NORTH ORANGE COUNTY
COMMUNITY COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2017

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

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FINANCIAL SECTION

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, 2017, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the 2016-2017 *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office. 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 opinion.

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Opinion

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, 2017, and the respective changes in financial position and 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 Principles

As discussed in Note 2 to the financial statements, in 2017, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis on pages 5 through 18 and other required supplementary schedules on pages 65 through 70 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 listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, as required by 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, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is 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 7, 2017, 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.

Vavrinek Trine Day & Co LLP

Rancho Cucamonga, California
December 7, 2017

NORTH ORANGE COUNTY
COMMUNITY COLLEGE DISTRICT

KASHMIRA VYAS, CPA
District Director
Fiscal Affairs

FRED WILLIAMS
Vice Chancellor
Finance & Facilities

CHERYL A. MARSHALL, Ed.D.
Chancellor

Introduction

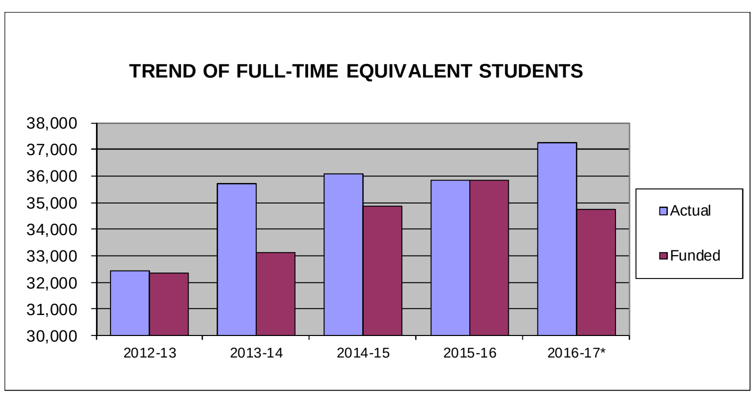
The following discussion and analysis provides an overview of the financial position and activities of the North Orange County Community College District (the District) for the year ended June 30, 2017. This discussion has been prepared by management and should be read in conjunction with the financial 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, academically excellent, and committed to student success and lifelong learning. Cypress College and Fullerton College offer associate degrees, vocational certificates, and transfer education, as well as developmental instruction and a broad array of specialized training. North Orange Continuing Education offers non-college credit programs including high school diploma completion, basic skills, vocational certificates, and self-development courses. Specific activities in both colleges and school of continuing education will be directed toward economic development within the community.

Selected Highlights

- During 2016-2017, total Full-Time Equivalent Students (FTES) decreased by approximately 735 or 2.05 percent. This is the continuation of a softening of demand being experienced across the community college system statewide. To offset this decline as well as to take advantage of anticipated unclaimed growth funds, we have shifted 2,148 in FTES from Summer 2017 to be reported in 2016-2017. This shift allowed the District to collect growth funding in 2016-2017 and increase the District's base allocation. As a result the District will receive approximately $15 million in additional revenue spread over 2016-2017 and 2017-2018. This will allow us to prepare for additional projected declines in FTES in 2017-2018.



*Includes shifting of Summer FTES

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- On March 5, 2002, the voters of the District approved a $239,000,000 bond measure with $139,000,000 (Series A) issued in May 2002 and $99,999,001 (Series B) issued in December 2003. In April 2005, the District issued $164,935,000 General Obligation Refunding Bonds to advance refund and defease portions of the Series A and B bonds. The Refunding resulted in an additional $9.6 million in proceeds which was used to leverage an additional $87 million from State Facilities Bond monies to meet local match requirements for the Cypress College Humanities project and the Fullerton College Science Building and Technology Center projects. Twenty major projects were established to be undertaken with these bond proceeds that would provide better facilities for the students, faculty, and community. On January 24, 2013 the District issued $145,910,000 General Obligation Refunding Bonds to advance refund and defease a portion of the 2005 General Obligation Refunding Bond. The District completed the refunding to reduce its debt service payment over the next 11 years by $10,001,601. The District is completing the last of its projects to be funded by Measure X.

- The District's $574,000,000 Measure J Facilities Bond Measure was passed with over 55 percent of the votes. $100,000,000 (Series A) was issued in June 2016. 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. With the approval of Measure J, the District continues to focus efforts on planning, in order to run an efficient and transparent bond program.

Financial Highlights

This section is to provide an overview of the District's financial activities. A comparative analysis is included in the Management's Discussion and Analysis using prior year information. Certain prior year amounts have been reclassified to follow current year classifications.

Financial Statement Presentation and Basis of Accounting

The District's financial report includes three financial statements: The Statement of Net Position, the Statement of Revenues, Expenses, and 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 an entity-wide perspective. Therefore, the financial data presented in these financial statements is a combined total of all District funds including Student Financial Aid Programs, with inter-fund transactions eliminated.

Also, in accordance with 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, 2017, Annual Financial and Budget Report (CCFS-311) based upon governmental accounting principles and the modified accrual basis of accounting, and the total net position recorded on the full accrual basis of accounting, is found on page 84 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

The Statement of Net Position as of June 30, 2017 and 2016, is summarized below.

	(in thousands) 2017	2016
ASSETS		
Current assets		
Cash and investments	$ 317,189	$ 305,437
Receivables	15,776	23,202
Inventory	809	817
Due from fiduciary funds	9,502	4,277
Other assets	258	222
Total current assets	343,534	333,955
Noncurrent assets		
Net OPEB asset	14,268	-
Capital assets, net	401,775	401,912
TOTAL ASSETS	759,577	735,867
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pensions	51,607	38,925
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	24,719	28,341
Unearned revenue	11,503	7,174
Due to fiduciary funds	1,331	34
Compensated absences - current portion	3,834	3,629
Long-term liabilities - current portion	34,230	31,280
Total current liabilities	75,617	70,458
Noncurrent liabilities		
Long-term liabilities less current portion	465,919	506,791
TOTAL LIABILITIES	541,536	577,249
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions	11,442	42,029
NET POSITION		
Net investment in capital assets	257,037	228,430
Restricted	102,824	107,465
Unrestricted*	(101,655)	(180,381)
TOTAL NET POSITION	$ 258,206	$ 155,514

* *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 cash equivalents consist primarily of cash held in the General Fund ($82.1 million), Bond Fund ($101.2 million), Capital Outlay Fund ($56.4 million), and the Self Insurance Fund ($26.8 million). The Cash Flow Statement included in these financial statements provides greater detail of the sources and uses of the District's cash during the 2016-2017 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 decrease in this account as $14.2 million in funds associated with the Educational Revenue Account Fund (ERAF) due in the prior year were received, while we have a $6.4 million anticipated receivable for apportionment-related funds associated with our reported FTES. Note 5 of these financial statements provides a summary of the accounts receivable balance.

- Inventory is primarily made up of merchandise held for sale in the bookstores located at Fullerton College and North Orange Continuing Education.

- Due from fiduciary funds and Due to fiduciary funds consist of amounts due from/to the Associated Students Trust, Student Representation Fee, and Other Trust funds at Cypress College, Fullerton College, North Orange Continuing Education, and the Retiree Benefits Fund.

- Other assets are primarily prepaid expenses.

- Net OPEB asset is the result of the District's contributing to its Irrevocable Retiree Benefits Trust those funds previously accumulated and held in its internal Retiree Benefits Funds. Consequently, assets held in the irrevocable trust exceeded the balance of the associated liability. Note 10 of these financial statements illustrates this movement. Also, the net position and activity for the irrevocable trust are shown on pages 23 and 24 as part of the Fiduciary group of 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 7 of these financial statements provides a summary of changes during the 2016-2017 fiscal year.

- Deferred outflows of resources represents 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 pension costs has increased significantly over the prior year. This is consistent with the increases in the STRS/PERS rates. (See Note 13).

- Accounts payable are amounts due as of the fiscal year-end for goods and services received as of June 30, 2017. 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, 2017. The decrease in this account is attributable primarily to the settlement of funds that were being held in the prior year pending determination by the Chancellor's Office of the appropriate redistribution among other districts.

- Unearned revenues are those funds that are received, but not yet earned. They typically involve restricted State and Federal grants that are earned when spent and allow more than one year to expend the funds.

- Compensated absences are amounts accrued for accumulated, unpaid employee vacation benefits and load banking where eligible academic employees may teach extra courses in one period for exchange for time off in another period.

- The District has bonded debt issuances outstanding that amounts to $279.3 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 long-term debt balances include unamortized premiums and deferred charges on refunding related to the general obligation bond liability, compensated absences, and an aggregate net pension obligation associated with the District. The District's long-term liabilities previously included a net postemployment obligation for medical benefits for retirees. Contributions made during the year into an irrevocable OPEB trust offset this liability and has resulted in a net OPEB asset. Additional information regarding long-term debt is included in the Debt Administration section of this discussion and analysis.

- Deferred inflows of resources represents an acquisition of net position that is applicable to a future reporting period. For example, deferred revenue and advance collections. In our instance, the deferred inflow associated with changes in the net pension liability has decreased from the prior year primarily due to differences between projected and actual earnings on the plan investments. (See Note 13).

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.

The Statement of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2017 and 2016, is summarized below:

	(in thousands) 2017	2016
Operating Revenues		
Net tuition and fees	$ 21,692	$ 20,523
Sales	5,100	5,349
Total operating revenues	26,792	25,872
Operating Expenses		
Salaries and benefits	202,970	194,040
Supplies, materials, depreciation, and other expenses	52,220	51,395
Student financial aid	58,022	58,723
Total operating expenses	313,212	304,158
Operating loss	(286,420)	(278,286)
Nonoperating revenues (expenses)		
State apportionments, noncapital	90,716	82,713
Local property taxes	124,719	120,206
Grants and contracts, noncapital	99,865	93,953
State taxes and other revenues	12,264	29,427
Investment income	2,285	1,007
Other nonoperating revenues (expenses), net	53,535	5,665
Total nonoperating revenues (expenses)	383,384	332,971
Other revenues		
State revenue, capital	5,728	3,986
Change in net position	102,692	58,671
Net position, beginning of year	155,514	96,843
Net position, end of year	$ 258,206	$ 155,514

- 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 increase in this account is associated with an increase in non-resident tuition and a decrease in the amount of BOG waivers.

- Sales are primarily related to the sale of merchandise in the Bookstores located at Fullerton College and North Orange Continuing Education.

- Salaries and benefits comprise 64.8 percent of total operating expenses from a District-wide full-accrual perspective. In other words, these amounts include the activity from all District funds, not just the General Fund. Consequently, this percentage is lower than normally discussed when talking about the percentage of salaries as compared to total expenses since it is computed using all Capital Outlay and Bond Fund expenditures that are primarily capital outlay expenditures. Salaries and benefits in the General Fund make up 86.1 percent of total General Fund expenses as reflected on page 86 of this report, after backing out $61,694,815 required to be expensed in benefits as part of the total transfers to the Irrevocable Retiree Benefits Trust in 2016-2017. The increase in these costs is due to salary increases of 3.0 percent for Full-Time Faculty, Management, Executive Management, Confidential, and Classified staff and 3.25 percent for Adjunct Faculty. The costs of benefits have been increasing as well, with medical costs and pension costs on the rise. There was also an increase to the number of employees, especially planned Full-Time Faculty positions, in response to the expected growth needs of the District established at the start of a fiscal year.

- Other operating expenses consist of supplies, insurance, utilities, depreciation expense, other services, and capital outlay items below the capitalization threshold. The increase in this account is related to increased costs of maintenance and purchases of capital outlay items below our capitalization threshold.

- Student financial aid is made up of financial assistance payments made to students as part of the Student Financial Aid cluster of programs.

- The 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, noncapital, 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. Calculated apportionment increased by $8.0 million over the prior year. This increase is primarily due to an increase in reported FTES, based on the shifting of FTES from Summer 2017 into 2016-2017, as well as an increase in rates over the prior year. There were also additional funds received for base funding ($2.3 million). 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.

- Local property taxes are received through the Auditor-Controller's Office for Orange and Los Angeles Counties. The amount received for property taxes is deducted from the total State apportionment amount for general revenue calculated by the State. The increase is attributable to the continued improvements in the housing market.

- Grants and contracts, noncapital are primarily those received from Federal and State sources and used in the instructional program such as the Student Financial Aid cluster of programs and funding received in support of Student Success and Strong Workforce Initiative-related programs. Pages 75 through 77 of the supplementary information section of this report provide a complete listing of Federal and State noncapital grants and contracts.

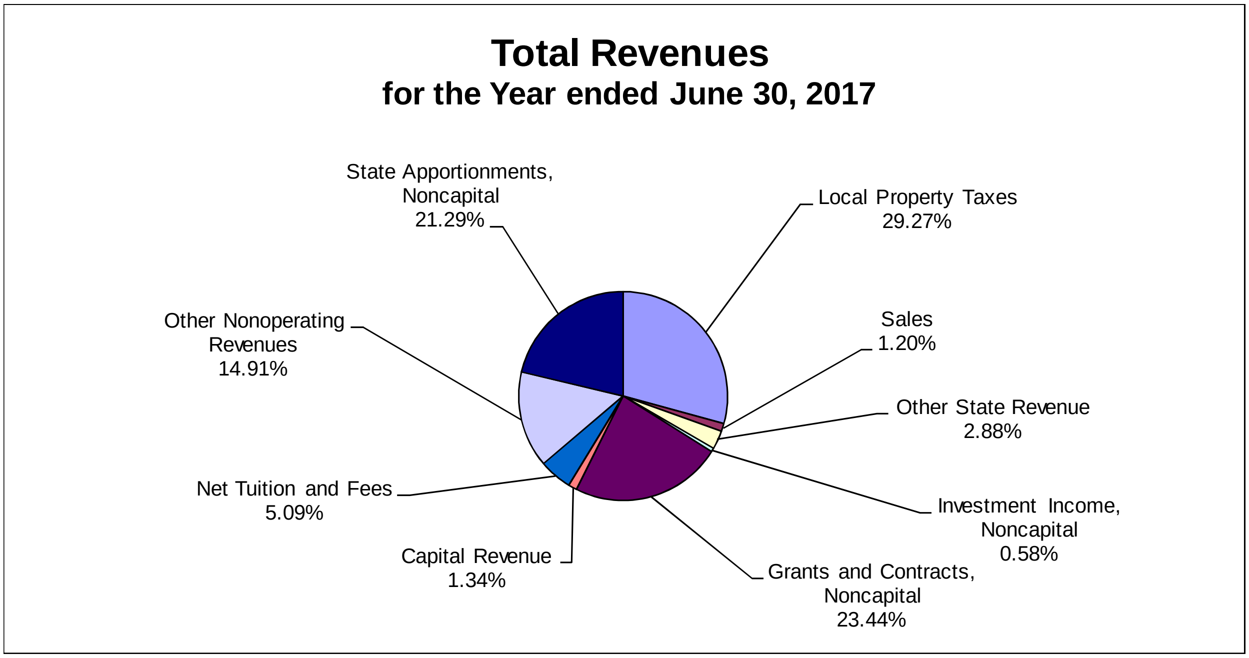
- State taxes and other revenues are mainly comprised of State mandated cost revenues and Lottery revenues. The decrease in this account is due to the receipt of $590,000 less in Lottery funds as well as a decrease of $16.5 million in mandated revenues from the State than the previous year.

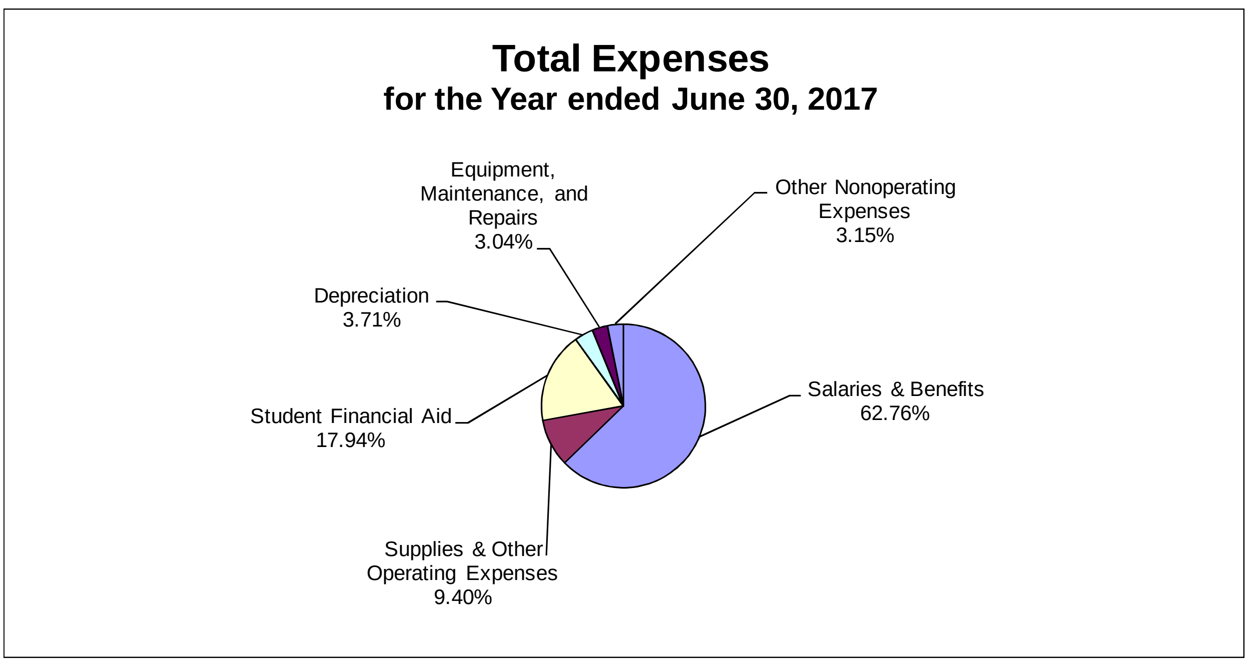
- Investment income, net increased due to an increase in interest rates and overall increase in cash balances.

- 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, transfers to and from the fiduciary funds, and an amount recorded for payments made by the State of California to STRS on the District's behalf in the amount of $7.4 million. This year, in keeping with the planned funding of the Irrevocable Retiree Benefits Trust we continued to transfer funds to the Trust. $61.7 million of these contributions have been reflected as transfers from the fiduciary funds previously held in the Retiree Benefits Fund which is the prime reason for this increase. Offsetting this is the decrease resulting from $5.7 million in proceeds we had received in the prior year associated with our bond issuance.

- State revenues, capital relate to projects for capital outlay. The increase in this account is mainly due to the recognition of additional schedule maintenance revenues received.

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 20.





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, 2017 and 2016, is presented below:

	(in thousands)	
	2017	**2016**
Cash Provided By (Used in)		
Operating activities	$ (340,274)	$ (272,440)
Non-capital financing activities	363,458	288,778
Capital and related financing activities	(13,717)	129,535
Investing activities	2,285	1,006
Net change in cash and cash equivalents	11,752	146,879
Cash balance, beginning of year	305,437	158,558
Cash balance, end of year	$ 317,189	$ 305,437

Operating activities mainly consist of cash receipts from student tuition and cash payments for salaries, benefits, supplies, other operating expenses, utilities, insurance, and other items related to the instructional program.

- Noncapital financing activities are primarily comprised of State apportionment, property taxes, and Federal, State and local grants for other than capital purposes. State apportionments and property taxes received account for 28.3 percent of the total cash provided by noncapital financing activities. Additionally, cash received from noncapital related grants and contracts accounts for 30.8 percent 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 proceeds received from any new debt issuances, and cash sources or uses from Federal, State, and local grants for capital purposes. The decrease in this category is mainly the result of having increased activity in the prior year related to the Measure J bond issuance. Additional cash payments associated with principal and interest payments associated with that issued debt as well as the increase in construction in progress has resulted in the net outflow in the current year.

- The cash from investing activities is interest earned on cash in banks, and on cash invested through the Orange County Educational Investment Pool. The increase in cash received from investing activities is due to the increase in interest rates as applied to the increased funds resulting from the Measure J bond issuance of the prior year.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2017, the District had $401.8 million invested in net capital assets. Total capital assets of $572.8 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 $171.0 million over the years they have been in service. During 2016-2017, $0.9 million of building and improvement projects completed construction. In addition, $10.2 million of construction in progress occurred during 2016-2017. Depreciation expense of $12.0 million was recorded for the fiscal year.

Capital additions primarily comprise replacement, renovation, and new construction. As the District starts up on its capital construction program resulting from the Measure J bond issuance, there will be an increase in the accumulated expenses resulting from construction in progress. The slight additions to capital additions in 2016-2017 are the result of completing construction projects including replacing the North Gym floor at Fullerton College, installation of a wireless network at the Anaheim Campus, and a lighting retrofit project at Cypress College.

Note 7 to the financial statements provides additional information on capital assets. A summary of capital assets, net of depreciation, is presented below:

	(in thousands) 2017	2016
Land and improvements	$ 19,555	$ 19,770
Buildings and improvements	360,054	369,841
Equipment	8,326	7,754
Construction in progress	13,840	4,547
Net capital assets	$ 401,775	$ 401,912

Debt Administration

At June 30, 2017, the District had $504.0 million in debt primarily made up of $279.3 million from general obligation bonds; $4.6 million from Self-Insurance claims payable; $8.0 million from compensated absences payable; and $212.2 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 13.)

The general obligation bonds were issued to fund various projects related to construction, purchase and renovation of instructional facilities, laboratories, centers, administrative facilities, and parking structures. Debt payments on the bonds will be funded through property tax receipts collected over the term of the bonds. The District's bond rating for its most recent issues was upgraded to AA+.

The net OPEB obligation is now a net OPEB asset for the District. This is the result of the establishment in 2016 of an Irrevocable Retiree Benefit Trust and the transfer of funds previously set aside in the Retiree Benefits fund of over $70.6 million. GASB Statement No. 45, requires districts to recognize an expense on their financial statements for the sum of ongoing annual out-of-pocket retiree benefit costs, plus an amortized annual actuarially determined amount necessary to recognize the entire unfunded obligation over a period not to exceed 30 years. Based on an actuarial study dated October 2016, the District's actuarially determined unfunded liability was projected at $122.1 million. As a result of the transfer of funds set aside for retiree health benefits to an irrevocable trust, these funds can now be counted against our unfunded liability resulting in our net OPEB asset position.

Note 10 to the financial statements provides additional information on long-term liabilities. A summary of long-term obligations is presented below:

	(in thousands)	
	2017	**2016**
Long-term obligations		
General obligation bonds	$ 279,267	$ 307,335
Claims payable	4,594	5,072
Compensated absences	7,967	7,576
Net OPEB obligation	-	57,602
Aggregate net pension obligation	212,155	164,115
Total long-term obligations	503,983	541,700
Less current portion	(38,064)	(34,909)
Long-term portion	$ 465,919	$ 506,791

District's Fiduciary Responsibility

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

Economic Factors that May Affect the Future

As of June 30, 2017, 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's continued upward trend in 2016-2017. The 2017-2018 State Budget is the 5th year of anticipated prosperous times for California. The adopted budget contains $122.5 billion in General Fund expenditures, up $1.5 billion from 2016-2017 levels. Based on the information currently available, the District believes it is in good financial shape for the 2017-2018 fiscal year.

There is currently a $93 million statutory shortfall in the 2017-2018 apportionment funding report for community colleges that impacts the District by $2.9 million. The economic position of the District is closely tied to that of the State of California and until the overall economy regains its strength, the California State budget, and thus the California Community College's management will continue to closely monitor the State budget information and will maintain a close watch over resources to sustain our ability to react to internal and external issues.

One of the most significant concerns the District has faced in recent years has been the increase of the employer contribution rate for STRS and PERS as part of the State's adopted STRS and PERS Funding Plan. STRS and PERS employer contribution rate will continue to increase every year, reaching 19.1 percent and 23.8 percent by 2021 respectively. We have been setting aside base allocation augmentations to help offset the impact of these continued planned rate increases. In 2016-2017, an additional base augmentation was received specifically to address this need. The cumulative effect of these augmentations set aside will allow the District to fully address the impact of these rate increases.

The District has in place negotiated multi-year salary agreements for all groups, except Adjunct Faculty, which continue into 2017-2018 and which have been incorporated into the budget. For budgeting purposes, an estimated increase similar to the other bargaining units has been incorporated for Adjunct Faculty as well. For 2017-2018, the District still has $1.5 million of its commitment to fund $1,250 per eligible employee for an off-schedule payment to help employees defray rising benefit costs. Strides have been made in the last few years towards providing increases in salaries as times have improved. However, we still maintain a focus on how to bring salaries and benefits in alignment with comparable districts responsibly.

The District has continued to experience a downward trend in FTES in 2016-2017, which impacts the on-going resources available to the District. One of the major initiatives for the 2016-2017 year was the establishment of a Districtwide Enrollment Management Advisory Committee (DEMAC) to improve overall institutional effectiveness in student achievement and fiscal stability. Subcommittees of DEMAC have been working on areas such as FTES target setting, scheduling, reporting, outreach/recruitment, and student success/retention to identify and implement solutions to reverse this trend. For 2017-2018, all committees will continue these efforts.

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

Contacting the District's Financial Management

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

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION - PRIMARY GOVERNMENT
JUNE 30, 2017

ASSETS	
Current Assets	
Cash and cash equivalents - unrestricted	$ 3,600,932
Cash and cash equivalents - restricted	1,377,775
Investments - unrestricted	108,642,480
Investments - restricted	203,567,673
Accounts receivable	15,018,188
Student loans receivable	757,536
Due from fiduciary funds	9,501,969
Prepaid expenses	258,121
Stores inventories	808,832
Total Current Assets	343,533,506
Noncurrent Assets	
Net other postemployment benefit (OPEB) asset	14,268,261
Nondepreciable capital assets	30,605,830
Depreciable capital assets, net of depreciation	371,169,357
Total Noncurrent Assets	416,043,448
TOTAL ASSETS	759,576,954
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	51,607,116
LIABILITIES	
Current Liabilities	
Accounts payable	21,362,226
Accrued interest payable	3,356,817
Due to fiduciary funds	1,330,947
Unearned revenue	11,502,824
Compensated absences and load banking	3,834,455
Bonds payable	34,230,000
Total Current Liabilities	75,617,269
Noncurrent Liabilities	
Compensated absences and load banking	4,132,472
Claims liability	4,594,692
Bonds payable	245,036,760
Aggregate net pension obligation	212,154,743
Total Noncurrent Liabilities	465,918,667
TOTAL LIABILITIES	541,535,936
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	11,442,595
NET POSITION	
Net investment in capital assets	257,036,515
Restricted for:	
Debt service	37,387,079
Capital projects	59,506,437
Educational programs	5,930,286
Unrestricted	(101,654,778)
TOTAL NET POSITION	$ 258,205,539

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

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PRIMARY GOVERNMENT FOR THE YEAR ENDED JUNE 30, 2017

OPERATING REVENUES	
Student Tuition and Fees	$ 43,844,853
Less: Scholarship discounts and allowances	(22,153,267)
Net tuition and fees	21,691,586
Auxiliary enterprise sales and charges	5,100,452
TOTAL OPERATING REVENUES	26,792,038
OPERATING EXPENSES	
Salaries	164,352,786
Employee benefits	38,616,960
Supplies, materials, and other operating expenses and services	30,402,338
Student financial aid	58,022,197
Equipment, maintenance, and repairs	9,818,379
Depreciation	11,999,162
TOTAL OPERATING EXPENSES	313,211,822
OPERATING LOSS	(286,419,784)
NONOPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	90,715,738
Local property taxes, levied for general purposes	89,431,869
Taxes levied for other specific purposes	35,286,957
Federal grants and contracts, noncapital	57,513,210
State grants and contracts, noncapital	42,351,005
State taxes and other revenues	12,263,841
Investment income	2,285,378
Interest expense on capital related debt	(9,986,961)
Investment income on capital asset-related debt, net	197,551
Transfers from fiduciary funds	61,694,815
Transfers to fiduciary funds	(210,214)
Other nonoperating revenues	1,840,155
TOTAL NONOPERATING REVENUES (EXPENSES)	383,383,344
INCOME BEFORE OTHER REVENUES	96,963,560
OTHER REVENUES	
State revenues, capital	5,727,523
CHANGE IN NET POSITION	102,691,083
NET POSITION, BEGINNING OF YEAR	155,514,456
NET POSITION, END OF YEAR	$ 258,205,539

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

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	$ 21,656,960
Auxiliary sales	5,100,452
Payments to or on behalf of employees	(230,148,441)
Payments to vendors for supplies and services	(78,861,123)
Payments to students for scholarships and grants	(58,022,197)
Net Cash Flows From Operating Activities	(340,274,349)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State apportionments	90,715,738
Property taxes - nondebt related	12,263,841
Grants and contracts	111,780,238
State taxes and other revenues	89,431,869
Other nonoperating revenues	59,266,031
Net Cash Flows From Noncapital Financing Activities	363,457,717
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchase of capital assets	(19,149,606)
State revenue, capital projects	5,727,523
Property taxes - related to capital debt	35,286,957
Proceeds from capital debt	3,450,143
Principal paid on capital debt	(31,518,533)
Interest paid on capital debt	197,551
Interest received on capital asset-related debt	(7,711,256)
Net Cash Flows From Capital Financing Activities	(13,717,221)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received from investments	2,285,378
NET CHANGE IN CASH AND CASH EQUIVALENTS	11,751,525
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	305,437,335
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 317,188,860

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

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017

RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating Loss	$ (286,419,784)
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities:	
Depreciation expense	11,999,162
Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows:	
Accounts receivable	(34,626)
Stores inventories	8,145
Prepaid expenses	(35,975)
Accounts payable and accrued liabilities	1,389,826
Unearned revenue	4,384
Claims payable	(477,723)
Aggregate net pension obligation	48,040,198
Net OPEB obligation/asset	(71,870,162)
Compensated absences and load banking	390,365
Deferred outflows of resources related to pensions	(12,682,188)
Deferred inflows of resources related to pensions	(30,585,971)
Total Adjustments	(53,854,565)
Net Cash Flows From Operating Activities	$ (340,274,349)
CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:	
Cash in banks	$ 4,978,707
Cash in county treasury	312,210,153
Total Cash and Cash Equivalents	$ 317,188,860
NON CASH TRANSACTIONS	
On behalf payments for benefits (see Note 13)	$ 7,410,661

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

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2017

	Retiree OPEB Trust	Other Trust Funds	Agency Funds
ASSETS			
Cash and cash equivalents	$ -	$ 12,109,210	$ 41,187
Investments	86,578,239	5,746,281	-
Accounts receivable	-	2,558,491	19,000
Student loans receivable	-	869,989	10,035
Due from primary government	-	1,330,947	-
Prepaid expenses	-	500	-
Total Assets	86,578,239	22,615,418	$ 70,222
LIABILITIES			
Accounts payable	-	777,883	$ -
Due to primary government	-	9,501,969	-
Unearned revenue	-	4,571,600	-
Due to student groups	-	4,143,884	70,222
Total Liabilities	-	18,995,336	$ 70,222
NET POSITION			
Nonspendable	-	500	
Restricted for postemployment benefits other than pensions	86,578,239	-	
Unrestricted	-	3,619,582	
Total Net Position	$ 86,578,239	$ 3,620,082	

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

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

	Retiree OPEB Trust	Trust Funds
ADDITIONS		
Local revenues	$ 5,801,332	$ 2,243,909
DEDUCTIONS		
Classified salaries	-	125,912
Employee benefits	-	21,055
Books and supplies	-	69,245
Services and other operating expenditures	171,691	650,193
Capital outlay	-	13,286
Total Deductions	171,691	879,691
OTHER FINANCING SOURCES (USES)		
Transfers from primary government	-	210,214
Transfers to primary government	-	(61,694,815)
Other sources - OPEB irrevocable trust contributions	70,893,606	-
Other uses - OPEB irrevocable trust contributions	-	(9,198,790)
Total Other Financing Sources (Uses)	70,893,606	(70,683,391)
Change in Net Position	76,523,247	(69,319,173)
Net Position - Beginning of Year, as restated (See Note 16)	10,054,992	72,939,255
Net Position - End of Year	$ 86,578,239	$ 3,620,082

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

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. 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.

North Orange County Community College District Futuris Trust

The North Orange County Community College District Futuris 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 of Authority 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 and as amended by GASB Statements No. 37, No. 38, No. 39, and No. 61. This presentation provides a comprehensive entity-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective which was previously reported. Fiduciary activities, with the exception of the Student Financial Aid Fund, are excluded from the basic financial statements. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office *Budget and Accounting Manual*. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All intra-agency and intra-fund transactions have been eliminated.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are classified as operating revenues. These transactions are recorded on the accrual basis when the exchange takes place. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, operating revenues consist primarily of student fees and auxiliary activities through the bookstore and cafeteria.

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

Operating expenses are costs incurred to provide instructional services including support costs, auxiliary services, and depreciation of capital assets. All other expenses not meeting this definition are reported as nonoperating. Expenses are recorded on the accrual basis as they are incurred, when goods are received, or services are rendered.

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37, No. 38, No. 39, and No. 61. The business-type activities model followed by the District requires the following components of the District's financial statements:

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

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be unrestricted cash on hand, demand deposits, and short-term unrestricted investments with original maturities of one year or less from the date of acquisition. Cash equivalents also include unrestricted cash with the County treasury for purposes of the Statement of Cash Flows. Restricted cash and cash equivalents represent balances restricted by external sources such as grants and contracts or specifically restricted for the repayment of capital debt.

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held at June 30, 2017, 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 are stated at cost or amortized cost. Fair value of investments in county and State investment pools are determined by the program sponsor.

Restricted Investments

Restricted investments arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted investments represent those required by debt covenants to be set aside by the District for the purpose of satisfying certain requirements of the bonded debt issuance.

Accounts Receivable

Accounts receivable include amounts due from Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff; the majority of each residing in the State of California. The District does not record an allowance for uncollectible accounts because collectability of the receivables from such sources is probable. When receivables are determined to be uncollectible, a direct write-off is recorded.

Prepaid Expenses

Prepaid expenses represent payments made to vendors and others for services that will benefit periods beyond June 30, 2017.

Stores Inventories

Stores inventories consist primarily of bookstore merchandise held for resale to the students and faculty of the colleges. In addition, the District warehouse holds some inventory of paper and office supplies for daily operational needs. Inventories are stated at cost, utilizing the average cost method. The cost is recorded as an expense as the inventory is consumed.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the entity-wide financial statements.

Debt Issuance Costs, Premiums, and Discounts

Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs, are amortized over the life of the bonds using the straight-line method.

Deferred Outflows/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 or expenditure until then. The District reports deferred outflows of resources 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 pension related items.

Pensions

For purposes of measuring the net pension liability and 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 (the 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.

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

Unearned Revenue

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

Noncurrent Liabilities

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

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the entity-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 school members who retire after January 1, 1999. At retirement, each member will receive .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

GASB Statements No. 34 and No. 35 report equity as "Net Position" which represents the difference between assets and liabilities. The net position is classified according to external donor restrictions or availability of assets for satisfaction of District obligations according to the following net position categories:

Net Investment in Capital Assets consists of capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. To the extent debt has been incurred, but not yet expended for capital assets, such accounts are not included as a component invested in capital assets – net of related debt.

Restricted: Net position is reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the District, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

Unrestricted: Net position that is not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed. The entity-wide financial statements report $102,823,802 of restricted net position.

Operating Revenues and Expenses

Classification of Revenues - The District has classified its revenues as either operating or nonoperating. Certain significant revenue streams relied upon for operation are classified as nonoperating as defined by GASB Statements No. 34 and 35. Classifications are as follows:

Operating revenues - Operating revenues include activities that have the characteristics of exchange transactions, such as, student tuition and fees, net of scholarship discounts and allowances, and sales and services of auxiliary enterprises.

Nonoperating revenues - Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as State apportionments, property taxes, investment income, Federal, State, and local grants and contracts, gifts and contributions, and other revenue sources defined in GASB Statements No. 34 and 35.

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

Operating expenses - Operating expenses are necessary costs to provide the services of the District and include employee salaries and benefits, supplies, operating expenses, and student financial aid.

Nonoperating expenses - Nonoperating expenses include interest expense and other expenses not directly related to the services of the District.

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.

Scholarships, Discounts, and Allowances

Student tuition and fee revenue is reported net of scholarships, discounts, and allowances. Fee waivers approved by the 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.

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, and Federal Work-Study programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to students in the form of reduced tuition. These programs are audited in accordance with 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.

Interfund Activity

Interfund transfers and interfund receivables and payables for governmental activities are eliminated during the consolidation process in the Primary Government and Fiduciary Funds' financial statements, respectively.

Change in Accounting Principles

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of State and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces GASB Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, No. 43, and No. 50, *Pension Disclosures*.

The District has implemented the provisions of this Statement as of June 30, 2017.

As a result of implementing GASB Statement No. 74, the District has restated the beginning net position in the fiduciary funds Statement of Net Position, effectively increasing the District's fiduciary Net Position as of July 1, 2016 by $10,054,992. This increase results from accounting for the District's OPEB Trust account within the District's fiduciary funds.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures.* This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients;
- The gross dollar amount of taxes abated during the period;
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

The District has implemented the provisions of this Statement as of June 30, 2017.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment to GASB Statement No. 27*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to State or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of GASB Statement No. 68 applied to the financial statements of all State and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

This Statement amends the scope and applicability of GASB Statement No. 68 to exclude pensions provided to employees of State or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a State or local governmental pension plan; (2) is used to provide defined benefit pensions both to employees of State or local governmental employers and to employees of employers that are not State or local governmental employers; and (3) has no predominant State or local governmental employer (either individually or collectively with other State or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The District has implemented the provisions of this Statement as of June 30, 2017.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units—an amendment to GASB Statement No. 14.* The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of GASB Statement No. 14, *The Financial Reporting Entity*. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units—an amendment to GASB Statement No. 14*.

The District has implemented the provisions of this Statement as of June 30, 2017.

In March 2016, the GASB issued Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73.* The objective of this Statement is to address certain issues that have been raised with respect to GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment to GASB Statement No. 25*, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment to GASB Statement No. 27*, and GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information; (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes; and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The District has implemented the provisions of this Statement as of June 30, 2017, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

New Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. The primary objective of this Statement is to improve accounting and financial reporting by State and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by State and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of GASB Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The requirements of this Statement are effective for financial statements for periods beginning after June 30, 2017. Early implementation is encouraged.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements.* The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Early implementation is encouraged.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities.* The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Early implementation is encouraged.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements;
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;
- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB;
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Early implementation is encouraged.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Early implementation is encouraged.

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 of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

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 - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit receipts and collections of monies with their County Treasurer (*Education Code* Section (ECS) 41001). The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which are recorded on the amortized cost basis.

General Authorizations

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

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

Authorized Under Debt Agreements

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

Summary of Deposits and Investments

Deposits and investments as of June 30, 2017, consist of the following:

Primary government	$ 317,188,860
Fiduciary funds	104,474,917
Total Deposits and Investments	$ 421,663,777
Cash on hand and in banks	$ 16,911,810
Cash in revolving funds	217,294
Investments	404,534,673
Total Deposits and Investments	$ 421,663,777

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	Book Value	Fair Value	Weighted Average Days to Maturity
Orange County Educational Investment Pool	$ 316,383,019	$ 315,877,162	325
Certificates of Deposit	1,573,415	1,573,415	651
Mutual Funds	86,578,239	86,578,239	N/A
Total	$ 404,534,673	$ 404,028,816	

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the Orange County Educational Investment Pool is not required to be rated. However, as of the year-end, the Orange County Educational Investment Pool reflected an AAAm rating by Standard and Poor's Rating Service.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2017, of the District's bank balance of $12,889,100, $11,497,145 was exposed to custodial credit risk because it was collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 4 - 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.

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.

Uncategorized **-** Investments in the Orange County Educational Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share.

The District's fair value measurements are as follows at June 30, 2017:

Investment Type	Fair Value	Level 1 Inputs	Uncategorized
Orange County Educational Investment Pool	$ 315,877,162	$ -	$ 315,877,162
Certificates of Deposit	1,573,415	1,573,415	-
Mutual Funds	86,578,239	86,578,239	-
Total	$ 404,028,816	$ 88,151,654	$ 315,877,162

All assets have been valued using a market approach, with quoted market prices.

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2017, consisted primarily of intergovernmental grants, entitlements, interest, and other local sources.

The accounts receivable are as follows:

	Primary Government	Fiduciary Funds
Federal Government		
Categorical aid	$ 3,152,518	$ -
State Government		
Apportionment	6,445,945	-
Categorical aid	481,608	-
Lottery	3,385,782	-
Other State sources	80,288	-
Local Government		
Interest	213,312	3,621
Other	1,258,735	2,573,870
Total	$ 15,018,188	$ 2,577,491
Student loans receivable	$ 757,536	$ 880,024

NOTE 6 - INTERFUND TRANSACTIONS

Interfund Receivables and Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the governmental funds and fiduciary funds, respectively, has been eliminated in the consolidation process of the basic financial statements. Balances owing between the primary governmental and the fiduciary funds are not eliminated in the consolidation process. As of June 30, 2017, the amount owed to the fiduciary funds from the primary government was $1,330,947, and the amount owed to the primary government from the fiduciary funds was $9,501,696.

Interfund Operating Transfers

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 funds of the District have been eliminated in the consolidation process. Transfers between the primary government and the fiduciary funds are not eliminated in the consolidation process. During the 2017 fiscal year, the amount transferred to the fiduciary funds from the primary government amounted to $210,214, and the amount transferred to the primary government from the fiduciary funds amounted to $61,694,815.

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions	Deductions/ Reclassifications	Balance June 30, 2017
Capital Assets Not Being Depreciated				
Land	$ 16,765,537	$ -	$ -	$ 16,765,537
Construction in progress	4,547,437	10,210,359	917,503	13,840,293
Total Capital Assets Not Being Depreciated	21,312,974	10,210,359	917,503	30,605,830
Capital Assets Being Depreciated				
Land improvements	4,509,415	-	-	4,509,415
Buildings and improvements	509,678,806	570,276	-	510,249,082
Machinery and equipment	25,549,635	1,999,426	141,111	27,407,950
Total Capital Assets Being Depreciated	539,737,856	2,569,702	141,111	542,166,447
Total Capital Assets	561,050,830	12,780,061	1,058,614	572,772,277
Less Accumulated Depreciation				
Land improvements	1,504,746	215,121	-	1,719,867
Buildings and improvements	139,838,189	10,357,038	-	150,195,227
Machinery and equipment	17,796,104	1,427,003	141,111	19,081,996
Total Accumulated Depreciation	159,139,039	11,999,162	141,111	170,997,090
Net Capital Assets	$ 401,911,791	$ 780,899	$ 917,503	$ 401,775,187

Depreciation expense for the year was $11,999,162.

Interest expense on capital related debt for the year ended June 30, 2017, was $10,004,801. Of this amount, $17,840 was capitalized.

NOTE 8 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2017, consisted of the following:

	Primary Government	Fiduciary Funds
Accrued payroll	$ 6,910,406	$ -
Construction	3,189,846	-
State categorical aid	37,774	-
Vendor payables	11,224,200	777,883
Total	$ 21,362,226	$ 777,883

NOTE 9 - UNEARNED REVENUE

Unearned revenue at June 30, 2017, consisted of the following:

	Primary Government	Fiduciary Funds
State categorical aid	$ 11,378,512	$ -
Student fees	124,312	4,571,600
Total	$ 11,502,824	$ 4,571,600

NOTE 10 - LONG-TERM OBLIGATIONS

Long-Term Obligations Summary

The changes in the District's long-term obligations during the 2017 fiscal year consisted of the following:

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017	Due in One Year
Bonds Payable					
2003B General obligation bonds	$ 63,465,476	$ 3,450,143	$ -	$ 66,915,619	$ -
2013 General obligation refunding bonds	138,125,000	-	16,905,000	121,220,000	17,885,000
2016A General obligation bonds	100,000,000	-	14,375,000	85,625,000	16,345,000
Unamortized premium	5,744,674	-	238,533	5,506,141	-
Total Bonds Payable	307,335,150	3,450,143	31,518,533	279,266,760	34,230,000
Other Liabilities					
Compensated absences and load banking	7,576,562	460,283	69,918	7,966,927	3,834,455
Claims payable	5,072,415	-	477,723	4,594,692	-
Net OPEB obligation	57,601,901	-	57,601,901	-	-
Aggregate net pension obligation	164,114,545	48,040,198	-	212,154,743	-
Total Other Liabilities	234,365,423	48,500,481	58,149,542	224,716,362	3,834,455
Total Long-Term Obligations	$ 541,700,573	$ 51,950,624	$ 89,668,075	$ 503,983,122	$ 38,064,455

Description of Debt

Payments on the general obligation bonds are made by the bond interest and redemption fund with local property tax revenues. The compensated absences/load banking liability will be paid by the fund for which the employee worked. The claims payable liability will be paid by the Internal Service Fund. Pension expense related to the Aggregate net pension obligation will be paid by the fund for which the employee worked. See Note 13 for further details of the aggregate net pension obligation.

Bonded Debt

Bonds Payable

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, 2017, was $66,915,619.

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, 2017, was $121,220,000.

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, 2017, was $85,625,000.

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2016	Issued	Accreted Interest Addition	Redeemed	Bonds Outstanding June 30, 2017
2003	2029	2.00%-5.44%	$ 99,999,001	$ 63,465,476	$ -	$ 3,450,143	$ -	$ 66,915,619
2013	2024	0.40%-2.65%	145,910,000	138,125,000	-	-	16,905,000	121,220,000
2016	2041	2.00%-4.00%	100,000,000	100,000,000	-	-	14,375,000	85,625,000
				$ 301,590,476	$ -	$ 3,450,143	$ 31,280,000	$ 273,760,619

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

Fiscal Year	Principal (Including accreted interest to date)	Accreted Interest*	Total
2023-2027	$ 38,297,019	$ 17,147,981	$ 55,445,000
2028-2029	28,618,600	23,021,400	51,640,000
Total	$ 66,915,619	$ 40,169,381	$ 107,085,000

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

The 2013 Refunding Bonds mature through 2024 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2018	$ 17,885,000	$ 2,320,816	$ 20,205,816
2019	18,960,000	2,063,938	21,023,938
2020	20,140,000	1,729,536	21,869,536
2021	21,440,000	1,308,395	22,748,395
2022	14,425,000	902,419	15,327,419
2023-2024	28,370,000	706,827	29,076,827
Total	$ 121,220,000	$ 9,031,931	$ 130,251,931

The 2016A General Obligation Bonds mature through 2041 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2018	$ 16,345,000	$ 2,784,813	$ 19,129,813
2019	16,635,000	2,206,938	18,841,938
2020	15,550,000	1,563,238	17,113,238
2021	585,000	1,243,463	1,828,463
2022	665,000	1,224,713	1,889,713
2023-2027	4,715,000	5,642,990	10,357,990
2028-2032	7,595,000	4,533,196	12,128,196
2033-2037	11,205,000	2,978,501	14,183,501
2038-2041	12,330,000	769,051	13,099,051
Total	$ 85,625,000	$ 22,946,903	$ 108,571,903

Other Postemployment Benefits (OPEB) Obligation/Asset

The District's annual required contribution for the year ended June 30, 2017 was $8,053,819, and contributions made by the District during the year were $75,689,677. Interest on the net OPEB obligation and adjustments to the annual required contribution were $3,744,124 and $(2,293,795), respectively. Additionally, the change in value of the irrevocable OPEB trust was $5,684,633. As of June 30, 2017, the assets held in the irrevocable OPEB trust exceeded the balance of the amortized portion of the OPEB liability, which resulted in a net OPEB asset of $14,268,261. See Note 11 for additional information regarding the net OPEB asset and the postemployment benefits plan.

Compensated Absences

At June 30, 2017, the liability for compensated absences was $5,132,472.

Load Banking

At June 30, 2017, the liability for load banking was $2,834,455.

Aggregate Net Pension Obligation

At June 30, 2017, the liability for the aggregate net pension obligation amounted to $212,154,743. See Note 13 for additional information.

NOTE 11 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

Plan administration. The District's Governing Board administers the Postemployment Benefits Plan (the "Plan") — a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for the District.

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

Plan membership. At June 30, 2017, Plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	969
Active plan members	1,356
	2325

Benefits provided. The Plan provides retiree medical coverage to eligible academic and classified employees for the retiree's lifetime. Eligibility requirements vary by employee classification. All participants must have a minimum service of 15 years and be eligible to retire under CalSTRS or CalPERS. Academic and classified employees must be at least 55 and 50 years of age, respectively. The District pays 100 percent of the premium for retiree coverage, and the retiree pays for the cost of dependent coverage.

Contribution Information

Contributions. The contribution requirements of Plan members and the District are established and may be amended by the District and the Unified Faculty (UF), the local California School Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined feasible by Administration and the District's Governing Board. For fiscal year 2016-2017, the District contributed $75,689,677 to the Plan, of which $4,796,071 was used for current premiums and $70,893,606 was transferred to the OPEB irrevocable trust. Plan members are only required to contribute premiums for their dependents to the Plan.

Investments

Investment policy. The Plan's policy in regard to the allocation of invested assets is established and may be amended by the North Orange County Community College District Retirement Board of Authority by a majority vote of its members. It is the policy of the Retirement Board of Authority to pursue an investment strategy that reduces risk through the prudent diversification of 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 allocations over short time spans. The following was the Board's adopted asset allocation policy as of June 30, 2017:

Asset Class	Target Allocation
Domestic equity	23%
Fixed income	50%
International equity	20%
Real estate	7%
Total	100%

Rate of return. For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 10.06 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Total Net OPEB Liability of the District

The components of the total net OPEB liability of the District as June 30, 2017, were as follows:

Total Actuarially Accrued OPEB liability	$ 107,871,496
Plan fiduciary net position	86,578,239
District's net OPEB liability	$ 21,293,257
Plan fiduciary net position as a percentage of the total OPEB liability	80%

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	2.75 percent
Investment rate of return	6.5 percent
Healthcare cost trend rates	4.0 percent

Mortality rates were based on the 2009 CalSTRS Mortality Tables for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees tables for classified employees.

The actuarial assumptions used in the October 1, 2016 valuation were based on the results of an actuarial experience study as of September 2016.

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, 2017, (see the discussion of Plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic equity	9.1%
Fixed income	4.8%
International equity	8.7%
Real estate	7.5%
Cash	1.0%

Discount rate. The discount rate used to measure the total OPEB liability was 6.5 percent. The projection of cash flows used to determine the discount rate assumed that 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 future benefit payments of current Plan members. 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.

Sensitivity of the net OPEB liability to changes in the discount and healthcare cost trend rates. The OPEB liability is based on the actuarial report that relies on estimates and assumptions that affect the amounts reported. Particularly, changes in the discount and healthcare cost trend rates used can have a significant impact on the resulting actuarially determined OPEB liability. Actual results may differ from these estimates and assumptions.

NOTE 12 - 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.

As of June 30, 2017 and 2016, liabilities for claims amounted to $4,594,692 and $5,072,415, respectively. Changes in the claims liability amount in the fiscal years 2017 and 2016 are presented below:

	Workers' Compensation	Property and Liability	Total
Liability Balance, July 1, 2015	$ 3,689,408	$ 1,344,120	$ 5,033,528
Claims and changes in estimates	2,319,026	917,107	3,236,133
Claims payments	(2,280,139)	(917,107)	(3,197,246)
Liability Balance, July 1, 2016	3,728,295	1,344,120	5,072,415
Claims and changes in estimates	(1,361,439)	2,282,202	920,763
Claims payments	(294,324)	(1,104,162)	(1,398,486)
Liability Balance, June 30, 2017	$ 2,072,532	$ 2,522,160	$ 4,594,692
Assets available to pay claims at June 30, 2017			$ 35,181,268

NOTE 13 - 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, 2017, the District reported the net pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 126,233,864	$ 24,779,052	$ 8,005,728	$ 12,125,703
CalPERS	85,920,879	26,828,064	3,436,867	10,911,890
Total	$ 212,154,743	$ 51,607,116	$ 11,442,595	$ 23,037,593

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, 2015, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically 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 percent 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.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2017, are summarized as follows:

	STRP Defined Benefit Program	
Hire date	On or before December 31, 2012	On or after January 1, 2013
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%	9.205%
Required employer contribution rate	12.58%	12.58%
Required State contribution rate	8.828%	8.828%

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and 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 AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2017, are presented above, and the District's total contributions were $10,597,873.

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

At June 30, 2017, 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	$ 126,233,864
State's proportionate share of net pension liability associated with the District	71,862,687
Total	$ 198,096,551

The net pension liability was measured as of June 30, 2016. 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, 2016 and June 30, 2015, was 0.1561 percent and 0.1495 percent, respectively, resulting in a net increase in the proportionate share of 0.0066 percent.

For the year ended June 30, 2017, the District recognized pension expense of $12,125,703. In addition, the District recognized pension expense and revenue of $6,946,285 for support provided by the State. At June 30, 2017, 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	$ 10,597,873	$ -
Net change in proportionate share of net pension liability	4,145,648	4,926,396
Differences between projected and actual earnings on the pension plan investments	10,035,531	-
Differences between expected and actual experience in the measurement of the total pension liability	-	3,079,332
Total	$ 24,779,052	$ 8,005,728

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
2018	$ 218,942
2019	218,942
2020	5,833,688
2021	3,763,959
Total	$ 10,035,531

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability and differences between expected and actual experience in the measurement of the total pension liability 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
2018	$ (856,333)
2019	(856,333)
2020	(856,333)
2021	(856,333)
2022	(856,333)
Thereafter	421,585
Total	$ (3,860,080)

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

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. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation is based on the Teachers' Retirement Board of the California State Teachers' Retirement System (board) policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.60 percent. 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 (7.60 percent) 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:

Discount Rate	Net Pension Liability
1% decrease (6.60%)	$ 181,679,000
Current discount rate (7.60%)	126,233,864
1% increase (8.60%)	80,184,357

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, 2015, annual actuarial valuation report, Schools Pool Actuarial Valuation. This reports and CalPERS audited financial information are publically 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.

The CalPERS provisions and benefits in effect at June 30, 2017, are summarized as follows:

	School Employer Pool (CalPERS)	
Hire date	On or before December 31, 2012	On or after January 1, 2013
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%	6.00%
Required employer contribution rate	13.888%	13.888%

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, 2017, are presented above, and the total District contributions were $7,667,681.

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $85,920,879. The net pension liability was measured as of June 30, 2016. 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, 2016 and June 30, 2015, was 0.4350 percent and 0.4304 percent, respectively, resulting in a net increase in the proportionate share of 0.0046 percent.

For the year ended June 30, 2017, the District recognized pension expense of $10,911,890. At June 30, 2017, 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	$ 7,667,681	$ -
Net change in proportionate share of net pension liability	2,132,805	855,456
Differences between projected and actual earnings on the pension plan investments	13,332,157	-
Differences between expected and actual experience in the measurement of the total pension liability	3,695,421	-
Changes of assumptions	-	2,581,411
Total	$ 26,828,064	$ 3,436,867

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
2018	$ 1,870,011
2019	1,870,011
2020	6,112,558
2021	3,479,577
Total	$ 13,332,157

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability 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 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	$ 522,923
2019	1,303,329
2020	565,107
Total	$ 2,391,359

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and services

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

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 (11-60 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 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 equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. 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	51%	5.71%
Global debt securities	20%	2.43%
Inflation assets	6%	3.36%
Private equity	10%	6.95%
Real estate	10%	5.13%
Infrastructure and Forestland	2%	5.09%
Liquidity	1%	-1.05%

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. 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 (6.65%)	$ 128,194,430
Current discount rate (7.65%)	85,920,879
1% increase (8.65%)	50,419,829

On-Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal year ended June 30, 2017, which amounted to $7,410,661 (8.828 percent) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. No contributions were made for CalPERS for the year ended June 30, 2017. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

NOTE 14 - 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, 2017.

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, 2017.

Operating Leases

The District has entered into various operating leases for equipment with lease terms in excess of one year. None of these agreements contain bargain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration date. The operating lease expense for the year ended June 30, 2017, was approximately $74,621. Future minimum lease payments under these agreements are as follows:

Year Ending June 30,	Lease Payments
2018	$ 42,666
2019	42,666
2020	41,845
2021	41,770
Total	$ 168,947

Construction Commitments

As of June 30, 2017, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECTS	Remaining Construction Commitment	Expected Date of Completion
Anaheim Campus Build-Out Project	$ 97,549	On-going
Cypress College Science, Engineering, and Math Building Project	4,192,627	On-going
Cypress College Thermal Energy Project	1,005,052	On-going
Cypress College Veteran's Recourse Center Expansion	995,566	On-going
Fullerton College Thermal Energy Storage Expansion	39,682	On-going
	$ 6,330,476	

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 15 - FUNCTIONAL EXPENSES CLASSIFICATION

The District's operating expenses by functional classification for the fiscal year ended June 30, 2017, are:

	Salaries and Benefits	Supplies, Material, and Other Expenses and Services	Student Financial Aid	Equipment, Maintenance, and Repairs	Depreciation	Total
Instructional activities	$ 100,188,461	$ 3,319,241	$ -	$ 1,925,640	$ -	$ 105,433,342
Academic support	14,665,817	2,166,109	2,651	425,631	-	17,260,208
Student services	32,277,153	4,479,564	1,240,722	669,292	-	38,666,731
Plant operations and maintenance	8,569,586	7,441,597	-	414,679	-	16,425,862
Instructional support services	41,745,034	7,072,239	-	319,606	-	49,136,879
Community services and economic development	1,008,417	196,313	-	19,879	-	1,224,609
Ancillary services and auxiliary operations	3,193,523	4,138,854	-	32,507	-	7,364,884
Student aid	11,002	6,866	56,778,824	-	-	56,796,692
Physical property and related acquisitions	1,310,753	1,581,555	-	6,011,145	-	8,903,453
Depreciation	-	-	-	-	11,999,162	11,999,162
Total	$ 202,969,746	$ 30,402,338	$ 58,022,197	$ 9,818,379	$ 11,999,162	$ 313,211,822

NOTE 16 - RESTATEMENT OF PRIOR YEAR FIDUCIARY NET POSITION

The District's beginning fiduciary net position has been restated as of July 1, 2016.

The District adopted GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, in the current year. The implementation of this standard required a change in accounting principle and restatement of the beginning net position of the fiduciary funds by $10,054,992.

Fiduciary Funds	
Fiduciary Net Position - Beginning	$ 72,939,255
Restatement of Retiree OPEB Trust for implementation of GASB Statement No. 74	10,054,992
Fiduciary Net Position - Beginning, as restated	$ 82,994,247

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY/(ASSET) AND RELATED RATIOS FOR THE YEAR ENDED JUNE 30, 2017

	2017
Total Net OPEB Liability/(Asset)*	
Annual required contribution	$ 8,053,819
Interest on net OPEB obligation	3,744,124
Adjustment to annual required contribution	(2,293,795)
Contributions made from the Self Insurance Fund	(4,796,071)
Contributions made to Irrevocable Trust	(70,893,606)
Change in value of Irrevocable Trust	(5,684,633)
Net changes in total OPEB liability	(71,870,162)
Total OPEB Liability - beginning	57,601,901
Total OPEB Asset - ending (a)	**$ (14,268,261)**
Plan fiduciary net position**	
Contributions - employer	$ 70,893,606
Net investment income	5,801,332
Administrative expense	(171,691)
Net change in plan fiduciary net position	76,523,247
Plan fiduciary net position - beginning	10,054,992
Plan fiduciary net position - ending (b)	**$ 86,578,239**

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

* - The Total Net OPEB Liability was measured in accordance with GASB 45.

** - The Plan Fiduciary Net Position was measured in accordance with GASB 74.

See accompanying note to required supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS FOR OPEB
FOR THE YEAR ENDED JUNE 30, 2017

		2017
Actuarially determined contribution	$	8,053,819
Contributions in relations to the actuarially determined contribution		75,689,677
Contribution deficiency (excess)	$	(67,635,858)
Covered-employee payroll	$	140,799,025
Contribution as a percentage of covered employee payroll		53.76%

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

See accompanying note to required supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF OPEB INVESTMENT RETURNS
FOR THE YEAR ENDED JUNE 30, 2017

	2017
Annual money-weighted rate of return, net of investment expense	10.06%

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

See accompanying note to required supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 2012	$ -	$ 163,874,606	$ 163,874,606	0%	N/A	N/A
October 2014	-	153,384,773	153,384,773	0%	N/A	N/A
October 2016	81,090,332	107,871,496	26,781,164	75%	N/A	N/A

See accompanying note to required supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016	2015
CalSTRS			
District's proportion of the net pension liability	0.1561%	0.1495%	0.1590%
District's 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	$ 198,096,551	$ 153,914,816	$ 149,023,061
District's covered-employee payroll	$ 79,575,871	$ 70,822,399	$ 70,820,109
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	158.63%	142.15%	131.20%
Plan fiduciary net position as a percentage of the total pension liability	74%	74%	77%
CalPERS			
District's proportion of the net pension liability	0.4350%	0.4304%	0.4088%
District's proportionate share of the net pension liability	$ 85,920,879	$ 63,443,575	$ 46,408,766
District's covered-employee payroll	$ 50,283,625	$ 46,862,170	$ 43,007,787
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	170.87%	135.38%	107.91%
Plan fiduciary net position as a percentage of the total pension liability	79%	79%	83%

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

See accompanying note to required supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS FOR PENSIONS
FOR THE YEAR ENDED JUNE 30, 2017

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

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

See accompanying note to required supplementary information.

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Changes in the District's Net OPEB Liability/(Asset) and Related Ratios

This schedule presents information on the District's changes in the net OPEB liability/(asset), including beginning and ending balances, the plan's fiduciary net position, and the net OPEB liability/(asset). In the future, as data becomes available, ten years of information will be presented. There were no changes in benefit terms or assumptions in the current year.

Schedule of District Contributions for OPEB

This schedule presents information on the District's actuarially determined contribution, contributions in relation to the actuarially determined contribution, and any excess or deficiency related to the actuarially determined contribution. In the future, as data becomes available, ten years of information will be presented.

Valuation Date: Actuarially determined contribution rates are calculated as of October 1, 2016, nine months prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Amortization period	30 years
Asset Valuation method	Because plan assets are primarily short term, no smoothing formula was used
Inflation	2.75 percent
Health care cost trend rates	4.00 percent
Salary increases	2.75 percent
Investment rate of return	6.50 percent
Retirement age	Certificated: 2009 CalSTRS Retirement Rates Classified, hired before 1/1/2013: 2009 CalPERS Retirement Rates for School Employees Classified, hired after 12/31/2012: 2009 CalPERS Retirement Rates for Miscellaneous Employees
Mortality	Certificated: 2009 CalSTRS Mortality Classified: 2014 CalPERS Mortality for Miscellaneous Employees

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017

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 Other Postemployment Benefits (OPEB) Funding Progress

This schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

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 both CalSTRS and CalPERS.

Changes in Assumptions – There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

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

DISTRICT ORGANIZATION
JUNE 30, 2017

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

MEMBER	OFFICE	TERM EXPIRES
Ms. Molly McClanahan	President	2020
Ms. Jacqueline Rodarte	Vice President	2020
Mr. Jeffrey P. Brown	Secretary	2018
Mr. Ryan Bent	Member	2020
Mr. Stephen T. Blount	Member	2018
Dr. Barbara Dunsheath	Member	2018
Mr. Ed Lopez	Member	2020
Mr. Daniel Sebastian	Student Trustee, Cypress College	2018
Mr. Andrew Washington	Student Trustee, Fullerton College	2018

ADMINISTRATION

Dr. Cheryl A. Marshall, Ed.D	Chancellor
Mr. Fred Williams	Vice Chancellor, Finance and Facilities
Ms. Irma Ramos	Vice Chancellor, Human Resources
Dr. Cherry Li-Bugg	Vice Chancellor, Educational Services and Technology
Dr. JoAnna Schilling	President, Cypress College
Dr. Greg Schulz	President, Fullerton College
Ms. Valentina Purtell	Provost, North Orange Continuing Education
Ms. Deborah Ludford	District Director, Information Services
Ms. Kai Stearns Moore	District Director, Public and Governmental Affairs

See accompanying note to supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Grantor's Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Student Financial Assistance Cluster			
Federal Pell Grant Program	84.063		$ 41,757,973
Federal Pell Grant Program Administrative Allowance	84.063		61,450
Federal Direct Student Loans	84.268		9,530,305
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		650,441
FSEOG Administrative Allowance	84.007		20,353
Federal Work-Study Program	84.033		576,346
Federal Work-Study Program Administrative Allowance	84.033		34,711
Subtotal Student Financial Assistance Cluster			52,631,579
Passed through from California State University Fullerton Auxiliary Services Corporation			
Strengthening Transfer Education and Matriculation in STEM	84.031C	P031C110116-15	33,749
Passed through from Rancho Santiago Community College District			
Title III, Part F, Hispanic-Serving Institutions Science, Technology, Engineering, and Mathematics and Articulation Programs	84.031C	P031C110183	127,359
Passed through California Department of Education			
Adult Education and Family Literacy Act (AEFLA)	84.002A	V002A160005	1,010,516
English Literacy and Civics Education Grant (EL Civics)	84.002A	V002A160005	596,058
Passed through from California Community Colleges Chancellor's Office			
Career and Technical Education Act (CTEA), Title I, Part C	84.048	16-C01-037	2,141,588
Title I, CTEA Transitions	84.048A	16-112-037	68,620
Passed through from California Department of Rehabilitation			
College to Career Program	84.126A	29301	252,048
Workability III Program	84.126A	28858	220,526
Total U.S. Department of Education			57,082,043
NATIONAL SCIENCE FOUNDATION			
Research and Development Cluster			
Passed through from Rancho Santiago Community College District			
Advanced Technological Education Grant	47.076	15-1621.01	62,282
Passed through from Whatcom Community College			
CyberWatch West: Securing the Cyber West	47.076	1500375	27,053
Total Research and Development Cluster			89,335
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through from California Community Colleges Chancellor's Office			
Temporary Assistance to Needy Families (TANF)	93.558	[1]	170,510
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through from Orange County Transportation Authority			
Job Access - Reverse Commute	20.516	C-3-1384	146,508

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

See accompanying note to supplementary information.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Grantor's Number	Program Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through from California Department of Education			
Child and Adult Care Food Program	10.558	13666	$ 23,078
Passed through from California State University Fullerton			
Urban-Agriculture Community-Based Research Experience (U-ACRE 3.0)	10.223	2016-38422-25550	13,696
Total U.S. Department of Agriculture			36,774
U.S. DEPARTMENT OF VETERANS AFFAIRS			
Veterans Services	64.117		5,556
Total Federal Program Expenditures			$ 57,530,726 [2]

[2] The difference between the Schedule of Expenditures of Federal Awards and Federal revenues reported on the Statement of Revenues, Expenses, and Changes in Net Position is due to differences of $17,516 related to revenue recognition principles in various programs.

See accompanying note to supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

	Program Entitlements		
Program	Current Year	Prior Year	Total Entitlement
AB86 Adult Education Regional Consortium	$ 3,653,902	$ 2,643,225	$ 6,297,127
AB86 Adult Education Block - Data and Accountability	-	584,758	584,758
AS Degree Nursing Program	154,000	44,846	198,846
Baccalaureate Degree Pilot Program	15,000	332,838	347,838
Baccalaureate Degree Pilot Program Implementation Support Grant	-	625,115	625,115
Basic Skills	718,692	407,218	1,125,910
Board Financial Assistance Program (BFAP)	1,335,004	-	1,335,004
CalWORKs	949,962	-	949,962
Child Care Food Program	1,074	-	1,074
Child Development Training Consortium	13,275	-	13,275
Cooperative Agencies Resources for Education (CARE)	365,490	-	365,490
CTE Enhancement Fund	-	217,233	217,233
Deputy Sector Navigator	300,000	179,802	479,802
Disabled Students Programs and Services (DSPS)	2,931,837	-	2,931,837
AC Emergency Preparedness Grant	-	611	611
Equal Employment Opportunities	60,000	1,837	61,837
Extended Opportunity Programs and Services (EOPS)	2,486,946	-	2,486,946
General Child Care	106,483	-	106,483
Information and Communications Technology	1,950	10,269	12,219
Non-Credit Student Success and Support Program	1,324,580	428,402	1,752,982
Orange County Career Pathways Partnership	123,410	133,915	257,325
Orange County Teacher Pathway Partnership	299,542	-	299,542
Puente Project	13,500	763	14,263
Referee and Lane Technician	12,000	-	12,000
QRIS Block Grant	-	4,680	4,680
Student Equity Program	3,730,832	1,258,704	4,989,536
Student Success and Support Program	6,852,265	1,040,995	7,893,260
Teacher Preparation Pipeline	-	209,924	209,924
Work Independence Self-Advocacy Education	513,880	-	513,880
Strong Workforce Initiative	3,741,971	-	3,741,971
Community College Basic Skills and Student Outcomes Transformation Program	2,949,324	-	2,949,324
Career Technical Education Data Unlocked Initiative	150,000	-	150,000
Alternative Fuel and Vehicle Technology Training Grant (AFVT)	183,727	-	183,727
Total State Programs			

See accompanying note to supplementary information.

Program Revenues					
Cash Received	Accounts Receivable	Accounts Payable	Unearned Revenue	Total Revenue	Program Expenditures
$ 6,297,127	$ -	$ -	3,992,929	$ 2,304,198	$ 2,304,198
584,758	-	-	572,730	12,028	12,028
186,526	-	2,683	-	183,843	183,843
343,445	-	-	245,461	97,984	97,984
527,614	-	-	56,653	470,961	470,961
1,125,913	-	-	285,975	839,938	839,938
1,335,004	-	-	-	1,335,004	1,335,004
949,962	-	26,320	-	923,642	923,642
1,074	-	-	-	1,074	1,074
13,275	-	-	-	13,275	13,275
365,490	-	-	-	365,490	365,490
197,491	-	-	-	197,491	197,491
120,012	272,721	-	1,688	391,045	391,045
2,949,685	-	1,432	-	2,948,253	2,948,253
611	-	-	-	611	611
61,836	-	-	50,906	10,930	10,930
2,476,738	-	7,339	-	2,469,399	2,469,399
119,558	-	-	-	119,558	119,558
12,219	-	-	-	12,219	12,219
1,752,982	-	-	392,959	1,360,023	1,360,023
178,734	39,807	-	28,934	189,607	189,607
134,641	125,185	-	-	259,826	259,826
14,263	-	-	10,027	4,236	4,236
12,000	-	-	-	12,000	12,000
4,679	-	-	1,980	2,699	2,699
5,144,838	-	-	1,192,382	3,952,456	3,952,456
7,893,259	-	-	964,330	6,928,929	6,928,929
65,924	38,362	-	-	104,286	104,286
513,880	-	-	-	513,880	513,880
3,741,971	-	-	2,848,459	893,512	893,512
1,199,730	-	-	652,056	547,674	547,674
150,000	-	-	81,043	68,957	68,957
-	5,533	-	-	5,533	5,533
$ 38,475,239	$ 481,608	$ 37,774	$ 11,378,512	$ 27,540,561	$ 27,540,561

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT
FOR THE YEAR ENDED JUNE 30, 2017

CATEGORIES	Revised* Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2016 only)			
1. Noncredit**	643.02	-	643.02
2. Credit	2,451.29	-	2,451.29
B. Summer Intersession (Summer 2017 - Prior to July 1, 2017)			
1. Noncredit**	-	-	-
2. Credit	2,148.74	-	2,148.74
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	22,706.59	-	22,706.59
(b) Daily Census Contact Hours	798.88	-	798.88
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit**	4,554.33	-	4,554.33
(b) Credit	801.70	-	801.70
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	2,326.15	-	2,326.15
(b) Daily Census Contact Hours	817.68	-	817.68
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	37,248.38	-	37,248.38
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	-	-	-
H. Basic Skills Courses and Immigrant Education			
1. Noncredit**	2,497.92	-	2,497.92
2. Credit	2,526.20	-	2,526.20
CCFS-320 Addendum			
CDCP Noncredit FTES	2,565.56	-	2,565.56
Centers FTES			
1. Noncredit**	4,992.14	-	4,992.14
2. Credit	-	-	-

* Annual report revised as of October 31, 2017.
** Including Career Development and College Preparation (CDCP) FTES.

See accompanying note to supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2017

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional Salaries							
Contract or Regular	1100	$ 47,748,329	$ -	$ 47,748,329	$ 47,748,329	$ -	$ 47,748,329
Other	1300	28,874,327	-	28,874,327	28,874,327	-	28,874,327
Total Instructional Salaries		76,622,656	-	76,622,656	76,622,656	-	76,622,656
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	16,189,121	-	16,189,121
Other	1400	-	-	-	465,918	-	465,918
Total Noninstructional Salaries		-	-	-	16,655,039	-	16,655,039
Total Academic Salaries		76,622,656	-	76,622,656	93,277,695	-	93,277,695
Classified Salaries							
Noninstructional Salaries							
Regular Status	2100	-	-	-	35,561,463	-	35,561,463
Other	2300	-	-	-	2,560,641	-	2,560,641
Total Noninstructional Salaries		-	-	-	38,122,104	-	38,122,104
Instructional Aides							
Regular Status	2200	4,025,915	-	4,025,915	4,025,915	-	4,025,915
Other	2400	594,347	-	594,347	594,347	-	594,347
Total Instructional Aides		4,620,262	-	4,620,262	4,620,262	-	4,620,262
Total Classified Salaries		4,620,262	-	4,620,262	42,742,366	-	42,742,366
Employee Benefits	3000	54,884,914	-	54,884,914	107,412,042	-	107,412,042
Supplies and Material	4000	-	-	-	2,095,545	-	2,095,545
Other Operating Expenses	5000	-	-	-	14,459,537	-	14,459,537
Total Expenditures Prior to Exclusions		136,127,832	-	136,127,832	259,987,185	-	259,987,185

See accompanying note to supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Exclusions							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	$ 19,556,969	$ -	$ 19,556,969	$ 19,556,969	$ -	$ 19,556,969
Student Health Services Above Amount Collected	6441	-	-	-	34,089	-	34,089
Student Transportation	6491	-	-	-	59,601	-	59,601
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	23,702,317	-	23,702,317
Objects to Exclude							
Rents and Leases	5060	-	-	-	89,505	-	89,505

See accompanying note to supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	$ -	$ -	$ -	$ 5,469,927	$ -	$ 5,469,927
Total Exclusions		19,556,969	-	19,556,969	48,912,408	-	48,912,408
Total for ECS 84362, 50 Percent Law		$ 116,570,863	$ -	$ 116,570,863	$ 211,074,777	$ -	$ 211,074,777
Percent of CEE (Instructional Salary Cost/Total CEE)		55.23%		55.23%	100.00%		100.00%
50% of Current Expense of Education					$ 105,537,389		$ 105,537,389

See accompanying note to supplementary information.

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH FUND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2017.

See accompanying note to supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

PROPOSITION 30 EDUCATION PROTECTION ACT (EPA) EXPENDITURE REPORT FOR THE YEAR ENDED JUNE 30, 2017

Activity Classification	**Object Code**				**Unrestricted**
EPA Proceeds:	8630				$ 25,777,544
Activity Classification	**Activity Code**	**Salaries and Benefits (Obj 1000-3000)**	**Operating Expenses (Obj 4000-5000)**	**Capital Outlay (Obj 6000)**	**Total**
Instructional Activities	1000-5900	$ 25,777,544	$ -	$ -	$ 25,777,544
Total Expenditures for EPA		$ 25,777,544	$ -	$ -	$ 25,777,544
Revenues Less Expenditures					$ -

See accompanying note to supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEETS TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Total Fund Balance, Retained Earnings, and Due to Student Groups		
General Fund	$ 65,044,505	
Special Revenue Funds	3,925,478	
Capital Project Funds	160,557,907	
Debt Service Fund	40,743,896	
Internal Service Fund	30,586,576	
Fiduciary Funds	94,462,427	
Total Fund Balance, Retained Earnings, and Due to Student Groups		**$ 395,320,789**
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	572,772,277	
Accumulated depreciation is	(170,997,090)	401,775,187
Amounts held in trust on behalf of others (Trust Funds)		(94,412,427)
Recognizing the OPEB asset resulting from the difference between annual OPEB cost on the accrual basis and the OPEB contributions in the governmental funds.		14,268,261
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term obligations is recognized when it is incurred.		(3,356,817)
Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year-end consist of:		
Pension contributions subsequent to the measurement date	18,265,554	
Net change in proportionate share of net pension liability	6,278,453	
Difference between projected and actual earnings on pension plan investments	23,367,688	
Differences between expected and actual experience in the measurement of the total net pension liability	3,695,421	
Total Deferred Outflows of Resources related to Pensions		51,607,116

See accompanying note to supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEETS TO THE STATEMENT OF NET POSITION, CONTINUED
JUNE 30, 2017

Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year-end consist of:		
Net change in proportionate share of net pension liability	$ (5,781,852)	
Differences between expected and actual experience in the measurement of the total net pension liability	(3,079,332)	
Changes in assumption	(2,581,411)	
Total Deferred Inflows of Resources related to Pensions		$ (11,442,595)
The aggregate net pension obligation is not due and payable in the current period, and is not reported as a liability in the funds.		(212,154,743)
Long-term obligations at year end consist of:		
Bonds payable	245,790,142	
Compensated absences and load banking	7,966,927	
Less compensated absences and load banking already recorded in funds	(3,834,455)	
In addition, the District issued "capital appreciation" general obligation bonds. The accretion of interest on those bonds to date is:	33,476,618	
		(283,399,232)
Total Net Position		**$ 258,205,539**

See accompanying note to supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS OF THE GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2017

	(Budget*) 2018		2017	
	Amount	%	Amount	%
GENERAL FUND				
Revenues				
Federal	$ 5,672,444	2.1	$ 5,551,413	2.1
State	169,994,689	63.0	140,576,835	53.7
Local	94,186,875	34.9	115,746,785	44.2
Total Revenues	269,854,008	100.0	261,875,033	100.0
Expenditures				
Academic salaries	94,549,449	34.9	102,161,127	41.0
Classified salaries	59,890,574	22.1	60,147,633	24.2
Employee benefits	56,025,490	20.6	113,801,561	45.7
Supplies and materials	10,691,495	3.9	4,591,440	1.8
Other operating expenses	33,230,017	12.2	18,922,869	7.6
Capital outlay	13,475,246	5.0	6,808,481	2.7
Student financial aid	526,503	0.2	1,253,784	0.5
Interfund transfers, net	2,874,037	1.1	(58,803,326)	-23.6
Other uses, net	127,940	0.0	70,458	0.1
Total Expenditures and Other Uses	271,390,751	100.0	248,954,027	100.0
INCREASE (DECREASE) IN FUND BALANCE	$ (1,536,743)	(0.6)	$ 12,921,006	4.9
ENDING FUND BALANCE	$ 63,507,762	23.5	$ 65,044,505	24.8
FULL-TIME EQUIVALENT STUDENTS	34,099.96		37,248.38	
TOTAL LONG-TERM OBLIGATIONS, INCLUDING RETIREE BENEFIT LIABILITY	N/A		$ 525,276,382	

* The year 2018 General Fund budget was adopted by the Board on September 12, 2017. The budget is included for analytical purposes and has not been subjected to audit.

See accompanying note to supplementary information.

2016		2015	
Amount	%	Amount	%
$ 5,443,786	2.1	$ 5,914,245	2.8
143,647,457	55.2	116,102,914	54.2
110,991,759	42.7	92,340,650	43.0
260,083,002	100.0	214,357,809	100.0
93,523,515	36.7	85,771,667	39.7
54,480,399	21.4	48,483,438	22.3
53,158,483	20.8	41,231,128	19.1
4,312,638	1.7	3,992,539	1.8
17,330,002	6.8	16,347,069	7.6
6,679,789	2.6	8,168,310	3.8
1,287,958	0.4	653,743	0.3
24,180,937	9.5	11,243,162	5.3
97,978	0.1	154,197	0.1
255,051,699	100.0	216,045,253	100.0
$ 5,031,303	1.9	$ (1,687,444)	(0.8)
$ 52,123,499	20.0	$ 47,092,196	22.0
35,834.74		36,078.84	
$ 637,483,445		$ 519,145,376	

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2017

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

This schedule provides information about the District's governing board members and administration members as of June 30, 2017.

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (Part 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

Schedule of Expenditures of State Awards

The accompanying Schedule of Expenditures of State Awards includes the State grant activity of the District and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The information in this schedule is presented to comply with reporting requirements of the California Community Colleges Chancellor's Office.

Schedule of Workload Measures for State General Apportionment

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

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

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

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

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

Proposition 30 Education Protection Act (EPA) Expenditure Report

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

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2017

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

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

Schedule of Financial Trends and Analysis of the General Fund

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

INDEPENDENT AUDITOR'S REPORTS

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the 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, 2017, 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 7, 2017.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 2 to the financial statements, in 2017, the District adopted new accounting guidance, GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* 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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's 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.

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Compliance and Other Matters

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

Purpose of This Report

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

Vavrinek Trine Day & Co LLP

Rancho Cucamonga, California
December 7, 2017

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND 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, 2017. 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 the 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, 2017.

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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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Vavrinek Trine Day & Co LLP

Rancho Cucamonga, California
December 7, 2017

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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 as identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in March 2017 that could have a direct and material effect on each of the District's programs as noted below for the year ended June 30, 2017.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws and regulations, and the terms and conditions identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in March 2017.

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 to above. 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 California Community Colleges Chancellor's Office *District Audit Manual* issued in March 2017. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the applicable programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

Unmodified Opinion

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the programs noted below that were audited for the year ended June 30, 2017.

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

Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Instructional Service Agreements/Contracts
Section 424	State General Apportionment Funding System
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Dual Enrollment of K-12 Students in Community College Credit Courses
Section 428	Student Equity
Section 429	Student Success and Support Program (SSSP)
Section 430	Schedule Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 439	Proposition 39 Clean Energy
Section 440	Intersession Extension Programs
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged (TBA) Hours
Section 490	Proposition 1D and 51 State Bond Funded Projects
Section 491	Proposition 55 Education Protection Account Funds

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

The District does not offer any Intersession Extension Programs; therefore, the compliance tests within this section were not applicable.

The District did not receive any funding through Proposition 1D and 51 State Bond Funded Projects; therefore, the compliance tests within this section were not applicable.

Vavrinek Trine Day & Co LLP

Rancho Cucamonga, California
December 7, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2017

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Type of auditor's report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	No

Identification of major Federal programs:

CFDA Numbers	Name of Federal Programs or Cluster
84.007, 84.033, 84.063, 84.268	Student Financial Assistance Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 1,725,922
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	Unmodified

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2017

None reported.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

None reported.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

None reported.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

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

None reported.

State Awards Findings

None reported.

ADDITIONAL SUPPLEMENTARY INFORMATION

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2017

	General	Bookstore	Cafeteria
ASSETS			
Cash and cash equivalents	$ 196,199	$ 970,996	$ 2,284,862
Investments	81,948,413	-	-
Accounts receivable	14,212,222	16,233	72,339
Student loans receivable	580	1,205	-
Due from other funds	10,020,042	-	-
Prepaid expenses	-	258,063	-
Stores inventories	33,614	775,218	-
Total Assets	$ 106,411,070	$ 2,021,715	$ 2,357,201
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 15,429,055	$ 129,329	$ -
Due to other funds	14,436,665	326,665	-
Unearned revenue	11,500,845	-	-
Total Liabilities	41,366,565	455,994	-
FUND BALANCES			
Nonspendable	175,908	1,033,281	-
Restricted	5,880,286	-	-
Assigned	25,856,860	790,503	2,357,201
Unassigned	33,131,451	(258,063)	-
Total Fund Balances	65,044,505	1,565,721	2,357,201
Total Liabilities and Fund Balances	$ 106,411,070	$ 2,021,715	$ 2,357,201

See accompanying note to additional supplementary information.

	Child Development	Bond Interest and Redemption	Capital Outlay Projects	Revenue Bond Construction	Total Governmental Funds (Memorandum Only)
	$ -	$ -	$ 1,377,775	$ -	$ 4,829,832
	49,864	40,743,896	54,981,698	101,223,404	278,947,275
	2,520	-	159,751	88,118	14,551,183
	-	-	-	-	1,785
	82,895	-	4,518,032	-	14,620,969
	-	-	-	58	258,121
	-	-	-	-	808,832
	$ 135,279	$ 40,743,896	$ 61,037,256	$ 101,311,580	$ 314,017,997
	$ 22,855	$ -	$ 1,495,357	$ 259,992	$ 17,336,588
	107,889	-	35,462	118	14,906,799
	1,979	-	-	-	11,502,824
	132,723	-	1,530,819	260,110	43,746,211
	-	-	-	58	1,209,247
	-	40,743,896	59,506,437	101,051,412	207,182,031
	2,556	-	-	-	29,007,120
	-	-	-	-	32,873,388
	2,556	40,743,896	59,506,437	101,051,470	270,271,786
	$ 135,279	$ 40,743,896	$ 61,037,256	$ 101,311,580	$ 314,017,997

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

GOVERNMENTAL FUNDS
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

	General	Bookstore	Cafeteria
REVENUES			
Federal revenues	$ 5,551,413	$ -	$ -
State revenues	140,576,835	-	-
Local revenues	115,746,785	4,838,632	261,820
Total Revenues	261,875,033	4,838,632	261,820
EXPENDITURES			
Current Expenditures			
Academic salaries	102,161,127	-	-
Classified salaries	60,147,633	1,059,081	-
Employee benefits	113,801,561	304,085	-
Books and supplies	4,591,440	3,572,097	-
Services and operating expenditures	18,922,869	115,167	-
Capital outlay	6,808,481	-	-
Debt service - principal	-	-	-
Debt service - interest	74,621	-	-
Total Expenditures	306,507,732	5,050,430	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(44,632,699)	(211,798)	261,820
OTHER FINANCING SOURCES (USES)			
Operating transfers in	61,729,843	-	-
Operating transfers out	(2,926,517)	-	(75,000)
Other sources	4,163	-	-
Other uses - student financial aid	(1,253,784)	-	-
Total Other Financing Sources (Uses)	57,553,705	-	(75,000)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	12,921,006	(211,798)	186,820
FUND BALANCES, BEGINNING OF YEAR	52,123,499	1,777,519	2,170,381
FUND BALANCES, END OF YEAR	$ 65,044,505	$ 1,565,721	$ 2,357,201

See accompanying note to additional supplementary information.

Child Development	Bond Interest and Redemption	Capital Outlay Projects	Revenue Bond Construction	Total Governmental Funds (Memorandum Only)
$ 23,078	$ -	$ -	$ -	$ 5,574,491
151,849	236,582	5,727,523	-	146,692,789
237,104	35,484,508	2,641,401	892,153	160,102,403
412,031	35,721,090	8,368,924	892,153	312,369,683
-	-	-	-	102,161,127
479,010	-	158,187	-	61,843,911
168,059	-	47,408	-	114,321,113
20,952	-	107,257	712	8,292,458
35,313	-	1,491,113	126,947	20,691,409
-	-	11,314,427	3,540,189	21,663,097
-	31,280,000	-	-	31,280,000
-	4,442,865	-	-	4,517,486
703,334	35,722,865	13,118,392	3,667,848	364,770,601
(291,303)	(1,775)	(4,749,468)	(2,775,695)	(52,400,918)
291,303	-	2,500,000	-	64,521,146
-	-	-	-	(3,001,517)
-	-	-	-	4,163
-	-	-	-	(1,253,784)
291,303	-	2,500,000	-	60,270,008
-	(1,775)	(2,249,468)	(2,775,695)	7,869,090
2,556	40,745,671	61,755,905	103,827,165	262,402,696
$ 2,556	$ 40,743,896	$ 59,506,437	$ 101,051,470	$ 270,271,786

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

PROPRIETARY FUND
BALANCE SHEET
JUNE 30, 2017

	Internal Service Fund
ASSETS	
Cash and cash equivalents	$ 75,000
Investments	26,694,067
Accounts receivable	24,548
Due from other funds	8,429,640
Total Assets	$ 35,223,255
LIABILITIES AND FUND EQUITY	
LIABILITIES	
Accounts payable	$ 37,087
Due to other funds	4,900
Claim liabilities	4,594,692
Total Liabilities	4,636,679
FUND EQUITY	
Retained earnings	30,586,576
Total Liabilities and Fund Equity	$ 35,223,255

See accompanying note to additional supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED JUNE 30, 2017

	Internal Service Fund
OPERATING REVENUES	
Premium contributions	$ 8,429,640
OPERATING EXPENSES	
Classified salaries	162,538
Employee benefits	4,840,067
Services and other operating expenditures	1,415,428
Total Operating Expenses	6,418,033
Operating Income	2,011,607
NONOPERATING REVENUES	
Interest income	241,392
NET INCOME	2,252,999
RETAINED EARNINGS, BEGINNING OF YEAR	28,333,577
RETAINED EARNINGS, END OF YEAR	$ 30,586,576

See accompanying note to additional supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

PROPRIETARY FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from user charges	$ 6,439,450
Cash payments to employees for services	(5,002,605)
Cash payments for insurance claims	(1,890,663)
Net Cash Provided from Operating Activities	(453,818)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	235,447
Net change in cash and cash equivalents	(218,371)
Cash and cash equivalents - Beginning	26,987,438
Cash and cash equivalents - Ending	$ 26,769,067
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED FROM OPERATING ACTIVITIES	
Operating Income	$ 2,011,607
Changes in assets and liabilities:	
Due from other funds	(1,597,420)
Accounts payable	2,488
Due to other funds	(392,770)
Claim liabilities	(477,723)
NET CASH PROVIDED FROM OPERATING ACTIVITIES	$ (453,818)

See accompanying note to additional supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

FIDUCIARY FUNDS
BALANCE SHEET
JUNE 30, 2017

	Associated Students Trust	Student Representation Fee	Student Financial Aid
ASSETS			
Cash and cash equivalents	$ 860,038	$ 93,117	$ 73,875
Investments	157,136	-	6,568,811
Accounts receivable	25	-	442,457
Student loans receivable	-	1,180	755,751
Due from other funds	-	-	75,151
Prepaid expenses	-	-	-
Total Assets	$ 1,017,199	$ 94,297	$ 7,916,045
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 4,561	$ -	$ 7,823,006
Due to other funds	48,733	-	43,039
Unearned revenue	-	-	-
Due to student groups	88,860	-	-
Total Liabilities	142,154	-	7,866,045
FUND BALANCES			
Nonspendable	-	-	-
Restricted	-	-	50,000
Unassigned	875,045	94,297	-
Total Fund Balances	875,045	94,297	50,000
Total Liabilities and Fund Balances	$ 1,017,199	$ 94,297	$ 7,916,045

See accompanying note to additional supplementary information.

	Retiree Benefits	Retiree OPEB Trust	Other Trust	Other Agency Fund	Total
	$ -	$ -	$ 11,156,055	$ 41,187	$ 12,224,272
	6,025	86,578,239	5,583,120	-	98,893,331
	1,238	-	2,557,228	19,000	3,019,948
	-	-	868,809	10,035	1,635,775
	1,290,637	-	40,310	-	1,406,098
	-	-	500	-	500
	$ 1,297,900	$ 86,578,239	$ 20,206,022	$ 70,222	$ 117,179,924
	$ -	$ -	$ 773,322	$ -	$ 8,600,889
	-	-	9,453,236	-	9,545,008
	-	-	4,571,600	-	4,571,600
	-	-	4,055,024	70,222	4,214,106
	-	-	18,853,182	70,222	26,931,603
	-	-	500	-	500
	-	86,578,239	-	-	86,628,239
	1,297,900	-	1,352,340	-	3,619,582
	1,297,900	86,578,239	1,352,840	-	90,248,321
	$ 1,297,900	$ 86,578,239	$ 20,206,022	$ 70,222	$ 117,179,924

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

FIDUCIARY FUNDS
STATEMENTS OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

	Associated Students Trust	Student Representation Fee	Student Financial Aid
REVENUES			
Federal revenues	$ -	$ -	$ 51,938,719
State revenues	-	-	4,829,694
Local revenues	291,011	18,143	38,071
Total Revenues	291,011	18,143	56,806,484
EXPENDITURES			
Current Expenditures			
Classified salaries	87,461	-	-
Employee benefits	18,814	-	-
Books and supplies	53,780	-	-
Services and operating expenditures	98,041	-	3,043
Capital outlay	12,774	-	-
Total Expenditures	270,870	-	3,043
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	20,141	18,143	56,803,441
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	-	-
Operating transfers out	(15,000)	-	(35,028)
Other sources - OPEB irrevocable trust contributions	-	-	-
Other uses - student financial aid	-	-	(56,768,413)
Other uses - OPEB irrevocable trust contributions	-	-	-
Total Other Financing Sources (Uses)	(15,000)	-	(56,803,441)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	5,141	18,143	-
FUND BALANCES, BEGINNING OF YEAR, as restated	869,904	76,154	50,000
FUND BALANCES, END OF YEAR	$ 875,045	$ 94,297	$ 50,000

See accompanying note to additional supplementary information.

Retiree Benefits	Retiree OPEB Trust	Other Trust	Total
$ -	$ -	$ -	$ 51,938,719
-	-	-	4,829,694
1,596,066	5,801,332	338,689	8,083,312
1,596,066	5,801,332	338,689	64,851,725
-	-	38,451	125,912
-	-	2,241	21,055
-	-	15,465	69,245
25,798	171,691	526,354	824,927
-	-	512	13,286
25,798	171,691	583,023	1,054,425
1,570,268	5,629,641	(244,334)	63,797,300
-	-	225,214	225,214
(61,694,815)	-	-	(61,744,843)
-	70,893,606	-	70,893,606
-	-	-	(56,768,413)
(9,198,790)	-	-	(9,198,790)
(70,893,605)	70,893,606	225,214	(56,593,226)
(69,323,337)	76,523,247	(19,120)	7,204,074
70,621,237	10,054,992	1,371,960	83,044,247
$ 1,297,900	$ 86,578,239	$ 1,352,840	$ 90,248,321

NOTE TO ADDITIONAL SUPPLEMENTARY INFORMATION
JUNE 30, 2017

NOTE 1 - PURPOSE OF SCHEDULES

Fund Financial Statements

The accompanying financial statements report the governmental, proprietary, and fiduciary fund activities of North Orange County Community College District and are presented on the modified accrual basis of accounting. Therefore, some amounts presented in these financial statements may differ from amounts presented in, or used in, the preparation of the basic financial statements. This information is not a required component of the financial statements in accordance with GASB Statements No. 34 and No. 35 and is presented at the request of District management.