowance. This allowance permits districts to request that FTES from a period prior to the onset of the emergency condition be used for apportionment funding purposes. The District applied for that allowance for 2020-2021.

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

The implementation of the SCFF has continued to be challenging. The application methodologies for the metrics and the associated funding rates were refined during the year at the State level. As a result of this as well as the adverse impacts on student data created by the pandemic, the transition period has been extended again, as noted above. Therefore, as a result of the hold harmless provision, the District does not expect to be adversely affected during this transition period. If the District cannot regain FTES starting in 2023-2024, and if the State does not extend the hold harmless period, the District will find itself in a difficult fiscal position.

- The District has two outstanding facilities bond measures approved by voters: Measure X and Measure J. Measure X funds were fully expended in the prior fiscal year. See Note 7 for additional information on the Measure X bonds, including outstanding balances.

- In 2014, the voters of the District approved a \$574,000,000 Measure J Facilities Bond Measure. The \$100,000,000 (Series A) was issued in June 2016 and \$150,000,000 (Series B) was issued in June 2019. For Measure J, the voters approved projects primarily with a focus on supporting success for veterans as well as supporting facilities improvements that contribute to workforce development. The first of the projects includes a new Cypress College Science, Engineering and Math Building to create classroom and lab spaces to support ongoing student success in addressing skills needed in the STEM industries. Additionally, construction is in progress for the new Veterans' Center and Student Activities Center Expansion Project at Cypress College. At Fullerton College, the initial projects being focused on are the renovation of the Business and Computer Information Building and of the Applied Arts/Humanities Building, a new instructional building, as well as the expansion of the chilled water plant to complete the existing system. Updates to the information technology infrastructure throughout the District are being done in conjunction with these projects.

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.

Financial Statement Presentation and Basis of Accounting

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

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

Also, in accordance with GASB Statements No. 34 and No. 35, the financial statements have been prepared under the full accrual basis of accounting which requires that revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. A reconciliation between the fund balances reported on the June 30, 2021, Annual Financial and Budget Report (CCFS-311) based upon governmental accounting principles and the modified accrual basis of accounting, and the total net position recorded on the full accrual basis of accounting, is found on pages 87 and 88 of the report.

Provisions of GASB Statement No. 84, *Fiduciary Activities* has been implemented into this report. The prior year information has been restated for comparability to the current year. Additional information on this change is provided on page 33 of the report.

STATEMENT OF NET POSITION

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

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

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

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

North Orange County Community College District
Management's Discussion and Analysis
June 30, 2021

	2021	2020, as restated	Change
Assets			
Cash and investments	\$ 350,490,157	\$ 473,005,144	\$ (122,514,987)
Receivables, net	62,155,605	22,155,585	40,000,020
Other current assets	776,791	645,138	131,653
Net other postemployment benefits asset	20,786,846	-	20,786,846
Capital assets, net	556,030,199	463,454,819	92,575,380
Total assets	<u>990,239,598</u>	<u>959,260,686</u>	<u>30,978,912</u>
Deferred Outflows of Resources	<u>72,251,067</u>	<u>71,913,036</u>	<u>338,031</u>
Liabilities			
Accounts payable and accrued liabilities	62,304,366	69,728,899	(7,424,533)
Current portion of long-term liabilities	48,252,395	45,247,211	3,005,184
Noncurrent portion of long-term liabilities	564,657,317	579,025,904	(14,368,587)
Total liabilities	<u>675,214,078</u>	<u>694,002,014</u>	<u>(18,787,936)</u>
Deferred Inflows of Resources	<u>38,856,040</u>	<u>28,592,483</u>	<u>10,263,557</u>
Net Position			
Net investment in capital assets	374,730,238	330,071,186	44,659,052
Restricted	151,063,971	122,462,758	28,601,213
Unrestricted deficit*	<u>(177,373,662)</u>	<u>(143,954,719)</u>	<u>(33,418,943)</u>
Total net position	<u>\$ 348,420,547</u>	<u>\$ 308,579,225</u>	<u>\$ 39,841,322</u>

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

- Cash and investments consist primarily of cash and funds held in a county investment pool in the General Fund (\$89.9 million), Bond Fund (\$89.3 million), Capital Outlay Fund (\$65.3 million), and the Self Insurance Fund (\$26.3 million). The decrease of \$122.5 million was mostly attributable to costs associated with multiple ongoing bond funded projects. The District has also started to implement approved spending plans associated with hold harmless funds received as part of the implementation of the state's SCFF. The Statement of Cash Flows included in these financial statements provides greater detail of the sources and uses of the District's cash during the 2020-2021 fiscal year.

- Accounts receivable activity consists mainly of receivables from Federal and State sources for grant and entitlement programs and receivables from local sources for all other purposes. This year, there is a net increase in receivables. State apportionment and categorical aid comprise the majority of the balance, with \$22.9 million and \$27.2 million in receivables, respectively. The majority of the increase in overall receivables is the result of the increase of \$16.9 million in the state apportionment receivable from the prior year and of the increase of categorical receivables by \$21.4 million from the Higher Education Emergency Relief Fund (HEERF) and the Student Equity and Achievement Program (SEA). The reason for the increased State apportionment receivable is due to the planned deferrals by the State. These deferred apportionment funds will be paid fully in 2021-2022. Receivable amounts for other activities such as lottery, interest, and student loans receivable remain consistent with the prior year. Note 5 of these financial statements provides a summary of the accounts receivable balance.
- Other assets are primarily inventory and prepaid expenses. Inventory is primarily made up of merchandise held for sale in the bookstores located at Fullerton College and North Orange Continuing Education.
- The District has continued to contribute to its Irrevocable OPEB Trust. As a result, this liability is reduced by the value of the trust assets. During the 2020-21 year, the value of the assets in the trust exceeded the actuarially determined liability, resulting in a net OPEB asset. The net position and activity for the irrevocable trust are shown on pages 24 and 25 as part of the Fiduciary funds.
- 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 2020-2021 fiscal year.
- Deferred outflows of resources represent a consumption of net assets that is applicable to a future reporting period. For example, prepaid items and deferred charges. In our instance, the deferred outflow associated with OPEB and pension costs has increased compared to the prior year primarily due to changes in the assumptions underlying the calculated OPEB and pension liabilities. (See Notes 8 and 10).
- Accounts payable are amounts due as of the fiscal year-end for goods and services received as of June 30, 2021. Also included are accrued liabilities for amounts due to or on behalf of employees for wages and benefits earned as of the end of the fiscal year, but paid out subsequent to June 30, 2021. The decrease in this account is attributable primarily to the timely submission this year of several large invoices related to the larger bond funded projects, which allowed for payments to be processed prior to closing the books. Unearned revenues have been combined into this line and 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.

- Long-term liabilities include bonded debt issuances and unamortized premiums related to the general obligation bond liability, compensated absence and load banking balances, supplemental early retirement plan (SERP), claim liabilities, and aggregate net OPEB and net pension obligations. The decrease in long-term liabilities of \$11.4 million is primarily due to reductions in the outstanding bond liabilities as well as a reduction in the District's net OPEB liability, which resulted in a net OPEB asset in the 2020-21 year. The District has bonded debt issuances outstanding that amounts to \$310.2 million, consisting of bonds issued as part of Measures X and J, as well as Refunding Bonds issued on portions of bonds issued under Measure X. The \$14.8 million in compensated absences and load banking are amounts accrued for accumulated, unpaid employee vacation benefits, and load banking where eligible academic employees may teach extra courses in one period for exchange for time off in another period. In 2017-2018, the District offered a one-time SERP. Eligible employees were offered a payment of 75 percent of their eligible salary. The total cost of the SERP will be paid out over five years (from 2017-2018 to 2021-2022). In 2020-21, the District offered another one-time SERP to select groups. Eligible employees were offered a payment of \$1,000 per year of service with the District up to a maximum of \$25,000. The total cost of the SERP will be paid during 2021-2022. Claims payable and the net OPEB liability are based on actuarially determined amounts. Claims payable are potential liabilities associated with workers' compensation and property and liability claims. The aggregate net OPEB liability is presented in accordance with the most recent required accounting principle. Aggregate net pension obligation amounts are provided based on calculations from CalSTRS and CalPERS. Notes 7 through 10 of these financial statements provides more information on the District's long-term liabilities.

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

- Deferred inflows of resources represent an acquisition of net position that is applicable to a future reporting period. For example, deferred revenue and advance collections. In our instance, deferred inflows associated with changes in the net OPEB and net pension liabilities have increased from the prior year primarily due changes in the assumptions underlying the calculated OPEB and pension liabilities. (See Notes 8 and 10).

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

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

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

North Orange County Community College District
Management's Discussion and Analysis
June 30, 2021

The Statement of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2021 and 2020, is summarized below:

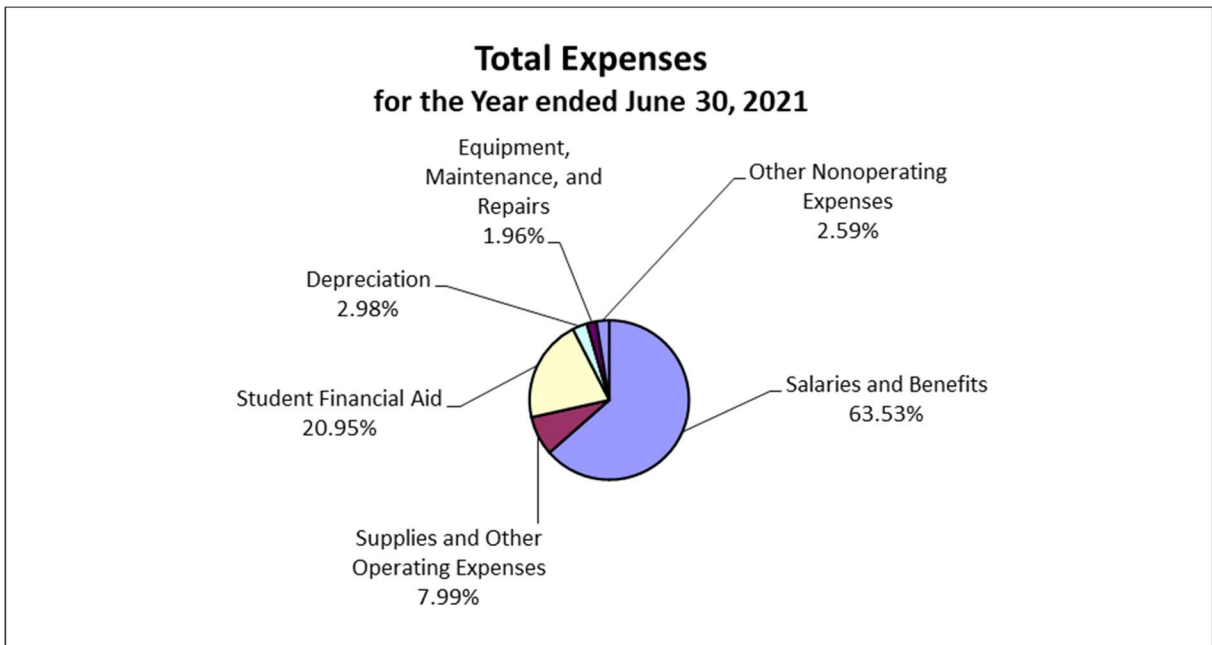
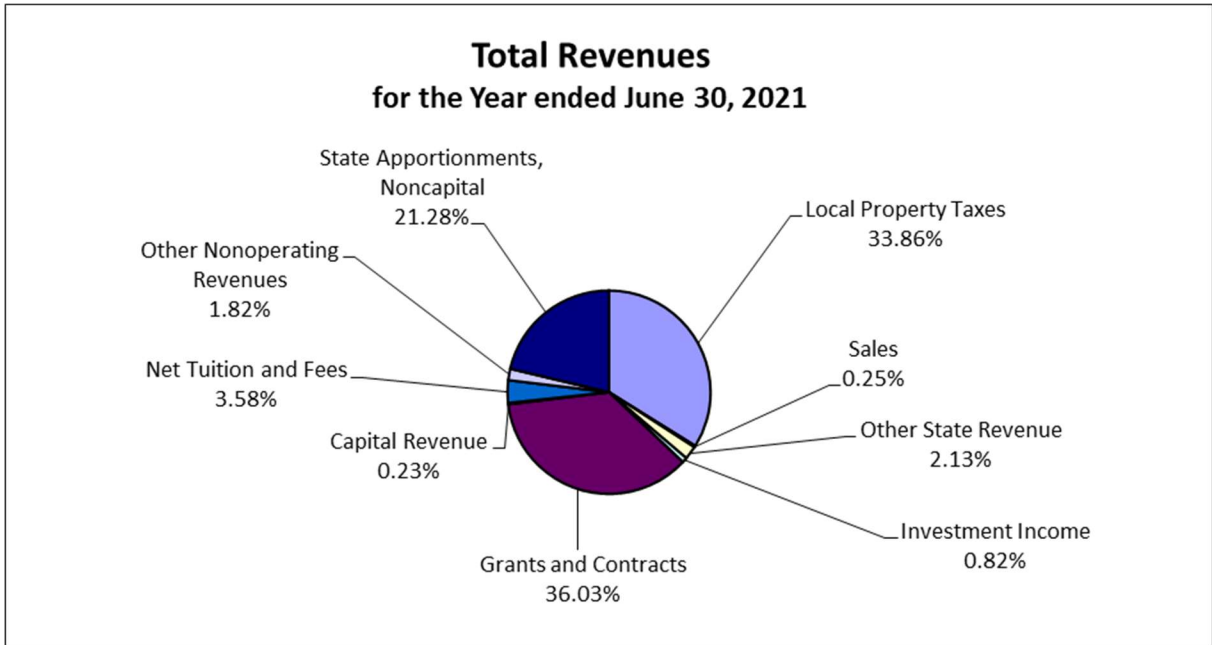
	2021	2020, as restated	Change
Operating Revenues			
Tuition and fees	\$ 16,519,880	\$ 18,313,823	\$ (1,793,943)
Grants and contracts, noncapital	88,102,034	58,997,153	29,104,881
Auxiliary sales and charges	1,165,093	2,882,724	(1,717,631)
Total operating revenues	<u>105,787,007</u>	<u>80,193,700</u>	<u>25,593,307</u>
Operating Expenses			
Salaries and benefits	267,605,307	256,774,654	10,830,653
Supplies, services, equipment, and maintenance	41,920,069	44,236,041	(2,315,972)
Student financial aid	88,277,191	75,293,603	12,983,588
Depreciation	12,565,968	12,437,409	128,559
Total operating expenses	<u>410,368,535</u>	<u>388,741,707</u>	<u>21,626,828</u>
Loss on operations	<u>(304,581,528)</u>	<u>(308,548,007)</u>	<u>3,966,479</u>
Nonoperating Revenues			
State apportionments	98,138,274	96,092,336	2,045,938
Property taxes	156,105,289	137,753,741	18,351,548
Student financial aid grants	78,020,573	72,657,207	5,363,366
State revenues	9,807,867	8,929,619	878,248
Net interest expense	(7,136,647)	(2,611,475)	(4,525,172)
Other nonoperating revenues	8,408,521	7,487,924	920,597
Total nonoperating revenue	<u>343,343,877</u>	<u>320,309,352</u>	<u>23,034,525</u>
Other Revenues			
State/local capital income and gains/losses on disposal of capital assets	1,078,973	619,531	459,442
Change in net position	<u>\$ 39,841,322</u>	<u>\$ 12,380,876</u>	<u>\$ 27,460,446</u>

- Net tuition and fees are generated by the resident, non-resident, and foreign fees paid by students attending the District. These include fees paid for enrollment, health services, parking, community services classes, and other related fees. The decrease in these amounts is attributable to attrition in students resulting from the COVID-19 pandemic- related changes such as moving classes to primarily distance education and personal challenges faced by students to continue remotely.
- Grants and contracts, noncapital received as operating revenues are primarily those funds received from Federal and State sources and used in instructional programs (e.g., Student Success and Strong Workforce Initiative-related programs). As a result of the pandemic, we did see an increase in Federal funding from the U.S. Department of Education to provide supplementary assistance to the District to assist with providing a continuity of education. Pages 77 through 80 of the supplementary information section of this report provide a complete listing of Federal and State noncapital grants and contracts.

- Auxiliary sales are primarily related to the sale of merchandise in the Bookstores located at Fullerton College and North Orange Continuing Education. There has been a declining trend in bookstore sales, with overall revenue decreasing by 77% since 2014-2015. With the increase in alternative sources and technology for traditional college textbooks, college bookstores continue to work to redefine themselves to meet student needs. Additionally, last year, starting in March, instruction was moved to distance learning resulting in additional decreases in bookstore activity. Starting in 2021-2022, Fullerton College and North Orange Continuing Education will be contracting out their bookstore services.
- Salaries and benefits comprise 65% of total operating expenses from a District-wide full-accrual perspective. In other words, these amounts include the activity from all District funds, not just the General Fund. Consequently, this percentage is lower than normally discussed when talking about the percentage of salaries as compared to total expenses since it is computed using all Capital Outlay and Bond Fund expenditures that are primarily capital outlay expenditures. Salaries and benefits in the General Fund make up 88% of total General Fund expenses as reflected on page 109 of this report. The District adopted GASB Statement No 84, *Fiduciary Activities*, in the current year. Therefore, the previous year's salaries and benefits amount have been restated by \$155,604. Academic salaries increased by \$7.4 million, which is attributable to the settled salary increases and stipend payments in the mid-year of 2020-21. Due to the increase in salaries, and pension expenses, the benefit costs also rose by \$2.5 million. The increase in the vacation liabilities directly impacted (i.e., increased) the Classified salaries by approximately \$1 million.
- Other operating expenses consist of supplies, insurance, utilities, depreciation expense, other services, and capital outlay items below the capitalization threshold. The slight decrease in this account is related to the implementation of the Governor's stay-at-home orders starting in March 2020 which reduced the costs normally associated with on-campus activities as well as putting a halt to employee attendance at conferences.
- Student financial aid is made up of financial assistance payments made to students as part of the Student Financial Aid cluster of programs.
- The operating loss reported on the Statement of Revenues, Expenses, and Changes in Net Position is related to the reporting requirements of GASB Statement No. 35 that identify transactions as either exchange or non-exchange. If a transaction is considered an exchange transaction, then the revenue is considered operating revenue. Conversely, if a transaction is deemed a non-exchange transaction, then the revenue is considered nonoperating revenue. In our case, the revenues received from the State of California as apportionment and from local property taxes are deemed non-exchange transactions and consequently, nonoperating revenues. Every community college district within the State of California will have a large operating loss due to this required reporting presentation

- State apportionments, local property taxes, and tuition and fees are all components of the community college apportionment funding model. The model is comprised of a base allocation, an amount per credit FTES, noncredit FTES, and an enhanced amount per qualifying noncredit FTES for career development and college preparation courses. With the implementation of the Student-Centered Funding Formula, additional components provide a supplemental allocation that targets equity of access and opportunity for low-income students and a student success allocation incentivizing successful outcomes of students. An important aspect of the community college apportionment funding model is the inverse relationship between State apportionment and local property taxes. Thus, our funding essentially comes from enrollment fees and local property taxes with the difference made up by State apportionment. The District was in hold harmless status for 2020-2021, receiving the 2017-2018 apportionment plus increases for COLA.
- Local property taxes are received through the Auditor-Controller's Office for Orange and Los Angeles Counties. The amount received for property taxes is deducted from the total State apportionment amount for general revenue calculated by the State. The increase in property taxes is attributable to the spike in property value. Capital debt-related property taxes, which increased, are driven by debt repayment requirements associated with bond issuances and is controlled and managed by the Orange County Treasurer's Office.
- Student financial aid grants listed as nonoperating revenues consist of funds received for direct assistance to students. Similar to grants received for operating purposes, increased funding was also received from Federal and State sources during the pandemic to help provide direct student support for educational and basic needs in a variety of ways. Pages 77 through 80 of the supplementary information section of this report provide a complete listing of Federal and State noncapital grants and contracts.
- State revenues include state taxes and other revenues mainly comprised of State mandated cost revenues and lottery revenues. Lottery revenue is based on the prior year's FTES. The District has elected to participate in an emergency conditions provision that permits the use of the 2019-2020 P1 FTES for funding purposes. Therefore, funding for these remained fairly consistent with the prior year.
- Net interest expense shown is the net of interest expense on capital related debt and investment income earned. While interest activity on capital related debt has remained relatively consistent with the prior year, other investment income decreased \$5 million. This can be attributed to a decrease in interest rates and overall decrease in cash balances.
- Other nonoperating revenues (expenses), net are comprised of the amounts recorded in the Bond Interest and Redemption Fund that was established for the General Obligation Bond, accrued interest on the general obligation bonds, other local revenues, local revenues designated for capital purposes, capital outlay fees received from non-resident students, and transfers to and from the fiduciary funds.
- Other Revenues are comprised of state/local capital income and gains/losses on disposal of capital assets. The increase in this account is mainly due to the receipt of additional State funding related to projects for capital outlay.

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



STATEMENT OF CASH FLOWS

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

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

A summarized Statement of Cash Flows for the years ended June 30, 2021 and 2020, is presented below:

	2021	2020, as restated	Change
Net Cash Flows from			
Operating activities	\$ (299,290,639)	\$ (282,051,223)	\$ (17,239,416)
Noncapital financing activities	282,425,174	283,305,154	(879,980)
Capital financing activities	(109,463,516)	(58,450,555)	(51,012,961)
Investing activities	2,080,121	8,791,851	(6,711,730)
Net Increase (Decrease) in Cash	(124,248,860)	(48,404,773)	(75,844,087)
Cash, Beginning of Year	472,553,802	520,958,575	(48,404,773)
Cash, End of Year	<u>\$ 348,304,942</u>	<u>\$ 472,553,802</u>	<u>\$ (124,248,860)</u>

- Operating activities mainly consist of cash receipts from student tuition and cash payments for salaries, benefits, supplies, Federal, State, and other local operating grants and contracts, other operating expenses, utilities, insurance, and other items related to the instructional program.
- Noncapital financing activities are primarily comprised of State apportionment, property taxes, and Federal and State financial aid grants for other than capital purposes. State apportionments and property taxes received account for 67% of the total cash provided by noncapital financing activities. Additionally, cash received from noncapital related grants and contracts accounts for 28% of the total cash provided by noncapital financing activities.
- Capital financing activities are mostly made up of the purchase or sale of capital assets, principal and interest payments on any debt issued, and cash sources or uses from Federal, State, and local grants for capital purposes. The District has had no significant new financing activity this year. The decrease in cash receipts in this category is the result of continued construction associated with projects related to the Measure J bond issuances as well as principal and interest payments on outstanding bonds.

- The cash from investing activities is interest earned on cash in banks, and on cash invested through the Orange County Educational Investment Pool. The decrease in cash received from investing activities is due to the decrease in interest rates as applied to the decreased funds resulting from the Measure J bond construction activity as well as continued implementation of approved spending plans associated with carryover funds.

CAPITAL ASSET AND LONG TERM LIABILITY ADMINISTRATION

Capital Assets

As of June 30, 2021, the District had \$556.0 million invested in net capital assets. Total capital assets of \$775.2 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 \$219.2 million over the years they have been in service. During 2020-2021, \$3.8 million of buildings and improvement projects completed construction. In addition, \$102.3 million of construction in progress occurred during 2020-2021 primarily as a result of Measure J funded projects. Depreciation expense of \$12.6 million was recorded for the fiscal year.

Capital additions primarily comprise replacement, renovation, and new construction. Construction continued in 2020-2021 for two projects at Cypress College: a new Science, Engineering, and Mathematics Building and a new Veterans' Resource Center and Student Activities Center Expansion. Fullerton College started construction on a new Instructional Building, which included the expansion of the campus's Chilled Water plant, and a Districtwide Network Refresh project also got underway. The District will also be continuing with other locally funded projects.

Note 6 in the financial statements provides additional information on capital assets. A summary of capital assets is presented below.

	2021	2020
Land and improvements, net	\$ 22,914,011	\$ 20,681,589
Buildings and improvements, net	339,521,846	346,590,533
Equipment, net	6,936,223	7,618,472
Construction in progress	186,658,119	88,564,225
Total	\$ 556,030,199	\$ 463,454,819

Long-term Liabilities

At June 30, 2021, the District had \$612.9 million in long-term liabilities consisting of \$310.2 million from general obligation bonds; \$3.0 million from self-insurance claims payable; \$14.8 million from compensated absences and load banking payable; \$4.2 million from the supplemental early retirement program; \$1.1 million from the net OPEB liability; and \$279.6 million as the aggregate net pension obligation which represents the proportionate share of net pension liability of CalSTRS and CalPERS based on GASB Statements No. 68 and No. 71. (See Note 10.)

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 current bond rating is AA+ from Standard & Poor's and Aa1 from Moody's. Both ratings are just one notch below each agency's maximum rating.

The net OPEB liability is the activity associated with the Medicare Premium Payment (MPP) program, a cost-sharing multiple-employer OPEB plan administered by CalSTRS. The District's own plan currently is a net OPEB asset and is included in the discussion on assets.

Notes 7 through 10 in the financial statements provide additional information on long-term liabilities. A summary of long-term liabilities is presented below:

	2021	2020
Long-Term Liabilities		
General obligation bonds	\$ 310,230,058	\$ 345,840,680
Claims payable	3,035,359	3,302,395
Compensated absences and load banking	14,791,867	10,546,983
Supplemental early retirement plan	4,168,645	5,386,692
Net OPEB liability	1,122,860	6,547,907
Aggregate net pension liability	279,560,923	252,648,458
Total long-term liabilities	\$ 612,909,712	\$ 624,273,115
Less current portion	48,252,395	\$ 45,247,211
Long-term portion	\$ 564,657,317	\$ 579,025,904

DISTRICT'S FIDUCIARY RESPONSIBILITY

The District is the trustee, or fiduciary, for certain amounts held in trust for retiree OPEB benefits. 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

- **Economy** – The COVID-19 pandemic and its variants continue to impact our economy. The September 2021 UCLA Anderson Forecast focused on the following:

Gross Domestic Product is projected to grow, but at a slower pace, and a gradual reduction in the unemployment rate is expected, both impacted by the Delta variant surge, continuing supply constraints, and delayed business investment and consumer consumption.

Inflation, and price levels, have been increasing fast, but the inflation rate should slow. However, it appears that average prices will not come down. We have already started experiencing these cost escalations in construction projects.

Low-wage workers have been disproportionately hit by the economic impacts of COVID-19. While various socioeconomic factors are driving this inequality, it appears that inequality in education is one of the main drivers of low wages. However, on a positive note, colleges are helping to drive upward economic mobility for the those in the lowest household income brackets better than the national average.

However, our experience with COVID-19 has taught us to expect the unexpected. We continue to stay responsive to the changing factors the pandemic continues to bring.

- **Enrollments** – Due to the COVID-19 pandemic, California community colleges were required to mostly transition to online/remote instruction starting in March 2020. During that same period most community colleges experienced significant declines in enrollment. Our numbers are expected to be down by more than 6% this fiscal year. During the Fall 2021 term, the District's Board of Trustees approved a COVID-19 vaccine mandate for students who attend classes on campus and employees. This is the start of transitioning out of the pandemic-driven operational modalities, increasing access to learning and educational services for students.
- **Financial Aid** – In efforts to support students' educational pathways during the pandemic, there has been an increase in federal financial funding in addition to the ongoing traditional aid. Combined with the rapid transition to on-line services, colleges around the country have experienced a significant increase in financial aid fraud. Fraudulent student activity further impacts our students by reducing the available seats in classes as well as creating barriers to accessing aid. We continue to address issues surrounding such activity in efforts to serve and support our students.
- **One-Time Funds** – As of June 30, 2021, the District ended the fiscal year with a surplus due to prudent fiscal management in previous years as well as a large amount of one-time funds from the State due to the current, temporary hold harmless provisions of the Student-Centered Funding Formula, which is being used to supplement the resource allocation model as well as being allocated toward designated one-time purposes. Furthermore, federal funding for operational support during the pandemic has come in over the last three years allowing us to shift COVID-related expenses and to backfill loss of revenue rather than to deplete our carryover funds for these purposes.

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

North Orange County Community College District

Statement of Net Position

June 30, 2021

Assets	
Cash and cash equivalents	\$ 18,486,836
Investments	332,003,321
Accounts receivable	57,367,557
Student receivables	4,788,048
Prepaid expenses	325,573
Inventories	450,718
Other assets	500
Net other postemployment benefits (OPEB) asset - District Plan	20,786,846
Capital assets	
Nondepreciable capital assets	205,938,491
Depreciable capital assets, net of depreciation	350,091,708
Total capital assets	556,030,199
Total assets	990,239,598
Deferred Outflows of Resources	
Deferred outflows of resources related to OPEB	8,010,004
Deferred outflows of resources related to pensions	64,241,063
Total deferred outflows of resources	72,251,067
Liabilities	
Accounts payable	34,631,242
Accrued interest payable	3,000,308
Unearned revenue	24,672,816
Long-term liabilities	
Long-term liabilities other than OPEB and pensions, due within one year	48,252,395
Long-term liabilities other than OPEB and pensions, due in more than one year	283,973,534
Net OPEB liability - Medicare Premium Payment Plan	1,122,860
Aggregate net pension liability	279,560,923
Total liabilities	675,214,078
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	22,117,743
Deferred inflows of resources related to pensions	16,738,297
Total deferred inflows of resources	38,856,040
Net Position	
Net investment in capital assets	374,730,238
Restricted for	
Debt service	43,985,830
Capital projects	65,262,737
Educational programs	4,632,534
Other activities	37,182,870
Unrestricted	(177,373,662)
Total Net Position	\$ 348,420,547

North Orange County Community College District
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2021

Operating Revenues	
Tuition and fees	\$ 32,975,745
Less: Scholarship discounts and allowances	(16,455,865)
Net tuition and fees	<u>16,519,880</u>
Grants and contracts, noncapital	
Federal	34,959,433
State	51,965,036
Local	1,177,565
Total grants and contracts, noncapital	<u>88,102,034</u>
Auxiliary enterprise sales and charges	
Bookstore	1,134,956
Cafeteria	30,137
Total operating revenues	<u>105,787,007</u>
Operating Expenses	
Salaries	189,734,852
Employee benefits	77,870,455
Supplies, materials, and other operating expenses and services	33,662,470
Student financial aid	88,277,191
Equipment, maintenance, and repairs	8,257,599
Depreciation	12,565,968
Total operating expenses	<u>410,368,535</u>
Operating Loss	
	<u>(304,581,528)</u>
Nonoperating Revenues (Expenses)	
State apportionments, noncapital	98,138,274
Local property taxes, levied for general purposes	107,731,450
Taxes levied for other specific purposes	48,373,839
Federal and State financial aid grants	78,020,573
State taxes and other revenues	9,807,867
Investment income	3,546,703
Interest expense on capital related debt	(10,903,239)
Investment income on capital asset-related debt, net	219,889
Other nonoperating revenue	8,408,521
Total nonoperating revenues (expenses)	<u>343,343,877</u>
Income Before Other Revenues, Expenses, Gains, and Losses	
	<u>38,762,349</u>
Other Revenues	
State revenues, capital	1,118,691
Loss on disposal of capital assets	(39,718)
Total other revenues, expenses, gains, and losses	<u>1,078,973</u>
Change In Net Position	
	39,841,322
Net Position, Beginning of Year, as Restated	
	<u>308,579,225</u>
Net Position, End of Year	
	<u><u>\$ 348,420,547</u></u>

North Orange County Community College District

Statement of Cash Flows
Year Ended June 30, 2021

Operating Activities	
Tuition and fees	\$ 14,632,575
Federal, state, and local grants and contracts, noncapital	68,712,506
Auxiliary sales	1,165,093
Payments to or on behalf of employees	(252,669,878)
Payments to vendors for supplies and services	(42,853,744)
Payments to students for scholarships and grants	(88,277,191)
Net cash flows from operating activities	<u>(299,290,639)</u>
Noncapital Financing Activities	
State apportionments	81,231,174
Federal and state financial aid grants	78,020,573
Property taxes - nondebt related	107,731,450
State taxes and other apportionments	9,240,124
Other nonoperating	6,201,853
Net cash flows from noncapital financing activities	<u>282,425,174</u>
Capital Financing Activities	
Purchase of capital assets	(112,175,152)
State revenue, capital	1,118,691
Property taxes - related to capital debt	48,373,839
Principal paid on capital debt	(39,165,000)
Interest paid on capital debt	(7,835,783)
Interest received on capital asset-related debt	219,889
Net cash flows from capital financing activities	<u>(109,463,516)</u>
Cash Flows from Investing Activities	
Interest received from investments	<u>2,080,121</u>
Change In Cash and Cash Equivalents	(124,248,860)
Cash and Cash Equivalents, Beginning of Year, as Restated	<u>472,553,802</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 348,304,942</u></u>

North Orange County Community College District

Statement of Cash Flows

Year Ended June 30, 2021

Reconciliation of Net Operating Loss to Net Cash Flows from Operating Activities

Operating Loss	<u>\$ (304,581,528)</u>
Adjustments to reconcile operating loss to net cash flows from operating activities	
Depreciation expense	12,565,968
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources	
Accounts receivable	(20,926,891)
Student receivables	(1,977,761)
Inventories	114,132
Prepaid expenses	(245,785)
Net OPEB asset - District Plan	(20,786,846)
Deferred outflows of resources related to OPEB	820,927
Deferred outflows of resources related to pensions	(1,158,958)
Accounts payable	747,508
Unearned revenue	1,627,819
Compensated absences and load banking	4,244,884
Supplemental early retirement plan	(1,218,047)
Claims payable	(267,036)
Net OPEB liability - Medicare Premium Payment Plan	(5,425,047)
Aggregate net pension liability	26,912,465
Deferred inflows of resources related to OPEB	18,876,815
Deferred inflows of resources related to pensions	<u>(8,613,258)</u>
Total adjustments	<u>5,290,889</u>
Net cash flows from operating activities	<u><u>\$ (299,290,639)</u></u>

Cash and Cash Equivalents Consist of the Following:

Cash in banks	\$ 18,486,836
Cash in county treasury	<u>329,818,106</u>

Total cash and cash equivalents	<u><u>\$ 348,304,942</u></u>
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Noncash Transactions

Amortization of debt premiums	\$ 709,731
Accretion of interest on capital appreciation bonds	\$ 4,264,109

North Orange County Community College District

Fiduciary Funds

Statement of Net Position

June 30, 2021

	Retiree OPEB Trust
Assets	
Investments	<u>\$ 142,194,083</u>
Net Position	
Restricted for postemployment benefits other than pensions	<u>\$ 142,194,083</u>

North Orange County Community College District

Fiduciary Funds

Statement of Changes in Net Position

Year Ended June 30, 2021

	<u>Retiree OPEB Trust</u>
Additions	
District contributions	\$ 6,697,527
Interest and investment income	4,302,705
Net realized and unrealized gains	<u>25,727,555</u>
Total additions	<u>36,727,787</u>
Deductions	
Benefit payments	5,278,202
Administrative expenses	<u>426,969</u>
Total deductions	<u>5,705,171</u>
Change in Net Position	31,022,616
Net Position - Beginning of Year, as Restated	<u>111,171,467</u>
Net Position - End of Year	<u><u>\$ 142,194,083</u></u>

Note 1 - Organization

The North Orange County Community College District (the District) is a comprehensive, public, two-year institution offering higher education in the Counties of Orange and Los Angeles in the State of California and is governed by an elected Board of Trustees. The District is comprised of two college campuses, Cypress College and Fullerton College, the District office, a vocational and adult center, North Orange Continuing Education, which offers courses and programs at the Anaheim campus, the Cypress College campus, the Wilshire campus, and other off-site locations. While the District is a political subdivision of the State of California, it is legally separate and is independent of other State and local governments, and it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61. The District is classified as a Public Educational Institution under Internal Revenue Code Section 115 and is, therefore, exempt from Federal taxes.

Note 2 - Summary of Significant Accounting Policies**Financial Reporting Entity**

The District has considered all potential component units in determining how to define the reporting entity using criteria set forth in accounting principles generally accepted in the United States of America. The basic criteria for including a component unit are (1) the economic resources held or received by the other entity are entirely or almost entirely for the direct benefit of the District, (2) the District is entitled to, or has the ability to otherwise access, a majority of the economic resources held or received by the other entity, and (3) the other entity's resources to which the District is entitled or has the ability to otherwise access are significant to the District. If any of these criteria are not met, the final criterion for including a component unit is whether the other entity is closely related to, or financially integrated with, the District. The District identified no component units that met this requirement.

Basis of Accounting

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB. This presentation provides a comprehensive government-wide perspective of the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, activities, and cash flows and replaces the fund group perspective previously required. Fiduciary activities are excluded from the primary government financial statements. The District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as promulgated by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office *Budget and Accounting Manual*. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. 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. The District considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days. For the District, operating revenues consist primarily of student fees, noncapital grants and contracts, and auxiliary activities through the bookstore and cafeteria.

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

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with the County treasury for purposes of the Statement of Cash Flows.

Investments

Investments are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value, including money market investments and participating interest-earning investment contracts with original maturities greater than one year, are stated at cost or amortized cost.

The District's investment in the County treasury is measured at fair value on a recurring basis, which is determined by the fair value per share of the underlying portfolio determined by the program sponsor. Positions in this investment pool is not required to be categorized within the fair value hierarchy.

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 District does not record an allowance for uncollectible accounts because collectability of the receivables from such sources is probable. When receivables are determined to be uncollectible, a direct write-off is recorded.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. The cost of prepaid items is recorded as an expense when consumed rather than when purchased.

Inventories

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 rather than when purchased.

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

The District records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2021.

Debt Premiums

Debt premiums are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. All other bond issuance costs are expensed when incurred.

Deferred Outflows of Resources and Deferred Inflows of Resources

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

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

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan and CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the District Plan and MPP. For this purpose, the District Plan and MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. Contributions for the net OPEB liability will be paid primarily by the General Fund.

Unearned Revenue

Unearned revenues arise when resources are received by the District before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized. Unearned revenue is primarily composed of (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year and (2) amounts received from Federal and State grants received before the eligibility requirements are met.

Compensated Absences and Load Banking

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

Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, retirement credit for unused sick leave is applicable to all classified members who retire after January 1, 1999. At retirement, each member will receive 0.004 year of service credit for each day of unused sick leave. Retirement credit for unused sick leave is applicable to all academic employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full time.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position related to net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$151,063,971 of restricted net position, and the fiduciary funds financial statements report \$142,194,083 of restricted net position.

Operating and Nonoperating 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.

- **Operating revenues** - Operating revenues include activities that have the characteristics of exchange transactions, such as tuition and fees, net of scholarship discounts and allowances, non-capital Federal, State, and local grants and contracts, and sales and services of auxiliary enterprises.
- **Nonoperating revenues** - Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as State apportionments, property taxes, investment income, and other revenue sources defined by GASB.

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

- **Operating expenses** - Operating expenses are necessary costs to provide the services of the District and include employee salaries and benefits, supplies, operating expenses, and student financial aid.
- **Nonoperating expenses** - Nonoperating expenses include interest expense and other expenses not directly related to the services of the District.

State Apportionments

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

Property Taxes

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

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

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

Scholarship, Discounts and Allowances

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

Financial Assistance Programs

The District participates in federally funded Pell Grants, Supplemental Educational Opportunity Grants (SEOG), and Federal Work-Study programs, as well as other programs funded by the Federal government and State of California. Financial aid provided to the student in the form of cash is reported as an operating expense in the Statement of Revenues, Expenses, and Changes in Net Position. Federal financial assistance programs are audited in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Estimates

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

Interfund Activity

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the primary government and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process.

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the primary government and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances transferred between the primary government and the fiduciary funds are not eliminated in the consolidation process.

Change in Accounting Principles

As of July 1, 2020, the District adopted GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhance the value provided by the information reported in financial statements for assessing government accountability and stewardship. The impact to the District resulted in a reclassification of the District's other trust and agency funds from fiduciary to governmental. The effect of the implementation of this standard on beginning net position is disclosed in Note 13.

New Accounting Pronouncements

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

The requirements for this Statement are effective for the reporting periods beginning after June 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

Note 3 - Deposits and Investments

Policies and Practices

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

Investment in County Treasury – In accordance with the *Budget and Accounting Manual*, the District maintains substantially all of its cash in the County Treasury as part of the common investment pool. The District is considered to be the involuntary participant in an external investment pool. 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 is recorded on the amortized cost basis.

General Authorizations

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

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

Authorized Under Debt Agreements

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

Summary of Deposits and Investments

Deposits and investments as of June 30, 2021, consist of the following:

	Primary Government	Fiduciary Funds
Cash on hand and in banks	\$ 18,261,836	\$ -
Cash in revolving	225,000	-
Investments	<u>332,003,321</u>	<u>142,194,083</u>
Total deposits and investments	<u>\$ 350,490,157</u>	<u>\$ 142,194,083</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 does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the Orange County Educational Investment Pool, certificates of deposit, and mutual funds.

Specific Identification

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

Investment Type	Fair Value	Weighted Average Maturity in Years	Credit Rating
Mutual funds	\$ 142,194,083	No maturity	Not rated
Equities	258,039	No maturity	Not rated
Certificates of deposit	1,916,484	320	Not rated
Money market funds	10,692	No maturity	Not rated
County investment pool	<u>329,818,106</u>	375	AAAm
Total	<u>\$ 474,197,404</u>		

Custodial Credit Risk

Deposits

Custodial credit risk 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 agency. 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, 2021, the District's bank balance of approximately \$10.1 million was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. As of June 30, 2021, the District's investment balance of approximately \$142.0 million was exposed to custodial credit risk because it was uninsured, unregistered and held by the brokerage firm which is also the counterparty for these securities. The District does not have a policy limiting the amount of securities that can be held by counterparties.

Note 4 - Fair Value Measurements

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

- Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.
- Level 2 - Observable inputs, other than Level 1 prices, such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

North Orange County Community College District

Notes to Financial Statements

June 30, 2021

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

The District's fair value measurements are as follows at June 30, 2021:

Investment Type	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Mutual funds	\$ 142,194,083	\$ 142,194,083	\$ -	\$ -
Equities	258,039	258,039	-	-
Certificates of deposit	1,916,484	-	1,916,484	-
Total	<u>\$ 144,368,606</u>	<u>\$ 142,452,122</u>	<u>\$ 1,916,484</u>	<u>\$ -</u>

All assets have been valued using a market approach, which uses prices and other relevant information generated by market transactions involving identical or comparable assets or group of assets.

Note 5 - Accounts Receivable

Accounts receivable as of June 30, 2021 consisted of the following:

	<u>Primary Government</u>
Federal Government	
Categorical aid	\$ 17,682,858
State Government	
Apportionment	22,860,643
Categorical aid	9,469,403
Lottery	2,278,141
Local Sources	
Interest	122,490
Other local sources	<u>4,954,022</u>
Total	<u>\$ 57,367,557</u>
Student receivables	<u>\$ 4,788,048</u>

North Orange County Community College District

Notes to Financial Statements

June 30, 2021

Note 6 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

	<u>Balance, Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance, End of Year</u>
Capital Assets Not Being Depreciated				
Land	\$ 16,740,372	\$ 2,540,000	\$ -	\$ 19,280,372
Construction in progress	88,564,225	102,284,472	(4,190,578)	186,658,119
	<u>105,304,597</u>	<u>104,824,472</u>	<u>(4,190,578)</u>	<u>205,938,491</u>
Capital Assets Being Depreciated				
Land improvements	6,358,557	-	-	6,358,557
Buildings and improvements	528,768,618	3,752,771	-	532,521,389
Furniture and equipment	29,800,273	794,401	(180,614)	30,414,060
	<u>564,927,448</u>	<u>4,547,172</u>	<u>(180,614)</u>	<u>569,294,006</u>
Total capital assets	<u>670,232,045</u>	<u>109,371,644</u>	<u>(4,371,192)</u>	<u>775,232,497</u>
Less Accumulated Depreciation				
Land improvements	(2,417,340)	(307,578)	-	(2,724,918)
Buildings and improvements	(182,178,085)	(10,821,458)	-	(192,999,543)
Furniture and equipment	(22,181,801)	(1,436,932)	140,896	(23,477,837)
	<u>(206,777,226)</u>	<u>(12,565,968)</u>	<u>140,896</u>	<u>(219,202,298)</u>
Net capital assets	<u>\$ 463,454,819</u>	<u>\$ 96,805,676</u>	<u>\$ (4,230,296)</u>	<u>\$ 556,030,199</u>

Note 7 - Long-Term Liabilities other than OPEB and Pensions**Summary**

The changes in the District's long-term liabilities other than OPEB and pensions during the year ended June 30, 2021 consisted of the following:

	Balance, Beginning of Year	Additions	Deductions	Balance, End of Year	Due in One Year
General obligation bonds	\$ 329,763,747	\$ 4,264,109	\$ (39,165,000)	\$ 294,862,856	\$ 41,260,000
Bond premium	16,076,933	-	(709,731)	15,367,202	-
Compensated absences and load banking	10,546,983	8,809,674	(4,564,790)	14,791,867	4,508,148
Supplemental early retirement incentive	5,386,692	654,909	(1,872,956)	4,168,645	2,373,081
Claim liabilities	3,302,395	203,289	(470,325)	3,035,359	111,166
Total	\$ 365,076,750	\$ 13,931,981	\$ (46,782,802)	\$ 332,225,929	\$ 48,252,395

Description of Long-term Liabilities

Payments on the general obligation bonds are made by the bond interest and redemption fund with local property tax revenues. The compensated absences and load banking liabilities, and the supplemental early retirement incentive will be paid by the fund for which the employee worked. The claim liabilities will be paid by the Internal Service Fund.

General Obligation Bonds**Measure X**

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

2003B General Obligation Bonds

On December 23, 2003, \$99,999,001 of North Orange County Community College District, Election of 2002, Series 2003B Bonds were issued with a final maturity date of August 1, 2028, and interest rates ranging from 2.00 percent to 5.44 percent, depending on the maturity of the related bonds. Interest is payable semiannually on February 1 and August 1 of each year. The outstanding principal balance of these bonds at June 30, 2021, was \$82,697,856.

2013 General Obligation Refunding Bonds

On January 24, 2013, \$145,910,000 of North Orange County Community College District, 2005 General Obligation Refunding Bonds were issued to advance refund and defease a portion of the District's 2005 General Obligation Refunding Bonds maturing on and after August 1, 2013, and to pay all legal, financial, and contingent costs in connection with the issuance of the Bonds. The Refunding Bonds defeased \$129,945,000 of the old debt with a final maturity date of August 1, 2023. Interest rates range from 0.40 percent to 2.65 percent, depending on the maturity of the related bonds. The Bonds are payable semiannually on February 1 and August 1 of each year. The outstanding principal balance of these bonds at June 30, 2021, was \$42,795,000.

Measure J

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

2016A General Obligation Bonds

On June 2, 2016, \$100,000,000 of North Orange County Community College District, Election of 2014, Series 2016A Bonds were issued with a final maturity date of August 1, 2040, and interest rates ranging from 2.00 percent to 4.00 percent, depending on the maturity of the related bonds. Interest is payable semiannually on February 1 and August 1 of each year. The outstanding principal balance of these bonds at June 30, 2021, was \$36,510,000.

2019B General Obligation Bonds

On May 29, 2019, \$150,000,000 North Orange County Community College District, Election of 2014, Series 2019B Bonds were issued with a final maturity date of August 1, 2044, and interest rates ranging from 2.63 percent to 4.00 percent, depending on the maturity of the related bonds. Interest is payable semiannually on February 1 and August 1 of each year. The outstanding principal balance of these bonds at June 30, 2021, was \$132,860,000.

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding Beginning of Year	Accreted Interest	Redeemed	Bonds Outstanding End of Year
2003	2029	2.00% - 5.44%	\$ 99,999,001	\$ 78,433,747	\$ 4,264,109	\$ -	\$ 82,697,856
2013	2024	0.40% - 2.65%	145,910,000	64,235,000	-	(21,440,000)	42,795,000
2016	2041	2.00% - 4.00%	100,000,000	37,095,000	-	(585,000)	36,510,000
2019	2045	2.63% - 4.00%	150,000,000	150,000,000	-	(17,140,000)	132,860,000
				<u>\$ 329,763,747</u>	<u>\$ 4,264,109</u>	<u>\$ (39,165,000)</u>	<u>\$ 294,862,856</u>

Debt Service Requirements to Maturity

The bonds mature through 2045 as follows:

Fiscal Year	Principal (Including accreted interest to date)	Accreted Interest*	Current Interest to Maturity	Total
2022	\$41,047,775	\$212,225	\$6,662,820	\$ 47,922,820
2023	39,168,695	651,305	5,619,134	45,439,134
2024	22,889,335	1,110,665	4,901,546	28,901,546
2025	10,135,367	1,589,633	4,643,026	16,368,026
2026	10,311,091	2,078,909	4,543,226	16,933,226
2027-2031	61,790,593	18,744,407	20,789,576	101,324,576
2032-2036	29,995,000	-	16,380,750	46,375,750
2037-2041	43,750,000	-	10,614,763	54,364,763
2042-2045	35,775,000	-	2,996,100	38,771,100
Total	\$ 294,862,856	\$ 24,387,144	\$ 77,150,941	\$ 396,400,941

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

Supplemental Early Retirement Plan (SERP)

On February 13, 2018, the District adopted a one-time SERP for certificated, classified, faculty, and confidential employees. To be eligible for early retirement benefits, the employee must have been at least 55 years of age, have five or more years of District service, be eligible to retire from CalSTRS or CalPERS, and be resigned from District employment by August 17, 2018. In exchange for early retirement, the District will contribute 75 percent of the 2017-2018 actual paid step/column salary. The District had 118 employees that enrolled in the SERP. The remaining obligation as of June 30, 2021, is \$3,591,128

On January 26, 2021, the District adopted a one-time SERP for faculty. To be eligible for early retirement benefits, the employee must have five or more years of District service and be resigned from District employment by June 30, 2021. In exchange for early retirement, the District will contribute \$1,000 per year of service up to a maximum dollar amount of \$25,000. The District had 18 employees that enrolled in the SERP. The remaining obligation as of June 30, 2021 is \$406,447.

On March 9, 2021, the District adopted a one-time SERP for certificate management, classified management, and confidential employees. To be eligible for early retirement benefits, the employee must have been a permanent employee as of March 9, 2021, be at least 55 years of age, have five or more years of District service, be eligible to retire from CalSTRS or CalPERS, and be resigned from District employment by December 31, 2021. In exchange for early retirement, the District will contribute \$1,000 per year of service up to a maximum dollar amount of \$25,000. The District had 13 employees that enrolled in the SERP. The remaining obligation as of June 30, 2021 is \$171,070.

Year Ending June 30,	
2022	\$ 2,373,081
2023	1,795,564
Total	<u>\$ 4,168,645</u>

Note 8 - Net Other Postemployment Benefits (OPEB) Liability

For the year ended June 30, 2021, the District reported an aggregate net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Aggregate Net OPEB Asset (Liability)	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	\$ 20,786,846	\$ 8,010,004	\$ 22,117,743	\$ (6,689,008)
Medicare Premium Payment (MPP) Program	<u>(1,122,860)</u>	<u>-</u>	<u>-</u>	<u>174,857</u>
Total	<u>\$ 19,663,986</u>	<u>\$ 8,010,004</u>	<u>\$ 22,117,743</u>	<u>\$ (6,514,151)</u>

The details of each plan are as follows:

District Plan

Plan Administration

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

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

Plan Membership

At June 30, 2021, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	998
Active employees	1,379
	<hr/>
Total	2,377
	<hr/> <hr/>

Retiree Health Benefit OPEB Trust

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

Benefits Provided

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

Contributions

The contribution requirements of Plan members and the District are established and may be amended by the District, the Unified Faculty (UF), the local California Service Employees Association (CSEA), and unrepresented groups. The contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined feasible by District management and the District's Governing Board. For fiscal year 2020-2021, the District contributed \$6,697,527 to the Plan, of which \$5,278,202 was used for current premiums and \$1,419,325 was used to fund the OPEB Trust.

Investment Policy

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the governing board by a majority vote of its members. It is the policy of the District to pursue an investment strategy that reduces risks through the prudent diversification for the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocation over short time spans. The following was the governing board's adopted asset allocation policy as of June 30, 2021:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	39%
Fixed income	24%
International equity	30%
Real estate	7%

Rate of Return

For the year ended June 30, 2021, the annual money-weighted rate of return on investments, net of investment expense, was 26.44%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Asset of the District

The District's net OPEB asset of \$20,786,846 was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of that date. The components of the net OPEB asset of the District at June 30, 2021, were as follows:

Total OPEB liability	\$ 121,407,237
Plan fiduciary net position	<u>(142,194,083)</u>
Net OPEB asset	<u>\$ (20,786,846)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>117.12%</u>

Actuarial Assumptions

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

Inflation	2.50%
Salary increases	2.75%
Investment rate of return	6.25%
Healthcare cost trend rates	4.00%

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

Mortality rates were based on the 2020 CalSTRS Mortality Table for certificated employees and the 2017 CalPERS Active Mortality for Miscellaneous and Schools Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actual experience study as of June 2021.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2021, (see the discussion of the Plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	7.25%
Fixed income	4.25%
International equity	7.25%
Real estate	7.25%

Discount Rate

The discount rate used to measure the total OPEB liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

North Orange County Community College District

Notes to Financial Statements

June 30, 2021

Changes in the Net OPEB Liability/(Asset)

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balance, June 30, 2020	\$ 116,771,371	\$ 111,171,467	\$ 5,599,904
Service cost	2,550,658	-	2,550,658
Interest	7,501,494	-	7,501,494
Difference between expected and actual experience	(3,714,831)	-	(3,714,831)
Contributions - employer	-	6,697,527	(6,697,527)
Expected investment income	-	7,107,044	(7,107,044)
Differences between projected and actual earnings on OPEB plan investments	-	22,923,216	(22,923,216)
Changes of assumptions	3,576,747	-	3,576,747
Benefit payments	(5,278,202)	(5,278,202)	-
Administrative expense	-	(426,969)	426,969
Net change in total OPEB liability	<u>4,635,866</u>	<u>31,022,616</u>	<u>(26,386,750)</u>
Balance, June 30, 2021	<u>\$ 121,407,237</u>	<u>\$ 142,194,083</u>	<u>\$ (20,786,846)</u>

Changes of economic assumptions reflect a change in the discount rate from 6.50% to 6.25% and a change in the inflation rate from 2.75% to 2.50% since the previous valuation. There were no changes in benefit terms since the previous valuation.

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

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

Discount Rate	Net OPEB Asset
1% decrease (5.25%)	\$ 4,618,829
Current discount rate (6.25%)	20,786,846
1% increase (7.25%)	34,139,622

Sensitivity of the Net OPEB Asset to Changes in the Healthcare Cost Trend Rate

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

Healthcare Cost Trend Rate	Net OPEB Asset
1% decrease (3.00%)	\$ 36,231,528
Current healthcare cost trend rate (4.00%)	20,786,846
1% increase (5.00%)	1,571,143

Deferred Outflows/Inflows of Resources Related to OPEB

At, June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB for the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 5,909,812
Changes of assumptions	8,010,004	-
Net difference between projected and actual earnings on OPEB plan investments	-	16,207,931
Total	<u>\$ 8,010,004</u>	<u>\$ 22,117,743</u>

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ (3,770,807)
2023	(3,770,807)
2024	(4,081,675)
2025	(4,584,642)
Total	<u>\$ (16,207,931)</u>

The deferred outflows/(inflows) of resources related to differences between expected and actual experience in the measurement of the total OPEB liability and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits as of the beginning of the measurement period. The EARSL for the measurement period is 7.1 years and will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ 407,249
2023	407,249
2024	407,249
2025	407,249
2026	407,249
Thereafter	63,947
Total	<u>\$ 2,100,192</u>

Medicare Premium Payment (MPP) Program

Plan Description

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

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

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

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

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

Net OPEB Liability and OPEB Expense

At June 30, 2021, the District reported a liability of \$1,122,860 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating entities, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2020 and June 30, 2019, was 0.2650% and 0.2546%, respectively, resulting in a net decrease in the proportionate share of 0.0104%.

For the year ended June 30, 2021, the District recognized OPEB expense of \$174,857.

Actuarial Methods and Assumptions

The June 30, 2020 total OPEB liability was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total OPEB liability to June 30, 2020, using the assumptions listed in the following table:

Measurement Date	June 30, 2020	June 30,
Valuation Date		2019
Experience Study	June 30, 2014 through	
	June 30, 2018	
Actuarial Cost Method	Entry age normal	
Investment Rate of Return	2.21%	
Medicare Part A Premium Cost Trend Rate	4.50%	
Medicare Part B Premium Cost Trend Rate	5.40%	

For the valuation as of June 30, 2019, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 294 or an average of 0.18% of the potentially eligible population (159,339).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2020, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2020, is 2.21%. The MPP Program is funded on a pay-as-you-go basis as described in Note 2, and under the pay-as-you-go method, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 2.21%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2020, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 1.29% from 3.50% as of June 30, 2019.

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

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

<u>Discount Rate</u>	<u>Net OPEB Liability</u>
1% decrease (1.21%)	\$ 1,241,634
Current discount rate (2.21%)	1,122,860
1% increase (3.21%)	1,021,792

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

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

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (3.5% Part A and 4.4% Part B)	\$ 1,018,135
Current Medicare costs trend rate (4.5% Part A and 5.4% Part B)	1,122,860
1% increase (5.5% Part A and 6.4% Part B)	1,243,417

Note 9 - Risk Management

Property and Liability Insurance Coverages

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

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

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

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

North Orange County Community College District

Notes to Financial Statements

June 30, 2021

As of June 30, 2021 and 2020, liabilities for claims amounted to \$3,035,359 and \$3,302,395, respectively. Changes in the claims liability amount in the fiscal years 2021 and 2020 are presented below:

	Workers' Compensation	Property and Liability	Total
Liability Balance, July 1, 2019	\$ 1,718,921	\$ 1,583,160	\$ 3,302,081
Claims and changes in estimates	351,712	88,906	440,618
Claims payments	(351,398)	(88,906)	(440,304)
Liability Balance, June 30, 2020	1,719,235	1,583,160	3,302,395
Claims and changes in estimates	(212,731)	203,289	(9,442)
Claims payments	(11,892)	(245,702)	(257,594)
Liability Balance, June 30, 2021	\$ 1,494,612	\$ 1,540,747	\$ 3,035,359
Assets available to pay claims at June 30, 2021			\$ 32,272,424

Note 10 - Employee Retirement Systems

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

For the fiscal year ended June 30, 2021, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Aggregate Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 147,360,884	\$ 41,047,364	\$ 12,551,932	\$ 18,906,430
CalPERS	132,200,039	23,193,699	4,186,365	25,651,275
Total	\$ 279,560,923	\$ 64,241,063	\$ 16,738,297	\$ 44,557,705

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

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

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

North Orange County Community College District

Notes to Financial Statements

June 30, 2021

The STRP Defined Benefit Program provisions and benefits in effect at June 30, 2021, are summarized as follows:

	STRP	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.15%	16.15%
Required State contribution rate	10.328%	10.328%

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and are detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with California Assembly Bill 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2021, are presented above, and the District's total contributions were \$14,385,599.

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

At June 30, 2021, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:

District's proportionate share of net pension liability	\$ 147,360,884
State's proportionate share of net pension liability associated with the District	75,964,553
Total	\$ 223,325,437

North Orange County Community College District

Notes to Financial Statements

June 30, 2021

The net pension liability was measured as of June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts and the State, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2020 and June 30, 2019, was 0.1521% and 0.1439%, respectively, resulting in a net increase in the proportionate share of 0.0082%

For the year ended June 30, 2021, the District recognized pension expense of \$18,906,430. In addition, the District recognized pension expense and revenue of \$10,641,889 for support provided by the State. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 14,385,599	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	8,531,522	8,396,102
Differences between projected and actual earnings on pension plan investments	3,500,446	-
Differences between expected and actual experience in the measurement of the total pension liability	260,024	4,155,830
Changes of assumptions	14,369,773	-
Total	\$ 41,047,364	\$ 12,551,932

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ (2,135,952)
2023	1,192,665
2024	2,379,503
2025	2,064,230
Total	\$ 3,500,446

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ 2,884,798
2023	4,158,994
2024	3,729,597
2025	(455,520)
2026	(722,564)
Thereafter	<u>1,014,082</u>
Total	<u>\$ 10,609,387</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2019 and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Experience study	July 1, 2015 through June 30, 2018
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2020, are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public equity	42.0%	4.8%
Private equity	13.0%	6.3%
Real estate	15.0%	3.6%
Inflation sensitive	6.0%	3.3%
Fixed income	12.0%	1.3%
Risk mitigating strategies	10.0%	1.8%
Cash/liquidity	2.0%	-0.4%

Discount Rate

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

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.10%)	\$ 222,641,769
Current discount rate (7.10%)	147,360,884
1% increase (8.10%)	85,205,913

California Public Employees' Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019, annual actuarial valuation report, Schools Pool Actuarial Valuation. This reports and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

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

North Orange County Community College District

Notes to Financial Statements

June 30, 2021

The CalPERS School Employee Pool provisions and benefits in effect at June 30, 2021, are summarized as follows:

	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	20.70%	20.70%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2021, are presented above, and the total District contributions were \$13,031,857.

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

As of June 30, 2021, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$132,200,039. The net pension liability was measured as of June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2020 and June 30, 2019, was 0.4309 percent and 0.4209 percent, respectively, resulting in a net increase in the proportionate share of 0.0100 percent.

North Orange County Community College District

Notes to Financial Statements

June 30, 2021

For the year ended June 30, 2021, the District recognized pension expense of \$25,651,275. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 13,031,857	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	368,358	4,186,365
Differences between projected and actual earnings on pension plan investments	2,751,985	-
Differences between expected and actual experience in the measurement of the total pension liability	6,556,716	-
Changes of assumptions	484,783	-
Total	\$ 23,193,699	\$ 4,186,365

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ (1,029,850)
2023	918,589
2024	1,596,660
2025	1,266,586
Total	\$ 2,751,985

The deferred outflows of resources related to the change in proportion and difference between contributions made and District’s proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, changes of assumptions, and will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.1 years and will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2022	\$ 2,967,007
2023	118,029
2024	125,789
2025	<u>12,667</u>
Total	<u>\$ 3,223,492</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2019 and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations, as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 190,061,663
Current discount rate (7.15%)	132,200,039
1% increase (8.15%)	84,177,794

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal year ended June 30, 2021, which amounted to \$8,596,933 (10.328%) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. No contributions were made for CalPERS for the year ended June 30, 2021. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Note 11 - 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, 2021.

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, 2021.

North Orange County Community College District

Notes to Financial Statements

June 30, 2021

Construction Commitments

As of June 30, 2021, the District had approximately \$26.3 million in commitments with respect to unfinished capital projects:

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.

Note 12 - Functional Expenses Classification

The District's operating expenses by functional classification for the fiscal year ended June 30, 2021, are:

	Salaries and Employee Benefits	Supplies, Material, and Other Expenses and Services	Student Financial Aid	Equipment, Maintenance, and Repairs	Depreciation	Total
Instructional activities	\$ 118,055,186	\$ 4,112,531	\$ 23,401	\$ 216,421	\$ -	\$ 122,407,539
Academic support	27,701,936	2,362,772	98,285	73,317	-	30,236,310
Student services	61,180,497	8,258,080	1,240,833	144,473	-	70,823,883
Plant operations and maintenance	14,430,447	5,884,035	-	80,359	-	20,394,841
Instructional support services	37,041,976	7,451,290	1,396,017	16,847	-	45,906,130
Community services and economic development	1,032,999	226,159	-	-	-	1,259,158
Ancillary services and auxiliary operations	5,427,085	2,368,352	3,400	6,563	-	7,805,400
Student aid	3,180	7,967	85,515,255	-	-	85,526,402
Physical property and related acquisitions	2,732,001	2,991,284	-	7,719,619	-	13,442,904
Unallocated depreciation	-	-	-	-	12,565,968	12,565,968
Total	<u>\$ 267,605,307</u>	<u>\$ 33,662,470</u>	<u>\$ 88,277,191</u>	<u>\$ 8,257,599</u>	<u>\$ 12,565,968</u>	<u>\$ 410,368,535</u>

Note 13 - Restatement of Prior Year Net Position

The District adopted GASB Statement No. 84, *Fiduciary Activities*, in the current year. As a result, the effect on the current fiscal year is as follows:

<u>Primary Government</u>	
Net Position - Beginning	\$ 301,325,812
Inclusion of assets and liabilities of funds previously identified as fiduciary in nature from the adoption of GASB Statement No. 84	<u>7,253,413</u>
Net Position - Beginning, as Restated	<u><u>\$ 308,579,225</u></u>
<u>Fiduciary Funds</u>	
Net Position - Beginning	\$ 114,883,702
Exclusion of assets and liabilities of funds previously identified as fiduciary in nature from the adoption of GASB Statement No. 84	<u>(3,712,235)</u>
Net Position - Beginning, as Restated	<u><u>\$ 111,171,467</u></u>



Required Supplementary Information
June 30, 2021

North Orange County Community College District

North Orange County Community College District
Schedule of Changes in the District's Net OPEB Liability/(Asset) and Related Ratios
Year Ended June 30, 2021

	2021	2020	2019	2018
Total OPEB Liability				
Service cost	\$ 2,550,658	\$ 3,059,846	\$ 3,100,787	\$ 2,792,913
Interest	7,501,494	7,006,914	6,713,723	6,431,647
Difference between expected and actual experience	(3,714,831)	(3,763,659)	-	-
Changes of assumptions	3,576,747	6,835,881	-	-
Benefit payments	(5,278,202)	(5,272,744)	(5,294,051)	(4,865,894)
Net change in total OPEB liability	4,635,866	7,866,238	4,520,459	4,358,666
Total OPEB Liability - Beginning	116,771,371	108,905,133	104,384,674	100,026,008
Total OPEB Liability - Ending (a)	\$121,407,237	\$116,771,371	\$108,905,133	\$104,384,674
Plan Fiduciary Net Position				
Contributions - employer	\$ 6,697,527	\$ 7,601,257	\$ 9,652,804	\$ 8,346,685
Expected investment income	7,107,044	6,808,169	6,376,959	6,387,641
Differences between projected and actual earnings on OPEB plan investments	22,923,216	(2,514,853)	(1,554,328)	-
Benefit payments	(5,278,202)	(5,272,744)	(5,294,051)	(4,865,894)
Administrative expense	(426,969)	(382,846)	(353,179)	(342,392)
Net change in plan fiduciary net position	31,022,616	6,238,983	8,828,205	9,526,040
Plan Fiduciary Net Position - Beginning	111,171,467	104,932,484	96,104,279	86,578,239
Plan Fiduciary Net Position - Ending (b)	\$142,194,083	\$111,171,467	\$104,932,484	\$ 96,104,279
Net OPEB Liability (Asset) - Ending (a) - (b)	\$ (20,786,846)	\$ 5,599,904	\$ 3,972,649	\$ 8,280,395
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	117.12%	95.20%	96.35%	92.07%
Covered Employee Payroll	\$152,030,747	\$149,106,869	\$140,501,970	\$145,864,293
Net OPEB Liability (Asset) as a Percentage of Covered Employee Payroll	-13.67%	3.76%	2.83%	5.68%
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018

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

North Orange County Community College District
Schedule of OPEB Investment Returns
Year Ended June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Annual money-weighted rate of return, net of investment expense	<u>26.44%</u>	<u>3.78%</u>	<u>5.00%</u>	<u>7.22%</u>

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

North Orange County Community College District
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program
Year Ended June 30, 2021

Year ended June 30,	2021	2020	2019	2018
Proportion of the net OPEB liability	0.2650%	0.2546%	0.2807%	0.2785%
Proportionate share of the net OPEB liability	\$ (1,122,860)	\$ 948,003	\$ 1,074,402	\$ 1,171,698
Covered payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	-0.71%	-0.81%	-0.40%	0.01%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

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

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

North Orange County Community College District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2021

	2021	2020	2019	2018
CalSTRS				
Proportion of the net pension liability	0.1521%	0.1439%	0.1564%	0.1538%
Proportionate share of the net pension liability	\$ 147,360,884	\$ 129,968,324	\$ 143,727,367	\$ 142,266,269
State's proportionate share of the net pension liability associated with the District	75,964,553	70,906,397	82,290,640	84,163,523
Total	<u>\$ 223,325,437</u>	<u>\$ 200,874,721</u>	<u>\$ 226,018,007</u>	<u>\$ 226,429,792</u>
Covered payroll	<u>\$ 87,572,895</u>	<u>\$ 82,950,043</u>	<u>\$ 87,329,002</u>	<u>\$ 84,243,824</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	168.27%	156.68%	164.58%	168.87%
Plan fiduciary net position as a percentage of the total pension liability	72%	73%	71%	69%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
CalPERS				
Proportion of the net pension liability	0.4309%	0.4209%	0.4478%	0.4401%
Proportionate share of the net pension liability	\$ 132,200,039	\$ 122,680,134	\$ 119,407,301	\$ 105,057,688
Covered payroll	<u>\$ 61,533,974</u>	<u>\$ 57,551,927</u>	<u>\$ 58,535,291</u>	<u>\$ 55,210,837</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	214.84%	213.16%	203.99%	190.28%
Plan fiduciary net position as a percentage of the total pension liability	70%	70%	71%	72%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

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

North Orange County Community College District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2021

	2017	2016	2015
CalSTRS			
Proportion of the net pension liability	0.1561%	0.1495%	0.1590%
Proportionate share of the net pension liability	\$ 126,233,864	\$ 100,670,970	\$ 92,916,230
State's proportionate share of the net pension liability associated with the District	71,862,687	53,243,846	56,106,831
Total	<u>\$ 198,096,551</u>	<u>\$ 153,914,816</u>	<u>\$ 149,023,061</u>
Covered payroll	<u>\$ 79,575,871</u>	<u>\$ 70,822,399</u>	<u>\$ 70,820,109</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>158.63%</u>	<u>142.15%</u>	<u>131.20%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>74%</u>	<u>77%</u>
Measurement Date	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS			
Proportion of the net pension liability	0.4350%	0.4304%	0.4088%
Proportionate share of the net pension liability	\$ 85,920,879	\$ 63,443,575	\$ 46,408,766
Covered payroll	<u>\$ 50,283,625</u>	<u>\$ 46,862,170</u>	<u>\$ 43,007,787</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>170.87%</u>	<u>135.38%</u>	<u>107.91%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>74%</u>	<u>79%</u>	<u>83%</u>
Measurement Date	June 30, 2016	June 30, 2015	June 30, 2014

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

North Orange County Community College District
Schedule of the District Contributions for Pensions
Year Ended June 30, 2021

	2021	2020	2019	2018
CalSTRS				
Contractually required contribution	\$ 14,385,599	\$ 14,974,965	\$ 13,504,267	\$ 12,601,575
Contributions in relation to the contractually required contribution	(14,385,599)	(14,974,965)	(13,504,267)	(12,601,575)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 89,074,916	\$ 87,572,895	\$ 82,950,043	\$ 87,329,002
Contributions as a percentage of covered payroll	16.15%	17.10%	16.28%	14.43%
CalPERS				
Contractually required contribution	\$ 13,031,857	\$ 12,135,115	\$ 10,395,029	\$ 9,091,116
Contributions in relation to the contractually required contribution	(13,031,857)	(12,135,115)	(10,395,029)	(9,091,116)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 62,955,831	\$ 61,533,974	\$ 57,551,927	\$ 58,535,291
Contributions as a percentage of covered payroll	20.700%	19.721%	18.062%	15.531%

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

North Orange County Community College District
Schedule of the District Contributions for Pensions
Year Ended June 30, 2021

	<u>2017</u>	<u>2016</u>	<u>2015</u>
CalSTRS			
Contractually required contribution	\$ 10,597,873	\$ 8,538,491	\$ 6,289,029
Contributions in relation to the contractually required contribution	<u>(10,597,873)</u>	<u>(8,538,491)</u>	<u>(6,289,029)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 84,243,824</u>	<u>\$ 79,575,871</u>	<u>\$ 70,822,399</u>
Contributions as a percentage of covered payroll	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
CalPERS			
Contractually required contribution	\$ 7,667,681	\$ 5,957,101	\$ 5,516,146
Contributions in relation to the contractually required contribution	<u>(7,667,681)</u>	<u>(5,957,101)</u>	<u>(5,516,146)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 55,210,837</u>	<u>\$ 50,283,625</u>	<u>\$ 46,862,170</u>
Contributions as a percentage of covered payroll	<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

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

Note 1 - Purpose of Schedules**Schedule of Changes in the District's Net OPEB Liability and Related Ratios**

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

- **Changes in Benefit Terms** - There were no changes in the benefit terms since the previous valuation.
- **Changes of Assumptions** - The plan rate of investment return assumption was changed from 6.50% to 6.25% and the inflation rate assumption was changed from 2.75% to 2.50% since the previous valuation.

Schedule of OPEB Investment Returns

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

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

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

- **Changes in Benefit Terms** - There were no changes in the benefit terms since the previous valuation.
- **Changes of Assumptions** - The plan rate of investment return assumption was changed from 3.50% to 2.21% since the previous valuation.

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

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

- **Changes in Benefit Terms** - There were no changes in benefit terms since the previous valuations for either CalSTRS or CalPERS.
- **Changes of Assumptions** - There were no changes in economic assumptions since the previous valuations for either CalSTRS or CalPERS.

Schedule of District Contributions for Pensions

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



Supplementary Information
June 30, 2021

North Orange County Community College District

North Orange County Community College District

District Organization

June 30, 2021

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

Board of Trustees as of June 30, 2021

Member	Office	Term Expires
Dr. Barbara Dunsheath	President	2022
Jacqueline Rodarte	Vice President	2024
Ed Lopez	Secretary	2024
Ryan Bent	Member	2024
Stephen T. Blount	Member	2022
Jeffrey P. Brown	Member	2022
Evangelina Rosales	Member	2024
Meena Pandian	Student Trustee, Cypress College	2022
Erin Lacorte	Student Trustee, Fullerton College	2022

Administration as of June 30, 2021

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

Auxiliary Organizations in Good Standing

Cypress College Foundation, established 1972
Master Agreement revised December 2020
Howard Kummerman, Executive Director

North Orange County Community College District Foundation, established 1987
Master Agreement revised February 2021
Cheryl Marshall, Board President

Friends of Fullerton College Foundation, established 2020
Master Agreement revised February 2021
Zoot Velasco, Executive Director

North Orange County Community College District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Student Financial Assistance Cluster			
Federal Pell Grant Program	84.063		\$ 46,062,154
Federal Pell Grant Program Administrative Allowance	84.063		61,612
Federal Direct Student Loans	84.268		5,428,416
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		1,363,929
FSEOG Administrative Allowance	84.007		140,001
Federal Work-Study Program	84.033		303,958
Federal Work-Study Program Administrative Allowance	84.033		16,513
Subtotal Student Financial Assistance Cluster			<u>53,376,583</u>
COVID-19: Higher Education Emergency Relief Funds, Student Aid Portion	84.425E		12,999,726
COVID-19: Higher Education Emergency Relief Funds, Institutional Portion	84.425F		24,159,926
COVID-19: Higher Education Emergency Relief Funds, Minority Serving Institutions	84.425L		2,798,278
Subtotal			<u>39,957,930</u>
Center of Excellence for Veteran Student Services	84.116G		24,041
Promise Career Pathways	84.031S		1,470,837
Passed through California State University Fullerton Auxiliary Services Corporation			
Project Raise: Regional Alliance in STEM Education	84.031C	P0131C160152	40,178
Subtotal			<u>1,511,015</u>
Passed through California Department of Education			
Adult Education and Family Literacy Act (AEFLA)	84.002A	V002A180005	1,038,064
English Literacy and Civics Education (EL Civics)	84.002A	V002A180005	180,334
Subtotal			<u>1,218,398</u>
Passed through California Department of Rehabilitation			
College to Career Program	84.126A	30494	290,000
Workability II Program	84.126A	31235	218,000
Subtotal			<u>508,000</u>
Passed through California State University Fullerton Auxiliary Services Corporation			
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	P334A180130	583
Passed through California Community Colleges Chancellor's Office			
Career and Technical Education Act (CTEA), Title I, Part C	84.048A	20-C01-860	2,037,985
Total U.S. Department of Education			<u>98,634,535</u>

North Orange County Community College District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Passed through California Department of Education Child and Adult Care Food Program	10.558	13666	2,772
Passed through California State University Fullerton Auxiliary Services Corporation Urban-Agriculture Community-Based Research Experience (U-ACRE 3.0)	10.223	2016- 38422-25550	2,627
Total U.S. Department of Agriculture			<u>5,399</u>
U.S. Department of Defense			
Passed through from Solano Community College District California Advances Supply Chain Analysis and Diversification Effort (CASCADE)	12.617	OPR19113	13,785
U.S. Department of Transportation			
Passed through Orange County Transportation Authority Job Access - Reverse Commute	20.516	CA-37-X113	171,452
U.S. Department of the Treasury			
Passed through California Community Colleges Chancellor's Office COVID-19: Coronavirus Relief Fund	21.019	[1]	1,626,010
Passed through County of Orange COVID-19: Coronavirus Relief Fund	21.019	[1]	8,575
Subtotal			<u>1,634,585</u>
National Science Foundation			
Research and Development Cluster Passed through California State University Fullerton Auxiliary Services Corporation Advanced Technological Education Grant	47.076	15-1621.01	111,679
Subtotal Research and Development Cluster			<u>111,679</u>
U.S. Department of Veterans Affairs			
Veterans Services	64.117		11,328
U.S. Department of Health and Human Services			
Passed through California Department of Education Child Care and Development Fund (CCDF) Cluster COVID-19: CARES Act General Child Care and Development	93.575	15549	5,460
Subtotal CCDF Cluster			<u>5,460</u>
Passed through California Community Colleges Chancellor's Office Temporary Assistance for Needy Families (TANF)	93.558	[1]	160,567
Passed through California State University Fullerton Auxiliary Services Corporation Health Careers Opportunity Program (Health Resources and Services Administration)	93.822	1D18HP32119	64,868
Total U.S. Department of Health and Human Services			<u>230,895</u>
Total Federal Financial Assistance			<u>\$ 100,813,658</u>

[1] Pass-Through Entity Identifying Number not available.

See Note to Supplementary Information

North Orange County Community College District
Schedule of Expenditures of State Awards
Year Ended June 30, 2021

Program	Program Revenues				Total Revenue	Program Expenditures
	Cash Received	Accounts Receivable	Accounts Payable	Unearned Revenue		
AS Degree Nursing	\$ 186,631	\$ -	\$ -	\$ 72,133	\$ 114,498	\$ 114,498
Board Financial Assistance Program (BFAP)	1,333,836	-	-	-	1,333,836	1,333,836
CalFresh Outreach	60,937	-	-	60,937	-	-
California Adult Education Program (CAEP)/AB86 Adult Education Consortium Planning	6,752,784	-	-	1,734,786	5,017,998	5,017,998
California College Promise	4,479,524	-	-	1,639,238	2,840,286	2,840,286
CalWORKs	1,072,368	-	7,557	60,429	1,004,382	1,004,382
Campus Safety and Sexual Assault Prevention	33,976	-	-	33,976	-	-
Career Technical Education Data Unlocked Initiative	45,469	-	-	45,469	-	-
CCAP STEM Pathways Academy Grant	472,424	-	-	82,224	390,200	390,200
Child Care Food Program	144	-	-	-	144	144
Child Development Training Consortium	27,600	-	-	-	27,600	27,600
Classified Professional Development	121,558	-	-	120,058	1,500	1,500
Cooperative Agencies Resources for Education (CARE)	382,416	-	421	-	381,995	381,995
COVID-19 Block Grant	1,995,948	-	-	1,995,948	-	-
Disabled Students Programs and Services (DSPS)	3,596,071	-	-	228,040	3,368,031	3,368,031
Dream Resource Liaison Support	138,322	-	-	138,322	-	-
Equal Employment Opportunities	136,187	-	-	122,295	13,892	13,892
Extended Opportunity Programs and Services (EOPS)	2,835,406	-	-	-	2,835,406	2,835,406
Financial Aid Technology	253,119	-	-	78,378	174,741	174,741
General Child Care	131,655	-	-	-	131,655	131,655
Guided Pathways	2,304,750	-	-	1,610,187	694,563	694,563
Hunger Free Campus Program	195,708	-	-	44,671	151,037	151,037
Mental Health Support	13,046	-	-	3,416	9,630	9,630
Puente Project	18,428	-	-	14,768	3,660	3,660
QRIS Block Grant	20,551	-	-	13,968	6,583	6,583
Referee and Lane Technician	12,000	-	-	-	12,000	12,000
Regional Directors (RDs) for Employer Engagement	200,000	-	-	64,924	135,076	135,076
Strong Workforce - Regional	1,303,700	446,628	-	-	1,750,328	1,750,328

North Orange County Community College District
 Schedule of Expenditures of State Awards
 Year Ended June 30, 2021

Program	Program Revenues				Total Revenue	Program Expenditures
	Cash Received	Accounts Receivable	Accounts Payable	Unearned Revenue		
Strong Workforce Initiative - Local	\$ 8,716,038	\$ -	\$ -	\$ 5,677,740	\$ 3,038,298	\$ 3,038,298
Student Equity and Achievement Program (SEA)	3,851,476	9,022,775	-	-	12,874,251	12,874,251
Student Retention and Enrollment	445,112	-	-	372,754	72,358	72,358
Telecom Tech Infrastructure Prog (TTIP)	2,562	-	-	2,562	-	-
Veterans Resource Center (VRC) Grant	173,064	-	-	118,874	54,190	54,190
Veterans Resource Center Student Services	414,499	-	329	216,000	198,170	198,170
Welding Prog. Improvement Grant	734,103	-	-	725,985	8,118	8,118
Work Independence Self-Advocacy Education	621,897	-	-	-	621,897	621,897
Total state programs	<u>\$ 43,083,309</u>	<u>\$ 9,469,403</u>	<u>\$ 8,307</u>	<u>\$ 15,278,082</u>	<u>\$ 37,266,323</u>	<u>\$ 37,266,323</u>

North Orange County Community College District
 Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance
 Year Ended June 30, 2021

CATEGORIES	Revised Reported Data**	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2020 only)			
1. Noncredit*	543.05	-	543.05
2. Credit	2,669.01	-	2,669.01
B. Summer Intersession (Summer 2021 - Prior to July 1, 2021)			
1. Noncredit*	-	-	-
2. Credit	-	-	-
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	14,706.89	-	14,706.89
(b) Daily Census Contact Hours	738.60	-	738.60
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit*	129.61	-	129.61
(b) Credit	348.74	-	348.74
3. Alternative Attendance Accounting Procedure Courses			
(a) Weekly Census Procedure Courses	7,319.12	-	7,319.12
(b) Daily Census Procedure Courses	1,377.42	-	1,377.42
(c) Noncredit Independent Study/Distance Education Courses	4,010.12	-	4,010.12
D. Total FTES	31,842.56	-	31,842.56
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	-	-	-
F. Basic Skills Courses and Immigrant Education			
1. Noncredit*	-	-	-
2. Credit	107.36	-	107.36
<u>CCFS-320 Addendum</u>			
CDCP Noncredit FTES	1,920.48	-	1,920.48
Centers FTES			
1. Noncredit*	4,567.83	-	4,567.83
2. Credit	-	-	-

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

**Annual report revised as of October 1, 2021.

North Orange County Community College District
 Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation
 Year Ended June 30, 2021

	Object/TOP	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported	Audit	Revised	Reported	Audit	Revised
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	\$ 49,115,414	\$ -	\$ 49,115,414	\$ 49,115,414	\$ -	\$ 49,115,414
Other	1300	27,747,652	-	27,747,652	27,747,652	-	27,747,652
Total Instructional Salaries		76,863,066	-	76,863,066	76,863,066	-	76,863,066
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	21,901,200	-	21,901,200
Other	1400	-	-	-	971,674	-	971,674
Total Noninstructional Salaries		-	-	-	22,872,874	-	22,872,874
Total Academic Salaries		76,863,066	-	76,863,066	99,735,940	-	99,735,940
<u>Classified Salaries</u>							
Noninstructional Salaries							
Regular Status	2100	-	-	-	40,643,019	-	40,643,019
Other	2300	-	-	-	3,342,450	-	3,342,450
Total Noninstructional Salaries		-	-	-	43,985,469	-	43,985,469
Instructional Aides							
Regular Status	2200	4,423,141	-	4,423,141	4,423,141	-	4,423,141
Other	2400	512,199	-	512,199	512,199	-	512,199
Total Instructional Aides		4,935,340	-	4,935,340	4,935,340	-	4,935,340
Total Classified Salaries		4,935,340	-	4,935,340	48,920,809	-	48,920,809
Employee Benefits	3000	26,448,295	-	26,448,295	55,866,256	-	55,866,256
Supplies and Material	4000	-	-	-	1,263,827	-	1,263,827
Other Operating Expenses	5000	-	-	-	10,673,986	-	10,673,986
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures		108,246,701	-	108,246,701	216,460,818	-	216,460,818

North Orange County Community College District
 Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation
 Year Ended June 30, 2021

	Object/TOP	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported	Audit	Revised	Reported	Audit	Revised
<u>Exclusions</u>							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	\$ 2,410,903	\$ -	\$ 2,410,903	\$ 2,410,903	\$ -	\$ 2,410,903
Student Health Services Above Amount Collected	6441	-	-	-	6,788	-	6,788
Student Transportation	6491	-	-	-	9,345	-	9,345
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	3,021,488	-	3,021,488
Objects to Exclude							
Rents and Leases	5060	-	-	-	20,482	-	20,482
Lottery Expenditures							
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-

North Orange County Community College District
 Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation
 Year Ended June 30, 2021

	Object/TOP	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported	Audit	Revised	Reported	Audit	Revised
Other Operating Expenses and Services	5000	\$ -	\$ -	\$ -	\$ 5,737,227	\$ -	\$ 5,737,227
Capital Outlay	6000						
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		2,410,903	-	2,410,903	11,206,233	-	11,206,233
Total for ECS 84362, 50 Percent Law Percent of CEE (Instructional Salary Cost/ Total CEE)		\$105,835,798	\$ -	\$105,835,798	\$205,254,585	\$ -	\$205,254,585
50% of Current Expense of Education		51.56%		51.56%	100.00%		100.00%
					\$102,627,292		\$102,627,292

North Orange County Community College District
Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Financial Statements
Year Ended June 30, 2021

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2021

North Orange County Community College District
 Proposition 30 Education Protection Account (EPA) Expenditure Report
 Year Ended June 30, 2021

Activity Classification	Object Code					Unrestricted
EPA Revenue:	8630					\$ 53,726,598
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total	
Instructional Activities	1000-5900	\$ 53,726,598	\$ -	\$ -	\$ 53,726,598	
Total Expenditures for EPA		\$ 53,726,598	\$ -	\$ -	\$ 53,726,598	
Revenues Less Expenditures					\$ -	

North Orange County Community College District
 Reconciliation of Governmental Funds to the Statement of Net Position
 Year Ended June 30, 2021

Amounts reported for governmental activities in the Statement of Net Position are different because

Total fund balance and retained earnings		
General Funds	\$ 111,402,321	
Special Revenue Funds	14,015,485	
Capital Project Funds	144,933,979	
Debt Service Funds	46,986,138	
Internal Service Funds	29,237,065	
Fiduciary Funds	<u>142,194,083</u>	
Total fund balance - all District funds		\$ 488,769,071
Amounts held in trust on behalf of others (Retiree OPEB Trust)		(142,194,083)
The net other postemployment benefits (OPEB) asset results from the difference between annual OPEB cost on the accrual basis and OPEB contributions in the governmental funds.		20,786,846
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	775,232,497	
Accumulated depreciation is	<u>(219,202,298)</u>	
Total capital assets, net		556,030,199
Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources at year-end consist of:		
Deferred outflows of resources related to OPEB	8,010,004	
Deferred outflows of resources related to pensions	<u>64,241,063</u>	
Total deferred outflows of resources		72,251,067
In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term liabilities is recognized when it is incurred.		(3,000,308)

North Orange County Community College District
 Reconciliation of Governmental Funds to the Statement of Net Position
 Year Ended June 30, 2021

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

Long-term liabilities at year end consist of:

General obligation bonds	\$ (260,971,203)
Compensated absences and load banking, less current portion already recorded in the funds	(10,283,719)
Early retirement incentive	(4,168,645)
Net OPEB liability	(1,122,860)
Aggregate net pension liability	(279,560,923)
In addition, the District has issued 'capital appreciation' general obligation bonds. The accretion of interest unmatured on the general obligation bonds to date is	(49,258,855)

Total long-term liabilities	\$ (605,366,205)
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Deferred inflows of resources represent an acquisition of net position in a future period and is not reported in the District's funds.

Deferred inflows of resources amount to and related to

Deferred inflows of resources related to OPEB	(22,117,743)
Deferred inflows of resources related to pensions	(16,738,297)

Total deferred inflows of resources	(38,856,040)
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Total net position	\$ 348,420,547
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North Orange County Community College District
Schedule of Financial Trends and Analysis of the General Fund
Year Ended June 30, 2021

	(Budget ^[1]) 2022		2021		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
General Fund ^[2]								
Revenues								
Federal	\$ 51,076,610	14.5	\$ 34,951,201	10.9	\$ 6,874,243	2.4	\$ 6,053,921	2.1
State	169,087,926	48.1	157,481,774	49.0	151,383,861	52.9	151,254,713	52.7
Local	131,662,806	37.4	128,981,891	40.1	128,019,051	44.7	129,613,589	45.2
Total revenues	<u>351,827,342</u>	<u>100.0</u>	<u>321,414,866</u>	<u>100.0</u>	<u>286,277,155</u>	<u>100.0</u>	<u>286,922,223</u>	<u>100.0</u>
Expenditures ^[2]								
Academic salaries	115,274,368	30.2	114,359,161	37.7	107,006,972	36.3	101,043,423	37.5
Classified salaries	73,364,797	19.2	69,167,532	22.8	70,552,950	23.9	65,560,561	24.4
Employee benefits	69,293,171	18.1	65,136,366	21.5	63,491,235	21.5	60,748,787	22.6
Supplies and materials	18,551,951	4.9	4,524,049	1.5	5,102,227	1.7	4,873,073	1.8
Other operating expenses	63,337,261	16.6	22,593,520	7.4	22,512,906	7.6	22,950,515	8.5
Capital outlay	27,951,710	7.3	6,293,191	2.0	7,384,586	2.5	8,501,072	3.2
Student financial aid	6,424,813	1.7	10,256,618	3.4	2,636,396	0.9	2,129,408	0.8
Interfund transfers, net	7,852,162	2.0	11,178,881	3.7	16,348,844	5.6	3,364,642	1.2
Other uses, net	63,785	0.0	50,737	0.0	51,050	0.0	48,848	0.0
Total expenditures and other uses	<u>382,114,018</u>	<u>100.0</u>	<u>303,560,055</u>	<u>100.0</u>	<u>295,087,166</u>	<u>100.0</u>	<u>269,220,329</u>	<u>100.0</u>
Increase (Decrease) in Fund Balance	<u>\$ (30,286,676)</u>	<u>-0.07926</u>	<u>\$ 17,854,811</u>	<u>5.9</u>	<u>\$ (8,810,011)</u>	<u>(3.1)</u>	<u>\$ 17,701,894</u>	<u>6.2</u>
Ending Fund Balance	<u>\$ 81,115,645</u>	<u>0.21228</u>	<u>\$ 111,402,321</u>	<u>36.7</u>	<u>\$ 93,547,510</u>	<u>32.7</u>	<u>\$ 102,357,521</u>	<u>35.7</u>
Full-Time Equivalent Students	<u>29,735.64</u>		<u>31,842.56</u>		<u>33,337.45</u>		<u>33,268.05</u>	
Total long-term liabilities, including retiree benefit liability	<u>N/A</u>		<u>\$ 612,909,712</u>		<u>\$ 624,273,115</u>		<u>\$ 665,535,046</u>	

^[1] The year 2022 General Fund budget was adopted by the Board on September 14, 2021. The budget is included for analytical purposes and has not been subjected to audit.

^[2] On behalf payments of \$2,484,356 and \$9,573,030 relating to Senate Bill 90 are not included in actual revenues and expenditures for the years ending June 30, 2020 and June 30, 2019 respectively, and are not included in budgeted amounts.

Note 1 - Purpose of Schedules

District Organization

This schedule provides information about the District's governing board members, administration members, and auxiliary organizations in good standing.

Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2021. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the modified accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Indirect Cost Rate

The Organization has not elected to use the 10% de minimis cost rate.

Donated Personal Protective Equipment (PPE) (unaudited)

Nonmonetary assistance of PPE received from the State during the emergency period of the COVID-19 pandemic was approximately \$410.9 thousand and is based on the estimated fair market value of the PPE received. The donated PPE was generally provided without information about compliance or reporting requirements associated with federal financial assistance listing or CFDA numbers. The donated PPE is not included in the Schedule of Expenditure of Federal Awards.

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 State Chancellor's Office.

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

FTES is a measurement of the number of students attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis for making apportionments of State funds to community college districts. This schedule provides information regarding the attendance of students based on various methods of accumulating attendance data.

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

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

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

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

Proposition 30 Education Protection Account (EPA) Expenditure Report

This schedule provides information about the District's EPA proceeds and summarizes the expenditures of EPA proceeds.

Reconciliation of the Governmental Funds to the Statement of Net Position

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

Schedule of Financial Trends and Analysis of the General Fund

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



Independent Auditor's Reports
June 30, 2021

**North Orange County Community
College District**



Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate remaining fund information of North Orange County Community College District (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 16, 2021.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 2 and Note 13 to the financial statements, the District adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which resulted in a restatement of net position as of July 1, 2020. Our opinion is not modified with respect to this matter.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 16, 2021



Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited North Orange County Community College District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2021. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2021-001. Our opinion on each major federal program is not modified with respect to these matters.

The District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a significant deficiency.

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Eide Bailly LLP

Rancho Cucamonga, California
December 16, 2021



Independent Auditor's Report on State Compliance

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

Report on State Compliance

We have audited North Orange County Community College District's (the District) compliance with the types of compliance requirements described in the 2020-2021 California Community Colleges Chancellor's Office *Contracted District Audit Manual* applicable to the state laws and regulations listed in the table below for the year ended June 30, 2021.

Management's Responsibility

Management is responsible for compliance with the state laws and regulations as identified in the table below.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the District's state programs based on our audit of the types of compliance requirements referred in the table below. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the standards and procedures identified in the 2020-2021 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed in the table below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on state compliance. However, our audit does not provide a legal determination of the District's compliance.

Compliance Requirements Tested

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

Section 411	SCFF Data Management Control Environment
Section 412	SCFF Supplemental Allocation Metrics
Section 413	SCFF Success Allocation Metrics
Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Activities Funded From Other Sources
Section 424	Student Centered Funding Formula Base Allocation: FTES
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Dual Enrollment (CCAP and Non-CCAP)
Section 430	Scheduled Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 444	Apprenticeship Related and Supplemental Instruction (RSI) Funds
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged Hours (TBA)
Section 490	Proposition 1D and 51 State Bond Funded Projects
Section 491	Education Protection Account Funds
Section 499	COVID-19 Response Block Grant Expenditures

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

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

Unmodified Opinion

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the state programs noted above that were audited for the year ended June 30, 2021.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the 2020-21 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Accordingly, this report is not suitable for any other purpose.



Rancho Cucamonga, California
December 16, 2021

North Orange County Community College District

Summary of Auditor's Results

Year Ended June 30, 2021

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a):	Yes

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>Federal Assistance Listing/ Federal CFDA Number</u>
Student Financial Assistance Cluster	84.007, 84.033, 84.063, 84.268
COVID-19: Higher Education Emergency Relief Funds, Student Aid Portion	84.425E
COVID-19: Higher Education Emergency Relief Funds, Institutional Portion	84.425F
COVID-19: Higher Education Emergency Relief Funds, Minority Serving Institutions	84.425L
Dollar threshold used to distinguish between type A and type B programs:	\$3,000,000
Auditee qualified as low-risk auditee?	Yes

STATE COMPLIANCE

Type of auditor's report issued on compliance for programs:	Unmodified
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None reported.

The following finding represents a significant deficiency and instance of noncompliance including questioned costs that are required to be reported by the Uniform Guidance.

2021-001 Reporting

Program Name: COVID-19: Higher Education Emergency Relief Funds, Institutional Portion

Federal Assistance Listing Number: 84.425F

Federal Agency: U.S. Department of Education

Direct Funded by the U.S. Department of Education

Criteria or Specific Requirements

Section 18004(a)(1) of The Coronavirus Aid, Relief, and Economic Security Act required that institutions that received the HEERF 18004(a)(1) Institutional Aid Portion award to publicly post the HEERF quarterly reporting form on their website no later than 10 days after the end of each calendar quarter, or as directed by the U.S. Department of Education.

Condition

During our testing over reporting for the institutional aid portion at Cypress College, we noted that the report required to be publicly available by October 31, 2020 following the end of the quarter ending September 30, 2020 available was posted on January 20, 2021 and therefore, the District did not meet the timeliness requirement.

Questioned Costs

None reported.

Context

Significant Deficiency in Internal Control over Compliance - The District has two colleges that were required to report institutional grant metrics and other data within 10 days of the end of each calendar quarter, or as directed by the U.S. Department of Education. A sample of two reports from each college were reviewed for compliance, with one report not submitted in a timely manner.

Effect

The College's quarterly report was not uploaded to their website within the required timeframe.

Cause

Changing award program guidance/documentation, focused efforts on quick distribution of funds to students, remote work environment challenges, and a transition to a new website delayed initial posting of required reports.

Repeat Finding (Yes or No)

No

Recommendation

The District should ensure that reporting requirements and deadlines are clearly communicated to all staff, and procedures in place to ensure requirements and deadlines are met. The District should also ensure all documentation to support amounts reported is maintained in accordance with document retention guidelines.

Views of Responsible Officials and Corrective Action Plan

In the prior year's report, for 2019-2020, finding 2020-001 presented Cypress College's deficiency in posting the required reporting related to the Student Portion of the HEERF funds in a timely manner. Simultaneously, the College also discovered and corrected a similar issue with the reporting for the Institutional Portion for 2020-2021 which is included here as finding 2021-001.

As a result, Cypress College immediately improved documentation and understanding of award requirements. The College implemented internal controls for Institutional Portion reporting, including assigned personnel for report processing and improved remote work environment coordination for timely posting of required website content. Since this discovery in January 2021, all subsequent reports have been submitted in compliance with the requirements of the HEERF program guidelines.

We previously acknowledged this deficiency in finding 2020-001 in the prior year's audit and also responded with our immediate corrective actions related to the deficiency. Additionally, this matter was also discussed with the Board of Trustees in anticipation of this finding being part of the 2020-2021 audit report.

None reported.

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

Financial Statement Findings

None reported.

Federal Awards Findings

2020-001 Reporting

Recommendation

The District should ensure that reporting requirements and deadlines are clearly communicated to all staff, and procedures in place to ensure requirements and deadlines are met. The District should also ensure all documentation to support amounts reported is maintained in accordance with document retention guidelines.

Current Status

Implemented.

State Compliance Findings

None reported.



Additional Supplementary Information
June 30, 2021

North Orange County Community College District

North Orange County Community College District

Governmental Funds

Balance Sheets

June 30, 2021

	General	Bookstore	Cafeteria	Child Development	Bond Interest and Redemption	Capital Outlay Projects	Revenue Bond Construction
Assets							
Cash and cash equivalents	\$ 150,000	\$ (1,901,041)	\$ 2,454,605	\$ -	\$ -	\$ 1,652,919	\$ -
Investments	89,915,386	-	-	110,386	46,948,994	65,265,032	89,284,655
Accounts receivable	51,734,476	6,157	25,000	51	37,144	1,350,117	44,026
Student receivables, net	434,015	-	-	-	-	-	-
Due from other funds	14,515,722	3,955,687	38,142	341,298	-	213,162	83,059
Prepaid expenses	-	325,573	-	-	-	-	-
Inventories	78,197	372,521	-	-	-	-	-
Other current assets	-	-	-	-	-	-	-
Total assets	\$ 156,827,796	\$ 2,758,897	\$ 2,517,747	\$ 451,735	\$ 46,986,138	\$ 68,481,230	\$ 89,411,740
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ 17,677,071	\$ 76,075	\$ -	\$ 20,901	\$ -	\$ 1,950,857	\$ 9,730,985
Due to other funds	12,430,300	-	-	313,790	-	1,267,636	9,513
Unearned revenue	15,318,104	-	-	13,968	-	-	-
Total liabilities	45,425,475	76,075	-	348,659	-	3,218,493	9,740,498
Fund Balances							
Nonspendable	228,196	372,521	-	-	-	-	-
Restricted	4,632,534	-	-	-	46,986,138	65,262,737	79,671,242
Committed	6,337,728	-	-	-	-	-	-
Assigned	50,497,987	2,310,301	2,517,747	103,076	-	-	-
Unassigned	49,705,876	-	-	-	-	-	-
Total fund balances	111,402,321	2,682,822	2,517,747	103,076	46,986,138	65,262,737	79,671,242
Total liabilities and fund balances	\$ 156,827,796	\$ 2,758,897	\$ 2,517,747	\$ 451,735	\$ 46,986,138	\$ 68,481,230	\$ 89,411,740

See Note to Additional Supplementary Information

North Orange County Community College District
Governmental Funds
Balance Sheets
June 30, 2021

	Associated Students	Student Representation Fee	Student Financial Aid	CRPA Fund	Retiree Benefits	Other Non-fiduciary Trusts	Total Governmental Funds (Memorandum Only)
Assets							
Cash and cash equivalents	\$ 634,549	\$ 174,916	\$ 18,130	\$ 43,366	\$ -	\$ 15,184,392	\$ 18,411,836
Investments	462,656	-	8,589,534	-	1,285	5,141,068	305,718,996
Accounts receivable	-	-	1,468,653	19,000	138	2,669,589	57,354,351
Student receivables, net	-	7,934	1,599,807	7,856	-	2,738,436	4,788,048
Due from other funds	-	-	2,867	-	1,515,164	129,847	20,794,948
Prepaid expenses	-	-	-	-	-	-	325,573
Inventories	-	-	-	-	-	-	450,718
Other current assets	-	-	-	-	-	500	500
Total assets	<u>\$ 1,097,205</u>	<u>\$ 182,850</u>	<u>\$ 11,678,991</u>	<u>\$ 70,222</u>	<u>\$ 1,516,587</u>	<u>\$ 25,863,832</u>	<u>\$ 407,844,970</u>
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ 51,521	\$ 11,836	\$ 8,570,708	\$ -	\$ 4	\$ 1,045,587	39,135,545
Due to other funds	-	-	147,723	-	-	12,529,724	26,698,686
Unearned revenue	-	-	2,910,560	-	-	6,430,184	24,672,816
Total liabilities	<u>51,521</u>	<u>11,836</u>	<u>11,628,991</u>	<u>-</u>	<u>4</u>	<u>20,005,495</u>	<u>90,507,047</u>
Fund Balances							
Nonspendable	-	-	-	-	-	-	600,717
Restricted	1,045,684	171,014	50,000	-	-	-	197,819,349
Committed	-	-	-	-	-	-	6,337,728
Assigned	-	-	-	70,222	1,516,583	-	57,015,916
Unassigned	-	-	-	-	-	5,858,337	55,564,213
Total fund balances	<u>1,045,684</u>	<u>171,014</u>	<u>50,000</u>	<u>70,222</u>	<u>1,516,583</u>	<u>5,858,337</u>	<u>317,337,923</u>
Total liabilities and fund balances	<u>\$ 1,097,205</u>	<u>\$ 182,850</u>	<u>\$ 11,678,991</u>	<u>\$ 70,222</u>	<u>\$ 1,516,587</u>	<u>\$ 25,863,832</u>	<u>\$ 407,844,970</u>

See Note to Additional Supplementary Information

North Orange County Community College District
Governmental Funds
Statements of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2021

	General	Bookstore	Cafeteria	Child Development	Bond Interest and Redemption	Capital Outlay Projects	Revenue Bond Construction
Revenues							
Federal revenues	\$ 34,951,201	\$ -	\$ -	\$ 8,232	\$ -	\$ -	\$ -
State revenues	157,481,774	-	-	138,382	246,065	1,118,691	-
Local revenues	128,981,891	1,134,956	30,137	60,674	48,593,728	3,631,324	1,336,377
Total revenues	<u>321,414,866</u>	<u>1,134,956</u>	<u>30,137</u>	<u>207,288</u>	<u>48,839,793</u>	<u>4,750,015</u>	<u>1,336,377</u>
Expenditures							
Current Expenditures							
Academic salaries	114,359,161	-	-	-	-	-	-
Classified salaries	69,167,532	887,261	-	537,782	-	429,634	-
Employee benefits	65,136,366	340,658	-	201,407	-	138,678	-
Books and supplies	4,524,049	934,950	-	8,156	-	117,071	25,974
Services and operating expenditures	22,593,520	67,814	-	49,441	-	1,990,728	830,709
Capital outlay	6,293,191	-	-	8,026	-	18,866,695	88,270,753
Debt service - principal	-	-	-	-	39,165,000	-	-
Debt service - interest and other	50,737	-	-	-	7,785,046	-	-
Total expenditures	<u>282,124,556</u>	<u>2,230,683</u>	<u>-</u>	<u>804,812</u>	<u>46,950,046</u>	<u>21,542,806</u>	<u>89,127,436</u>
Excess of Revenues Over (Under) Expenditures	<u>39,290,310</u>	<u>(1,095,727)</u>	<u>30,137</u>	<u>(597,524)</u>	<u>1,889,747</u>	<u>(16,792,791)</u>	<u>(87,791,059)</u>
Other Financing Sources (Uses)							
Operating transfers in	1,057,389	4,077,756	167,760	656,452	-	7,067,911	-
Operating transfers out	(12,236,270)	-	(145,000)	-	-	(1,000,000)	-
Other uses	(10,256,618)	-	-	-	-	-	-
Total other financing sources (uses)	<u>(21,435,499)</u>	<u>4,077,756</u>	<u>22,760</u>	<u>656,452</u>	<u>-</u>	<u>6,067,911</u>	<u>-</u>
Excess Of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	<u>17,854,811</u>	<u>2,982,029</u>	<u>52,897</u>	<u>58,928</u>	<u>1,889,747</u>	<u>(10,724,880)</u>	<u>(87,791,059)</u>
Fund Balances, Beginning of Year	<u>93,547,510</u>	<u>(299,207)</u>	<u>2,464,850</u>	<u>44,148</u>	<u>45,096,391</u>	<u>75,987,617</u>	<u>167,462,301</u>
Fund Balances, End of Year	<u>\$ 111,402,321</u>	<u>\$ 2,682,822</u>	<u>\$ 2,517,747</u>	<u>\$ 103,076</u>	<u>\$ 46,986,138</u>	<u>\$ 65,262,737</u>	<u>\$ 79,671,242</u>

See Note to Additional Supplementary Information

North Orange County Community College District
Governmental Funds
Statements of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2021

	Associated Students	Student Representation Fee	Student Financial Aid	CRPA Fund	Retiree Benefits	Other Non-fiduciary Trusts	Total Governmental Funds (Memorandum Only)
Revenues							
Federal revenues	\$ -	\$ -	\$ 65,854,225	\$ -	\$ -	\$ -	\$ 100,813,658
State revenues	-	-	12,166,348	-	-	-	171,151,260
Local revenues	203,277	58,290	62,131	-	1,524,856	1,217,675	186,835,316
Total revenues	203,277	58,290	78,082,704	-	1,524,856	1,217,675	458,800,234
Expenditures							
Current Expenditures							
Academic salaries	-	-	-	-	-	-	114,359,161
Classified salaries	89,343	-	-	-	-	618	71,112,170
Employee benefits	28,306	-	-	-	1,419,325	50	67,264,790
Books and supplies	25,916	-	-	-	-	4,383	5,640,499
Services and operating expenditures	27,121	11,840	4,742	-	728	399,432	25,976,075
Capital outlay	-	-	-	-	-	-	113,438,665
Debt service - principal	-	-	-	-	-	-	39,165,000
Debt service - interest and other	-	-	-	-	-	-	7,835,783
Total expenditures	170,686	11,840	4,742	-	1,420,053	404,483	444,792,143
Excess of Revenues Over (Under) Expenditures	32,591	46,450	78,077,962	-	104,803	813,192	14,008,091
Other Financing Sources (Uses)							
Operating transfers in	23,893	-	-	-	-	399,334	13,450,495
Operating transfers out	-	(11,836)	(57,389)	-	-	-	(13,450,495)
Other uses	-	-	(78,020,573)	-	-	-	(88,277,191)
Total other financing sources (uses)	23,893	(11,836)	(78,077,962)	-	-	399,334	(88,277,191)
Excess Of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	56,484	34,614	-	-	104,803	1,212,526	(74,269,100)
Fund Balances, Beginning of Year	989,200	136,400	50,000	70,222	1,411,780	4,645,811	391,607,023
Fund Balances, End of Year	\$ 1,045,684	\$ 171,014	\$ 50,000	\$ 70,222	\$ 1,516,583	\$ 5,858,337	\$ 317,337,923

See Note to Additional Supplementary Information

North Orange County Community College District

Proprietary Fund

Balance Sheet

June 30, 2021

	<u>Internal Service Fund</u>
Assets	
Cash and cash equivalents	\$ 75,000
Investments	26,284,325
Accounts receivable	13,206
Due from other funds	<u>6,364,236</u>
Total assets	<u>32,736,767</u>
Liabilities and Fund Equity	
Liabilities	
Accounts payable	3,845
Due to other funds	460,498
Claim liabilities	<u>3,035,359</u>
Total liabilities	<u>3,499,702</u>
Fund Equity	
Retained earnings	<u>29,237,065</u>
Total liabilities and fund equity	<u><u>\$ 32,736,767</u></u>

North Orange County Community College District
 Proprietary Fund
 Statement of Revenues, Expenses, and Changes in Retained Earnings
 Year Ended June 30, 2021

	Internal Service Fund
Operating Revenues	
Premium contributions	\$ 6,364,236
Operating Expenses	
Classified salaries	240,138
Employee benefits	5,366,894
Services and other operating expenditures	2,195,896
Total operating expenses	7,802,928
Operating Loss	(1,438,692)
Nonoperating Revenues	
Investment income	307,624
Net Loss	(1,131,068)
Retained Earnings, Beginning of Year	30,368,133
Retained Earnings, End of Year	\$ 29,237,065

North Orange County Community College District

Proprietary Fund

Statement of Cash Flows

Year Ended June 30, 2021

	Internal Service Fund
Cash Flows from Operating Activities	
Cash received from assessments made to other funds	6,332,409
Cash payments to employees for services	(5,607,596)
Cash payments for insurance claims	(2,462,932)
Net Cash Provided (Used) for Operating Activities	<u>(1,738,119)</u>
Cash Flows from Investing Activities	
Interest on investments	322,816
Net Increase in Cash and Cash Equivalents	(1,415,303)
Cash and Cash Equivalents - Beginning	<u>27,774,628</u>
Cash and Cash Equivalents - Ending	<u>\$ 26,359,325</u>
Reconciliation of Operating Income (Loss) to Net Net Provided (Used) By Operating Activities	
Operating income (loss)	\$ (1,438,692)
Changes in assets and liabilities	
Due from other funds	(40,497)
Accounts payable	(564)
Due to other funds	8,670
Claim liabilities	(267,036)
Net Cash Provided By Operating Activities	<u>\$ (1,738,119)</u>

North Orange County Community College District

Fiduciary Funds

Balance Sheets

June 30, 2021

	<u>Retiree OPEB Trust</u>
Assets	
Investments	<u>\$ 142,194,083</u>
Fund Balances	
Restricted	<u>\$ 142,194,083</u>

North Orange County Community College District
 Fiduciary Funds
 Statements of Revenues, Expenditures, and Changes in Fund Balances
 Year Ended June 30, 2021

	Retiree OPEB Trust
Revenues	
Local revenues	\$ 36,727,787
Expenditures	
Current	
Employee benefits	5,278,202
Services and operating expenditures	426,969
Total expenditures	5,705,171
Excess of Revenues Over (Under) Expenditures	31,022,616
Fund Balances, Beginning of Year	111,171,467
Fund Balances, End of Year	\$ 142,194,083

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 preference of District management.